

## **CSR & Sustainability**

### **UNIT – I: Corporate Social Responsibility**

**“It takes 20 Years to build a reputation and only 5 minutes to ruin it”**

**- Warren Buffet**

**Business should not only be responsible morally to the stakeholders but also to the society, environment and towards a sustainable planet at large**

#### **Similar Terminologies**

- Socially Responsible Business
- Responsible Business Conduct
- Responsible Entrepreneurship
- Corporate Citizenship
- Corporate Accountability
- Corporate Sustainability

**“The continuing commitment by business to behave ethically and contribute to sustainable economic development while improving the quality of life of the workforce and their families as well as of the local community and society.”**

**- WBCSD (World Business Council for Sustainable Development)**

#### **Nature & Significance of CSR:**

##### **Approaches to social responsibility**

Several views have been developed of the responsibilities of business:

- **Milton Friedman**
- **Archie Carroll, and**
- **Andrew Carnegie**

**Friedman** is of the view that the social responsibility of business is to increase profit within the requirements of the law. If a business person acts “responsibly” by cutting the price of the firm’s

produce to prevent inflation, by making expenditures to reduce pollution, or by hiring the hard-core unemployed, that person is spending the shareholders' money for a general interest.

- **Archie Carroll** is of the view that managers of business organisation have **four responsibilities**:
  - ✓ Economic
  - ✓ Legal
  - ✓ Ethical
  - ✓ Discretionary

**Economic responsibilities** are to produce goods and services of value to society so that the firm can repay its creditors and stockholders.

**Legal responsibilities** are defined by government in laws that are expected to be obeyed

**Ethical responsibilities** are to follow the generally held beliefs about how one should act in society.

**Discretionary responsibilities** are the purely voluntary obligations a corporation assumes, i.e. philanthropic contributions.

The difference between ethical and discretionary responsibilities is that few people expect an organisation to fulfill ethical ones.

**Andrew Carnegie**, the founder of US Steel Corporation, views corporations' social responsibilities on two main principles:

- The Charity Principle
- The Stewardship Principle

**The charity principle** require the more fortunate members of society to assist its less fortunate members, including the unemployed, the handicapped, the sick and the elderly.

**The stewardship principle** required businesses and wealthy individuals to view themselves as the stewards, or caretakers, of their property.

Carnegie holds the idea that the rich hold their money "in trust" for the rest of society and can use it for any purpose that society deems legitimate.

## Principles of CSR:

- Three principles form the justification for CSR engagements by firms:
  - ❖ **Sustainability**
  - ❖ **Accountability**
  - ❖ **Transparency**

**Sustainability** implies that society must at all times use no more of its resources than can be generated.

It is concerned with how the actions of the present have recurring effects upon the opportunities of the future.

## Accountability

Here an organisation must recognise that its actions generally affect the external environment and therefore assume responsibility for the effects of its actions.

**Transparency**, means that all acts are obvious or communicated to all concerned.

As a principle of CSR, transparency indicates that organisations make clear all reports of their actions and that those reports, whether in facts or figures, give accurate and detailed information of the relevant information.

## Forms of CSR Issues:

### Concern for Consumers

- Are products safe and well designed?
- Are products priced fairly?
- Are advertisements clear and not deceptive?
- Are credit terms clear?
- Is adequate product information available?
- Are customers treated fairly by salespeople?

### Concern for Employees

- Are employees paid fair wages?

- Are employees provided safe work environment?
- Are workers hired, promoted, and treated fairly without regard to sex, race, colour, or creed?
- Are employees given special training and educational opportunities?
- Are handicapped people given employment opportunities?
- Does the business help rehabilitate employees with physical, mental, or emotional problems?

### Concern for Environment

- Is the environment adequately protected from unclean air and water, excessive noise, and other types of pollution?
- Are products and packages biodegradable or recyclable?
- Are any by-products that pose a safety hazard to society (such as nuclear waste or commercial solvents) carefully handled and properly treated or disposed of?

### Concern for Society in General

- Does the firm supports minority and community enterprises by purchasing from them or subcontracting to them?
- Are donations made to help develop and support education, art, health, and community development programmes?
- Is the social impact of plant locations or relocations considered by managers who make those decisions?

### What Is Corporate Philanthropy?

Philanthropy is most often seen in the form of financial contributions, but it can also include time and resources. The concept behind philanthropy involves making an effort to drive social change. It's not only the charitable donations that can go toward any number of direct-giving scenarios, such as disaster relief or feeding the homeless. Philanthropy involves finding a long-term solution to homelessness, rather than delivering temporary relief. On the corporate level, philanthropy is practiced in many different ways. Many corporations simply donate money to causes that are intended to bring about social change. They may or may not place their brand on the cause and take credit for the resources offered. This kind of giving often happens without any direct involvement outside of the funds offered.

Corporations may also be directly involved in philanthropy by partnering closely with a cause, or, in some cases, by bringing the efforts in-house. Some corporations have entire departments dedicated to managing their charitable gifts and philanthropic programs. Although philanthropy and charity are separated by definition, the two are commonly lumped into a single category within the corporate atmosphere. Philanthropy and charity are both programs of giving that are not necessarily limited to the communities where they operate. Most often, they simply select causes and then contribute on a financial level.

**Difference between Philanthropy and Charity:**

- Philanthropy and charity are easy to confuse, and the lines are often blurred. Charitable giving is a direct donation from the corporation to the charity. There are no strings attached and the charity can be any nonprofit cause. Philanthropy involves a cause that is attempting to solve a problem.
- A charitable donation would be something such as money given toward delivering HIV medication to infected individuals who cannot afford treatments. In the case of philanthropy, it would involve seeking a cure for HIV. In both cases, the most likely course of action would involve a direct financial contribution to the nonprofit.
- A single nonprofit can also be involved with charitable giving and with philanthropy. For example, a single organization can deliver HIV treatments while working to find a cure. The two are not mutually exclusive, which makes the donation from a corporation difficult to define. In this case, the best way for the corporation to make the distinction is by specifying what the donation is supposed to represent. With a large donation, they can even request spending reports to ensure that the money and resources are being used as intended. Ultimately, the company must distinguish between the types of contributions they are making.
- The companies making a sincere effort to donate, will pay close attention to the causes they represent. If they are really donating with specific intent, they will distinguish between the types of donations that are distributed, and they may create media around a specific cause so that they can raise awareness and increase the nonprofit's ability to raise funds and continue working.

## CSR as key to Business Success:

- A strong CSR strategy helps:

**ATTRACT THE RIGHT TALENT:** Businesses have entered a period of high competition for labor. This means that being more engaged and socially aware is no longer just the right thing for businesses to do, it is critical to attracting the best talent.

**ATTRACT INVESTORS:** Companies and their leaders have an obligation to shareholders to drive value. Investors today are looking to make Socially Responsible Investments (SRI). There is a rapidly growing trend of investor sentiment around Environmental Social Corporate Governance (ESG) and companies are viewed favorably by investors for making it a priority.

**ATTRACT CUSTOMERS:** Social engagement is not only the right thing to do, but it is also becoming critical to engage new customers. According to a study, 87% of consumers said they would buy a company's product because that company advocated for an issue they cared about.

## Business Benefits of CSR:

[https://www.ted.com/talks/wendy\\_woods\\_the\\_business\\_benefits\\_of\\_doing\\_good#t-140728](https://www.ted.com/talks/wendy_woods_the_business_benefits_of_doing_good#t-140728)

## Strategic Advantages of CSR:

- Brand awareness
- Customer loyalty and trust
- Customer engagement
- Customer advocacy
- Employee engagement

## How can it go Wrong?

### Volkswagen's woes

- Take Volkswagen as an example of corporate social responsibility gone wrong. The company knowingly dodged emission controls and promoted “environmentally friendly” cars that were anything but, in order to position themselves as the world's leading carmaker.
- Once the jig was up, things did not go over well; its CEO resigned, and the company's stock lost 25 percent of its value (not to mention the damage to the environment caused

by circumventing regulations). In this case, the company put its own interests in front of the environment, deliberately hurting its brand reputation in the process.

## **Corporate Citizenship:**

### **What do you mean by 'Citizenship'?**

**Ans.** Legal rights & duties of a member of a country

### **What is Corporate Citizenship?**

Corporate Citizenship is the management of organizations wider influences within the society for the mutual benefit of the company and the society

### **What is Good Corporate Citizenship?**

Good corporate citizenship integrates social, ethical, environmental, economic and philanthropic values in the core decision making processes of a business. Corporate citizenship has supporters and detractors from across the political and ideological spectrum, business, non-government organizations (NGOs) and the general public.

