CHAPTER 13- CORPORATE SOCIAL RESPONSIBILITY

WHAT IS CORPORATE SOCIAL RESPONSIBILITY (CSR)?

CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Companies not only consider their profitability and growth, but also the interests of society and the environment by taking responsibility for the impact of their activities on stakeholders and environment. The Vedic philosophy of “Sarva loka hitam” i.e. “the well-being of all stakeholders”, has regained importance in the current business environment. The concept has evolved over the years and now used as strategy and a business opportunity to earn stakeholder goodwill.

DEFINITION OF CSR

1. According to Business for Social Responsibility (BSR) “Corporate social responsibility is operating a business in a manner which meets or excels the ethical, legal, commercial and public expectations that a society has from the business.”
2. According to CSR Asia, a social enterprise, “CSR is a company’s commitment to operate in an economically, socially and environmentally sustainable manner whilst balancing the interests of diverse stakeholders”.
3. According to the Commission of the European Communities, 2003, “CSR is the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.”
4. According to the World Business Council for Sustainable Development, 1999 “Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to the economic development while improving the quality of life of the workforce and their families as well as of the local community and the society at large.”

CSR is inter-disciplinary process

1. Social, economic, ethical and moral responsibility of companies and managers,
2. Compliance with legal and voluntary requirements for business and professional practice,
3. Challenges posed by needs of the economy and socially disadvantaged groups, and
4. Management of corporate responsibility activities.

CSR is business strategy

CSR activities carried out by the enterprises affects all the stakeholders, thus making good business sense, the reason being contribution to the bottom line.

Consumers want to buy products from companies they trust.
Suppliers want to form business partnerships with companies they can rely on.
Employees want to work for companies they respect.
NGOs, increasingly, want to work together with companies seeking feasible solutions and innovations.
CSR is a tool in the hands of corporates to enhance the market penetration of their products, enhance its relation with stakeholders.
Corporate Social Responsibility is about how a company aligns their values to social causes by including and collaborating with their investors, suppliers, employees, regulators and the society as a whole. The investment in CSR may be on people centric issues and/ or planet issues. A CSR initiative of a corporate is not a selfless act of giving; companies derive long-term benefits from the CSR initiatives and it is this enlightened self-interest which is driving the CSR initiatives in companies.

Philanthropy means the act of donating money, goods, time or effort to support a charitable cause in regard to a defined objective. Philanthropy can be equated with benevolence and charity for the poor and needy. Philanthropy can be any selfless giving towards any kind of social need that is not served, underserved, or perceived as unserved or underserved. Philanthropy can be by an individual or by a corporate. It is the active effort to promote human welfare.

Does Company and Society Fall Within the Ambit of CSR?

Yes, because company and society are mutually interdependent on each other. Business encompasses the economic, legal, ethical and discretionary expectations that society has of organization at a given point in time. No corporation in present world of globalization, liberalization can bear to have indifferent attitude towards the society, isolated existence is not possible. Companies are expected to meet society’s demands for goods and services, to provide employment, to contribute to the exchequer, and to operate efficiently at a profit. There is no conflict between social responsibility and the obligation on companies to use scarce resources efficiently and to be profitable—an unprofitable business is a drain on society. The essence of the contract between society and business is that companies shall not pursue their immediate profit objectives at the expense of the long-term interests of the community.

Why CSR at all?

Business cannot exist in isolation; business cannot be oblivious to societal development. The social responsibility of business can be integrated into the business purpose so as to build a positive synergy between the two.

- CSR creates a favorable public image, which attracts customers. Reputation or brand equity of the products of a company which understands and demonstrates its social responsibilities is very high. Customers trust the products of such a company and are willing to pay a premium on its products. Organizations that perform well with regard to CSR can build reputation, while those that perform poorly can damage brand and company value when exposed. Brand equity, is founded on values such as trust, credibility, reliability, quality and consistency.
- Corporate Social Responsibility (CSR) activities have its advantages. It builds up a positive image encouraging social involvement of employees, which in turn develops a sense of loyalty towards the organization, helping in creating a dedicated workforce proud of its company. Employees like to contribute to the cause of creating a better society. Employees become champions of a company for which they are proud to work.
- Society gains through better neighborhoods and employment opportunities, while the
organisation benefits from a better community, which is the main source of its workforce and the consumer of its products.

- Public needs have changed leading to changed expectations from consumers. The industry/business owe its very existence society and have to respond to needs of the society.
- The company's social involvement discourages excessive regulation or intervention from the Government or statutory bodies, and hence gives greater freedom and flexibility in decision-making.

- The internal activities of the organisation have an impact on the external environment, since the society is an inter-dependent system.
- A business organisation has a great deal of power and money, entrusted upon it by the society and should be accompanied by an equal amount of responsibility. In other words, there should be a balance between the authority and responsibility.
- The good public image secured by one organisation by their social responsiveness encourages other organizations in the neighborhood or in the professional group to adapt themselves to achieve their social responsiveness.
- The atmosphere of social responsiveness encourages co-operative attitude between groups of companies. One company can advise or solve social problems that other organizations could not solve.
- Companies can better address the grievances of its employees and create employment opportunities for the unemployed.
- A company with its “ear to the ground” through regular stakeholder dialogue is in a better position to anticipate and respond to regulatory, economic, social and environmental changes that may occur.
- Financial institutions are increasingly incorporating social and environmental criteria into their assessment of projects. When making decisions about where to place their money, investors are looking for indicators of effective CSR management.
- In a number of jurisdictions, governments have expedited approval processes for firms that have undertaken social and environmental activities beyond those required by regulation.

