CORPORATE SOCIAL RESPONSIBILITY

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WHAT IS CORPORATE SOCIAL RESPONSIBILITY

- CSR is the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society.

- The World Business Council for Sustainable Development describes CSR as the business contribution to sustainable economic development.
Initially, shareholders were considered the only stakeholders.

Nobel Laureate Milton Friedman said “the business of business is business.” and “the only social responsibility of business is maximizing profits.”

Gradually companies grew in size and clout.

Companies started playing ever increasing role in society.

This led to redefining stakeholders.

Today, society at large, customers, vendors, employees, government etc. are considered as much stakeholders as shareholders.
WHY CORPORATE SOCIAL RESPONSIBILITY

- Business uses scarce resources of society
- Business often adversely affects environment
- Islands of plenty cannot exist amidst oceans of poverty
- Problems are too vast and complex- government efforts need to be supplemented by business
- Social and environmental problems can threaten the survival of business
VARIOUS TERMS FOR CSR

- Corporate responsibility
- Corporate accountability
- Corporate ethics
- Corporate citizenship
- Sustainability
- Stewardship
- Triple bottom line
- Responsible business
TRIPLE BOTTOM LINE APPROACH


He espouses seven dimensions of revolutions taking place that would necessitate looking at triple bottom line:

- Markets- increasing competition
- Values- shift from "hard" commercial values to "softer" triple bottom line values
- Transparency – business is finding its activities under increasing scrutiny
- Life Cycle Performance - scrutiny of entire Life Cycle process of the product – from raw material stage to discarding stage
- Partnerships- compulsion to align with others in synchronization with triple bottom line principles
- Time- growing importance of working on real time basis
- Corporate Governance-need to satisfy all stakeholders
He propounds that the three prongs of the fork constituting triple bottom line are:

- Economic prosperity
- Environmental preservation
- Social justice

In order to evaluate a business, apart from economic results - which are normally made available, we should also evaluate the contribution made towards environment and society.

Another similar term coined by same author is 3P (people, planet and profits)
3 P AND SUSTAINABILITY

Corporate Social Responsibility
The Millennium Development Goals (MDGs) are eight goals to be achieved by 2015 that are contained in the Millennium Declaration adopted by 189 nations during the UN Millennium Summit in September 2000. The 8 MDGs are:

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria/other diseases
- Ensure environmental sustainability
- Develop a Global Partnership for Development
UN GLOBAL COMPACT

- Launched in July 2000
- Aims to bring companies together with UN agencies, labour and civil society to support ten universal principles in the areas of human rights, labour, the environment and anti-corruption so as to create a more equitable global order.
- Through the power of collective action, the Global Compact seeks to promote responsible corporate citizenship so that business can be a part of the solution to the challenges of globalization.
- Seeks to make a bridge between traditional policy-makers (UN, Governments) and business sector in order to facilitate more sustainable and efficient world order.
UN GLOBAL COMPACT.....contd

- It is not a regulatory or controlling mechanism.
- Participation is purely voluntary.
- Designed to stimulate change and to promote good corporate citizenship and encourage innovative solutions and partnerships.
- Offers a policy framework for organizing and developing corporate sustainability strategies while offering a platform - based on universal principles - to encourage innovative initiatives and partnerships with civil society, governments and other stakeholders.
- Constituents of Global Compact are companies, governments, labour, social organizations and The United Nations
- All organizations that believe in transparency, accountability and in furthering the ten principles, can become members of Global Compact
UN GLOBAL COMPACT- 10 PRINCIPLES

Business should:

- Support and respect the protection of internationally proclaimed human rights
- Make sure that it is not complicit in human rights abuses
- Uphold the freedom of association and the effective recognition of the right to collective bargaining
- Eliminate all forms of forced and compulsory labour
- Effectively abolish child labour
- Eliminate discrimination in respect of employment and occupation
- Support a precautionary approach to environmental challenges
- Undertake initiatives to promote greater environmental responsibility
- Encourage the development and diffusion of environmentally friendly technologies
- Work against corruption in all its forms, including extortion and bribery
Each business entity should formulate a CSR policy
The policy should be approved by the Board.

