Corporate Social Responsibility in the Global Business World

A Conceptual, Regulatory, and Illustrative Framework

Meenu Maheshwari | Ashok Kumar Gupta | Pragya Gaur
Nupur Tiwari | Shobhna Goyal

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by

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Contents

Abbreviations

AFP	Association of Fundraising Professionals
AIDS	acquired immune deficiency syndrome
ALDI	Albrecht Discount
ALS	amyotrophic lateral sclerosis
AMA	American Management Association
AMF	Autoritě des Marchěs Financiers
APP	Asia Pulp and Paper
AYUSH	Ayurveda, Yoga and Naturopathy, Unani, Siddha, and Homeopathy
BRICS	Brazil, Russia, India, China, South Africa
BSR	Business for Social Responsibility
CA	Companies Act
CAD	Canadian Dollar
CAG	Comptroller and Auditor General of India
CAPF	Central Armed Police Forces
CED	Committee for Economic Development
CEMS	continuous emissions monitoring systems
CEO	chief executive officer
CEPA	Canadian Environmental Protection Act
CFCs	chlorofluorocarbons
CFHPPF	Canadian Frontline Healthcare Professionals Protection Fund
CFR	Code of Federal Regulations
CO2	carbon dioxide
CPMF	central paramilitary forces
CR	corporate responsibility
CSI	Calvert Social Index
CSIR	Council of Scientific and Industrial Research
CSMAR	China Security Markets and Accounting Research
CSP	corporate social performance
CSR	corporate social responsibility
DAE	Department of Atomic Energy

DBT	Direct Benefit Transfer
DJSI	Dow Jones Si Series
DRDO	Defence Research and Development Organization
DRL	The Bureau of Democracy, Human Rights, and Labor
DST	Department of Science and Technology
EC	European Commission
ECSR	environmental corporate social responsibility
EEA	European Economic Area
EITI	Extractive Industries Transparency Initiatives
ELITE	Empowering Lives through Education
EMS	environmental management system
EP&L	environmental profit and loss
EPA	Environmental Protection Agency
ESG	environment, social, and governance
ESOP	Employee Stock Option Plan
ESPO	Employee Stock Opinion Plan
ESRIF	European Sustainable and Responsible Investment Forum
ETS	emissions trading system
EU	European Union
FCS	First Carbon Solutions
FDI	foreign direct investment
FY	financial year
GASP	generally accepted sustainability practices
GCPL	Godrej Consumer Product Limited
GOI	Government of India
GRI	global reporting initiatives
GSI	Global Sustainability Index Series
H & M	Hennes & Mauritz AB
HIV	human immunodeficiency virus infection
HR	human resource
ICAR	Indian Council of Agricultural Research
ICMR	International Center for Management Research
ICMR	Indian Council of Medical Research
ICT	information and communication technology
IDV	individualism vs. collectivism
IIT	Indian Institute of Technology
ILO	International Labor Organization
ISO	International Organization for Standardization

ITC	Indian Tobacco Company
KCHF	Kassim Chin Humanity Foundation
KFC	Kentucky Fried Chicken
KPMG	Klynveld Peat Marwick Goerdeler
MAS	masculinity vs. feminity
MCA	Ministry of Corporate Affairs
MDGs	Millennium Development Goals
MEDEF	Mouvement des entreprises de France
MEP	Ministry of Environmental Protection
MNCs	multinational corporations
MNEs	multinational enterprises
MOEX	Moscow Stock Exchange
NAP	National Action Plan
NER	new economic regulations
NFR	nonfinancial reporting
NGOs	nongovernmental organizations
NO	nitrogen oxides
OECD	Organization for Economic Co-operation and Development
PDI	power distance index
PLC	public/private limited company
PM CARES	Prime Minister's Citizen Assistance and Relief in Emergency Situations
PPP	public–private partnership
R&D	research and development
RBS	Royal Bank of Scotland
RKS	Rankins CSR Ratings
RMB	renminbi is the official currency of People's Republic of China
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
SDGs	Sustainable Development Goals
SEC	Securities and Exchange Commission
SI	sustainability index
SIC	standard industrial classification
SMEs	small and medium enterprises
SOE	state-owned enterprises
SR	social responsibility

SRI	socially responsible investment
SSE	Shanghai Stock Exchange
STEP	social, technological, economic, and physical
SZSE	Shenzen Stock Exchange
TBL	triple bottom line
TRAFFIC	Trade Record Analysis of Flora and Fauna in Commerce
TRI	Toxic Release Inventory
UAI	uncertainty avoidance index
UK	United Kingdom
UN	United Nation
UNGP	United Nations Guiding Principles on Business and Human Rights
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
US	United States
USA	United States of America
WBCSD	World Business Council for Sustainable Development
WIPRO	Western India Products

Foreword 1

Corporate social responsibility (CSR) has been crucial in addressing many economic crises that has arisen since the 1930s. The corporates' emphasis is now inclined toward social welfare. This phenomenal change has led to the development of the CSR concept, wherein a company engage itself in social and environmental issues which involve uplifting deprived communities, elimination of poverty, reduction of carbon emissions, and so on. The benchmark for the development of a firm is crucially dependant upon various pivotal movements that lead to a bright future of CSR.

An organization's vision and strategy must emphasize increasing corporate transparency and responsibility to ward its stakeholders, which are critical for the organization's well-being and long-term viability. However, it is also important to recognize that CSR should not just focus on pleasing regional or local stakeholders, but also on meeting global expectations. In order to reach universal agreement and succeed, a comprehensive strategy is required, taking into consideration philosophical opinions, environmental preservation, sustainability, and good governance in unprecedented ways.

This book is significant in that it conceptualizes CSR from the east and west of numerous industries and nations, illustrating that even in difficult economic times, more and more firms are adopting the principles and ethos of CSR because it is the right thing to do. Many chapters in this book address this with detailed examples of CSR behavior across the globe. There is a major thrust among the stakeholders to generate profuse information on CSR in a contemporary surrounding, and this information has been expressively and lucidly written in this book. The content in the book has been framed in a manner so that it will reach out to its readers in the easiest possible way, and with some practical examples that scholars, practitioners, and other stakeholders would find very useful in their respective fields.

This book will prove beneficial to its prospective readers and we believe that it will pose as a great influence on their minds, inspiring them to make this world a better place to live.

—Prof. Nageshwar Rao
Vice Chancellor, Indira Gandhi National Open University, India

Foreword 2

CSR has brought unprecedented upheaval to company, labor, and environmental laws. The scholars have noted a metamorphosis of CSR and business laws, making it possible to assemble the scattered pieces and seeking a common thread to look upstream at corporate governance and downstream at the role played by various stakeholders. As a matter of fact, the companies are in the frontline in CSR and have been given primary responsibility for driving the sustainable and inclusive growth, a growth that will last long for future generations and will be inclusive where no one is left/forgotten. It ensures the protection of the most vulnerable and addressing issues globally. However, CSR has to be taken as a collaborative effort of the state, NGOs, and the communities along with corporates to be implemented effectively for the mutual benefits.

It is high time that the citizens should think about the planet to be prosperous and sustainable, it's a "Now or Never" situation. In the light of this, the book titled "Corporate Social Responsibility in the Global Business World: A Conceptual, Regulatory, and Illustrative Framework" will prove a milestone in the journey of CSR from ethics to responsibility, voluntary to mandatory, and a movement from millennium development goals to sustainable development goals.

It is a comprehensive work that includes not only the basics but also CSR practices undertaken by global business tycoons. Case studies from all over the world has made the work more impeccable.

I congratulate the authors and wish them all the very best and I hope that the book gets a wide readership for the spread of concept through out the world.

—Prof. Kailash Sodani
Vice-Chancellor,
Vardhman Mahaveer Open University, Kota, Rajasthan

Foreword 3

Corporate social responsibility has become dominant and spiked in a dynamic environment today. CSR has evolved over the years and has gained importance in both the developing and developed nations. The corporates worldwide are either directly or indirectly associated with governmental or nongovernmental institutions to carry out its CSR activities efficiently. This is in the wake of expansion of markets globally and increase in the social and ecological needs of the concerned stakeholders. Socially responsible activities differ from country to country as values and culture have a deep rooted impact on company's activities. However, it is known by several names in different parts of the world but its core essence lies in making the business operations more sustainable as CSR concept works in the interest of society at large.

This book "Corporate Social Responsibility in the Global Business World: A Conceptual, Regulatory, and Illustrative Framework" encompasses the several facets of CSR exhaustively covering the parameters like concepts, genesis, evolution, cultural dimension, regulations, disclosure, reporting, key-focused areas, future outlook, and case studies. It is significant in that it conceptualizes CSR throughout the world demonstrating the adoption of practices discharging the social obligations of the business and the country as a whole. An integrative approach has been observed to be adopted as it has covered a wide array of information in context of CSR which makes this book a comprehensive guide to get the profound picture of the social responsibility prevailing across the globe.

In the light of content of the book and the way it has covered the theme of CSR, I highly recommend this book to all its prospective readers as it will prove beneficial to them to understand the concept of CSR in an entrenched manner. Further, I congratulate and extend my best wishes to the authors for bringing such an informative content into the purview which will not only aid the companies but also the policymakers and academicians around the world.

—CMA (Dr.) Balwinder Singh
Chairman, Cost Standards Board Accounting and Past President,
The Institute of Cost Accountants of India

Foreword 4

The book titled *Corporate Social Responsibility in the Global Business World: A Conceptual, Regulatory, and Illustrative Framework,* written by Dr. Meenu Maheshwari, Dr. Ashok Kumar Gupta, Mrs. Pragya Gaur, Ms. Nupur Tiwari, and Dr. Shobhna Goyal, gives a good understanding of underlying corporate social responsibility and deserves special praise for covering the various aspects of the subject in concern. This would certainly enrich the existing knowledge of the subject and would benefit the readers in the field immensely. The strength of the book lies in the comprehensive presentation of the concerned aspects, issues, and their applications in India as well as at the international level which gives readers a comparative picture at one place.

I find the book to be an excellent resource for readers. I recommend it to everyone interested in thoroughly understanding the concept of corporate social responsibility.

—Prof. (Dr.) M. L. Vadera
Past President, Indian Accounting Association

Preface

The concept of corporate social responsibility (CSR) has been practiced by a huge quantum of companies through various projects and movements with the aim of empowering individuals aimed at societal and ecological welfare. However, it is today being stressed as a core business strategy in the light of deliberation that business results are yielded from every step of that business. This has put too much pressure on the concept of CSR that has diverted it from its fundamental objective of aligning to societal and ecological initiatives of the companies with its agenda and ethics. Hence, it is vital for the companies to undertake CSR activities in order to minimize their risks, augment their corporate image, and aid favorable business outcomes. The act of blending corporate strategies and procedures with the ecological and societal issues comes into the purview of CSR. The negative impact that businesses pose to its surroundings can be mitigated by incorporating these programs into their operations.

This book *Corporate Social Responsibility in the Global Business World: A Conceptual, Regulatory, and Illustrative Framework* intends to cover the parameter of CSR around the world in terms of conceptual, regulatory, and illustrative framework. A significant part of the book comprises concepts, evolution, cultural dimensions, key areas, disclosure, and reports pertaining to CSR and how CSR is being perceived and considered across the globe. The future outlook in the context of CSR has been outlined. This book is divided into 10 chapters introducing CSR around the world which is briefly outlined as follows:

Chapter 1 describes the basics of CSR viz., meaning and definition, its relation with other similar terms. The chapter also highlights the principles of CSR for effective implementation. Along with the concepts, three models of CSR have also been described with a comparative analysis of the same. Challenges in the way to attain CSR goals have also been a part of the chapter. CSR comes attached with many inherent benefits which have been beautifully explained.

Chapter 2 explains the journey of CSR from ancient *Vedas* to the contemporary world. This chapter highlights different phases of evolution and revolution in CSR over the few decades globally. It covers the status of CSR in the emerging economies with the emphasis on emerging trends like corporate governance, reporting, indexing, and certification.

Chapter 3 outlines the journey of CSR from voluntary to mandatory conduct by discussing the various aspects like CSR in global and Indian context, the voluntary and mandatory approach of CSR along with its underlining advantages and disadvantages, and its corresponding comparison. Furthermore, the possibility of going beyond the debate among voluntary and mandatory approach has also been discussed.

Chapter 4 introduces the adaptation of CSR through culture of the developed and developing nations. The corporates across the globe are impacted by the culture of their headquarters and the culture of the environment in which they operate, that is, country other than origin has been elaborated here. The concept of CSR is not new; thereby several literature across the globe related to it have been covered along with the Hofstede model.

Chapter 5 briefly outlines the regulations and legislations around the world pertaining to CSR. The universal GRI standards, legislative framework of countries like the United Kingdom, the United States, India, Germany, France, Canada, China, and Indonesia have been sketched out covering its expenditure, disclosure, and reporting obligations.

Chapter 6 reports CSR practices adopted in developed and developing nations which comprises motives for focusing on CSR, how CSR practices are affected by societal and environmental factors, its significance and eminence, contextual determinants, drivers of CSR, analogous CSR trends, and differences in CSR practices in the countries globally.

Chapter 7 discusses about the CSR disclosure and reporting around the world by delineating its conceptual framework, key features, CSR disclosure, and reporting efforts around the world and impact of adopting CSR reporting. The CSR disclosure and reporting of the nations like the United Kingdom, the United States, India, France, and China has been discussed and its position has been summarized.

Chapter 8 sheds light on the areas of CSR focused upon across the globe by developing and developed nations. CSR implementation ideas have also been talked about. Further, this section revolves around the companies' case studies in diminutive form which executed CSR projects for the benefit of society and the planet at large. While adopting CSR practices, several points should be kept in mind and also avoidance of several key points in socially responsible business model is a prerequisite for the companies and hence the chapter flows in that direction.

Chapter 9 converses the future of corporate social responsibility by covering the facets like entering into conventional business through gradual growth, range of CSR, relevance of stakeholders' role in CSR, accountability, ecology and environment and ethical governance, intervention of government in making CSR effective, standardization and differentiation of CSR management structure, innovation and learning drive, and companies expected to achieve or lever greater social change.

Chapter 10 discusses the case studies on the wide array of CSR initiatives and practices which have been taken on board by the big companies in different contexts worldwide. The chapter attempts to highlight the active participation of the companies either of developed or of developing nations toward challenging opportunities by addressing several societal and environmental issues either through stakeholder relations and collaborations with NGOs or agencies or by adhering to government regulations for CSR compliance.

With immense gratitude in our hearts, we would like to acknowledge the contribution of all those who stood with us like a pillar in giving this book a final shape. Foremost, we are deeply grateful to Apple Academic Press for giving us this valuable opportunity to pen down our inputs on the concerned area. Moreover, the completion of this book could not have been possible without the participation and assistance of so many people whose contribution are sincerely appreciated and gratefully acknowledged. Above all, to our God Almighty for showering us with his endless blessings, knowledge, and strength to make this book possible and successful.

This book will reach out to the potential readers to acquaint them in context of CSR that the corporate undertake worldwide for the upliftment, sustainability, and well-being of the society and environment. It will prove to be a milestone for the interested readers for the purpose of policymaking, academics, research, and upgradation of existing body of knowledge.

CHAPTER 1

Conceptual Framework of Corporate Social Responsibility

ABSTRACT

This chapter discusses the evolution of CSR as a concept of being responsible economically, socially, environmentally and ethically in its holistic sense. It highlights the supremacy of corporate social responsibility over personal gain. In further discussions the concept has been differentiated with various terms like corporate philanthropy, sponsoring, sustainability, greenwashing, social entrepreneurship and white-collar crime so as to make readers clearer about what CSR is and what it is not. Principles and various models such as Carroll CSR Pyramid, Triple bottom line and Stakeholders' theory have also been explained with the pictorial and tabular presentations. The chapter also brings out benefits and limitations of CSR as a panacea of socio economic welfare of the society as a whole. As a concept CSR is full of challenges and faces criticism of the propounders of profit maximization approach to business. Certainly, the chapter presents a complete package to know CSR basics.

1.1 INTRODUCTION

A tree does not bear fruits for self but for masses and river flows for the social welfare, cow gives milk for others and human body too should be used for welfare of the mankind. In other words, tree does not eat its own fruits and a river does not drink its own water, whatever nature has bestowed as a resource it is for the use of masses without any question of rights.

Corporate Social Responsibility in the Global Business World: A Conceptual, Regulatory, and Illustrative Framework. Meenu Maheshwari, Ashok Kumar Gupta, Pragya Gaur, Nupur Tiwari, and Shobhna Goyal (Eds)

Just as nature share the things with all human beings a corporate entity too assumes certain responsibilities toward nature which has made things like human being, environment, society, Nation and globe as a whole. First and foremost, one must comprehend the idea and significance of CSR before proceeding.

CSR is a term made up of three letters, that is,

C—corporate
S—social
R—responsibility

So by concept it is the responsiveness of Corporate toward society which includes human being, environment, government, and various stakeholders of the society. If we refer back to history Corporation did not exist in South Asia. In some classical and traditional times, some sort of community and religious organizations did exist but ideally they were not business corporations. Business corporations are relatively a modern establishment having a start since 1600 by the order of Royal charter defining its role, powers, and boundaries. Corporations are created by National laws and are authorized by the states. These are governed by predefined rules which may differ from country to country as to the formal management, taxation, Sales, transfer, winding up, and insolvency. The rules and laws are written strictly and are enforced by the government that in turn invokes corporations to have influence over government regulations and lawmakers to reverse things in Corporation own favor. In most countries, the largest Corporations enjoy privilege to have access to the top decision making authorities which make the existence of corporations controversial. Raising capital pooling cash from investors to undertake entrepreneur venture has been the Hallmark feature of corporation since the advent of East India Company in 1600 BC. At that time trade took place through sea routes requiring huge capital and involving huge risk. The royal patronage facilitated the beginning of new business world by being the source of first funding to these Corporations. Of late corporations started taking other names in different countries and from UK the term company started preference along with a proof of PLC, that is, public limited/private limited company. The terms brought into picture two main aspects of business corporations viz. limited liability and states as private/public. Limited liability is a very important aspect of corporation which keeps the personal assets/wealth separated from the business liabilities. As a matter of fact, sole proprietorship/partnership is personally liable to pay debts attributed to the business. Thus, corporate provides legal shield from liability. Owners' personal assets are not under any threat to just pay off the business debts.

The main motive behind the limited liability is to promote investments. Corporate investments became the best choice to put in investor's money as the personal assets are not in jeopardy. However, the basic implication is that corporate and corporate investments provide certain benefits to the society which is why Governments were encouraged to make laws to protect and encourage corporate investments and ownership. In the 19th century, countries started attracting corporations as these became the major source of the revenue and employment for the local people. As a matter of advantage, public corporations can get the stocks listed in stock exchange and can enable trading in stock markets whereas private companies are prohibited to do so. Ease of trading and transferability encourage people to invest in companies' stock instead of other forms of business.

Considering one side of the coin will prove fatal so if corporations have many advantages it has dark side too in terms of many legal boundaries, dual taxation, public disclosure, and financial reporting on a quarterly basis. This obligation can be burdensome as it requires the employment of expert internal accountants as well as auditors to verify the books of accounts. Moreover, the information so revealed may prove a strategic advantage to the competitors.

Coming to the concept of CSR, it is an evolving concept and has multiple perspectives. The term CSR is subjective and can be perceived differently depending on who is perceiving like a corporate itself, govt., employee, shareholder, and activist protesting the exploitation by corporate policies and many other stakeholders. It is pertinent to know the all-round perspective.

> "The importance of the role to be played by the businessmen in the establishment of the new order cannot be overemphasized. It is, I dare to say, even greater than the economist's and the politician's. The community tends to regard businessmen's objectives as being more about personal gain than improving society as a whole. Only if business is fully aware of its social obligations and supports our society's harmonious functioning as one organic whole, can that impression be erased." La1 Bahadur Shastri

1.2 DEFINITION

According to Keith Davis—"Business decisions and activities that are at least somewhat motivated by factors other than the organization's immediate financial or technical interests are referred to as social responsibilities."

Business for Social Responsibility (BSR) defines Corporate Social Responsibility (CSR) as "achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment" (White, 2006). BSR points out that CSR is not merely a set of distinct corporate practices or momentary gestures, or the initiatives pitched in for related benefits induced by sales or public relations department, but something more than that.

According to the World Business Council for Sustainable Development (WBCSD, 2000, p. 9), "CSR 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."

Prof. V. Kasturi Rangan has defined CSR as "activities undertaken by businesses that enhance their value in the community and society and thus benefit their reputation and brand. In general, these activities create a win-win for the company and its larger group of stakeholders."

According to Jason Fernando, "CSR is a business model which is self–socially accountable to itself, its stakeholders, and the public. CSR practices acknowledge the impact of corporate practices over society, business itself, and the environment."

CSR is the integration of social and environmental issues into company practices and economic operations. It is a technique for striking a balance between economic, social, and environmental needs while also satisfying the demands of many stakeholders, including shareholders.

CSR may be defined as a method of operating business which emphasizes on meeting the ethical, economic, and social expectations of the society.

According to the European Commission "it is a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." EC, 2001

Following table depicts the definition of CSR in different perspectives w.r.t. organization and its types, which shows plurality in the meaning of CSR

Organisation	Type of Organisation	Definition of CSR
UK Government	Governmental	"The voluntary actions that business can take, over and above compliance with minimum legal requirements, to address both its own competitive interests and the interests of wider society" www.cv.gov.uk
European Commission	Governmental	"A concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis" EC Green Proper, 2001. Promoting a European Framework for Corporate Social Responsibility
Chinese Ministry of Commerce		"A concrete action taken by Chinese companies to implement the political aspiration of the new Communist Party collective leadership – putting people first in a harmonious society" Ethical Corporation, 2005, "Politics: A Chinese definition of CSR", 15 September 2005. www.ethicalcorp.com
HSBC	Corporation	"Means managing our business responsibly and sensitively for long term success. Our goal is not, and never has been, profit at any cost because we know that tomorrow's success depends on the trust we build today" www.hsbc.com
CSR Asia	Social enterprise	"A company's commitment to operating in an economically, socially and environmentally sustainable manner while balancing the interests of diverse stakeholders" www.csr-asia.com

FIGURE 1.1 Definitions of CSR in different perspective.

Source: https://farm5.static.flickr.com/4028/4659250738_131e02851d.jpg

As a matter of fact, it is all about playing the ethical role of corporations in the society and for the society. Various companies while defining the mission statements use the term as company actions and policies have concern for well-being of the society. Some may term it as business response to the well-being of the society. Compliance is also related term which not only covers the social objective but also ensures that govt. rules and regulations are duly complied and respected. Many corporations are employing special compliance officers for this purpose, for example, a cosmetic company who marks on its package. "we are plastic positive ensures environmental compliance that the company recycle more plastic than using."

1.3 CSR AND OTHER RELATED TERMS

1.3.1 CSR AND CORPORATE PHILANTHROPY

In other sense, it may be defined as corporate philanthropy. It refers to the corporate's gift to charitable organizations and educational institutions. But more often these donations attribute to the public image of the company and are considered material in developing public relations and publicity. It may take a form of cause related marketing, that is, when the sales of a company's product is associated with a social program, for example, cosmetic companies like Avon is using pink ribbon symbol to show that company is responsive to create awareness of breast cancer and a part of their sale will be allocated for this cause and will allow prevention and cure.

Business is expected to create wealth and generate employment while society is expected to provide means to achieve this purpose and an environment for the business to flourish. It is a two-way exchange. How the companies fulfill society's expectations while carrying the values and ethics creates a long-term impact. Business predominantly is viewed as a pure economic activity consisting production, distribution, and consumption of goods and services with an adequate consideration. Friedman and Hayck (1970) have advised business to concentrate on its economic and commercial roles. Until 19th century, no private business was under any democratic mandate to back up social and environmental cause. It is in the 19th century that some business institutions implemented employee pension scheme, free medical care, etc., and it was then first, people concern was ever noticed by the business. With the business operations extending in international markets, ethical and cultural issues started erupting and foreign market operations resorted to corruption and manufacturing substandard products. It is when the companies initiated supporting prestigious events and developmental programs so to cover up the malpractices thereby stabilizing their hold and position in the markets. In this further progression of corporate giving community projects, health and education too got place and attention. To measure the extent of corporate giving Enlightenment Matrix can be used to identify the status of companies vis-à-vis CSR.

1.3.2 CSR AND SPONSORING

Sometimes even sponsoring may be often confused with CSR. In fact, it is a form of marketing communications in which they sponsor a sports event for the promotion of company. In contrast with philanthropic, corporate sponsorship expects a clear return. At times, some global companies are unable to advertise them on other channels due to a number of restrictions, for example, Phillip Morris world's largest tobacco company due to limits on tobacco advertising invest heavily in sponsorships. It serves as the official sponsor of the Formula 1 racing series. Similarly, Pfizer world's largest pharmaceutical company engages itself in many sponsorship activities to support for Paralympics to make its presence feel in the absence of communication advertisements.

1.3.3 CSR AND SUSTAINABILITY

CSR is a broader term than sustainability. In fact, sustainability is one aspect of CSR as it covers corporation's ethical behavior with its various stakeholders like employees, shareholders, competitors, govt., customers, officials, bankers, and not just environment. However, the concern for the environment is in the larger interest of the society. To differentiate between corporate responsibility and sustainability, it is must to define what sustainability is or what is sustainable development.

Thomas Dyllick and Kai, 2002 define corporate sustainability as, "meeting the needs of a firm's direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups, and communities) without compromising its ability to meet the needs of future stakeholders as well."

The Australian government defines corporate sustainability as, "encompassing strategies and practices that aim to meet the needs of the stakeholders today, while seeking to protect, support, and enhance the human and natural resources that will be needed in the future."

Corporate sustainability is concerned with both how environmental factors affect a corporation and how that corporation affects the environment, whereas corporate responsibility focuses more on the non-financial social activities that a company contributes vis-à-vis society.

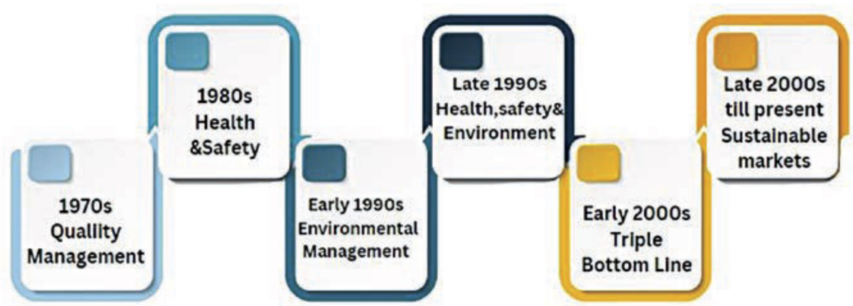


FIGURE 1.2 The evolution of sustainability.

Source: Adapted from The Future of Corporate Social Responsibility with CSR 2.0, www.csrinternational.org

Looking at the definitions it makes clear that corporate responsibility and sustainability are two different terms wherein corporate responsibility is a one-way approach focusing more on corporate contributions in societal activities and corporate sustainability is a two-way approach concentrating on the impact of environmental factors on company and vice a versa.

Wayne Visser's 2008 states that CSR is a conventional term which he calls CSR 1.0 and he contemplates a new CSR 2.0 labeled as "Corporate Sustainability and Responsibility", that is, social has been replaced with sustainability. CSR 1.0 tracks down to one size fits all, that is, standardization of guidelines to design company offerings to the society and other stakeholders whereas CSR 2.0 is a paradigm shift from standardization to diversified interventions for different stakeholders, power shift from centralized to decentralized, scale shift from few and big to many and small, shift in single application to multiple and shared.

With the world becoming smaller through connectivity and communication, climate change and poverty have become global challenges. Businesses still practicing CSR1.0 will be exposed by the so connected and conscious stakeholders, and business will be losing their license to operate. On the contrary, businesses embracing CSR 2.0 will collaborate to find innovative methods to beat global challenges and would be rewarded by the society securing marketplace.

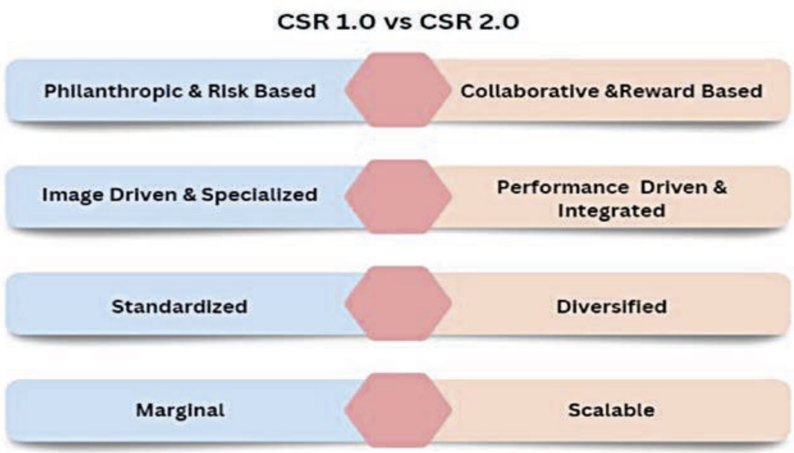


FIGURE 1.3 CSR 1.0 vs. CSR 2.0.

Source: Adapted from The Future of Corporate Social Responsibility, by Wayne Visser, 2010, www.csrinternational.org

While acronym CSR 2.0 remains intact but at the same time balancing the scales by standing for corporate sustainability and responsibility. It is an inter-wining of sustainability with responsibility to achieve the both ends, that is, environmental concerns and societal concerns. Both are similar like intertwined strands of DNA, that is, different yet complementary and inseparable. Sustainability may be perceived as destination to be reached at a journey through responsibility, that is, how to get there.

FIGURE 1.4 Corporate sustainability and responsibility (The New CSR).

Source: Adapted from Chapter 21 of Wayne Visser's 2010 Book, The Evolution and Revolution of Corporate Social Responsibility: How to Manage a CSR Strategy Successfully, is titled "CSR 2.0."

Companies must ensure sustainable environmental performance which can be achieved through meeting the expectations of its stakeholders. Sustainable success depends on effective management, environmental awareness, and applying research and innovations. CSR 2.0 concludes that the very purpose of business is not just minting profits but is to serve the society by providing high safety and quality products, services to elevate well-being and that too without compromising on ecology and community life support systems.

1.3.4 CSR AND GREENWASHING

It is a term which is not only a corporate practice to boast of eco friendliness/green products but a political agenda as well. As per AMA (American Management Association) study, 58% of the environmental advertisements contain at least one deceptive claim. A product termed green barely covers all the parameters to be ecofriendly. Simply claiming green cannot be credited for being socially responsible.

1.3.5 CSR AND SOCIAL ENTREPRENEURSHIP

Sometimes social enterprise/entrepreneurship is mixed with CSR whereas conceptually the problem of positioning social importance of social enterprise is defined into the misuse of the enterprise whereas CSR is altogether a separate connotation. Many global companies are doing social entrepreneurship to attain social goals, for example, Body Shop founded by a social activist Anita Roddick who insisted to design all the cosmetic products by being more socially responsible by using organic and naturally sourced raw materials.

1.3.6 CSR AND BUSINESS ETHICS

Ethics are closely related to CSR but ethics regulate the role of industry and corporate morally and more responsibly. Business ethics broadly much talked about in context of corporations whereas sole ownerships and partnerships may also be facing ethical dilemmas. CSR emits positive connotation on the contrary business ethics is quite often used in a critical manner and reflects that there had been wrong designs, deceptions, and frauds, etc.

1.3.7 WHITE COLLAR CRIME/FINANCIAL FRAUDS

These refer to finance-oriented criminal doings often committed by high profile professionals. These are also known as white collar crimes as these are committed by high social status people. However, corporate crime is different from white collar crime and has severe impact as it affects the society and nation as a whole. But in several cases, corporate crimes are plotted by senior executives of the corporations and changes in the penalty laws have made these crimes highly punishable offence which may call for a very long imprisonment**.**

1.4 CSR PRINCIPLES

In its broadest sense, CSR can be defined as an action taken in response to a business's social, environmental, and ethical obligations with the goal of having the greatest possible impact while abiding by the law. If a concept is implemented with a set of principles it may bring out maximum output with greater efficiency and effectiveness. CSR is based on three principles viz., sustainability, accountability, and transparency. With these principles, CSR can be integrated with the culture of an organization.

1.4.1 SUSTAINABILITY

It is the company's ability to continue operations given the scarcity of resources at given time period in specific surroundings. In the business processes, natural resources are exploited and thereby making it difficult to sustain business operations with the depletion of these natural resources. This situation calls for either judicious use of these resources or developing alternate resources or engaging in practices to renew the source base like plantation of trees and forests. Business is expected to invest in conserving and developing alternate sources which are sustainable to survive in the long run.

1.4.2 ACCOUNTABILITY

It is concerned with assuming self-responsibility toward company's actions affecting external environment. Ideally, corporate should indulge in environment friendly activities and processes. Companies are supposed to disclose the possible effects of its core business operations over the environment.

And their action plans to mitigate or to minimize such negative impacts. Various nations have enacted laws to ensure safety to the environment such as Uganda Government has a statute through which an agency has been constituted namely National Environment Management Authority. It is empowered to regulate and approve projects promising environmental consciousness.

1.4.3 TRANSPARENCY

This principle calls for disclosure of the facts and figures impacting environment. Crowther and Aras (2008) opined that the organization's reports can be used to determine the influence of its actions on the outside world, and important information is not concealed from readers. All stakeholders are entitled to know all the effects of corporate practices. External stakeholders would want to know which company has taken steps to mitigate adverse effects or not. It emanates from the concept of accountability that management is accountable to general public for its actions.

1.5 OBJECTIVES/CSR GOALS

As a matter of business advantage, earning profits have been considered the sole objective and only a few paid attentions to community service and CSR, if time and financial resources are available. Moving ahead in 2020s, community contribution started getting high ranking as policy in the meeting rooms across industry world-over. CSR is no more an additive but has become inevitable for every business model. Business with social concerns tends to attract more patronage. Doing good to the community, ends in giving good for the business. Corporations have concern for the society result in competitive advantages that in turn manifests a positive impact on individual, community, society, and nation as a whole. To authenticate, business commitment to its CSR campaign, having clear and well-structured goals are imperatives. Following and striving to achieve these CSR goals help business to build trust and connect with its customers to have intense penetration, that is, reaching to the unreached or to the lowest level. Commitment to CSR goals create accountability for which customers can be involved to bring the desired changes and can be made catalyst. Working in sync with customers' expectations result in building long-lasting relations and creating bigger, better, and longer social and environmental impacts. Primary question lies herein is how to set CSR goals effectively to reach core benefits.

1.5.1 WHERE DOES CSR FIT IN BUSINESS?

Goals for CSR must support the intended cause and organizational objectives; otherwise, they will encounter resistance and hinder the program's implementation. Further, this non-congruence with organizational goals will pose difficulty in creating long-lasting impact and would make sustainability an impossible target to achieve. So this primary search lies in identifying where the business objectives align with the larger social and environmental cause can. It is easy to make the existing business practices work to make a positive change by identifying the ways as to how the business fits in that space. For example, if your target area is to create an impact on reducing plastic waste as a product manufacturing company, the company may switch either to plastic-free packaging or to recyclable or reusable plastic packaging.

Secondly, it is important to choose the area on which business wants to focus from the whole basket of 10 principles described by the UN Global Compact. Impact depends on the choices made by business. It will facilitate the companies to focus in designing its CSR strategies and structuring the whole process.

FIGURE 1.5 Global compact principles.