**FACTORS INFLUENCING CSR**

CSR is a broad subject which leads to a variety of opinions and can be considered in a number of different ways. Many factors and influences, including the following, have led to increasing attention being devoted to CSR.

- Globalization coupled with focus on cross-border trade, multinational enterprises and global supply chains is increasingly raising CSR concerns related to human resource management practices, environmental protection, and health and safety, among other things.
- Governments and intergovernmental bodies, such as the United Nations, the Organisation for Economic Co-operation and Development and the International Labour Organization have developed compacts, declarations, guidelines, principles and other instruments that outline social norms for acceptable conduct.
- Advances in communications technology, such as the Internet, cellular phones and
personal digital assistants, are making it easier to track corporate activities and disseminate information about them. Non-governmental organizations now regularly draw attention through their websites to business practices they view as problematic.

- Consumers and investors are showing increasing interest in supporting responsible business practices and are demanding more information on how companies are addressing risks and opportunities related to social and environmental issues.
- Numerous serious and high-profile breaches of corporate ethics have contributed to elevated public mistrust of corporations and highlighted the need for improved corporate governance, transparency, accountability and ethical standards.
- Citizens in many countries are making it clear that corporations should meet standards of social and environmental care, no matter where they operate.
- There is increasing awareness of the limits of government legislative and regulatory initiatives.
- Businesses are recognizing that adopting an effective approach to CSR can reduce risk of business disruptions, open up new opportunities, and enhance brand and company reputation.

TRIPLE BOTTOM LINE (TBL) AND CSR

TBL concept is first introduced by John Ellington, Management Consultant in 1997. The concept of TBL is based on the premise that business entities have more to do than make just profits for the owners of the capital, only bottom line people understand. "People, Planet and Profit" is used to succinctly describe the triple bottom lines.

“People” (Human Capital) pertains to fair and beneficial business practices toward labor and the community and region in which a corporation conducts its business.

“Planet” (Natural Capital) refers to sustainable environmental practices. It is the lasting economic impact the organization has on its economic environment. A TBL company endeavors to benefit the natural order as much as possible or at the least do no harm and curtails environmental impact.

“Profit” is the bottom line shared by all commerce.


**Need to apply concept of TBL**

- Increased consumer sensitivity to corporate social behaviour
- Growing demands for transparency from shareholders/stakeholders
- Media’s attention to social issues
- Awareness about and willingness for respecting human rights
- Increased environmental regulation
- Concerns over global warming
- Legal costs of compliances and defaults
- Growing corporate participation in social upliftment

**DEVELOPMENT OF CSR IN INDIA**

CSR in India has traditionally been seen as a philanthropic activity. And in keeping with the Indian tradition, it was an activity that was performed but not deliberated. As a result, there is limited documentation on specific activities related to this concept.

1. The Ministry of Corporate Affairs on conclusion of ‘India Corporate Week- 2009’ has announced Corporate Social Responsibility Voluntary Guidelines 2009 which advocates value based and ethical business practices, cordial labour relations, customer satisfaction and loyalty, generating benefits to the community and the environment, being the major stakeholder.

Core elements as contained in the CSR policy should include-

- Care for all stakeholders
- Ethical functioning
- Respect for Worker’s Right and Welfare
- Respect for Human Rights
- Respect for Environment
- Activities for Social and Inclusive Development

2. National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) were released by the Ministry of Corporate Affairs (MCA) in July 2011. The national framework on Business Responsibility is essentially a set of nine principles that offer businesses an Indian understanding and approach to inculcating responsible business conduct.

The nine principles are-

- Principle 1- Businesses should conduct and govern themselves with ethics, transparency and accountability.
- Principle 2- Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
- Principle 3- Businesses should promote the wellbeing of all employees.
- Principle 4- Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.
- Principle 5- Businesses should respect and promote human rights.
Principle 6 - Businesses should respect, protect, and make efforts to restore the environment.
Principle 7 - Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
Principle 8 - Businesses should support inclusive growth and equitable development.
Principle 9 - Businesses should engage with and provide value to their customers and consumers in a responsible manner.

The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII of the Act, which lists out the CSR activities, suggests communities to be the focal point. Companies may implement these activities taking into account the local conditions after seeking board approval. The indicative activities which can be undertaken by a company under CSR have been specified under Schedule VII of the Act.