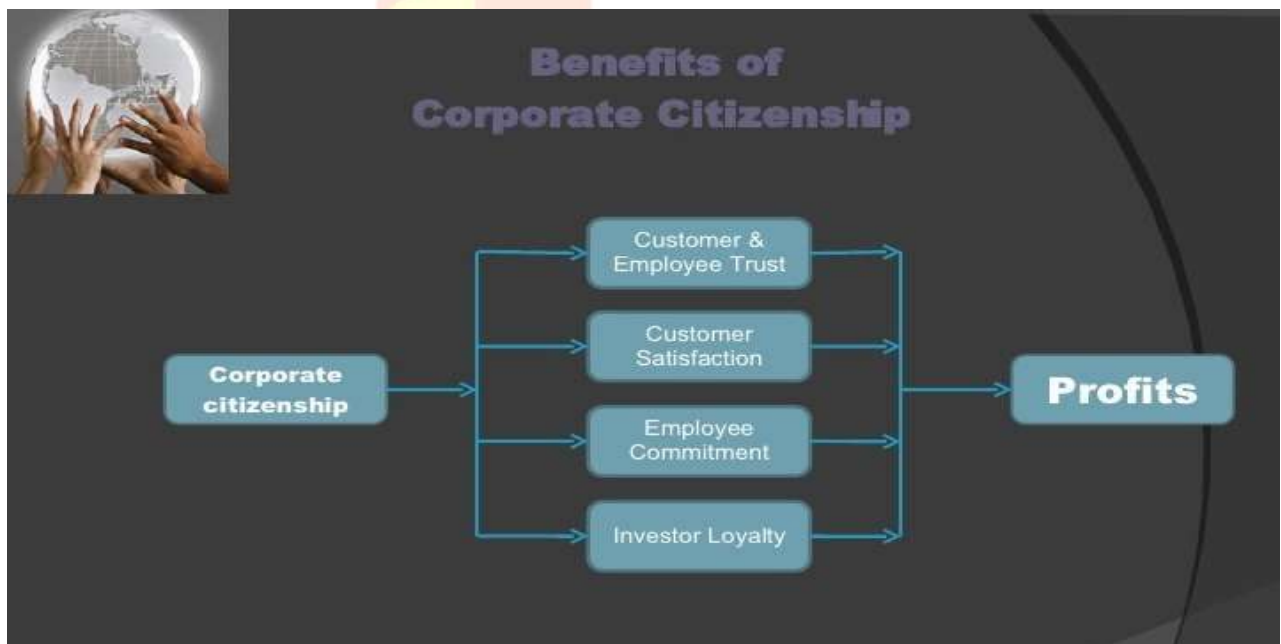
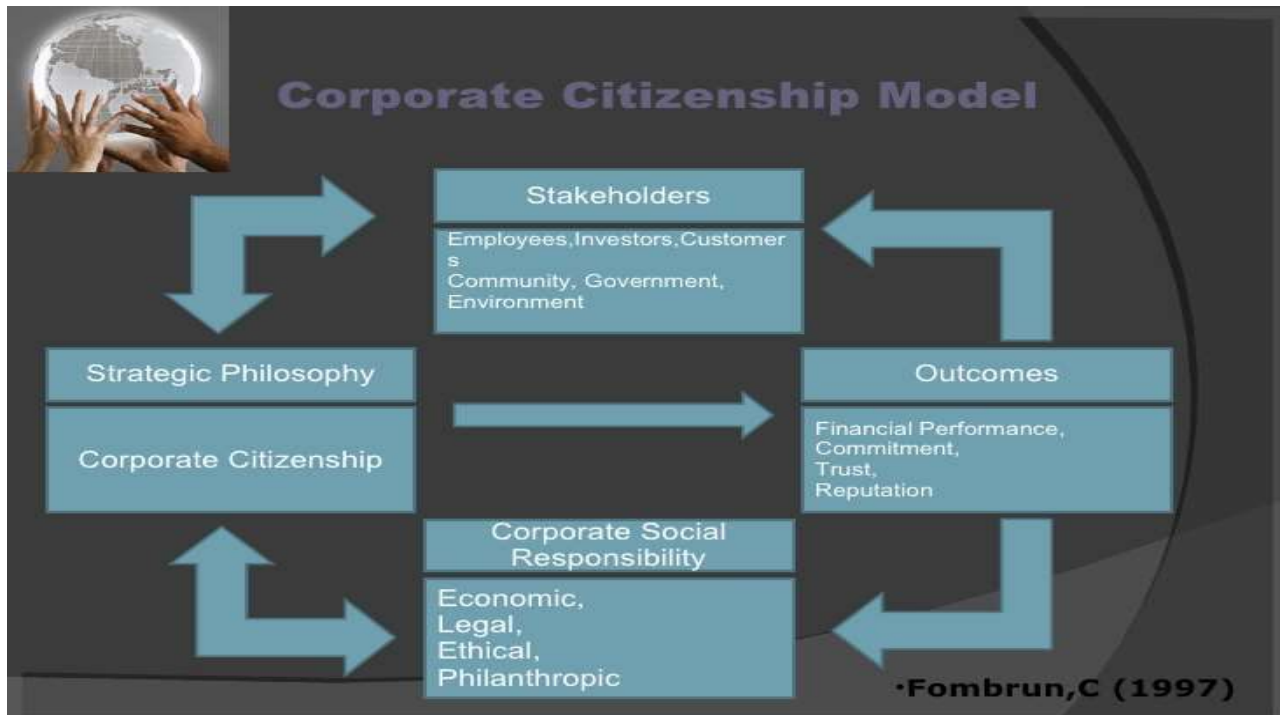
### **Corporate Citizenship & Sustainable Business:**

- **Focus of Corporate Citizenship**
  - Social Impact
  - Economic Impact
  - Environmental Impact
- **What a corporate firm has to do to be a corporate citizen?**

It has to follow **four** conditions:

1. Consistently satisfactory
2. Sustainable Economic Performance
3. Ethical Actions
4. Behaviour





Corporate Citizenship, is another phrase normally used by business executives to describe different rights and responsibilities of business activities in the society where they operate or intend to, and with the growing concern of concept of sustainability a lot of companies are aware of the major challenges before them to carryout business activities.

The long run achievement would be to make the world a better place for us and the coming generations.



**CSR & Corporate Governance:**

**What is Corporate Governance?**

- Corporate governance is the system of rules, practices and processes by which a firm is directed and controlled.
- Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, senior management executives, customers, suppliers, financiers, the government, and the community.





• **Issues in Corporate Governance Principles:**

- ✓ Internal controls & internal auditors
- ✓ The independence of the entity's external auditors & the quality of their audits
- ✓ Oversight of management of risk
- ✓ Oversight of preparation of the entity's financial statements
- ✓ Review of the compensation arrangements for the chief executive officer & other senior executives
- ✓ The resources made available to directors in carrying out their duties
- ✓ The way in which individuals are nominated for positions on the board

**Examples of Corporate Governance Failure in India:**

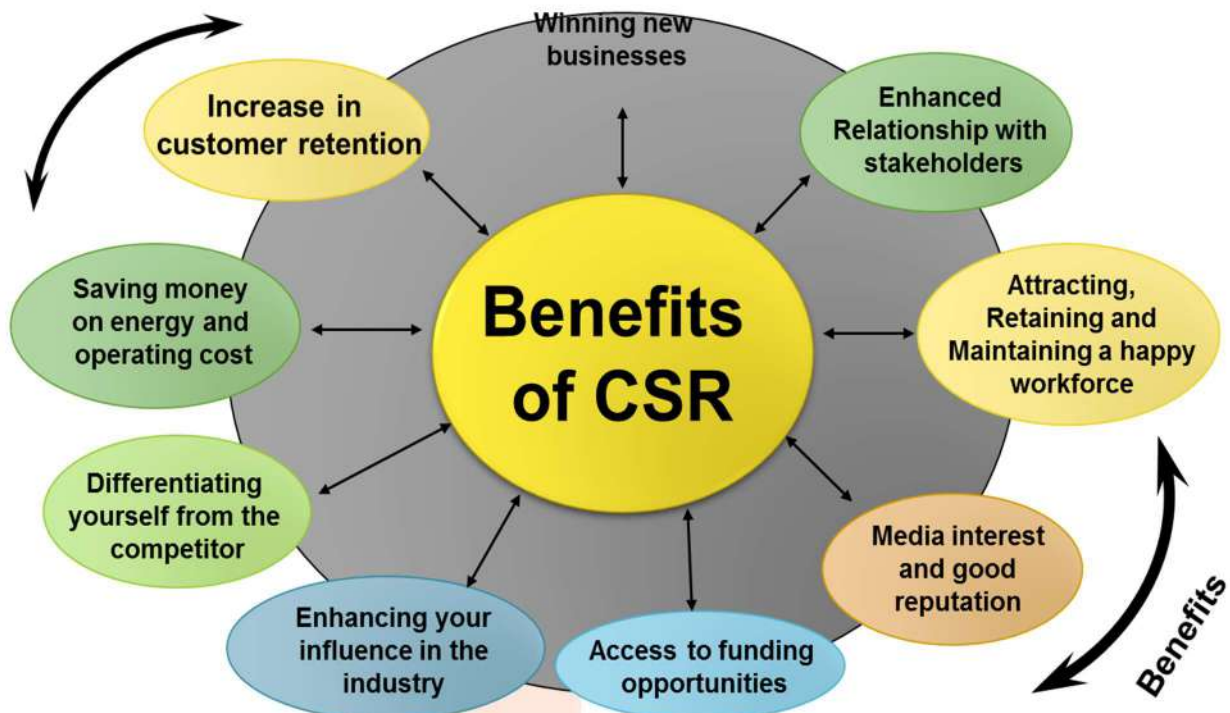
- 2G Spectrum Scam
- Satyam – Ramalinga Raju
- Harshad Mehta – The Big Bull
- IL&FS

- DHFL
- Jet Airways
- Café Coffee Day
- Yes Bank
- Tata – Mistry Fallout
- ICICI Bank – Videocon Bribery Case
- PNB – Nirav Modi Scam
- Kingfisher Airlines – Vijay Mallya Scam
- **ICSI National Awards for Excellence in Corporate Governance:**
  - ❖ ITC Chairman Sanjay Puri – 2020
  - ❖ Dabur India Ltd.
  - ❖ Indian Oil Corporation Ltd.
  - ❖ HCL Technologies Ltd.

### **Corporate Social Responsibility:**

- CSR is a concept which suggests that commercial corporations must fulfill their duty of providing care to the society.
- Ethical behaviour of a company towards society is promoting activities like engaging directly with local communities, identifying their basic needs and integrating their needs with business goals and strategic intent.

### **Benefits of CSR:**



### **Environmental Aspects of CSR:**

#### **Environmental Responsibilities of Corporates**

- Use of genetic material & technology transfer
- Use and handling of genetically modified organisms
- Greenhouse gas emissions and global warming
- Soil & water contamination
- Treatment and reduction of waste water
- Eco-efficiency
- Recycling and reuse of materials
- Protection of forest resources

#### **Green Strategies for CSR**

- Green Buildings: The Leadership in Energy & Environmental Design (LEED) certification by the Green building Council has caused the growth of green building movement

- Emphasis on green manufacturing in order to reduce the emissions of greenhouse gases and environmental pollutions
- Green products initiatives in order to reduce the toxic chemicals
- Product stewardship encourages everyone in the value chain to contribute to product sustainability from producers to regulators to retailers to consumers thereby achieving zero waste and sustainable production

## **Environmental Aspects of CSR:**

### **CSR toward energy efficiency, emission reduction and biodiversity conversation**

- Innovation in alternative transportation such as hybrid vehicles and electric vehicles by companies like Toyota, Nissan, Honda and Tesla Motors in order to curb the greenhouse gas emissions and reduce the environmental hazards.
- Many companies like IBM, Staples and BP are using Renewable Energy Credits (RECs) and Solar Energy in order to support the clean energy projects.
- Companies such as Adani, IKEA, the Body Shop are promoting Biodiversity conservation, sustainable forestry initiative, organic farming and fair trade in order to balance the need for both business growth, sustaining and preserving the depleting natural resources.