Source: Adapted from The Cultural Survival. https://www.culturalsurvival.org/publications/cultural-survival-quarterly/changing-way-business-done-un-global-compact

The pact set by UN to encourage adoption of sustainable business models is more socially responsive and reporting on the action taken and progress review. The set of 10 principles established by the UN Global Compact is concerned with Human Rights, Anti-corruption and organizational support in setting sustainable development interventions.

These principles really become guiding force to pitch in right angle in CSR initiative that suits to company profile, culture, values, operations, and ethics. There is also a pressing need to pinpoint the obstacles in the way of achievement of CSR goals. Business has to look in as to whether the goals are attainable with the current amount of efforts, engagement, and budget or it needs a revision either ways.

Defining sustainable goals in a qualitative way is one thing that shows your concern for environment but saying it in specific number is quite measurable and meaningful such as reducing companies' carbon emission by 50% over a period of 12 months really makes sense. Now a days, companies are using CSR software to measure the progress in this regard.

Just like where to implement CSR, what compact to choose from a variety is important, choosing your stakeholders is also another important dimension of CSR objectives. Each group has different concerns. Who your stakeholders are, would go long in designing CSR interventions addressing each stakeholder's concern.

In nutshell, objectives of CSR may be:

- making better and optimum utilization of business resources
- CSR facilitates improved quality of life in society and its surroundings
- Preventing all types of pollution
- Creating opportunities for employment
- Preventing anti-social activities
- Coming forward to partner with State in social initiatives.

1.6 SIGNIFICANCE/POTENTIAL BENEFITS OF CSR

A well -structured CSR intervention may bring strategic competitive advantages such as easy access to capital markets for want of funds, increased revenue, cost savings, improved quality and strongly motivated workforce, good public image, loyal customer base, and an enhanced capacity to take and tackle risk and uncertainty. Given below are some points of special significance of CSR strategies.

CSR is making high tides in business. From a tiny ripple, it has become an integral part of any business strategy. CSR may benefit a business in terms of elevated brand image, attracting new talent and customers, and increased brand loyalty through customer engagement. Besides all these benefits, impact is the core of CSR, that is, by contributing to community a positive impact can be carved out of the business. Any firm, whether local or international, can benefit from a CSR initiative. To create sizeable impact, the goals should be crystal clear and execution should be robust. Potential benefits of CSR are being treated as arguments in favor for CSR. Depending on the nature of the firm and the degree to which CSR policies are implemented, the scope and quality of CSR advantages may differ. However, it is difficult to quantify the CSR benefits. Following are the benefits of CSR which may be cultivated by the companies with well-structured implementation.

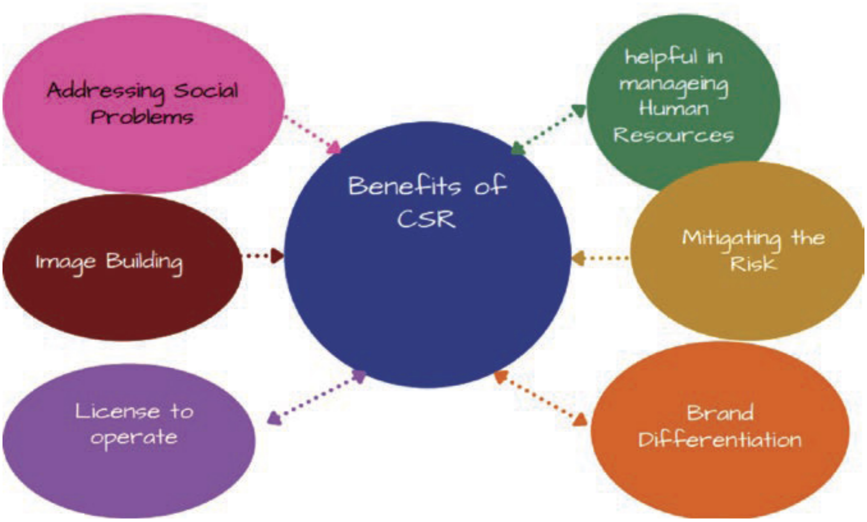


FIGURE 1.6 Benefits of CSR.

Source: Prepared by author on the basis of readings.

- **Helpful in managing human resources**: "CSR can help an organization in lowering down the employee turnover and procuring and retaining the best talent" (Bhattacharya, Sankar, and Korchum, 2008). CSR enhances the reputation of company and makes it a better place to work for and work with. Organizations with embedded CSR can maintain and boost confidence of key personnel by providing better working climate and culture which in turn increase loyalty, motivation, involvement, and commitment.

- **Mitigating the risk:** Management is yet a focal point of all corporate strategies. CSR cultivates a "Doing Right" culture that mitigates the risk associated with corporate activity, such as corruption scandals, environmental mishaps, and technological risks (Kytle, Beth, and Gerald, 2005).
- **Brand differentiation**: A product has to strive for shelf space in the booming competitive markets. CSR can be used as unique selling proposition to create a positive image in customer mind. CSR plays a big role in building loyal customers based on distinctive ethical values (Palu Szek, 2005). Gerald and Michael (2003) argued that CSR is "a key tool to create, develop, and sustain differentiated brand names." Compliance with CSR values result in a responsible business image and is directly proportional to market share, as CSR is getting prominence in affecting the purchase decisions and buyers' behavior. Those companies are valued more by consumers which show concern for the society and environment.
- **License to operate without unnecessary restrictions**: Companies certainly wants to avoid unnecessary interference and regulations imposed by state. In order to have better autonomy, companies take voluntary measures and highlight that they are taking the social concerns very seriously and that they are caring for health, safety, diversity, and environment. By being a good corporate citizen and adopting better labor standards, companies can minimize legal conflicts.
- **Addressing the social problems with vast economic and organizational resource**: Governments of the wealthiest nations find them incapable of addressing and simultaneously solving all the social issues. Concerted efforts are required to moot out the problems of unemployment, discrimination, pollution and natural disasters, poverty, and hunger, etc. Corporate environment, finance, and organizational resources can be used to bring out the society from the clutches of the problems. CSR can be a big help in that.
- **Corporate employees are vibrant and enthusiasts**: A significant portion of the workforce worldwide works in the corporate sector,

and CSR enriches the existing profession by incorporating an ethical component, encouraging employees to engage in greater voluntary work, and community involvement.

- **Better relations among business, non-profit, and government organizations**: This is an era of collaborations when corporates participate with non-profit organizations and govt. organizations to offer community services, for example, during COVID-19 pandemic crisis, all came together for offering community health services in the setting up of temporary establishments having oxygen units and ICU facilities.
- **Image building**: Corporate has to build a strong public image in the global market place. CSR initiatives help corporations to do the same. As a matter of fact, even a company with a great product has to maintain and sustain a strong public image that they care for the individuals, environment, society, and nation as a whole, for example, companies are now committed toward low-carbon emission and biodegradable products in order to protect the environment and helping the nation to achieve its goal to reduce all types of pollution.

"It is easy to dodge our responsibilities but we cannot dodge the consequences of dodging our responsibilities" Josiah Charles (Former Director of Bank of England).

CSR has been too debatable since yet profits maximization has been considered the core of any business idea. Critics argue that CSR is a distraction in performing the fundamental economic role of a business. Companies still need CSR to quicken the process necessary for achieving their objective and, at the same time, validating their existence. It is because CSR believes and stresses upon the fact that a company stands for its stakeholders. At this juncture, it is imperative to look at CSR in more general terms and to determine the good/right in CSR philosophy.

1.7 POTENTIAL DRAWBACKS OF CSR

Despite of several benefits, there are various arguments against CSR. Critics including Milton Friedman (1970) look at profits making as the only CSR of company. The very purpose of a business is to maximize return to its shareholders. Adoption of CSR involves heavy costs and hampers performance. CSR involves two types of costs viz. management decisions cost and operational costs. Such as a company opting for CSR has to pay higher salaries, has to maintain higher safety standards and requires new energy savers/alternate fuels. Friedman (1970) also argued that CSR results in plurality of goals and concerns taking much of managerial time in consulting with the outside stakeholders. Moreover, business has to develop new accounting systems, monitoring, evaluation, auditing, and reporting, which is too demanding.

- **Bad will buy a good image**: Biggest contributories to CSR globally are the companies, manufacturing oil, alcohol, and tobacco. They gain by repairing negative association with socially harmful products. Even after declaration of WHO that tobacco is the biggest cause of preventable deaths worldwide, tobacco companies have not stopped production. As a matter of fact, Philips Morris internationally has improved image not only contributing $30 million but also for charitable causes but also a lead sponsor of Formula One Race event.

- **NGO and charitable organization become over dependent on corporate funds**: At times, CSR as a source of funding for NGOs and charitable organizations prove fatal for both. NGOs rely heavily on the corporate contributions and remain at the mercy of corporate image and face risk of reversal in managing and its financial position. In a case of Timberland and CityYr (NGO), Timberland has to lay off many of its employees due to sharp decline in revenue. Employees were annoyed on company spending in millions on charitable contributions while terminates the jobs.

1.8 CHALLENGES OF CSR

- **Corporates are myopic about CSR view**
  Till date, corporates are not sure whether they are socially responsible or not. They think that sec 135 is unrealistically obligatory on their part. They need to be reoriented for the obligations toward all stakeholders of the society. They must combine the goals with the nation's and society's overall sustainable development. In

order of priority, the investment area of business should give due concern toward investment in the social responsiveness.

- **Its opaque**
  CSR to be effective needs transparency. Disclosure policies must be made more binding and broad so that all the stakeholders may have better insights into issues relevant to each other. It will facilitate trust building among communities and corporates and will bring sustainable relations instead of strained ones.

- **Integration of Company's developmental goals with the stakeholders' growth**: Reconciliation between social well-being and economic objectives is the biggest of challenges of CSR. Maximization of economic targets combined with maximization of social welfare is a tough task.

- **Lack of Governance infrastructure and funds**: CSR involves heavy investments. A well-prioritize planned investments are must to execute CSR initiative. Moreover, the governance infrastructure and local capacity fall short in effective implementation of CSR.

- **Laid back attitude of the community participants**: At times, beneficiaries of CSR initiatives lack interests in the program as it may be in contravention of their beliefs, routine, and traditions or simply they don't want to leave their comfort zone. Lack of connect between corporates and community is another big challenge.

Corporate contributions must be well recognized and awarded so that others may emulate the CSR strategies. Institutions should take up social responsibility right from the campus/classrooms to facilitate a connection between communities and corporates. Sustainability audits and reporting should be made a mandatory practice in order to be more authentic in CSR implementation. Scope of sec 135 is to be much widened in its application and discharge.

1.9 MODELS OF CSR

The fundamental premise that commercial firms have a duty to strive for the welfare of society has at least been agreed upon after years of persistent debate on CSR. Waddock, 2004 used the metaphor of a branching tree to show the evolution of CSR to its current status and demonstrate that how the different concepts/branches are related to each other. A comparative analysis of three models might help in clarifying the ambiguities in the various concepts and underlying assumptions about CSR in present scenario.

- Carroll CSR Pyramid
- Triple Bottom Line Theory
- Stakeholders Theory

1.9.1 CARROLL CSR PYRAMID

Carroll theory is based on the ways in which a company interacts with the society, community, and global surroundings. His theory is famously known as Carroll Pyramid of CSR. According to this notion, a business must satisfy four dimensional societal commitments in order to be socially responsive.

- **Economic Responsibility:** Principal responsibility of any business is to generate revenue because it is necessary for its own survival**.** Carroll has placed economic responsibility of business at the base of CSR Pyramid. Money is the basic necessity of any business organization including non-profit and charitable associations to acquire assets required to survive, succeed, and sustain. According to him, it is the first step to engage in business operations and making profits for the implementation of CSR. Investors and owners expect return and rewards which is possible to be fulfilled only by profits.

  Not only distribution of rewards but for reinvestment for the growth of business, profits are essential. A company has economic obligations toward various stakeholders like vendors, consumers, marketing consultants, Government, shareholders, bankers, investors, and insurance companies. If a company earns sufficient profits, its stakeholders will be positively affected to call it a Win-Win for both parties. As a result, this reward and return to the stakeholders will improvise the money circulation process and a corporation will be fulfilling its economic obligations.

- **Legal Responsibility**: Every corporation must abide by laws and regulations meant for them. Legal responsibility has got second place in the CSR Pyramid. A corporation will be termed as responsible if it follows rules to be fair and just in the game of business. Adherence to the laws reflects justifiable behavior of corporations and has a positive impact on the economy and society. Like if a company evades taxes or engages in money laundering or unfair trade practices it will be blamed to be avoiding its CSR values.

- **Ethical Responsibility**: A sensible behavior is expected from all citizens in the society and corporations are also expected same for that matter. Businesses must adhere to the moral standards of the society in which they operate. These are expected to make which is right for the society even if it is less profitable. Sometimes, the law didn't allow it to be produced, but if society is okay with it, firms must follow the law's spirit rather than its text. In other words, ethical responsibility requires accepting the ethical behavior that society expects from corporations. For instance, while fishing businesses are permitted to hunt an unlimited number of fish on the seafloor of the Middle East, it is unethical to hunt more fish than are necessary to meet market demand. Local and civil societies play important roles in determining the ethical behavior until it becomes official laws for the nation.
- **Philanthropic Responsibility**: It is basically a voluntary activity in which a business desires to participate in social activities which are not mandated under any act/law. It is deliberated out of company's own sweet will and is primarily a "Giving Act" to the society. If a corporate donates its land for opening a school for the community children, is considered purely an act dedicated to community expectations. It may take form of donations, charity, and sponsoring sports event, etc. This is to create a good positive public image of the company and to establish a good citizenship model.

The main idea of Carroll CSR Pyramid is to apply CSR practices in sequential form, that is, company has to first fulfill social responsibility by achieving economic objective of profits in order to survive, sustain, return, reward, and reinvest. Only after that, it should move to next level, that is, being lawful by obeying rules and regulations mandated for it. At the third level, a company has to be morally responsive to the society by committing to ethical standards of the society and having achieved three levels, last comes the philanthropic deeds which are though, voluntary but are expected by the society and environment.

Initially, Carroll 4-part construct of CSR (1979) and later a pyramid in 1991, it was a depiction of American Capitalist Societies; but in 2007, Crane and Maten (Business Ethics, third Edition) in their study found that all the levels in Carroll pyramid were relevant in the Europe corporate culture too. Whereas Visser, 2010 in his study of Africa found that though Carroll's 4 levels are relevant too but the order/ sequence found was different in developing countries. He found that in developing countries, economic responsibilities continue to be most important whereas philanthropic got second place followed by legal and then being ethical.

FIGURE 1.7 Carroll's CSR pyramid.

Source: Adapted from Carroll (2016); Brin and Nehme (2019).

1.9.2 THE TRIPLE BOTTOM LINE THEORY

John Elkington discovered it in "Cannibals with Forks: The Triple Bottom Line of 21st Century Business," that the three dimensions of TBL's CSR framework are economic, social, and environmental. TBL emphasizes sustainability that calls for corporate indulgence in profitable projects for long-term advantages to society and the environment. TBL approach asks corporations to focus not just on the economic value addition but these are expected to be concerned for the environmental and social values addition or degradation. Elkington's research from 1997 mentioned the paradigm shifts or revolutions in sustainability variables, which are depicted in the picture below. This transition will be the most complex ever witnessed by the society and other stakeholders. Moreover, it will entrust more responsibility on the business as compared to governments or NGOs, which will be challenging for many corporations.

	Old Paradigm	→	New Paradigm
1. **Markets**	Compliance	→	Competition
2. **Values**	Hard	→	Soft
3. **Transparency**	Closed	→	Open
4. **Life-cycle technology**	Product	→	Function
5. **Partnerships**	Subversion	→	Symbiosis
6. **Time**	Wider	→	Longer
7. **Corporate governance**	Exclusive	→	Inclusive

FIGURE 1.8 Revolutions/paradigms in sustainability variables.

Source: ES_TBL_7/1 17/8/04, https://johnelkington.com/archive/TBL-elkington-chapter.pdf, p 3.

An incessant debate for several years on CSR has at least come to a consensus about the fundamental idea that business corporations have obligations to work for the betterment of the society, Waddock, 2004 used the metaphor of a branching tree to show the evolution of CSR to its current standards and demonstrate that how the different concepts/branches are related to each other. A comparative analysis of three models of CSR might help in clarifying the ambiguity in the meaning and underlying assumptions about CSR in present scenario.

John Elkington in his book titled "Chrysalis Economy" in 2001 has warned the business community. TBL agenda introduced in 1994 has called for system change and not a tradeoff among different forms of capitalism. He has also advocated that SDGs (sustainable development goals) merely indicate what we must do and have a wish list only which is beautiful to talk but are unlikely a wider system will undergo a total shift from red blooded capitalism to benevolent capitalism. He has identified the characteristics of corporate economy. The idea behind it is Chrysalis Economy which is characterized by metamorphosis where an old order melts down and another emerges. Champions of economic change may call this change with a new name like sustainability, abundance, regeneration, breaking capitalism, circular economy, and system change but it is the same strategy. The incapability to create and distribute money sustainably is the primary cause of this change. This has caused maximum destruction to the natural and social capital owing to the gap between rich and poor. The growing environmental and socioeconomic issues will put pressure on businesses and governments to provide a more sustainable future for people. In light of this, four types of economy have been identified. All four types demand that the government takes on various roles vis-à-vis different types of corporations, that is, corporate caterpillars and locusts must be treated very differently from corporate butterflies and honeybees.

	Low Impact	High Impact
Regerative (increasing returns)	Butterflies	Honeybees
Degenerative (decreasing returns)	Caterpillars	Locusts

FIGURE 1.9 Corporate characteristics.

Source: ES_TBL_7/1 17/8/04, https://johnelkington.com/archive/TBL-elkington-chapter.pdf, p 11.

TBL as a CSR framework comprises 3-dimensional performances viz. economic, social, and environmental.

- **Economic Dimension**
  According to TBL theory, it's crucial to consider long-term profitability rather than short-term, high profits that might not last for long. It's a choice between lesser and longer and more and shorter. TBL CSR framework requires corporation to develop strategic interventions after calculation of taxes and expenses, business climate forecasts, market benchmarks, and avoiding risk threats. Analyzing these factors will certainly lead to sustainable outputs.

- **Social Dimension**
  Along with financial well-being a company has to pay due attention to the social well-being. Triple Bottom Line CSR framework advocates the corporate strategies which complements social sustainability. Since there are regional differences in society framework detailed information regarding unemployment rate, human rights, health, and education services provided by the state,

female participation in the workforce is required before implementation of CSR initiatives. Business corporations are expected to study and satisfy surrounding society needs as far as possible.

- **Environmental Dimension**
In order to maintain the environment for future generations, corporations must be aware of environmental changes and must follow the new laws of governance. Corporations must strive for inventing new product technologies, methods, materials, and fuel and energy in order to be more environmentally conscious. It must also develop systems for industry waste disposal which will not just save but will sustain the environment. TBL gives particular attention to environmental sustainability.

FIGURE 1.10 TBL model.

Source: http://www.vartangroup.com/wp-content/uploads/2014/07/Vartan-Triple-Bottom-Line.png

1.9.3 THE STAKEHOLDERS THEORY

As described by Edward Freeman and Reed (1983), stakeholders are a group or individuals which might affect or be affected of the achievement of organizational objectives. As per this theory, greater emphasis is laid on balancing the interest of various stakeholders in order to achieve its organizational objectives. This theory explains how the management and board of directors view the interests of the company's stakeholders. Corporate executives and directors may request stakeholder involvement in the company's management to put the stakeholders' theory into practice.

With personal representation, the interest of his group may be included in Board of Directors to draw a strategy for the alignment of corporation's and stakeholders' goals. This also calls for greater transparency toward its operations with all the stakeholders.

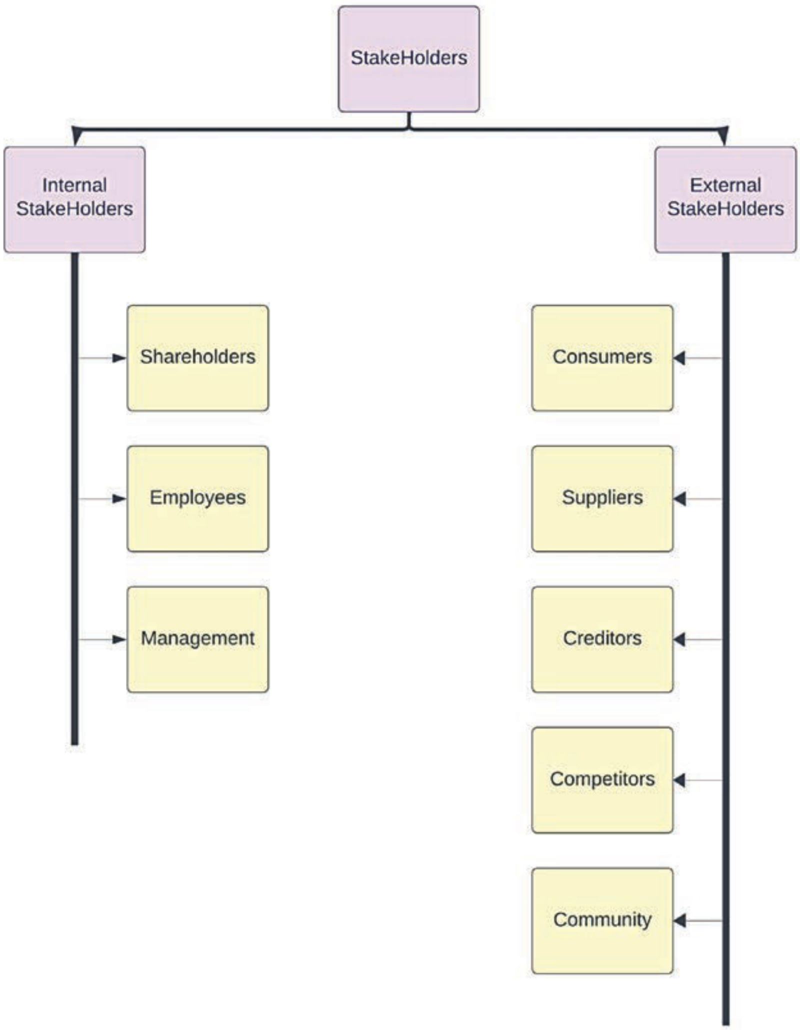


FIGURE 1.11 Stakeholders' theory.

Source: Adapted from ICMR Center for Management Research, Business ethics and Corporate Governance, p 160

TABLE 1.1 Stakeholders and Their Expectations.

Stakeholders' Expectations	Primary	Secondary
Owners	Returns	Value Addition
Employees	Wages	Job Satisfaction
Customers	Smooth Supply of Goods and Services	Quality at Affordable Prices
Suppliers	Timely Payment	Long Term Relationships
Community	Health, Safety and Security	Contribution to Community Development
Governement	Compliance	Fair Trade Practices

Source: Adapted from CSR by Tom Cannon. Business Ethics and Corporate Governance.

Source: ICMR Center for Management Research, Business ethics and Corporate Governance, p 160.

Above table shows primary and secondary expectations of various stakeholders of the company and fulfilling the entire gamut of expectations which is not only difficult but challenging too. Sometimes due to mismatch in industry and community goals, business has to face hostile treatment from the society. Companies must engage in initiatives and projects that advance the welfare of the community in order to prevent this hostility. Not only community but companies have to face political pressures as well. Consumer movements are making people conscious about corporation's social responsibilities. Then environment protection groups raising voice against environment degradation due to corporate practices. Considering this multidimensional expectations, business is expected to observe a pro society behavior and promoting community development.

TABLE 1.2 Comparative Table Representing All Three Models of CSR.

CSR theory	Strength of the theory	Benefits of applying the theory	Challenges in applying the theory
The Carroll CSR Theory	Taking into account four main responsibilities for CSR approach: economic, legal, ethical, and philanthropic—Arranging the four responsibilities in the order of the hierarchy	Revealing good citizen image for corporation—Improving the reputation of corporations	Before implementing the Carroll CSR theory, external social and environmental situations must be studied; it will take more time and effort to apply the theory

TABLE 1.2 *(Continued)*

CSR theory	Strength of the theory	Benefits of applying the theory	Challenges in applying the theory
The Triple Bottom Line Theory	Taking into account three main responsibilities for CSR approach: economic, social, and environmental	Supporting the corporation to achieve sustainability	When using the approach any corporation has to balance between the three CSR responsibilities in order to achieve sustainable goals in society and ecology
The Stakeholder Theory	Taking into account the interest of various stakeholders groups	Allowing the corporation to maintain a strong interrelation and interconnection with community and business components. If the aim is achieved, the company will gain the trust and loyalty of all stakeholders.	Any corporation implementing this strategy must balance the interests of all stakeholders and adopt an open policy in consultation with them.

Source: Reprinted with permission from Brin and Nehme (2019). https://creativecommons.org/licenses/by/4.0/

1.10 CONCLUSIONS

In this period of intense competition at global level, every company is vying for customers by pursuing either an arrogant sense of social responsibility or creating sustainable business strategies. Society has got the authority either to facilitate business operations or to discard the unethical ones which don't meet their expectations. Prosperous will be the societies which would have concerns for the people and the planet. Business has to think beyond profits and has to move from self to social welfare, safety, and sustainability. Whether it is CSR 1.0 or CSR 2.0 or more, one thing is sure that business has to integrate CSR practices with corporate ideologies in order to be sustainable in future.

KEYWORDS

- **BSR**
- **corporate philanthropy**
- **sponsoring**
- **CSR 2.0**
- **greenwashing**
- **inverted pyramid**
- **mandatory disclosures**
- **global impact principles**
- **CSR myopia**

CHAPTER 2

The Genesis and Evolution of Corporate Social Responsibility

ABSTRACT

This chapter discusses the prevalence of CSR from simplest to complex form of business settings across the globe and presumes it as a much-contested issue characterized by background, region, social and economic dynamics. It includes a journey of CSR as a corporate philosophy from Indian Vedas to the millennial future. History of CSR has been explored and been explained in five phases wherein each phase has its own drivers and instruments of CSR policy implementation. However, CSR phases in India has particularly been emphasized as there has been a paradigm shift in democratic economies from state entrepreneurship to Public Private Partnership and a means of fulfilling social obligations by working together. CSR approaches of BRICS nations have also been highlighted by a deep discussion about focus and CSR Index of these nations. Ranking of BRICS countries with respect to CSR compliance have also been cited. What has been the status of CSR in contemporary world as it is no more a peripheral but a win-win, no more a HR but an individual driven philosophy now and has certainly ender the CSR debate at the end various reporting, certifications and worldwide indexes have also been discussed. Overall the chapter provides a broader outlook and a global perspective.

"One who eats alone is a sinner" (Rig Veda Samhita x-117-6)

Corporate Social Responsibility in the Global Business World: A Conceptual, Regulatory, and Illustrative Framework. Meenu Maheshwari, Ashok Kumar Gupta, Pragya Gaur, Nupur Tiwari, and Shobhna Goyal (Eds)

2.1 INTRODUCTION

CSR sets in when a company presumes that the lives of people are affected by its economic operations and that results in intentional and voluntary indulgence in the social well-being activities. This signifies the prevalence of CSR from the simplest to the most complex business settings among diverse societies across the globe. Hence, CSR is a system which tries to harmonize the economic operations with social systems in order to set off the negative effects of its business operations over the surroundings. Creating an organic linkage between business and society is yet another purpose of CSR. Achieving a balance between a business economic concerns and expectations of various stakeholders is one of the goals of this linkage.

Economic activities like production, creation of jobs, distribution channels, and investment, are active agent for economic development and social well-being but social harm comes attached in pursuance of economic objectives in the form of environmental disturbance, ecological imbalance, exploitation of workforce, consumer dissatisfaction, and distraction of investors in capital markets. That makes CSR skeptical and requires to reconcile these mutually competing or sometimes diagonally opposite goals of economic sustenance and fulfillment of social aspirations.

A universal ideology was developed and shared through Vedas by the ancient sages emanating to their concern over human greed for profit making and its impact on society and the environment. What they feared 5000 years ago have become reality and human are paying for the unethical and profit-oriented activities performed by human. Many big companies realized this and the result is awareness, concern, and CSR. CSR is a corporate philosophy wherein corporates take responsibility for the impact of their economic activities on the various stakeholders of the society including environment. A 3-dimensional outlook on CSR is being conferred by Vedas viz., Individual, Social, and Cosmic.

2.2 CSR AND VEDAS

Individual dimension: It focuses on righteousness, that is, Dharma. It calls for speaking truth and follow the righteous path.

Satyam Vada, Dharmam Chara—one should speak the truth and follow the path of righteousness (Taittiriya Upnishad i-11)

> One should do what he speaks and what he thinks. (Taittiriya Aranyaka i-90)
>
> One shall not sin against his neighbor or foreigner. (Rigveda Samhita v-85-7)
>
> One who does not work is a social evil. (Rigveda Samhita x-22-8)

Meaning thereby that sages have predicted the human greed for power and wealth which can be satisfied only through unfair means as nature has enough for need but not for human greed. So these principles were proposed and human actions were warned 5000 years ago and were supposed to follow the path of truth, legitimacy, and cooperation and not conflict with the counterparts and working in tandem with these preaching of Vedas.

Social distribution of wealth: Wealth should be acquired through fair means by following ethical and moral practices and it has to be won by deeds of glory (Rigveda vi-19-10) and should follow the sinless path to acquire wealth. Vedas further believed in equitable distribution of wealth, from wealthy to the poor. Enjoying the riches without sharing is being condemned by Vedas. One who eats alone is a sinner. It was also advocated that wealth accumulated through 100 hands should be distributed to 1000 hands (Atharva Veda Samhita iii-24-5). As per this argument, a leader should not be selfish eat the fruits of hard work alone, must be a distributer and satisfy the poor by appropriate distribution of accumulated wealth.

Resources Conservation: Vedas advocate conservation of resources for future requirements. Poverty has been condemned and been associated with human greed and carelessness for the conservation of resources. So one should produce wealth for today and tomorrow (Rigveda Samhita, vi-11-6).

Environment: A great importance has been attached to environment under Vedic ideology. That also insists on safeguarding the purity, habitation, afforestation, and non-pollution of the environment. This universe is a place for all and so, all inhabitants should feel protected. No human action is allowed to displace anyone and anything from its designated place (Abhilash Rajendra: Jan 01 ,2008).

CSR is an integral part of Vedic philosophy which emphasizes that noble deeds fetch long-lasting results. Vedas advocate accumulation for need, equitable distribution, and maintaining harmony between human actions and natural environment. It's a pure philosophy and preaches "Prosperity for all" (A K Sharma, Balvir Talwar, 2005). At the first instance, CSR seems to be a western connotation but it is deeply embedded in Vedic culture. In ancient times, kings used to donate hoard of cows along with other gifts to people so that they can feed on their families and live a healthy life. Enormous donations toward building temple were given to generate employment and shelter for the homeless in the society.

CSR is synonymous with following the path of dharma by the business organization. Hindu philosophy is characterized by four purusharthas as basic objective of human life viz., Dharma, Artha, Karma, and Moksha. Indulgence in first three help in leading the material progress in the society and general development of its diverse population. So CSR is nothing but a reflection of duties of human beings toward the society and not just toward self. Ancient Indian culture has many incidents of great charity by Raja Bali in Satyuga, Danveer Karna, and Dadhichi in Dwapar yuga, which is an insignia of philanthropy. Modern philanthropic deeds by persons like Warren Buffet, Bill Gates had been a part of Indian Ethos in its glorious past. Rigveda mentioned the need for the wealthiest to plant trees and building tanks for the community to be bring glory to their name during life and beyond. It envisages the continuous flow of money instead of its accumulation. Creation of wealth for the social needs was considered the primary responsibility of the business then and so shall be now. Atharva Veda too believes in distribution of wealth among needy and Yajurveda advocates non accumulation and clinging to one's own wealth as wealth belongs to public and should be used for social good. It is high time to reinstate the Vedic ideology to achieve the MDGs (Millennium Development Goals) at global level and net zero for the environmental protection. It is not redefining CSR but a reincarnation of CSR is the need of the hour.

2.3 HISTORY OF CSR

History of CSR is divided here in two parts viz. universal and India specific. History of social and environmental concerns of business is as old as the business itself. In Mesopotamia around 1700 BC, the King introduced a death punishment if the negligence of builders, innkeepers, or farmers caused death of others or caused inconvenience to locals. In ancient Rome, senators grumbled about business failure to fund their military campaign with the amount of taxes. In 1622, shareholders of Dutch East India Company complained in pamphlets about secrecy of management and its enrichment. With the industrial revolution impact of economic operations of business over its surroundings, society and environment started taking new dimensions. The late 19th and early 20th century witnessed some of the philanthropic ventures supported by the wealthy corporates. It is by the 1920s when modern CSR movement evolved and became a much talked about topic on social responsibilities of the business. In 1929, the Dean of Harvard Business School, Wallace B. Donham commented that business has its origin long centuries ago but today's business is new in its scope and its social significance. For that matter, business has not learnt to handle these changes nor has been recognized the extent of its responsibilities to the future civilization. According to Archie B Carroll, the roots of CSR have a long and wide ranging history but it is a product of 20th century from 1950s till present time. In spite of recent developments, evidences can be traced back for the business concerns for the community. Organizational changes here take place to accommodate this new corporate "Doing good" philosophy which has now more institutionalized. It can be well noticed into its first decade of 2000s that many firms are integrating CSR with their strategic interventions and governance policies. Further, there has been a development of mechanism to integrate reporting and controlling of the socially committed policies and practices of business.

The CSR concept has a long and distinctive history with evidences of business's concern for the communities for innumerable years in the past. However, formal work on CSR/SR does not have very old history rather it started in 20th century especially the past 50 years. CSR as a thought and practice can be seen throughout the world in most of the developed economies but formal workings have got grounds in US where a large amount of literature is available on CSR. The most recent spread of CSR is Europe and seems supporting the ideology. So it would be good enough to study about 50 years, history from now when CSR took a shape of systematic theory, research, and practice. As a matter of fact, concern for social responsibility appeared during 1930s and 1940s with Chester Barnard's 1938 publication "The Functions of the Executives, J.M. Clark's Social Control of Business 1939 and Theodore Kreps's Measurement of the Social Performance of Business 1940 to name a few. In the early references, the concept was more often known as SR instead of CSR as the prominence of corporations was not much felt until that period. The 1953 publication by Howard R Bowen's book titled "Social Responsibilities of the Business" is considered a beginning of modern period of CSR. For this early and notable contribution, Bowen might be called "Father of CSR". As his work gave a spurt in widening the idea of SR among businesses. The decade of 1960s showed a significant growth in more formal and accurate definition of CSR as concept till 1950s. Keith Davis was a prominent writer in this period. He argued that SR is a vague idea to be seen in management context. He emphasized on justification of some socially responsible business decisions for a long run that might fetch large economic gains and the paying it back to be socially committed. This view became acceptable in late 1970s and 1980s.

Davis became famous for his work "Iron Law of Responsibility" which highlighted the alignment of social responsibilities of business people with the social powers. Davis's contributions to the formal definition of CSR were so prominent that he would be identified as Runner up to Bowen, 1953 for the "Father of CSR."

The 1970s came as the most significant decade as CSR started taking place in all managerial discussions because notable economist Milton Friedman came out against the concept. He published an article titled "The Social Responsibility of business is to increase its profits." Friedman has maintained his position since then but at the same time CSR concept has also been continued to be accepted and to grow despite of Friedman's opposition.