- **Legal Sanctity**
  - Section 135 of the Companies Act, 2013
  - Schedule VII of the Companies Act, 2013
  - Companies (Corporate Social Responsibility Policy) Rules, 2014

- **Constitution of Corporate Social Responsibility (CSR) Committee**

  Section 135 of the Act provides that Every Company having following criteria shall constitute Committee called CSR Committee
  
  - Net worth of Rs. 500 crores or more
    OR
  - Turnover of Rs. 1000 crores or more
    OR
  - Net profit of Rs. 5 crores or more

  During any financial year of the Company

- **Composition of the Committee**

  The CSR committee shall consist of three or more directors, out which one director shall be an independent director. The presence of an Independent Director shall ensure that the Committee is not just a quasi-committee addressing the whims of the Board, but is in fact, taking up an initiative. The composition of such Corporate Social Responsibility Committee shall have to be disclosed in the Board’s Report as required under Section 134(4).

  An unlisted public company or a private company which is not required to appoint an independent director shall have its CSR Committee without independent director. A private company having only two directors on its Board shall constitute its CSR
Committee with two such directors. With respect of foreign company, the CSR Committee shall comprise of at least two persons of which one person resident in India and another person shall be nominated by the foreign company.

- **Responsibility of CSRC**
  - To formulate and recommend to the Board of Directors CSR policy
  - To 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 on CSR activities
  - To explain the reasons for non-spending and explanation shall be given in Directors’ Report
  - Monitor the CSR policy from time to time.

- **The committee shall formulate the policy, including activities specified in schedule VII as amended as follows:**
  - 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 abled 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 centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.
  - 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.
  - Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works for art; setting up public libraries; promotion and development of traditional arts and handicrafts.
  - Measures for the benefit of armed forces veterans, war widows and their dependents.
  - Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports.
  - 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.
  - Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government.
  - Rural development projects.

- **Highlights**
- Board of Directors’ report shall disclose the composition of the CSR committee.
- Contribution of any amount directly or indirectly to any political party shall not be considered CSR activity.
- CSR activities shall display on its website.
- The company shall give preference to the local area and areas around it where it operates.
- Net profit is to be calculated according to section 198 of the Act.

**FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN BOARD’S REPORT**

1. A brief outline of the company’s CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects and programs
2. The composition of CSR committee
3. Average net profit of the company for last three financial years
4. Prescribed CSR expenditure (2% of the amount as in item 3 above)
5. Details of CSR spent during the financial year
   a. Total amount to be spent for the financial year
   b. Amount unspent, if any
   c. Manner in which the amount spent during the financial year is detailed below

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<th>Sr. No.</th>
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<td></td>
<td>CSR project or activity identified</td>
<td>Sector in which the project is covered</td>
<td>Projects or programs (1) Local area or other (2) Specify the state and district where projects or programs was undertaken</td>
<td>Amount outlay (budget) Project or programs wise</td>
<td>Amount spent on the projects or programs Sub heads: (1) Direct expenditure on projects or programs (2) Overheads</td>
<td>Cumulative expenditure up to the reporting period</td>
<td>Amount spent: Direct or through implementing agency*</td>
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*Give details of implementing agency
6. In case the Company has failed to spend the 2% of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in the Board Report.
7. A responsibility statement of the CSR committee that the implementation and monitoring of CSR policy, is in compliance with CSR objectives and policy of the Company.

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<tr>
<th>SD/-</th>
<th>SD/-</th>
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<tbody>
<tr>
<td>(Chief Executive Officer or Managing Director or Director)</td>
<td>(Chairman of CSR committee)</td>
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</table>

GUIDELINES ON CSR FOR CPSEs

Guidelines on Corporate Social Responsibility for Central Public Sector Enterprises issued in March, 2010 have made CSR allocation of funds mandatory for PSU’s. A PSU with a net profit of less than Rs.100 crore will have to allocate 3-5% of its earnings on CSR. Those earning net profits of Rs.100-500 crore a year will have to earmark 2-3% on CSR (subject to minimum of Rs.3 crores). A company with a bottom line of Rs.500 crore and above will have to set aside 0.5-2% on CSR.

CORPORATE CITIZENSHIP IN INDIA

Corporate citizenship, also referred to as corporate social responsibility, is increasingly instrumental in defining the role of business in society. As the issue of integrating broader economic, environmental, and social concerns into evaluating corporate performance gains prominence, proper understanding of what it means for a company to be a good citizen becomes crucial. For corporate citizenship to be effective it has to move beyond being showcased as a public affairs strategy and instead it must become an integral part of business strategy. Government regulation and public policy tend to bring the bare minimum involvement by the corporates towards their corporate responsibilities beyond this legal framework should come up voluntarily. Before the enactment of the Companies Act, 2013, the laws in India took care of the basic CSR included various legislations under labour laws such as Factories Act, 1948, ESI Act, 1948, Employees Compensation Act, 1923, Contract Labour (Regulation and Abolition) Act, 1970, Equal Remuneration Act, 1976, The Minimum Wages Act, 1948, Employees’ Provident Fund and Miscellaneous Provisions Act, 1952, environment protection laws such as The Water (Prevention and Control of Pollution) Act, 1974, The Air (Prevention and Control of Pollution) Act, 1981 and the Environment Protection Act, 1986.

CSR STANDARD- ISO 26000

ISO 26000 is the international standard giving guidance on social responsibility and is intended for use by organizations of all types both public and private sectors, in developed and developing countries. It provides guidance on principles of social responsibility, the core subjects and issues pertaining to social responsibility and on ways to integrate socially responsible behaviour into existing organizational strategies, systems, practices and processes.

