

# **Corporate Social Responsibility**

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**Voluntary Guidelines for Business**

## Background

The emerging concept of Corporate Social Responsibility (CSR) goes beyond charity and requires the company to act beyond its legal obligations and to integrate social, environmental and ethical concerns into Company's business process. The Prime Minister had outlined on 24<sup>th</sup> May 2009 a 10 point agenda for the Corporate Sector which spoke of inclusive growth. The concept of CSR advocates moving away from a 'shareholder alone' focus to a 'multi-stakeholder' focus. This would include investors, employees, business partners, customers, regulators, local communities, the environment and society at large. Key components of CSR would, therefore, include the following:

**Business Ethics:** Denotes value-based and ethical business practices. Business ethics defines how a company integrates core values – such as honesty, trust, respect and fairness – into its policies, practices and decision-making. Business ethics also involve a company's compliance with legal standards and adherence to internal rules and regulations.

**Workplace & Labour Relations:** Human resources are most important and critical to a Company. Good CSR practices relating to workplace and labour relations can help in improving the workplace in terms of health and safety, employee relations as well as result in a healthy balance between work and non-work aspects of employees' life. It can also make it easier to recruit employees and make them stay longer, thereby reducing the costs and disruption of recruitment and retraining. Equal opportunity employer, diversity of workforce that includes people with disability, people from the local community etc., gender policy, code of conduct/guidelines on prevention of sexual harassment at workplace, prevention of HIV/AIDS and TB at workplace, employee volunteering etc.

**Customers:** Product and services of a company are ultimately aimed at customers. The cost and quality of products may be of greatest concern to the customers but these are not the only aspect that the customers are concerned with. With increased awareness and means of communication, customer satisfaction and loyalty would depend on how the company has produced the goods and services, considering the social ,environmental, supply –chain and other such aspects

**Community:** A major stakeholder to the business is the community in which the Company operates. The involvement of a company with the community would depend upon its direct interaction with the community and assessment of issues/risks faced by those living in the company surrounding areas. This helps in delivering a community focused CSR strategy making positive changes to the lives of the people and improving the brand-image of the Company. Involvement with the community could be both

direct & indirect - through funding and other support for community projects implemented by local agencies.

**Environment:** Merely meeting legal requirements in itself does not comprise CSR but it requires the Company to engage in such a way that goes beyond mandatory requirements and delivers environmental benefits. It would include, but not be limited to, finding sustainable solutions for natural resources, reducing adverse impacts on environment, reducing environment-risky pollutants/emissions as well as producing environment-friendly goods.

Though for recognizing the CSR initiatives, cognizance of extent of Corporate Governance activities undertaken by the company should be taken into the account, FICCI feel that CSR must be differentiated from Corporate Governance. Corporate Governance is primarily addressed for protection of shareholder's interest through transparency of information and involvement of Independent Directors for effective functioning of the company, whereas CSR is an extra market activity beyond the primary goal of the business.

Given the voluntary nature of CSR, FICCI feels that **Chambers, Associations and the Government, must APPEAL to businesses to engage in extra market activities with social good in mind.** The throw put of CSR activity is better shareholder perception, lending moral standing beyond Corporate Governance to the companies. In fact, in the stock markets in the West, there are CSR indexed mutual funds which have given a special traction to companies which conduct substantial and measurable CSR activities. This has also brought about a tripartite collaboration between NGOs, corporates and different levels of Government to conduct activities for larger good.

Over last 20 years CSR has reached new frontiers some relating to conduct of business itself and other serving some elements of social needs, complimenting Government action; Central, State and local. **CSR is an activity that is totally voluntary and does not fall within the ambit of law and regulations, unlike, Corporate Governance.** If such compulsion is imposed on companies, FICCI fears that it may turn counter productive as companies may resort to camouflaging activities to meet such regulations, particularly, during recessionary periods and economic downturns.

CSR activity must be an organic development, encouraged and motivated by the Government, Chambers of Commerce and Industry, Association Bodies, and the civil society. **The demonstrable example is the FICCI-Aditya Birla Centre for Excellence in Corporate Social Responsibility which promotes a wide range of CSR activities connecting the dis-advantaged, under-privileged and discriminated through grass-root NGOs or corporation's own allocated work force.**

FICCI proposes the following voluntary guidelines for 'appeal' to the Industry to use as a reference point for strategizing and planning their CSR initiatives leading to greater good of the society and sustainability of Business. These must be combined with cautionary note. There is an attempt by developed (western) Corporations, under the pressure of hyper active western NGOS to impose standards like labour standards on Indian and other emerging market corporations, which often turn out to be non tariff barriers towards our market access in the developed world. Government may also consider incentivizing CSR activities perhaps through (a) tax incentives or (b) create a market for CSR credits like carbon credits.

The following guidelines convey FICCI's commitment to promoting the CSR agenda.

### **Voluntary CSR Guidelines**

1. The company shall have CSR as an integral part of overall business policy driven by vision and philosophy that includes definition of CSR and how it aligns it with its business goals
2. The company shall formulate a CSR policy to guide its strategic planning and providing a roadmap to its CSR initiatives.
3. The policy may broadly cover caring for employees, community , climate & environment, (including skill development and livelihood , health, safety, education, minimizing carbon footprint, protection of environment, inclusion of disadvantaged & vulnerable sections of the society), non-discrimination, transparency, anti-corruption and human rights.
4. The company may have a CSR Advisory Committee led by a CSR expert and endeavor to internalize various levels of executive participation in formulation and integration of CSR Policy.
5. The company shall specify a time period after which the CSR policy shall be put up for Strategic review to gauge the impacts, relevance of its components and fine tune it /augment it in tandem with the changing times/business/ societal needs.
6. The company shall have a structure for the implementation of CSR policy and involvement of external partnerships.
7. The company shall earmark specified resources or a proportion of their Post Tax Profit for activities related to corporate social responsibility initiatives.

8. To ensure optimum utilization of resources and maximum impact the company shall set measurable target, wherever possible and review the progress internally. Periodically the company may get external evaluation as may be considered appropriate by it.
9. The company shall be producing and disseminating information on CSR policy and activities, as well as progress to all their stakeholders and the public at large through their website, annual reports, and other communication media.
10. The company shall endeavor to create a spirit of volunteerism among the employees and encourage the employees to volunteer for community development initiatives.
11. The company shall endeavor to influence the supply chain in adopting and adhering to best CSR practices
12. The company shall have an explicit strategy to focus on CSR issues of immediate concern in the areas that they operate in. The company may work through partnerships or leveraging Government's schemes to undertake CSR activities. The company shall endeavor to partner and network with civil society organizations to carry forward the agenda of CSR.
13. The company shall endeavor to build its image as a socially responsible company.
14. To share experiences and network with other organizations the company may engage with well established and recognized programmes / platforms such as the FICCI-ADITYA BIRLA CSR CENTRE FOR EXCELLENCE, UN Global Compact and the like, which encourage Responsible Business Practices and CSR activities