In 1971, a landmark contribution came from CED (Committee for Economic Development) through its publication "Social Responsibility of Business." As per this research, it was found that the basic purpose of business is to serve the needs of the society up to its satisfaction and contribution to the quality of life and not just providing goods and services. It was also found that the future of business will depend on how a business responds to the expectations of the public by managing the business effectively at the same time. CED's views became noteworthy and popular as business people and educated were the constituents which reflected the practitioner's stake in changing business scenario and in leveraging social responsibilities. George Steiner in his text book Business and Society also emphasized that although business is an economic institution but it certainly has responsibilities to help society in achieving its basic goals. Steiner also noted a direct relationship between size of companies and the social responsibilities. From here first time, CSR was being identified as a corporate philosophy rather than a concept that looks more at social and enlightened business interest than the narrow, short-run self-interest of the past. In the 1970s, S Prakash Sethi made a distinction between CSR and CSP (Corporate Social Performance). In Sethi's schema, corporate behavior in response to the market forces or legal framework was the real social obligation. That means how corporate behaves in congruence with the specific society norms given the prevailing market situation is the essence of social responsibility. As per Sethi, social performance is prospective in nature and SR is prescriptive on the contrary. It is adaptation of corporate behavior vis-à-vis social needs. After Steiner, Richmond Eels and Clarence Walton, 1974 also elaborated the recent trends in CSR. They did not focus on difference rather had broader perspective of meaning of CSR and its evolution. They were of the opinion that CSR as a concept allows business to survive in a free society and is concerned with business role in improving the social set up.

In 1975, a survey on CSR was conducted by Bowman and Haire to understand CSR and to know the extent to which companies were engaged in CSR. As opposed to defining CSR, they chose to measure CSR in annual reports of the companies. They illustrated the parameters of CSR in the name of subheads used by companies in the annual published reports. Some of these parameters were CR, SR, social actions, public services, corporate citizenship, and social responsiveness. Their work actually indicates what CSR generally meant in action as opposed to what CSR is in definitions.

In mid 1970s, Sandra Holmes also conducted a research to determine perception of executives about CSR. She presented a set of statements to the executives seeking agreement and disagreement on CSR. Like Bowman and Haire, she too addressed what CSR was all about during that time period. Some of the dimensions on which she sought opinion of executives were business responsibility for making profits, legal compliance, solving social problems, and impact of these activities over long-run and short-run profits.

In 1979, Archie B Carroll proposed a four parts definition of CSR. He also observed that CSR to be complete must embrace a wide range of responsibility to the society. Scope of CSR is extended beyond making profits and abiding law. Carroll suggested that SR of the business should be segregated in economic, legal, ethical, and discretionary aspirations of the surrounding society of that organization at a given point of time. Later, Carroll called these four categories as philanthropy analogous to the CED's third circle (Helping Society). From here, corporates started distinguishing between economic vs. philanthropy and "does for itself vs. does for others" components of CSR.

CSR in new Millennium: To ascertain the importance of CSR/CSP, one must refer to the results of Millennium Poll on CSR in which 1000 persons from 23 countries across 6 continents were included. The results revealed the attitude of important persons of the world toward CSR. The 21st century companies are expected to exhibit their commitment toward social, environmental and economic goals, providing insulation to the society from corporate negative actions. Sharing benefits with the stakeholders and proving that company could more by doing the Right. "Doing well by doing good approach will reassure good intentions to the stakeholders which will last longer. According to Archie B Carroll, "It was clear from poll that now CSR/CSP is a global aspiration which requires a strategic commensurate response."

However by 2010, there has been a paradigm shift in CSR concepts and its implementation and there has been a move from voluntary CSR to mandatory CSR. Wayne Visser advocated the need to alter Carroll's pyramid as given below.

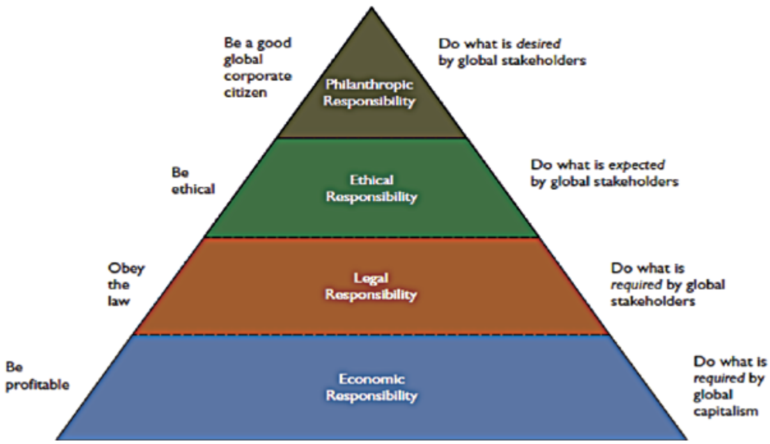


FIGURE 2.1 Carroll's global corporate social responsibility pyramid.

Source: https://media.cheggcdn.com/study/c46/c467a2a6-57dc-462b-a7d7-4b8c09705274/510024-17-6CQDEI1.png

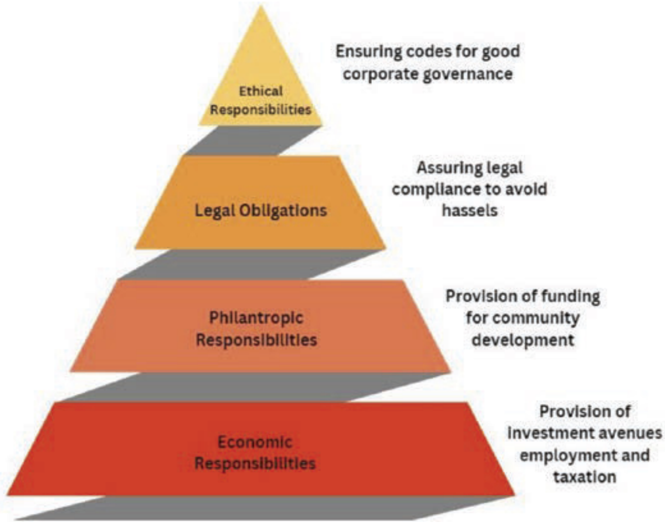


FIGURE 2.2 Changing CSR dynamics in new millennium given by Wayne Visser in 2010.

Source: Adapted from https://media.cheggcdn.com/study/c46/c467a2a6-57dc-462b-a7d7-4b8c09705274/510024-17-6CQDEI1.png

FIGURE 2.3 Inverted pyramid.

Source: Townsend and Zarnett (2013) A Journey in Search of Capitalism 2.0 Part 1—Blueprints for a Sustainable Economy. © Michael Townsend 2013.

2.3.1 HISTORY OF CSR IN INDIA

Since ancient times, India used to have a well-developed commercial and industrial sector. Indulgence in philanthropy, helping poor and disadvantaged have been cited in ancient literature. More so it was also given place by religion wherein doing charitable activities was intervened with the values of different religion viz. Zakaat in Islam is 2% donation from one's earnings which should be given to the poor and underprivileged section of the society. Dharmada in Hinduism and Daashaant in Sikhism are also known as philanthropic deeds or being socially responsible. While in global context, it was first time felt in 1790s when consumers boycotted the sugar harvested by slaves and then importers were forced to have free labor sourcing. Available literature is a witness to this fact.

Kautilya (in 4th century BC) in his book Arthshastra has described in detail the practices followed in trade and crafts, manufacturing, agriculture, mining, and forestry sector present during the time of Maurya Empire (L.N. Rangarajan, Kautilya, The Arthashastra, Penguin Books, India, 1992). Vedic literature too has mention of existence of trade and crafts specifically Jaatak Tales and Mahabharata (Jawahar Lal Nehru, The Discovery of India, Penguin Books, India, 2004).

It is quite recently business has started recognizing the larger role toward society along with earning profits and creation of wealth, that is, creation of social wealth along with economic wealth is must for business to be sustainable in the long run. Founders of Tata, Birla, Bajaj, and Reliance too strongly believe in philanthropy and social commitments. Jamshedji Nusserwanji Tata expressed in his speech in 1903 "we generate wealth for the nation. What comes from the people, must to the extent possible, therefore, get back to the people?" Sh. Jamnalal Bajaj said, "Our wealth should be utilized for improving the quality of the society and the nation we should never fail to spend at least a portion of our incomes on the social, economic, and educational development of the province we live."

2.4 PHASES OF CSR

The extent, intensity, type of the organization approach toward CSR around different economies are diverse and is affected by the business commitment toward market style economy and the independent attitude of its corporate sector. Free market economies demand greater CSR initiatives from private players causing resistance and on the contrary in regulated economies state absorb social costs of CSR by providing infrastructure for social welfare and economic sanctions in the name of grants and subsidies. That is why private companies are found to be receptive to CSR ideology due to high degree of CSR demands which are expected from them while state takes a backseat. So CSR tends to be most prevalent in state regulated economies it was less required as opposed to the market economies where it was more desirable and needed. Whatever the contrast would have been between economic and corporate forces CSR existence largely depends on the beliefs and religious institutions, traditions, and socio cultural values of the specific society. It can be concluded that CSR may be region/area specific. Same is depicted in the further discussion how CSR evolved as a strategy from different region across the globe.

Evolution of CSR has been divided into seven phases ranging self -evident philosophy to the modern CSR which have been depicted and discussed as under:

TABLE 2.1 Phases of CSR.

Stages	Name of phases	Decade	Prominent researchers
1	Self-Evident	1950	Howard Bowen and Peter Drucker
2	Discovery of Social Constituencies	1960s	Fredrick, Davis, and Milton Friedman
3	Social Responsiveness	1970s	Steiner, Wallich, Davis, and Backman
4	Social and Economic Responsibility	1980s	Carroll, Haffield, Freeman, and Drucker
5	The Quest for Measuring	1990s	Wood, Miagnan, and Jones
6	Theorizing	2000s	De Bakker, Garriga and Mele, Margolis and Welsh, Porter and Kramer
7	Strategizing and Economizing	Present Decade	Turker, Jonker, and Crittenden et.al.

Source: Adapted from Carroll (1999).

1st Phase:

Social responsibilities were defined as obligations in pursuance of desirable social objectives and values. It was believed that all institutions have a responsibility to the society as a whole. Bowen and Drucker considered SR as a natural part of business as opposed to imposed one. It is self-evident as, a manager presumes SR by his own self. That is why this phase has been called Self Evident and it set a foundation for development of new theories on CSR.

2nd Phase:

This phase extended the scope of SR beyond economic and legal obligations. Davis argued that the ethical consequences of business operations over the social system cannot be ignored and should bring into the purview of CSR. And the interests of all social constituents must be taken care of. Milton Friedman also argued that corporations' only objective is to make money for its shareholders who are just one constituent whereas there are other stakeholders which are affected by the economic operations of the business.

3rd Phase:

This phase identified the need for responsibilities within the ambit of law and social context of business. Authors of this decade emphasized that business must help the society to satisfy their basic needs through business's voluntary activities by going beyond law. A list of programs to improve the quality of life was also suggested into this phase viz., employment of minority groups, reducing pollution, improved medical care, and improved industrial health and safety, etc. it was apprehended that solving social problems, caused wholly or partly by the companies, is important for any business.

4th Phase:

In this phase after Carroll 4 categories demarcation of CSR, new models were given which were more pronounced on performance and processes. Drucker in his work identified social responsibility of business is "Taming the Dragon by turning a social problem into economic opportunity and benefit, into production capacity, into human competence, into well-paid jobs and into wealth" (Drucker, 1984, 62). This phase came up with Freemen stakeholder's theory which says "Business should create value in a manner to take care of the environment to make the world a better place to live, creating employment, and earning money for the shareholders. And business economic and other viz., social, legal, ethical, and sustainable objectives have to go in same direction and should not be separated.

5th Phase:

The whole idea in this phase was "If you can't measure it, you can't manage it." The emphasis in this phase was on measurement of CSR practices. A positive relationship was found between profitability and responsibility by using KLD index. Measure of social impact of business economic operations has been an issue time and again and come up with different concepts like social footprints and social life cycle assessment, etc.

6th Phase:

In this phase, many attempts were made to systematize the CSR research and came up with concepts like instrumentality theory which opined that companies are instruments to create wealth and SR must be used to that purpose only. Foundation of this theory lies in neoclassical economic scheme which holds that in pursuit of running a company profitably a manager performs his social activities automatically. Porter and Kramer, 2010 were also instrumental by approving that SR only makes sense if it assures a competitive advantage. Some theories also emphasized the coexistence of business and society. So, the social responsibility is a means to integrate, society's demands with business management processes to maintain its continuity.

7th Phase:

Nowadays, literature has moved from normative to creative argument. The focus is not on What but on How, that is, how manager fulfill SR efficiently and effectively. New laws in the form of compliance, governance, CSR reports, social and environmental policies are coming up as tangible outcomes of business attention toward CSR. Innovations and new business models are real opportunities having concerns for social and environmental issues and even for the unreached, that is, Bottom of Pyramid. Lots of work has been done to clear a dilemma on philanthropy as a core of CSR, as most of the companies consider their philanthropic activities as the only CSR. It is, therefore, suggested to be closer to stakeholders is to be stakeholders-market-oriented as it will generate positive social and financial impact on the organizational performance. If integrated in organizational culture, it will happen naturally without feeling the efforts.

2.5 DEVELOPMENTS IN CSR-GLOBAL OUTLOOK

Is the legitimacy of corporate at stake considering 30 years of 20th century? The answer is hidden in the number of scandals and wrong doings in these years by business across globe especially in the USA and UK. More so these wrong doings are further camouflaged with disclosure of information, manipulation in the financial and environmental performance data, public opinion and influence on government policies. For many of us year 2002 witnessed the exposure of corporate misbehavior when some large business organizations collapsed particularly in western world. Collapse of Enron and fallout of the finance biggie Arthur Anderson have left an everlasting impression in the society that all is not well with the corporate world. There are acute problems which need due attention of the policymakers. There were thousands of employees who became jobless, lost their savings, and pension due to these collapses. Not only in west, the heat was also felt in other parts of the world wherein 2002 was the 10th anniversary of the Union Carbide incident in Bhopal, remembered as worst pollution and death devil in the history of the corporate world. It killed thousands, left thousands paralyzed for life, caused genetic disorders in the generations to come and rendering people to live a miserable life in the surrounding area of Union Carbide plant. Adding to the apathy, not even a single penny has been paid as compensation when life has been made pathetic due to the lack of safety measures which any corporations claiming socially responsible was expected to implement.

Corporate behavior issues are not new and incidents can be found throughout the world since the earliest days of industrial revolution when large business entities came into being and a separation of ownership and management and of risk and rewards was more pronounced (Argued by Crowther, 2016). But CSR is also back on the agenda of business, government and individuals globally with ever increasing popularity of business. CSR is in vogue as a practice but as an idea it is vague in terms of different meaning to different people. Crowther is a man of bioengineering so he has studied its impact on biodiversity. Rayma-Bacchus (2016) is concerned more for trust and legitimacy of corporate behavior causing constant debate between economic wealth and social wellbeing. It is also interpreted that society is made up of individuals, so individual behavior is responsible for social behavior; one cannot expect corporates to be responsible without being responsible as individual first. This plurality of interpretations has originated different perceptions about CSR the world over. There has been an unending debate as to what social responsibility is and what it should be. Different researchers have different definitions of CSR ranging from social obligations to corporate behavior, corporate citizenship, and ethical behavior. However, this debate is concerned with a social contract between society and corporations in which both the parties are accountable to each other for the non-performance of contract.

CSR as a Social Contract: Social contract theory is mainly the work of Hobbes (1651) and Rousseau (1762) where a contract is entered into by the citizens for organization of the society which provides a base for legal and political power within that society. Social contract theory also guides business in society as to what conditions would have to be fulfilled by the members of the society to allow corporate to be established (Smith and Hasnas, 1999). In conclusion, it was found that members of the society always want benefits to outweigh discomforts and must ensure greater social welfare within the boundaries of law.

Social Responsibility and Free Market: In 1967, Marshall McLuhan first used the term global village and said that technology is connecting us together. Since then a lot has changed with access to internet and making us believe that we are living in a global village and can interact with anyone, anywhere and anytime. He also cited that with this connectivity more of economic wars and less of physical wars would continue to be the feature of the modern world. However, world is not done with physical wars but the prime reason for war now is economic concern. New power equations came up with disintegration of Europe and UK in many small countries.

Concern is for deciding the conduct of multinational corporations. And many governments respond to the threats posed by the MNCs relocation, by granting them various concessions to stay. Most powerful nations even the USA also behaved in this way. And these MNCs are concerned only with their own agendas. It is also apprehended by few governments that free markets benefit all or free markets lead to greater economic growth. And in pursuit of this, one country after another is relaxing regulations to allow freedom to economic activity. World has witnessed the collapse of global accounting firm Anderson, bankruptcy of Enron and world.com wherein thousands of people became jobless and lost their savings of life.

Well CSR provides an alternative to negate harmful effects of an unregulated free global market. It is a fact that any action undertaken by the organization will have an effect in totality upon it and upon the environment in which it operates. And this environment includes business as well as local societal environment.

There have been many incidents of corporate breach causing havoc which has promulgated government enquiries, policies to tighten up accountability and regulations to prevent damage and repetition.

TABLE 2.3 Succession of Enquiries and Recommendations.

Name of company	Year	Area of enquiry
Cadbury Enquiry	1992	Financial aspects of Corporate Governance
Hampel	1998	Financial aspects of Corporate Governance
Turnbull	1998	Financial aspects of Corporate Governance
Haris survey	1976	Drop in public Confidence in major corporations
Golin and Harris survey	2002	The US People losing confidence in corporations

Source: Prepared by Author on the basis of the Readings.

These corporate breaches are resulting in diminishing confidence of the society posing threat to the legitimacy of corporations. An economic market which is characterized by alignment of individual and collective interests is said to be a properly functional market. If this alignment exists then no other partner viz., suppliers or buyers are needed to assess the impact of their activities on market outcomes. Adam Smith, 1759 has referred to this alignment as “Invisible Hand” when a responsible behavior of both buyers and sellers will produce desirable outcomes. Adam smith observed that by focusing on the own interest, market participants will end up promoting societal interests more efficiently than if they had been made to do so intentionally. Therefore, business should know what they are expected to do and shall govern their behavior in the light of these expectations.

2.5.1 CSR: HOW IT BEGAN IN THE USA

CSR as an idea has a longest history in the USA as compared to other nations in the world. It was due to prevalence of free market ideologies and a limited role of the state. These conditions gave a spurt in the expectations of the society from the corporate world in the form of social welfare and service. And CSR ideas started emerging in early 20th century in the USA whereas in other countries it took the form of philanthropic activities with the support of community organizations. Historian Morrell Head in "The Social Responsibility of Business: Company and community 1900–1960, told that corporate philanthropy was underway by the 1920s. Suddenly, the growth of CSR was hampered for two decades due to great depression and World War II. Great depression caused corporations to concentrate on their own survival instead of going philanthropic. Similarly, World War II promulgated production as the main concern and diversion from the social and community side. However, some social gains were the outcomes of the World War II and the great depression as the need for labor protection, retrenchment system, and tax reforms to touch on philanthropy activities by the companies and employment to women was greatly felt.

CSR -1 1950-60	Decade of Corporate Social Stewardship driven by conscience, company image and PR and implemented through philanthropic funding , grants and corporate charity.
CSR-2 1960-70	Recognized as decade of Corporate Social Responsiveness driven by social unrest, corporate conflicts, governance issues and pressure from stakeholders
CSR-3 1980-90	Decade fostering ethics, social justice, community welfare , technology driven values, pro human rights exercised through well defined mission, values and social audits.
CSR-4 1990-2000	An era of Corporate Citizenship driven by global trade and investments exercised through governmental compacts, human rights and ecological stability and sustainability.
CSR 2000-3000	Recognized as millennial future towards integration of corporate and ecological sustainability and is indeterminate and speculative and taking control of policies.

FIGURE 2.4 Phases of CSR in the USA.

Source: Adapted from Clarke (2015)

From a mere voluntary philanthropy, CSR started growing far beyond the forms and purpose originated and intended by the reformers. Present needs for meeting the US social obligations by the private companies, the US business leaders with the help of scholars and social critics developed the first Doctrine of CSR during 1950s. But a period of controversy and debate between social critics and defendants of business continues till date. The US firms found themselves caught in the middle of the will and compliance resistance by the working minorities, women, consumers, and the environmentalists which he forced business to evolve new social standards. These transformational societal moves have caused CSR to acquire new meaning and corporates to modify content, practices, and interventions. All this transformation occurred in the last half of the 20th century and early years of 21st century. Table given below presents the phase of transformation in the USA.

In the USA, CSR evolved after early to middle 1900s and in full leap it took total five phases to evolve from 20th century to the new millennium in 2000 as corporates and community started interacting in cooperative and competitive ways. CSR in the USA emerged in five distinctive phases having some overlapping. CSR is an idea which exists not only in the USA but everywhere where markets and corporates duo lay the foundation of society's economic ventures.

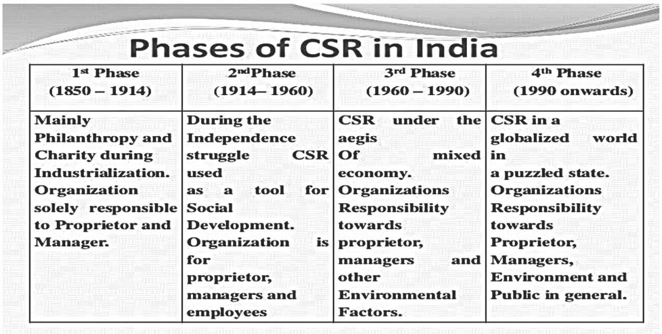
2.5.2 CSR IN INDIA

The concept of social responsibility is not new globally in general and India in particular and can be tracked back in the form of magnificent temples, mosques, dharamshalas, and educational institutions for the common man for common good. Literature is full of incidents with philanthropic deeds of business and when this has helped society to come out of crisis be it natural disasters, political, or economical. Many of them are one step ahead of the government as far as social welfare is concerned. Until late 20th century, business firms were to assume only economic concerns but with the power shift from capital to knowledge, increased literacy, contraction of geographical boundaries people became conscious of the rights and started expecting more from the business in return of resources provided to businesses by the society. Knowing the success stories of millionaires invoked a feeling that they must be considered a part of this wealth creation rather than just be recipients of their donations. And this should come from within, that is, voluntary and not put of any compulsion.

There has been a paradigm shift in the involvement of corporate with social concerns and a movement from charity and dependence to partnership and empowerment. Today's world does not ensure license to operate a business on financial strength but it has to be socially sensitive, responsive, and committed within the state regulations. Addressing the social problems caused by economic operations of business is a moral and social duty. For a country like India to achieve sustainable development and growth, we cannot just bank on government efforts global agencies; the corporate interventions are a must. With thegrowth in the size of business and contraction in the role of government, CSR and sustainable development are now getting more popular and much talked about across the globe. In India, there are companies in private sector earning revenue much more than ₹10,000 crores a year led by return on capital which has crossed Rs.90,000 crore marks. These receipts are even more than the annual receipts of some smaller states which are earned with a control on a large part of earth's resources and the price is paid in the form of sacrifices made by different sections of the society. At the same time, govt.'s roles are redefined as to a shift from entrepreneurial to regulatory and of facilitator. Then development has undergone a shift from state-centered polity to market-centered polity. But that does not make govt. free from its public responsibilities.

People in democratic economies still expects from the govt. to take charge of its people's needs here comes the role of Public Private Partnership (PPP) in meeting the social obligation by working together on achieving business economic objectives and state's objective of sustainable growth and development. Prime question here is—Are the firms ready to assume this social responsibility. As pronounced by Milton Friedman (13 July 1912–16 Nov 2006) is "The Business of business is business." This created an unending debate on relationship between business and society. His essay "The social responsibility of business" is to increase its profits was against the rising interest in socialistic thinking. But a lot has changed in recent years where community partners have started expecting responsibility and accountability from the business for using community resources and earning enormous revenue by the price paid by them in the forms of sacrifices. And merely being philanthropic does not serve the purpose a clear intervention for the social obligations is the need of the hour. Spending million dollars on CSR activities while leaving the oil spills unattended do not make oil exploration and transmission companies socially responsible/committed. Cutting forests for new industry set ups and doing nothing for the displaced poor people and depriving them from their livelihood do not show any social consciousness.

As per a report of the CAG of India, no compensatory afforestation happened, neither the money collected for forest have been utilized for displaced people. In the wake of this, the focus should be more on making new laws to regulate corporate behavior instead of talking more on CSR. Some of the facts related to CSR in India have been depicted by the table and diagrams given below:



Phases of CSR in India

1st Phase (1850 – 1914)	2ndPhase (1914– 1960)	3rd Phase (1960 – 1990)	4th Phase (1990 onwards)
Mainly Philanthropy and Charity during Industrialization. Organization solely responsible to Proprietor and Manager.	During the Independence struggle CSR used as a tool for Social Development. Organization is for proprietor, managers and employees	CSR under the aegis Of mixed economy. Organizations Responsibility towards proprietor, managers and other Environmental Factors.	CSR in a globalized world in a puzzled state. Organizations Responsibility towards Proprietor, Managers, Environment and Public in general.

FIGURE 2.5 Phases of CSR in India.

Source: https://image.slidesharecdn.com/corporatesocialresponsibilityinindia-160428180612/95/corporate-social-responsibility-in-india-7-638.jpg?cb=1461866984

FIGURE 2.6 CSR evolution in India.

Source: https://images.search.yahoo.com/search/images;_ylt=AwrT4a4e4ZJiA28AsBhXNyoA;_ylu=Y29sbwNncTEEcG9zAzEEdnRpZAMyNDI4Ml VTLUNfMQRzZWMDc2

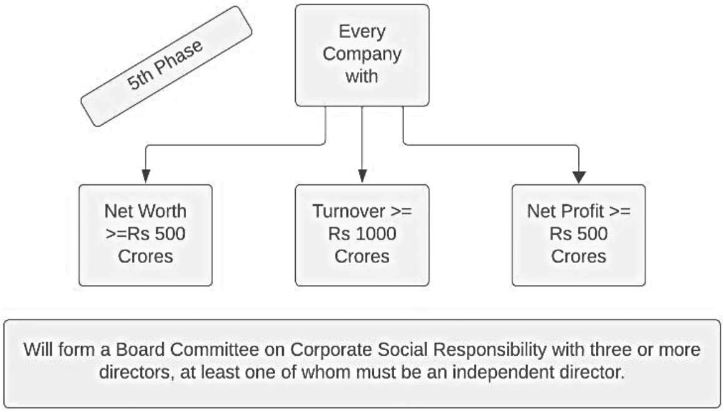


FIGURE 2.7 Companies bill and CSR.

Source:https://images.search.yahoo.com/search/images;_ylt=AwrT4a4e4ZJiA28AsBhXNyoA;_ylu=Y29sbwNncTEEcG9zAzEEdnRpZAMyNDI4MlVTLUNfMQRzZWMDc2M-?p=images+on+csr+phases&fr=mcafee#id=104&iurl=http%3A%2F%2Fimage.slidesharecdn.com%2Fscgcsrpresentation-150723091706-lva1-app6892%2F95%2Fa-csr-presentation-5-638.jpg%3Fcb%3D1437643414&action=click

2.5.3 CSR IN EMERGING MARKET ECONOMIES

Till date, CSR research in emerging economies tends to focus on MNCs practices on CSR in these countries than on their own domestic firms doing CSR. So, there remained a gap between an imported vs. domestic CSR approach (Akpan, W. (2008), Amaeshi, K. and Amao, O. (2009), Hamann, R. (2006), Mishra, S. and Suar, D. (2010)). Some of the fastest growing yet developing economies referred as BRICS are here for discussion.

Brazil:

Stands at global rank 8th among the largest economies (World bank 2010). All BRICS nations had to pay the cost of economic growth in terms of environmental degradation and poor income distribution. Brazil has the highest level of income disparity in the world (World CIA Report, 2009). Most of the CSR researches are focusing on the western approach to CSR and how the same can be emulated in BRICS nation whereas these nations have developed their own CSR practices and interventions to suit their ideologies and measurement and reporting index to come with the outcomes to review and reboot.

FIGURE 2.8 CSR in Brazil.

Source: Image.slidesharecdn.com/csr-140402172336-phpapp02/95/corporate-social-responsibilitybric-countries-8-638.jpg? cb=1396459482

CSR Focus: As per above figure, companies focus on primarily education (51.6%), environment (31%), support for government agencies (41.9%), culture (29%), health (22.6%), and workplace safety (9.7%).

CSR Index Brazil: Based on ESG + others wherein companies are rated on the basis of ESG (Environment, Social and Governance) along with country specific economic challenges faced and to be addressed in order to sustain business. These parameters must be aligned with stock market.

Russia: Ranked 12th largest economy in the world (World Bank 2010) and has been ranked 154th out of 178 countries for corruption (Transparency International, 2010). Philanthropy that too driven by local government in association with companies is the main CSR activity there. However, MOEX (Moscow Stock Exchange) has undertaken its own CSR initiatives by financial literacy programs, partnership in higher education, and charity.

India: Ranked 11th largest economy in the world and still has 60% of its population living on less than 1$ US per day (World Bank, 2010). However, CSR activities in India are getting a boost with the recent amendments in Companies Act and simultaneous changes made in section 135.

China: Ranked 2nd largest economy in the world but there is no democracy in China. Focus of CSR activities primarily on Education, Health, Philanthropy, and employee Volunteerism.

CSR Index: It is based on Hang Sang Sustainability Index.

South Africa: The primary focus of CSR activities is on equal distribution of wealth, on health and empowerment.

CSR Index: It is based on Johannesburg Stock Exchange—SRI (Socially Responsible Investment). An integrated reporting and GRI (Global Reporting Initiative) for sustainability reporting is followed.

2.6 CSR IN CONTEMPORARY WORLD

Traditional CSR has undergone a paradigm shift. In the era of cut throat competition, it is the public perception about its value system which differentiates a company form its counterpart, and that depends on how will a company handles its CSR. The unprecedented interests have evolved CSR 360*over the last decade. It has become contemporary and contextual issue to the company itself, and its stakeholders. Government has again started interfering by enacting laws to abide to make corporates a responsible citizen. It is pertinent here to know the movement of CSR from traditional to modern CSR. Year 2014 was marked as the origin of modern CSR in a conference at Cardiff Business School was held over "Purposes of the Corporation." And the same was attended by 120 participants consisting investors, NGOs, policymakers, and spokespersons of very big companies. Some of the contemporary issues came up which are being discussed in following paragraphs:

CSR is no longer a Peripheral

Traditional followers of Milton Friedman did not want to include CSR on the strategy as they believe only social responsibility of business is to earn and increase profits. But as from now social responsibility has taken a front seat and apart from increasing profits corporates now have to look for social welfare and take steps to make the world a better place to live by including CSR in their core values. More so, CSR should not be a one-time task carried by a few but it should be developed as a culture to make it a grassroot agenda. CSR itself should be a goal to achieve instead of a tool to use. Modern CSR is strategy driven that addresses negative value chain impacts with respect to supporting society and business needs. In Harvard Business Review Article Porter and Kramer, 2010 have mentioned that if CSR is applied with strategy then result is suboptimal economic impact which neither adds up to organizational value nor affects the society in a positive way.

It's a Win-Win:

Modern CSR is not a create value but also shared the value philosophy. It helps business to care for expectations in totality viz., of capital market, consumers, labor welfare, and community as a whole.

It is Individual Driven Self-Motivated Process:

Traditional CSR was a responsibility entrusted to HR department and agenda of activities used to set up by the top management but modern CSR is different as it is a self-motivated process.

Modern CSR puts an end to CSR debate:

It is more compatible with contemporary world and helps employees to hone the skills in never before areas like volunteerism, adaptability, initial research, and stakeholders' engagement. Undoubtedly, balancing economic and social goals are a challenge but modern CSR will help your organization to take a step ahead toward value creation. Jamshedji Nasarvanji Tata said about CSR "in a free enterprise, community is not just another stakeholder in the business but it is in fact, the very purpose of its existence. All processes should be done to benefit society if society prospers so shall the organization."

2.6.1 CSR AND CONSUMER PERCEPTION IN CONTEMPORARY WORLD

CSR in modern world is defined as company's status and activities with respect to its perceived value, social and stakeholders' obligations. Companies today are aware of normative and business angle of CSR. Consumers being one of the most important stakeholders, their perceptions about socially responsible behavior of the company influence their purchase of products and services. However, this perception depends on nation, culture, and ethical factors. Consumers are more educated and aware of the products and services they buy. Safety and quality are not the only concerns which consumers look for but now they buy a brand which shows responsible behavior.

2.6.2 CSR REPORTS

CSR is not about good ethos; it is good business too. It has been proved that 92% of the consumers have a positive outlook toward company committed to protect environment and supporting social initiatives. And the same can be summed up in a form of formal report to make it more authentic. A CSR report is a formal document that assesses and presents information as how company is operating and affecting the world around it. Depending upon what a company does, report can reveal economic, environmental, and social impacts. This report can improve the company's image, cautions shortcomings in CSR, and help acquiring third-party sustainability certification. A strong CSR report may consist of nine key components viz., business overview, transparency, authenticity, letter from CEO, sustainability goals, target performance summary, case studies, issue of prioritization, and sources.

2.6.3 CSR AND SUSTAINABILITY CERTIFICATION

A reliable third-party certification gives way to ensure that the company takes social and environment responsibility very seriously. Any conscious consumer always looks for sustainable logos while buying apparel, coffee, skincare, and appliances, etc. Prime concern here is not about being social and environmentally responsible but to authenticate further with legit certificate and to spot greenwashing activities. There are a variety of certifications to choose from the makers, sellers, and service providers. Certified companies have to demonstrate that their products and practices meet standards and criteria to show their commitment to good environmental protection, social, and ethical practices. The certifications are voluntary and not issued by any government or industrial authority. The standard criteria and requirements for certification are developed by third parties consisting of a group of experts from the industry and consultants. Companies are fairly assessed and granted for certification on the basis of industry-specific standards. These certifications are verified by an independent third party and to be credible it must be issued by an independent third party or auditor. Self-assessment-based certifications are less reliable. Globally, there are over 600 certifications related to environmental sustainability, social responsibility, ethical and fair labor practices, animal welfare, and cruelty free practices.

FIGURE 2.9 Sustainability certifications.

Source: https://mindseteco.co/sustainability-certifications/; http://www.respectindex.pl/csr_indices_worldwide

2.6.4 CSR INDEX

It is a management and benchmarking tool on the basis of which companies can benchmark CSR activities. CSR index improves the stakeholders' confidence and trust and enable them to invest in business which is socially responsible. It is designed to assist managers to enhance their CSR performance and to benchmark the corporation on various aspects of CSR. ESG report and CSR index must align to have greater reliability. The first CSR index was developed in the USA. Pioneer was Dow Jones that started publishing Sustainability Index (SI) in September 1999. In 2000, Calvert Fund started to publish CSR index wherein July 2001 FTSE4Good was published by an English company FTSE. The fundamental role of CSR index is that it provides basis for designing mutual fund portfolios.

CSR Index Worldwide: **Dow Jones Si Series (DJSI):** It is recognized by investors globally as the leading benchmarking tool for corporate sustainability. DJSI methodology is based on the positive selection in identification of best companies on the criteria of economic, environmental protection, and social responsibility.

CSI (Calvert Social Index): It measures economic conditions of American companies considered as socially responsible. While selection, companies are analyzed from the perspectives of type of product created, environment (protection and pollution), place of work (compliance with rules and standards), and integrity.

