DEFINITION AND PURPORTS OF CORPORATE SOCIAL RESPONSIBILITY

A business is not independent of other factors. It cannot exist in isolation without taking into consideration its impact on the stakeholders involved in the business and upon whom the business has an impact. Corporate Social Responsibility (hereinafter "**CSR**") helps bridge the gap between an organisation's business motive and the stakeholders' interest which could help avoid any negativity and create mutual synergies.

The European Commission defines CSR as *"the responsibility of enterprises for their impacts on society".* The Commission encourages that enterprises "should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders"

The World Business Council for Sustainable Development defines CSR as *"continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large."*

As per the United Nations Industrial Development Organization (UNIDO), CSR is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line-Approach"), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.

Thus, CSR is the initiative taken by corporate organisations to take up the responsibility for any kind of impact on the environment, society or the economy as a result of their activities. It is where organisations apart from their personal profitability and growth take responsibility of any activity which affects any of the stakeholders i.e. the environment, consumers, employees, communities, and all other members of the public sphere. It is a way of managing organisations to attain an overall positive impact on the society.

Further, it also helps a company to align its values to societal causes. It is generally understood to be a self-regulation mechanism integrated in the business itself. It is understood through various terms such as Corporate Citizenship, Corporate Social Performance, Responsible Business, etc. An organisation by way of CSR commits to behave ethically so as to improve the quality of the life of the workforce along with their families and of the other stakeholders.

CSR concerns itself with fulfilment of three elements known as the triple bottom line i.e. People (Human Capital), Planet (Natural Capital) and Profit, so as to ensure a consistent balance between all the three. People here pertain to fair and beneficial business practices towards the labour, community and region where a corporation functions.

Planet points to sustainably pursuing the environmental activities as it has a long term impact on the environment. Profit is the bottom line which is as it is shared by all commercial activities.

Initially CSR was originated as a voluntary responsibility on the part of the corporations by declaration of policies and development of practices and methods to supplement it so as to ensure implementation of the same. This has however been subject to a change over time owing to increasing negligence of companies and awareness among public. It has led to creation of pressure, time and again regarding disclosure and accountability for CSR implementation in areas affected by their activities.

Companies also frame 'codes of conduct' also known as 'corporate codes' to address the social responsibility and to enhance implementation of such norms by their employees so as to imbibe in them the philosophy which the company pursues in reference to such CSR. Codes of conduct further help a company by enhancement of its corporate image amongst the stakeholders and in turn increase its growth and revenue.

However, there are a large number of companies which remain simply unaffected about issues connected with CSR and refrain from any activity in this context. Although public pressure often induces such companies to work but these pressures are often restricted to particular issues. This leads to a vast majority of issues being ignored particularly in developing countries.

This has led to framing of mandatory norms of CSR to be followed by companies.

Section 135 of the 2013 Act deals with Corporate Social Responsibility as under:

(*1*) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five 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*) The Board's report under sub-section (*3*) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

(*3*) 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 referredto in clause (*a*); and

(*c*) monitor the Corporate Social Responsibility Policy of the company from timeto time.

(*4*) The Board of every company referred to in sub-section (*1*) shall,—

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

(*b*) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

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

Provided that the company shall give preference to the local area and areas around itwhere it operates, for spending the amount earmarked for Corporate Social Responsibility activities:

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

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