### **CSR towards Sustainable Waste Management**

- Towards the goal of achieving a cleaner environment, usage of sustainable packaging materials made of biodegradable plastics instead of PVC plastics.
- Reducing or making the productive use of waste in order to achieve the ultimate goal of zero- waste by emphasizing on recycling.

## **Evolution & Implementation of CSR in India:**

### **First Phase**

- Charity & philanthropy were the main drivers.
- After arrival of colonial rule from 1850 onwards, the approach towards CSR changed.

### **Second Phase**

- ❑ During the independence movement, there was increased stress on Indian industrialists to demonstrate their dedication towards the progress of the society.

- ❑ Mahatma Gandhi introduced the notion of 'Trusteeship'.
- ❑ Business established trusts for schools & colleges and also helped in setting up training and scientific institutions. The operations of the trusts were largely in line with Gandhi's reforms.

### **Third Phase (1960-80)**

- elements of mixed economy.
- the public sector was seen as the prime mover of development.
- the policy of industrial licensing, high taxes & restrictions on the private sector led to corporate malpractices.
- This led to enactment of legislation regarding corporate governance, labour and environmental issues.
- Shift of expectation from the public to the private sector and their active involvement in the socio-economic development of the country became absolutely necessary.
- In spite of such attempts the CSR failed to catch steam.

### **Forth Phase (1980 onwards)**

- Indian companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy.
- Increased growth momentum of the economy helped Indian companies grow rapidly and this made them more willing and able to contribute towards social cause.
- Indian companies also export and produce goods for the developed world, need to pay a close attention to compliance with the international standards.

### **Current State of CSR in India**

- ✓ Basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders.
- ✓ It is important to protect the goodwill and reputation, defending attacks & increasing competitiveness.
- ✓ Companies have specialized CSR teams.



- ✓ Corporates join hands with NGO's and use their expertise in devising programs which address wider social problems.

## **Current State of CSR in India**

- ✓ **Law:** Under the Companies Act, 2013, any company having a net worth of Rs. 500 Crore or more, or a turnover of Rs. 1,000 Crore or more, or a net profit of Rs. 5 Crore or more, should mandatorily spend 2% of their net profits per fiscal on CSR activities.

## **UNGC Principles & OECD Guidelines of CSR:**

- UNGC Principles are 10 universally accepted principles for business that are committed to align their operations with sustainability.
- OECD Guidelines express the expectations of governments regarding companies' behaviour.

## **10 Principles of UNGC**

- **Human rights**

1. Businesses should support and respect the protection of internationally proclaimed human rights and
2. Make sure they are not complicit in human rights abuses

- **Labour**

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
4. The elimination of all forms of forced and compulsory labour
5. The effective abolition of child labour and
6. Eliminate discrimination in respect of employment and occupation

- **Environment**

7. Businesses should support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility and
9. Encourage the development and diffusion of environmentally friendly technologies

- **Anti-corruption**



**10. Businesses should work against corruption in all its forms, including extortion and bribery**

**The six OECD Principles:**

- Ensuring the basis of an effective corporate governance framework
- The rights and equitable treatment of shareholders and key ownership functions
- Institutional investors, stock markets, and other intermediaries
- The role of stakeholders in corporate governance
- Disclosure and transparency
- The responsibilities of the board

**UNGC Principles & OECD Guidelines of CSR:**

**OECD Guidelines**

- General Policies
  - Consumer Interests
  - Employment & Industrial Relations
  - Environment
  - Combating Bribery
  - Disclosure
  - Science & Technology
  - Competition
  - Taxation
- 



**UNIT – II**

**CSR Legislations in India**

**Section 135 of Companies Act 2013:**

- Every Company having –
    - Net worth of Rs. 500 Crore or more, or
-

- Turnover of Rs. 1000 Crore or more, or
  - Net Profit of Rs 5 Crore or more
- During any financial year shall constitute a CSR Committee of the Board consisting of **three** or more directors, out of which **one shall be independent** director
- Boards Report Shall disclose the composition of CSR Committee
  - **Functions of CSR Committee**
    - Formulate and recommend to Board, the CSR policy of the company which shall indicate the activities to be undertaken by company as specified in Schedule VII.
    - Recommend the amount of expenditure to be incurred on the activities described in the CSR policy.
    - Monitor the CSR Policy from time to time
  - **Functions of Board of Company**

Board of every company referred in sub-section (1) shall

- ✓ After taking into account the recommendations of CSR Committee, approve the CSR policy and disclose the contents of such policy in its report and also place it on company's website, if any in such manner as may be prescribed.
- ✓ Ensure that the activities as are included in CSR Policy of the company are undertaken by the company.

The Board of every company referred in sub-section (1), shall ensure that the company spends, in every financial year, at least 2% of average net profit of the company made during the three immediate preceding financial years, in pursuance of its CSR Policy

Provided the preference shall be given to local areas

Provided that if company fails to spend such amount, the board shall, in its report made under clause (0) of section 134, specify the reason for not spending the amount.

- IICA (Indian Institute of Corporate Affairs) has listed more than Twenty One thousand companies which come in this CSR ambit
- Constitution of CSR Committee is mandatory
- CSR Committee constituted before 1st April 2014 will be null
- CSR Committee must be constituted by resolution of the Board

- Details of the committee members must be revealed in public domain viz. company's website
- Companies have to prepare their CSR policy document and publish on its website.
- Act provides the flexibility to change the policies amid the financial year provided it is approved by the Board
- Failing to comply with own CSR policy may result into punishment which may be monetary or imprisonment
- Company should design their CSR Policy very cleverly and avoid setting unrealistic targets or including too many activities which they cannot complete
- 5 % of total CSR expenditure can be spent by Companies for building CSR capacity of their own personnel as well as those of their implementing agencies.
- Earmarked amount should be spent in same FY, carry forward is not available.
- CSR should be taken up in Project/ Programme mode only
- Expenses incurred by companies for the fulfilment of any Act/Statute of regulations (such as Labour Laws, land Acquisition Act. Etc.) would not count as CSR expenditure
- Salary paid to regular CSR staff as well as employee volunteer (in terms of hour/ wages) can be factored into CSR expenditure.

### **Activities under Schedule VII:**

- Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water
- Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently able and livelihood enhancement projects
- Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups
- Measures for the benefit of armed forces veterans, war widows and their dependents

- Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts
- Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water.
- Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports
- Contributions or funds provided to technology incubators located within academic Institutions which are approved by the Central Government Rural development projects
- Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio- economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women.

#### **Additional items included in Schedule VII:**

- Contribution towards Slum Area Development
- Contribution under Swachh Bharat Kosh & Clean Ganga Fund

#### **Other Noteworthy Points in Schedule VII:**

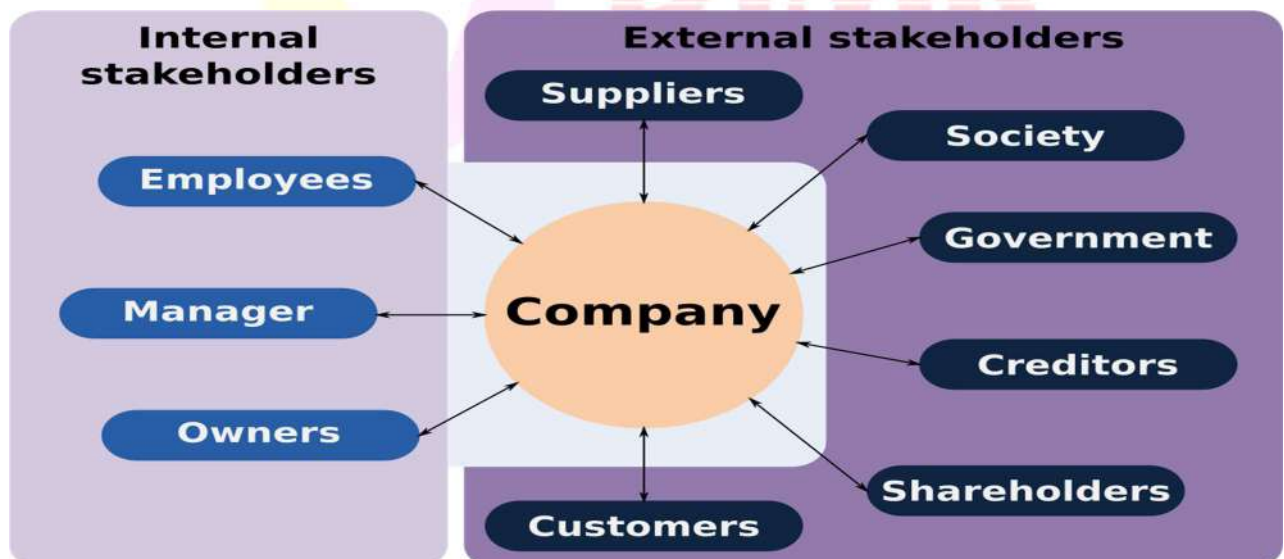
- Organizing religious functions is not CSR
- Construction and renovation of temples is CSR and comes under Protection of national heritage, art and culture including restoration of buildings and: sites of historical importance and works of art
- For CSR preference should be given to local areas is applicable to manufacturing companies, besides there is no restriction on area chosen for implementing CSR activities
- Whole CSR amount cannot be contributed to Prime Minister Relief fund. Objective of this clause was to ensure that if companies fails to comply with 2% rule by the end of year they may contribute to this fund to meet their legal requirement.
- Signatory of annual CSR report , CEO and Chairman of CSR Committee shall be responsible for any failure in achieving CSR target
- After 21st August IICA will upload the list of NGOs on its website which shall be deemed certified to be engaged for implementation of CSR projects

- Contribution to any political party, doing some work on behalf of Govt. officials shall not be deemed CSR unless the activities are referred in Company's CSR Policy as per Schedule VII
- Even such activities are enlisted in policy then company has to implement the same itself or with its implementing partner which it has already described in the CSR Policy.