The CSR Policy should normally cover following:

1. Care for all Stakeholders
2. Ethical functioning
3. Respect for Workers' Rights and Welfare
4. Respect for Human Rights
5. Respect for Environment:
6. Activities for Social and Inclusive Development
1. Ethics, Transparency and Accountability
2. Goods and services that are safe and contribute to sustainability
3. Well being of employees
4. Responsive towards stakeholders
5. Respect and promote human rights
6. Environment
7. Influence public and regulatory policy in a responsible manner
8. Inclusive growth and equitable development
9. Provide value to customers and consumers
166 (2) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.
135. (1) Every company having

   net worth of      Rs 500 crore or more, or

   turnover of      Rs 1000 crore or more

   or a net profit of       Rs 5 crore or more

during any financial year shall constitute a Corporate Social Responsibility Committee consisting of 3 or more directors, with at least 1 independent.

(2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the CSR Committee.

(3) The CSR Committee shall,—

   (a) formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;

   (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and

   (c) monitor the CSR Policy of the company from time to time.
(4) The Board of every company referred to in sub-section (1) shall,—

(a) after taking into account the recommendations made by the CSR Committee, approve the CSR Policy for the company and disclose contents of such Policy in its report and also place it on the company’s website, if any, in such manner as may be prescribed; and

(b) ensure that the activities as are included in CSR Policy of the company are undertaken by the company.

(5) The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities:

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

Explanation.—For the purposes of this section “average net profit” shall be calculated in accordance with the provisions of section 198.
SCHEDULE VII

(See section 135)
Activities which may be included by companies in their Corporate Social Responsibility Policies
Activities relating to:—
(i) eradicating extreme hunger and poverty;
(ii) promotion of education;
(iii) promoting gender equality and empowering women;
(iv) reducing child mortality and improving maternal health;
(v) combating human immunodeficiency virus, acquired immunodeficiency syndrome, malaria and other diseases;
(vi) ensuring environmental sustainability;
(vii) employment enhancing vocational skills;
(viii) social business projects;
(ix) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
(x) such other matters as may be prescribed
SCHEDULE VII VERSUS UN MILLENIUM DEVELOPMENT GOALS

SCHEDULE VII

- Eradicating extreme hunger and poverty;
- Promotion of education;
- Promoting gender equality and empowering women;
- Reducing child mortality and improving maternal health;
- Combating human immuno deficiency virus, acquired immuno deficiency syndrome, malaria and other diseases;
- Ensuring environmental sustainability;
- Employment enhancing vocational skills;
- Social business projects;
- Contribution to the PM's National Relief Fund or any other fund……..

MILLENIUM DEVELOPMENT GOALS

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria/other diseases
- Ensure environmental sustainability
- Develop a Global Partnership for Development
3. (a) All companies falling under the provision of Section 135 (1) of the Act shall file their CSR information in the template provided as CSRRF in Attachment 1.

Filing of information in above mentioned template shall be mandatory for the companies covered under clause (1) of Section 135 of the Act. However, other companies which undertake CSR activities are also encouraged to submit information in the prescribed format.

4. The Board of the company, while formulating the CSR Policy, shall specify the sector along with specific activities/projects to be undertaken during the financial year in pursuance of such CSR Policy.

5. **All companies shall bring out a separate Annual CSR Report and this report shall be placed on the company’s website.**

6. The CSR Committee constituted under Section 135 of the Act shall prepare a comprehensive monitoring mechanism for ensuring successful implementation of the activities/projects proposed to be undertaken. The contours of this mechanism will be indicated in the Annual CSR Report.
7. **As far as possible** (preferably more than 90% in monetary terms), activities taken up under the CSR Policy of the company shall be in **Project Mode**.

