Corporate Social Responsibility

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"Corporate social responsibility must not be defined by tax planning strategies alone. Rather, it should be defined within the framework of a corporate philosophy which factors the needs of the community and the regions in which a corporate entity functions. This is part of our cultural heritage. Mahatma Gandhi called it trusteeship….I invite corporate India to be a partner in making ours a more humane and just society… We need a new Partnership for Inclusive Growth based on what I describe as a Ten Point Social Charter...first, we need to have healthy respect for your workers and invest in their welfare…".

Indian Prime Minister, Manmohan Singh in 2007

Origination of Corporate Social Responsibility

Corporate Social Responsibility (CSR) is associated with the conduct of corporations and in particular whether corporations owe a duty to stakeholders other than shareholders. While the phrase 'Corporate Social Responsibility' may be gaining momentum, the concept itself is not new. The question as to whether corporations owe duties to broader stakeholders has been debated at various times throughout the twentieth century.

Corporate history provides many examples of company's pursing profit without regard to relevant CSR matters, including:

- Nike factories in Asia were criticised for extremely poor working conditions and for employing young children;
- Nestle received criticism in relation to its' practices including unethical marketing and utilising a supply chain that uses child bonded labour;
- Ford Pinto scandal whereby Ford, although aware of a fatal design flaw, decided it would be cheaper to pay off possible law suits with regard to resulting deaths instead of recalling and fixing the affected cars;
- Shell's joint venture with the Nigerian government where, in 1995, Ken Saro-Wiwa and eight others were executed largely due to leading a non-violent campaign against environmental damage associated with the operations of multinational oil companies, including Shell and British Petroleum. Shell was criticised for not using its power to intercede with regard to the executions; and;
- Enron manipulated electricity in order to maximise profits at the expense of Californian citizens.

Historically, a narrow view of corporate responsibility has been enforced whereby a corporation's responsibility extends only to maximising profits.

In today's global environment, CSR has gained significance largely due to the following:

- globalisation and the proliferation of cross-border trade by Multinational entities resulting in an increasing awareness of CSR practices relating to areas such as human rights, environmental protection, health and safety and anti-corruption;
- organisations, such as the United Nations, the Organisation for Economic Co-operation and Development (OECD) and the International Labour Organisation (ILO), have developed compacts, declarations, guidelines, principles and other instruments that outline norms for acceptable corporate conduct;

- access to information and media enables the public to be more informed and to easily monitor corporate activities;
- consumers and investors are demonstrating increased interest in supporting responsible business practices and are demanding more information as to how companies address risks and opportunities relating to social and environmental issues;
- recent high profile corporate collapses have contributed to public mistrust and the demand for improved corporate governance, accountability and transparency;
- commonality of expectations by citizens of various countries with regard to minimum standards corporations should achieve in relation to social and environmental issues, regardless of the jurisdiction in which the corporation operates; and
- increasing awareness of the inadequacy of current regulations and legislation with regard to CSR matters and the regulation of Multinational entities.

Meaning of Corporate Social Responsibility (CSR)

Corporate Social Responsibility can be defined as the corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare.
The term generally applies to company efforts that go beyond what may be required by regulators or environmental protection groups.

The three pillars of CSR are

- Environment,
- Society and
- Commerce

Together, these create long-term sustainable development.

A single globally accepted definition of CSR does not exist, as the concept is still evolving. The language used in relation to CSR is often used interchangeably with other related topics, such as corporate sustainability, corporate social investment, triple bottom line, socially responsible investment and corporate governance. However, various individuals and organisations have developed formal definitions of CSR, some of them being:

Corporate Social Responsibility is the continuing commitment by business to behave ethically 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.
- World Business Council for Sustainable Development

Corporate Social responsibility is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment.
- European Commission; Employment & Social Affairs

Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business
- Business for Social Responsibility

A set of management practices that ensure the company minimises the negative impacts of its operations on society while maximising its positive impacts
- Canadian Centre for Philanthropy

The integration of business operations and values whereby the interests of all stakeholders including customers, employees, investors, and the environment are reflected in the company’s policies and actions
- The Corporate Social Responsibility Newswire Service

It is important to differentiate CSR from charitable donations and ‘good works’, ie corporate philanthropy. Corporate philanthropy and CSR are two different things.

Business Ethics and Corporate Social Responsibility

Very Simply put, ‘Ethics’ is ‘a set of principles of right conduct’. Business ethics is the application of these principles in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations.

The term 'business ethics' came into common use in the United States in the early 1970s. By the mid-1980s at least 500 courses in business ethics reached 40,000 students, using some twenty textbooks and at least ten casebooks along supported by professional societies, centers and journals of business ethics. The Society for Business Ethics was started in 1980. European business schools adopted business ethics after 1987 commencing with the European Business Ethics Network (EBEN). Firms started highlighting their ethical stature in the late 1980s and early 1990s, possibly trying to distance themselves from the business scandals of the day.

Business ethics reflects the philosophy of business. If a company's purpose is to maximize shareholder returns, then sacrificing profits to other concerns is a violation of its fiduciary responsibility. Corporate entities are legally considered as persons in most nations. The 'corporate' as 'legal person' is legally entitled to the rights and liabilities due to citizens as persons. Economist Milton Friedman writes that corporate executives' "responsibility... generally will be to make as much money as possible while conforming to their basic rules of the society, both those embodied in law and those embodied in ethical custom".

Ethical issues include the rights and duties between a company and its employees, suppliers, customers and neighbors, its fiduciary responsibility to its shareholders. It also includes issues concerning relations between different companies and related issues like corporate governance, corporate social responsibility etc.

Corporate social responsibility resting on the foundation of Business Ethics, is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders.

International Initiatives

Most attempts to regulate CSR have resulted from public international bodies and non government organisations (NGOs). Codes of conduct relating to CSR matters such as bribery, environment and human rights are voluntary and not legally binding, however, may represent subtle diplomacy by NGOs towards a consensus amongst governments which in turn may be embodied in national legislation or universally accepted standards. The trend in developed nations is to support the reporting of CSR without introducing legislation to mandate CSR practices, instead, governments appear to be content relying on initiatives introduced and championed by NGOs such as the Organisation for Economic Co-operation and Development (OECD), United Nations (UN) and The Global Reporting Initiative (GRI).

OECD Guidelines for Multinational Enterprises
The OECD Guidelines for Multinational Enterprises (MNEs), first adopted in 1976, are the longest standing initiative for the promotion of high corporate standards. The Guidelines contain voluntary principles and standards for responsible business conduct in areas such as human rights, supply chain management, disclosure of information, anti-corruption, taxation, labour relations, environment, competition, and consumer welfare. The Guidelines aim to promote the positive contributions of MNEs to economic, environmental and social progress. The Guidelines express the shared values OECD members and some non-member countries as well. While observance of the Guidelines is voluntary for companies, adhering governments make a formal commitment to promote their observance among MNEs.

Global Sullivan Principles
In 1977, the Reverend Leon Sullivan launched the original Sullivan Principles, which were designed to help persuade US companies with investments in South African to treat their African employees the same as they would their American counterparts. These princples were then relaunched in 1999 as the Global Sullivan Principles for Corporate Social Responsibility.
The Global Sullivan Principles (GSP) released in 1999 consists of eight principles. It is a voluntary code of conduct seeking to enhance human rights, social justice, protection of the environment and economic opportunity for all workers in all nations.

International Labour Organisation's (ILO) Tripartite Declaration of principles concerning multinational enterprises and social policy (MNE Declaration)
The ILO, founded in 1919, is a specialised agency of the United Nations focusing on labour issues. In the 1960s and 1970s, the activities of multinational enterprises (MNEs) provoked intense discussions that resulted in efforts to draw up international instruments for regulating their conduct and defining the terms of their relations with host countries, mostly in the developing world.
Labour-related and social policy issues were among those concerns to which the activities of MNEs gave rise. The ILO's search for international guidelines in its sphere of competence resulted, in 1977, in the adoption by the ILO Governing Body, of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration).

The principles laid down in this universal instrument offer guidelines to MNEs, governments, and employers' and workers' organizations in such areas as employment, training, conditions of work and life, and industrial relations. Its provisions are reinforced by certain international labour Conventions and Recommendations which the social partners are urged to bear in mind and apply, to the greatest extent possible. The adoption of the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up in 1998 highlighted the importance of the fundamental Conventions in realizing the objectives of the ILO, and consequently, the MNE Declaration takes into account the objectives of the 1998 Declaration.

United Nations Global Compact

Introduced in 1999, The United Nations Global Compact is 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 Compact's 10 principles enjoy consensus across many jurisdictions and are derived from:

- The Universal Declaration on Human Rights;
- The International Labour Organisation's Declaration on Fundamental Principles and Rights at Work;
- The Rio Declaration on Environment and Development; and
- The United Nations Convention Against Corruption.

Critics argue that as adherence to the Compact cannot be enforced the Compact may be abused. The Compact itself states that a company's participation 'does not mean that the Compact recognises or certifies that these companies have fulfilled the Compact's principles'.
The Compact is considered to be one of the world's largest corporate responsibility initiative.

UN Norms

The UN Norms on the Responsibilities of Transnational Corporations and other Business Enterprises with regard to Human Rights (UN Norms) attempts to establish a comprehensive legal framework for the human rights responsibilities of companies. The Norms which endeavour to standardise existing standards are based solely on existing international law regarding human rights and labour standards and deal with issues such as workers rights, corruption, security and environmental sustainability. The UN Norms state that MNEs have an obligation to 'promote, secure the fulfilment of, respect and protect human rights recognised in international and national law'. The UN Norms is not a formal treaty under international law and therefore is not legally binding.

Principles for Responsible Investment

The Principles for Responsible Investment (PRI), issued in April 2006, is a voluntary initiative which strives to identify and act on the common ground between the goals of institutional investors and the sustainable development objectives of the UN. The audience targeted is the global community, however the focus is on the eleven largest capital markets, with a goal of protecting the long term interests of fund beneficiaries. The PRI were borne from the perceived disconnect between corporate responsibility, and the behaviour of financial markets, which are often influenced by short-term considerations at the expense of longer term objectives.

The PRI, developed by leading institutional investors and overseen by the UN Environment Programme Finance Initiative and the UN Global Compact, includes environmental, social and governance criteria, and provides a framework for achieving higher long term investment returns and more sustainable markets. The UN Secretary General has stated 'it is my hope that the Principles will help to align investment practices with the goals of the UN, thereby contributing to a more stable and inclusive global economy'.

Global Reporting Initiative

The Global Reporting Initiative (GRI), convened in 1997, was established to improve sustainability reporting practices, while achieving comparability, credibility, timeliness, and verifiability of reported information.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework. The reporting framework is developed through a consensus-seeking process with participants drawn globally from business, civil society, labor, and professional institutions.