FTSE4Good Series: This index was launched by London Stock Exchange and Financial Times in July 2001. Now the indices are calculated from the world's selected markets and selected regions. It is the only index that enjoys special status recognized by UNICEF.

KLD Global Sustainability Index Series (GSI): This is launched by KLD Research and Analytics in October 2007. It is a benchmarking practice based on ESG criteria with three geographical areas: North America, Europe, and Asia Pacific. Index methodology is based on positive selection (ESG criteria).

2.6.5 CORPORATE CITIZENSHIP REPORT

This report provides updated information of company's ESG performance. This report speaks for the practices, values, and standards followed by the company in pursuit of achieving its economic objectives. This report also highlights the key priority areas that a company might focus on, in order to be vibrant, secure and sustainable. It also highlights the meaningful work/ activities undertaken by the business and standards set that a business holds for itself, its suppliers, and users.

2.6.6 GLOBAL IMPACT REPORT

This report provides a company's year over year update on companies ESG strategy, initiatives taken, while highlighting future plans at the same time. The company might mention in the report about strategic framework pertaining to its business operations, increasing transparency and governance and how the company governs its efforts on ESG to get desired results. Any certification by third party to ensure industry-specific standards would also be mentioned in this report.

2.7 CONCLUSIONS

CSR is still a much contested issue characterized by background, region, social, and economic dynamics. Carroll's definition given in 1970 best describes CSR as "Social Responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point of time" (Carroll,1971: 500). As far CSR in emerging markets are concerned, these will provide experimental laboratory to know its future route and prospects. As Visser (2010) suggests that there is a great possibility that the evolution of corporate social responsibility toward corporate sustainability and responsibility will happen in these developing economies.

KEYWORDS

- **organic linkage**
- **3D outlook**
- **Vedic philosophy**
- **CSP**
- **CSR phases**
- **social contract**
- **free market**

CHAPTER 3

Conduct CSR's Journey from Voluntary to Mandatory

ABSTRACT

This chapter examines the progression of corporate social responsibility (CSR) activities, starting from a voluntary approach and culminating in their current status as an obligatory necessity inside modern company environments. This chapter presents a thorough examination of the historical backdrop and the various catalysts that facilitated the transformation of CSR from a discretionary company endeavor to a legally mandated requirement. This study examines the sociological, economic, and ethical factors that influenced this shift, focusing on the increasing acknowledgement of CSR as an essential element of sustainable business strategies. Furthermore, the chapter examines the contrast between voluntary and mandatory approaches to CSR, focusing on the effects of mandated CSR on organizational behavior, stakeholder involvement, and societal growth.

3.1 INTRODUCTION

The people should get back the benefit they render to the surroundings. This whole chain needs to be over and done with, to ensure sustainable development. In spite of this, there is no rationalism that lies in society and the market and it is imprudent to assume the judiciousness of individuals and companies in adhering to the practices of corporate social responsibility (CSR) for the purpose of the welfare of society. However, the

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depriving surroundings cannot make the business endure in the long run (Beeranvaar, 2010). Thus, business corporations are required to work on uplifting society so that their survival would not be affected adversely. In the same alignment, governments are required to augment and safeguard society in the arena of democracy. Consequently, the companies as well as the government work in the same direction in the long haul to achieve the common objective.

The concept of CSR was looked upon as charity or philanthropy till the 1990s. However, this conceptualization failed to subsist for a long period of time due to various drawbacks such as nonparticipation of the resource benefactor in several projects, inconsistency in rendering resources, and noninvolvement of the community concerned. However, companies along with serving the economic objective were required to consider the social aspect which was predominantly represented by the responsibility of the companies and safeguard freedom (Drucker, 1942). Social engagements were part of corporations when they were established first. It was asserted that businessmen are required to frame such policies, make such decisions, and act in such a manner that is to the benefit of society (Bowen, 2013). The developed economies, such as the USA and Europe, have the conception of CSR in their origins. As a result of this condemnation and pressure from society have been dealt with the voluntary approach by the companies with the intention of getting rid of obligations or poor impressions of the companies because of their damaging conduct (Gatti et al., 2018). However, CSR has been perceived diversely around the world based on the particular area of business or cultural values and beliefs of the society in which they are entrenched (Williams and Aguilera, 2008). The political, cultural, and socioeconomic systems of the region induce CSR to diverge, predominantly in the context of non-Western arenas (Jamali and El Safadi, 2019).

It is evident that it is difficult to inculcate certain conduct of social responsibility in the standardized regulations. For instance, one cannot prescribe how much water can be extracted by the company from an aquifer. Yet, certain dimensions of CSR have been manifested into assertive legislation like forbidding gender or race discrimination in the workplace (Lambooy, 2012). The absence of uniform legislation on CSR gives a loophole to the companies to falsely claim their adherence to CSR even when they carry out a minor donation in the name of charity or contribute to eco-friendly assignments at a very petty level. In the beginning, the voluntary approach has been advocated through some CSR definitions and has been associated with the engagements that move "beyond what is prescribed by law." (Gatti et al., 2018). Still, the execution of novel initiatives for prosecuting CSR by governments and global leaders embarked the deliberation on the interrelationship between CSR and legislation unceasingly. With an evolution of the legislative framework given by the European Commission (EC)—the perception of moving from a voluntary approach to mandatory conduct has been encouraged. In 2001, the EC defined CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and their interaction with their stakeholders on a voluntary basis" (European Commission, 2001). The renewed EU strategy defines CSR as "the responsibility of enterprises for their impacts on society," taking away the "voluntariness" of the whole practice (European Commission, 2011).

There has been a mounting awareness about the considerable impact of the conduct of the companies operating privately on the different stakeholders, sections, and the environment of the society. The picture is getting more unblemished about the effect of companies' decisions in ensuring a significant contribution to the wealth of their own as well as of society if they look upon the repercussions of their actions on the world as a whole. There has been an increased level of comprehension presented by business opinion surveys and corporate behavior on the association of responsible business and good business. Moreover, CSR activities assimilating larger concerns of the society into their strategy of business are being perceived as good management by the investors and financial markets. The value of the firms and their shareholders can be augmented by showing concern to workers and others in the surroundings in line with the gaining trust of the community and assisting firms in drawing good consumers and employees toward it.

The communities in which businesses function form their core foundations and are significant for them. The woke administrators recognize the relevance of consistent virtuous relationships with diverse people, groups, and corporations in ensuring prosperity in the long run. The socially and environmentally viable goods and services are expected by the customers at reasonable prices. Further, a good financial performance along with integrating societal and ecological contemplations is looked upon by the shareholders, both in the context of perils and prospects. Moreover, governments are also acknowledging the relevance of responsible business behavior in developing and warranting a competitive advantage over others nationally. In the same line, the World Business Council for Sustainable Development asserts the possibilities for companies as well as countries to gain competitive advantage through CSR. This is when the concept of CSR changed its face and moved toward the transformation from mere philanthropy or voluntary activity to something which is obligatory to the corporations either in the context of reporting or expenditure.

3.2 CSR IN GLOBAL CONTEXT

All the nations across the globe are acquainted with the concept of CSR and possess their own unique ways of implementing CSR practices in their corporations. CSR has found its permanent place in the strategy of the business and is a consistent part of policies and functioning around the world. The awareness about CSR is being extended through several elements in a corporate system. CSR is being adopted as a fundamental part of the administration of business in various multi-stakeholder firms, nonprofit organizations along with intergovernmental corporations internationally. The policy of the companies integrates the matters related to CSR so that the demands and interest of the concerned parties can be augmented, antagonism in a global market can be reached and societal requirements can be fulfilled.

CSR is not an unheard term in prominent markets across the globe. Social media has played a significant role in introducing several ideas and prospects to ensure the vision of CSR initiatives and scrutinize such kind of novel rendezvous. CSR has embarked on a greater social effect by continuously boosting the hold, thus leading to enhanced transparency in operations. The companies have been feasible in dealing with societal and ecological matters with the assistance of strong information and communication. The committee raising the spirits of corporate philanthropy has seen a blatant pattern, all over the planet, that particular regions of the world have accommodated specific parts of the corporate social commitment. The corporate substances that have current or going to develop worldwide impressions are required to comprehend this rising scene while tending to their social investment programs and the compliance pertaining to support. In a few developing business markets like Indonesia and Brazil, there are guidelines that decide a specific sort or level of corporate social investments. The enthusiasm for the concept of CSR emphasizes often on the group of minorities in society across most regions across the globe. There are several logged activities emphasize empowering girls and protecting women's rights.

Almost 100 years after the begetting of the term, CSR is getting laid out as a notable scholastic field, yet misses the mark on clear and acknowledged portrayal. Of the few depictions being used, one was enunciated by McWilliams and Siegel (2001), who expressed that CSR comprises the "activities of the corporations that seem to propel a few social welfares, ahead of the prompt interests of the corporations and its investors and beyond that which is required by regulation" (Perez-Batres, Doh, Miller and Pisani, 2012; Witkowska, 2016).

This portrayal put down the limit of CSR in the domain of "beyond compliance," as a voluntary plan for pacifying social and ecological impacts. There are vivid institutional depictions of CSR which are likewise accessible. One shows up in the conventional papers of the European Union, which express that "CSR is the obligation of companies for their effects on society." For full compliance with their social obligation, companies ought to have set up a cycle to coordinate social, ecological, moral rights and customer corporations into their business tasks and core system in a close joint effort with their partners" (EU, 2011). The relevant comprehension toward CSR has emerged from the 1950s for being a discretion of the management to the 1980s for being an integral element of the decision-making process. Later, in the 2000s, it has been thoroughly perceived as a necessity for strategic planning. Also, the agenda of business operations has evolved from merely generating monetary benefits to serving society, eventually leading to the belief that companies' agenda is to create shared value (Agudelo, Johannsdottir and Davidsdottir, 2019). A report from Goldman Sachs quoted that when CSR was executed at first, there was an underperformance observed by 3% to 8% by the companies adhering to social responsibility (McBarnet, 2009). An instance of a huge Midwestern bank, named PNC Bank in the UK, depicts that before initiating the full-fledged CSR program, the managers used to allocate their funds as per the best of their knowledge, which resulted in an adequately intended but illogical grouping of contributions. Around, 30% of total funds were going towards arts, 25% to sports development, 20% to maintaining civic activities, a mere 5% to education, and 3% to health. However, post-implementation of the systematic CSR program, a specific fund of $100 million was established in the period ranging between 2010 and 2015 emphasizing to contribute toward education in the area in which the bank functions. This was in the light of the long-term commitment of the bank to provide for education, contributing to the local area, and alignment of CSR programs of the bank with its identity of being community-oriented (Rangan, Chase and Karim, 2015). Most protuberant in the CSR scholastic corpus is the stakeholder proposal, a theoretical frame of business morals and hierarchical activity that tends to focus on ethical and moral qualities in the activity of a business. The stakeholder proposal holds that business affiliations should have an active impact on the general public where they work and the dealers ought to think about the impact of their activities on stakeholders, depicting that organizational activity straightforwardly or indirectly impacts all the concerned parties (Omran and Ramdhony, 2015).

The currently prevailing regulations comprise of content-oriented reporting variants likewise, for example, the Modern Slavery Act in Australia and Canada, the new EU Directive on Conflict Minerals, 2017, or legislations on equivalency and equal pay in the UK and the Netherlands. Since 2016, there have been 27 laws and legislations in gross that came from the EU member countries, which transposed the nonfinancial reporting (NFR) directive into public law (GRI, 2020).

3.3 CSR IN INDIAN CONTEXT

The approach of the management in context of development and growth of the business enterprise is being depicted by the term CSR. The growth of the companies in the West distinguishes from that of Indian companies, and one cannot separate the historical, social and profitable elements while delineating the concept of CSR in India. The contribution of income in the form of charity and donations by the traders was a prominent practice in the early period of the 18th and the 19th centuries. The Indian morality of giving, inseminated through cultural and religious traditions and practices, with generalities of Dharma and sustainability was a core ground of such conduct by those traders, deep-rooted in the collaborative spirit of Indian marketable communities (Dhanesh, 2015).

Later, the schools, colleges, and institutions were built through trusts under the effect of Mahatma Gandhi, which were backed by the companies conventionally on the grounds of philanthropic activity (Atul, 2020).

This approach was referred to as the "trusteeship" model, which Gandhiji described as "India's gift to the World." Its agenda was to give the means for altering the society's capitalist order into an egalitarian approach. It didn't fete any right to private power over property except when it is permitted specifically (because supposedly inoffensive) by society. The individuals running businesses were told to consider themselves trustees and providers of the poor, thus managing their businesses striving for millions accordingly, and being content about earning an honest penny (Mitra and Schmidpeter, 2017). This model used to prevail till the 1960s, after which the socialist model came into the picture. The deterioration of corporate philanthropy as a result of the distrust of the public on the business was the core characteristic of that model (Dhanesh, 2015). This period ended in the 1990s and the economy of India became more liberal represented by enhancement in concentrated socioeconomic conditions such as radical societal needs, inadequate public funds, and enriched outputs to industry and probusiness arena (ibid).

To attune to these trends, the CSR Voluntary Guidelines in 2009 were launched by the Indian Ministry of Corporate Affairs (MCA), which were later meliorated and acknowledged as "National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business." These voluntary guidelines were amended in December 2012 to transform into the Companies Bill, 2011 approved by the Lok Sabha and also passed under the Companies Act, 2013 (Mitra and Schmidpeter, 2017). India, then became the first ever country to mandate CSR in amendment to the Companies Act, 2013 which was enforced in April 2014. According to the Act, and as part of their CSR compliance, businesses must invest a portion of their gains in areas similar to education, poverty, gender equivalency, and hunger. CSR comprises of, but is not restricted to the projects associated with the activities listed in the Companies Act or to the initiatives taken by the board of the corporation on the basis of the recommendations of the CSR committee, keeping in mind the inclusion of such activities listed in the Companies Act. It is relevant to be acquainted with the fact of not getting any tax deduction against CSR expenses incurred. However, the Companies Act kept on seeing amendments lately. As an instance, the unspent amount in the concerned year can be carried forward to include in the allocated CSR amount of the succeeding year. Moreover, on the grounds of such amendments, the companies are required to deposit such unspent amount in the fund prescribed by Schedule VII which is required to be utilized within three financial years, failing which calls for penalization and punishment.

Since the enactment of the obligatory CSR provision in 2014, CSR spending by commercial India has significantly increased. In 2018, companies spent 47% further than the quantum in 2014–2015, contributing US$ 1 billion to CSR enterprise (KPMG, 2018). Listed companies in India spent INR 100 billion (US$1.4 billion) in various activities ranging from educational programs, skill development, social well-being, healthcare, and environmental conservation, while the Prime Minister's Relief Fund saw an increase of 139% in CSR benefactions over the last time. Utmost of the backing (38% of the aggregate) went to education, followed by hunger, poverty, and healthcare (25%), environmental sustainability (12%), and rural development (11%). The activities in technology incubators, sports, the armed forces, and reducing inequalities saw negligible expenditures (KPMG, 2018). According to the Indian CSR Portal (www.csr.gov.in), out of the total Indian companies listed, a small fraction of companies are allocating funds to CSR activities, while many of them are spending minimal or no contribution at all. The amelioration of CSR compliance is expected in view of the latest amendments in the act pertaining to CSR (KPMG, 2018).

With the enactment of the Companies Act, 2013 to make CSR mandatory for companies of certain size and profitability to contribute toward societal growth, this concept has become pervasive. The topic of CSR is presented in seminars, conferences, award functions, newspapers, magazines, chronicles, etc. which galore on this concept on a continuous basis. It has also spawned an entire array of organizations and professionals to supply advice on the way to do "CSR" better. These have probably cornered more of the cash to be spent by companies on social development than NGOs. However, aside from this, what exactly has been achieved?

Conceived to bring more responsibility in all told spheres of corporate functioning, and particularly to boost corporate governance, the Act has become almost synonymous with corporate giving for social development due to its clause 135. This clause mandates companies above a specific size to spend 2% of the average profits of any three financial years on social development projects or what's now popularly stated as CSR activities. These all are defined in Schedule VII of the Act, which has been progressively broadened in recent years to incorporate more categories.

Looking on the bright side, the enforcement should be given acclaim for several reasons: First, the societal development would not have been taken into consideration without this stimulus specifically by the smaller or medium-sized companies.

Second, stressing governance, rigid reporting compliances, and keeping a check on CSR requirements have encouraged corporations to move from merely fulfilling targets to integrate policy, structures, processes, and projects as a wholesome activity, thus ensuring an enhanced systematic approach to societal growth and development.

Third, this act is considered as a continuing operation and the regular revisions in the rules take place after assessing the prevailing arena. This provides flexibility to enable corporations to look after the community on a wide scale and more consciously. One thing particularly to be praised about utilizing CSR funds as venture funds that assist social entrepreneurship in generating employment and creating products that are beneficial to society. Also, the prescribed list can be raised by the management if they are capable of justifying those inclusions in the purview of the broad structure of the act and rules.

The act has been treated as a continuing operation, and on review, the foundations are continuously

Fourth, the professionals of social development can be coached through the enhanced initiatives that have come into the picture due to mandatory rule of spending, thus expanding the pool to the extent from which NGOs and government can also extract and utilize.

Ultimately, the act is supposedly on the right path to benefit the government in terms of acquiring the resources from the corporate sector to adjunct their own goals and programs of social development. Although the amounts are still proportionately trivial, both the amounts and compliance are showing a sign of improvement gradually.

3.4 THE VOLUNTARY APPROACH ON CSR

The activities of the companies have economic, societal, and ecological effects for which they are often termed as social agents who have their place in the world's backdrop. The domestic barriers of state legislation have been surpassed through globalization and corporate functioning, which have amplified the issues in front of the administration pertaining to the needs of the locals, their quality of life, and local development (Jamali and El Safadi, 2019). The augmented quantum of reporting on CSR voluntarily echoes the exigency of the accountability of the companies for their acts (Jain et al., 2015). However, there are clear issues and concerns pertaining to the magnitude, eminence, and integrity of voluntary reporting on CSR. In a nutshell, the voluntary approach to CSR asserts that CSR being an act based on the discretion of the individuals beyond the legislative framework steered by the morals, and company's own interest and in which administration does not have much role to play (Dentchev et al., 2015). The companies are not obligated to adopt CSR practices in their operations which reflects their flexibility in carrying out their businesses under the voluntary approach of CSR (Cominetti and Seele, 2016). A few advocate its effectiveness while some defy it and consider it extremely inept; the core contentions in this context have been deliberated here under.

3.4.1 ADVANTAGES

The companies can gain acceptability, enhance financial performance, and boost brand image by communicating about their contributions toward CSR. They can increase their operational efficiency and can lead to a reduction in their adherence cost by instigating CSR practices (Cominetti and Seele, 2016). CSR has been perceived to be advantageous in terms of a marketing prospect for banking companies to make their product distinguished in consort with added gains such as retained consumers and allured foreign investors (Jain et al., 2015). The "Business case" for CSR implies the blend of dealing with societal and market compressions and grasping tact for saving cost effectively (Mcbarnet, 2007). Some of the individuals who advocate the voluntary CSR suggest providing freedom of choice to managers in the context of CSR practices on the grounds of belief in managers' adequate knowledge of societal issues locally and ways of tackling them (Sheehy, 2012). This thought system presumes the managers' personal gratification by engaging in CSR as their own desire to benefit society and not merely restricted to the "duty to comply." Also, an awareness among the companies about their dependence on the healthy existence of the environment will induce them to execute their operations in an environment-friendly way (Lambooy, 2010). The businesses are advised to carry out eco-friendly operations to ensure the safeguarding of their foundation resources. The self-regulation is more preferable in the context of CSR due to its flexibility over the regulatory impositions which tends to be more rigid (Cominetti and Seele, 2016). The voluntary execution of CSR has been emphasized by diverse theories. For an instance, integrative theory stresses considering societal needs and assimilating them in business functioning along with ensuring the integration of social values in it by the management of companies (Garriga and Mele, 2004). Similarly, political theory emphasizes on introducing the transformed role of government in businesses, the need of which arose due to the failed protection of society from corporate outwardness because of inefficient legal processes (Gatti et al., 2018). In the same line, ethical theory stresses on business' contribution to the common welfare of society by rendering goods and services proficiently, concerning about integrity and fundamental rights of the people.

As discussed above, there has been more or less constitutionality in the voluntary approach of CSR. However, this approach has reflected various drawbacks over many years. The improper attention by MNCs over adhering to CSR practices has triggered a societal upsurge which has impelled the administration to find an alternative to coerce CSR.

3.4.2 DISADVANTAGES

In present times, the notion of voluntary CSR has been forsaken by many individuals and corporations. The lack of clarity and reliability of CSR reports and unviable authorization of detrimental practices has led to extensive criticism of this approach. The voluntary approach renders corporations extravagant freedom in the execution of CSR practices and liberates them from the obligation of delivering CSR reports at regular intervals. Corporations in spite of adhering to socially responsible behavior and contributing toward the welfare of the society often emphasize more on generating profits and enhancing value to the shareholders. This body of thought has been introduced by Friedman who asserted that increasing profits is the sole social responsibility of the business (Friedman, 2007). Moreover, the voluntary approach leaves a gap for the companies to manipulate or exaggerate their acts of social responsibility which appear to exist but in reality, it has no existence. Also, the area of social responsibility often be taken for granted if exists voluntarily in the corporate environment.

3.5 THE MANDATORY APPROACH ON CSR

The mandatory approach to CSR prevailed over time with the emergence of novel international and domestic governing developments. As stated earlier, the completely new conceptualization of CSR has been started by EC accompanied by some requisite parameters. The EC stated about the relevance of compulsory regulation over the voluntary requirements in developing a favorable arena for the companies (European Commission, 2011). Moreover, the part of public authorities has also been acknowledged by the EC by using the blend of voluntary policy and mandatory legislation as and when required. However, there has been a recognition of the role of administration by EC in uplifting and monitoring compliance of CSR in spite of the fact of considering CSR voluntary and leading growth by companies (Gatti et al., 2018). The enforceability and legal bind of CSR come into the purview of mandatory approach by way of a high degree of formal standards. The creation of specific rules for the companies to comply with in conjunction with stringent punishment in case of noncompliance comes into the implication of a mandatory approach to CSR (Cominetti and Seele, 2016). The advantages and disadvantages of this approach are being discussed here under and to epitomize the recent position of mandatory CSR, the instance of Indian CSR has been illustrated.

3.5.1 ADVANTAGES: AN ANALYSIS BASED ON THE INDIAN EXAMPLE

The supporters of the mandatory approach of CSR advocate that prioritization of CSR policy, improvement of awareness, and facilitation in the development of regulated CSR indicators can be ensured through this approach (Gatti et al., 2018). The inefficient and nonreliable evaluation of CSR is a consequence of the absence of undeviating legislation on CSR. The companies have diverted their efforts in last decades transforming from mere charity to addressing the growth of deprived groups (Das Gupta and Das Gupta, 2008). The Government of India (GOI) persuading corporations to render their inputs in the process of growth fanatically of the population considering their imperative needs. The Companies Act – 2013 came into the existence replacing The Companies Act – 1956 by the enactment of GOI (Gatti et al., 2018). The implementation of CSR has been addressed by Section 135 of The Companies Act – 2013 which obligated the companies having certain criteria of financial parameters to spend 2% of their average profits of the preceding 3 years' net profits which has now been replaced by any three financial years. Also, in adherence with their CSR Policy, it was mandatory for them to frame a CSR committee comprising three or more directors to look upon the CSR activities (Parliament of India, 2013). The company has been also obliged to report about their CSR expenditure and activities in their annual reports and state the reasons in case of failing to do so. The introduced Companies Act is contemplated as a Hard law with poor validation (Gatti et al., 2018). There can be diverse levels of reinforcement and punishments in regulating CSR irrespective of whether the approach is voluntary or mandatory (Cominetti and Seele, 2016). The inclusion of a mandatory clause of CSR contribution has been proved to be an appropriate decision of the government and the CSR expenditure has been made through donations succeeded by social and community services, environment and pollution control, and staff welfare (Verma and Kumar, 2014). In spite of having mandatory guidelines over CSR expenditure, the whole system has suffered from inefficient formalization which presumes it to be almost nonobligatory. As per the data from 2016, only 500 companies out of the majority of 16,000 failed to spend the minimum quantum of 2% of their average profits (Gatti et al., 2018). Furthermore, the smaller companies that used to spend a considerable amount discretionarily before the enforcement of the act have diminished their expenditure after the enactment of the Companies Act – 2013 (Mukherjee and Bird, 2016). However, many companies have augmented their expenditure by 30% approximately, and regardless of the negative assessments, since the mandatory approach to CSR has taken place, the development of the country and issues associated with it have been addressed effectively and efficiently (Gatti et al., 2018). In present times, CSR policy exists in almost 94% of the companies and around 97% of the corporations possess the CSR committee in it (Mukherjee and Bird, 2016). The compulsion of reporting of CSR tends to enhance the expenditure toward it with the creation of a mediating effect on the association of financial performance with the CSR expenditure (Oware and Mallikarjunappa, 2020).

3.5.2 DISADVANTAGES

The discouragement of overseas funding is the principal issue in enforcing compulsory CSR in emerging nations (Williams and Aguilera, 2008). The developing nations have been contending in the race to reach the lowest for decades by way of political liberalism, scanty rights of workers, inadequate protection benchmarks, unequal disbursement of welfare, and environmentally irresponsible behavior. In fact, the companies in emerging nations are also deliberate to compete in such a race to attract MNCs to ensure the establishment of their subsidiaries in their region of business. However, this race contributes nothing optimistic for the society, it is significant to have adequate overseas funding to create and generate enhanced job opportunities for the people of the society. However, it proves detrimental to the resources and general well-being of the population concerned. Another point of argument against the mandatory approach to CSR stresses the mere compliance of the CSR obligation, thus adhering to the reactive approach and not the proactive approach in dealing with CSR (Gatti et al., 2018). The managers tend to focus on sheer ticking the checklist as stated by the law and not doing social activities for the sake of their own contentment and contributing toward the society and environment.

3.6 VOLUNTARY VS MANDATORY: ARENA IN CONTEXT OF CSR

There is a persistent thought on the issue of embracing CSR in corporate strategy as a voluntary requirement or it should be a mandatory regulation imposed by law.

The government plays an integral role in either case of having CSR voluntarily or mandatorily. The area of CSR can be incited by political forces through favored dealings, licensing, scrutinizing, and grants or nonintervention or self-regulation (Glachant et al., 2002). The mandatory approach to CSR reigns in various aspects and governments around the world adhere to the blend of voluntary and mandatory approaches to achieve their objective of public policy (González et al., 2004, Dentchev et al., 2015). The supporters of the voluntary approach justify its dominance by stating its assistance in empowering financial performance by escalating the value of the company (Aupperele, Carroll & Hatfield 1985, Griffin and Mahon 1997, McWilliams and Siegel 2000, Simpson and Kohers 2002), moderating the risks in terms of financial and economic performance (Moore 2001, Orlitzky and Benjamin 2001) and creates worth for the individuals concerning or associated with the company (Turban and Greening 1997, Backhaus, Stone and Heiner 2002). On the contrary, getting directional assistance to implement the self-regulatory performance of the companies (Lückerath Rovers & De Bos 2011) and affecting the process of policy making by augmenting the communication among shareholders (Mathis 2007) have been claimed in favor of mandatory approach on CSR. In contradiction, it has been asserted that regulations cannot do anything about issues pertaining to illicit practices, corruption, societal traditions, and prejudice, and the matters coupled with uprightness as there is a diverse way of looking at some issues by the different nations. The promoters of voluntary CSR encourage noninvolvement of the government in the implementation of CSR on the grounds of the claim that firms getting adequate stimulus from the market to take account of CSR initiatives in their operations (González et al., Martinez 2004). The legislative framework of CSR in general is not competent to provide all the aspects the concept of CSR necessitates due to the wide scope of agendas across the globe (Eden, 1997). However, there is a separate way of dealing with different issues by the distinct players of CSR which leads to inconsistency in operations. This lacunae of self-regulation under a voluntary approach globally embarks the debate in favor of legislative CSR (Leighton et al., 2002). Moreover, it is a risky affair to utilize CSR as a promotional or strategic tool by the company over the agenda of sustainable development (Leighton et al., 2002, Doane, 2003). As the validations and theories in advocating CSR as a mandatory approach have been based on speculations and suppositions, the enforcement of The Companies Act – 2013 pertaining to CSR has paved the way for governments across the world to check on their CSR approaches and rendered them an opportunity to evaluate both successes and failures of the legislation (Sarna, 2016).

TABLE 3.1 Comparison of Voluntary Approach and Mandatory Approach on CSR.

Basis	Voluntary Approach	Mandatory Approach
Motivation	Comes from belief and pledge, usually get a push from self-commitment reflecting one's own behavior.	Imposed by regulatory authorities or law, not necessary to depict the behavioral approach of any corporation.
Policy means	Discretion of the individuals of the companies connected with the CSR processes, designed model of individual institution.	Regulations or legislations prescribed by the law.
Government Intervention	Minimum or negligible as completely framed and executed by the company itself.	Regulators as they provide the foundation for CSR policy making in any company.
Governance	Governed by a statement of commitment or backed by the discretion of the company on CSR initiatives and activities.	Governed by act or statute or policy statement of the concerned nation.
Positive effects	Stimulate competitiveness, upsurge stakeholders' interactions, and enhance reputation and brand image.	Assurance of the contribution toward socially responsible activities, providing certainty to the stakeholders thus reducing future risk to business.
Negative effects	No consideration toward CSR by many corporations if not regulated, higher chance of manipulation by overstating activities and greenwashing.	Mere limited to ticking the boxes and not addressing the real issues of the local area, lose the essence of social responsibility by imposing the law and not leaving it to conviction and behavior.
Favored due to	Flexibility, accessibility, feasible compliance, shared industrial Interest.	Comparability, legal certainty, incompleteness of voluntary reports, standardization, nondisclosure of negative performance, push to the leaders.
Opposed due to	Inadequate authorizations, Competition at world level, deficient resources, under-enforcement	Gap of knowledge between regulators and industry, not applicable universally, inflexibility, restraints on competence and effectiveness
Countries (some examples)	USA, Belgium, Ireland, Brazil, Spain, Tanzania, Kenya, Japan, Greece, South Korea, etc.	India, UK, Sweden, Norway, The Netherlands, Denmark, France, Australia, Indonesia, China, South Africa, Malaysia, Germany, Austria, Luxembourg, Italy, etc.

Source: Prepared by Author on the basis of the Readings and Observations

3.7 GOING BEYOND THE MANDATORY VS. VOLUNTARY DEBATE

The relevance of the coexistence of voluntary and mandatory approaches of CSR has been prevailing and is being addressed in the novel definitions of CSR. As an instance, Sheehy defines it as a "sociopolitical movement which generates private self-regulatory initiatives, incorporating public and private international law norms seeking to ameliorate and mitigate the social harms of and to promote public good by industrial organizations." There is an imprecision in current times to be certain about the conjunction of both approaches together. The legislative framework of CSR can comprise self, private, and public legislation simultaneously (Gatti et al., 2018). There is another way to reach on consensus through meta-regulation under which the different companies execute practices that purposes at adopting their exteriority and the best among all govern the passable method to attain that goal (Parker, 2007). The process of Meta-regulation works on the belief of inadequate knowledge of regulators and policy makers about the paramount practices that are to be adopted by the particular business perform. This system also comprises of the belief that CSR can be encouraged and administered by several other pertinent aspects such as the participation of customers, voluntary codes of industry, safeguarding the image of the business, etc. The use of tort law or contract law creatively has been continuous in nurturing the concept of CSR by governments across the globe. As an example, companies in the UK report and engage stakeholders more in comparison with other nations of Europe except Norway in the context of CSR (Williams and Aguilera, 2008). The issues of labor relationships and environment have already been integrated into the legislations of Europe while the areas pertaining to societal and ecological information, and accountability of the behavior of the subsidiaries or supply chain are still a matter of concern, which is be addressed by the voluntary approach on CSR. The above-stated matters represent that a few perspectives covered by CSR have proactively been solidified into positive guidelines but this does not cover the impairments of the voluntary approach to CSR (Eijisbouts, 2011).

3.8 CONCLUSIONS

The debate on voluntary vs mandatory CSR theoretically has lost its relevance and more significant matters have already taken its place. It is important to put up a question on legislating certain kinds of CSR concerns and the manner of regulating it through legislation. It is significant to shape the path for future regulations and encourage private businesses to not merely comply but inculcate CSR into their operations by probing CSR practices and developments in contemporary times. As stated earlier, CSR is not a single standard but a bunch of standards engulfing a varied range of concerns. As a result, it becomes difficult to decide if CSR should be compulsory or optional as there are multiple concerns and they require separate attention. Even after years of arduous arguments, it has been noticed that both compulsory and optional CSR perspectives can work together. Both of these are linked together and the responsibility of public authorities is very important for the growth of the latest CSR practices.

KEYWORDS

- **corporate social responsibility**
- **philanthropy**
- **charity**
- **voluntary approach**
- **mandatory approach**
- **legislation**

CHAPTER 4

Culture of the Nation and CSR: A Directional Paradigm

ABSTRACT

A critical component of this chapter examines the impact of countries' cultures and laws on socially responsible corporate practices. There are several drivers of CSR, such as the market, government, institution, globalization, social, etc., but the nation's culture occupies a dominant position. This chapter elaborates on the influence that the cultures of the nations across the globe have on the cultures of the environment in which they operate i.e. the culture of the country other than the one from which they originated. Further, the chapter attempts to use various literature from around the world that are related to it, as well as the Hofstede model to support its argument. Accordingly, one can say that the CSR practices used by businesses in a particular region are influenced by the cultural aspects of the region in which the businesses are situated.

4.1 INTRODUCTION

Business environment has been impacted by globalization as integration and interface among people; organizations have increased socially, economically, and technologically over the years. Different national culture has been encountered as globalization expands multinational corporations (MNCs). Thus, the adoption of corporate social responsibility (CSR) by corporations depends on the approach followed by the concerned company in a specific country. The CSR has to be adapted, standardized, and globalized as per the cultural condition of the nation in which the company and its branches operate.

Corporate Social Responsibility in the Global Business World: A Conceptual, Regulatory, and Illustrative Framework. Meenu Maheshwari, Ashok Kumar Gupta, Pragya Gaur, Nupur Tiwari, and Shobhna Goyal (Eds)

A lot of businesses have now become enormously concerned about their practices, processes, products, and procedures whether they are ethical, environmentally friendly, and sustainable as balancing all such in alignment with CSR practices is a social duty of the businesses. This dedication to CSR shoots from public-spirited motivations, though a company's reputation and increasing profits is the outcome of a well-executed CSR plan. Through formulating CSR initiatives, companies can make them more alluring by endorsing the same by using social media and doing publicity effectively. Companies CSR committees design and develop strategies in alignment with company's goals. These strategies and plans are formed through adequate brainstorming contemplating all the possibilities. Then various activities are undertaken in collaboration with local partners or nongovernmental organizations (NGOs).

CSR is not a new concept and when it is allied with culture it finds its deep roots in the nation's culture. The significance of CSR has led to the emergence of several academic literature related to business corporations (Margolis and Walsh, 2003; Walsh et al., 2003; Campbell, 2007). Initially, when social responsibility was not the priority for the companies and they engaged themselves in profit-making units, the debate over the need to indulge in CSR activities arose. Several literatures focused on explaining the meaning of CSR as well as concentrated on practical methods of ways to implement CSR by corporates (Eilbert and Parket, 1973; Carroll, 1979; Sethi, 1979; Ullman, 1985; Wood, 1991; O'Riordan and Firbrass, 2008).