It intends 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. It is intended to promote common understanding in the field of social responsibility, and to complement other instruments and initiatives for social responsibility, not to replace them. ISO 26000 is not a management system standard. It is not intended or appropriate for certification purposes or regulatory or contractual use.

**CSR ASSESSMENT**

CSR audit has yet to gain momentum but the concept aims to give an independent opinion by external auditor, on the extent of alignment of CSR objectives with the business goals and level of managerial commitment and performance with regard to attainment of social responsibility objectives defined by the company’s Board.

**Indicative CSR Audit Programme**

<table>
<thead>
<tr>
<th>Segments</th>
<th>Assessment Tools</th>
<th>Scope</th>
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<tbody>
<tr>
<td>Coverage</td>
<td>The exhaustiveness of CSR objectives</td>
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<tr>
<td>Object</td>
<td>Integration</td>
<td>The extent to which the CSR objectives of the company are aligned with its business goals.</td>
</tr>
<tr>
<td>Commitment</td>
<td>The clarity of roles and powers assigned to management for fulfillment of CSR Objectives. Integration of Social responsibility throughout the organisation.</td>
<td></td>
</tr>
<tr>
<td>Implementation Processes</td>
<td>Identification of the implementation procedures, timeframes, risk and performance management tools for fulfillment of CSR objectives. Manner of delivering CSR activities either by way of foundation/Trust route or by imbibing them into day to day activities.</td>
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<tr>
<td>Resources</td>
<td>Allocation of funds, manpower, infrastructure etc.</td>
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<tr>
<td>Monitoring/Reporting</td>
<td>Internal control systems to monitor the adequacy of mechanisms (including periodic reviews) in relation to fulfillment of CSR objectives. Reporting: Communication of Adequate data in relation to CSR objectives to various stakeholders.</td>
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<tr>
<td>Outcome</td>
<td>Impact Analysis</td>
<td>Analysing the impact of CSR activities carried out by the company in various areas and the quality maintained.</td>
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<tr>
<td>Feedback</td>
<td>Identification of control weaknesses and make Recommendations for improvement to CSR program of the company. Identification of areas requiring changes.</td>
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MEANING OF SUSTAINABILITY

Sustainability is concerned with the effect which action taken in the present has upon the options available in the future.

Sustainability is important to making sure that we have and will continue to have, the water, materials, and resources to protect human health and our environment.

Sustainability has been comprehensively defined in Paul Hawkin’s book- The Ecology of Commerce as-

“Sustainability is an economic state where the demand placed upon the environment by people and commerce can be met without reducing the capacity of the environment to provide for future generations. It can also be expressed in the simple terms of an economic golden rule for the restorative economy; leave the world better than you found it, take no more than you need, try not to harm life of environment, make amends if you do.”

SUSTAINABLE DEVELOPMENT

Sustainable development is a broad concept that balances the need for economic growth with environmental protection and social equity. It is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations. Sustainable development is a broad concept and it combines economics, social justice, environmental science and management, business management, politics and law. In 1987, a report of the World Commission on Environment and Development (WCED) of the United Nations (popularly known as Brundtland Report) first introduced the concept. United Nations has already initiated UN Global Compact, a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

The report described seven strategic imperatives for sustainable development.

1. Reviving growth
2. Changing the quality of growth
3. Meeting essential needs for jobs, food, energy, water and sanitation
4. Ensuring a sustainable level of population
5. Conserving resource base
6. Reorienting technology and managing risk
7. Merging environment and economics in decision making.

Four fundamental Principle of Sustainable Development agreed by the world community are-

1. Principle of Intergenerational equity: need to preserve natural resources for future generation.
2. Principle of sustainable use: use of natural resources in a prudent manner without or with minimum tolerable impact on nature.
3. Principle of equitable use or intergenerational equity: Use of natural resources by any state / country must take into account its impact on other states.
4. Principle of integration: Environmental aspects and impacts of socio-economic activities should be integrated so that prudent use of natural resources is ensured.

ROLE OF BUSINESS IN SUSTAINABLE DEVELOPMENT

Trade and Industry being an integral part human society has a pivotal role to play. Through the process a business can ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

The benefits to the business to engage in UN global compact

- Adopting an established and globally recognized policy framework for the development, implementation, and disclosure of environmental, social, and governance policies and practices.
- Sharing best and emerging practices to advance practical solutions and strategies to common challenges.
- Advancing sustainability solutions in partnership with a range of stakeholders, including UN agencies, governments, civil society, labour, and other non-business interests.
- Linking business units and subsidiaries across the value chain with the Global Compact’s Local Networks around the world - many of these in developing and emerging markets.
- Accessing the United Nations’ extensive knowledge of and experience with sustainability and development issues.
- Utilizing UN Global Compact management tools and resources, and the opportunity to engage in specialized work streams in the environmental, social and governance realms.