**Leadership & CSR:**

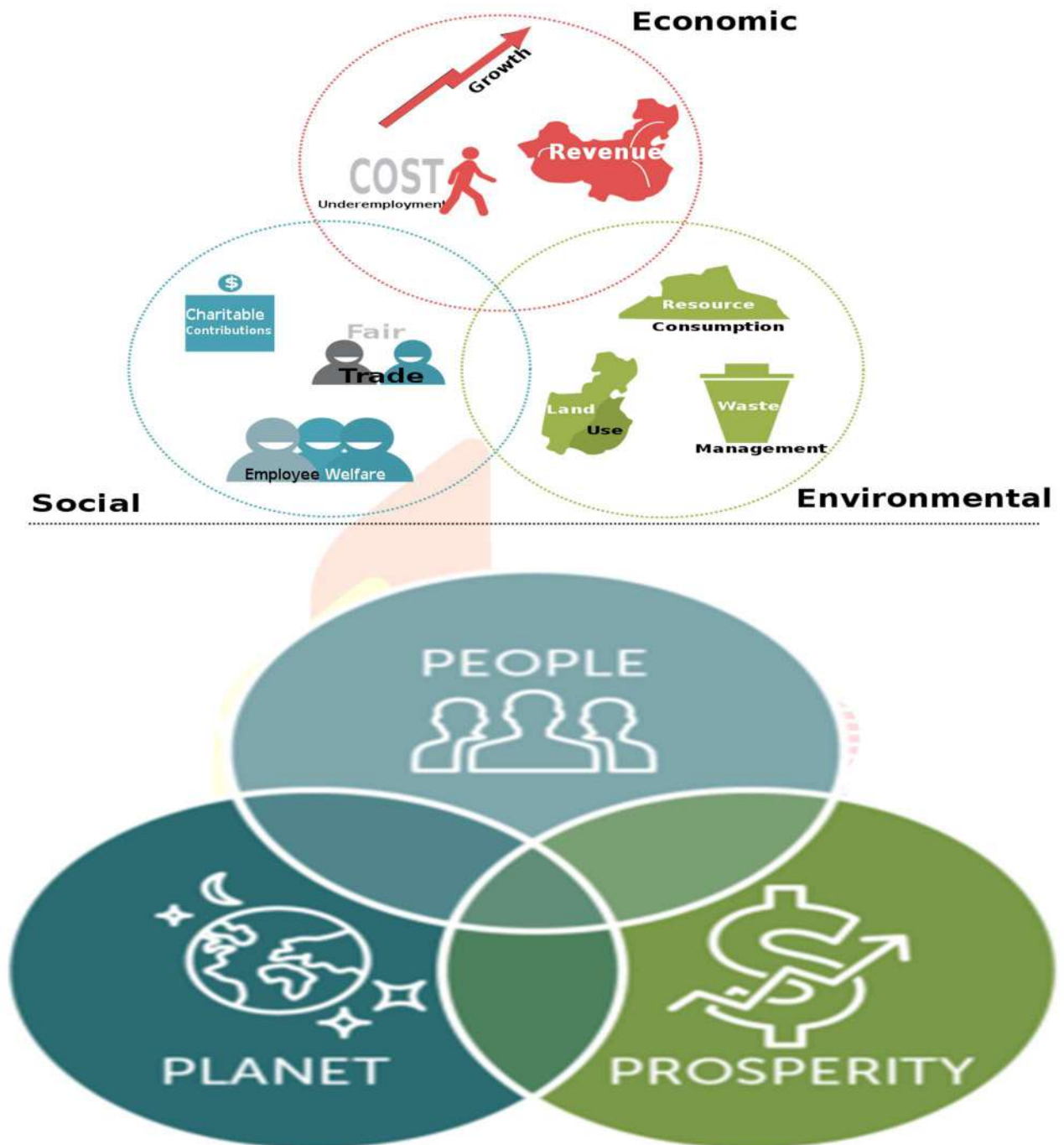


**Identifying the Key Stakeholders of CSR:**



**CSR & Triple Bottom Line:**





Triple bottom line means expanding the traditional framework to take into account ecological and social performance in addition to financial performance.

- In 1981 Freer Spreckley first articulated the term
- Sustainability, itself, was first defined by the Brundtland Commission of the United Nations in 1987

- The phrase was coined by John Elkington in his book 'Cannibals with Forks: the Triple Bottom Line of 21st Century Business' in the year 1998.
- The concept of TBL demands that a company's responsibility lies with stakeholders rather than shareholders
- In this case, "stakeholders" refers to anyone who is influenced, either directly or indirectly, by the actions of the firm.

### Three pillars of TBL

- **PEOPLE**
- **PLANET**
- **PROFIT**

### PEOPLE

- "People" (human capital) pertains to fair and beneficial business practices toward labour and the community and region in which a corporation conducts its business.
- A TBL company conceives a reciprocal social structure in which the well-being of corporate, labour and other stakeholder interests are interdependent.

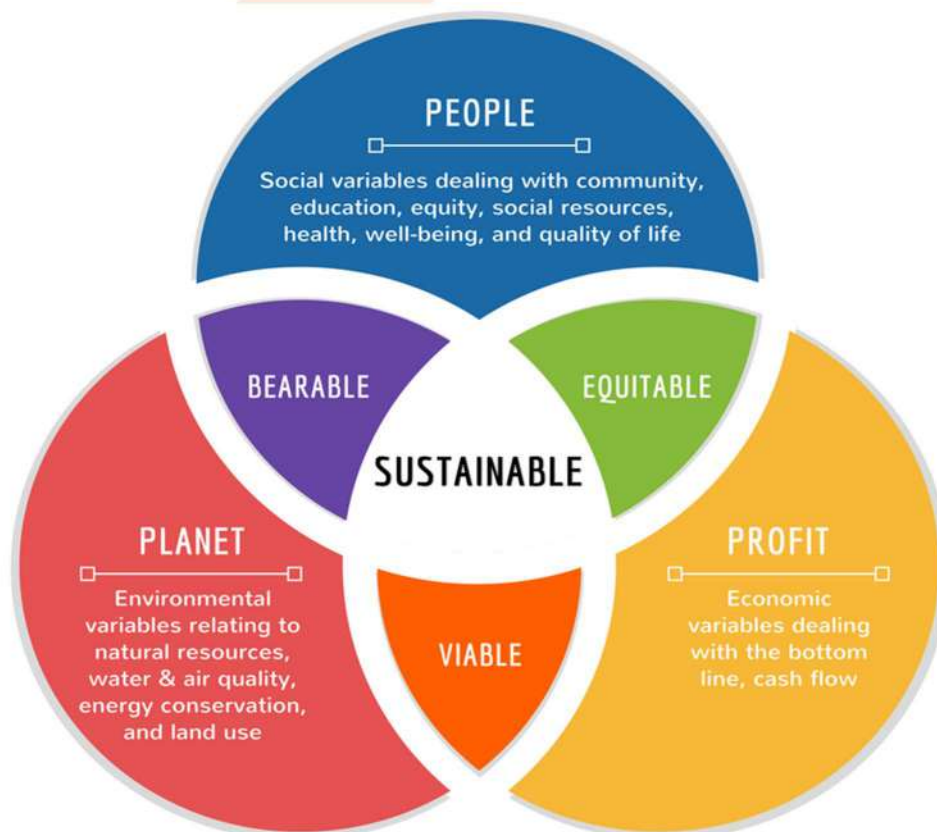
### PLANET

- "Planet" (natural capital) refers to sustainable environmental practices
- A TBL company endeavors to benefit the natural order as much as possible or at the least do no harm and curtail environmental impact.
- A TBL endeavor reduces its ecological footprint by, among other things, carefully managing its consumption of energy and non-renewable and reducing manufacturing waste as well as rendering waste less toxic before disposing of it in a safe and legal manner.
- TBL manufacturing businesses which typically conduct a life cycle assessment of products to determine what the true environmental cost is from the growth and harvesting of raw materials to manufacture to distribution to eventual disposal by the end user.
- A triple bottom line company does not produce harmful or destructive products such as weapons, toxic chemicals or batteries containing dangerous heavy metals for example.



## PROFIT

- "Profit" is the economic value created by the organization after deducting the cost of all inputs, including the cost of the capital tied up.
- It therefore differs from traditional accounting definitions of profit. In the original concept, within a sustainability framework, the "profit" aspect needs to be seen as the real economic benefit enjoyed by the host society. It is the real economic impact the organization has on its economic environment.
- This is often confused to be limited to the internal profit made by a company or organization (which nevertheless remains an essential starting point for the computation).
- Therefore, an original TBL approach cannot be interpreted as simply traditional corporate accounting profit plus social and environmental impacts unless the "profits" of other entities are included as a social benefits.



- Currently, the cost of disposing of non-degradable or toxic products is borne financially by governments and environmentally by the residents near the disposal site and elsewhere.

- In TBL thinking, an enterprise which produces and markets a product which will create a waste problem should not be given a free ride by society.
- It would be more equitable for the business which manufactures and sells a problematic product to bear part of the cost of its ultimate disposal.
- Ecologically destructive practices, such as overfishing or other endangering depletions of resources are avoided by TBL companies
- Often environmental sustainability is the more profitable course for a business in the long run. Arguments that it costs more to be environmentally sound are often specious when the course of the business is analyzed over a period of time
- Generally, sustainability reporting metrics are better quantified and standardized for environmental issues than for social ones.

<https://www.youtube.com/watch?v=Z5KZhm19E00>

<https://www.youtube.com/watch?v=N8dXNzCIVxg>

Rachel Hutchisson's talk is about why the end of Corporate Social Responsibility is A GOOD THING. Why is it a good thing? Because it will be replaced, by "Human Social Responsibility."

### **Role of Public Sector in CSR:**

#### **First four key public sector roles:**

- Mandating
- Facilitating
- Partnering
- Endorsing

#### **Public sector activities under 10 key themes of the CSR agenda:**

- Setting and ensuring compliance with minimum standards
- Public policy role of business
- Corporate governance
- Responsible investment
- Philanthropy and community development

- Stakeholder engagement and representation
- Pro-CSR production and consumption
- Pro-CSR certification, “beyond compliance” standards, and management systems
- Pro-CSR reporting and transparency
- Multilateral processes, guidelines, and conventions

Oil & Natural Gas Commission (**ONGC**) - projects identified under the 12 focus areas:

1. Education including vocational courses
2. Health Care
3. Entrepreneurship (self-help & livelihood generation) schemes
4. Infrastructure support near ONGC operational areas
5. Environment protection, ecological conservation, promotion,
6. 6. Protection of heritage sites UNESCO heritage monuments etc.
7. 7. Promotion of artisans, craftsman, musicians, artists etc. for preservation of heritage, Art & Culture
8. 8. Women’s Empowerment, Girl Child Development, Gender sensitive projects 9. Water Management including ground water recharge
9. 10. Initiatives for Physically and Mentally challenged
10. 11. Sponsorship of seminars, conferences, workshops etc.
11. 12. Promoting Sports/sports persons; supporting agencies promoting sports / sports persons.