In the words of Campbell (2007), "CSR may mean different things in different places to different people and at different times." As a result, the interpretation of the CSR concept and its practice differs according to the context and the values systems in which the corporation operates (UNIDO, 2002; Van Marrewijk and Werre, 2003). Over the years many studies have also identified the key factors to determine CSR practices. However, several theoretical and empirical studies have emphasized exploring the relationship between institutional conditions (government and nongovernmental regulations). It has also been observed that most often stress has been laid on the extent to which regulations and organizational conditions affect socially responsible practices (Campbell, 2007; Chih et al., 2010; Moon, 2004). Other informal factors such as national culture and geographic conditions have been overlooked (Maignan, 2001; Maignan and Ralston, 2002; Margolis and Walsh, 2003).

The socially responsible practices are affected by the culture and the values of the respective country in which the company operates. Therefore, when companies expand their business to an international level cultural, social, and environmental research of that region needs to be done in advance (Ho et al. 2012). Hofstede (1994) defined culture as a collective programming of the mind that distinguishes the members of a nation, region, or ethnic group from others. National culture is deeply rooted within the human mind, whereby people from identical nations share identical values, behaviors, and beliefs (Hofstede, 2011). Hence, it would be apt to say that cultural aspects of a particular region create the difference in CSR practices adopted (Ho et al., 2012). The companies' social and environmental challenges are due to the result of deep-seated nation's culture (Horak et al., 2018), and even stakeholders' expectations regarding CSR issues have also become an essential point to consider (Sánchez et al., 2016).

In every aspect of the corporate operational environment, Nation's culture has a dominant place and it is one of the significant factors among drivers of CSR, namely, Market, Governmental, Institutional, Globalization, Social etc. (Zhang et al., 2017). From everyday experiences and observations, it has been seen that the availability of resources impacts the adoption of sustainability in countries.

4.2 HOW COUNTRIES CULTURE AND LAW AFFECT SOCIALLY RESPONSIBLE PRACTICES IN CORPORATES?

CSR is now a widelyaccepted idea in business. With the Companies Act 2013, India became the first country in the world to make CSR a legal requirement. When CSR has been mandated by law and made a legal duty of acting in a responsible social way. Many other countries such as China, South Africa, the UK, and Indonesia have taken a reformist step toward CSR by making it a legal mandate and expressing in their corporate statutes to engage in CSR activities. The laws of nations are briefed hereunder:

In India, Section 135 of the Companies Act – 2013 makes it mandatory for businesses and a minimum of 2% of their average net profit for any activity that is provided for in a list compiled by the government must be spent in. The list provided by the act allows businesses to apply their CSR funds toward eradicating poverty and hunger, promoting education, women's empowerment environmental sustainability, etc. The CSR rules in the India Companies Act have given the aforesaid efforts a huge boost. The law encourages corporations to invest their earnings in areas like as education, poverty alleviation, gender equality, and hunger relief. This has resulted in the permanent release of a large sum of money. CSR spending by Indian corporations has surged dramatically since its inception. The government announced major changes in the law in January 2021 which includes permitting the firms to embark on initiatives and all agencies involved in the execution of CSR activities need to register with the government. This law will have an impact on many firms and their CSR programs and personal trusts may be required to change to registered public trusts or cease operating as CSR agents. As a result of these developments, businesses will have greater influence over their social responsibilities than ever before. The impact of environmental, social, and governance (ESG) concerns, or consideration of sustainability and the societal impact of investments or developments abroad by the Indian corporates are likely to have a significant positive impact on companies.

The Chinese companies in doing the business shall undertake social responsibility as stated in the Company Law of the People's Republic of China 2006. It has been experienced that CSR comes under judicial and legal purview more and it is not in the corporates' behavior. Therefore, this CSR idea would work only if its significance and awareness would tempt the company to engage in CSR activities rather than forcibly applying it to companies.

The Indonesia has Limited Liability Company Act 2007 which obligates the implementation of environmental and social responsibility on the companies involved in the natural resources sector or in connection with them indirectly. This act has mandated extractive and energy sector companies to disclose their CSR activities. This legal mandate is for the individual sector which liberals the CSR activities for other sectors.

CSR has been made a legal duty and a part of the fiduciary duty of directors as per the UK Companies Act – 2006. Here, it has been made the duty of directors to keep an eye on CSR activities in the interest of employees, consumers, suppliers, and the environment, and the duration of such CSR programs should be long of term. Furthermore, instead of making a CSR legal duty need to be understood as socially responsible behavior by the management of the company and its stakeholders.

South Africa's Corporate Law – 2008 has mandatory CSR which can be implemented by a company's board of directors so that shareholder's interests are not comprised and can be assisted effortlessly. For implementation of CSR policies, CSR board committee formation has been necessitated. This would assist in supervising the activities undertaken in policy. The underprivileged areas of the region and action for the elevation of local communities also need rumination.

4.3 CSR IS DEEP-ROOTED IN NATION'S CULTURE

CSR is ingrained in Indian culture. Indian leaders lead with a sense of social responsibility. There are actual benefits if such are articulated in authentic social mission for business. *CSR is deep rooted in Indian culture as social commitments in Vedas and old customs has threads in Indian Culture. Here Mantras have taught people to think for others first and this can be observed in spiritual terms when in Yagnas mantras are chanted to invite all the divine powers of universe to come and bless the people. The welfare and happiness of stakeholders is equally relevant that of king has been mentioned by the Kautilya* (famous philosopher in the history of India). In Indian culture rivers are worshipped in the form of goddess so these sentiments could stop the people from polluting them. These values of protecting the trees and resources should come from teachings and when such things are forced, they become formalities instead of responsibilities. The gap between the government and corporations needs to be reduced to furnish the duties efficiently and diligently.

The country's culture and spirituality have proved to be the backbone of its economic growth. One of the Chinese philosophies is Confucianism which emphasizes individuals' roles and responsibilities while dealing in social relationships and setting examples for others.

The Gandhian tradition of trusteeship toward community is the core philosophy in Indian Business culture and South Africa follows the tradition of Ubuntu which means humanity toward others is expressed through mutual responsibility. These traditions have subtle but persistent effects on business role and its views in society. Brazilian corporations' commitment toward social issues like education, health, etc. is influenced by Brazil's liberation spirituality.

Variations in CSR activities are the result of a nation's culture. In India, CSR in India is well-accepted among stakeholders. Companies consider CSR be a plan of action toward social profit sustainable development and concentrates on the triple bottom line of economic, environmental, and social performance. Over a billion people reside here with farfetched cultural diversity between languages, geographic regions religious traditions, etc. The need for rapid social, economic, and technical development has arisen due to geographical and climatic changes. Since ages Indian culture and value systems have inclination for charity, philanthropy, and donations and these activities have been adopted by businesses as well. In India, corporations make charity or donations either voluntarily or to reduce tax liability and focus on inclusive growth.

According to Organization for Economic Corporation and Development (OECD), “Inclusive growth is economic growth that creates opportunity for all segments of the population and distributes the dividend of increased prosperity, both in monetary and nonmonetary terms, fairly across society.” The boost of Inclusive development is required which comprises of providing employment, imparting trainings and present scenario demands augmentation in knowledge-based capital, and such initiatives have already been taken by Indian Corporates. Moreover, economic backward groups must be fulfilled with goods and services at nominal rates.

CSR in developing countries such as Africa has gained interest recently due to increased poverty and inequalities and in such country’s sustainable development challenges have been intractable. In Africa, the general social welfare is focused on necessities of life such as food, shelter, education, health, security. Despite being rich in natural resources countries has not been successful yet to boost its economy. Therefore, it will be justified to say that economic and social development affect the CSR form and culture in the country. The protection and conservation of culture and heritage have been disregarded in Africa and rarely involved consideration over projects on education, water, and poverty mitigation. The communities have to put forth significance to carry out conservation CSR programs of heritage which would attract the attention of corporates, especially tourism and hospitality industries can derive maximum economic value from such initiatives. CSR programs can focus on establishing the prominence of sites, creating cognizance, carrying out physical restoration, and setting up management frameworks and maintenance.

Brazil is a focal emerging market in agriculture and food production and it is in the race to enter into the energy market of renewable and nonrenewable sources. The growth of any nation is possible only through overcoming the challenges and this country has been facing corruption, discrimination and environmental issues. The corporates CSR activities need to focus on these issues to encounter such stark issues.

CSR in developed Countries such as Australia focuses more on community involvement, social responsibility, or stakeholder engagement policies. In Australia, the organization is considered to be solely responsible for the effects of its business decisions and activities on society and the environment. The questions have been upraised on corporate responsibilities in Australian companies when business failures such as Australia's then HIH took place 2001. This corporate collapse occurred together with crises in corporate accountability.

CSR in Canada has been enhanced with the Strategy of Doing Business the Canadian Way. This enhanced Strategy validates that Canadian values is to promote high ethical standards and Canadian companies need to promote the same to strengthen their CSR practices, this ultimately would maximize the investments in host countries. Environmental disasters that are caused by organizations' unchallenged expansion and therefore the increasing global target for environmental and economic sustainability have resulted in growing public attention to CSR (Boulouta and Pitelis, 2014; Liu, 2019). UN SDGs should be achieved in near future by the companies which will necessitate a massive effort not just from the government but also from corporates. The SDGs are already being used by the Indian government as a guide for developing national policies and laws. Companies from other countries are required to improve their respective acts.

CSR activities are beyond the requirements of law and are carried out voluntarily by the corporations in the form of contributions toward the social well-being of deprived communities and the protection of the environment (McWilliams and Siegel, 2001). Along with profit making objectives companies shouldn't compromise with the environment in which it is being operating (Boulouta and Pitelis, 2014). Good CSR practices lead to brand building of the image as well (Melo and Garrido–Morgado, 2012), propounds competitive advantage (Du et al., 2011), increases the chances retention of employees (Greening and Turban, 2000) and even acceptance of the corporate also proliferates (Zheng et al., 2015). Such outcomes are beneficial for the budding firms. In 2008, the Economist (Franklin, 2008) stated, "company after company has been shaken into adopting a CSR policy: it's almost unthinkable today for a giant global corporation to be without one." Thus, for the success of the corporates CSR has become a major element (Kiessling et al., 2016). However, firms' CSR activities and CSR performance still differ between countries caused by the national culture of a particular country (Cahan et al., 2016; Matten and Moon, 2008). The leadership styles differ across cultures. The influence of national culture and expectations of the stakeholders regarding business activities seems has fashioned the role of culture in CSR in both positive and negative ways (Ringov and Zollo, 2007). Whilst there is a strong influence of the nation's culture in which company operates. The company's culture is defined by its origin where headquarters are found as all kinds of formulations and implementation of strategies to conduct the business are articulated at headquarters (Petruzzella et al., 2017).

4.4 HOFSTEDE MODEL: A BRIEF

The different cultures have diverse expectations of corporations' responsibility toward society (Burton et al., 2000). The four cultural dimensions relevant for this study are power distance, individualism vs collectivism, uncertainty avoidance, and masculinity vs femininity.

Power Distance Index (PDI) discusses the fact power in organization or institution is not distributed equally.

Individualism vs. Collectivism (IDV) denotes a framework where people are supposed to be self – centered and take care of themselves and their close family members. Even while decision making, they tend to consult close ones whereas in collectivism people are loyal to communities and even concerned for extended families. Here people are willing to help each other and expect the same from others.

Uncertainty Avoidance Index (UAI) is defined as the extent to which society feels threatened by unforeseen situations and creates more stringent rules. It shows the way how society deals with uncertain future.

Masculinity vs Feminity (MAS) implies that society is more masculine, which means more competition and assertiveness exists in society. The behavior of carelessness about the quality of life is prevalent here while feminine society is more caring and believes in living a quality life and enjoys their work with no competitive nature.

4.5 STUDIES ON HOSTEDE MODEL OF NATIONAL CULTURE

The Hofstede model of national culture has been widely accepted so far, as it includes characteristics of societies, several dimensions of national culture. This model has been applied in many studies related to cross-culture research (AlAnezi and Alansari, 2016). However, several literatures have contradicting findings regarding the connection between national culture and CSR. For instance, (PDI) and masculinity (MAS) have conflicting outcomes in numerous studies. In Peng et al. (2012), their dimensions have a negative influence on firms' CSR engagement and environmental performance. However, prior studies from Ho et al. (2012) show a positive effect of PDI on corporate social performance (CSP), and Naeem and Khurram (2019) found a positive effect of MAS on CSR. Furthermore, Ioannou and Serafeim (2012) found that IDV features a positive relationship with CSR performance. Peng et al. (2012) in their study stated that uncertainty avoidance (UAI) is additionally a predictor of CSR performance. Therefore, the country's culture is prominent in influencing CSR. For many years, countries worldwide have undergone significant economic and social development; however, today, the consequences of the economic and social development on the environment and human societies are unsustainable. Therefore, country institutions are including principles and rules of sustainable development in their policies (Banerjee et al., 2019). Companies are embedded in institutions, and external and internal pressures on firms concerning CSR may differ around the world. For instance, in countries with poorly developed institutions, standards for social and environmental indicators could also be low and affect the corporation. Thus, it is interesting to look at the influence of headquarters since the headquarters incorporates a pivotal role within the firm and represents the company's legal domicile (Ciabuschi et al., 2012). In recent decades, increasing globalization and borderless global careers have resulted in multinational enterprises (MNEs) acquiring more foreign CEOs, because MNEs believe that this may benefit them since these CEOs have cosmopolitan views, multilingual skills, and global visions (Arp et al., 2013). Today, it is necessary for firms to grow to be multicultural MNEs because of competition. Foreign CEOs have different values, behaviors, and beliefs than their colleagues. Consequently, it is interesting for organizations to urge a much better understanding of foreign CEOs in terms of whether or not they affect the connection between national culture and CSR performance.

4.6 LITERATURE ON NATION'S CULTURE IMPACT ON CSR ACTIVITIES

This section includes the literature on CSR, CSR performance, and national culture. CSR has attracted worldwide attention from every style of stakeholder and gained increased resonance within the global economy thanks to the emergence of international trade and globalization (Halkos and Skouloudis, 2017). Therefore, including CSR activities in organizations has become a mainstream objective. Within the past decades, various definitions of CSR have been proposed, and many studies have disaggregated CSR into multifaceted dimensions (McWilliams et al., 2006; Inoue and Lee, 2011). The common concept of CSR refers to a business model or action that's in line with ethical standards and social norms regarding corporate decision-making and behavior (Branco and Rodrigues, 2006). Additionally, CSR also includes companies voluntarily contributing to society and the environment beyond what is required by law (McWilliams and Siegel, 2001). Therefore, CSR goes beyond economic and legal concerns to target social and environmental concerns.

The CSR concept has grown significantly and this has resulted in a very great proliferation of approaches, terminologies, and theories. In the beginning, CSR was more on the social responsibility of people engaging in businesses but later CSR started focusing more on the role and perspective of a company (Kang et al., 2016).

Since firms can define opportunities for improvement, identify their strengths and weaknesses, and adapt their strategies by measuring their CSR activities into performance, thus measuring the CSR performance of firms has relevance. National culture within the field of international business, a country's culture is seen as fundamental determinant underlying systematic differences in people's behavior. Moreover, cultural values emphasize shared perceptions and behavior about what's right and desirable in society. They justify and shape individual and organizational behavior (Schwartz, 2006). Moreover, national culture, including its norms, values, beliefs, practices, and meanings, implies that a technique of doing is preferable to a different (Newman and Nollen, 1996).

4.7 CONCLUSIONS

In simplified words the concept of CSR is associated with social, economic and environmental welfare and looking beyond profits. However, India achieved paramount and became the first country in the world to make CSR spending mandatory under statutory compliance, there exist several challenges ahead that would be overcome when the government, corporations, and civil society works in collaboration. This is for other countries as well where a proper framework of CSR is needed and implementation needs to be done in a proper manner by the institutions. Therefore, corporations must enlist CSR activities per their region and spread awareness among the people at large to favor such programs. The CSR rules and laws in India mix two factors under the CSR regime: traditional philanthropy and strategic projects. A community's need is foremost important in a country like India where essential facilities and resources are such as clean toilets, schools, water facilities electricity supply, etc. Undeniably, community responsibility and spiritual practices have geared the development and they are deeply rooted in culture which can be viewed in Indian business practices. In China, the forces of globalization have transformed corporations and companies have emerged as strong players in activities such as mergers, acquisitions, and outsourcing despite cultural disparity. Multinational companies are more inclined and prioritize global consistency through managing international standards and preserving the interests and values of headquarters and home country while local representatives focus on local issues and values. This kind of conflict needs to be managed through an organized framework developed at the global level. Thus, the obligation of undertaking assured activities as a part of CSR is imperative for reporting issues like poverty, underdevelopment, and environment in the least developed and evolving economies. However, in rich countries like Australia, funds are made available for green business practices implementation. CSR is approached with the intrinsic abilities of the business in such wealthy countries. All the CSR regulations prescribed by the laws have explicitly expressed the sector or areas to be focused on while implementing CSR policies or activities. CSR is a social belief which should be inculcated in the culture and value systems of the individuals from childhood. It is just not legal duty rather it is the responsibility of the individuals to be fulfilled. The laws framed by the countries for regulation of CSR have become the need of an hour to unveil the concept of social welfare as each and every aspect of the business is equally significant. The extent to which the country's cultural traditions are sustained amid such major shifts in terms of regulations and dynamically changing operational environment corporates need to work and find their way into CSR practices in the coming years.

KEYWORDS

- **nation’s culture**
- **Hofstede model**
- **Indian Vedas**
- **economic backward groups**
- **drivers of CSR**
- **Confucianism**

CHAPTER 5

Regulatory Framework of Corporate Social Responsibility Across the World

ABSTRACT

This chapter provides a thorough examination of the dynamic nature of corporate social responsibility (CSR) rules in prominent nations, such as the United States, United Kingdom, India, France, Canada, Germany, China, and Indonesia. This study explores the process of creating and executing CSR laws, with particular attention given to prominent frameworks like the Global Reporting Initiative (GRI). This chapter offers an analysis of the historical development and fundamental elements of CSR rules in various countries. It emphasizes the distinct techniques and strategies employed to encourage ethical company activities. Moreover, this study investigates the effects of these regulatory frameworks on enterprises, stakeholders, and society, with a particular focus on the influence of standardization and compliance in crafting a sustainable future.

5.1 INTRODUCTION

CSR is frequently thought to be a voluntary activity rather than a legal requirement. Nonetheless, during the last few decades, the world has seen a growth in explicit CSR legislation—a set of regulations that expressly target corporations and openly contain CSR or its counterparts.

The majority of research and policy attention on explicit CSR legislation have so far been concentrated on communicating about CSR compulsorily, which calls for divulgence from firms about substantial information

Corporate Social Responsibility in the Global Business World: A Conceptual, Regulatory, and Illustrative Framework. Meenu Maheshwari, Ashok Kumar Gupta, Pragya Gaur, Nupur Tiwari, and Shobhna Goyal (Eds)

about their societal and ecological objectives, actions, or performance. However, given the limits of the mandated disclosure strategy, it is critical to broaden the focus beyond disclosure and investigate alternate solutions. The evaluation of compulsory CSR, transforming corporate altruism into compliance, establishing structure of governance compulsorily and a duty of CSR performed necessarily are something on the ground concepts that have lately arisen. In response to this trend, process-oriented laws are being developed that address CSR as a management process. This regulatory approach requires businesses to assess social and environmental risks related to their operations, as well as development and execution of acceptable plans should be there to mitigate those risks.

Various countries followed GRI standards for this goal, while others formulated their own disclosure, reporting, and expenditure legislation in order to handle the field of corporate social responsibility (CSR) and expand its function from a voluntary to a mandatory activity. Here are a few that have been discussed:

5.2 GRI STANDARDS

An interrelated set of modular standards makes up the GRI Standards. They enable businesses to openly communicate the effects of their operations in a systematic, transparent manner to beneficiaries and other individuals or association concerned with it. It is possible for organizations to indicate whether they have contributed positively or negatively to sustainable development by using these Standards to determine what issues are material (relevant) to report on.

The GRI Standards can be utilized by any company, big or little, public or private, from any industry or region. The Standards are used by journalists, stakeholders, and other users of data. An organization's reporting must be credible, comparable, and cross-domain in order to measure the impact of an organization over time and in comparison with other organizations, for which purpose the reporters adhere with the standards. The Standards also assist stakeholders and other information users in understanding what is expected of an organization in terms of reporting on and using the data it publishes in various ways. The provided information can be used by the company to evaluate its policies and strategies, as well as to assist decision-making processes such as goal-setting and target-setting.

These data can be used by stakeholders as well. The information provided is useful for benchmarking and policy-making, as well as for academic research. Comprehending information can be enhanced by providing background information and explanations.

The Universal Standards of GRI apply to all organizations and comprises of:

- **GRI 1: Foundation 2021 (GRI 1)** covers how to utilize the GRI Standards, defines key ideas, and explains why they exist. Using the GRI Standards, organizations are required to meet certain standards in order to remain compliant. It also lays forth the core characteristics of excellent reporting, such as accuracy, balance, and verifiability.

- **GRI 2: General Disclosures 2021 (GRI 2)** includes information on an organization's structure, reporting processes, activities and workers, governance, strategy, policies, practices, and stakeholder involvement. These provide information about the organization's profile and size, as well as a background for comprehending its impacts.

- **GRI 3: Material Issues 2021 (GRI 3)** discusses how an organization can determine the material topics that are most important to its impacts, as well as how the Sector Standards are employed in this process. In addition, the document contains information on the organization's material topics, its process for selecting them, and how they are managed throughout.

5.2.1 GRI SECTOR STANDARDS

Organizational reporting needs to be more accurate, complete, and consistent by using GRI Sector Standards. Oil and gas, agriculture, aquaculture, and fishing will be among the 40 industries for which standards will be set, with the most significant impact first. The Standards identify subjects that are expected to be material for most firms in a given sector, as well as the disclosures that should be included in these reports. If a relevant Sector Standard exists, an organization is obligated ("mandated") to utilize it when reporting against the GRI Standards. Each Sector Standard begins with an assessment of the sector's features, as well as the activities and business interactions that can underpin its consequences.

This section provides a comprehensive analysis of the sector's most prominent impact issues, categorized by topic. Organizations must report disclosures that are included in each topic description based on the Topic Standards. A Sector Standard may also include extra disclosures not included in an Issue Standard, such as when the Topic Standard's disclosures are insufficient to explain the organization's impacts on the topic. Sector-specific evidence, international instruments, and sector experts' opinions are used to identify the themes and associated disclosures.

5.2.2 GRI TOPIC STANDARDS

Disclosures for giving information on subjects are included in the GRI Topic Standards. These standards cover waste management, workplace health and safety, as well as taxation. Each Standard defines a general overview of the subject as well as particular disclosures about the subject and how an organization handles its associated effects. An organization chooses Topic Standards that are relevant to the material themes it has identified and reports on them.

5.2.3 THE PROCESS OF REPORTING

The core of sustainability reporting is for a company to recognize and prioritize its economic, environmental, and human consequences, as well as to be honest about those impacts. GRI 1 is the beginning point for all businesses reporting utilizing the GRI Standards since it lays out fundamental concepts and principles as well as the reporting criteria.

5.2.3.1 IDENTIFYING AND ASSESSING IMPACTS

Identifying and measuring its effects are part of an organization's day-to-day operations, which vary depending on the situation. At this juncture, the Sector Standards are useful since they identify the qualities of a sector that underpin its effects. The Sector Standards provide a useful tool for identifying an organization's impacts by listing the subjects and implications.

The impacts outlined must be considered by an organization to determine whether they apply to it. In order to determine and measure, the magnitude of an organization's effects, it's critical to first understand its context. GRI 2 helps with this by defining detailed disclosures for several parts of an organization's operations. GRI 3 shows how to identify and evaluate impacts in a step-by-step manner.

5.2.3.2 DETERMINING MATERIAL TOPICS

After determining the importance of its effects, an organization must choose which to report. To do so, it must first prioritize the negative consequences. This is made easier by categorizing the impacts into themes (such as "water and effluents" or "child labor"). This identifies which topics are most important to the organization's activity—its material topics. GRI 3 also includes a step-by-step guide on how to put this grouping together. An organization must disclose the method by which it decides its material topics to report in compliance with the GRI Standards, and the disclosures in GRI 3 make this easier. Again, the Sector Standards are used in the selection of material themes. The themes in the appropriate Sector Standard should be compared to the material topics chosen by the organization. This assists the organization in ensuring that no issues that are likely to be relevant to the sector have been ignored. When reporting in compliance with the GRI Standards, an institution must apply a relevant Sector Standard if one is available. The Sector Standards are an aid, not a replacement, in determining content themes. When choosing material issues, however, the organization must nevertheless take into account its unique conditions.

5.2.3.3 REPORTING DISCLOSURES

After determining its material themes, an organization must collect appropriate data in order to report precise information on each issue. An organization in a sector has identified disclosures from the Topic Standards that should be reported in the Sector Standard. Additional sector-specific disclosures are supplied where applicable. For reporting in conformity with GRI Standards, data must be gathered as specified in the Topic Standards. They provide a structured means of providing this information when combined with the disclosures from GRI 2 and GRI 3. If an organization is unable to meet the reporting requirements, it may be permitted to exclude information in certain circumstances, provided that a legitimate justification is supplied.

5.2.3.4 REPORTING IN ACCORDANCE WITH THE GRI STANDARDS

The GRI Standards are recommended for reporting. The organization reports on all of its material topics and their associated impacts, as well as how it manages these topics using this technique. This method of reporting gives a complete view of a company's most significant economic, environmental, and human impacts. While organizations may need to report in line with GRI Standards if they cannot meet certain reporting requirements or if they want to report specific information for regulatory purposes, they must also comply with GRI Standards.

5.2.3.5 NAVIGATING A REPORT

GRI-compliant reports can be published in a variety of formats (e.g., electronic and paper-based) and distributed to many locations (e.g., standalone sustainability reports, webpages, and annual reports). A GRI content index is required for reports. The report's reliability and openness are enhanced by the content index, which makes disclosed material traceable. The content index gives a quick overview of the organization's submitted data and assists stakeholders in navigating the report. Organizations are required to use GRI Standards, which are described in this document.

A shareholder can also use the content index to figure out what the company hasn't reported. If a "reason for omission" is used, the organization must indicate that in the content index. Furthermore, the content index must include a listing of the disclosure or requirement that the organization is unable to meet, as well as an explanation. Sector Standard reference numbers give each disclosure mentioned in a Sector Standard a unique identity if it applies to the organization. This allows consumers of the information to determine which of the disclosures stated in the appropriate Sector Standards are included in the organizational reporting.

5.3 INDIA: SECTION 135 OF THE COMPANIES ACT, 2013

5.3.1 LEGISLATIVE BACKGROUND

"Paragraph 135—It has been intended by this new clause that Corporate Social Responsibility Committees of Boards shall be appointed by every firm with defined net worth, net profit, or turnover for any financial year," according to the notes on provisions of the Companies Bill of 2011. The Board's report must reflect the Committee's makeup. Activities listed in Schedule VII are to be taken into account in the development of policies by the Committee. A report by the Board must disclose the policy's content and, if applicable, on the company's website. Additionally, the section states that the Board of Directors should strive to spend at least 2% of the company's average net income during the prior 3 years on such policies.

5.3.2 CORPORATE SOCIAL RESPONSIBILITY—MEANING AND CONCEPT

According to the Companies (Corporate Social Responsibility) Rules, 2014, "CSR" implies and includes, but is not limited to, what is described in rule 2(1)(c).

i. In accordance with Schedule VII of the Act, projects or programs related to those activities are eligible; or
ii. In accordance with the company's declared CSR Policy, projects or programs undertaken by the Board according to the recommendations of its CSR Committee, subject to its coverage of subjects listed in Schedule VII.

The preceding definition is not complete. It simply refers to the activities listed in Schedule VII. The above-mentioned schedule includes 14 subheadings. The items are to be read freely to capture the substance of the themes in the schedule, according to the General Circular No. 21/2014, dated 18.06.2014. As a result, any activity that corresponds to the areas listed in Schedule VII might be classified as CSR.

5.3.3 CSR IN INDIA

Corporate social responsibility is well known among Indian companies. Our Vedas teach that man can live independently but only survive together, a concept that dates back to the beginning of time. According to the Vedas, the state's essential goals were to maintain peace, order, security, and justice. The public's welfare was clearly seen as the government's primary goal. Thus, the task is to balance the interests of individuals and society to create a progressive community. Modern businesses are no longer considered just economic entities whose sole purpose is to maximize shareholder profits. The Supreme Court decision detailed the evolving aspects of a modern company, as well as all of its newly conferred features.

All stakeholders, including the general public, are expected to be treated responsibly by the corporation. The law also requires directors to take all stakeholders into account when making decisions, not just shareholders. "Corporations were traditionally regarded as handy mechanical devices for carrying out trade and industry," according to the statement. With this shift in socio-economic thinking, the growing importance of businesses in the modern economy, as well as their growing impact on individuals and organizations as a result of their operations, became more widely recognized. It became clear that the corporation is a type of social organization with its own life and dynamics, wielding considerable power in modern society.

In order to achieve long-term economic and social stability, the country must implement a socialist social model spurred the formation of this new corporate idea. Since then, the new corporate philosophy has been led and developed by the socio-economic goals set forth in Part IV of the Constitution.

Even in largely capitalist countries, it is generally widely understood that a firm is not a property. The long-held belief that the firm is the property of its shareholders has been debunked. There was a period when a group with a majority of a company's shares would say, "This is our concern." We're free to do whatever we seek through it." Those who brought in the capital were designated as the owners of the company. That was the result of the property-oriented capitalist society in which the corporation concept was born. However, in light of shifting socio-economic notions and ideals, this viewpoint is no longer acceptable.

Social scientists and philosophers today regard businesses as living, breathing, and dynamic social organisms whose relationships with the community they operate in are strong and deep. It would be incorrect to regard it as property of the stockholders. True, stockholders contribute capital, but capital alone is insufficient. It's just one out of many factors that go toward the creation of national prosperity.

India's Ministry of Corporate Affairs on November 21, 2009 released the Voluntary Guidelines 2009 for CSR, in response to the need for development. CSR policy was expected to be a key element of a company's general business strategy as a road map for CSR initiatives and activities as outlined in the Voluntary Guidelines 2009, as well as a strategic planning guide. As a result, the CSR Policy was supposed to address the following four key areas:

- **All Stakeholders Should Be Cared For**
  In order to create value for all stakeholders, firms must respect and respond to their needs. They should devise a method for actively engaging with all stakeholders, informing them of inherent risks and mitigating them when they arise.

- **Compliance with Ethical Standards**
  Ethics, transparency, and accountability should all be a part of their governance systems. They should refrain from engaging in unfair, corrupt, or anti-competitive business activities.

- **Commitment to Welfare and Rights of Workers**
  It is the responsibility of companies to ensure that their work environments are safe, sanitary, and humane. All employees should be able to gain critical skills for career advancement through training and development without discrimination. They should defend labor union freedom of association and effective acknowledgment of the right to collective bargaining, have an effective grievance resolution system, not use child or forced labor, and provide and preserve equal opportunity in recruiting and employment.

- **Observance of Human Rights**
  Respect should be displayed by companies toward all human rights and avoid complicity in human rights violations, whether by themselves or by other parties.

- **Respect for Environment**
  Companies should take steps to reduce pollution by recycling, managing, and reducing waste; maintaining a sustainable environment for natural resources, ensuring optimal use of resources like land and water; and proactively responding to climate change

challenges in a sustainable way by using more energy efficiently, promoting healthier manufacturing methods, and promoting environmentally friendly technologies.

- **Inclusion and Social Development Activities**
  Economic and social development should be a priority for companies, particularly in their local communities, based on their core competency and business interests. These could include things like education, skill development for people's livelihoods, health, cultural and social welfare, and so on, with a focus on underprivileged people. Several major Indian corporations have set aside distinct budgets and increased their CSR spending in recent years. This has resulted in a new section of the Act dedicated to CSR, which contains a broad set of requirements and standards.

5.3.4 APPLICABILITY OF CSR PROVISIONS

Companies meeting the following criteria must form a "Corporate Social Responsibility Committee" as a part of their Board of Directors every financial year:

i. Net worth of ₹500 crores or more
ii. Turnover of ₹1000 crores or more
iii. Net profit of ₹5 crore or more

This provision applies to all corporations, whether public or private and includes companies registered under Section 8 as well as international companies with a branch or project office in India.

The net worth of the company must be estimated using the company's most recent audited financial statements (as defined in paragraph (57) of section 2), while the definition of "turnover" [as defined in clause (91) of section 2] applies to a financial year. Rule 2 (1) (f) defines "net profit" as "profit estimated in financial accounts issued in accordance with the Act, deducting profit resulting from overseas branches and dividend received from firms complying with section 135." The guideline further specifies that no restatement of earnings is required for years in which the financial statements are prepared as per the Companies Act, 1956. It should be highlighted that in order for dividend income to be deducted from net profit, the payer corporation must follow the provisions of Section 135 and really spend the amount specified. Further, a question evolved regarding the interpretation of “Any Financial Year.” The Ministry clarified vide general circular no. 21/2014 dated 18.06.2014 that “any financial year” referred under sub-section (1) of section 135 of the Act read with rule 3(2) of Companies CSR Rule, 2014, implies “any of the three preceding financial years.” Hence, the previous three financial years are to be considered for deciding the applicability of the CSR provisions. The Companies (Amendment) Bill, 2016 proposes to change the criteria by substituting the words “the immediately preceding financial year” for the words “any financial year.” If the corporation fails to spend the money, the dividend income is not deducted from the net profit as per rule 2(1). (f). In the event of a foreign firm, the net profit is calculated using the profit and loss statement established in accordance with clause (a) of sub-section (1) of section 381 read with section 198.

5.3.5 COMPOSITION OF CSR COMMITTEE

Three or more directors must be on the Committee, at least one of whom must be an independent director. Rule 5 stipulates that an unlisted public business or a private firm that is not obligated to appoint an independent director should have no independent director on its CSR Committee.

It is required that each company’s CSR Committee has two members, even if it has only two directors on its Board of Directors. A foreign business’s CSR Committee must include at least two members, one of whom must meet the requirements of clause (d) of sub-section (1) of section 380 of the Act, and the other must be selected by the foreign firm. Subsection (1) of section 380, clause (d), requires foreign corporations to notify the Registrar of one or more persons living in India who are authorized to accept notices and other documents on their behalf.

“The company shall have two or more directors on its Corporate Social Responsibility Committee when it is not required to nominate an independent director under sub-section (4) of section 149,” the Companies (Amendment) Bill, 2016, recommends.

Once the criteria in subsection (1) of section 135 have been met, the CSR Committee will be formed. The Act does not define a time limit. As a result, keeping in mind the Committee’s responsibilities, it may be formed at any moment after the provisions take effect, however, this must take place before the year ends.

5.3.5.1 DUTIES OF THE CSR COMMITTEE

- It is the responsibility of the CSR Committee to develop and recommend a CSR policy to the Board. The company's CSR policy should outline the activities listed in Schedule VII.
- The CSR Committee will make a recommendation for how much money should be spent on the company's CSR initiatives.
- The Committee shall design a transparent controlling framework for the implementation of the company's CSR projects, programs, or activities.

