

CSR & Social Governance

(Chapter 7)

(Total= 20 marks)

Time - 1 Hr

Answer the following question.

Case Study 1

One of the major impacts of Corporate Social Responsibility on business can be observed in the form of consumer spending. Over the past few decades consumers chosen to purchase from the companies that do good for the society. Inversely, most consumers are also willing to stop purchasing products from companies whose values do not align with theirs; especially on polarizing issues such as education, racial equality, and women's rights.

Communicating the impact of CSR activities of the organisation to the perspective stakeholder is imperative and essential to create brand value and to assist the businesses to garner customer loyalties. Many companies view CSR as an integral part of their brand image, believing that customers will be more likely to do business with brands that they perceive to be more ethical. In this sense, CSR activities can be an important component of corporate public relations. At the same time, some company founders are also motivated to engage in CSR due to their convictions.

The movement toward CSR has had an impact in several domains. For example, many companies have taken steps to improve the environmental sustainability of their operations, through measures such as installing renewable energy sources or purchasing carbon offsets. In managing supply chains, efforts have also been taken to eliminate reliance on unethical labour practices, such as child labour and slavery.

Questions:

(5 marks each)

1. Mention the eight guiding principles that govern the entire Environment Impact Assessment (EIA) process.

Answer

a. Participation: The process of EIA should provide ample opportunities to involve the interested and affected stakeholders, and their inputs and concerns should be addressed explicitly in the documentation and decision making.

b. Transparency: The process should have clear, easily understood requirements for EIA content, ensure that information gathered and analysed should have public access, identify the factors that are considered in decision making and acknowledge limitations and difficulties.

c. Efficient: The Process should impose the minimum cost burdens in terms of time and finance on proponents and participants consistent with meeting accepted requirements and objectives of EIA.

d. Accountability: The accountability of the decision made and action taken based on EIA should be upon the decision makers and appropriate environmental protection should be taken care off, any violation in same should be answered by the decision maker.

e. Credibility: The process should be carried out with professionalism, rigour, fairness, objectivity, impartiality, and balance and be subject to independent checks and verification.

f. Cost-Effective: The process should achieve the objectives of EIA within the limits of available information, time, resources, and methodology.

g. Integrated: The process should address the interrelationships of social, economic, and biophysical aspects.

h. Practicality: The process should result in information and outputs which assist with problem solving and are acceptable to and able to be implemented by proponents. Information/outputs readily usable in decision making and planning is important.

2. Elaboarte the terms corporate social responsibility (CSR) timelines for Conducting Impact Assessment and also mention the impact assessment expenditure.

Answer

Timelines for Conducting Impact Assessment

a. Companies falling in above criteria must undertake Impact Assessment at least one year after programme implementation is complete.

b. As per Rule No. 8, if companies have multi-year programmes (say 3 years), impact assessment needs to be conducted after completion of three years of the programme.

Additionally, a follow up assessment needs to be conducted one year after the completion of the programme to better understand the programme's after effects.

c. The Impact Assessment should be conducted for those projects, which have completed one year or for on-going projects (period more than three years).

CSR Impact Assessment Expenditure

a. Impact assessment related expenditure may be booked as a CSR expense as long as it does not exceed 5% of the total CSR spending or INR 50,00,000, whichever is less.

b. The limit of expenditure is applicable on the total CSR budget of the financial year.

c. Under the amended rules, "Administrative overheads" will now mean expenses incurred by the company for 'general management and administration' of Corporate Social Responsibility functions in the company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme.

Further, a Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed five per cent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is less.

Case Study 2

CSR programs have generally been most common among large corporations, small businesses also participate in CSR through smaller-scale programs, such as donating to local charities and sponsoring local events in form of dental health check-ups, distribution of books amongst under-privileged kids, promoting healthy lifestyle amongst women etc.

As important as CSR is for the community, it is equally valuable for a company. CSR activities can help forge a stronger bond between employees and corporations, boost morale, and aid both employees and employers in feeling more connected to the world around them. Aside from the positive impacts to the planet, here are some additional reasons businesses pursue corporate social responsibility. Today's modern consumer expects companies to recognize the social responsibility of business and think beyond profit. With the increased spotlight on corporate social responsibility (CSR), in the news and on social media, companies are facing more scrutiny than ever to effect change in their communities. Business will find hard to justify CSR spending, if there is no clear and specific impact of Corporate Social Responsibility on business profitability along with impact on society as whole.