To help improve sustainability reporting, many organizations have turned to the Global Reporting Initiative (GRI) as the quasi-standard setter for sustainability reporting.

To date, thousands of organizations in the auto, utility, consumer products, pharmaceuticals, financial, telecommunications, transport, energy and chemicals sectors, among others, in addition to public authorities and non-profits, have published reports that adopt part or all of the GRI Sustainability Reporting Guidelines.

The 2008 KPMG International Survey of Corporate Responsibility Reporting is a comprehensive look at the trends in the world's largest companies. It shows that corporate responsibility reporting (which covers all forms of sustainability reporting) is mainstream with nearly 80 per cent of the largest 250 companies worldwide issuing reports (but with only 4 per cent integrating corporate responsibility information into their annual reports). The survey also usefully provides good practices in corporate responsibility (sustainability) reporting and shows which reporting standards and guidelines are used by companies. More than three-quarters of the Global Fortune 250 and 69 percent of the largest companies by revenue follow the GRI Sustainability Reporting Guidelines.

GRI is an independent, global organization that is a collaborating centre of UNEP. The Board of Directors has ultimate responsibility for the GRI. GRI is governed through a multi-stakeholder governance structure of:

- Board of Directors, who have fiduciary, financial, legal, and overall strategic responsibilities for GRI;
- Stakeholder Council, an advisory group on broad policy issues;
- Technical Advisory Committee, an advisory group on technical issues;
- Organizational Stakeholders, who support GRI's mission, elect the Stakeholder Council and contribute to annual budget; and
- International Secretariat, based in Amsterdam, who implements the work plan of the Board.

Between 1997 to mid-2002, GRI was a project of CERES and the UNEP. In 2002 GRI incorporated as an independent non-profit in Amsterdam, the Netherlands. The Boston-based non-profit CERES (Ceres (pronounced "series") is a national network of investors, environmental organizations and other public interest groups working with companies and investors to address sustainability challenges such as global climate change.

<u>International CSR Standards</u>

There are several reporting standards followed internationally for measuring the social impact of corporate actions in the normal course of business so far as those are linked with its social responsibility. Some of the International Corporate Social Responsibility Standards are as follows.

1. International Organisation for Standardization - ISO 26000

The International Organization for Standardization (ISO) has launched an International Standard providing guidelines for social responsibility named ISO 26000 or simply ISO SR and was released on 1 November 2010.

This standard offers guidance on socially responsible behaviour and possible actions; it does not contain requirements and, therefore, in contrast to ISO management system standards, is not certifiable.

ISO 26000:2010 provides guidance to all types of organizations, regardless of their size or location, on:

■concepts, terms and definitions related to social responsibility;
■the background, trends and characteristics of social responsibility;
■principles and practices relating to social responsibility;
■the core subjects and issues of social responsibility;
■integrating, implementing and promoting socially responsible behaviour throughout the organization and, through its policies and practices, within its sphere of influence;
■identifying and engaging with stakeholders; and
■communicating commitments, performance and other information related to social responsibility.

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

In applying ISO 26000:2010, it is advisable that an organization take into consideration societal, environmental, legal, cultural, political and organizational diversity, as well as differences in economic conditions, while being consistent with international norms of behaviour.

ISO 26000:2010 is not a management system standard. It is not intended or appropriate for certification purposes or regulatory or contractual use. Any offer to certify, or claims to be certified, to ISO 26000 would be a misrepresentation of the intent and purpose and a misuse of ISO 26000:2010. As ISO 26000:2010 does not contain requirements, any such certification would not be a demonstration of conformity with ISO 26000:2010.

ISO 26000:2010 is intended to provide organizations with guidance concerning social responsibility and can be used as part of public policy activities. However, for the purposes of the Marrakech Agreement establishing the World Trade Organization (WTO), it is not intended to be interpreted as an “international standard”, “guideline” or “recommendation”, nor is it intended to provide a basis for any presumption or finding that a measure is consistent with WTO obligations. Further, it is not intended to provide a basis for legal actions, complaints, defences or other claims in any international, domestic or other proceeding, nor is it intended to be cited as evidence of the evolution of customary international law.

ISO 26000:2010 is not intended to prevent the development of national standards that are more specific, more demanding, or of a different type.

About The International Organization for Standardization (ISO)

ISO (International Organization for Standardization) is the world's largest developer and publisher of International Standards.

ISO is a network of the national standards institutes of 163 countries, one member per country, with a Central Secretariat in Geneva, Switzerland, that coordinates the system.

ISO is a non-governmental organization that forms a bridge between the public and private sectors. On the one hand, many of its member institutes are part of the governmental structure of their countries, or are mandated by their government. On the other hand, other members have their roots uniquely in the private sector, having been set up by national partnerships of industry associations.

ISO Name

Because "International Organization for Standardization" would have different acronyms in different languages ("IOS" in English, "OIN" in French for Organisation internationale de normalisation), its founders decided to give it also a short, all-purpose name. They chose "ISO", derived from the Greek isos, meaning "equal". Whatever the country, whatever the language, the short form of the organization's name is always ISO.

ISO Standards

ISO (International Organization for Standardization) is the world's largest developer and publisher of International Standards.

ISO has developed over 18 000 International Standards on a variety of subjects and some 1100 new ISO standards are published every year. The full range of technical fields can be seen from the listing International Standards. Users can browse that listing to find bibliographic information on each standard and, in many cases, a brief abstract. The online ISO Standards listing integrates both the ISO Catalogue of published standards and the ISO Technical programme of standards under development.

An ISO standard can be anything from a four-page document to one several hundred pages' long. It is usually also available in electronic form. It carries the ISO logo and the designation International Standard. In most cases, the paper version is published in A4 format - which is itself one of the ISO standard paper sizes. The standardization of paper sizes is a typical example of ISO's work: agreement on a sufficient number of variations of a product to meet most current applications allows economies of scale with cost benefits to both producers and consumers.

Although the standards originated in manufacturing, they are now employed across several types of organizations. A "product", in ISO vocabulary, can mean a physical object, services, or software.

ISO standards represent, by an international consensus among experts in the technology concerned, the state of the art. To ensure that ISO standards retain this lead, they are reviewed at least every five years after their publication. The technical experts then decide whether the standard is still valid, or whether it should be withdrawn or updated.

Are ISO Standards Mandatory?

ISO standards are voluntary. ISO is a non-governmental organization and it has no power to enforce the implementation of the standards it develops. A number of ISO standards - mainly those concerned with health, safety or the environment - have been adopted in some countries as part of their regulatory framework, or are referred to in legislation for which they serve as the technical basis. However, such adoptions are sovereign decisions by the regulatory authorities or governments of the countries concerned. ISO itself does not regulate or legislate. Although voluntary, ISO standards may become a market requirement, as has happened in the case of ISO 9000 quality management systems, or ISO freight container dimensions.

ISO Membership

ISO is made up of 163 members which are divided into three categories:

- Member bodies,
- Correspondent members,
- Subscriber members

A member body of ISO is the national body "most representative of standardization in its country". Only one such body for each country is accepted for membership of ISO. Member bodies are entitled to participate and exercise full voting rights on any technical committee and policy committee of ISO.

India's Bureau of Indian Standards (BIS) is a Member body of ISO.

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2. Global Reporting Initiative (GRI) - G3.1 Guidelines

The GRI Sustainability Reporting Framework consists of the Sustainability Reporting Guidelines, Sector Supplements, National Annexes, and the Boundary and Technical Protocols.

The Sustainability Reporting Guidelines are the foundation of GRI's Framework and are now in their third generation. They feature sustainability disclosures that organizations can adopt flexibly and incrementally, enabling them to be transparent about their performance in key sustainability areas.

The G3.1 Sustainability Reporting Guidelines are the latest and most complete version. Launched in 2011, G3.1 completes the content of the G3 Guidelines released in 2006. G3.1 features expanded guidance on local community impacts, human rights and gender. While G3-based reports are still accepted, GRI recommends that reporters use G3.1, the most comprehensive reporting guidance available today.

The fourth generation of Guidelines – G4 – are currently in development and will be launched in May 2013.

3. Social Accountability International (SAI) - SA 8000

SA8000 is a global social accountability standard for decent working conditions, developed and overseen by Social Accountability International (SAI).

Social Accountability International (SAI) is an independent, nongovernmental, not-for-profit organization that promotes the human rights of workers through the implementation of its SA8000 standard.
The SA8000 standard is based on the principles of the International Labour Organization (ILO) Conventions, the United Nations Convention on the Rights of the Child, and the Universal Declaration of Human Rights.

The key features of this Standard are:
- The application of the SA8000 standard is not restricted to any particular sector, product group or service activity.
- SA8000 is a process-type standard not a product-type standard. There is no seal or label on goods produced by companies certified against the standard.
- SA8000 integrates nine core elements: child labor, forced labor, health and safety, freedom of association and right to collective bargaining, discrimination, discipline, working hours, compensation and management systems.
- SA8000 requirements apply universally, regardless of a company's size, its geographic location or industry sector.

4. The Institute for Social and Ethical Accountability (ISEA) (also known as AccountAbility) – AA 1000 Standard for Ethical Performance

Accountability 1000 (AA1000) is the work of ISEA - the Institute for Social and Ethical Accountability. ISEA (also known as AccountAbility) is an international membership organisation, based in the UK. It exists to encourage ethical behaviour in business and non-profit organisations.

AA1000 is promoted as a standard for the measuring and reporting of ethical behaviour in business. It provides a framework that organisations can use to understand and improve their ethical performance, and a means for others to judge the validity of claims to be ethical.

5. Triple Bottom Line Reporting (TBL)

The term 'triple bottom line' (TBL) is used as a framework for measuring and reporting corporate performance against economic, social and environmental parameters.

TBL has achieved considerable importance because corporations such as Shell and BP Australia have adopted it. The World Business Council for Sustainable Development, a coalition of international companies, has also given strong endorsement to the concept.

The phrase "the triple bottom line" was first coined in 1994 by John Elkington, the founder of a British consultancy called SustainAbility. His argument was that companies should be preparing three different (and quite separate) bottom lines. One is the traditional measure of corporate profit—the "bottom line" of the profit and loss account. The second is the bottom line of a company's "people account"—a measure in some shape or form of how socially responsible an organisation has been throughout its operations. The third is the bottom line of the company's "planet" account—a measure of how environmentally responsible it has been. The triple bottom line (TBL) thus consists of three Ps: profit, people and planet. It aims to measure the economic, social and environmental performance of the corporation over a period of time. Only a company that produces a TBL is taking account of the full cost involved in doing business.

Millennium Development Goals

The Millennium Development Goals (MDGs) are 8 international development goals that all 192 United Nations member states and at least 23 international organizations have agreed to achieve by the year 2015. There are 8 MDGs with 21 targets. These targets have one or more indicators that can be used to measure progress against the MDGs.