5.3.6 CSR REPORTING

The following regulations apply to CSR Reporting:

- An annual report on CSR must be included in the Board's Report for any financial year beginning on or after April 1, 2014;
- An Annexure with a report on the CSR policy must accompany the balance sheet submitted by a foreign firm.
- A CSR Policy outlines how the Company will comply with Schedule VII of the Acts with regards to action and expenditures. There should be no overlap with the corporation's ordinary operations.
- It is recommended that the CSR Policy be posted on the company's website by the Board of Directors, and the company must carry out the actions outlined in the policy.
- The Company can collaborate with other businesses to carry out projects, programs, or CSR activities and report on them separately.
- The CSR policy will keep track of the projects and programs.

5.3.7 ACTIVITIES PERMITTED BY SCHEDULE VII OF THE COMPANIES ACT (2013)

The Board must verify that a company's CSR Policy actions are covered by schedule VII. Companies may incorporate certain activities in their CSR Policies, as outlined in Schedule VII. These pursuits are linked to the following:

- Assisting the Central Government in providing cleanliness and safe drinking water as part of its Swach Bharat Kosh initiative to end poverty, starvation, and famine.
- Children, women, the elderly, and those with disabilities benefit from improved education, including special education and employment opportunities.
- Promoting gender equality, by establishing homes and hostels for women and orphans, as well as old age homes, daycare centers, and other facilities for seniors, and reducing inequities experienced by socially and economically disadvantaged individuals.
- Promotion of rural, national, Paralympic, and Olympic sports.
- Environmental sustainability, ecological balance, safeguarding flora and fauna, animal welfare, agroforestry, managing natural resources, and soil, air, and water quality maintenance, including a contribution to the Ganga's renewal.
- Establishing public libraries, repairing historical structures and artwork, and promoting traditional arts and crafts are all part of maintaining our nation's history, art, and culture.
- Veteran and dependent benefits, as well as benefits for veterans of the Central Armed Police Forces (CAPF) and the Central Paramilitary Forces (CPMF) and their widows.
- Contributions to the Prime Minister's National Relief Fund (PM-CARES), or any other Central Government fund established for socio-economic development to SC, Scheduled and backward classes, minorities, and women.
- Public sector undertakings, State governments, or any Central/ State government agency sponsoring incubators or research and development initiatives in science, technology, engineering, and medicine.
- Contributions to universities, IITs, national laboratories, and autonomous bodies under DAE, DBT, DST, the Department of Pharmaceuticals, the Ministry of Ayush, the Ministry of Information and Electronics, and other organizations conducting research on sustainable development goals (SDGs) such as the DRDO, ICAR, ICMR, and CSIR.
- Projects that promote rural development
- Construction in slums.

- Disaster relief, rehabilitation, and reconstruction are all part of disaster management.

5.3.8 FINES AND PENALTIES FOR NON-COMPLIANCE

It is possible to fine corporations a minimum of ₹um of which can reach up to maximum ₹which ca for failing to comply with the laws governing CSR spending, transferring, and using unspent funds. Furthermore, any officer of such corporation who fails to comply shall face a penalty of either 3 years in prison or a minimum fine of ₹50,000 that can be increased to ₹5 lakhs, or both.

5.4 UNITED KINGDOM: UK COMPANIES ACT, 2006

The Companies Act of 2006 establishes a framework for CSR in the United Kingdom.

It's worth noting that neither the Companies Act 2006 nor the Corporate Governance Code mention or define the term "corporate social responsibility." Despite the lack of a formal definition for CSR, most legal academics and government white papers include the element of "working with or advancing stakeholder interests," whether social, environmental, ethical, labor, or otherwise. As a result, CSR can be described as the use of a company's resources to promote stakeholder interests. As a result, the question might be rephrased as follows: "How does English company law govern the allocation of a firm's resources in order to promote shareholder interests?"

The Companies Act of 2006, which made mandatory the reporting on many social and environmental issues for the first time, is an example of reflexive law in action and possibly represents the CSR movement. In place of a director's conventional common law duty of loyalty, the Companies Act 2006 codifies the notion of "enlightened shareholder value," which is CSR in a nutshell.

5.4.1 SECTION 172 COMPANIES ACT 2006—DIRECTOR'S DUTY TO PROMOTE SUCCESS OF THE COMPANY

Section 172 of the Companies Act 2006—obligation to promote the success of the company—is relevant in establishing the extent to which directors are legally bound to consider and promote stakeholder interests.

While Section 172 has aided CSR by enshrining stakeholder interests in the corporation, a director's fiduciary duty to consider these interests is owed entirely to the company and not to the stakeholders. Stakeholders, on the other hand, are not permitted to file a claim under section 172 against the director if he or she has failed to consider their interests in making decisions. As a result, section 172 looks to serve as more of an insulated defense for directors in justifying their decisions than a valid path of action for stakeholders.

5.4.2 ENLIGHTENED SHAREHOLDER VALUE APPROACH

The ESV method adopts a utilitarian perspective to a business's stakeholders, stating that while the aim of a corporation is to maximize profits for its shareholders, investors' interests must be considered in such a way as to benefit long-term success and profitability of shareholders. In other words, under section 172 and the current ESV approach, stakeholder interests must only be taken into account and promoted to the extent that they benefit the firm and its members. As a result, CSR is currently governed through a prescriptive approach under section 172 of the CA 2006, which ensures that any choice to deploy corporate resources to promote stakeholder interests must be for the firm's profit.

5.4.3 SECTION 414 COMPANIES ACT 2006—REPORTING OBLIGATIONS

Mandatory reporting requirements help the self-regulatory process by increasing openness and accountability of director actions for shareholders and stakeholders. The Corporations Act of 2006, Section 414A, makes it mandatory for directors of certain companies to produce yearly strategy reports explaining how they have taken stakeholder interests into account when making decisions. This allows shareholders to evaluate how well the directors have carried out their section 172 responsibilities. Section 414C requires quoted firms to explain how their policies have impacted the environment, their employees, and potential social, community, and human rights issues in their annual reports. The report also calls for the publication of statistics on gender diversity in top management roles.

More recently, the Companies (Miscellaneous Reporting) Regulations 2018 added new reporting requirements through section 414CZA CA 2006, which notably extends the responsibility to post a section 172(1) report on a website to large corporations.

5.5 FRANCE

The French Parliament passed two legislation known as the Grenelle Acts in 2009 and 2010, requiring all large corporations with activities in France to produce an annual report on CSR issues. The government passed provisions for the execution of this legislation in April 2012. This rule built on law passed 10 years prior and was the outcome of a protracted and extensive consultation process with many parties involved in CSR that lasted from 2007 to 2011. This document will outline the many processes in the process that led to this legislation, as well as the meaning linked to it, as well as a range of opinions on the approach's applicability and the challenges it faces.

5.5.1 THE FIRST LEGAL FRAMEWORK

5.5.1.1 THE NRE ACT 2001: A PIONEER LAW

The French Parliament approved various regulations in 2001, while the country was led by a conservative President and a socialist Prime Minister, to stimulate CSR and SRI (socially responsible investment) in the business sector. The Law on New Economic Regulations, often known as the NRE Act, mandated that The annual reports of public corporations detail the steps they take to address environmental and social concerns. In a following directive from 2002, over 30 subjects were selected. These prescriptions were primarily created to provide shareholders with security through openness. It changed the way shareholders and other stakeholders (including rating agencies) assessed a company's overall performance. The NRE Act made no mention of punishments. This part related to a lengthy legacy of "orientation laws," as they are known in France. In France, laws of this nature are frequently passed with the goal of establishing key national goals that are bolstered by the weight of parliamentary votes. If management failed to comply with reporting obligations, shareholders could force the company to fix the problem. These new, more detailed reports were to be given during annual general meetings.

5.5.1.2 COMPANY COMPLIANCE

Various bodies evaluated the NRE Act on a regular basis and examined its execution. Auditing firms (such as CFIE-Conseil, Alpha, Price Waterhouse Coopers, KPMG, and others) have issued annual studies. In 2004, the government commissioned three major organizations (ORSE, Orée, and EpE) to conduct a research. Despite the flaws in the mechanism's implementation, all of the studies found that it should be maintained in its current form, without being legally enforced, to promote experimentation. In 2007, the Ministry of Ecology and Development conducted its own investigation and found that 81% of businesses had made some effort to report.

Companies were beginning to include sustainable development and CSR into their main strategies: Following the NRE Act, leading French corporations began to form specific sustainable development and/or CSR departments, according to the C3D group (College of Sustainable Development Executives). Furthermore, the NRE Act imposed greater accountability at the highest levels, with the AMF (French Financial Market Authority) stating in 2009 that part of the CEO's variable compensation was indexed on non-financial performance results in 17% of listed businesses. In a global survey on CSR reporting conducted by the auditing firm KPMG in 2011, France was ranked fourth in the world for extra-financial reporting among large corporations, leapfrogging the United States.

5.5.2 THE GRENELLE PROCESS

5.5.2.1 THE GRENELLE II ACT—ARTICLE 225: A NEW REPORTING REGULATION

With a new conservative President, Government, and Parliament in place in 2007, France started the "Grenelle for Environment," a nationwide multi-stakeholder discussion on sustainable development. It ended with the passing of two new laws, the Grenelle 1 Act (August 3, 2009) and the Grenelle 2 Act (August 3, 2009) (July 12, 2010). The positive benefits of the NRE Act were agreed upon during this process, which included participation from business organizations, trade unions, environmental and consumer NGOs, and academics.

The goal of improved security for shareholders, as well as consumers and society as a whole, has been attained to a large extent. During this process, which included participation from business organizations, trade unions, environmental and consumer NGOs, and academics, the beneficial effects of the NRE Act were agreed upon. To a significant measure, better security for shareholders, consumers, and society as a whole had been achieved. Many enterprises with significant social and environmental consequences, particularly major non-listed companies, both private and state-owned, were exempt from reporting requirements because they were outside the scope of the law. Furthermore, many critical CSR reporting themes were left off the list, while some of the ones that were included were not applicable to all industrial sectors, and some of the reporting indicators were insufficiently informative. Using the proven NRE procedure, the "Grenelle II" Act attempts to address these issues in article 225. Annual reports must now indicate how companies assess the social and environmental impacts of their activities, and how they support sustainable development.

The implementing decree, which was released on April 26, 2012, modifies Section 225-102-1 of the Commercial Code and includes the following noteworthy changes:

1. It widens the scope of organizations that must file mandatory reports based on a variety of criteria: in short, by December 31, 2013, all businesses with more than 500 employees will be subject to these reporting requirements.
2. It broadens the scope of information required: businesses must now report on more than 40 topics, divided into three groups—Social (employment, labor relations, health, and safety, etc.);—Environmental (pollution and waste management, and energy consumption, etc.);—Sustainability commitments (social impacts, stakeholder interactions, and human rights…) The list of subjects reflects the essence of the most important worldwide CSR reporting guidelines (ISO 26000, Global Compact, Guiding Principles of Human Rights and Business, the OECD Guidelines for multinational corporations, Global Reporting Initiative). About

a third of these topics will be handled separately, in the sense that they are essential for publicly listed companies but not for private companies.

3. A "compliance or explain" technique is suggested in which businesses can choose to withhold information on subjects unrelated to their business but must explain why. The independent auditor next provides his opinion on the omissions and explanations that have been provided.
4. It imposes stricter criteria for the scope and quality of a company's report: a company's report must cover all of the company's and subsidiaries' actions, according to the decree. It must include data from the current fiscal year, as well as, if appropriate, data from the previous fiscal year, to allow for comparison. If a company chooses to meet its reporting requirements by adhering to a national or international reporting framework (social or environmental).

France took a key step toward demanding integrated sustainability and financial reporting for all large firms with the enactment of the Grenelle II law in July 2010. According to Article 225 of Grenelle II, many publicly traded companies in France are obligated to include information in their annual reports about the social and environmental consequences of their acts, as well as societal commitments to sustainable development. Grenelle II is the most powerful legislative mandate in favor of sustainability reporting that has ever been enacted. The rule proposes a phase-in method, with large publicly listed corporations required to comply in their 2012 annual reports and smaller enterprises need to comply in 2014. In addition to financial information, the annual management report must include nonfinancial information, which ought to be ratified by board of directors.

There are six main titles in the Law:

Title I, "Structures and Urban Planning," is concerned with enhancing the energy efficiency of buildings. Existing structures must lower their energy consumption by 38% by 2020. It also includes initiatives to strengthen the city planning law and to modify outdoor advertising (such as by means of neon signs). Outside of cities, such advertising is forbidden, however, it is authorized in airports and train stations.

Title II, "Transport," includes steps to accelerate the development of public transportation infrastructure, such as encouraging local governments to offer bicycle lease services and encouraging the usage and development of electric and hybrid vehicles. It also addresses the growth of non-truck ways of merchandise transportation.

Title III, "Energy and Climate," outlines policies aimed at reducing energy consumption and carbon emissions, including displaying a product's energy-CO_2 performance on the label, maintaining France's lead among European countries in renewable energy production, and advancing the development of new fuels derived from plants or organic waste.

Title IV, **"Biodiversity,"** addresses actions aimed at ensuring the ecosystem's proper functioning and regaining good ecological water quality, as well as establishing a "blue and green" infrastructure by 2012, minimizing agricultural and natural area loss, and lowering chemical contamination.

Title V, **"Risks, Health, and Wastes,"** proposes, among other things, measures to reduce noise and artificial light nuisance, strengthen the Independent Airport Noise Monitoring Agency's competency, and educate the public about the impacts of electromagnetic waves. Certain establishments are required to keep track of the quality of their indoor air. Students are not allowed to use cellphones in school, according to the law. It also includes trash management recommendations.

Finally, **Title VI**, **"Governance,"** mandates that businesses include a section on the social and environmental effects of their operations in their annual reports, as well as a statement of their commitment to long-term development. Companies must give customers with CO_2 emission information starting on July 1, 2011, as part of a 1-year trial that begins on July 1, 2011.

Since 2012, companies have been required to include environmental and social data in their annual report, which documents all of the company's subsidiaries, effectively making it a full unified report. Major publicly traded companies are anticipated to comply with Article 13 of the law in 2012 reports, while smaller companies (with fewer than 500 employees and a total value of assets or sales of less than €100 million) are expected to comply with Article 13 in 2014. Grenelle II requires a third party to verify all other "extra-financial" data included in the report. The Decree on the obligations of disclosure for companies in 42 social and environmental fields (only a few specific indicators are listed) requires companies with an annual balance of 100 million Euros or an average of 500 full-time employees, as well as companies with securities listed on the stock market; such companies also have to disclose certain social and environmental information. It is the responsibility of companies to explain why some data aren't reported regardless of the activity or organization. Auditor accreditation ensures the accuracy of the supplied information. All businesses must report by the end of FY 2014 at the latest. However, the implementation schedule is gradual and based on the size of the business. A consolidated financial statement must incorporate consolidated information from all subsidiaries, regardless of their legal form (including foreign subsidiaries as long as they are French subsidiaries).

5.5.2.2 THE COST OF REPORTING

Despite the fact that some businesses may scream at the prospect of mandated reporting and argue that it would be prohibitively expensive, several studies suggest that extra-financial reporting is quite inexpensive, especially when compared to the possible advantages.

In 2011, the government conducted a cost-benefit analysis of reporting under the Grenelle II reporting obligations:

TABLE 5.1 Cost-Benefit Analysis of Reporting Under the Grenelle II Reporting Obligations

Size of Company by no. of employees	**Cost of creating the report**		**Cost of getting report verified**	
	Reasonable estimate	**High estimate**	**Reasonable estimate**	**High estimate**
500 to 999	17,000€	33,300€	7200€	11,000€
1000 to 4999	30,300€	61,600€	11,000€	18,000€
5000+	197,000€	357,000€	30,000€	100,000€
Evaluation for CAC 40 (top companies in France)			60,000€	200,000€

Source: Ministère des Affaires Etrangères—France

Compared to many other costs, these are undeniably affordable expenditures.

A complementary study of the expected expenses is provided by the Institute for CSR, a French consulting company specializing in non-financial reporting. Overall, the undertakings required to comply with the new laws should require no more than a 5% increase in spending when compared to existing reporting responsibilities. These funds will be used to get the organization "up to speed": gaining reporting knowledge, updating reporting methodologies, and training workers will take some time and resources. The second cost will cover the report's development as well as any "external" items that may be required (such as equipment and guidance/counsel). Finally, there's the verification fee, which, according to the Grenelle II Act, is set at $1500.

According to the Institute, while companies will have to put in a little extra effort and investment to "step up" to the challenge at first, the annual cost of complying with these regulations will drop dramatically after 3 years, not only because companies will have integrated their operations, but also because the general "market" of verifying bodies will have structured itself with competitive prices.

Daniel Lebègue, the president of the French Observatory on CSR as well as the head of the French Institute of Directors (which represents company executives), recently said unequivocally that "It's not true that [the new reporting standards] will cost SMEs a lot of money," says the author. The [existing] audit budget for SMEs ranges from 50,000 to 500,000 euros. The additional costs [of complying with the new requirements] will range from 500 to 15,000 euros on average, so let's not make a big deal out of it!"

Companies are now being recommended to properly comply with their reporting duties under the new and broader requirements of article 225 of the Grenelle II Act, especially given that their report is subject to independent verification and that civil society is increasingly scrutinizing these concerns. In other words, while there is currently no legal penalty for noncompliance, the Act's verification procedures ensure that enterprises that fail to submit the required information do so at their own risk, knowing that they would almost certainly lose more money if they do not comply. "For the first time, general meetings have been held," Daniel Lebègue said in June 2012. CSR had become an essential feature during annual shareholder meetings, particularly during the presentation of business goals, according to a survey conducted by the independent cabinet Capitalcom in 2012, while the decree for article 225 of the Grenelle II Act was being prepared: CSR was cited as a competitive advantage, an axis of differentiation, and a tool for monitoring regulatory evolution in developed nations by 19 of the 40 top multinational groupings. Saint-Gobain, for example, has made sustainable development a key aspect of its business model; Renault claims that the core of its operations is now focused on new electric products; and GDF-Suez claims to have advanced status in terms of non-financial goals.

The development and publication of reference guides and practical advice manuals by various organizations (public, private, and unions, etc.) is intended, not only to offer tools for developing and implementing a CSR policy, but also to help companies with the preparation and fulfillment of their reporting duties. An excellent example is MEDEF's newly updated "Guide to CSR Reporting." It includes a comprehensive overview, practical guidelines, and suggestions on how to comply with the current (or soon to be implemented) requirements. It also demonstrates how French reporting obligations can be aligned with worldwide reporting standards (such as ISO 26000, the Global Compact, and the OECD Guidelines for Reporting on the Environment).

5.5.3 THE SEPTEMBER 2012 NATIONAL CONFERENCE ON ENVIRONMENT AND ITS OUTCOMES

The President of France, who was elected in May 2012, planned to hold a series of consultations on major issues facing the country's future. On September 14th and 15th, a National Conference on Environment was held. In order to improve transparency in ESG firm behavior, the report's conclusions reevaluated the necessity of sustainability reporting. The Grenelle Laws were confirmed, with the addition of a small amendment to the text from the April 2012 implementation decree: the disparity in the number of topics that must be disclosed for listed and non-listed firms would be eliminated. In addition, a multi-stakeholder National CSR Platform was established to foster ongoing discourse on these problems. It will be linked to the Prime Minister's Office directly.

5.6 CANADA

The Canadian Environmental Protection Act (CEPA) became legislation on June 30, 1988, following a year of consideration by the Canadian

Parliament. The new legislation is Canada's most important tool for environmental protection, and it is expected to last until the year 2000 and beyond. The statute's goal is to foresee and avoid harmful contamination that endangers human health and the environment. With a population of half that of England and a land mass larger than the United States, one might expect Canada's environment to be in good shape. Canadians, on the other hand, have a different perspective. Canadians are quite rightly concerned about the safety and health of the environment, according to the public opinion polls. The vast tundra regions of the Arctic are shrouded in a haze caused by industrial pollution. The Canadian Environmental Protection Act, Canada's new comprehensive environmental legislation, was created expressly to satisfy the needs of the country's diverse environment and to handle the numerous issues that it faces. The Canadian Environmental Protection Act is the core of the federal government's efforts to safeguard the environment. Effective legislation such as the Transportation of Dangerous Goods Act—a statute designed to prevent another Mississauga-style rail disaster—and the Motor Vehicle Safety Act—which has already introduced world-class standards on emissions from cars, trucks, and buses to reduce pollutants such as hydrocarbons and nitrogen oxides—are positioned around it. CEPA is the result of broad public consultations that included representatives from all three levels of government, industry, labor, the academic community, and environmental and other citizen groups.

The Act provides equal protection to all Canadians from the dangers of harmful substances. "Environmental protection is fundamental to Canada's well-being," the Act declares in its first paragraph. The Canadian Environmental Protection Act builds on previous environmental laws such as the Environmental Contaminants Act and the Clean Air Act. CEPA represents an ecosystem-based approach to environmental protection, tackling pollution issues on land, in the sea, and throughout the atmosphere. The Act gives the government the authority to regulate organic and inorganic chemical compounds, as well as emissions, effluents, wastes, and biotechnology products and processes. Under the Clean Air Act, the federal government is entrusted with extensive authority to regulate materials that endanger human health or the environment.

The Canadian Environmental Protection Agency (CEPA) has a two-pronged strategy to toxic substance management: one to deal with the thousands of substances now on the market, and the other to regulate the entry of new substances. In North America, there are around 65,000 chemicals, with about 30,000 of them being used in Canada. The worldwide community is currently wrestling with the immense complexity that these chemicals represent, both long-term and short-term. Canada has teamed up with the Organization for Economic Cooperation and Development (OECD) to create an international initiative in which each country analyses a number of existing compounds and communicates its findings with the rest of the globe. The provisions of CEPA are being used to fund Canada's participation to this crucial international endeavor.

The Act's Priority Substances List will serve as the backbone of Canada's current chemical policy. The compounds on the list are those that have already been suspected of having negative health and environmental consequences and need to be evaluated immediately. Initial nominations to the Priority Substances List were based on five following criteria:

1. Poisonous and/or harmful to human health and/or the environment, such as mirex.
2. They are long-lasting and, once released, remain unaltered in the environment for an extended period of time. Chlorofluorocarbons, for example, which are responsible for degrading the ozone layer, can last for 100 years or more in the atmosphere.
3. They become a part of the food chain.
4. They are frequently used in the Canadian marketplace and, if discharged, can cause severe harm, such as chlorinated organic chemicals.
5. They are already present and creating environmental damage. Canada, for example, has lead and mercury limits, but the long-term effects of their discharge remain unknown. Individual Canadians, industry representatives, and other organizations nominated people for the list.

The evaluations will entail gathering data and assessing chemical and toxicity data, human health impacts, animals and plants health effects, including bioaccumulation, toxic effects on the ecosystem, long-term and short-term exposure data, and exposure routes. One of the compounds on the Priority Substances List for immediate evaluation is nitrogen oxides (NO*). In an effort to prevent acid rain and reduce ground level ozone, Canada has previously taken steps to regulate NO* emissions from mobile sources and some electricity generating facilities. To address global warming and stratospheric ozone depletion, additional regulations may be necessary. NO* emissions' connection to those two environmental problems will be confirmed, and control strategies will be identified. CFCs (chlorofluorocarbons) are another type of greenhouse gas.

Much of this material was given during an international conference on ozone layer protection on September 1987. Based on this research, Canada is creating new CEPA laws to limit CFC imports and production, and eventually phase them out. The new Canadian Environmental Protection Act gives the federal government the flexibility and ability to act not only in the best interests of Canada, but also in collaboration with our neighbors for the greater good of the planet. Both national and international data will be used in drug evaluations. CEPA also allows for regulatory action to combat international air pollution. The Act empowers the government to regulate harmful air emissions from sources in Canada.

The federal government, for example, can limit emissions from a trash incinerator that pollutes the air across state lines. The Canadian Environmental Protection Act also mandates that compounds that are being introduced for the first time in Canada be evaluated for human health and environmental safety. Anyone who wants to experiment with a new chemical must contact the federal government and provide the necessary information. The physical, chemical, and biological properties of the material in question, as well as exposure statistics for persons handling or dealing with the substance, impacts on animals, effects on the environment, including bioaccumulation, hazardous effects on ecosystem species, and so on, are all needed. The government may permit the substance's usage based on the assessment's findings.

The government will collect and analyze data on the state of the environment to aid in the establishment of assessments and to be able to evaluate the effectiveness of controls. It will set up monitoring stations to assess the real effects of chemical substances, as well as any damage or changes to ecosystems as a result. Laboratory and field studies will enhance the data collected at these sites by focusing on a specific substance and tracking its mobility and dispersion in the environment. Environment Canada is required by the Canadian Environmental Protection Act to provide state-of-the-environment reports. The ecosystems and challenges addressed in these publications will be discussed. They'll discuss environmental conditions and trends, as well as the human–environment link. The reports are based on monitoring data as well as research findings.

Reports on the state of the environment will show us where we stand in terms of environmental protection, what we've accomplished, what we haven't, and what we still need to do. As a result of the reports, CEPA's effectiveness will be analyzed and the government's ability to protect the environment and human health will be assessed. Regulatory data, monitoring data, and environmental reports are available to the public under the Act. To ensure compliance with the new Act and its rules, a program of inspections will be implemented, supplemented by spot checks. The risk that a chemical or activity poses to the environment or to people will dictate the frequency of inspections.

The preferable alternative will be determined by the nature of the infraction, as well as the efficacy of establishing compliance with the Act in the shortest timeframe practicable while preventing future violations. When there is a fatality or physical harm, a major risk or harm to the environment, the concealing or intentionally providing incorrect information, or the obstruction of a CEPA investigator, prosecution is required. Fines vary from $200,000 to $1,000,000, with sentences ranging from 3 to 5 years in prison. Life in jail is a possibility for crimes involving criminal negligence. CEPA represents the political realities that make up the Canadian confederation, much like all other legislation established by the Canadian Parliament. The federal and provincial governments are given equal legislative authority under the Canadian constitution.

As a result,

1. the Act will be enforced vigorously and consistently;
2. Duplication and overlap of effort will be reduced;
3. Industry will be spared the double whammy of competing federal and provincial legislation; and
4. All Canadians will be guaranteed a same degree of protection. Where equivalency agreements are in place, the federal government will be responsible for ensuring that national standards are followed. Where equivalency agreements cannot be reached or the provincial administration is judged to be ineffective; Environment Canada will administer and enforce all Act regulations directly. The Canadian Environmental Protection Act is a piece of legislation that addresses the issues created by harmful substances. Its successful implementation will result in a safer and healthier environment.

5.7 USA

There are no such mandatory or voluntary guidelines pertaining to CSR in USA addressing its expenditure, disclosure, and reporting as it is entirely treated as a voluntary act of the corporations. However, in order to acknowledge the fact about the harmful effects of the companies' operations on the society and environment, there are some complimentary rules for mitigating such impacts and thus safeguarding the environment.

5.7.1 USA REPORTING OF GREENHOUSE GAS RULE, 2009

The US Environmental Protection Agency (EPA) published a final rule on September 22, 2009, mandating greenhouse gas emissions reporting. First-time reporting requirements will be imposed on several direct emitters of greenhouse gasses, fuel suppliers, and industrial gas suppliers under the 711-page Reporting Rule, and car and engine manufacturers to collect and report information on greenhouse gas emissions from their operations and/or products. According to the EPA, around 10,000 sites will be required to report under the rule, accounting for about 85% of the country's greenhouse gas emissions. On January 1, 2010, affected plants must begin collecting emissions data, giving them only roughly 3 months to prepare.

5.7.1.1 BACKGROUND

A rule requiring mandatory greenhouse gas emissions reporting was first developed by the EPA using funds from the FY2008 Consolidated Appropriations Act. Under these provisions, the EPA was given $3.5 million to work on developing a rule for mandatory greenhouse gas emissions reporting using its existing Clean Air Act jurisdiction (mainly sections 114 and 208). A $6.5 million additional amount was included in the FY2009 Consolidated Appropriations Act on March 11, 2009, so that a rule could be finalized and implemented by June 26, 2009, and the reporting system could be implemented by July 1, 2009. It was announced on April 10, 2009 (74 FR 16448) that the EPA was proposing a new reporting rule.

Following the publication of the proposed Reporting Rule, the EPA sponsored two public hearings and over 150 discussions with stakeholders, including businesses, trade associations, state and regional governments, and environmental organizations. There were around 16,000 written submissions. As a result of those meetings and comments, it included changes such as the use of "best available monitoring methods" instead of looking after it directly for a limited time frame, the automatic application of certain sources has been eliminated (such as electronics manufacturing, ethanol production, food processing, industrial landfills, and underground coal mines), and an exit mechanism has been added for restructured firms. A statement by the EPA added that the Regulation does not circumvent other states or regional reporting requirements.

In order to address [greenhouse gas] emissions and climate change under the Clean Air Act, the Reporting Rule gathers data on [greenhouse gas] emissions. Although, the EPA anticipates using the emissions data to: (1) help inform climate change policy decisions at the federal and state levels (e.g., the development of cap-and-trade programs); (2) encourage voluntary emissions reduction among taxpayers and other stakeholders; and (3) assist corporations in understanding greenhouse gas footprints and ascertaining emission reduction techniques. Given the vast range of potential uses for this information, it is critical that facilities report reliably and consistently, as explained more below.

5.7.1.2 COVERAGE OF THE RULE

Carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and other fluorinated gases including nitrogen trifluoride and hydro fluorinated ethers are among the greenhouse gases covered by the Reporting Rule. Facilities that directly release one or more of these greenhouse gases must report their yearly emissions beginning in the calendar year 2010 if they meet one of the rule's applicability conditions. As stated below, suppliers of items that result in greenhouse gas emissions may also be required to report under the rule. The number of metric tonnes of carbon dioxide emissions with the same global warming potential as one metric ton of the subject gas is given in carbon dioxide equivalents (CO_2e).

5.7.1.3 FIVE GROUPS OF REPORTING ENTITIES

- ***Categorizations of sources that apply automatically*:** Regardless of the amount of CO_2e they produce, facilities with production operations in specified source categories are immediately subject to the Reporting Rule. 98.2(a) of the Code of Federal Regulations.

If a facility has any of these types of emission sources (listed below), all emissions sources at the facility for which the rule provides a methodology for calculating emissions are subject to the reporting requirement, even if they would not otherwise trigger automatic applicability. EPA has set forth details regarding monitoring of these sources and calculations of their emissions in regulations governing each source.

- Each of these source categories is specifically governed by new 40 CFR Part 98 (those subparts are indicated in the chart below).

- ***Excessive emission categories for CO_2e*:** Other types of sources are only subject to the Reporting Rule if they are present at facilities that emit a total of 25,000 metric tons or more of CO_2e in any calendar year from all of their stationary fuel combustion units, miscellaneous carbonate uses, and any of the other source types listed below. 98.2(a) of the Code of Federal Regulations. If a facility's total emissions from these sources exceed 25,000 metric tons, emissions must be reported for all the source categories covered under the rule along with a calculation methodology, including those that would not normally trigger automatic applicability on their own. The Reporting Rule contains specific information on each of these categories of source in subsection 98 of the new 40 C.F.R.

- ***Excessive CO_2 emissions from stationary fuel combustion units*:** It is required to report facilities that emit over 25,000 metric tons of carbon dioxide every year from stationary sources (e.g., boilers, internal combustion engines, process heaters, and combustion turbines) with a combined heat input capacity of 30 million British thermal units per hour or higher. 98.2(a) of the Code of Federal Regulations, the emissions from stationary sources of fossil fuel combustion are the sole responsibility of this group. Part 98, Subpart C, of the 40 C.F.R. sets out the specific requirements for the combustion sources of general stationery fuels.

- ***"Suppliers" of Certain Fossil Fuels and Industrial Greenhouse Gases*:** A company that produces coal-based liquid fuels, a refinery that distills crude oil, a natural gas distribution company that produces industrial greenhouse gases, a company that produces carbon dioxide for commercial use, and any company that produces coal fuel are all included in the fourth group of reporting entities. 98.2(a) of the Code of Federal Regulations. A CO_2e amount must be specified by each supplier of these products based on emissions associated with their burning or consumption. A company's CO_2 emissions should be reported even if it imports or exports these products. Fossil fuel and greenhouse gas supply are subject to specific restrictions in 40 C.F.R. Part 98, Subparts LL-PP.

- ***Manufacturers of Heavy-Duty and Off-Road Motor Vehicles and Engines*****:** Added to the longstanding pollution and fuel economy testing and reporting program for motor vehicles established under Title II of the Clean Air Act, 42 U.S.C. 7542, the Reporting Rule incorporates greenhouse gas reporting obligations for manufacturers of light-duty vehicles and engines. Parts 86–90, 94, 1033, 1039, 1042, 1045, 1048, 1051, 1054, and 1065 of the 40 C.F.R. are relevant. Light-duty car emissions regulations were not included in the US EPA's unilateral decision because the US EPA and the US Department of Transportation have separate proposals for light-duty cars. See 74 Fed. Reg. 49,454: Proposed Rulemaking to Establish Light-Duty Vehicle Greenhouse Gas Emission Standards and Corporate Average Fuel Economy Standards (Sept. 29, 2009).

5.7.1.4 EXCLUSIONS AND EXEMPTIONS

Unlike other source categories, research and development are not covered by the rule. 98.2(a) of the Code of Federal Regulations. By excluding carbon dioxide emissions from stationary fuel combustion units, 25,000 metric tons emissions are compared with the threshold for estimating carbon dioxide emissions from biomass combustion. However, methane and nitrous oxide emissions from combustion of biomass are still considered. 98.2(b) of the Code of Federal Regulations. Other source-specific exemptions and exclusions can be found in the Reporting Rule's respective subparts for each source type. Subpart C, for example, exempt emergency generators, emergency equipment, and portable equipment from the criteria for conventional stationary fuel combustion sources. 98.30 C.F.R. 40 C.F.R. (b). A facility's owner or operator that emits greenhouse gases, as well as suppliers of greenhouse-gas-related products, should assess the applicable source-specific exclusions to see if they apply.

5.7.1.5 SCOPE AND COVERAGE OF "FACILITY"

The requirement applies to the remaining enterprises at the plant level, with the exception of fossil fuel or gas suppliers, as well as vehicle and engine manufacturers, who must declare their corporate-wide emissions. As a result, assessing whether and how the regulation applies, the scope of a "facility" is crucial. The term "facility" is defined as "Located on the same or contiguous premises, separated only by a public right-of-way or a contiguous property containing a source or station in actual physical contact with another or contiguous properties containing a plant or structure under common ownership or control" in the Reporting Rule. 98.6 of the Code of Federal Regulations.

The Reporting Rule's definition of "facility" incorporates some of the same ideas as other Clean Air Act programs (e.g., "contiguous or adjacent properties" and "common ownership or control"). The definition of "facility" under the Reporting Rule differs from that in the PSD and Title V programs since it does not include the concept of a shared SIC code. The EPA purposefully used a broader definition of "facility" in order to collect data from the facilities that emit the greatest greenhouse gases without limiting the number of reporters. Owners and operators should not rely on earlier assessments of the scope of their "facility" for purposes of other Clean Air Act programs when applying this definition.

Furthermore, uncertainty may develop when the concept is applied to specific factual situations. It's unclear whether a support facility under common ownership and located on a close (but not adjacent) property, but connected by a physical connection like a pipeline, is deemed "in actual physical touch."

5.7.1.6 EXIT MECHANISMS

When reporting entities become subject to the rule for a calendar year, they must continue to submit yearly greenhouse gas reports until they meet one of the Reporting Rule's exit conditions. 98.2 C.F.R. (i) All operations or processes that emit greenhouse gases are permanently closed down. At that point, a reporting entity can stop reporting. As a result, reporting entities that have sources in categories subject to automatic reporting may opt out if their annual reports show that CO_2e emissions are either: (1) under 25,000 metric tons per year for 5 years, or (2) less than 15,000 metric tons per year for 3 years.