8. **An activity to be classified as a Project should have the following characteristics:**
   - Baseline survey (If not taken up, reasons may be provided)
   - **Duration of Project**
   - **Amount allocated to the Project**
   - **Amount allocated to the Project in current FY**
   - **Start Date/End Date**
   - **Monitoring and Documentation**
   - **Objective Evaluation**
9. **Project activities** identified under CSR **may be implemented by** Specialized Agencies and **generally not by staff of the Company** concerned. Specialized agencies could work singly or in tandem with other agencies.

Such specialized agencies would include:

Community based organizations whether formal or informal;
Voluntary Agencies (NGOs)/ Civil Society Organizations (CSOs)
Social Entrepreneurs
Institutes/ Academic Organizations;
Trusts/ Missions;
Self-help Groups;
Contracted agencies for civil works;
Professional Consultancy Organizations.

10. CSR money as far as possible should not be deposited in any Government account except those indicated in Schedule VII.

11. **Contributions to item ‘ix’ of Schedule VII should preferably not exceed 10% of total CSR budget.**
12. The expenditure undertaken by the companies for their CSR activities must be reflected at an appropriate place in their Annual Financial Returns (Balance Sheet, etc.).

13. Companies are encouraged to meaningfully engage and consult beneficiaries/communities so as to promote participation and ownership of CSR interventions.

14. **CSR activities should also involve, whenever possible, the suppliers in order to ensure that the supply-chain also follows the CSR principles.**

15. Companies are encouraged to roll over unspent amounts of their annual CSR budgets to the next FY in case of any shortfalls in expenditure in any particular FY.

16. **As far as possible, companies should work towards fulfilment of the National Plan goals and objectives, as well as the Millennium Development Goals adopted by our country.**
17. **Companies may promote employee participation in CSR activities through their Volunteering Programmes.** However, such initiatives will only be treated as CSR activities if they are part of clearly defined Projects included in the CSR Policy of the company.

18. Where a company has set up a CSR Foundation to facilitate implementation of its CSR activities, such a Foundation should clearly indicate the specific activities taken up by it with funds provided by the parent company. Only such expenditure incurred out of the monetary contribution made by the parent company can be shown as CSR expenditure of the parent company and thus reported in CSRRF.

19. CSR expenditure taken up in foreign countries will not count for the purposes of companies Act.

20. Companies may undertake CSR activities in PPP mode i.e. in specific partnership with Government/Government Agencies/Public Sector Enterprises.

21. **Companies may achieve CSR objectives by integrating their business processes with social processes and developing innovative business models which create shared value.** However in such cases companies would need to clearly quantify social benefits flowing to beneficiaries in monetary terms prior to starting the project.
22. Companies may supplement/complement the development activities of Government and Government Agencies. However, every care should be taken to ensure that there is no duplication of CSR activities with that of programmes run by Central, State and Local Governments.

23. Companies are encouraged to ensure that every member of the Board level CSR Committee undergoes an orientation programme with IICA.

24. All corporate trainings with regard to implementation of provisions of Section 135 of the Act will be included in the 2% CSR spending. Such trainings may be carried out preferably by IICA accredited professional agencies.

25. For the purpose of sub-clause 5 of Section 135, only the direct expenditure undertaken to carry out the project/ projects shall be eligible for inclusion in the 2% CSR Spending. The following items shall not be eligible for inclusion in the 2% CSR Spending:

(a) Salary, perks etc of the core CSR employees of the parent company;
(b) Mere donations or philanthropy /charity would not come under the category of CSR;
(c) Any activity that is undertaken primarily for the benefits of employees of the company or their family members.
26. Subject to the provision of the Schedule VII of the Act, the contribution made
towards the Indian Institute of Corporate Affairs (IICA) shall be eligible for the
inclusion in the 2% CSR Spending and such contribution will also qualify for Income
Tax Exemption under Section 80G(5)(vi) of the IT Act, 1961.