The 8 MDGs are:

GOAL 1: ERADICATE EXTREME POVERTY & HUNGER
GOAL 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION

GOAL 3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN
GOAL 4: REDUCE CHILD MORTALITY
GOAL 5: IMPROVE MATERNAL HEALTH
GOAL 6: COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES
GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY
GOAL 8: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT

Incorporating these Millenium Development Goals into corporate practices, can serve the purpose of Corporate Social Responsibility.

<u>CSR – Indian Scenario</u>

Business involvement in social welfare and development has been a tradition in India and its evolution from individuals' charity or philanthropy to Corporate Social Responsibility, Corporate Citizenship and Responsible Business can be seen in the business sector over the years. The concept of parting with a portion of one's surplus wealth for the good of society is neither modern nor a Western import into India. From around 600BC, the merchant was considered an asset to society and was treated with respect and civility as is recorded in the Mahabharata and the Arthashastra.

Urged by the Prime Minister's Ten Point Charter, the Corporate Sector is now trying to ensure that economic growth is socially and environmentally sustainable.

Ten Point Social Charter – Given By Dr. Manmohan Singh on May 25, 2007 while addressing the annual general meeting of the Confederation of Indian Industries (CII).

Our better-off must understand the need to make our growth process more inclusive. In a modern, democratic society, business must realise its wider social responsibility. The time has come for the better-off sections of our society to understand the need to make our growth process more inclusive – to
eschew conspicuous consumption, to save more and waste less, to care for those who are less privileged, to be role models of probity, moderation and charity. Indian industry must, therefore, rise to the challenge of making
our growth processes both efficient and inclusive. If those who are better off do not act in a more socially responsible manner, our growth process may be at risk, our polity may become anarchic and our society may get further divided.
I invite corporate India to be a partner in making ours a more humane and just society.

We need a new Partnership for Inclusive Growth based on what I describe as a Ten Point Social Charter.
First*: have healthy respect for your workers and invest in their welfare.*
Two*: corporate social responsibility must not be defined by tax planning strategies alone. Rather, it should be*
defined within the framework of a corporate philosophy which factors the needs of the community and the
regions in which a corporate entity functions.
Three*: industry must be proactive in offering employment to the less privileged, at all levels of the job ladder.*
Four*: resist excessive remuneration to promoters and senior executives and discourage conspicuous*
consumption.
Five*: invest in people and in their skills.*
Six*: desist from non-competitive behaviour.*
Seven*: invest in environment-friendly technologies.*
Eight*: promote enterprise and innovation, within your firms and outside.*
Nine*: fight corruption at all levels.*
Ten: *promote socially responsible media and finance socially responsible advertising.*
This is not an exhaustive list. You may wish to add to it, and adopt your own Social Charter for inclusive growth. The objective would be to encourage a culture of caring, sharing and belonging. We must end forever the debate whether our country's march of progress has benefited India and not Bharat. India is Bharat.

The Indian government has been trying to make CSR mandatory for companies to spend at least 2% of net profits on CSR. Facing strong criticism, it gave up the effort and made the spending voluntary. However in the recent Companies Bill 2011, the government has again propagated the concept of CSR and asks that companies keep tabs on CSR spending and disclose it to their principal stakeholders.

In India, it is not very clear as to what the term Corporate Social Responsibility encompasses. The Government has nowhere spelt out what constitutes CSR and therefore there exists a vagueness about the term. Today, CSR to some companies means providing lunch to employees. To others, it's about tackling global warming and environmental issues. India has a tradition of corporate philanthropy. However the lines between philanthropy and CSR have grown hazier. CSR should actually relate to the way you conduct your business, whereas it gets confused with giving to the local communities in which you operate. The first Government paper on CSR -- released by the Ministry of Corporate Affairs in 2009 -- also talks of health, cultural and social welfare, and education coming under the CSR head.

Although the Government has not defined CSR, it recast it as "responsible business" in the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011.

An Ernst & Young white paper titled, "The Emerging Role of Business -- Not Just for Profit," offers other options: "CSR could be and is used synonymously with terms like corporate responsibility, corporate citizenship, sustainable responsible business, corporate social performance and corporate sustainability."

A white paper by KPMG and the Associated Chambers of Commerce and Industry of India (ASSOCHAM) presented at the first International Summit on CSR held in New Delhi in 2008 says: "CSR is comprehended differently by different people." The report -- titled, "CSR: Towards a Sustainable Future" -- noted that until the 1990s, CSR was dominated by the idea of philanthropy and that business efforts were often limited to one-time financial grants. "Moreover, businesses never kept the stakeholder in mind while planning such initiatives, thereby reducing the efficacy and efficiency of CSR initiatives," according to the report. "However, over the past few years, the concept of CSR has been changing. There has been an apparent transition from giving as an obligation or charity to giving as a strategy or responsibility."

A report from global accounting and consulting firm Grant Thornton that used data collected in late 2010 and early 2011 noted that CSR activities across the world have increased dramatically in recent years as "businesses realize their value not only commercially, but also in terms of boosting employee value, attracting staff and cutting costs." Incidentally, "Saving the planet" came in sixth in the survey of drivers of CSR. The Grant Thornton International Business Report was launched in 1992 and now covers over 11,000 respondents per year in 39 economies.

The world over, very few countries have a CSR requirement; Saudi Arabia is possibly the only exception. The laws in developed countries do not stipulate mandatory CSR contributions. In the recent past, many European countries have specified that companies must include CSR information in their annual reports. The Indian Industry has been almost totally against a mandatory CSR clause. It says that compulsory corporate responsibility would be counterproductive. Companies may resort to camouflaging activities to meet such regulations, particularly during recessionary periods and economic downturns.

Investor's Perception and Corporate Social Responsibility

With the internationalization of cross-border portfolios, and the financial crisis that have occurred in many parts of the world, it is perhaps not surprising that institutional investors in particular increasingly look more carefully at the non financial information of the company particularly the corporate social responsibility information and the corporate governance practices of companies. After all, corporate governance goes hand in hand with increased transparency and accountability. This increased transparency and accountability should, of itself, lead to a better flow of foreign direct investment (FDI) and more stable financial markets.

Although there was a relative lack of use of non-financial information in earlier decision-making by investors, with the changing global economic environment, investors have now consciously started paying more attention to the corporate social responsibilities and its corporate governance. And the future lies with those who can win over the investors by their extraordinary non financial performance.

Non-Financial Information

Broadly there are the following three categories of non financial information:

a. Industry cohort measurements of performance linked to nonfinancial value indicators
Industry cohort measurements is information that contextualizes performance against peers e.g market share, quality rankings, customer satisfaction survey data etc. It is argued that the real value drivers of a company – for example, worker productivity, corporate innovation and customer satisfaction – are often better assessed using industry cohort metrics. This approach may allow management to better identify the company's strengths and weaknesses. Similarly, these metrics would allow investors building portfolios to compare the relative performance of companies, enhancing opportunities to identify intangible value in their portfolio companies.

b. Corporate governance information
Corporate governance has become a key focus of investors and regulators in recent years. Director independence, audit processes and executive pay have become key drivers for assessing the robustness of a company's monitoring processes and its ability to prevent fraud and mismanagement – key indicators of portfolio risk for investors.

The availability of corporate governance information may also help management and shareholders identify and improve on the systemic role that corporate governance plays in value creation.

India has comprehensive laws governing corporate governance.
Some aspects of corporate governance have been enshrined in the law that is administered by the Ministry of Corporate Affairs, Securities and Exchange Board of India (SEBI) and other sectoral regulators. However, a transparent, ethical and responsible corporate governance framework essentially emanates from the intrinsic will and passion for good governance ingrained in the business entity.

The Companies Act, 1956 covers corporate governance widely through its various provisions such as inclusion of directors' responsibility statement in the directors' report under Section 217(2AA), constitution of audit committee under Section 292A fixing maximum ceiling on remuneration that can be drawn by a director under Schedule XIII, and those relating to oppression, mismanagement, etc. Further, environmental and other pieces of legislation also protect different stakeholders' interest, ensuring, in the process, good corporate governance.
The Listing Agreement and Clause 49 of Listing Agreement deals with Corporate Governance norms that a listed entity should follow.

c. Corporate Social Responsibility (CSR) Information
Many social and environmental issues present material risks for companies, therefore disclosing CSR information on stakeholder relations, including work force, community and environment is the need of the hour.
Information on human rights policies, corporate environmental performance, corporate philanthropy, diversity policies, human resource development: these may all be important indicators of corporate value. Advocates of greater nonfinancial reporting often stress that poor management of these issues presents risks to corporate reputation or carries litigation risk. Others suggest that sound management of these issues can be a proxy for good management and an indicator of intangible value. By disclosing CSR Information, companies permit investors to assess these risks and opportunities, permitting greater insight into intangible value.

There is growing awareness of the importance of nonfinancial information for investment decisions. Investor attitudes are likely to change over time, as certain types of information become more available and reliable, and more tools become available to provide quantitative assessments of the impact of non financial performance on corporate performance or company value.

Investor Perception and its Importance

An investor is one who commits money to investment products with the expectation of financial return. Investor perception about a company would mean how the investor envisions or sees the company.

There is a growing recognition of a greater need for engagement between shareholders and the companies they are invested in.
Management and the Board need to know how investors view the company. They need to be confident that the market understands the investment proposition as this has a direct impact the rating of the shares. Share prices are largely a reflection of investor perceptions about a company.

Knowledge of Investor Perception is important for a company because:

- The perceptions of investors can influence the company's corporate strategy and the investment proposition
- The insights measure the level of understanding of the company, gauge sentiment and highlight the degree of support
- The feedback shapes, amends and reinforces the company's message to the market
- The strategic findings of an annual investor perception study complement the tactical day-to-day feedback provided by corporate brokers
- Listening and responding demonstrates awareness, responsibility and good corporate governance

Investor Protection

When investors finance firms, they typically obtain certain rights or powers. Creditors get the right to repossess collateral or to reorganize the firm that does not pay interest or that violates debt covenants. Shareholders get the right to vote on key corporate matters, to select directors, or to sue the directors and the firm. All outside investors, whether shareholders or creditors, also have the right to receive certain corporate information. Indeed, many other rights can only be exercised when they have such information. All non-controlling investors, large or small, shareholders or creditors, need their rights protected.

Investor protection turns out to be crucial because, in many countries, exploitation of minority shareholders and creditors by the controlling shareholders is pervasive. When outside investors finance firms, they face a risk, and sometimes near certainty, that the returns on their investments will never materialize because the controlling shareholders or managers simply keep them. Corporate governance is, to a large extent, a set of mechanisms through which outside investors protect themselves against exploitation by the insiders.