### **Role of Non Profit Organizations in CSR:**

- **CSR** is something, which cannot be thrust upon any **company**.
- It has to do it voluntarily.
- So the **role** of NGOs, voluntarily groups, civil service **organization** plays a vital **role** under the header of **corporate social responsibility**. Where it shows the ways towards society and environmental development.

- Identification of need
- Independent Association With Corporates
- An Approach To Success In Social Alliance
- Design Of Strategy Formulation
- Implementation Of Strategy
- Assessment And Success Rate Of The Program

### **NGO's Strategic Approach towards CSR**

- NGO's have strategic missions, visions and goals to achieve and gain support of the public and other stakeholders
- Have missions that can be shared with the public, other stakeholders and organizations
- They develop attainable visions, form organizational culture. They determine their approaches to their members and other stakeholders
- Their strategic plans are consistent with their missions, visions and goals
- NGOs gain the support of media, opinion leaders, independents groups and public besides the support of their members
- Organizing meetings and workshops, using management information systems and effective communication tools such as media and internet to inform these groups and gain their support. This support help to find new funds and not to be controlled by governments and other organizations
- The strategic cooperation between NGOs at national and global levels support their growth strategies, help to develop core competencies and get the advantage of different expertise
- They reveal reports to public to inform about their practices and their results to survive and gain the public support.

### **Role of NGOs:**

- Sustainable development by regulating hazardous wastes
- NGOs have begun to fix their sights on powerful corporations - many of which can rival entire nations in terms of their resources and influence

- NGOs have helped organizations to focus on externalities apart from economic gain
- Increasing pressure from activists and from NGOs
- Auditing audits – Labour Human and Environmental records

### **Cos and NGOs cooperation:**

- NGOs need  
Public support,  
New members and  
Financing
- To achieve this – Projects for the welfare of the society – to gain public trust. • Companies can approach NGOs to conduct corporate responsibility projects whereas NGOs can approach companies to find financing for their prospective projects
- Appropriate partners should be chosen - with good reputation.
- They should prepare reports that show the needs for the projects in the society and to companies.
- Mutually beneficial goals and missions of the project
- Projects should aim at long term relationships
- Marketing strategies should be effective and should be agreeable by both the parties
- CSR projects should be supported by top management and other stakeholders
- Top management plays an important role in the success of the projects

### **Role of Local self-Government in CSR:**

#### **The Changing Role of Government**

- Understanding the changing role of the governments in promoting corporate social responsibility
- Governments should join other stakeholders in assuming a relevant role as drivers of CSR
- Governments are working together with intergovernmental organizations in the field of CSR

- Governments are recognizing that public policies are key in encouraging a greater sense of CSR

## **Promoting CSR**

- Governments have adopted strategies and roles to promote CSR.
- The integration of new partnerships that governments establish in the CSR area with the private sector and social organizations

## **Win-Win Situation**

- Governments are incorporating a common statement and discourse on CSR, working in partnership with the private and social sectors.
- For governments, CSR implies the need to manage a complex set of relationships in order to develop a win-win situation between business and social organizations

## **Re-Inventing Roles**

- The role of government and private sector has been changing over the years
- The increase of societal problems has led the government and private sector to re-invent themselves
- There is continuing commitment by businesses to behave ethically and contribute to sustainable economic development while improving the quality of life

## **Governments and CSR**

- Governments have joined other stakeholders in assuming a role as drivers of CSR.
- Governmental initiatives converged (united) with the actions of different international organizations such as the UN, World Bank, both promoting and endorsing CSR
- Recognizing that the role of public administration and public policy initiatives were key in encouraging a greater sense of CSR

## **CSR as a useful framework**

- CSR is seen as a useful framework within which new ways of collaborating between corporations, governments and civil society can be found, creating innovative mechanisms for governance.

- The demand for societal governance to cope with the social challenges such as unemployment, poverty and environmental problems.

### **CSR and Sustainable Development:**

- One of the most important elements of CSR is the link between CSR and sustainable development
- CSR has been described as the business contribution to sustainable development
- Governments have an opportunity and the responsibility to assume a leadership role in creating a more sustainable environment in which sustainable business can thrive, building conditions that promote sustainability

### **Contemporary Issues & Hurdles in CSR:**

- **The Shrinking Role of Government:**

In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.

- **Demands for Greater Disclosure:**

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

- **Increased Customer Interest:**

There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environics International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance

- **Growing Investor Pressure:**

Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. The Social Investment Forum reports that in the US in 1999, there was more than \$2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility. A separate survey by Environics International revealed that more than a quarter of share-owning Americans took into account ethical considerations when buying and selling stocks. (More on socially responsible investment can be found in the 'Banking and investment' section of the site.)



- **Competitive Labour Markets:**

Employees are increasingly looking beyond paychecks and benefits, and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

- **Supplier Relations:**

As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

### **Challenges How to measure CSR:**

- Social Compliance
- Cultural Diversity & Understanding of Local Law
- Lack of Role of Media
- No Guidelines
- No Knowledge
- Lack of consent in implementing the policies

### **Current Trends & Opportunities in CSR:**

- Increased Transparency
- Green Technology
- Global Companies Acting Locally
- Diversity and Inclusion
- Virtual Community Engagement
- CSR Initiatives Closely Aligned with Current Events
- Closer Integration with the Internal and External Communities
- Stakeholders Are The Target Audience, Not Just Shareholders

## CSR – A Strategic Business Tool for Sustainable Development:

### Importance of Corporate Responsibility

- ❖ Ethical behaviour on the part of all staff
- ❖ High standards of CR
- ❖ Transparency in corporate dealings
- ❖ Labour practices and employee rights
- ❖ Environmental practices
- ❖ Equitable pricing and remuneration policies
- ❖ Philanthropy and charitable giving
- ❖ Ethical investments
- ❖ Higher employee morale and commitment
- ❖ Enhancement of the brand with customers
- ❖ Better relations with governments, local communities
- ❖ Competitive advantage over rivals
- ❖ Reduced likelihood of regulatory intervention

### **Factors leading to increasing attention of CSR:**

- Sustainable development:** Many studies have underlined the fact that human kind is using natural resources at a faster rate than they are being replaced. If this continues, future generations will not have the resources they need for their development. CSR is an entry point for understanding sustainable development issues and responding to them in a firm's business strategy
- Globalization:** CSR can play a vital role in detecting how business impacts labour conditions, local communities and economies, and what steps can be taken to ensure business helps to maintain and build the public good. This can be especially important for export-oriented firms in emerging economies.
- Governance:** Governments and intergovernmental bodies, such as the UN, the Organisation for Economic Co-operation and Development (OECD) and the International Labour Organization (ILO) have developed various compacts, declarations, guidelines,

principles and other instruments that outline norms for what they consider to be acceptable business conduct. CSR instruments often reflect internationally-agreed goals and laws regarding human rights, the environment and anti-corruption

- ❑ **Corporate sector impact:** Companies are global ambassadors of change and values. How they behave is becoming a matter of increasing interest and importance
- ❑ **Communications:** Advances in communications technology, such as the Internet and mobile phones, are making it easier to track and discuss corporate activities. In the CSR context, modern communications technology offers opportunities to improve dialogue and partnerships
- ❑ **Finance:** Consumers and investors are demanding more information on how companies are addressing risks and opportunities related to social and environmental issues. A sound CSR approach can help build share value, lower the cost of capital, and ensure better responsiveness to markets.
- ❑ **Ethics:** A number of serious and high-profile breaches of corporate ethics resulting in damage to employees, shareholders, communities or the environment—as well as share price—have contributed to elevated public mistrust of corporations. A CSR approach can help improve corporate governance, transparency, accountability and ethical standards
- ❑ **Consistency and Community:** Citizens in many countries are making it clear that corporations should meet the same high standards of social and environmental care. In the CSR context, firms can help build a sense of community and shared approach to common problems
- ❑ **Business Tool:** Businesses are recognizing that adopting an effective approach to CSR can reduce the risk of business disruptions, open up new opportunities, drive innovation, enhance brand and company reputation and even improve efficiency.

### **Benefits of implementing a CSR approach:**

#### **Company benefits:**

- ✓ Improved financial performance
- ✓ Lower operating costs
- ✓ Enhanced brand image and reputation
- ✓ Increased sales and customer loyalty
- ✓ Greater productivity and quality

- ✓ More ability to attract and retain employees
- ✓ Reduced regulatory oversight
- ✓ Access to capital
- ✓ Workforce diversity
- ✓ Product safety and decreased liability
- ✓ Increased business leads
- ✓ Increased staff morale and skills development
- ✓ Innovation in processes, products and services
- ✓ Managing the risks a company faces

#### **Benefits to the community and the general public:**

- ✓ Charitable contributions
- ✓ Improved relationships with the local community, partners and clients
- ✓ Employee volunteer programmes
- ✓ Corporate involvement in community education, employment and homelessness programmes
- ✓ Product safety and quality.

#### **Environmental benefits:**

- ✓ Greater material recyclability
- ✓ Better product durability and functionality
- ✓ Greater use of renewable resources
- ✓ Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labelling.