SUSTAINABILITY TERMINOLOGIES

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
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<tbody>
<tr>
<td>Carbon Footprint</td>
<td>A carbon footprint is an estimate of how much carbon is produced to support your lifestyle. Essentially, it measures your impact on the climate based on how much carbon you produce. Factors that contribute to your carbon footprint include travel methods and general home energy usage. Carbon footprints can also be applied on a larger scale, to companies, businesses, even countries. The word ‘carbon’ in the phrase ‘carbon footprint’ is often used as a short-cut to describe the main greenhouse gases - carbon dioxide (CO2), methane and nitrous oxide - in terms of carbon dioxide equivalents.</td>
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<tr>
<td>Carbon Offsetting</td>
<td>Carbon offsets are used to reduce the amount of carbon that an individual or institution emits into the atmosphere. Carbon offsets work in a financial system where, instead of reducing its own carbon use, a company can comply with emissions caps by purchasing an offset from an independent</td>
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organization. The organization will then use that money to fund a project that reduces carbon in the atmosphere. An individual can also engage with this system and similarly pay to offset his or her own personal carbon usage instead of, or in addition to, taking direct measures such as driving less or recycling.

| Carbon Neutral | Through carbon offsetting organisation to individual are counterbalancing the emissions they produce to make themselves carbon neutral. |
| Clean Development Mechanism (CDM) | UN regulated scheme that allows countries with an emission-reduction or emission-limitation commitment under the Kyoto Protocol to implement an emission-reduction project in developing countries. |
| Cradle to Grave | The life of a product, from creation to end use. |
| Cradle to Cradle | Using an end use product for the source of a new product. |
| Ecological Footprint | The ecological footprint is a measure of human demand on the Earth's ecosystems. It compares human demand with planet Earth's ecological capacity to regenerate it. It represents the amount of biologically productive land and sea area needed to regenerate the resources a human population consumes and to absorb and render harmless the corresponding waste, given prevailing technology and resource management practice. |
| Environmental Performance Index | Environmental Performance Index (EPI) is a method of quantifying and numerically benchmarking the environmental performance of a country's policies. This index was developed from the Pilot Environmental Performance Index, first published in 2002, and designed to supplement the environmental targets set forth in the U.N. Millennium Development Goals. |
| Energy Star | Energy Star is a program that evaluates the energy efficiency of appliances, house fixtures and other home utilities. |
| Ethical Consumerism | The purchasing of products that do not harm or exploit the workers that help produce a product and to minimise the impact on the environment |
| EUI | EUI, or energy use intensity, is a unit of measurement that describes a building’s energy use. EUI represents the energy consumed by a building relative to its size. |
| Global Warming | Global warming is an average increase in the temperature of the atmosphere near the Earth’s surface and in the troposphere, which can contribute to changes in global |
climate patterns. Global warming can occur from a variety of causes, both natural and human induced. In common usage, “global warming” often refers to the warming that can occur as a result of increased emissions of greenhouse gases from human activities. See climate change, greenhouse effect, enhanced greenhouse effect, radiative forcing, and troposphere.

<table>
<thead>
<tr>
<th>Greenhouse Effect</th>
<th>Gases produced naturally and by human activities that have contributed to the warming of the planet, known as Global warming, by trapping the sun's rays.</th>
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<tr>
<td>Greenwashing</td>
<td>Greenwashing is a form of corporate misrepresentation where a company will present a green public image and publicize green initiatives that are false or misleading. A company might release misleading claims or even true green initiatives while privately engaging in environmentally damaging practices. Companies are trying to take advantage of the growing public concern and awareness for environmental issues by promoting an environmentally responsible image. Greenwashing is used by companies to win over investors (especially those interested in socially responsible investing), create competitive advantage in the marketplace, and convince critics that the company is well-intentioned. There is a profit-driven motive to greenwashing as well—green products are among the fastest growing segments in the market. Internationally, the increase in green advertising claims has become a cause for concern.</td>
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<tr>
<td>Life Cycle Assessment (LCA)</td>
<td>Life Cycle Assessment tracks the environmental impacts of a product from its raw materials through disposal at the end of its useful life. LCA is an important tool for developing an environmental self-portrait and for finding ways to minimize harm. A good LCA can shed light on ways to reduce the resources consumed and lower costs all along the value chain. A Life Cycle Assessment looks at this complete circle and measures environmental impact at every phase. It provides the foundation for understanding the issues a company must address and clues to help find EcoAdvantage.</td>
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**WHAT IS CORPORATE SUSTAINABILITY?**

Corporate sustainability indicates new philosophy as an alternative to the traditional growth and profit-maximization model under which sustainable development comprising
environmental protection, social justice and equity, and economic development are given more significant focus while recognizing simultaneous corporate growth and profitability.

It is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. Corporate sustainability describes business practices built around social and environmental considerations.

Corporate sustainability encompasses strategies and practices that aim to meet the needs of the stakeholders today while seeking to protect, support and enhance the human and natural resources that will be needed in the future. Corporate sustainability leaders achieve long-term shareholder value by gearing their strategies and management to harness the market's potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks.

Thomas Dyllick and Kai Hockerts in Beyond the Business Case for Corporate Sustainability define Corporate Sustainability as, "meeting the needs of a firm's direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups, communities, etc.) without compromising its ability to meet the needs of future stakeholders as well."

The Australian government defines Corporate Sustainability as "encompassing strategies and practices that aim to meet the needs of the stakeholders today, while seeking to protect, support, and enhance the human and natural resources that will be needed in the future."