Securities and Exchange Board of India (SEBI) and Investor Protection

SEBI's primary goal has always been investor protection. Being India's Securities Market Regulator India's, SEBI has been making systemic reforms aimed at better corporate governance, deeper capital markets and more satisfied investors.

The primary functions of the Securities and Exchange Board of India (SEBI) are to protect the interests of investors in the security markets in India and to promote the development of and regulate the securities market to ensure its orderly operation. With this objective, SEBI issued the SEBI (Disclosure and Investor Protection) Guidelines, 2000. SEBI uses these guidelines as a yardstick to ensure that investor interests are protected. The Disclosure and Investor Protection guidelines apply to the primary market, i.e., public issues made by listed and unlisted companies, rights issues, and offers for sale by listed companies in certain cases.

Investor Protection Measures

- Securities Exchange Board of India (SEBI) was established with the primary objective of protecting the interest of the investors in the securities market
- SEBI can issue directions to all intermediaries and other persons associated with the securities market in the interest of the investors or for orderly development of the securities market
- SEBI has notified the SEBI (Investor Protection and Education Fund) Regulations, 2009 with a view to strengthening its activities for investor protection. The fund shall be used for the following purposes:-
    - Educational activities including seminars, training, research and publications, aimed at investors
    - Awareness programmes through media - print, electronic, aimed at investors
    - Funding investor education and awareness activities of investor associations recognized by the Board
    - Aiding investor associations recognized by the Board to undertake legal proceedings in the interest of investors in securities that are listed or proposed to be listed

• Exchanges have set up an Investor Protection Fund (IPF) to meet the claims of investors against defaulter members
• The Exchanges also assist in arbitration process between members and investors and member's inter-se

Investor Grievance Redressal Mechanism

• SEBI and Stock Exchanges have set up investor grievance redressal cells for fast Redressal of investor complaints relating to securities markets
• SEBI has directed all the stock exchanges, registered brokers, sub-brokers, depositories and listed companies to make a provision for a special email ID of the grievance Redressal division/ compliance officer for the purpose of registering complaints by the investors
• SEBI has set up a mechanism for redressal of investor grievances arising from the securities market
• SEBI provides "walk-in" service at its head office at Mumbai and its regional offices at New Delhi, Chennai, Kolkatta and Ahmedabad on all working days. Investors can meet the officials and get guidance relating to the grievances that they may have against issuers. Investors can also meet the higher officials of SEBI on specified working days.

Corporate Social Responsibility and Corporate Governance

The principles of Governance have been in existence for centuries. History reveals that Kautilya also called Chanakya in 300 BC propounded principles of good governance. In his celebrated treatise on statecraft "Arthashastra", he provided principles of governance. He states the fourfold duty of a King as: Raksha (Protection), Vriddhi (Enhancement), Palana (Maintenance). Yogakshema – Safeguard

These four principles can be elaborated in the modern context as:

- Protecting shareholders wealth;
- Enhancing the wealth through proper utilization of assets;
- Maintenance of that wealth and not frittering away in unconnected and non profitable ventures or through appropriation; and
- Safeguarding the interests of the shareholders

Corporate Governance is generally understood as the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations. It encompasses the framework of business reporting, accountability and benefits - whether self imposed or prescribed by an authoritative body. Corporate governance influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised.

Corporate Governance is a broad concept and has been defined and understood differently by different groups and at different points of time. The following definitions illustrate that, while definitions vary, the same fundamental ideas are present.

The Cadbury Committee report defines it as "the system by which companies are directed and controlled". It is generally understood as the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations."

The Kumar Mangalam Birla Committee report defines it as"…fundamental objective of corporate governance is the 'enhancement of the long-term shareholder value while at the same time protecting the interests of other stakeholders."

Hence, Corporate Governance can be understood to be a systematic process by which Companies are directed & controlled to ensure that they are managed in the manner that meets stakeholders' aspirations & societal expectation. This leads to the corporate governance philosophies of: Trusteeship; Transparency; Empowerment & Accountability; Control and Ethical Corporate Behavior

Need for good Corporate Governance

Since good corporate governance is based on the principles of transparency, efficiency, timeliness, completeness, and accuracy of information at all levels, investors get the opportunity to know the company's business operations and financial data. Even when the information is about poor performance or other negative matter, it reduces uncertainty and prevents rumours.

Recent trends have also shown that investors are using a company's corporate governance practices as a key decision-making criterion in investment decisions as good governance practices reduce the likelihood of misuse of assets and information by insiders.

A strong governance record creates a positive impression in the minds of investors and other members of the financial community However sophisticated the markets, reputation and trust are crucial. A company's reputation and image constitute an integral, if intangible, part of its assets.

The McKinsey Investor Opinion Survey (2000) of institutional investors found that the majority of investors were prepared to pay a premium to invest in a company with good corporate governance. The survey states that "good" governance in relation to board practices includes a majority of outside directors who are truly independent; significant director stock ownership and stock-based compensation; formal director evaluations; and responsiveness to shareholder requests for governance information.

The McKinsey Emerging Market Investor Opinion Survey (2001) showed that respondents (in this case private equity investors invested in a range of emerging market countries in Asia, Eastern Europe and Latin America, and managing approximately US$4.1 billion in these regions) considered greater transparency the most important corporate reform in emerging markets.

Principles of Corporate Governance

Studies have found that corporate governance developments bode well for both organisations and their internal audit staffs. A strong governance record increases the trust and creates a good reputation which increases its appeal to investors and others in the financial community. In addition, research suggests that governance-related investments can have a positive bottom-line impact as the heightened awareness and disclosures leads to avoidance of legal liabilities, preservation of organisation's reputation and prevention of lost productivity.

A strong system of corporate governance is usually marked by the following fundamental principles:

- Ethical and disciplined corporate behavior
- Independent and considered judgment
- Parity between accountability and responsibility
- Transparency and effective and adequate disclosures.
- Success of a good governance culture depends upon the perpetual existence and effective and, most important, ethical interplay of these planks not only by themselves, but also with other variables in the social and economic environment (i.e., the stakeholders) of the company

The Organization for Economic Cooperation and Development (OECD), identifies the following key elements of good corporate governance:

- The rights and obligations of shareholders
- Equitable treatment of shareholders

- The role of stakeholders and corporate governance
- Transparency, disclosure of information and audit
- The Board of Directors
- Non-executive members of the board
- Executive management, compensation and performance

<u>Creating frameworks for good corporate governance</u>

A Framework Code of Corporate Governance is a guide for the independent, phased implementation of corporate governance best practices by the business sector on an individual basis.

The objective of a Corporate Governance Framework is, to furnish corporations with a tool for ensuring the sustainability and competitiveness of businesses in today's globalized economy.

The underlying principles of a framework code on corporate governance are:

- Transparency
- Accountability
- Social Responsibility
- Fairness

In national and international literature the term 'corporate governance' is often vague and used to refer to a variety of different accountability mechanisms. Over time, the literature has progressed from a conformance-only focus, to a conformance and performance focus. The primary importance of performance is recognised in the corporate governance framework developed by the organisation.

There is no one model of corporate governance that can be applied universally. Best practice concepts are emerging from work undertaken internationally, nationally and locally, and these provide useful guides. Nonetheless, any model of corporate governance should be designed to fit a specific organisational context, be inclusive of a diversity of stakeholder views, and relevant to the broad range of internal and external stakeholders of the organisation(s).

While the literature is not decisive on whether corporate governance directly improves organisational outcomes, corporate governance should be invested in wisely and carefully. Some level of corporate governance is required to ensure an acceptable level of stakeholder confidence in an organisation's ability to identify and achieve outcomes that its stakeholders value. The larger the organisation, the greater the need for more sophisticated corporate governance processes. A corporate governance framework can help to determine the optimum level of corporate governance process.

Although some organisations have strategies for corporate governance, few have overt frameworks that bring together all elements of corporate governance in a consistent way.

Most organisations with corporate governance frameworks have frameworks that are structurally based. These consist of structures for addressing corporate governance issues (e.g. boards and committees), and appropriate methods of managing those structures (e.g. board size, composition and practices). There are no known precedents in either the public or private sector, of corporate governance frameworks that apply across two or more organisations.

For a corporate governance framework to be successfully communicated to, and used by, a broad range of stakeholders, a clear definition of corporate governance and a visual metaphor that illustrates the components of corporate governance and how they fit together are necessary.

<u>Steps to setting up an effective Corporate Governance Framework</u>

1. Better board preparedness and balance of power
The first step is to select informed people with integrity and independence of mind for board positions. These people must be taken through a robust training and certification program on board governance. The business-specific part of the program may be held by the officers of the corporation, while the board governance training can be held by specialist organizations.
Secondly, every year, there should be a peer evaluation for each member of the board.

2. Increased accountability to shareholders
Shareholders must actively step up as owners, and engage directors on corporate issues. Independent directors, in general, and chairmen of all committees, in particular, must participate more actively in annual general meetings, by owning up to their board decisions and answering shareholder queries.

3. Creating a mindset that decency and honesty pays
Good governance requires a mindset within the corporation which integrates the

corporate code of ethics into the day-to-day activities of its managers and workers. Corporations must integrate their value systems into their recruitment programs. Compliance with the value system should be a key requirement from each potential employee. Corporations must reinforce exemplary ethical conduct among employees, through reward and recognition programs. Ethical standards and best practices must be applied fairly and uniformly across all levels of the organization. Any non-compliance must be swiftly dealt with. Additionally, there should be strong whistleblower mechanisms within the corporation for exposing unethical or illegal activities. Every employee has to appreciate that the future of the corporation is safe only if he / she does the right thing in every transaction.

4. Lead by Example
Corporate leaders are powerful role models. Every employee watches them carefully and imitates them.
Corporate leaders wear a badge of increased distinction and responsibility - *Peter Drucker* .

5. CEOs must follow simple business rules
Great corporate leaders are expert simplifiers. They operate on simple business rules. Such rules are easy to understand, easy to follow and easy to communicate. Without exception, every corporation that violated basic governance principles did so by creating a web of complex and confusing rules.

6. Ensure 'responsible governance'
Corporations must ensure that incentives for senior management and board members are effectively aligned with responsible governance and long-term corporate health. The pay of principal officers must be directly linked with overall performance covering all functions of the corporation – operational health and efficiency, client and employee satisfaction, and shareholder value.

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011

Corporate Social Responsibility is still voluntary and it is not mandatory in India. The Ministry of Corporate Affairs has issued The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011 in this regard. These guidelines are a refinement over the Corporate Social

Responsibility Voluntary Guidelines 2009, released by the Ministry of Corporate Affairs in December 2009. Keeping in view the feedback from stakeholders, it was decided to revise the same with a more comprehensive set of guidelines that encompasses social, environmental and economical responsibilities of business.