#### **Role of CSR in Community Development:**

- To share the negative consequences as a result of industrialization
- Closer ties between corporations and community

- Helping to get talents
- Role in transfer of technology (TOT)
- CSR helps to protect environment
- CSR is for human right corporate sustainability
- Interdependency between a corporation and community
- A CSR program can be seen as an aid to alleviate poverty
- A CSR program helps in data gathering for other public organization function

## **CSR & Business Ethics:**

- Ethics are codes of values and principles that govern the action of a person, or a group of people regarding what is right versus what is wrong
- Therefore, ethics set standards as to what is good or bad in organizational conduct and decision making
- It deals with internal values that are a part of corporate culture and shapes decisions concerning social responsibility with respect to the external environment.
- The terms ethics and values are not interchangeable
- Whereas ethics is concerned with how a moral person should behave; values are the inner judgments that determine how a person actually behaves. Values concern ethics when they pertain to beliefs about what is right and wrong.
- In the business setting, being ethical means applying principles of honesty and fairness to relationships with coworkers and customers
- Business or corporate ethics is a form of applied ethics or professional ethics that examines ethical principles, and moral or ethical problems that arise in a business environment
- It is an umbrella term that covers all ethics-related issues that come up in the context of doing business.
- Business ethics is defined as the rules, standards, codes, or principles that provide guidance for morally appropriate behavior in managerial decisions relating to the operations of the corporation, and business relationship with the society

- It applies to all aspects of business conduct and is relevant to the conduct of individuals and the entire organization
- Furthermore, business ethics is the behavior that a business adheres to in its daily dealings with its stakeholders (e.g., employees, customers, suppliers, immediate community and society in general)
- The growth of business organization relies on its sound ethical code of conduct set to guide both management and employees in its daily activities
- The advantages of ethical behavior in business include the following:
  - ✓ **Build customer loyalty**
  - ✓ **Retain good employees**
  - ✓ **Positive work environment**
  - ✓ **Avoid legal problems**

### Effect of Globalization on CSR:

- For multinational corporates, globalisation not only brings more opportunities and benefits for multinational corporates, but also makes multinational corporates adapt to the changing environment and accept the unprecedented challenges in the global level, industrial level and other levels.
- Corporate social responsibility is considered as one of the most significant aspects facing firms employing international business.
- multinational corporates reconsiders the fact that the moral, ethical, environmental and social issues should be incorporated into the process of decision making on business strategies and operations.
- Globalisation to a great extent promotes this evolution of corporate social responsibility all over the world.
- In one hand, globalisation further makes the public and organizations recognize and understand the negative consequences, such as the increasing income inequality, the exploitation of labour, and environmental unsustainability.
- Since multinational corporates and their business further deepen this trend of the negative consequences, corporate responsibility is paid more attention to by the public and international community.

- However, on other hand, the development of international business and the activities of multinational firms are considered as the solution of global problems, such as the supplier of public goods and the protection of citizenship rights and human rights.
- Corporate social responsibility is to some extent viewed as one of the considerable forces to solve the negative consequences of globalisation and the existing global problems.
- In accordance with the theoretical perspective, there are two aspects of the effect of globalisation on corporate social responsibility.
  1. economic growth not only makes the public and national governments concentrate on welfare augmentation and its benefits for the society, but also makes them recognize that economic development is the consequence of the combination of social, economic and moral implications.

In ideal environment, economic growth will provide the equal distribution of income and welfare, the respect and protection of human rights and other aspects, which all people will share.

However, globalisation to a certain extent further intensifies the phenomenon on inequality. During this process, who to be responsible for the balance between economic growth and inequality is considered as the significant path of coping with the negative consequences of globalisation.

2. During the process of globalisation, the firms can maximize the efficiency and the performance of firms' business through the worldwide allocation of resources. Nevertheless, the firms encounter the fierce competition beyond the spectrum of country or area.

The competition not only brings more value and interests for their consumers, but also makes firms rethink their concerns of social, ethical and environmental issues and decision making process.

There is a fact that more and more consumers concern the perception of firms' environmental and social issues and socially responsible behaviours.

Furthermore, the shareholders and stakeholders also focus on the implement of the strategies on environment and social communities. They will invest in the responsible and sustainable companies that produce the benefits and profits in the long term. Based on these facts from consumers and shareholders, more and more companies concentrate on the implementation and development of social responsibility.



## **CSR Funds – Criteria & Policies with legal Framework:**

- Corporate Social Responsibility (CSR) implies a concept, whereby companies decide voluntarily to contribute to a better society and a cleaner environment – a concept, whereby the companies integrate social and other useful concerns in their business operations for the betterment of their stakeholders and society in general in a voluntary way.

Basically, “Corporate Social Responsibility” means and includes but is not limited to:

- Projects or program relating to activities specified in Schedule VII to The Act.
- Projects or program relating to those activities which are undertaken by the Board of directors of a company in ensuring the recommendation of the CSR Committee of the Board as per declared CSR Policy of the Company along with the conditions that such policy will cover subjects specified in Schedule VII of the Act.

## **Applicability**

### **The provisions of CSR applies to:**

- Every company
- Its holding company
- It’s subsidiary company
- Foreign company

### **Having in the preceding financial year:**

- Net worth > 500 crore
- Turnover > 1000 crore
- Net profit > 5 crore

### **Importance of Corporate Social Responsibility:**

- CSR is an immense term that is used to explain the efforts of a company in order to improve society in any other way.
- CSR improves the public image by publicizing the efforts towards a better society and increase their chance of becoming favourable in the eyes of consumers.

- CSR increases media coverage as media visibility throws a positive light on the organisation.
- CSR enhances the company's brand value by building a socially strong relationship with customers.
- CSR helps companies to stand out from the competition when companies are involved in any kind of community.

### **Role of Board of Directors:**

- The role of the Board of Directors is as follows:
- After considering the recommendations made by the CSR Committee, approve the CSR policy for the Company.
- The Board must ensure only those activities must be undertaken which are mentioned in the policy.
- The Board of Directors shall make sure that the company spends in every financial year, minimum of 2% of the average net profits made during the 3 immediately preceding financial years as per CSR policy.
- In case a company has not completed 3 financial years since its incorporation, the average net profits shall be calculated for the financial years since its incorporation.

### **The Board's Report shall disclose:**

- CSR Committee's composition
- The contents of CSR Policy
- In case CSR spending does not meet 2% as per CSR Policy, the reasons for the unspent amount, and details of the transfer of unspent amount relating to an ongoing project to a specified fund (transfer within a period of six months from the expiry of the financial year).

### **Transfer and Use of Unspent Amount**

- The specified funds for transfer of unspent amount are:
- A contribution made to the prime minister's national relief fund.

- Any other fund is initiated by the central government concerning socio-economic development, relief and welfare of the scheduled caste, minorities, tribes, women and other backward classes.
- A contribution made to an incubator is funded either by the central government, the state government, public sector undertaking of state or central government, or any other agency.

**Contributions made to:**

Public-funded universities

National Laboratories and Autonomous Bodies (established under the auspices of the Indian Council of Agricultural Research (ICAR)

Council of Scientific and Industrial Research (CSIR)

Department of Atomic Energy (DAE)

Indian Institute of Technology (IITs)

Indian Council of Medical Research (ICMR)

Defence Research and Development Organisation (DRDO) Ministry of Electronics and Information Technology)

Department of Science and Technology (DST) engaged in conducting research in technology, science, medicine, and engineering aimed at encouraging Sustainable Development Goals (SDGs).

- In case of the unspent amount relating to an ongoing project under the company's CSR policy, the amount shall be transferred by the firm in less than 30 days from the end of the financial year to an exclusive account to be opened by a firm in any scheduled bank.
- The account shall be designated as 'Unspent Corporate Social Responsibility Account', and the funds shall be used towards its obligations under the CSR policy within a period of three financial years from the date of the transfer.
- In a case where the company fails to utilise the funds at the end of the three financial years, the funds should be transferred to the specified fund mentioned above within a period of thirty days upon completion of the third financial year.

## **CSR Reporting:**

With respect to CSR Reporting, the provisions are as follows:

- The Board's Report referring to any financial year initiating on or after the 1st day of April 2014 shall include an annual report on CSR.
- In the case of a foreign company, the balance sheet filed shall contain an Annexure regarding a report on CSR.

## **CSR Policy:**

- CSR Policy elaborates the activities to be undertaken by the Company as named in Schedule VII to the Act and spend. The activities should not be the same which are done by the company in its normal course of business
- Contents of CSR Policy should be placed on the company's website by the Board.
- The activities mentioned in the policy must be undertaken by the company.
- The Company can join hands with other companies for undertaking projects or programs or CSR activities and report separately on such programs or projects.
- The CSR policy shall monitor the projects or programs.

## **List of Permitted Activities To Be Included in Accordance With Schedule VII of the Companies Act, 2013:**



- **Fines and Penalties for Non-Compliance**

In case a company fails to comply with the provisions relating to CSR spending, transferring and utilising the unspent amount, the company will be punishable with a minimum fine of Rs 50,000 which may increase to Rs 25 lakh. Further, every officer of such company who defaults in the compliance will be liable for a punishment which is imprisonment for a term which may extend to three years or with a minimum fine of Rs 50,000 which may increase to Rs 5 lakh, or with both.

## **UNIT –III**

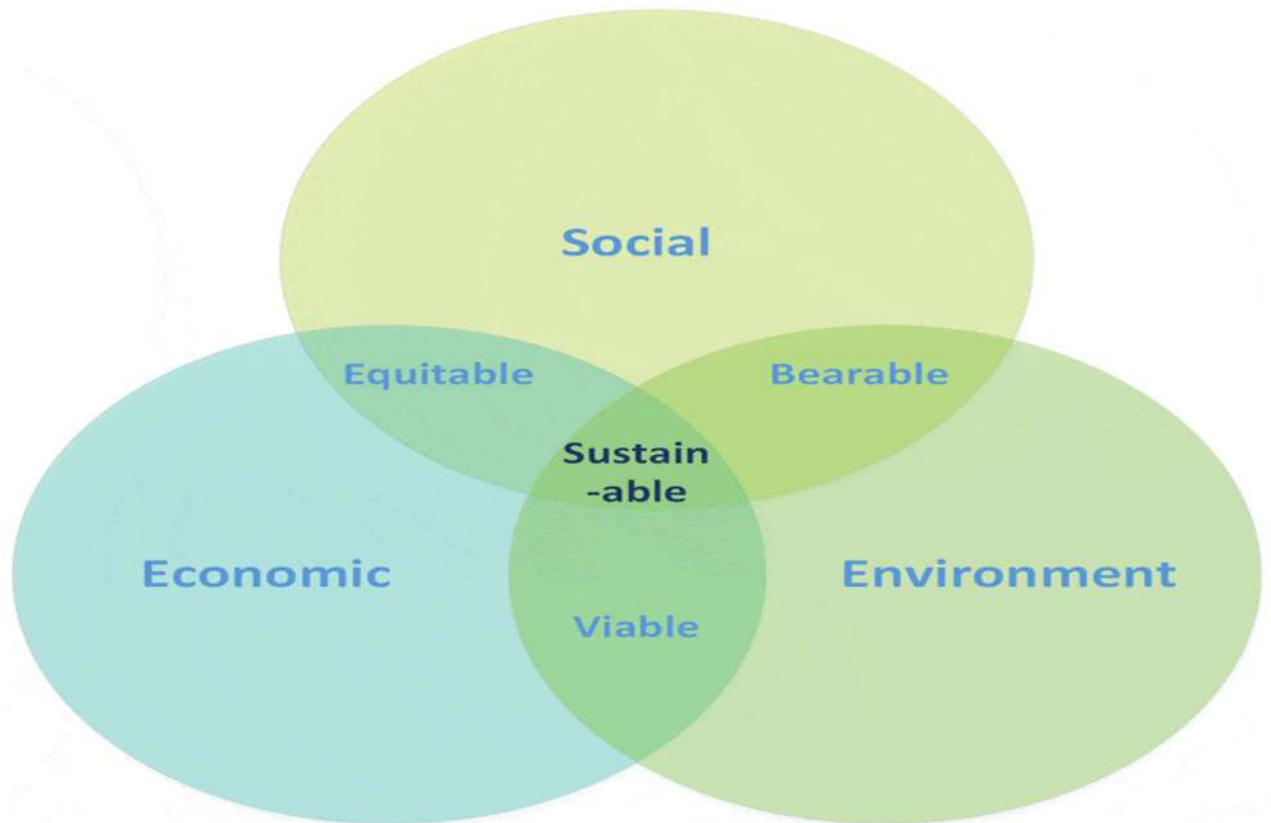
### **Introduction to Sustainability & Sustainable Development**