Worldwide business communities are recognizing the need to address the environmental and social impacts of their activities. The fundamental business objectives towards creating economic values clubbed the environmental and social value addition evolved the concept of 'triple bottom line' under sustainable development. Corporate Boards are required to address issues such as environment, social justice and economic efficiency to ensure their long term existence.

Concern towards social, environmental and economical issues, i.e., covering all the segments of stakeholders, are now basic and fundamental issues which permits a corporate to operate in long run sustainably. Following key drivers need to be garnered to ensure sustainability

- **Internal Capacity Building strength** – In order to convert various risks into competitive advantage.
- **Social impact assessment** – In order to become sensitive to various social factors, like changes in culture, living habits etc.
- **Repositioning capability** through development and innovation. Crystallisation of all activities to ensure consistent growth

**Corporate sustainability** is a business approach creating shareholder value in long run. These may be derived by converting risks arising out of economic, environmental and social activities of a corporate into business opportunities keeping in mind the principles of sustainable development.
As a good corporate citizen, the companies are required to focus on the following key aspects: **Absolute Value Creation for the Society**

Organisations should set its goal towards creation of absolute value to the society. Once it is ensured, a corporate never looks back and its sustainability in long run is built up.

**Ethical Corporate Practices**

In the short run, enterprise can gain through non-ethical practices. However those cannot be sustained in long run. Society denies accepting such products or services. For example, in Drug and Pharmaceutical industry, many products are today obsolete due their side effects which such companies never disclosed to protect their sales volume. When they were banned by the WHO or other authorities, they had to stop their production.

**Worth of Earth through Environmental Protection**

Resources which are not ubiquitous and have economic and social value should be preserved for long term use and be priced properly after considering environmental and social costs. For example, a power plant should build up its cost model efficiently after taking into account cost of its future raw material sourcing, R&D cost for alternate energy source, cost for proper pollution control measures and so on.

**Equitable Business Practices**

Corporates should not divulge themselves in unfair means and it should create candid business practices, ensure healthy competition and fair trade practices.

**Corporate Social Responsibility**

As a Corporate citizen, every corporate is duty bound to its society wherein they operate and serve. Although there is no hard and fast rules, CSR activities need to be clubbed and integrated into the business model of the Company.

**Innovate new technology/process/system to achieve eco-efficiency**

Innovation is the key to success. Risks and crisis can be eliminated through innovation. Learning and Innovative enterprise gets a cutting edge over others. These innovative processes bring sustainability if developments are aimed at satisfying human needs and brings quality of life, while progressively reducing ecological impact and resource intensity to a level at least in line with earth’s estimated carrying capacity.

**Creating Market for All**

Monopoly, unjustified subsidies, price not reflecting real economic, social environmental cost, etc. are hindrances to sustainability of a business. Simultaneously, a corporate is to build up its products and services in such a way so as to cater all segments of customers/consumers. Customer confidence is essence to corporate success.

**Switching over from Stakeholders Dialogue to holistic Partnership**

A business enterprises can advance their activities very positively if it makes all of stakeholders partner in its progress. It not only build confidence of various stakeholders, but
also helps the management to steer the business under a very dynamic and flexible system. This approach offers business, government and other stakeholders of the society to build up alliance towards bringing common solutions to common concerns being faced by all.

**Compliance of Statutes**

Compliance of statutes, rules and regulations, standards set by various bodies ensure clinical check up of a corporate and it confers societal license to the corporate to run and operate in the society.

**Corporate Sustainability and Corporate Social Responsibility**

Although scholars and practitioners often interpret Corporate Sustainability and Corporate Social Responsibility as being nearly synonymous, pointing to similarities and the common domain. The two concepts have different backgrounds and different theoretical paths. According to management science, the notion of Corporate Sustainability can be defined first as the capacity of a firm to create value through the product and services it produces and to continue operating over the years. Sustainability, in this context, entails the creation of a sustainable competitive advantage.

Corporate Sustainability can be considered as the attempt to adapt the concept of Sustainable Development to the corporate setting, matching the goal of value creation with environmental and social considerations. According to the Dow Jones Sustainability Index, ‘Corporate Sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. The Journal of Environmental Strategy defines corporate sustainability as ‘the capacity of an enterprise to maintain economic prosperity in the context of environmental responsibility and social stewardship. Accountability, the capability of an organization to continue its activities, indefinitely, having taken due account of the impact on natural, social and human capitals.

Corporate Sustainability includes an attempt to assimilate the environmental and social dimensions into business operations: processes, products and procedures. In practical terms, the Corporate Sustainability approach leads to a very concrete and pragmatic problem; how to measure performance based on the three dimensions outlined and how natural and social values can be incorporated into corporate accounting.

responsibilities of businesses and wrote that social responsibility refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.

Besides, economic and legal responsibilities (that is to be profitable and obey the law), companies are expected to satisfy other requirements, relevant to conformity to social norms and voluntary contributions to the community in which they operate. Another important Corporate Social Responsibility approach developed during the 1980s in the light of the growth of the stakeholder approach, firms have obligations to a broader group of stakeholders than the simple shareholders, where a stakeholder is any group or individual who can affect or is affected by the achievement of the firm’s objectives. Business can be understood as a set of relationships among groups which have a stake in the activities that
make up the business.