Annexure C of the Voluntary Guidelines

Annexure C: Indicative List of Relevant Laws & Acts Mapped Against Principles

→ *Principles* (briefs) ↓ *List of Laws* (indicative)[1]	*Principle 1* Ethics, Transparency & Accountability	*Principle 2* Safe and Sustainable goods & services	*Principle 3* Well – being of Employees	*Principle 4* Responsiveness to all Stakeholders	*Principle 5* Promoting Human Rights	*Principle 6* Protecting the Environment	*Principle 7* Responsible Policy Advocacy	*Principle 8* Supporting Inclusive Development	*Principle 9* Providing Value to Customer
Industrial Disputes Act, 1947	✓		✓		✓		✓		
Factories Act, 1948	✓		✓		✓		✓		
Companies Act, 1956	✓			✓			✓		
Trade Union' Act, 1956			✓		✓		✓		
Equal Remuneration Act, 1976	✓		✓		✓				
Bureau of Indian Standards Act, 1986		✓					✓		✓
Consumer Protection Act, 1986		✓	✓						✓
Environment (Protection) Act, 1986	✓	✓		✓		✓	✓		
Prevention of Corruption Act, 1988	✓			✓			✓		
Public Liability Insurance Act, 1991	✓		✓			✓		✓	✓
National Commission for Backward Classes Act, 1993			✓		✓			✓	
Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995	✓		✓		✓		✓	✓	
Trade Marks Act, 1999		✓					✓		✓
Juvenile Justice (Care and Protection of Children) Act, 2000			✓		✓		✓		✓
Designs Act , 2000		✓					✓		✓
New Competition Act, 2002	✓						✓	✓	✓
Prevention of Money Laundering Act, 2002	✓								
National Commission for Minority Educational Institutions Act, 2004							✓	✓	
Commissions for Protection of Child Rights Act, 2005			✓		✓		✓		
National R ural Employment Guarantee Act, 2005							✓	✓	
Right to Information Act, 2005	✓		✓	✓			✓		
Protection of Women from Domestic Violence Act, 2005					✓		✓		
Micro, Small and Medium Enterprises Development Act, 2006								✓	
The Scheduled Tribes and Other Tradi tional Forest Dwellers (Recognition of Forest Rights) Act, 2006				✓	✓		✓	✓	
Protection of Human Rights (Amendment) Act, 2006			✓		✓		✓		
Rehabilitation and Resettlement Bill, 2007	✓	✓		✓	✓	✓	✓	✓	
Land Acquisition (Amendment) Bill, 2007	✓	✓		✓	✓	✓	✓	✓	

[1] Arranged chronologically; this matrix is only an indicative/suggestive mapping of each of the principles against the laws enacted in the country.

→ *Principles* (briefs) ↓ *List of Laws* (indicative)[1]	*Principle 1* Ethics, Transparency & Accountability	*Principle 2* Safe and Sustainable goods & services	*Principle 3* Well – being of Employees	*Principle 4* Responsiveness to all Stakeholders	*Principle 5* Promoting Human Rights	*Principle 6* Protecting the Environment	*Principle 7* Responsible Policy Advocacy	*Principle 8* Supporting Inclusive Development	*Principle 9* Providing Value to Customer
Hazardous Waste (Management, Handling and Transboundary Movement) Rules, 2008	✓	✓	✓	✓		✓		✓	✓
The Information Technology (Amendment) Act, 2008	✓	✓			✓			✓	✓
Laws in 'Section A' * *(Labour Laws)*			✓		✓		✓		
Laws in 'Section B' ** *(Environmental Laws)*						✓	✓		
Laws in 'Section C' *** *(Economic/Finance Laws)*							✓	✓	

*** 'Section A'***	***'Section B'***
Workmen's Compensation Act, 1923	Wildlife Protection Act, 1972
Children (Pledging of Labour) Act, 1933	Water (Prevention and Control of Pollution) Act , 1974
Payment of Wages Act, 1936	Water (Prevention and Control of Pollution) Cess Act, 1977
Industrial Employment (Standing Orders) Act, 1946	Air (Prevention and Control of Pollution) Act, 1981
Employees State Insurance Act, 1948	Forest (Conservation) Act, 1980 – Amendments in 1988
Minimum Wages Act, 1948	National Environment Tribunal Act, 1995
Employees Provident Fund and Miscellaneous Provisions Act, 1952	National Environmental Appellate Authority Act, 1997
Maternity Benefits Act, 1961	Energy Conservation Act, 2001
Payment of Bonus Act, 1965	Coastal Aquaculture Authority Act, 2005
Contract Labour (Regulation & Abolition) Act, 1970	Special Economic Zones Act, 2005
Payment of Gratuity Act, 1972	
Bonded Labour System (Abolition) Act, 1976	
Inter- State Migrant Workmen (Regulation of Employm ent and Conditions of Service) Act, 1979	
Child Labour (Prohibition & Regulation) Act, 1986	
Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996	
Vishaka v. State of Rajasthan, (1997) 6 SCC 241	
****** 'Section C'***	
Essential Commodities Act, 1955	
Union Duties of Excise (Distribution) Act , 1979	
Central Excise Tariff Act, 1985	
Customs (Amendment) Act, 1985	
Taxation Laws (Amendment and Miscellaneous Provisions) Act. 1986	
Direct Tax Laws (Amendment) Act , 1988	
Foreign Trade (Development and Regulation) Act, 1992	
Securities and Exchange Board of India Act, 1992	
Customs and Central Excise Laws (Repeal) Act, 2004	
National Tax Tribunal Act , 2005	

Corporate Social Responsibility under the Companies Bill, 2011

The CSR measures are actually part of a new Companies Bill that has been in the works for several years. The Companies Act of 1956, which is currently the rule of law, has several clauses inappropriate to the current business and economic environment.
The review and redrafting of the Companies Act, 1956 was taken up by the Ministry of Corporate Affairs on the basis of a detailed consultative process. A 'Concept Paper on new Company Law' was placed on the website of the Ministry on 4th August, 2004. The inputs received were put to a detailed examination in the Ministry. The Government also constituted an Expert Committee on Company Law under the Chairmanship of Dr. J.J. Irani on 2nd December 2004 to advise on new Companies Bill. The Committee submitted its report to the Government on 31st May 2005. After considering the report of the Committee and other inputs received from time-to-time, the Government took up the exercise of comprehensive review of the Companies Act, 1956.

A Companies Bill 2008 was introduced by the Government in the Lok Sabha on October 23, 2008. Due to dissolution of the 14th Lok Sabha, the Companies Bill, 2008 lapsed. The Government decided to re-introduce the Companies Bill, 2008 as the Companies Bill, 2009, without any change except for the Bill year and the Republic year. The Ministry of Corporate Affairs had introduced the Companies Bill, 2009 in the Lok Sabha on August 3, 2009. The 2009 Bill was referred to Parliamentary Standing Committee on Finance which gave its report on 31st August, 2010.

In view of numerous amendments to the Companies Bill 2009 arising out of the recommendations of the Parliamentary Standing Committee on Finance and suggestions of the stakeholders, the Central Government withdrew the Companies Bill 2009 and introduced a fresh bill – The Companies Bill 2011.
The 2011 bill was introduced in Parliament on Wednesday, 14th December 2011. The Bill is currently wending its way slowly through.

The CSR provisions in the Bill are as follows:

- Clause 135 of the Companies Bill 2011
- 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 of the Board consisting of three or more directors, out of which at least one director shall be an independent director.
- 2% of average net profits of the previous three years will have to be spent on corporate social responsibility activities with disclosure to shareholders about the policy adopted in the process, giving reasons on failure of implementation

- The Corporate Social Responsibility Committee shall
  (a) formulate and recommend to the Board, a Corporate Social Responsibility 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)
  (c) monitor the Corporate Social Responsibility Policy of the company from time to time
- If the company fails to spend the specified amount on corporate social responsibility activities, 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.

SCHEDULE VII

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 mortlity and improving maternal health;
(v) combating human immunodeficiency virus, acquired immune deficiency 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 socioeconomic 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.

CSR Reporting

Some organizations follow a "Triple Bottom Line" reporting strategy, which covers Economic, Environmental and Social Responsibility. Internationally, this theme is prevalent in mining, forestry and Oil companies, where the

environment has been an important focus of advocates, governments and communities. These organizations may also refer to CSR as Sustainable Development, because their focus on the environment is so strong.
Other organizations focus on Economic and Corporate Social Responsibility, where the environment is included under the CSR umbrella.

Depending on the organizations risk profile, globalization and maturity, it may include some or all of the following elements within CSR objectives:

- Ethics
- Transparency
- Environment
- Health & Safety
- Corporate Governance
- Human Rights
- Community Investment

Business Responsibility Reporting Framework

A Business Responsibility Reporting Framework has been laid down under "The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011".
A separate chapter on reporting has been included so that the business entities are not only able to adopt the Guidelines but also to demonstrate the adoption to their stakeholders through credible reporting and disclosures. The reporting framework is designed on the 'Apply-or-Explain' principle which is also the fundamental basis of the Guidelines. The suggested framework takes into account the requirements of the business entities that are already reporting in other recognized frameworks as well as those which yet do not have the capacity to undertake full reporting.

The Guidelines encompass Nine Principles and related Core Elements which identify the areas where responsible practices need to be adopted. The Reporting Framework provides a standard disclosure template which can be used by businesses to report on their performance in these areas.

The objective of the Business Responsibility (BR) Framework is to help businesses to reach out to their stakeholders with necessary information and data demonstrating the adoption of these Guidelines.

In the context of BR reporting, it is appreciated that there are three categories of businesses as under and the Reporting Framework, accordingly, suggests different approaches that may be adopted by the three categories of entities:

1. Business entities already preparing responsibility and sustainability reports based on internationally accepted reporting frameworks

This category of entities may not prepare a separate report for the purpose of these Guidelines but furnish the same to their stakeholders along with the details of the framework under which their BR report has been prepared and a mapping of the nine principles contained in this Guideline to the disclosures made in their BR reports.

2. Business entities that have chosen to adopt these Guidelines completely or in part, but are not yet fully capacitated to prepare a comprehensive BR report

This category of entities may furnish a simple communication to their stakeholders indicating their commitment to adoption on these Guidelines in full or in part, and basic details of the activities undertaken in pursuance to these Guidelines. The communication may be in a free format and should be signed by the owner/Managing Director of the CEO of the entity. Such entities are encouraged to see the suggested framework for the third category and upgrade their BR communication on a progressive and continuous basis

3. Business entities that would like to prepare comprehensive reports after adopting these Guidelines

The BR reporting framework is suggested. This framework identifies certain basic parameters on which the businesses can disclose their performance so as to demonstrate their adoption of these Guidelines in letter and spirit. It has been divided into two parts- Part A incorporates the basic information about the operations of the business entity so that their BR report can be a self contained document and Part B incorporates the performance indicators for different Principles and Core Elements.