#### **Sustainability & sustainable development:**

- *“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”*

#### **Three Pillars of Sustainability:**

The definition of sustainability may be taken further and it is widely accepted that to achieve sustainability we must balance economic, environmental and social factors in equal harmony. This may be illustrated with a sustainability Venn diagram.



- **Environmental Sustainability:**

Environmental sustainability means that we are living within the means of our natural resources. To live in true environmental sustainability, we need to ensure that we are consuming our natural resources, such as materials, energy fuels, land, water...etc. at a sustainable rate. Some resources are more abundant than others and therefore we need to consider material scarcity, the damage to environment from extraction of these materials and if the resource can be kept within Circular Economy principles. We need to aspire to net zero carbon and then move beyond to ultimately achieve climate positive principles. Environmental sustainability should not be confused with full sustainability, which also need to balance economic and social factors.

- **Economic Sustainability:**

Economic sustainability requires that a business or country uses its resources efficiently and responsibly so that it can operate in a sustainable manner to consistently produce an operational profit. Without an operational profit a business cannot sustain its activities. Without acting



responsibly and using its resources efficiently a company will not be able to sustain its activities in the long term.

### **Social Sustainability:**

Social sustainability is the ability of society, or any social system, to persistently achieve a good social wellbeing. Achieving social sustainability ensures that the social wellbeing of a country, an organisation, or a community can be maintained in the long term.

- Social + Economic Sustainability = Equitable**
- Social + Environmental Sustainability = Bearable**
- Economic + Environmental Sustainability = Viable**

### **Need of sustainable development:**

- It promotes inter-generational equity, i.e. better quality of life for present and future generations
- The basic concept of **sustainable development** aims to maintain a balance between economic advancement while protecting the environment in order to meet the **needs** of the present as well the future generations
- From the last two or three decades, we have seen that for the sake of economic growth, the health of the environment has taken a toll. As a result, there has been an impact on the environment such as decline in air quality and climate change due to greenhouse gases.
- All these factors led to the need for sustainable development, as if left unchecked it can cause irreversible damage to the environment

### **Importance of sustainable development:**

1. Using the available resources judiciously and working towards maintaining the ecological balance
2. To prevent degradation of the environment and laying emphasis on protecting the environment
3. To prevent overexploitation of resources

### **Gandhian Thought on sustainable development:**

- Sustainable development means to “fulfill the present needs without compromising the needs of future generation.” Mahatma Gandhi’s way of living is the best example of sustainable development for world. In Mahatma Gandhi words, “Earth provides enough to satisfy every man’s need but not any man’s greed.”
- The economic development is the most important marker of country’s growth. In order to achieve targets of development, developing and developed countries are irrationally exploiting their natural resources without concerns and understanding of how to exploit and when to exploit. Our lives are widely dependent on availability of the natural resources. If correct balanced is strike between usage of resources and availability of resources than lives of people and integrity of planet could be managed well. However when life is turned into excessive luxury and comfort this balance could break. The concept of the sustainable development is multi-dimensional and multi-modal. “Use and Throw” is not fit for the sustainable development while Reduce- Recycle-Reuse is the best concept of sustainable development as it refers to balancing of needs and usage.

### **Sustainable development and social framework:**

- **Social** Life have developed a **framework** for **social sustainability** which has four dimensions: amenities and infrastructure, **social** and cultural life, voice and influence, and space to grow.

### **Difference between sustainable development and green development:**

- ❖ "**Green**" and "**sustainable**" are terms that point to environmental awareness and preserving natural resources.
- ❖ "**Green**" is strictly concerned with the environmental health. "**Sustainable**" is concerned with environmental health, economic vitality, and social benefits.

### **Criticism of sustainable development:**

- As **sustainable development** (or **sustainability**) has grown in prominence, its **critics** have become more numerous and more vocal.
- Three major lines of **criticism** are that the term is “**too boring**” to command public attention, “**too vague**” to provide guidance, and “**too late**” to address the world's problems.

## 17 point charter-UN AGENDA FOR GLOBAL PEACE & SUSTAINABLE DEVELOPMENT-2030:

### Sustainable Development Goals:

1. Goal 1. End poverty in all its forms everywhere
2. Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
3. Goal 3. Ensure healthy lives and promote well-being for all at all ages
4. Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5. Goal 5. Achieve gender equality and empower all women and girls
6. Goal 6. Ensure availability and sustainable management of water and sanitation for all
7. Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all
8. Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
9. Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
10. Goal 10. Reduce inequality within and among countries
11. Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable
12. Goal 12. Ensure sustainable consumption and production patterns
13. Goal 13. Take urgent action to combat climate change and its impacts
14. Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
15. Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
16. Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

17. Goal 17. Strengthen the means of implementation and revitalize the global partnership for sustainable development

### **Sustainability report:**

- Sustainability reporting enables organizations to consider their impacts on a wide range of sustainability issues. This enables them to be more transparent about the risks and opportunities they face.
- Sustainability reporting is the key platform for communicating sustainability performance and impacts. A sustainability report in its basic form is a report about an organization's environmental and social performance.

### **Drivers of sustainability reporting:**

- ❖ Better reputation
- ❖ Meeting the expectations of employees
- ❖ Improved access to capital
- ❖ Increased efficiency and waste reduction

### **Benefits of Sustainability Reporting:**

#### **Internal benefits for companies and organizations:**

- Increased understanding of risks and opportunities
- Emphasizing the link between financial and non-financial performance
- Influencing long term management strategy and policy, and business plans
- Streamlining processes, reducing costs and improving efficiency
- Benchmarking and assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives
- Avoiding being implicated in publicized environmental, social and governance failures
- Comparing performance internally, and between organizations and sectors

#### **External benefits:**

- Mitigating negative environmental, social and governance impacts
- Improving reputation and brand loyalty

- Enabling external stakeholders to understand the organization's true value, and tangible and intangible assets
- Demonstrating how the organization influences, and is influenced by, expectations about sustainable development

## **Stakeholder impact:**

### **What is stakeholder?**

- Those groups without whose support the organization would cease to exist
- Any group or individual who can affect or is affected by the achievement of the organization's objectives

### **Common Group of stakeholders:**

- Managers
- Employees
- Customers
- Investors
- Shareholders
- Suppliers

### **Generic groups of stakeholders:**

- Government
- Society at large
- The local Community

### **Additional stakeholder to an organization:**

#### **Environment**

- Because it can be affected by organizational activities like
- the utilization of natural resources as a part of its production process
- the effect of competitions between itself and other organizations in the same market

- the enrichment of a local community through the creation of employment opportunities
  - transformation of the landscape due to raw material extraction or waste product storage
  - the distribution of wealth created within the firm to the owners of that firm (via dividends) and the workers of that firm (through wages) and the effect of this upon the welfare of the individuals
  - pollution caused by increased volumes of traffic and increased journey time because of those increased volumes of traffic
- 

## **UNIT – IV**

### **Dimensions of Sustainable Development**

#### **Three Dimensions:**

- **Environmental:** Depletion of resources, Management of Human Energy consumption, Waste Generation & Management, Greenhouse emission & global warming, Air & Water Pollution, Climate Change, Ozone Hole, Ecological Footprints, Eco-tracking, Carbon marketing, Carbon Credits, Economics of sustainability, Designing for the environment & greening the supply chain, regulation.
- **Economic:** Achieving economic growth with minimal environmental degradation, nature as an economic externality, economic opportunity, Introduction and implementation of inclusive growth models for rural development, Sustainable livelihood for tribal communities
- **Social:** Peace, Security, Social equity and justice; Sustainability and poverty; Human relationship with nature- Human-Nature Conflicts, Human settlements

#### **Role of Stakeholders:**

- Stakeholder's Engagement
- Business Models for sustainable development: Indian & Global perspectives

#### **Role of Volunteers:**

- Role of NGOs
  - Industry's participation in sustainable development
-



- Citizens' participation in sustainable development

## Role of NGOs

- As recognized by the 2030 Agenda, NGOs play critical roles in SDG implementation: we raise awareness and mobilize; build capacity; design and implement projects; monitor and review policies; collect data; provide technical expertise; and both support and hold governments accountable to their commitments

## Industry's participation in sustainable development

- **Industry** increases productivity, job creation and generates income, thereby contributing to poverty eradication and addressing other **development** goals.

## Citizens' participation in sustainable development

- The purposes of public participation are **to promote transparency, encourage openness in government, and build ownership of development decisions as well as programmes and projects**. Public participation encourages citizens to be more engaged in the decision-making processes that have an impact on their local community.

## Projects:

### Sweden's Model of Sustainable Development

The Swedish **green model** means **integrating business and sustainability**. Together with its Nordic neighbours, Sweden has emphasised that green growth can drive transition through technical innovation rather than pose a risk. This involves adapting society to cope with environmental changes already underway.