Questions:

(3 marks each)

1. Explain all the four types corporate social responsibility (CSR) initiatives.

Answer

CSR initiatives can be of four types i.e., environmental, philanthropic, ethical and economic activities wherein business can choose to plan its CSR activities keeping any one of the four types its central point and target the stakeholder accordingly.

Environmental activities focuses on prevention of natural resources for example, conducting & organising educational & training programs for farmers to spread awareness about use of organic material for farm production instead of using chemical fertilizers to safeguard the quality of soil.

Philanthropic activities focus on donating to causes and sections of society which is not directly related to business activities. For example, donating food and other material to flood affected areas, donation of PPE kits during COVID times etc.

Ethical activities are more focused to honest and fair business practices. It involves conducting business in most true and fair manner along with complying with all applicable rules and regulations in true letter & spirit

Economic activities primarily targets to promote and assist in fiscal growth of all above goals.

2. Explain the important benefits of corporate social responsibility (CSR) on other facets of business and what they includes ?

Answer

a. Brand Recognition: consumers are more likely to act favourably towards a company that has acted to benefit its customers as opposed to companies that have demonstrated an ability to deliver quality products. Customers are increasingly becoming more aware of the impacts companies can have on their community, and many now base purchasing decisions on the CSR aspect of a business. As a company engages more in CSR, they are more likely to receive favourable brand recognition.

b. Investor Relations: In a study by Boston Consulting Group, companies that are considered leaders in environmental, social, or governance matters had an 11% valuation premium over their competitors. For companies looking to get an edge and outperform the market, enacting CSR strategies tends to positively impact how investors feel about an organization and how they view the worth of the company.

c. Human Resource Sustainability: CSR-related values that align firms and employees serve as non- financial job benefits that strengthen employee retention. Workers are more likely to stick around a company that they believe in. This in turn reduces employee turnover, disgruntled workers, and the total cost of a new employee.

d. Risk Mitigation: Consider adverse activities such as discrimination against employee groups, disregard for natural resources, or unethical use of company funds. This type of activity is more likely to lead to lawsuits, litigation, or legal proceeds where the company may be negatively impacted financially and be captured in headline news. By adhering to CSR practices, companies can mitigate risk by avoiding troubling situations and complying with favourable activities.

Q3. **(4 marks)**

A medium-sized garment manufacturing company, recently adopted a CSR policy based on the Triple Bottom Line (TBL) approach. The company began initiatives to reduce water consumption and carbon emissions (Planet), introduced fair wage policies and free healthcare for workers (People), and simultaneously maintained profitability by improving supply chain efficiency (Profit). However, in one financial quarter, to maintain profits during a downturn, the company reduced its community outreach programs, which led to public criticism and employee unrest. What is the Triple Bottom Line (TBL) approach and how does it relate to CSR?

Answer

Most of CSR theories admit that the foundation of the idea is the Triple Bottom Line (TBL) concept that was introduced in 1987 in Brundtland Commission. This theory is also known as 3Ps or three pillars. It states that a business should be responsible towards three main points i.e., Profit, People and Planet, that is economic, social, and environmental responsibility.

Only if a company cares for all three aspects of Triple Bottom Line, can it be called sustainable, because all of them are extremely closely related. Caring for Profit and for People makes it equitable and fair, but omitting environmental protection dooms the Planet. On the other hand, tending only to Planet and People, and forgetting about the Profit, makes CSR policy bearable, but business needs profits to survive. Again, if a company pays attention to Profit and Planet, discarding the People, in the long term it can lead to the fall of employees' morale and the breach of social contract, which in turn would lead to less consumer engagement and loyalty.

Many companies are also mapping down their own division of CSR areas and use them in their reports. The example can be the Bridgestone Corporation's report, where there are four groups of CSR activities: fundamental, business, environmental and social. It might seem like the TBL, nevertheless the business activities include responsibility towards shareholders, suppliers and customers, therefore people. The fundamental CSR pursuits according to Bridgestone are: securing

stable profits as a business, ensuring a thorough understanding of and adherence to compliance, ensuring business continuity and communicating with stakeholders, hence the activities the Triple Bottom Line would mostly count as economic responsibility (Bridgestone CSR Report, 2012).

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