Business Responsibility Report - Suggested Framework

Part -A

Part A of the report includes basic information and data about the operations of the
business entity so that the reading of the report becomes more contextual and

comparable with other similarly placed businesses. It may be written in a free format incorporating at least the following:

A-1

• Basic details of the business – Name; nature of ownership; details of the people in top management; location of its operations - national and international; products and services offered; markets served;
• Economic and Financial Data – Sales; Net Profit; Tax Paid; Total Assets; Market Capitalization(for listed companies); number of employees;

A-2

• Management's Commitment Statement to the ESG Guidelines
• Priorities in terms of Principle and Core Elements
• Reporting Period/Cycle
• Whether the report s based on this framework or any other framework
• Any Significant Risk that the business would like its stakeholders to know
• Any Goals and Targets that were set by the top management for improving their
performance during the Reporting Period

Part -B

Part-B of the report incorporates the basic parameters on which the business may report their performance. Efforts have been made to keep the reporting simple keeping in view the fact that this framework is equally applicable to the small businesses as well. The report may be prepared in a free format with the basic performance indicators being included in the same. In case the business entity has
chosen not to adopt or report on any of the Principles, the same may be stated along with, if possible, the reasons for not doing so.

B-1

Principle 1 – Ethics, Transparency and Accountability

• Governance structure of the business, including committees under the Board responsible for organizational oversight. In case no committee is constituted, then the details of the individual responsible for the oversight
• Mandate and composition (including number of independent members and/or non-executive members) of such committee with the number of oversight review meetings held.
• State whether the person/committee head responsible for oversight review is independent from the executive authority or not. If yes, how.
• Mechanisms for shareholders and employees to provide recommendations or

direction to the Board/ Chief Executive.
• Processes in place for the Board/ Chief Executive to ensure conflicts of interest are avoided.
• Internally developed statement on Ethics, Codes of Conduct and details of the process followed to ensure that the same are followed
• Frequency with which the Board/ Chief Executive assess BR performance.

Principle 2 – Products Life Cycle Sustainability

• Statement on the use of recyclable raw materials used
• Statement on use of energy-efficient technologies, designs and manufacturing/ service-delivery processes
• Statement on copyrights issues in case of the products that involve use of traditional knowledge and geographical indicators
• Statement on use of sustainable practices used in the value chain

Principle 3 – Employees' well-being

• Total number of employees with percentage of employees that are engaged through contractors
• Statement on non-discriminatory employment policy of the business entity
• Percentage of employees who are women
• Number of persons with disabilities hired
• Amount of the least monthly wage paid to any skilled and unskilled employee
• Number of training and skill up-gradation programmes organized during the reporting period for skilled and unskilled employees
• Number of incidents of delay in payment of wages during the reporting period
• Number of grievances submitted by the employees

Principle 4 – Stakeholder Engagement

• Statement on the process of identification of stakeholders and engaging with them
• Statement on significant issues on which formal dialogue has been undertaken with any of the stakeholder groups

Principle 5 – Human Rights

• Statement on the policy of the business entity on observance of human rights in their operation
• Statement on complaints of human rights violations filed during the reporting period

Principle 6 – Environment

• Percentage of materials used that are recycled input materials

• Total energy consumed by the business entity for its operations
• Statement on use of energy saving processes and the total energy saved due to use of such processes
• Use of renewable energy as percentage of total energy consumption
• Total water consumed and the percentage of water that is recycled and reused
• Statement on quantum of emissions of greenhouse gases and efforts made to reduce the same
• Statement on discharge of water and effluents indicating the treatment done before discharge and the destination of disposal
• Details of efforts made for reconstruction of bio-diversity

Principle 7 – Policy Advocacy

• Statement on significant policy advocacy efforts undertaken with details of the platforms used

Principle 8 – Inclusive Growth

• Details of community investment and development work undertaken indicating
the financial resources deployed and the impact of this work with a longer term perspective
• Details of innovative practices, products and services that particularly enhance access and allocation of resources to the poor and the marginalized groups of the society

Principle 9 – Customer Value

• Statement on whether the labeling of their products has adequate information regarding product-related customer health and safety, method of use and disposal, product and process standards observed,
• Details of the customer complaints on safety, labeling and safe disposal of the products received during the reporting period

Part –C

Part C of the report incorporates two important aspects on BR reporting. Part C-1 is a disclosure on by the business entity on any negative consequences of its operations on the social, environmental and economic fronts. The objective is to encourage the business to report on this aspect in a transparent manner so that it can channelize its efforts to mitigate the same. Part C-2 is aimed at encouraging the business to continuously improve its performance in the area of BR.

C-1

• Brief Report on any material/significant negative consequences of the operations
of the business entity

C-2

• Brief on Goals and Targets in the area of social, environmental and economic responsibilities that the business entity has set for itself for the next Reporting Period

Corporate Responsibility and the Climate Change Mechanism

Public awareness of the threat of climate change has risen sharply in the last couple of years and an increasing number of businesses, organizations and individuals are looking to minimize their impact on the climate.

Scientists believes that global warming will cause the average World temperature rise by one Degree Celsius by the year 2020 and four Degree Celsius by the end of 21st century. The Earth has warmed about 1°F in the last 100 years.The eight warmest years on record (since 1850) have all occurred since 1998. Periods of increased heat from the sun may have helped make the Earth warmer. But many of the world's leading climatologists think that the greenhouse gases people produce are making the Earth warmer, too.

The international community rallied around the threat of climate change because scientists agree that the risk is real. Over a decade ago, most countries joined an international treaty -- the United Nations Framework Convention on Climate Change (UNFCCC) -- an international agreement to address the danger of global climate change, to begin to consider what can be done to reduce global warming and to cope with whatever temperature increases are inevitable. More recently, a number of nations approved an addition to the treaty: the Kyoto Protocol, which has more powerful (and legally binding) measures. The Kyoto Protocol, an international and legally binding agreement to reduce greenhouse gas (GHG) emissions worldwide assigns mandatory targets for signatory nations. Countries that ratify this Protocol agree to reduce their emission of the specified 6 greenhouse gases, or engage in emissions trading if they maintain or increase emission of these gases.

Legislations regulating the Climate Change Mechanism

The United Nations Framework Convention on Climate Change (UNFCCC) is an international environmental treaty that sets general goals and rules for confronting climate change. It was entered into force on 21st March 1994.
The UNFCCC provides the basis for concerted international action to mitigate climate change and to adapt to its impacts. Its provisions are far-sighted, innovative and firmly embedded in the concept of sustainable development. States and regional economic integration organizations may become Parties to the Convention. Currently the Convention has been ratified by 194 parties (193 States and 1 regional economic integration organization).

The Kyoto Protocol is an international and legally binding agreement to reduce greenhouse gas emissions worldwide and is an addition to the UNFCCC treaty. The Kyoto Protocol was adopted in Kyoto, Japan, on 11 December 1997 and entered into force on 16 February 2005. Currently, 192 parties (191 States and 1 regional economic integration organization) of the UNFCCC have ratified the Protocol. The major feature of the Kyoto Protocol is that it assigns mandatory targets for 37 industrialized nations and the European Community to reduce their emission of the specified 6 greenhouse gases (GHGs). These amount to an average of five per cent against 1990 levels over the five-year period 2008-2012.

India signed UNFCCC on 10th June 1992 and ratified it on 1st November 1993. India acceded to the Kyoto Protocol on 26th August 2002. Under the UNFCCC, developing countries such as India do not have binding GHG mitigation commitments in recognition of their small contribution to the greenhouse problem as well as low financial and technical capacities.

The Ministry of Environment and Forests is the nodal agency for climate change issues in India.

Sustainable development

Sustainable development is a pattern of resource use that aims to meet human needs while preserving the environment so that these needs can be met not only in the present, but also for future generations.

The 1992 Earth Summit in Rio de Janeiro popularized the phrase sustainable development even as the definition of the term remained vague. The term was used by the Brundtland Commission which coined what has become the most often-quoted definition of sustainable development as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs

The many definitions and frameworks of sustainable development that now exist share a number of basic principles including:

- Concern for the well-being of future generations;
- Awareness of the multi-dimensional impacts of any decision (broadly categorized as economic, environmental, social); and,
- The need for balance among the different dimensions across sectors (e.g. mining, manufacturing, transportation), themes (climate change, community cohesion, natural resource management) and scale (local, regional, national, international).

The elusive goal of sustainable development, or sustainability as it is also called, is to make decisions and carry out programs and projects in a manner that maximizes benefits to the natural environment and humans and their cultures and communities, while maintaining or enhancing financial viability.

Sustainability Reporting

Sustainability, in general terms, is the ability to maintain balance of a certain process or state in any system. It is now most frequently used in connection with biological and human systems.

Concerns about climate change have made sustainability a mainstream issue. Never before have the capital markets been so interested in how companies are approaching the challenges and opportunities associated with the environment, societal change and governance.

Sustainability Reporting has become mainstream, driven by the potential business value generated through enhanced stakeholder reporting and communication.

International Federation of Accountants (IFAC) observes that the recognition governments and many organizations have given to sustainability and sustainable developments are changing business culture and society. The global challenge is to ensure that organizations' sustainable development practices -
(a) reverse the previous erosion of natural resources, and
(b) improve their environmental, social, and economic performance.
This requires radical changes in the way we do business and the way we live our lives. Although many organizations aspire to being responsible, few could claim to be truly sustainable.

Meaning of Sustainability Reporting

There is no single, universally accepted definition of Sustainability Reporting.

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.

'Sustainability reporting' is a broad term considered synonymous with others used to describe reporting on economic, environmental, and social impacts (e.g., triple bottom line, corporate responsibility reporting, etc.).

A sustainability report should provide a balanced and reasonable representation of the sustainability performance of a reporting organization – including both positive and negative contributions.

The Dimensions of Sustainability Reporting

A Sustainability Report discloses information on the company's activities across the economic, social and environmental dimensions

Sustainability has three important dimensions for all organizations: (a) economic viability, (b) social responsibility, and (c) environmental responsibility. Although trade-offs can occur between these dimensions, generally being socially responsible (towards employees, communities, and other stakeholders), and environmentally responsible, lead to enhanced trust, and therefore makes good business sense. Social and environmental responsibility cannot, however, stand in isolation from economic viability. Profitability and growth create jobs and wealth; organizations must therefore continue to provide products and services that people want. While pursuing a commercial imperative, organizations must also deal with social and environmental issues as part of ensuring that they generate added value for an organization and its stakeholders

GRI Sustainability Reporting Framework

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework. The reporting framework is developed through a consensus-seeking process with participants drawn globally from business, civil society, labor, and professional institutions.