### Sweden's Model of Sustainable Development

<https://sustainabledevelopment.un.org/memberstates/sweden>

<https://www.youtube.com/watch?v=QTryT-su65U>

<https://www.sei.org/events/tracking-swedens-environmental-impacts/>

<https://www.youtube.com/watch?v=uH0WKunW6n8>

<https://sweden.se/climate/sustainability/sweden-and-sustainability>

### Denmark's Model of Sustainable Development

Denmark is a frontrunner in sustainable development with a universal health care and educational system, gender equality, a generous social safety net, cooperation among social partners, responsible business, clean and efficient energy production, personal freedom and more.

### **Denmark's Model of Sustainable Development**

<https://sustainabledevelopment.un.org/memberstates/denmark#:~:text=Denmark%20is%20a%20frontrunner%20in,tion%2C%20personal%20freedom%20and%20more.>

<https://stateofgreen.com/en/>

<https://stateofgreen.com/en/about/denmarks-green-transition/>

<https://foodnationdenmark.com/strongholds/sustainability/>

<https://blogs.iadb.org/ciudades-sostenibles/en/sustainable-urban-transport-what-can-we-learn-from-copenhagen/>

<https://city2city.network/sustainable-city-future-copenhagen-denmark>

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## **UNIT-V**

### **Sustainable Development & Business Ethics: Sustainability reporting**

#### **Triple Bottom Line Reports:**

- Also referred as CSR Reports / ESG Reports / Social & Environmental Reports

#### **The Content of Sustainability Reports:**

##### **Vision & Strategy**

- Statement of the organization's vision and strategy regarding its contribution to sustainable development
- Statement from the CEO describing key elements of the report

##### **Profile**

- Organizational Profile
  - Scope of the report
-

- Report profile

## Governance Structure and Management Systems

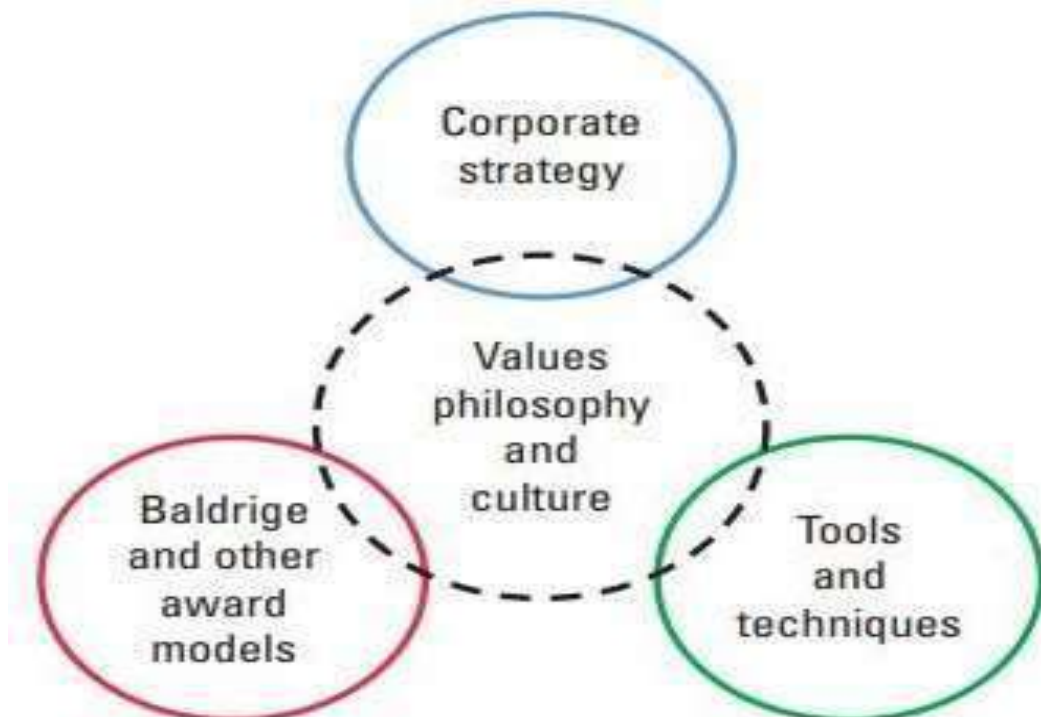
### Global Reporting Initiative (GRI) Content Index

- Performance Indicators
  - Economic performance indicators
  - Environmental performance indicators
  - Social performance indicators

### Social Accountability Standard-ISO 26000:

- ISO 26000:2010 is **intended to assist organizations in contributing to sustainable development**. It is intended to encourage them to go beyond legal compliance, recognizing that compliance with law is a fundamental duty of any organization and an essential part of their social responsibility.

### Social Responsibility Guidance Standard:



- Is intended as guidance, not for certification
- Presents a comprehensive documentation of social responsibilities including core subjects and issues related to those subjects
- Was published in 2010 by the International Organization for Standardization (ISO), a specialized international agency for standardization composed of the national standards bodies of more than 160 countries
- Was written by a unique multi-sectoral group representing governments; non-governmental organizations (NGOs); industry; consumer groups; labor; and academic, consulting, and other organizations around the world
- More than 400 experts and 200 observers from 99 countries and 42 international organizations contributed to the development effort
- Last reviewed for possible revision in 2014

The ISO 26000 standard provides guidance on:

- Recognizing social responsibility and engaging stakeholders
- Ways to integrate socially responsible behavior into the organization

The seven key underlying principles of social responsibility:

- Accountability
- Transparency
- Ethical behavior
- Respect for stakeholder interests
- Respect for the rule of law
- Respect for international norms of behavior
- Respect for human rights

The seven core subjects and issues pertaining to social responsibility:

- Organizational governance
- Human rights

- Labor practices
- The environment
- Fair operating practices
- Consumer issues
- Community involvement and development

## **Global Compact Principles:**

### **10 Principles of UNGC**

#### **Human Rights**

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

#### **Labour**

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

#### **Environment**

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

#### **Anti-Corruption**

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

## **Environmental Impact Assessment:**

- It is a process of evaluating the likely environmental impacts of a proposed project or development, taking into account inter-related socio-economic, cultural, and human-health impacts, both beneficial and adverse. EIA is a tool used to assess the positive and negative environmental, economic, and social impacts of a project. This is used to predict the environmental impacts of a project in the pre-planning stage itself so that decisions can be taken to reduce the adverse impacts.
- Objectives of Environmental Impact Assessment
- Identifying, predicting, and evaluating economic, environmental, and social impacts of development activities.
- Providing information on the environmental consequences for decision making.
- Promoting environmentally sound and suitable development by identifying appropriate alternatives and mitigation measures.

## **Environmental Impact Assessment (EIA) Process**

- Screening - Which projects need a full or partial assessment study is decided in this stage
- Scoping - Which impacts are necessary to be assessed is decided in this stage. While doing so, legal requirements, international conventions, expert knowledge, and public engagement are also considered.
- Alternative solutions that avoid or at least reduce the adverse impacts of the project are also studied in this stage
- Investigation of alternate designs or sites that avoid or mitigate impact takes place
- Assessment & Evaluation of Impacts and Development of Alternatives - Environmental impacts of the proposed project are analyzed and light is thrown upon the alternatives present to such projects
- EIA Report also called Environmental Impact Statement (EIS) - An environmental management plan (EMP) and also a non-technical summary of the project's impact is prepared for the general public in this stage.
- Decision Making - The fate of the project is decided. Whether the project is to be given approval or not and if it is to be given, under what conditions



- Monitoring, compliance, enforcement and environmental auditing - Monitoring whether the predicted impacts and the mitigation efforts happen as per the EMP
- Importance of Environmental Impact Assessment
- EIA is a good tool for prudent environment management.
- It is government-policy that any industrial project in India has to secure EIA clearance from the Environment Ministry before approval for the project itself.

### **Life Cycle Analysis:**

- Social life cycle assessment (S-LCA) is an evaluation tool used to evaluate potential positive or negative effects of a product in its whole life cycle in social aspect, including the process of raw material mining, production, distribution, application, reuse, maintenance, recycling, and final disposal.

### **Stakeholders**

- Workers: Child labour, fair salary, Working hours, forced labour, discrimination, health & safety, social benefits/social security
- Consumers: health & safety, privacy, feedback mechanism
- Local community: local employment, access to material resources, access to immaterial resources (community service), delocalization & migration, safe & healthy living conditions, respect of indigenous rights, community engagement
- Society: contribution to economic development, public commitments to sustainability issues, technology development, corruption
- Value chain actors(involved in sales, production, operation): fair competition, promoting social responsibility, supplier relationship, respect of intellectual property rights

### **Social Impact Assessment:**

- A Social Impact Assessment is a process of research, planning and the management of social change or consequences (positive and negative, intended and unintended) arising from policies, plans, developments and projects
- The core focus of an SIA is on the important impacts of projects and developments beyond the impacts on natural resources.

### **Examples of social impacts include:**

- People's way of life – that is, how they live, work, play and interact with one another on a day-to-day basis.
- Their culture – that is, their shared beliefs, customs, values and language or dialect.
- Their community – its cohesion, stability, character, services and facilities.
- Their political systems – the extent to which people are able to participate in decisions that affect their lives, the level of democratization that is taking place, and the resources provided for this purpose.
- Their health and well-being – health is a state of complete physical, mental, social and spiritual well-being and not merely the absence of disease or infirmity.
- In general, an SIA calls for close collaboration with community members, as well as other stakeholders and experts.
- This usually covers the following specific areas to identify impacts and mitigation measures
  - Community and stakeholder engagement
  - Workforce management
  - Housing and accommodation
  - Local business and industry content
  - Health and community well-being.

**During the SIA, the proponent is usually expected to:**

- Identify stakeholders' groups and communities impacted by the project.
- Collect baseline data covering key social issues of the impacted communities such as community history, indigenous communities, culture and key events that have shaped economic and social development, key industries presently and in the past (if relevant); pressures or vulnerabilities experienced by these industry sectors.
- Provide an overview of government legislation and policies that complement the mitigation measures for social impacts that are directly related to the project.
- Explain methods used to gather information, including a description of how the communities of interest were engaged during the development of the SIA.

- Identify potential direct social impacts and prediction of the significance of any impacts and duration and extent of each impact.

### **Indian Values & Ethics:**

- Respect for elders
- Hierarchy & status
- Need for security
- Non-violence
- Cooperation
- Simple living high thinking
- Rights & duties
- Ethics in work life
- Holistic relationship between man & nature
- Attitudes & beliefs

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