Unit. 5

CSR - Corporate social Responsibility

CSR- concept:

Corporate Social Responsibility refers to a company's commitment to operating ethically, considering the impact of its actions on society and the environment beyond its core business goals.

Corporate philanthrophy:

Corporate philanthrophy refers to the investment and activities a company voluntarily undertakes to manage and account for its impact on society responsibly.

Philanthropic investment and activities include:

- Money
- Donation of products
- In-kind Services
- Technical assistance
- Employee voluntarism
- Other business transaction

7 types of corporate philanthrophy:

1) matching Grants:

Companies financially match donation that their employees makes to non-profit organisation

2) Voluntary Grants

Companies provide monetary grants to organisations where employees regularly volunter.

3) Employee & Board Grant Stipents.

corporation award grants to employees and public boards to donate to the non-profit of their choice.

4) community Grants:

company programs award non profit of their choice.

5) Volunteer Support Initatie:

Companies provide financial support to a non-profit that in return acknowledges that the business has supported their activities, programs or evants.

6) Corporate Scholarship:

Corporations provide Scholarship dollars to universities on behalf of Students Seeking support to continue their Studies encouraging college education and workforce development.

Strategic Relationship of CSR with corporate sustainability:

Corporate Social Responsibility and corporate sustainability are closely related concept, often used Interchangably, but they serve complementary roles in shaping a business's long term strategy and operations.

Ethical foundations:

CSR provides the ethical foundation for corporate sustainability efforts. It emphasize the importance of doing business in a way that is not only economically viable but also socially equitable and environmentally responsible.

5th unit Balance

Auditing

Auditing

Holistic Impact:

CSR initiatives contribute to corporate sustainability by addressing the triple bottom line of people, planet and profit. Thereby companies can ensure they are operating in a way that preserves or enhances human and natural resources, which are critical to long-term sustainability.

Risk - management:

Implementing CSR practices helps business anticipate and manage risks associated with environmental degradation social unrest and economic voluntality.

Innovation and competitiveness:

CSR drives innovation by encourging companies to develop new product and service that need social and environmental standards.

Stakeholder Engagement:

CSR strategies emphasize the importance of stakeholder engagement listening to and considering the interest of employees, suppliers, community members and investors.

Long term vision:

CSR encourages companies to look beyond short-term gains and focus on longterm impact, aligning with the core goal of corporate sustainability.

Reputation Building:

CSR activities help build and maintain a company's reputation, which is crucial for corporate sustainability.

Regulatory Compliance and Beyond:

CSR helps companies not only comply with existing environmental and social regulations but often to exceed them.

Employee morale and attraction

A strong CSR program can significantly boost employee morale and attract top talent.

Resource efficiency:

CSR initiatives often lead to greater resources efficency, such as reduced energy use, minimal waste, and improved water conservation.

Long-term customer Relationship:

Companies can develop deeper relationship with their customer through CSR.

CSR and Business Ethics:

Business Ethics:

Business Ethics encompasses that moral principles and value that guide organisational behaviour and decision making.

Business ethics provides the moral foundation for CSR, while CSR often manifests as practical expressions of a company's ethical principles.

Ethical foundation:

Business ethics estabilishes the moral. standards and values that guide a company's behaviour and decision making.

CSR iniatives are often rooted in these ethical principles, reflecting a commitment to ethical conduct beyond legal requirement.

CSR as a manifestation of Ethics

CSR actions such as philanthrophy, environmental initiatives, or fair labour practices, can be viewed as practical implementation of a company's ethical values.

Building Trust and Reputation

Adhering to ethical standards and engaging in CSR fosters trust with stakeholder, including employees, customer investors and the community.

Beyond legal compliance

While legal compliance is a baseline for business operations, ethical behaviour and CSR extend beyond these requirements.

Long-term value creation:

By fostering trust and building a strong reputation, ethical business practices and CSR contribute to long-term value creation for the company and its stakeholders.

CSR and corporate Governance:

Corporate Governance and corporate Governance are related but distinct concepts.

Corporate Governance focuses on the internal rules and processes that govern a company's operations, ensuring accountability and transparency.

CSR on the otherhand refers to a company's commitment to ethical and sustainable practices beyond its ~~ethical~~ legal obligation, addressing social and environmental impacts.

Corporate Governance:

<u>Internal focus</u>

Corporate Governance deals with how a company is controlled and managed internally, including structure, policies and processes for decision-making and accountability.

Key principles

It often involves principles like transparency, accountability, fairness and independence purpose:

Good corporate Governance aims to protect shareholders, ensure responsible management and build trust with stakeholders.

Legal Framework

many aspects of corporate governance are legally mandated, particularly for publicly traded companies.

corporate Social Responsibility:

External focus:

It examines a company's impact on Society and the environment, going beyond legal compliance.

Voluntary Initiatives:

CSR initiatives are voluntary, demonstrating a Company's commitment to ethical and Sustainable practices.

stakeholder Engagement

CSR often involves engaging with various stakeholders.

Long term value:

CSR aims to create sustainable value for all stakeholders.

CSR provision under companies Act 2013

Section 135 of the companies Act 2013 provides that certain companies must mandatorily contribute a certain amount towards CSR activities.

Companies covered:

networth:

~~to~~ companies with a net worth of Rs 500 crore or more.

Turnover:

companies with a turnover of Rs 1,000 crore or more.

net profit:

companies with a net profit of Rs 5 crore or more during any of the immetiately proceeding three financial years.

CSR Committees:

Every covered company must estabilish a CSR committee consisting of three or more director. with at least one being an independent director.

CSR- Spending :

The company must spend at least 2% of its average net profit of the proceeding three financial year on CSR activities.

The net profit is calculated as per Section 198 of the Act, which means its profit Before Tax.

CSR Activities :

The CSR activities should be in accordance with the activities specified in Schedule vii of the companies Act 2013.

Board of Directors Responsibilities

The Board of Director is responsible for approving the CSR policy, disclosing it in the Board's report, and ensuring that the company undertakes the activities included in the CSR policy.

Penalties for - non compliance:

They are penalties for non-compliance with Section 135, including fines for the company and officers.