GRI's Framework consists of the Sustainability Reporting Guidelines, Sector Supplements, National Annexes, and the Boundary and Technical Protocols.

The Sustainability Reporting Guidelines are the foundation of GRI's Framework and are now in their third generation. They feature sustainability disclosures that organizations can adopt flexibly and incrementally, enabling them to be transparent about their performance in key sustainability areas.

The G3.1 Sustainability Reporting Guidelines are the latest and most complete version. Launched in 2011, G3.1 completes the content of the G3 Guidelines released in 2006. G3.1 features expanded guidance on local community impacts, human rights and gender. While G3-based reports are still accepted, GRI recommends that reporters use G3.1, the most comprehensive reporting guidance available today.

The fourth generation of Guidelines – G4 – are currently in development and will be launched in May 2013.

Important Landmarks in Connection with Environment and Sustainable Development

1. The Brundtland Commission / World Commission on Environment and Development (WCED)

The Brundtland Commission, formally the World Commission on Environment and Development (WCED), known by the name of its Chair Gro Harlem Brundtland, was created by the United Nations in 1983 (General Assembly Resolution 38/161 established the Commission).

The commission was created to address growing concern "about the accelerating deterioration of the human environment and natural resources and the consequences of that deterioration for economic and social development."

In establishing the commission, the UN General Assembly recognized that environmental problems were global in nature and determined that it was in the common interest of all nations to establish policies for sustainable development

Report:

The Report of the Brundtland Commission, Our Common Future, was published by Oxford University Press in 1987.

When the Brundtland Commission published its report in 1987, it presented a new concept - sustainable development. The concept became one of the most successful approaches to be introduced in many years. In fact, it helped to shape the international agenda and the international community's attitude towards economic, social and environmental development.

The Report was welcomed by the General Assembly in its resolution 42/187.

The report deals with sustainable development and the change of politics needed for achieving that. The definition of this term in the report is quite well known and often cited:

"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."
It contains within it two key concepts:

- the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and

- the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs.

2. Agenda 21

Agenda 21 is a programme run by the United Nations (UN) related to sustainable development.

It is a comprehensive blueprint of action to be taken globally, nationally and locally by organizations of the UN, governments, and major groups in every area in which humans impact on the environment.

There are 40 chapters in the Agenda 21, divided into four main sections.

Development of Agenda 21

The full text of Agenda 21 was revealed at the United Nations Conference on Environment and Development (Earth Summit), held in Rio de Janeiro on June 14, 1992, where 178 governments voted to adopt the programme.

The number 21 refers to an agenda for the 21st century. It may also refer to the number on the UN's agenda at this particular summit.

Agenda 21, the Rio Declaration on Environment and Development, and the Statement of principles for the Sustainable Management of Forests were adopted by more than 178 Governments at the United Nations Conference on Environment and Development (UNCED) held in Rio de Janerio, Brazil, 3 to 14 June 1992.

Commission on Sustainable Development (Implementation of Agenda 21) – PERMANENT BODY

The Commission on Sustainable Development acts as a high level forum on sustainable development and has acted as preparatory committee for summits and sessions on the implementation of Agenda 21.

The United Nations Division for Sustainable Development acts as the secretariat to the Commission and works 'within the context of' Agenda 21.

Implementation by member states remains essentially voluntary.

The Commission on Sustainable Development (CSD) was created in December 1992 to ensure effective follow-up of UNCED, to monitor and report on implementation of the agreements at the local, national, regional and international levels. It was agreed that a five year review of Earth Summit progress would be made in 1997 by the United Nations General Assembly meeting in special session.

The CSD meets annually in New York, in two-year cycles, with each cycle focusing on clusters of specific thematic and cross-sectoral issues, outlined in its new multi-year programme of work (2003-2017) (E/CN.17/2003/6)

As a functional commission of the UN Economic and Social Council (ECOSOC), CSD has 53 member States (about one third of the members are elected on a yearly basis). Each session of the CSD elects a Bureau, comprised of a Chair and four vice-Chairs.

Rio+5

In 1997, the General Assembly of the UN held a special session to appraise five years of progress on the implementation of Agenda 21 (Rio +5). The Assembly recognized progress as 'uneven' and identified key trends including increasing globalization, widening inequalities in income and a continued deterioration of the global environment. A new General Assembly Resolution (S-19/2) promised further action.

The Johannesburg Plan of Implementation

The full implementation of Agenda 21, the Programme for Further Implementation of Agenda 21 and the Commitments to the Rio principles, were strongly reaffirmed at the World Summit on Sustainable Development (WSSD) held in Johannesburg, South Africa from 26 August to 4 September 2002.

The Johannesburg Plan of Implementation, agreed at the World Summit on Sustainable Development (Earth Summit 2002) affirmed UN commitment to 'full implementation' of Agenda 21, alongside achievement of the Millennium Development Goals and other international agreements.

WSSD gathered a number of leaders from business and non-governmental organizations, 10 years after the first Earth Summit in Rio de Janeiro. (It was therefore also informally nicknamed "Rio+10".)

3. United Nations Conference on the Human Environment (UNCHE), Stockholm, Sweden

The United Nations Conference on the Human Environment (also known as the Stockholm Conference) was an international conference convened under United Nations auspices held in Stockholm, Sweden from June 5-16,1972.

It was the UN's first major conference on international environmental issues, and marked a turning point in the development of international environmental politics.

Attended by the representatives of 113 countries, 19 inter-governmental agencies, and more than 400 inter-governmental and non-governmental organizations, it is widely recognized as the beginning of modern political and public awareness of global environmental problems.

The meeting agreed upon a Declaration containing 26 principles concerning the environment and development; an Action Plan with 109 recommendations, and a Resolution.

One of the key issues addressed was the use of CFCs (haloalkanes), which seemed to be responsible for the depletion of the ozone layer. Global warming was mentioned, but in this matter nothing of substance was achieved at this Conference

4. UN Conference on Environment and Development (1992)

The United Nations Conference on Environment and Development, met at Rio de Janeiro from 3 to 14 June 1992, to Reaffirm the Declaration of the United Nations Conference on the Human Environment, adopted at Stockholm on 16 June 1972, and seek to build upon it,

Conference	United Nations Conference on Environment and Development (UNCED), Rio de Janeiro, 3-14 June 1992
Informal name	The Earth Summit
Host Government	Brazil
Number of Governments participating	172, 108 at level of heads of State or Government
Conference Secretary-General	Maurice F. Strong, Canada

Organizers	UNCED secretariat
Principal themes	Environment and sustainable development
NGO presence	Some 2,400 representatives of non-governmental organizations (NGOs); 17,000 people attended the parallel NGO Forum
Resulting document	Agenda 21, the Rio Declaration on Environment and Development, the Statement of Forest Principles, the United Nations Framework Convention on Climate Change and the United Nations Convention on Biological Diversity
Follow-up mechanisms	Follow-up mechanisms: Commission on Sustainable Development; Inter-agency Committee on Sustainable Development; High-level Advisory Board on Sustainable Development
Previous conference	UN Conference on the Human Environment, Stockholm (1972)

5. United Nations Environment Programme (UNEP)

UNEP was founded as a result of the United Nations Conference on the Human Environment (UNCHE) in June 1972 and has its headquarters in Nairobi, Kenya. UNEP also has six regional offices and various country offices.

UNEP is the designated authority of the United Nations in environmental issues at the global and regional level.

Its mandate is to coordinate the development of environmental policy consensus by keeping the global environment under review and bringing emerging issues to the attention of governments and the international community for action.

The UN Environment Programme (UNEP) coordinates United Nations environmental activities, assisting developing countries in implementing environmentally sound policies and encourages sustainable development through sound environmental practices.

6. UN global compact

Launched in July 2000, the UN Global Compact is a both a policy platform and a practical framework for companies that are committed to sustainability and responsible business practices. As a leadership initiative endorsed by chief executives, it seeks to align business operations and strategies everywhere with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

The UN Global Compact is not a regulatory instrument, but rather a voluntary initiative that relies on public accountability, transparency and disclosure to complement regulation and to provide a space for innovation

The Ten Principles of the United Nations Global Compact

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption:

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

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

Environment
Principle 7. Businesses are asked to support a precautionary approach to

environmental challenges;
Principle 8. undertake initiatives to promote greater environmental responsibility; and
Principle 9. encourage the development and diffusion of environmentally friendly technologies.

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

7. Caux Round Table

The Caux Round Table (CRT) is an international network of experienced business leaders, who work with business and political leaders to design the intellectual strategies, management tools and practices to strengthen private enterprise and public governance to improve our global community. The Caux Round Table (CRT) works to promote a morally and sustainable way of doing business.

History

- The Caux Round Table was founded in 1986 by Frederick Phillips, former President of Philips Electronics and Olivier Giscard d'Estaing, former Vice-Chairman of INSEAD, as a means of reducing escalating trade tensions.
- Later, the CRT began focusing attention on the importance of global corporate responsibility in reducing social and economic threats to world peace and stability.
- The CRT Principles for Business were formally launched in 1994, and presented at the United Nations World Summit on Social Development in 1995.
- The CRT Principles for Business articulate a comprehensive set of ethical norms for businesses operating internationally or across multiple cultures.
- The CRT Principles for Business emerged from a series of dialogues catalyzed by the Caux Round Table during the late 1980's and early 1990's. They are the product of collaboration between executives from Europe, Japan, and the United States, and were fashioned in part from a document called "The Minnesota Principles."

- The CRT Principles for Business have been published in twelve languages, reprinted in numerous textbooks and articles, and utilized in business school curricula worldwide. The Principles are recognized by many as the most comprehensive statement of responsible business practice ever formulated by business leaders for business leaders

What it is:

- The Caux Round Table (CRT) is an international network of principled business leaders working to promote a moral capitalism.
- The CRT advocates implementation of the CRT Principles for Business through which principled capitalism can flourish and sustainable and socially responsible prosperity can become the foundation for a fair, free and transparent global society.
- At the company level, the Caux Round Table advocates implementation of the CRT Principles for Business as the cornerstone of principled business leadership. The CRT Principles apply fundamental ethical norms to business decision-making.
- A specially designed process for incorporating the CRT Principles into the culture of a corporation is available for companies to use.
- Ethical training for corporate boards of directors and new ethics curriculum for business schools are being developed.

CRT Principles:

- Through an extensive and collaborative process in 1994, business leaders developed the CRT Principles for Business to embody the aspiration of principled business leadership.
- The CRT Principles for Business are a worldwide vision for ethical and responsible corporate behavior and serve as a foundation for action for business leaders worldwide. As a statement of aspirations, The CRT Principles aim to express a world standard against which business behavior can be measured.
- These principles are rooted in two basic ethical ideals: kyosei and human dignity. The Japanese concept of kyosei means living and working together for the common good enabling cooperation and mutual prosperity to coexist with healthy and fair competition. "Human dignity" refers to the sacredness or value of each person as an end, not simply as a mean to the fulfillment of others' purposes or even majority prescription.