Although Corporate Sustainability and Corporate Social Responsibility gave different roots and gave developed along diverse theoretical paths, they ultimately converged. This strong complimentarily is evident in some recent definitions of Corporate Social Responsibility provided by international organizations like the prince of Wales International Business Leaders Forum: Corporate Social Responsibility means open and transparent business practices that are based on ethical values and respect for employees, communities and the environment. It is designed to deliver sustainable value to society at large, as well as to shareholders.

The concept of sustainable development has been transposed from the macro to the corporate dimension. Companies, in fact, are a productive resource of our socio-economic system and key to the eventual implementation of sustainability. According to management theory, the attempt to include sustainability issues in the managerial framework can be divided into two separate issues: Corporate Sustainability and Corporate Social Responsibility. The actualization of the theoretical pillars of SD within Corporate Sustainability/Corporate Social Responsibility seems crucial to effectively respond to the challenges posed by sustainability.

**Why is Sustainability an Imperative?**

Sustainability is an emerging megatrend and is a measure of good corporate governance. Over the years, environmental issues have steadily encroached on businesses’ capacity to create value for customers, shareholders, and other stakeholders. Globalized workforces and supply chains have created environmental pressures and attendant business liabilities. The rise of new world powers has intensified competition for natural resources (especially oil) and added a geopolitical dimension to sustainability. “Externalities” such as carbon dioxide emissions and water use are fast becoming material—meaning that investors consider them central to a firm’s performance and stakeholders expect companies to share information about them.

These forces are magnified by escalating public and governmental concern about climate change, industrial pollution, food safety, and natural resource depletion, among other issues. Consumers in many countries are seeking out sustainable products and services or leaning on companies to improve the sustainability of traditional ones.

Further fueling this megatrend, thousands of companies are placing strategic bets on innovation in energy efficiency, renewable power, resource productivity, and pollution control. In the end, it can be concluded that the top management of an organization can no longer afford to ignore sustainability as a central factor in their companies’ long-term competitiveness.

**Government’s Role in improving Sustainability Reporting**

Integrated Reporting in South Africa and many other jurisdictions are placing similar requirement on companies to report about the sustainability aspects in addition to financial information.
In 2011, Ministry of Corporate Affairs (MCA), Govt. of India issued the first voluntary reporting framework for reporting on Business Responsibility in the form of ‘National Voluntary Guidelines (NVG) on Social, Environmental and Economic Responsibilities of Business’. SEBI considering the framework given under the NVG guidelines, inserted clause 55 to the listing agreement to give mandate to top 100 listed companies to adopt the Business Responsibility Framework. The other listed companies are encouraged to adopt the Business Responsibility Reporting voluntarily. The similar regulators initiatives are required in other jurisdiction also to encourage the companies to adopt the Reporting on Sustainability aspects.

Over the past 10 years, environmental issues have steadily encroached on businesses’ capacity to create value for customers.

KYOSEI

A concise definition of this word would be "living and working together for the common good," but for some, the definition is broader: "All people, regardless of race, religion or culture, harmoniously living and working together into the future." Kyosei is a Japanese technique meaning “a spirit of cooperation”.

Kyosei establishes harmonious relations between the company and -
- Customers
- Suppliers
- Competitors
- Governments
- Natural Environment

Kyosei philosophy reflects a confluence of social, environmental, technological and political solutions. It believes that peace, prosperity and social and environmental improvement come through positive action.

It works in five stages
- First is economic survival of the company
- Second is cooperating with labour
- Third is cooperating outside the company
- Fourth is global activism, and
- Fifth is making the government/s a Kyosei partner

In the first stage of kyosei, a company must work to secure a predictable stream of profits and to establish strong market positions. At this stage corporate is at the stage of evolution it is concerned with profit making and for its economic survival. Stakeholder’s benefits are not a major concern area.

From this foundation, it moves on to the second stage, in which managers and workers resolve to cooperate with each other, recognizing that both groups are vital to the company's success. Managers and workers unite in working for the prosperity of the corporation and both have a share in the profits. Labor disputes get resolved at this stage, but community
development and environmental protection measures are yet to be undertaken by the company.

A small beginning is made by creating a cooperative spirit among employees. Many Japanese companies have eliminated the distinction between salaried and hourly workers. They did away with the rule that the workers had to use different cafeterias and rest rooms.

In the **third stage**, this sense of cooperation is extended beyond the company to encompass customers, suppliers, community groups, and even competitors. At this stage company assumes local social responsibilities. Companies respect the interests of their own stakeholders-customers, staff, shareholders, suppliers, competitors and the local community. Suppliers are provided with technical support and, in turn, deliver high quality materials on time. Competitors are invited in to partnership agreements and joint ventures, which results and higher profits for both parties. Forming Kyosei partnership for the common good is very different from forming a cartel and fixing prices. Community groups become partners in solving local problems.

Partnership with Competitors’ other than forming cartels and price fixing is reflected in activities that they do for common good. For e.g. ATM facility of one bank, following the central bank guidelines can be used by customer of competitor’s bank. This benefits the competitors and adds value to their customer base.