Since exiting the program entails long-term costs, companies are best served to examine coverage provisions immediately and consider what steps they can take to prevent being subject to the Reporting Rule in the first place. Some facilities nearing the 25,000 ton reporting level may not yet know if their emissions (or quantities of industrial gases sold) will exceed the limit. However, the Reporting Rule's requirements take effect on January 1, 2010, EPA recommends that sources near the threshold monitor their emissions in accordance with the Rule if there's a likelihood they'll meet or exceed the limits. If the company's emissions for calendar year 2010 are less than 25,000 tons, no report is required, and the company will not be fined.

If an organization stops reporting because its CO_2e emissions (or CO_2e quantities in products provided) fall below 15,000 or 25,000 metric tons for the required period of time, it must resume reporting if its CO_2e emissions increase to 25,000 metric tons in any calendar year. However, if an entity departs the program by closing, it must continue yearly reporting if it restarts greenhouse gas-emitting processes or operations that are subject to the rule, regardless of whether its emissions reach 25,000 metric tons of CO_2e or trigger the rule's applicability criteria.

5.7.1.7 MONITORING REQUIREMENTS

In order to measure greenhouse gas emissions, the Reporting Rule uses a hybrid approach. In addition to completing data collection requirements under another air emission program (such as Acid Rain Program), eminent domain emitters must utilize continuous emissions monitoring systems ("CEMS") and use these systems to measure greenhouse gas emissions, even if upgrading the existing systems to monitor carbon dioxide or adding volumetric flow meters is required. Emission calculations given in the regulations for each source category may be used in facilities in those units that may not have CEMS. Some data collection may be required periodically depending on the source category's specific computation methodologies (e.g., flow rates, fuel use, or heat values).

The first day of monitoring must be January 1, 2010. In response to objections that it might not be possible to have the requisite monitoring equipment installed and operational by the deadline, the EPA granted a short extension of time between January 1 and March 31, 2010, permitting the use of "best available monitoring methods." During this time, for the greenhouse gas calculation methods specified for the relevant source categories, facilities must use the specific methods, but if the required monitoring equipment cannot be acquired, installed, and operated by January 1, 2010, they may use the best available method. 98.3 of the 40 C.F.R. (d). Calibration requirements for greenhouse gas monitoring instruments were also added to the final rule. 98.3 C.F.R. 40 C.F.R. (i).

5.7.1.8 SITE-SPECIFIC EXCEPTION

Unless the facility requests for and receives a site-specific exception, the monitoring equipment must be installed and operational by April 1, 2010. The exception must be applied for within 90 days of the final rule's publication in the Federal Register (which had not yet occurred as of October 7, 2009). The exemption application must include an explanation of the monitoring equipment being requested, the regulatory requirements it must meet, and why the equipment is not ready for installation and operation by April 1, 2010. 98.3(d) of the 40 C.F.R.

An extension request must include documentation of attempts to purchase the equipment if it cannot be obtained by April 1, 2010. A shutdown is required if the installation of equipment involves a process unit that must be shut down, a statement explaining why a complete shutdown is not possible, and a rundown of the most recent shutdowns. Exemption requests for criteria that merely require periodic sampling and analysis are "very unlikely" to be approved by the EPA (as opposed to those subject to ongoing direct measurement). Any site-specific exception can only be granted for a certain amount of time.

5.7.1.9 REPORTING AND RECORDKEEPING REQUIREMENTS

The first annual report, which covers the calendar year 2010, is due on March 31, 2011. Annual reports are required for all facilities or suppliers covered by the Reporting Rule. When a facility becomes subject to the rule after January 1, 2010, it must report its emissions to the EPA for the whole calendar year beginning with the month in which the change occurs and ended on December 31, 2010. The Acid Rain Program requires electricity producing units' subject to the program to report carbon dioxide mass emissions quarterly in addition to the annual reports required by the Reporting Rule. Reporters must file a report if they find or are told by the EPA of mistakes in an annual report. They need to submit it within 45 days.

The rule provides an EPA verification mechanism as well as self-certification of monitoring results. A "Designated Representative" chosen by the reporter must sign each report. Each impacted facility or supplier can only have one Designated Representative and an alternate, both of whom must be chosen by a binding agreement between the facility's owners and operators. By signing the statement, the designated representative represents the owner and operator by attesting that the report was prepared using the requirements of Reporting Rule and ensuring that the information contained therein is truthful and accurate as defined under the penalty of law. However, the Designated Representative's remarks are legally enforceable and have legal ramifications for all facility owners and operators, facilities with shared ownership, such as co-ops, are subject to the Designated Representative's statements.

The EPA proposes a two-step verification procedure. In order to authenticate the entirety and precision of data, the EPA will first perform a centralized assessment, which will be entirely automated. Second, through the evaluation of submitted data and on-site audits of chosen facilities, a response is expected from EPA if there are errors, contradictions, or issues befall. On-site audits may be undertaken by EPA-hired private verifiers or by federal, state, or municipal employees, depending on the circumstances. The EPA will cooperate with the states to recognize facilities for on-site audits and to conduct them.

The following records must be kept for 3 years and made available to the EPA upon request (40 C.F.R. Sec. 98.3(g)):

- In addition to greenhouse gas emissions calculation and method data, any site-specific, facility-operating data, or process information used for the calculations, emission data include, among other things, greenhouse gas emissions calculations and method data, and analytical results;

- The annual emissions reports;
- Monitoring plan containing required information regarding greenhouse gas emissions;
- A report on all certifications and quality control tests required for monitoring instruments and equipment;
- All instruments and equipment require regular maintenance records;
- Detailed computations of missing data, including action taken to correct malfunctioning monitoring equipment, the cause of the event, and the precautions taken to prevent recurrences thereafter.

5.7.1.10 PENALTIES FOR NON-COMPLIANCE

The failure to monitor or report greenhouse gas emissions or quantities supplied by facilities or suppliers in accordance with the Reporting Rule's requirements could face the EPA enforcement action, which includes managerial, political, and illegitimate penalties. EPA may pursue injunctive action as well as civil and administrative penalties of up to $37,500 per day per violation to compel compliance. A preamble to the final regulation describes, the EPA states that flexibility is required and that the statutory maximum penalty would not be applied in all cases.

Observations or actions that might constitute infringement include (40 C.F.R. Sec. 98.8):

- Inadequate or inaccurate reporting of greenhouse gas emissions;
- The data were not collected which were needed to compute emissions;
- Failure to constantly monitor and test as necessary;
- Failure to calculate emissions using rule-specified methodology(ies);
- Failure to preserve required records; and falsification of emission reports.

The EPA recognizes that establishments and suppliers exposed to the Reporting Rule will confront potentially complicated issues. It has announced that it will conduct outreach to educate and help facilities that may be affected by the rule in complying with it. Because of the EPA's strong enforcement authority and the short time until the Reporting Regulation takes effect, businesses should make sure they understand the rule and their responsibilities.

5.7.1.11 POSSIBLE IMPACT OF THE REPORTING RULE: FUTURE CAP AND TRADE PROGRAM

The ability to operate a future cap and trade regime requires accurate and timely emissions data. To ensure that the program's annual numerical caps appropriately represent the reduction targets agreed upon by legislators, reliable data on overall the US emissions are required. The Waxman-Markey cap-and-trade bill, for example, demands a 17% overall decrease in emissions (relative to 2005 levels) from the categories of sources covered by the program by 2020, equating to total emissions of 5.065 billion tons of CO_2e. The measure does, however, direct the US EPA to amend that number as needed to align actual emissions with the 17% legislative target.

In order to execute cap and trade at the plant level, a monitoring program is essential. It is vital to have this information in order to determine the history of historical "baseline" emissions that have been produced by various segments of the economy, including electric utility companies, and to allocate free allowances to these sectors under cap and trade legislation. Due to these reasons, while most covered facilities will evaluate their emissions carefully so that a monitoring requirement will get triggered, they should also consider how important it is to establish an accurate historical baseline and the long-term consequences of understating those emissions.

By attempting to construct an accurate picture of current greenhouse gas emissions ("EU-ETS"), the US EPA wants to avoid the mistake made by the Europeans when they developed their cap and trade program under the Kyoto Protocol. The EU depended on estimates by facilities and member states because there was no accurate historical monitoring data on which to base emissions restrictions or issue emissions permits. These actors erred in the opposite direction since they were aware of the risk of underestimating. The market price of allowances on the EU-ETS plummeted to nearly zero as it became apparent that baseline emissions were understated by roughly 15%. Despite the "price signal" not being relevant, the value was greatly diminished.

Congress' cap-and-trade measures contain mandatory emissions monitoring requirements that differ from the current rule. As a result of the US EPA's compliance with this new legislation, the EPA will need to change its monitoring regulations. While there is no guarantee that legislation will be implemented and, even if it is, what the enacted legislation would entail, companies who monitor pending legislation and incorporate necessary flexibility into their monitoring procedures may be rewarded in the future.

5.7.2 CLEAN AIR ACT REGULATION

On September 30, 2009, the Environmental Protection Agency (EPA) published a proposal that would oblige new or modified facilities emitting above 25,000 tons of greenhouse gas emissions annually to apply for operating licenses and use "best available control technologies." If passed, this rule will compel existing facilities to include greenhouse gas emissions estimates in their next operating permit renewal. The EPA has stated that facilities will meet this requirement using the same data obtained under the Reporting Rule. While the Reporting Rule now just requires reporting, the data collected could have significant future ramifications for facilities surpassing the 25,000 ton threshold in terms of permit-imposed emission control measures.

5.7.3 SEC REPORTING

There have been several investor groups filing complaints with the Securities and Exchange Commission in recent years to compel public firms to report climate change risks, including a computation of greenhouse gas emissions. Importantly, climate change disclosure is already required under existing SEC guidelines, according to petitions to the Securities and Exchange Commission (SEC). Some corporations have been compelled to provide this information as a result of proposed shareholder resolutions and even the threat of shareholder action. With the adoption of obligatory reporting, information regarding covered corporations' greenhouse gas emissions will now be public, bolstering the case for financial disclosure of climate change risks.

Corporate sustainability reports have tended to include climate change issues as an alternative to or in conjunction with SEC filings; this is a growing trend. There is virtually no control over the scope of the reports, and the data upon which the reports are based was not subject to strict data gathering requirements or publicly available. As part of the Rule, companies will now be required to collect and publicly report this type of information as part of their annual reports, so companies should review all public descriptions of climate change risk-not only in formal filings, but also in remarks made on company websites that investors may cite-for compliance with expected emission reporting.

5.7.3.1 LITIGATION AND PUBLIC RELATIONS RISKS

Facilities have been obligated to submit information about harmful chemical emissions and waste management activities above specified criteria to the US Environmental Protection Agency's Toxic Release Inventory for years ("TRI"). EPA then publishes and makes this information publicly available. Each year, shortly after the EPA releases the TRI, articles in the press publish a crude list of the corporations that "release the most dangerous chemicals" based on the TRI data. Companies listed high on the TRI list confront a public relations dilemma, despite the fact that these rankings do not take into consideration the actual hazards involved with the releases. The TRI program also gives "community more authority to hold firms accountable and make educated decisions about how dangerous chemicals are managed in their area," according to the EPA.

In December 2008, the USA Today released an article claiming that hazardous amounts of air toxics were being exposed to school students in certain neighborhoods. The report sparked a class-action lawsuit against a number of firms who are accused of releasing air toxics. The paper and lawsuit used TRI data to identify and corroborate the charges made against those companies. In an opinion stating that the government may not preclude a claim for public nuisance based on greenhouse gas emissions, the United States Court of Appeals for the Second Circuit may give new life to climate change tort litigation. Lawsuits are most likely to be filed against companies that are the largest greenhouse gas emitters.

5.7.3.2 PREPARATION PATHWAYS

While the EPA's new Reporting Rule will undoubtedly serve as a springboard for future climate change regulations and legislation, businesses should concentrate on the specific requirements of the regulation in the near term, not only to determine whether they are among the entities covered, but also to provide any insight regarding the forthcoming steps that need to be taken to ensure compliance with this rather detailed reporting and documentation requirement. The steps to plan for and promote compliance are outlined below.

1. Determine whether or not your facility will be required to report by comparing the regulation requirements to available facility-specific data. The Environmental Protection Agency (EPA) has created a flow chart to help facilities in determining applicability.
2. Determine whether or not more monitoring equipment is required. If that's the case, start making plans for the equipment's purchase and installation right away. Prepare an extension request if equipment will not be available by April 1, 2010.

To assess if your facility will be obliged to report, compare the regulation requirements to available facility-specific data. The Environmental Protection Agency (EPA) has created a flow chart to assist establishments in making this judgment.

1. Determine whether or not new monitoring equipment is necessary: If that's the case, start making plans for the equipment's purchase and installation right away. Prepare an extension request if equipment will not be available by April 1, 2010.
2. Make a compliance strategy: By creating a compliance plan today, one will be in a better position to respond promptly to the rule's new requirements. Written compliance plans should include protocols for collecting and analyzing emission data, quality assurance plans, and training for employees who will calibrate equipment and collect data in accordance with the law's requirements.
3. Ensure your compliance calendars and compliance management systems are up-to-date with the deadlines and requirements of the Reporting Rule. The following are significant landmarks include:

    - The rule must be published in the Federal Register 90 days after it is published, or else an extension of the period to use best available monitoring methods may be requested;
    - By January 1, 2010, there must be a written greenhouse gas monitoring plan in place;
    - Beginning on January 1, 2010, monitoring and emissions accounting will be required;
    - Greenhouse gas sensor calibrations should be completed by April 1, 2010;
    - January 29, 2011 is the deadline for submitting designated representative forms;

- March 30, 2011 is the deadline for submitting the first annual report (for calendar year 2010); and
- The company must submit a revised annual report within 45 days of discovering an error in the annual report or after receiving notification from EPA that an error was found.

5.8 GERMANY

There are several bits of Legislative CSR for the corporate carrying out their business operations in Germany:

5.8.1 A GENERAL CSR REPORTING OBLIGATION

A company, credit institution, or insurance company that (1) employs more than 500 people or (2) generates more than €20 million of annual revenues or a balance sheet exceeding €40 million must report annually regarding ecological, related to employees, societal matters, human rights, and corruption. This requirement stems from the EU Non-Financial Reporting Directive, which has been translated into German legislation.

Subject companies must describe (1) their applicable policies and assessment methods, (2) assessed results, (3) the major risks associated with each of the non-financial topics covered, and (4) a company's primary non-financial performance indicators. A report on this topic must be included every year, released concurrently with the annual report, a 4-month period should be allowed after the annual report is released. For a period of 10 years, the essential information must be posted on the company's website.

Multinational companies with foreign headquarters are subject to these requirements in a relatively small number of cases A draft directive proposed by the European Commission in April 2021 would require companies to provide nonfinancial information substantially more frequently.

Beginning January 1, 2021, enterprises importing specified conflict minerals or metals containing tin, tantalum, tungsten, or gold (3TG) must comply with the EU Conflict Minerals Regulation and German legislation implementing the Regulation's requirements. In general, subject importers must take steps to track the origins of the in-scope 3TG they import, as well as implement internal processes and management systems to assist traceability. Subject companies must also get third-party audits in certain cases. They must also comply with reporting and disclosure requirements. Because most foreign-based corporations doing business in Germany are not direct importers of in-scope 3TG, the EU Conflict Minerals Regulation does not cover these minerals. For a more in-depth look of the Regulation.

- Contractors or service providers may not be paying their employees the German statutory minimum wages if the procuring company is unaware of it, it may be fined €500,000, even if the procuring company is negligent. Minimum Wage Act violations are the responsibility of subcontractors and subservice providers. In addition to administrative fines, the procuring firm may be held accountable for the contractor's or service provider's failure to pay its employees the minimum wage. Under this regulation, foreign corporations conducting business in Germany, as well as their German subsidiaries, can be punished and held accountable for wages.
- The Wage Transparency Act is aimed at achieving pay equity between men and women. Equal remuneration for equal work is prohibited under this Act. Furthermore, for organizations with more than 200 employees in Germany, an employee has the right to request information about how the employer established the employee's remuneration as well as comparison of the median compensation of males and females. Companies in Germany with more than 500 employees must also publish a report on their efforts to promote gender pay equality on a regular basis.

5.8.2 PROPOSITIONED REGULATIONS—THE DUE DILIGENCE IN THE SUPPLY CHAIN ACT

For numerous years, the German Federal Government has prioritized human rights due diligence. As part of its implementation of the United Nations Guiding Principles on Business and Human Rights, the Federal Government released the National Action Plan in 2016. The NAP outlined the expectations of the Federal Government in terms of corporate human rights due diligence. The Federal Government stated in the NAP that it expects all businesses to perform human rights due diligence in compliance with the UNGPs in proportion to their size, industry, and role in supply and value chains.

The Federal Government stated at the time the NAP was released that compliance would be examined annually beginning in 2018 and that if compliance was not satisfactory, further action, such as legislation, would be considered by the Federal Government. By 2020, human rights due diligence was to be introduced into the operation of at least half of all German companies with more than 500 employees. The federal government's subsequent reviews revealed that this target was not on the verge of being met. According to the most recent study, between 13 and 17% of the organizations questioned met the NAP's requirements.

Increasingly, legal instruments mandating due diligence for human rights have been proposed due to the inadequacy of voluntary adherence. In 2019, draught legislation was leaked. In mid-2020, a term sheet was released that closely followed the 2019 draught.

Since then, a great deal of debate in Germany has happened over whether firms should be subject to more stringent human rights due diligence standards. This is in response to and/or parallels events and debates in a number of other European countries, including France, the Netherlands, Norway, Switzerland, and the United Kingdom, as well as at the European Union level.

The political parties responsible for forming a present alliance government announced on February 12, 2021 that they had reached The Due Diligence in the Supply Chain Act in English stipulates general terms for a new mandatory human rights due diligence framework (referred to as the "Act" in this Alert for brevity). The Federal Cabinet approved the draught of the Act on March 3, 2021. The German Federal Government has pledged to enacting the Act before the September 2021 Federal Elections.

The fundamental terms under the Act are as under:

5.8.2.1 SCOPE OF THE COMPANIES

The act will cover the companies under its purview if it meets two conditions:

- The company's headquarters, main place of business, executive seat, or seat governed by constituency are all located in Germany. In many situations, this would encompass the US businesses' German operations. The number of employees employed by the company surpasses a predetermined threshold. All enterprises with 3000 or more employees would be subject to the Act beginning in 2023. This number would shrink to 1000 or more workers by 2024.

- Those who work at subsidiaries would be counted when computing the total number of workers. Temporary workers would also be included if their assignment lasted at least 6 months. The German government believes that 3000 enterprises would be affected by the Act under the lower 1000-employee threshold. The German government is to assess whether the threshold should be raised by June 30, 2024.

5.8.2.2 SCOPE OF THE CONDUCT

The Act would apply to a broad range of human rights risks. It would cover, but not be limited to,

1. child labor,
2. the worst forms of child labor,
3. forced labor,
4. slavery and other coercive workplace behavior, such as extreme economic or sexual exploitation or humiliation,
5. workplace safety,
6. freedom of association,
7. discrimination,
8. unfair wage practices, and
9. improper use of security forces.

The Act also would apply to environmental risks that can lead to human rights violations, such as

1. soil, water, air, and noise pollution and excessive water consumption and
2. unlawful eviction from and unlawful use of land, forests, or water. The environmental-related obligations under the Act are based on the Minamata Convention on Mercury and the Stockholm Convention on Persistent Organic Pollutants.

5.8.2.3 DUTIES OF CARE

A variety of human rights and environmental hazards would be addressed throughout the supply chain if companies were required to manage and address them. As part of the duty of care, the company may exercise its care in accordance with (1) its business activities, (2) potential to affect root cause of injury, (3) the severity of the injury, the ability to remedy it, and the likelihood that it will occur, and (4) its involvement in the adverse impact. The United Nations Guiding Principles serve as the foundation for the duty of care.

The Act would require:

- Establishment of a sufficient and effective risk management system that takes into account the employees of the subject firm, employees in its supply chain, and other people who are impacted by the company's economic activities. Internal responsibility for risk management would have to be assigned to the subject company, maybe through the employment of a human rights' officer. For the prevention of business of subject company and its direct suppliers thereon from human rights and ecological risk, an analysis should be carried out for measuring the risk.
- The analysis of risk would have to be done once a year, or more often as per the demand of the situation, to handle important new risks, such as those associated with new products, projects, or lines of business. Internally, the crucial conciliators such as group dealing with acquisition or board of management should get a report containing core discoveries of analysis of risk.
- A human rights policy statement should be embraced that addresses, among other things, how the subject company manages, assesses, prioritizes, mitigates, remediates, and reports human rights and environmental risks.
- The business of corporate and its direct suppliers should be safeguarded from inherently adverse human rights and ecological effects by the way of deterrent measures.
- Procurement plans and processes designed to prevent or mitigate identified risks, as well as training and regular monitoring, would be necessary at the subject company level. Contracting procedures and, in some situations, suppliers may need to modify to comply with compliant procurement plans and practices. These procedures would have to include consideration of human rights and environmental requirements in supplier selection, contractual statements from direct suppliers, training, continuing monitoring, and audits at the direct supplier level. If there is a significant shift

in risk in the subject company's operation or at a direct supplier, the effectiveness of the preventative measures put in place would have to be evaluated periodically and on an *ad hoc* basis.
- Addressing adverse environmental and human rights impacts by taking remedial measures.

If the infringement happens at the subject company, it will be necessary to take steps to rectify the situations. If a direct supplier suffers from the infringement, the subject company must develop and implement a specific plan to minimize and prevent the infringement in the near future. A possibility of prosecuting a remedial action plan should be a part of contracts agreed with suppliers.

Contracts with suppliers should include the potential of enforcing a corrective action plan.

A termination of business relationship would become necessary in line with the Act if:

1. There is a severity in the infringement occurred.
2. There is failure in reformation in accordance with the time period outlined in the plan of remedial actions.
3. There is an absence of such corrective active result of which is less acute.
4. There is no chance of augmentation in the proficiency to affect abatement.

5.8.2.4 ACQUIRING PROCEDURES FOR HANDLING GRIEVANCES

Establishment of a sufficient and effective risk management system that takes into account the employees of the subject firm, employees in its supply chain, and other people who are impacted by the company's economic activities. Internal responsibility for risk management would have to be assigned to the subject company, maybe through the employment of a human rights' officer.

5.8.2.5 INDIRECT SUPPLIERS

Indirect suppliers would be subject to a weaker duty of care. Only if the subject corporation has substantiated knowledge of a potential human rights or environmental violation would indirect suppliers be subject to due diligence responsibilities. This could happen, for example, through the complaint process that subject companies must implement.

If the authenticated knowledge of a probable infringement at an indirect supplier is obtained by the subject company, there should:

- Analysis of a risk should be executed; and
- Mitigation and preclusion of the infringement through instigated plan.

5.8.2.6 LEGISLATION AND DIRECTION FOR FUTURE

In collaboration with the Federal Ministry of Economic Affairs and Energy, the Federal Ministry of Labor and Social Affairs would be able to create ordinances that would expand on the Act's due diligence requirements. The draught Act's explanatory papers also envisage the Federal Office of Economic Affairs and Export Control publishing cross-sector and sector-specific information, support, and compliance advice.

5.8.2.7 DOCUMENTING AND REPORTING ON THE ASSESSMENT

The companies are obliged to keep a record of their assessment and evaluation in accordance with the act which should lie with them for a period of minimum 7 years.

Also, the yearly reporting should be done by the subject companies in this context which needs to cover-

1. The acknowledged human rights and perils pertaining to environment.
2. The way through which compliance of duties of care followed through, inclusive of the grievances obtained through the procedure of grievance handling.
3. The means of assessment in context of effect and efficacy of procedures carried out.
4. The conclusions derived from the evaluations carried out. The website of subject company should have the report available on it within the period of 4 months post the end of any fiscal year and should remain till the period of 7 years. The submission of the same report is required to be made to the Federal Office for Economic Affairs and Export Control.

5.8.2.8 BREACHING THE ACT

The Federal Office of Economic Affairs and Export Control would be in responsible of determining whether or not a corporation in question has complied with the Act. It could, for example, compel the subject corporation to fix any reporting issues in a reasonable amount of time. It would also be able to order a subject corporation to submit a plan to correct substantial compliance problems, as well as give specific action items to meet its commitments, with 3 months' notice.

The failure on compliance with the act's obligations would call for administrative fines, whether intentionally or unintentionally. The nature of the violation determines the imposition of a fine that can limit up to £8 million. The failure of the company to take precautionary actions on account of violation of human rights or effect on environment in the self-business of the substance company and at its direct suppliers presses for fine which could be as much as 2% of average annual turnover if the subject company has had an average annual turnover of more than €400 million in the previous 3 years. For up to 3 years, the subject company may be barred from bidding on governmental contracts.

Furthermore, non-governmental groups and labor unions would be able to challenge subject firms in German courts on behalf of those who have been harmed. The Act, on the other hand, does not offer a new legal foundation for culpability. Existing statutes or legal culpability principles would have to be used in order to file a claim.

5.8.2.9 INTERACTION WITH EU-LEGISLATION ON EVALUATION IN CONTEXT OF COMPULSORY HUMAN RIGHTS

It has been pronounced by the European Commission about the proposal of a directive for the evaluation of compulsory human rights throughout the EU that must be implemented into national law by member states. The German government has stated that consistent European regulation is its long-term goal. It has, however, stated that a German national law is a critical step through which the legislation of EU can be impacted. If said differently, if the legislation of EU does not move in accordance with the intention of alliance groups, Germany may enact stricter required human rights due diligence framework than the EU.

The Federal Government has stated that it will analyze the Act's relative impact on labor patterns, guaranteeing a level playing field, and its economic and human rights consequences no later than 6 months following the enactment of EU-wide law. Based on that assessment, the Federal Government will decide whether or not to recommend changes to German law to Parliament.

5.8.2.10 STEPS AHEAD

It is too early for the USA and other multinational companies with operations in Germany to change their compliance policies and practices in preparation of the Act's implementation. Companies with international operations may be subject to the Act, on the other hand, should make sure that new long-term contracts are flexible enough to comply with the Act. The progress of an act should be closely monitored by the companies having international operations. It's also worth remembering that, if passed, the Act's impact will reach far beyond the corporations directly affected. It will also raise the bar for their direct and indirect suppliers, both inside and outside of Germany.

5.8.2.11 INCREASE IN OBLIGATORY PERILS

Failure to comply with existing German CSR legislation, as well as potential German CSR legislation if implemented, may result in considerable liability. Administrative authorities or governmental agencies may impose fines on businesses if the legislative obligations do not get fulfilled. In civil lawsuits, they may also be held accountable. German tort law may impose damages as a result of liability under the CSR regulatory framework, which is gradually being seen as establishing obligations of care. As a result, even in the absence of new legislation, the US-based and foreign MNCs operating their businesses in Germany must consider the changing litigation and enforcement environment when developing compliance policies and processes.

5.9 CHINA

CSR flourishes in China thanks to the country's corporate laws. Despite the fact that China's 1994 Company Law—the first national corporate code since 1949—did not explicitly mention CSR, it did resonate with several parts of it, including employee participation in management. The board of directors of limited liability firms and joint stock companies are dealt by the representative of employees elected by them, for example, when making decisions about employee salaries, welfare, safety standards, and other matters impacting employees, businesses were required to communicate with trade unions and workforce; additionally, businesses were required to invite employee representatives to relevant meetings.

A provision in the 1994 Company Law was wide enough to encompass the concept of CSR. "In the process of doing business," Article 14 stated, "businesses shall comply with the law, conform to business ethics, enhance the creation of socialist civilization, and subject themselves to government and public oversight." In 2004, China overhauled its company law. The Company Law of 2006 was the result of the reforms. "A firm shall comply with laws and administrative regulations, conform to social morality and business ethics, act in good faith, subject itself to government and public scrutiny, and accept social responsibility," according to Article 5 of the statute. The concept of CSR is now firmly embedded in the culture.

In addition to including a broad CSR clause, the 2006 Company Law strengthens employee rights in corporate governance, including specific CSR implementation elements. Employee representatives on the supervisory board must account for at least one-third of the board, according to the new business law. Furthermore, the new law emphasizes the importance of labor protection, stating that "a trade union representative may, in accordance with the law, enter into a collective contract with the company on behalf of employees in respect of wages, work hours, welfare, insurance, labor safety, and other matters."

The CSR provision can be found in both corporation and partnership statutes. "The partnership firm and its participants shall comply with laws and administrative regulations, conform to social morality and business ethics, and accept social responsibility," according to the updated clause in the Partnership Enterprise Law of 2007. Although it does not specifically mention CSR, the Sole Proprietorship Law of 2000 provides a comparable provision. "The sole proprietorship shall comply with all applicable laws and administrative regulations, adhere to the principle of good faith, and not harm society or public interests," the provision states. Clearly, social responsibility is enshrined in China's fundamental corporate regulations.

TABLE 5.2 Environmental Disclosure Requirements under the Green Securities Policy

Official documents	Mandatory provisions	Voluntary provisions	Reporting form & media
Policy Statement of Green Securities Policy	The environmental matters that can impact the stock prices should be reported by the listed companies promptly	The voluntary disclosure on a regular basis is continuously motivated to the listed companies in context of other environmental data	No specific requirements
SSE Environmental Disclosure Guidelines	The above-stated information on environmental matters should be disclosed by the companies within 2 days of such matter takes place. The disclosure on environmental matters by companies in the genre of highly polluting industries should comprise of the seven groups as underlined in Table 2.	The disclosure is in the discretion of SSE-listed companies in accordance with their requirements, either on the seven groups prescribed or any other information on environmental matters voluntarily.	The yearly CSR reports or any report designed distinctively should contain information on environmental matters mandatorily and made publicly accessible through the media that China Securities Regulation Commission has designated. While, the corporate websites are the place to access information reported on environmental matters voluntarily.
A Guide on Listed Companies Environmental Information Disclosure (Draft)	The information on environmental matters should be reported in the environmental reports published yearly by the listed companies of highly polluting industries. The mandatory information in the report should be classified in 8 groups. The provisional report pertaining to environmental matters should be made available within one day of an occurrence of any environmental emergency.	The use of the guide for the other industries is encouraged for the reporting of environmental matters voluntarily.	The corporate websites and MEP's website should be the place to get yearly report on environmental matters published. While the China, Environmental, News along with the two venues.

Source: Ministry of Environmental Protection, 2010; Shanghai Stock Exchange, 2008; State Environmental Protection Administration, 2008

Green Securities Policy, published in 2008, incorporates an aim of making financial and environmental risks connected with publicly traded Chinese enterprises in the 14 industries it classified as "particularly polluting industries" clear, and preferably mitigating them. Thermal power, steel and iron, cement, aluminum, coal, metallurgy, building materials, mining, chemicals, oil, pharmaceuticals, light industry, and textiles and leather are some of the industries included (Matisoff and Chan,2008; Ministry of Environmental Protection, 2008). The policy's environmental disclosure requirement is an important part of the new legislation, creating a set of environmental data that Chinese enterprises in these industries must submit.

This includes hundreds of companies. To date, three official documents have been released to address the specific environmental disclosure requirements.

1. The Green Securities Policy's explanatory statement and guidance, Instructing Opinions on How to Improve Environmental Protection Monitoring and Management of Listed Companies, produced by MEP in February 2008. (State Environmental Protection Administration, 2008).
2. Guidelines on Environmental Information Disclosure of Listed Companies on the Shanghai Stock Exchange, issued by the SSE in May 2008. (Shanghai Stock Exchange, 2008).
3. MEP released a draught guide on listed companies' environmental information disclosure (hereinafter the Guide) in September 2010. (Ministry of Environmental Protection, 2010).

TABLE 5.3 Environmental Information Required in SSE's Environmental Disclosure Guidelines

No.	Environmental information items
1.	Corporate Environmental Principles, Annual Environmental Goals, and Performance
2.	Annual total Resource Consumption
3.	Environmental Investments and Environmental Technology Development
4.	Types, Quantities, Concentrations, and Disposal of Pollutants
5.	Environmental Facilities and their Operations
6.	Disposal and Treatment of Wastes Generated in Production, and Recycling and Comprehensive use of used products
7.	Voluntary Agreements with Environmental Agencies on improving Corporate Environmental Performance.

Source: Shanghai Stock Exchange, 2008

5.10 INDONESIA

In Indonesia, in the last 20 years, CSR has turned out to be a key matter. The issue of segregating a compulsory CSR regulatory framework from optional is also found in Indonesia since the execution of Law No.40 2007 on Limited Liability Company (UU No. 40 Tahun 2007 tentang Perseroan Terbatas) along with Law No.25 2007 on Investment (UU No.25 Tahun 2007 tentang Penanaman Modal di Indonesia), which adds a characteristic of mandate to CSR in Indonesia. As per Article 15 of Law 25 2007, it is compulsory for the companies to carry out corporate social and environmental responsibility. The article includes two points, first, that all the companies must implement CSR; second, that duty is essential for every company and in every business industry barring no one.

The aforementioned article distinct from Article 74 of Law no.40 2007 on Limited Liability Companies, which makes CSR activities mandatory for companies that are only working in a particular business industry that is connected to natural resources. The description of CSR execution as per the Article is, "A company obligation that must be budgeted and calculated as company operational cost."

In simpler terms, a company which falls under this list is required to distribute funds for CSR activities, and the funds are called Corporate operational expense. There are repercussions in case a company fails or ignores this responsibility. Furthermore, CSR as per Law No. 25 2007 on Investment, or "Investment Law" in short, does not include any kind of penalty for companies which fails or ignores to implement CSR activities, that, needless to say, for a long period of time was treated as an optional job.

5.10.1 SCOPE OF REGULATION ON CSR

The horizon of CSR is impressively expanded. In its inception, it was limited to just employer, consumer, and partner right protection and also included the society which was around the industries. These days, the horizon of CSR has moved to an extent where companies are required to be conscious of the environment, human rights, and function of the business free from bribe and corruption.

5.10.2 CSR AND LABOR RIGHT

CSR associated with the matter of human resources, has come into light due to the labor rights which were defenseless. In Europe and the United

Statesof America, when industrialization had begun, labors were treated harshly exactly as the slaves (modern slavery) (Cabral, 1998). During that period, there were absolutely no work timings, age limitations, safety standards, pay system, and various labor rights protection (O'Connor, 2005). Labors were handled harshly without any proper work environment and were not provided by any safety measures (sweatshop workers) (Hallare, 2004).

Labor Act in Indonesia is carried out following Law No.13 Year of 2003 Concerning Labor Relations ("Labor Act, 2003"), According to Article No.67 till No.101 which includes under age, woman and invalid workers, work hour limitations, wealth and safety at work, remuneration, and prosperous.

There exists a modern way in providing the rights of workers under CSR, by carrying out the Employee Stock Opinion Plan (ESPO). The idea of ESOP provides the workers with an opportunity to get a portion of companies' stock (Solomon and Collins, 1986). Workers are driven to carry out good work and contribute in the better outcome of the company and as a result, they are incentivized by the company by getting a portion of company's profits. Win-Win situation (Solomon and Collins, 1986).

5.10.3 CSR AND CONSUMER PROTECTION

Consumer, in Indonesia, is secured by the Law No.8 Year of 1999 Concerning Consumer Protection (Consumer Protection Act, 1999). It also consists of the duties and commitment of companies. But if looked from the view of CSR, consumer protection is not just the concern of breaching the law or not. It is way more than that; in terms of consumers' protection, CSR is a significant duty to carry out the finest service to the consumer, without breaching the law.