PRINCIPLES FOR RESPONSIBLE BUSINESS

(published: March 2009, updated May 2010)

INTRODUCTION

The Caux Round Table (CRT) Principles for Responsible Business set forth ethical norms for acceptable businesses behaviour.

Trust and confidence sustain free markets and ethical business practices provide the basis for such trust and confidence. But lapses in business integrity, whether among the few or the many, compromise such trust and hence the ability of business to serve humanity’s needs.

Events like the 2009 global financial crisis have highlighted the necessity of sound ethical practices across the business world. Such failures of governance and ethics cannot be tolerated as they seriously tarnish the positive contributions of responsible business to higher standards of living and the empowerment of individuals around the world.

The self-interested pursuit of profit, with no concern for other stakeholders, will ultimately lead to business failure and, at times, to counterproductive regulation. Consequently, business leaders must always assert ethical leadership so as to protect the foundations of sustainable prosperity.

It is equally clear that if capitalism is to be respected, and so sustain itself for global prosperity, it must be both responsible and moral. Business therefore needs a moral compass in addition to its practical reliance on measures of profit and loss.

THE CRT PRINCIPLES

The Caux Round Table’s approach to responsible business consists of seven core principles as detailed below. The principles recognize that while laws and market forces are necessary, they are insufficient guides for responsible business conduct.

The principles are rooted in three ethical foundations for responsible business and for a fair and functioning society more generally, namely: responsible stewardship; living and working for mutual advantage; and the respect and protection of human dignity.

The principles also have a risk management foundation - because good ethics is good risk management. And they balance the interests of business with the aspirations of society to ensure sustainable and mutual prosperity for all.

The CRT Principles for Responsible Business are supported by more detailed Stakeholder Management Guidelines covering each key dimension of business success: customers, employees, shareholders, suppliers, competitors, and communities. These Stakeholder Management Guidelines can be found at Attachment A below.

PRINCIPLE 1 - RESPECT STAKEHOLDERS BEYOND SHAREHOLDERS

- A responsible business acknowledges its duty to contribute value to society through the wealth and employment it creates and the products and services it provides to consumers.
- A responsible business maintains its economic health and viability not just for shareholders, but also for other stakeholders.
- A responsible business respects the interests of, and acts with honesty and fairness towards, its customers, employees, suppliers, competitors, and the broader community.

PRINCIPLE 2 – CONTRIBUTE TO ECONOMIC, SOCIAL AND ENVIRONMENTAL DEVELOPMENT

- A responsible business recognizes that business cannot sustainably prosper in societies that are failing or lacking in economic development.
- A responsible business therefore contributes to the economic, social and environmental development of the communities in which it operates, in order to sustain its essential ‘operating’ capital – financial, social, environmental, and all forms of goodwill.
- A responsible business enhances society through effective and prudent use of resources, free and fair competition, and innovation in technology and business practices.

PRINCIPLE 3 – BUILD TRUST BY GOING BEYOND THE LETTER OF THE LAW

- A responsible business recognizes that some business behaviors, although legal, can nevertheless have adverse consequences for stakeholders.
- A responsible business therefore adheres to the spirit and intent behind the law, as well as the letter of the law, which requires conduct that goes beyond minimum legal obligations.

- A responsible business always operates with candor, truthfulness, and transparency, and keeps its promises.

PRINCIPLE 4 –RESPECT RULES AND CONVENTIONS

- A responsible business respects the local cultures and traditions in the communities in which it operates, consistent with fundamental principles of fairness and equality.
- A responsible business, everywhere it operates, respects all applicable national and international laws, regulations and conventions, while trading fairly and competitively.

PRINCIPLE 5 – SUPPORT RESPONSIBLE GLOBALISATION

- A responsible business, as a participant in the global marketplace, supports open and fair multilateral trade.
- A responsible business supports reform of domestic rules and regulations where they unreasonably hinder global commerce.

PRINCIPLE 6 – RESPECT THE ENVIRONMENT

- A responsible business protects and, where possible, improves the environment, and avoids wasteful use of resources.
- A responsible business ensures that its operations comply with best environmental management practices consistent with meeting the needs of today without compromising the needs of future generations.

PRINCIPLE 7 – AVOID ILLICIT ACTIVITIES

- A responsible business does not participate in, or condone, corrupt practices, bribery, money laundering, or other illicit activities.
- A responsible business does not participate in or facilitate transactions linked to or supporting terrorist activities, drug trafficking or any other illicit activity.
- A responsible business actively supports the reduction and prevention of all such illegal and illicit activities.

Attachment A: STAKEHOLDER MANAGEMENT GUIDELINES

The Caux Round Table's (CRT) Stakeholder Management Guidelines supplement the CRT Principles for Responsible Business with more specific standards for engaging with key stakeholder constituencies.

The key stakeholder constituencies are those who contribute to the success and sustainability of business enterprise. Customers provide cash flow by purchasing good and services; employees produce the goods and services sold, owners and other investors provide funds for the business; suppliers provide vital resources; competitors provide efficient markets; communities provide social capital and operational security for the business; and the environment provides natural resources and other essential conditions.

In turn, key stakeholders are dependent on business for their well-being and prosperity. They are the beneficiaries of ethical business practices.

1. CUSTOMERS

A responsible business treats its customers with respect and dignity. Business therefore has a responsibility to:

a. Provide customers with the highest quality products and services consistent with their requirements.
b. Treat customers fairly in all aspects of business transactions, including providing a high level of service and remedies for product or service problems or dissatisfaction.
c. Ensure that the health and safety of customers is protected.
d. Protect customers from harmful environmental impacts of products and services.
e. Respect the human rights, dignity and the culture of customers in the way products and services are offered, marketed, and advertised

2. EMPLOYEES

A responsible business treats every employee with dignity and respects their interests. Business therefore has a responsibility to:

a. Provide jobs and compensation that contribute to improved living standards
b. Provide working conditions that protect each employee's health and safety.
c. Provide working conditions that enhance each employee’s well-being as citizens, family members, and capable and caring individuals
d. Be open and honest with employees in sharing information, limited only by legal and competitive constraints.
e. Listen to employees and act in good faith on employee complaints and issues.

f. Avoid discriminatory practices and provide equal treatment, opportunity and pay in areas such as gender, age, race, and religion.
g. Support the employment of differently-abled people in places of work where they can be productive.
h. Encourage and assist all employees in developing relevant skills and knowledge.
i. Be sensitive to the impacts of unemployment and work with governments, employee groups and other agencies in addressing any employee dislocations.
j. Ensure that all executive compensation and incentives further the achievement of long- term wealth creation, reward prudent risk management, and discourage excessive risk taking.
k. Avoid illicit or abusive child labor practices.

3. SHAREHOLDERS

A responsible business acts with care and loyalty towards its shareholders and in good faith for the best interests of the corporation. Business therefore has a responsibility to:

a. Apply professional and diligent management in order to secure fair, sustainable and competitive returns on shareholder investments.
b. Disclose relevant information to shareholders, subject only to legal requirements and competitive constraints.
c. Conserve, protect, and increase shareholder wealth.
d. Respect shareholder views, complaints, and formal resolutions.

4. SUPPLIERS

A responsible business treats its suppliers and subcontractors with fairness, truthfulness and mutual respect. Business therefore has a responsibility to:

a. Pursue fairness and truthfulness in supplier and subcontractor relationships, including pricing, licensing, and payment in accordance with agreed terms of trade.
b. Ensure that business supplier and subcontractor activities are free from coercion and threats.
c. Foster long-term stability in the supplier relationships in return for value, quality, competitiveness and reliability.

d. Share information with suppliers and integrate them into business planning.
e. Seek, encourage and prefer suppliers and subcontractors whose employment practices respect human rights and dignity.
f. Seek, encourage and prefer suppliers and subcontractors whose environmental practices meet best practice standards.

5. COMPETITORS

A responsible business engages in fair competition which is a basic requirement for increasing the wealth of nations and ultimately for making possible the just distribution of goods and services. Business therefore has a responsibility to:

a. Foster open markets for trade and investment.
b. Promote competitive behavior that is socially and environmentally responsible and demonstrates mutual respect among competitors.
c. Not participate in anti-competitive or collusive arrangements or tolerate questionable payments or favors to secure competitive advantage.
d. Respect both tangible and intellectual property rights.
e. Refuse to acquire commercial information through dishonest or unethical means, such as industrial espionage.

6. COMMUNITIES

As a global corporate citizen, a responsible business actively contributes to good public policy and to human rights in the communities in which it operates. Business therefore has a responsibility to:

a. Respect human rights and democratic institutions, and promote them wherever practicable.
b. Recognize government's legitimate obligation to society at large and support public policies and practices that promote social capital.
c. Promote harmonious relations between business and other segments of society.
d. Collaborate with community initiatives seeking to raise standards of health, education, workplace safety and economic well-being.
e. Promote sustainable development in order to preserve and enhance the physical environment while conserving the earth's resources.

f. Support peace, security and the rule of law.
g. Respect social diversity including local cultures and minority communities.
h. Be a good corporate citizen through ongoing community investment and support for employee participation in community and civic affairs.

Attachment B: BACKGROUND TO THE CAUX ROUND TABLE AND THE PRINCIPLES FOR RESPONSIBLE BUSINESS

The Caux Round Table (CRT) is an international network of business leaders working to promote a morally and sustainable way of doing business. The CRT believes that its Principles for Responsible Business provide necessary foundations for a fair, free and transparent global society.

The Caux Round Table was founded in1986 by Frits Philips Sr, former President of Philips Electronics, and Olivier Giscard d'Estaing, former Vice-Chairman of INSEAD, as a means of reducing escalating international trade tensions between Europe, Japan and the USA.

At the urging of Ryuzaburo Kaku, then Chairman of Canon, Inc, the CRT began to focus attention on the importance of global corporate responsibility in reducing social and economic threats to world peace and stability. This led to the development of the 1994 Caux Round Table Principles for Business around three ethical foundations, namely: responsible stewardship; the Japanese concept of Kyosei - living and working for mutual advantage; and respecting and protecting human dignity.

The 2009 CRT Principles for Responsible Business comprise seven principles and more detailed Stakeholder Management Guidelines covering each of the key stakeholder dimensions of ethical business practices: customers, employees, shareholders, suppliers, competitors, and communities.

The CRT Principles have been published in twelve languages, utilized in business school curricula worldwide, and are widely recognized as the most comprehensive statement of responsible business practice formulated by business leaders for business leaders.