At the **fourth stage**, a company takes the cooperative spirit beyond national boundaries and addresses some of the global imbalances. At this stage company assumes global social responsibilities. At this stage company cares for all its direct stakeholders including its local community and beyond, it strives to fulfill its corporate obligations on a global scale. A company can help reduce trade friction by building production facilities and training local scientists and engineers in other countries. Thereby, improve the standard of living of people in poor countries by exposing them to new technologies.

Its social responsibilities transcend national boundaries. In the fifth stage, which companies rarely achieve, a company urges its national government to work toward rectifying global imbalances. At the global level Kyosei will address --

- Trade imbalances
- Income imbalances
- Environmental imbalances

by advocating political, economic and educational reform.

Kyosei philosophy banks upon the theory of corporate governance that makes governance function look outside in

- Governance leadership will pull and push executive leadership towards satisfaction of all stakeholders
- Conflicts and tension will be replaced by creative living and working together
- Spirit of happy cooperation is made all-pervasive

Strong relationships are the sine qua non of the Kyosei framework of responsibility. Togetherness and unity of life objectives are the idealist nature of Kyosei. Japanese companies like Canon strive hard to make the ideal a reality.
THE CORPORATE PHILOSOPHY OF CANON IS KYOSEI.

A concise definition of the word would be "Living and working together for the common good," but Canon’s definition is broader: "All people, regardless of race, religion or culture, harmoniously living and working together into the future." Unfortunately, the presence of imbalances in the world in such areas as trade, income levels and the environment hinders the achievement of kyosei.

Addressing these imbalances is an ongoing mission, and Canon is doing its part by actively pursuing kyosei. Truly global companies must foster good relations, not only with their customers and the communities in which they operate, but also with nations and the environment. They must also bear the responsibility for the impact of their activities on society. For this reason, Canon's goal is to contribute to global prosperity and the well-being of mankind, which will lead to continuing growth and bring the world closer to achieving kyosei.

TRIPLE BOTTOM LINE (TBL)

In 1999 Elkington developed the concept of the Triple Bottom Line which proposed that business goals were inseparable from the societies and environments within which they operate. Whilst short-term economic gain could be chased, a failure to account for social and environmental impacts would make those business practices unsustainable. While each of the three pillars of sustainability i.e., economic, social and environment is independently crucial and urgent in the short-run, but in order to reach the goal of sustainability in the long-run, the three pillars must be satisfied simultaneously. These three dimensions are deeply inter-connected and they influence and support each other.

Three key aspects of sustainable Development


The Triple Bottom Line is made up of "Social, Economic and Environmental" aspect and indicated by the phrase "People, Planet, Profit" phrase.

"People" means Human Capital. It implies fair and beneficial business practices toward labour and the community and region in which a corporation conducts its business would
create long term value. Well being of a corporate, its labour and other stakeholder interests are interdependent. For example policy retraining use of child labor, fair pay to workforce, health and safety at workplace, tolerable working hours etc and

would not otherwise exploit a community or its labor force.

The second aspect of TBL is "Planet" - the Natural Capital. It refers to sustainable environmental practices. A company which decides to follow TBL always keep in mind that it does no harm nature or create negative environmental impact.

Reduction of ecological footprint by efficient energy consumption and use of non-renewable assets as well as by reduction of manufacturing waste are the core components.

A TBL company as a corporate policy debars itself from manufacturing harmful or destructive products such as weapons, toxic chemicals etc. those are injurious to the society as well as nature. Even if they are involved in such activities they ensure to protect nature as well as human society from its hazardous process and the products.

Simultaneously a TBL company avoids ecologically destructive practices, such as overfishing or other endangering depletions of resources.

The third aspect of triple bottom line is profit. The concept of profit for TBL company is somehow more wider in all perspective. It is the reflection of economic impact the organization has on its business activities and that too after meeting all social and environmental cost. It somehow indicates real value addition a corporate made through its various activities.

World wide many corporates are now adopting Triple Bottom Line under vision and mission and practicing the same through aligning their corporate polices in that direction.

Many countries worldwide are now contemplating how to integrate this triple bottom line under their legal system.

CONCLUSION

Leading sustainability companies display high levels of competence in addressing global and industry challenges in a variety of areas:

Strategy: Integrating long-term economic, environmental and social aspects in their business strategies while maintaining global competitiveness and brand reputation.

Financial: Meeting shareholders' demands for sound financial returns, long-term economic growth, open communication and transparent financial accounting.

Customer & Product: Fostering loyalty by investing in customer relationship management and product and service innovation that focuses on technologies and systems, which use financial, natural and social resources in an efficient, effective and economic manner over the long-term.

Governance and Stakeholder: Setting the highest standards of corporate governance and stakeholder engagement, including corporate codes of conduct and public reporting.

Human Capital: Managing human resources to maintain workforce capabilities and employee satisfaction through best-in-class organisational learning and knowledge management practices and remuneration and benefit programs.
The emergence of corporate responsibility, from being a niche interest of environmentalist and pressure groups to one public. Concern, has in part, stemmed from the realization that corporate governance and social and environmental performance are important elements of sustained financial profitability.