27. Following additional activities shall be deemed to be included in the Schedule VII of the Act:-
   Toilet and Sanitation Facilities in rural schools, particularly for girls;
   Promotion of Sports and Games;
   Promotion of Art and Culture;
   Welfare measures for the differently abled, the old, homeless and destitutes;
   Adoption of villages;
   Scholarships to student/trainees etc.;
   Disaster Management Activities including those related to amelioration/ mitigation;
   Other matters which the Board of the company may consider to be appropriate;
   Such other matters as may be prescribed.
Over the last two decades, the issues of sustainability actively discussed by various governments, international bodies and other important constituents of society.

- The 'Earth Summit' at Rio de Janeiro in 1992
- The Summit resulted in The Rio Declaration on Environment and Development
- Establishment of various UN bodies like the UN Commission on Sustainable Development, the Framework Convention on Climate Change and the Convention on Biological Diversity.
- Subsequent conferences and protocols addressed the issues of sustainable development, environmental improvement, climate change, ethical governance and corporate social responsibility
The World Commission on Environment and Development defines sustainable development as “Development which meets the needs of the present without compromising the ability of future generations to meet their own needs”.

Sustainability may be said to be the destination while sustainable development is the path.

Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development. A sustainability report should provide a balanced and reasonable representation of the sustainability performance of a reporting organization.

Today, of the 250 largest global companies, over 80% are publishing sustainability reports. Overall, more than 5,000 companies across the globe are coming out with sustainability reports.
GLOBAL REPORTING INITIATIVE

- Global Reporting Initiative (GRI) is an organization that provides a framework for sustainability reporting.
- The framework can be used by all types of organizations.

- Although the GRI is independent, it remains a collaborating centre of United Nations Environment Programme (UNEP) and works in cooperation with the United Nations Global Compact.

- Sustainability reporting is the action where an organization publicly communicates their economic, environmental, and social performance. The GRI’s mission is to make sustainability reporting by all organizations as routine and comparable as financial reporting.

- GRI Guidelines are the most widely used in the world for reporting. More than 4,000 organizations from 60 countries use the Guidelines to produce their sustainability reports.
GRI GUIDELINES

- Initial Guidelines in 2000
- G2 Guidelines in 2002
- G3 Guidelines in 2006
- G 3.1 Guidelines in March 2011

- The Guidelines provide universal guidance for reporting on sustainability performance.
- This means they are applicable to small companies, large multinationals, public sector, NGOs and other types of organizations from all around the world.

Note: G 4 Guidelines are expected in May 2013
SUSTAINABILITY REPORTING UNDER GRI NORMS

- Explain the basis for identification and selection of stakeholders
- Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. This could include surveys, focus groups, community panels, corporate advisory panels, written communication, management/union structures, and other vehicles
- Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to these
Detailed reporting on following is required:

- Organizational Profile
- Report Parameters
- Governance Structure
- Environmental disclosures including materials, energy, water, biodiversity
- Employment disclosures including labour relations, occupational health and safety, training, diversity and equal opportunity
- Human Rights disclosures including non-discrimination, freedom of association, child labour etc
- Social performance disclosures including local communities, corruption, public policy, etc.
- Product related disclosure including customer health and safety, customer satisfaction surveys etc.
Top companies of the world today are mainly focusing their CSR efforts on:

- Education
- Public health
- Environment
- Sports
- Disaster relief
- Charitable support
CSR ACTIVITIES – JUBILANT LIFE SCIENCES

Jubilant has taken various CSR initiatives. Some of these are:

- Implements pulse polio vaccination program. Over last 7 years, more than half a million children immunized through Jubilant’s efforts.
- Helped formation of 38 Self Help Groups of women so as to increase their earnings & to make them financially independent. The combined funds mobilized so far are over Rs. 1 million.
- Utilization of Biogas, generated from effluent treatment in boilers and furnaces. This saves over 73000 tones of coal per annum, thus reducing greenhouse gas emissions.
- Jubilant Medical Centre at Gajraula has been selected as the only private sector DOTS centre for Tuberculosis by Govt. of India & World Health Organisation and is being upgraded to TU Centre to supervise 4 - 5 DOTS Centres in the region.
- Promoting primary education by supporting 100 govt. schools across the country covering 13000 students through project Muskaan.
During Project Muskaan implementation, we noticed that

- Non availability of water led to poor sanitation in schools, leading to reduced attendance, specially among girl students
- While overhead tanks existed, due to power shortages, the tanks remained empty
- Jubilant’s team took up this challenge and came out with an out of box solution
- A special see-saw for children’s playing was created. The see-saw was attached to a bore-well with a specially designed water pump. As children play on the see-saw, the mechanical energy is utilised to lift water to overhead tank.
- This innovation now ensures sufficient water in tanks at all times and clean and hygienic environment
IN CSR ALSO, JUBILANT INNOVATES...

Photo from 2008-09 CSR Report
Various other development activities in partnership with communities such as:

- Installation of Hand pumps
- Construction of Toilets
- Construction of Culverts
- Mobile Dispensary,
- Rehabilitation of physically handicapped persons,
- Emergency Medical help and Trauma Centre for Highway accidents
- Infant immunizations and family planning operations
- Farmers Educational Tours
- Cattle Health Camps
- Rainwater harvesting
JUBILANT’S ACHIEVEMENTS

- Jubilant’s achievements have been recognized internationally
- International Finance Corporation included Jubilant as one of the four companies internationally (and the only one from India) who have integrated sustainability in their operations
- Community Development activities of Jubilant were showcased at World Economic Forum Meeting at Davos in February, 2007
- Jubilant is the only Indian company to have brought out Sustainability Report for 8 years at a stretch as per GRI guidelines and duly assured by a reputed big 4 firm. For 2010-11 and 2011-12, the Reports were as per 3.1 guidelines
- Jubilant’s Corporate Sustainability Report for 6 consecutive years (2006-07 to 2011-12) got A+ rating from GRI - the highest possible rating
JUBILANT’S ACHIEVEMENTS…..contd

Jubilant won Golden Peacock Global Awards for

- Corporate Governance (Sept 2007)
- Corporate Social Responsibility (February 2008)
- CSR reporting (Sept 2008)
FACTORS PUSHING CSR

- Pressures from community/ government/ press/NGOs
- Benchmarking by top companies who are setting examples. Also awards and recognitions to better companies
- Insistence by private equity investors/FIIIs. Some special funds invest only in companies with specific CSR policies
- Many importers/business associates ask compliance with child labour/human rights practices, before doing business
- Some large automakers insist their suppliers be certified to environmental management systems standards
HOW GOOD CSR PRACTICES HELP

- Improved brand image and reputation
- Better social acceptance
- Better impact on customers
- Governmental support
- Ability to attract more investors
- Ability to attract and retain employees
- Better valuation
NEW DIMENSIONS IN PERSONAL PHILANTHROPY

A silent revolution is sweeping the world. Richest persons of the world are committing huge personal wealth for charities

- Bill Gates has committed 40 billion $ (50% of his wealth) to charity
- Warren Buffet has committed 31 billion $ (78% of his wealth).
- These two have started a movement to ask billionaires to commit at least half of their wealth. 40 billionaires including Bill Gates and Warren Buffet have already committed over 125 billion $ (Rs 6,87,500 crores) to charity. Their target is 600 billion $.
- In India Azim Premji has committed 2 billion $, Shiv Nadar 400 million $, Rohini Nelakani 40 million $, Kiran Majumdar Shaw 40 million $.
Thank you
Corporate Social Responsibility (CSR) is a type of business self-regulation norms, which are designed and integrated with business model of the company. CSR focuses on the ethical behavior of business. It promotes transparency in conversation among the actors of the company: customers, suppliers, shareholders, banks, insurers, also local residents, governments, communities, associations, etc.

What is corporate social responsibility? The concept of CSR is very general, and its interpretations vary within a wide range—from corporate philanthropy to job creation and strict compliance with prescribed laws and regulations. The essence of CSR is perhaps best reflected by the following definition: a socially responsible company takes steps in the interests of its stakeholders that are not