5.10.4 CSR AND ENVIRONMENT

The concept of CSR is frequently linked with environmental issues. In a number of countries, the reality is that the constitution officially regulates the environmental laws (Franz and Pfahl, 2006). The environment, in Indonesia, is carried out in Law No.32 Year 2009 Concerning

Environment Management (Environment Act, 2009). The main aim of this is to bring out peace and stability among humans and the environment and secure the interests of current and coming generations. But problems related to environment are the same around the globe. United Nations Conference on Environment and Development (Rio Declaration) in 1992 which put together 21 agendas (Earth Action Plan). There are majorly three sections of concern in those three agendas; (1) social and economic dimension, (2) conservation and resource management for development, and (3) reinforce the part of major groups in society from the executor parties (Ahmad, 2001).

But one environmental concern which is related with CSR, importantly, is Sustainable Development. It is to guarantee that the current requirements and conservation of natural resources, at the same time, must think about the requirements of the upcoming generations (Herrmann, 2004).

5.10.5 CSR AND HUMAN RIGHT

The awareness of the power of economy which has the potential to put human dignity at risk has become a number of parties' concern. In the decade passed by, a number of proofs and assertions of breach of the human rights, as the result of corporate operations, mainly Multi-National Corporations (MNCs). Discussing human rights with regards to CSR, at times associated with the concern of civil rights like economic rights, political rights, and cultural rights (Dickerson, 2001). Universal Declaration of Human Rights (The Universal Declaration of Human Rights, UDHR), which includes various articles with regards to the CSR, like article 22, article 25, and article 26. In Indonesia, there are also acts with respect to Human Rights in Law No.39 1999 (Human Rights Act, 1999). As laid out in Article 40: "Every person has a right to live a decent life" and in Article 41 subsequence (1) "Every citizen has the right of social security which is needed for decent living and for his personal development as a whole." This denotes that in Indonesia CSR has been devised in human rights laws and constitutions.

5.10.6 CSR AND ANTI-CORRUPTION MOVEMENT

Corporate corruption, in Indonesia, is controlled through Law No.31, 1999 concerning Eradication of Corruption (Anti-Corruption Act, 1999), which mentions that corporates as a corruption entity come under penalty and retribution.

But, as a matter of fact, the presence of various regulations concerns associated with CSR are not functioning well, as CSR is something above the rules.

5.11 CONCLUSIONS

The law of CSR can be made necessary on the grounds of the various things: *First,* the profit motive of the company has not been remained pertinent in contemporary times. Hence, there must be some changes in the law of the companies, as the companies operating in particular area should function in alignment with the interests of the society of that particular area under the law. It is essential for the companies to transform their approach to integrate profit, social well-being (people), and safeguarding the ecology (planet) in their operations. *Second*, the morality and ethics form the foundation of CSR. This is in the view of "*Quid Leges Sine Moribus?*" which signifies that there is no means of having a law in the absence of morality in it. *Third,* the voluntary nature of CSR makes it less effective and possesses incapability of measurement. It is rather recommended to have it mandatorily or like a mandatory clause as then law looks after it and is viewed as obliging potency with authorizations and rendered assurance legally.

Every country has its core issues to be dealt with, thus in order to address their concerns, every nation draft their regulations in consideration with their problems. It has been mostly seen that legislations in developed countries are mostly emphasizing the environmental and sustainability concerns while the developing countries have their issues on hunger, education, poverty, poor standard of living, and low infrastructure development, etc. Thus, their regulations emphasize on governance of inclusive issues to be look after by the government and it seems relevant for the government to intervene in the operations related to CSR. Hence, due to difference in nature of the operations, the state of development and the needs of the society, different countries have their unique regulations but having a common agenda of safeguarding and providing to the different sections of the society and the environment.

KEYWORDS

- **CSR regulations**
- **Global Reporting Initiative (GRI)**
- **Companies Act, 2013**
- **The Grenelle Act II-Article 225**
- **The Canadian Environmental Protection Act 1988**
- **Green Securities Policy**

CHAPTER 6

CSR in Developed and Developing Nations

ABSTRACT

An examination of CSR practices adopted by developed and developing nations is presented in this chapter, which includes motives for focusing on CSR, how CSR practices are impacted by social and environmental factors, its importance and eminence, contextual factors, drivers of CSR, similarities and differences between CSR practices in countries across the globe and how they differ. In spite of the fact that Indonesian companies are involved in social issues, Africa has made a minimal contribution towards social issues. In order to recognize the transformation that has taken place in the CSR implementation process in the past few years, CSR must be understood as an ongoing process in which business and stakeholders are continuously engaged through planning, implementing and monitoring.

6.1 INTRODUCTION

The mounting curiosity in Corporate Social Responsibility has led to an upsurge in several articles, books, blogs, and chapters by the researchers and academicians. The understanding of CSR and its multi-faceted relationship between business and society through economic, social, and environmental means has improved the dynamics and peculiarities of CSR in developed and developing economies (Blowfield and Frynas, 2005; Newell and Frynas, 2007; Egri and Ralston, 2008; Idemudia, 2011; Jamali and Neville, 2011; Jamali and Sidani, 2012). This mushrooming interest in CSR and its related themes in developed and developing economies has

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been focused here in this chapter. CSR in developing countries is shaped by the institutional constellations definitely. The government, society, and economy can all benefit from CSR. CSR's significance and influence is perhaps becoming entrenched in a number of countries and a global understanding is emerging. In the last few years, an effort has been made to mindfully present the CSR activities of leading companies in the media. CSR does not have to be a totally new concept, but can instead be seen as a development of existing schemes and activities. There are several factors that are responsible for the increased expectations on corporations to adopt CSR programs, such as legal requirements, general external pressure (NGOs, globalization), media coverage, and public awareness. In terms of business responsibilities, CSR is most important to employers in attracting and retaining talented employees, enhancing brand image and sales, and enhancing brand perception. It also plays a key role in enhancing employer reputation. Hence, it could be evidently said that important core business interests like higher financial performance and a bigger share price are no longer regarded as important as they once were.

Due to the presence of a number of companies that provide social services in developing and developed countries, the focus of the study flows to them. These countries have been selected as mandatory or voluntary CSR practices prevail in corporations.

The challenge for corporate social responsibility (CSR) in developing countries is outlined by an idea that was refined into the Millennium Development Goals in the year 2000—"a world with less poverty, hunger and disease, greater survival prospects for mothers and their infants, better educated children, equal opportunities for women, and a healthier environment." Unfortunately, these global aspirations remain far from being met in many developing countries today.

This entire chapter also laid emphasis on differences and similarities in CSR trends among developing and developed economies. In the light of the same, the present study endeavors to compare different CSR activities adhered by developed and developing nations amid every changing dynamic environment. To characterize and analyze company's social practices in companies, numerous research papers, blogs, annual reports, books etc. have been contemplated. The stakeholder, legitimacy, innovation, and CSR activities' dimensions have been discussed to develop a framework that could be used to characterize and classify CSR practices by developed and developing nations.

6.2 LITERATURE REVIEW

Despite theoretical and empirical consistency in the definitions and practices of corporate responsibility being a widely accepted concept and operationalization in the academic business literature, there are still many inconsistencies in the theoretical and empirical thinking behind them (Campbell, 2007). The study conducted by Chau and Gray (2010) outlines the value for social responsibility as one of the fundamental assumptions of what the society expects organizations to do at any given time, based on economic, legal, ethical, and discretionary spheres. A social responsibility aspect of corporate actions can be seen as a result of their business and legal actions as well, according to this view (Chen and Bouvain, 2009). Other authors argue that the primary reason for that corporation's existence is its economic performance and, therefore, that responsibility that businesses have toward the society in which they operate should not be considered as a responsibility. According to the National Association for Corporate Responsibility, the firm's social responsibility involves "actions that appear to further some social good, which extends beyond the interests of the firm and the requirements of the law." Accordingly, it has been argued that the core of corporate social responsibility is "clearly articulated and communicated policies and practices of corporations that reflect their contribution to a greater good for society" and that in this sense, CSR needs to be distinguished from business compliance with profitability and government social responsibility are at the core of the corporation's mission (Dacin et al., 2002; Dobers and Halme, 2009). As a result, in this view, both the economic and the legal responsibilities of corporations should be taken into consideration as being part of the normal course of business. This could have little significance when it comes to social responsibility. The other side of the spectrum of corporate responsibilities states that most CSR literature has mainly stressed the responsibility of organizations beyond the legal and economic while neglecting the case of their irresponsible behavior. It states that most CSR literature has mainly stressed the responsibility of organizations beyond the legal and economic while neglecting the case of their irresponsible behavior.

A corporation's irresponsible actions are defined as actions taken that negatively impact a stakeholder's legitimate rights. This study argues that social responsibility of corporations may not undo the irresponsible acts. "The Society's role in corporate citizenship can be defined differently in different settings, to different people and at different times" (Ezat and El-Masry, 2008). The fact that the concept of sustainable development is interpreted differently across countries and people reduces the possibility of a standardized interpretation of the concept.

The developed countries' studies have mainly focused on CSR disclosure in comparison to developing countries (Deegan and Gordon, 1996). Then Fukukawa and Moon (2004) reported in their study that 90% of Japanese companies provide CSR report. Even rise in CSR information has been observed in the US Companies, that is, from 93 to 97% (Jizi et al., 2014). However, CSR disclosures in developing countries have been located less. The disclosure percentages in other countries such as Hong Kong (Lynn, 1992), South Africa (Savage, 1994), and India (Murthy and Abeysekera, 2008; Lattemann et al., 2009; Kansal and Singh, 2012) have been found as low as 6.4, 50, and 47% respectively. Several studies have been conducted which reflects CSR in developing and developed nations. Maignan and Ralston (2002) examined intensity of CSR communication in three developed European countries which included France, The Netherlands, and UK and the USA. The study revealed that more number of firms of USA and UK reports CSR guidelines, principles, processes, and issues of stakeholders in comparison to France and The Netherlands. The study on CSR disclosure has been explored and findings showed that India and South Africa scored more than China (Baskin, 2006). Habisch et al. (2011) steered cross-country CSR disclosure study comparing three developed countries US, Germany, and Italy. It has been observed that large number of CSR issues were discussed by Germany. On the contrary, three CSR issues which include social disclosure, strategy and performance, and stakeholder's needs have been exhibited by the companies of the US and Italy. Abreu et al. (2012) studied the CSR disclosure practices of companies in Brazil and China. The study specified that CSR disclosure practices of companies are molded by the institutional framework of a specific country. Muthuri and Gilbert (2011) investigated the differences among Kenyan domestic, Kenyan international, and foreign international companies related to the extent of CSR, diverse CSR issues addressed, CSR process involved, and drivers of CSR. The study established that more discrepancy has been seen in the acceptance of CSR practices between Kenyan domestic companies and Kenyan companies with headquarters abroad and variation to the difference in institutional environment of domestic and international markets. The corporate social responsibility in Africa reveals that more studies are focused on multinational corporations (MNCs), with little emphasis given to the large indigenous firms that operate in Africa. Thus, this study examined large companies in Kenya and Tanzania's CSR practices in order to find out what they are doing on the ground. Particularly, the research investigates whether these firms are engaging in social activities in the same way. The study concluded that both local firms in Kenya and Tanzania have the same obligations in response to the needs of society, despite the fact that their level of social engagement differs significantly.

Thus, it is observed from the review undergone that there are differences in the understanding and adoption of CSR practices across countries in the developed and developing nations (Welford, 2005; Baughn et al., 2007; Abreu and Barlow, 2013). Developed countries are rich in terms of wealth as compared to developing countries (Heyneman, 1980). The company's interest is inclined toward social and environmental issues as providing basic facilities is the core focus than investing in other affairs (Baughn et al., 2007). The pragmatic role of stakeholders is indispensable in exerting the pressure on firms to act in responsible manner and the level of awareness amid shareholders is a matter of concern in developing and developed nations (Ramasamy and Ting, 2004; Chapple and Moon, 2005). The developed countries have many advantages other than wealth over developing ones with regard to consumer awareness about CSR activities, powerful media engagement, low level of government intervention, active NGOs and societies working in alignment with CSR activities in collaborations (Abreu and Barlow, 2013; Vilar and Simao, 2015). In the study conducted by Baughn et al. (2007) it has been found that political and governmental corruption directly affects the extent of CSR activities which means that companies which are more corrupted have less interest in carrying out such activities. The reason why CSR activities are still at budding stage in developing countries is high level of corruption. Another reason of evident variation on disclosure of CSR activities is social and cultural differences of specific region as culture are depicted by the values and belief of the nation (Winthrop, 1991). These cultural differences in developed countries do not become hindrance in practicing CSR activities as it has been inculcated in their values. However, without regulatory requirements, CSR practices in developing countries are fictional. Hence, these disparities at country's level influence the CSR practices.

This topic is gaining popularity in developing countries as evidenced by the emergence of the study of CSR in these countries. Further, she points out that there are large variations within literature on CSR in developing countries, and that they differ on the basis of five main points. Due to the specific and complex nature of a developing country's institutional environment, most of the literature on corporate social responsibility in developing countries emphasizes institutional factors (Gamerschlag et al., 2011). As a result of underperforming government systems, inadequate regulatory frameworks, high levels of corruption, and weak public governance, many developing nations are afflicted with what have been called "institutional voids" (Ferrero et al., 2015; Griffin and Vivari, 2009). A consideration of the influence of organizations on corporate social behavior should also take into account the contradictory effects of their policies on the validity and structure of corporate social responsibility programs. The fact that CSR analyses in developing countries are characterized by relatively broad institutional contexts is not surprising, as the outcome results in divergent conceptions. The literature on corporate social responsibility is one of the most diverse areas in this field of research, and one of the most important differences in this research involves the effect of macro-level variables, such as geopolitical factors and globalization (Fernandez et al., 2011), in addition to operating environment factors. In light of the proliferation of international organizations and regulations, firstly, it is clear that there exist tensions among corporates to adopt CSR practices in light of the regulations and standards that have been developed. Second, it is important to note that research reveals that complex systems of governance can be found in developing countries. Accordingly, the research identified three types of firms based on their CSR: Well-organized firms with an established CSR program (i.e., proactive firms), less organized firms where the CSR program is lacking(i.e., reactive firms), and finally companies that engage less frequently and are not internally organized (i.e., episodic). As a result of the results of the research, it can be inferred that a shift has taken place in the engagement of multiple stakeholders in business conduct from sole stakeholders to multiple stakeholders.

6.3 MOTIVES FOR FOCUSING ON CSR

The motives for focusing on CSR in developing countries as distinct from CSR in the developed world can be explained in four clear ways:

FIGURE 6.1 Motives for focusing on CSR.

Source: Compiled by Author from various sources.

6.4 CSR PRACTICES AND ITS ASSOCIATION WITH SOCIETAL AND ENVIRONMENTAL FACTORS IN DEVELOPED AND DEVELOPING ECONOMIES

Generally, most of the countries with a tradition of social democracy have CSR programs that are more widely spread across the globe than any of their counterparts. The research published by Richard Welford (2004), titled “Corporate Social Responsibility in Europe, North America and Asia,” documented the significant connection between culture and corporate social responsibility policies. Corporate social responsibility policies tend to be more prevalent in countries associated with social democratic values. Among the countries that have adopted these policies are Germany, Norway, and Canada. It states that there exists the connection between CSR and economic development. There is no doubt that a country that has been developed for more than a few decades is more likely to participate in CSR policies. Research by Welford found that Germany and Great Britain are the top performers in Europe. However, the highest levels of philanthropy are found in the United States. The Canadian government places a particular importance on education. In this study, it was discovered that in Europe, the value-driven perspective was much less popular than in the US. Rather than focusing on production and promotional activities, the European countries opted to focus on traditional production methods (Dahawy and Conover, 2007). Moreover, they found that different CSR initiatives were favored by different countries in order to promote a socially responsible message. Almost all companies and investors are now beginning to recognize the importance of medium- to long-term returns as well as short-term returns. As a result, they are realizing the value of doing CSR for both their brand and their livelihood. The shareholders’ model is often used by these companies. In this model, maximizing shareholder’s profits is the primary goal of a company (Gamerschlag et al., 2011). Using this model, the ultimate goal of management is to ensure the long-term survival of the company, which is accomplished through satisfying the needs of multiple shareholders in the company (Griffin and Vivari, 2009). In addition to their economic, legal, and ethical responsibilities, businesses should benefit society as a whole even beyond their economics, laws, and ethics. As part of the successful running of a business, the ability to be flexible and make discretionary decisions is very important. A corporation's image and business livelihood are directly influenced by its corporate social responsibility policies. The world today is increasingly globalized. Globalization is a process of creating changes in economy, politics, society, and culture through a variety of channels. Due to the financial crisis, the interdependencies between countries fostered by the globalized economy have been highlighted. The scandals surrounding Enron and World.com have impacted not just the United States but the world as well, as well as AIG's collapse and the collapse of the banking system. In light of this, bailing them out was necessary. It was necessary for ensuring the survival of the global economy as a whole. The global economy is interconnected as a whole. Businesses have a social and moral responsibility to the society, which is the essence of the business model. Businesses should reorient themselves toward integrating into society, rather than isolating themselves from it, through new forms of corporate social responsibility. According to Guthrie and Farnati (2008), the interconnections between industries have proven to be relevant and useful. The five principles of Visser (creativity, scalability, responsiveness, glocality, and circularity) regarding corporate social responsibility as well as Aras and Crowther's theories regarding the responsibility of firms to the environment have been proven to be relevant and useful (Haji, 2013). A company, as well as a country, may have programs and policies for its corporate social responsibility that are very different from each other. The issue of corporate social responsibility is still underdeveloped in many countries and industries. It has been demonstrated that social responsibility, such as corporate social responsibility, is linked to economic growth (Golob and Bartlett, 2007). Our globalized society is immersed in a degree of interconnectedness that we have to deal with every single day. As the Italian elections were approaching, Berlusconi had already shown signs of premiership in the days leading up to the vote. This took the United States market down (Dobers and Halme, 2009). Due to globalization, which is a result of the interconnected nature of economies, the Italian economy has a direct impact on the European Union, which in turn impacts United States. Similarly, Greece's economic problems were experienced in the same way. The debt we owe also affects the global economy in the same way. While it may not be possible for the globalized economy to fully integrate corporate social responsibility into its economic model just yet, in the future it is likely that the concept will completely integrate into society. Businesses should consider how to do this. There will be an expectation that organizations are responsible for the outside environment in which they operate. Incorporating all stakeholders into the corporate governance process-investor relations, environment, and society will be expected to play their respective role. In this era of globalization, businesses may be implementing a corporate social responsibility model that incorporates Visser's five principles. Surely these theories will not come to fruition within our lifetimes, but they fit perfectly with the complexities of interconnected economy. The globalized economy may be unlikely to embrace these new paradigms, but their existence suggests that they may be considered in the future. The German government is supportive of the CSR initiative adopted by the European Union as a whole. In Germany, the government encourages companies to engage on a strategic basis with local communities, and implements social programs to facilitate such an interaction. As a result, the national CSR strategy is implemented by several ministries and government organizations throughout the country. In recent years, the Federal Ministry of Labor and Social Affairs (BMAS) or activities associated with the implementation of this program are actively working in this direction. Along with the governmental initiatives employers must be committed to socially responsible policies and practices, including integrating environmental, social, and ethical commitments into the company's culture. The European Sustainable and Responsible Investment Forum (ESRIF) is a forum with the aim of encouraging sustainable development and responsible social investment within the European Union.

A company who trades its stock on the stock exchange is required by statute to file Social (Non-Financial) reports. Germany offers a good example of how companies can play a more relevant role in society by combining economics and social concerns on a long-term base, coordinating their activities with economic goals, and considering the interests of "stakeholders." It was the large pharmaceutical company Betapharm that was one of the first German companies to use CSR to their commercial advantage (Chen and Bouvain, 2009). By publishing a social report on the company's compliance with the model of strategic corporate social responsibility, the company is able to position itself within the corporate citizenship theory as a good company citizen and not so independent of the socioeconomic issues or environmental problems of the region.

A CSR concept has been agreed upon by Deutsche Post World Net. As a result, it has committed to embracing the benefits of its commitment to society, as well as to itself, while focusing on its core competencies such as logistics which will help reduce the impact of natural disasters (Hannan and Freeman, 1984).

Yet, the discussion and the implementation of corporate social responsibility differ between countries due to different cultural, political, and economic developments. The question of how CSR impacts consumer behavior is one of the main issues facing enterprises. Country-specific differences affect how CSR impacts consumer behavior as well. Nonetheless, CSR has a significant impact on consumer behavior regardless of cross-national differences.

In Canada, environmental management has been the most appropriate means to describe CSR. The Canadian companies believe that environmental management is the best example of corporate social responsibility. In the mid-90s, corporate social responsibility (CSR) has been a buzzword in the business world and many large companies have been indulging in CSR activities since then (Harjoto et al., 2015).

Overall, the forerunners in the business world are very active in their commitments to CSR. The majority of companies have put in place some form of CSR, such as management systems (ISO 14001, EMAS) or dedicated programs and projects that facilitate the organization's CSR activities. It is for this reason that triple-bottom line reporting, another central component of CSR, is the least used instrument with 46.8% of the companies (Michelon and Parbonetti, 2012). The stakeholder management and triple-bottom line reporting these two key concepts related to corporate social responsibility are not implemented by more than half of companies. When it comes down to CSR's usefulness, the fact that it can be measured on a company's core business is also of paramount importance. The innovation complements CSR in the firm's search for competitiveness and this constructed the interest in the concept of CSR, innovation, and competitiveness in companies (Golob and Bartlett, 2007). The variety of perspectives (legitimacy, stakeholder relationships, CSR, innovation, and reputation) lay down their combined effects on firm competitiveness. The understanding of CSR agendas in developing countries should "employ a holistic approach that takes into account a composite frame of reference in order to understand the realities and priorities in developing countries." Furthermore, the cumulative assumptions embedded in the different theoretical foundations synthesize deriving synergistic effects. Thus CSR in developing nations is a crucial matter to be looked upon by the concerned authorities. Some interesting insights on CSR can be drawn when it is looked upon as a way of enhancing financial performance, access to capital, enhancing the brand image, improving risk management, and increasing shareholder value by the developed countries.

6.5 SIGNIFICANCE AND EMINENCE OF CSR IN DEVELOPED AND DEVELOPING NATIONS ACROSS THE GLOBE

6.5.1 IN CASE OF DEVELOPED NATIONS

Now developed nations consider CSR as an indispensable way of business. Since its emergence its role has increased immensely and knitted in companies' core strategies and business policies. Hence, it is no longer limited only to charity events, donations. In today's cut-throat competition mere serving good quality products does not have remained the only criteria to survive; rather establishing, maintaining, and improving public relations has also become prominent. More reliable and sustainable ways to survive in the fierce competition in developed nations are looked upon by the corporates to sustain image in the public. Existing or potential consumers separate themselves from the company they are associated with, if company does not follow sustainable and ethical practices. For instance, companies in South Korea believe in philanthropic activities due to which companies have moral and ethical image in society and also get support from the society. Environmental pollution is the most frightening issue common to all developed economies. Gradually, corporates are being entrusted with the responsibility to take due care of their businesses by revealing carbon footprint on environment by involving in environmental friendly production and business practices. For instance, Germany's automobile industry came under the radar due to its carbon dioxide emissions and over utilization of fossil fuels. However, the companies responsibly ban the diesel vehicles in cities (BMW Group, 2018). The higher financial performance has been observed by the companies with higher levels of environmental performance (Russo and Fouts, 1997). Elevation of marginalized or discriminated sections of society, that is, people-powered campaigns is covered under CSR activities in developed countries. Corporate's strategy of making direct interaction with the public through social media also helps in building compassionate brand image. Recently, Ice Bucket Challenge became huge success as a practice of CSR through social media started by ALS. It was started with the aim of spreading awareness and accepting donations for research on ALS, whereas in 2013 the association had raised only about $2.8 million in donations by public, after the viral campaign in 2014 (Diamond, 2014). These examples explain that CSR campaigns in developed countries have been widely supported by the public and, when done right, have massive benefits for businesses. The increasing awareness about CSR means that the society has grown more vigilant as well. This awareness about CSR can be experienced clearly in developed nations more clearly as even citizens have become more cognizant to the fact that corporations have a moral and ethical responsibility toward their customers and the society as a whole. The omnipresence of Internet and instant social media connectivity also aids public vigilance and amplifies their outcry against defaulting companies. Swedish retailer H&M faced huge public outcry over social media after an advertisement that was with allegedly racist implications, beckoning public apology and greater care for further campaigns (Olsen, 2018). Corporates have faced harsh legal consequences as well in developed countries through class action lawsuits when brands have failed to act responsibly. Some examples are the Exxon Mobil oil spill, which cost the company $500 million in punitive damages (Liptak, 2008), or German drugmaker Bayer Co.'s major lawsuits for endangering consumers' health and for environmental damage, costing $289 million in damages over weed-killer product Monsanto (Detrick, 2018). Three German companies have been awarded in 2017 for responsible social behavior. First one is "Gundlach Bau und Immobilien" that works in the area of operation—construction, modernization, rental and property management which has integrated corporate responsibility into the company's business. The second one is "Rapunzel Naturkost" associated in agrarian sector and it has been recognized for sustainable development based on ethical and ecological principles. The last one is "Grohe AG" engaged in sanitary technologies and operates with the care for a socially, economically, and environmentally sustainable corporate governance. There is a periodic publication in the media named as Herausragende Praxisbeispiele für Soziale Verantwortung der Unternehmen—CSR which lists companies that have successfully integrated CSR into their business activities.

6.5.2 IN CASE OF DEVELOPING NATIONS

The application of CSR practices in developing countries is still at nascent stage and differences in context prevent the standardization of CSR activities globally. Unlike developed countries, the CSR practice varies widely in local operational environment. Various factors hamper the execution and implementation of CSR such as flexibility in accepting regulations, weak capital markets, political and economic uncertainty (Tsamenyi et al., 2007). The government has to play an effective role in framing legislations so that sustainability is not comprised with (Donaldson, 2001). It has been often observed in developing countries that observe upsurge in economic development; FDIs are relied upon over CSR practices. Due to indefinite meaning and definition of CSR it is time and again used as term relative to only donations, charity etc. in most of Sri Lankan corporations. In India and Bulgaria it is perceived as philanthropic activities by the corporations (Ghobadian et al., 2007; Iankova, 2008). Therefore, good government–business relationships must be adhered for practicing CSR effectively and efficiently. There are certain global issues such as labor rights, discrimination in wages etc. that are avoided and not dealt with by the government and even corporations in Vietnam. The corporations in South Africa ponder over adult illiteracy as it is major CSR issue. The Brazilian government has emphasized on pharmaceutical corporations and even reassures that AIDS drugs are delivered at minimal prices at markets. The environmental groups' concern in China is environmental pollution by the businesses which means that CSR practices in China are overlooked. It is even claimed that almost 400,000 Chinese die of air pollution-related diseases every year (Darabaris, 2007). There are certain economies like Bangladesh, which are prone to disasters every year like floods, cyclones etc. so, relief distribution practices are carried on by corporations. Apparently human rights, labor issues, discrimination, etc. in business are major social issues of developing countries. Thus, a global standardized CSR practice to sort such issues is required to be implemented to overcome them. If country-specific model is framed then all the determinants of CSR and its contextual factors should be taken into account. Public policy contributions toward CSR must be enhanced by the developing countries for accelerative growth toward sustainable development (Ward et al., 2007).

6.6 SEVERAL CONTEXTUAL DETERMINANTS OF CSR PRACTICES

For the transformation in the lives of individuals and society, international organizations can assist the developing countries for implementation of CSR models as per their specific need. The program named "Let us Learn" was funded with $ 20 million as donation by Stefan and Susan Findel in partnership with UNICEF. This initiative was mainly for creating education opportunities for underprivileged children especially girls and also for kids suffering with financial issues. Such CSR campaigns through rallies, giveaways etc. support in raising the global standards and also act as instruments to meet the social commitments. The CSR activities in developing countries are also influenced by the country's culture (Visser, 2010). In developing nations, local communities and underprivileged sections of society are deprived of basic facilities such as better standards of living, education awareness, providing food, clean water etc. fulfilled by the corporations by investing in CSR campaigns as they are covered in CSR ambit. Such campaigning becomes even easier when companies line up themselves with government schemes and programs launched by the government. This approach is more beneficial to fulfill the CSR quotas committed by the corporations. Eventually, companies would end up creating bigger business networks and platforms globally. The social media has become an interesting crutch in CSR. By using this tool active engagement of the public is possible in carrying out any social programs. The companies can regularly showcase such campaigns through posting pictures or videos on their official sites and even social activists can update the citizens on social causes and problems through their blogs. Social media today has become a direct communication tool which enhances transparency and also reminds the corporations of their responsibilities. The social work agendas can be efficiently fulfilled by the NGOs as they are aware about the primary needs of the local communities. Hence, social and environmental issues can be fought be if corporations and government work in harmony through launching schemes or programs in the benefit of the society.

6.7 DRIVERS OF CSR

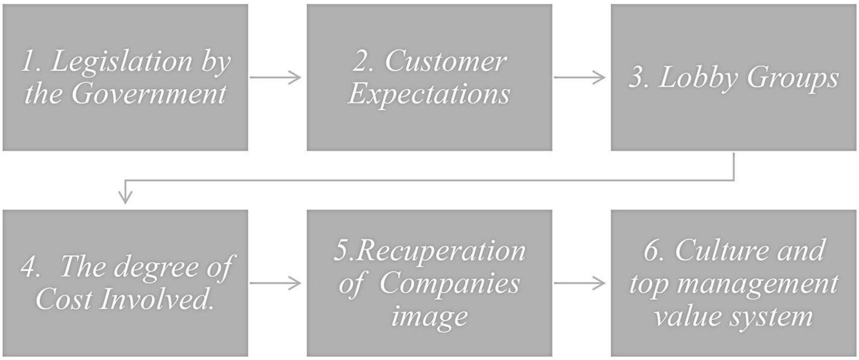

FIGURE 6.2 Key drivers for firms to become socially responsible.

Source: Adapted from The Marketing Study Guide. https://www.marketingstudyguide.com/drivers-corporate-social-responsibility/#google_vignette

6.7.1 LEGISLATIONS BY THE GOVERNMENT

Many countries across the globe have prescribed and imposed standard rules and legislations on companies in order to fulfill their obligations toward social responsibility. In such cases the companies covered under the legislations are only fulfilling their obligatory requirements as they might not be eager to spend toward such requirements. These social responsibilities can be incorporated by the companies in their routine business operations so that it does not create burden on them.

For example: UK Companies Act, 2006, Section 135 Companies Act, 2013 of India, Company Law of the People's Republic of China 2006 etc.

6.7.2 CUSTOMER EXPECTATION

Consumers nowadays have become more rational in taking purchase decisions and they have become vigilant about environmental and social activities undertaken by the concerned company. Therefore, their expectation from the firms has also increased as they want companies to behave in certain ways and take responsible actions for communities who need help. This as a result has made companies more responsible in return by becoming more responsive to critical issues and adopting corporate responsible stance.

For example, significant condemnation has been faced by the Disney in the past relating to the hire of low paid workers in developing countries for the production of toys, games.

6.7.3 LOBBY GROUPS

The social media platforms have been used easily by the lobby groups to attract the attention toward well-known reputed companies that impact the environment adversely.

For example, McDonald's have been frequently criticized for serving junk food which is likely to affect people's health. Therefore, when companies become aware that they have become the target of lobby group they are likely to engage themselves in socially responsible activities.

6.7.4 THE DEGREE OF COSTS INVOLVED

Sometimes, shifting to greener ways of doing business increases the cost for the company but it would ultimately help the industry.

For example, if a bank chooses to shift from paper-based statements to electronic form, though they would end up saving the paper they improve their e-services which would add up to their cost. However, this is the sustainable way of doing the work and will help the environment in the long run.

6.7.5 RECUPERATION OF COMPANY'S IMAGE

The companies are even involved in improving their corporate image by willingly participating in social activities for their stakeholders. The companies in such cases are even ready to forgo their profits for contribution toward society.

For example, a bank in Australia, named as Bankmecu, claims that it is the bank for the people and for the planet, it rewards its customers by providing them cheaper home loans if they have environmental friendly houses.

6.7.6 CULTURE AND TOP MANAGEMENT VALUE SYSTEM

Corporate culture, no doubt, plays a vital role in the type of corporate social activities that are being adopted. The top management values are also reflected in decisions and strategies the companies are agreed upon. The top management must guide the ways in which society can be contributed socially.

6.8 ANALOGOUS CSR TRENDS IN DEVELOPING AND DEVELOPED NATIONS

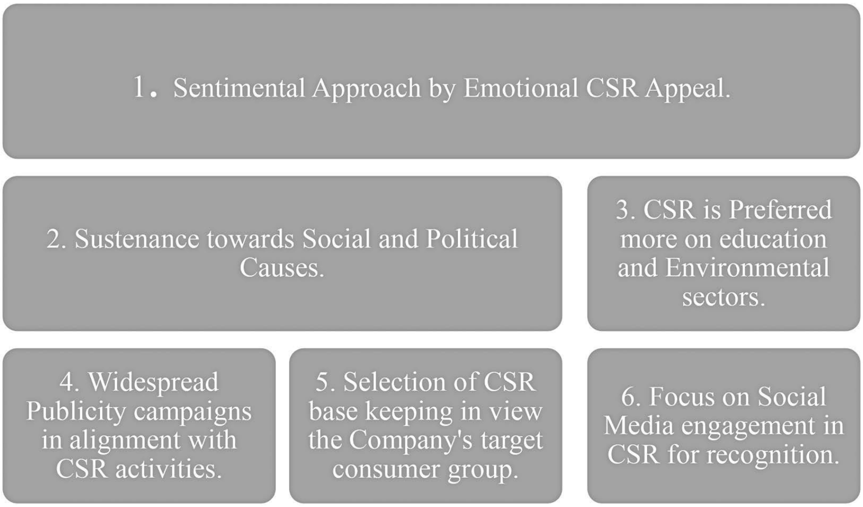

FIGURE 6.3 Analogous CSR trends in developing and developed nations.

Source: Sharma (2019), https://ideas.repec.org/a/wly/corsem/v26y2019i4p712-720.html

6.9 DIVERGENCE IN CSR TRENDS

TABLE 6.1 Divergence in CSR Trends.

S. no.	Key aspects	Developing countries	Developed countries
1.	Interference of the Government	CSR issue needs guidance, direction, and control. Therefore, government intrudes in CSR matters to nurture the environment toward track (Tan-Mullins and Hofman, 2014)	Here, government interference is lowest. Mainly social messages are promoted through planned efforts by the corporations.
2.	CSR funding reallocation through government actions	CSR funding are often reallocated in Government schemes and programs through policies for community aid. For instance, this was done when Nestle contributed to Zero Hunger Program of Brazil (Lalit, 2013; Ward et al., 2007).	CSR funding is in the hands of corporations completely and they judiciously use them in the demanding areas.

TABLE 6.1 *(Continued)*

S. no.	Key aspects	Developing countries	Developed countries
3.	CSR activities performance rate	It could be said that since CSR is legally regulated in countries like India, France, Germany etc., CSR activities embarked toward social issues. Before, CSR was not regulated that time companies were not frequently involved in handling or curbing social or environmental issues.	The status of CSR is more pervasive in developed countries due to availability of resources to meet the CSR campaigns and also developed nations are way ahead in general public awareness.
4.	Motive behind CSR	In developing nations major concern is to uplift the disadvantaged section of society by planting philanthropic efforts.	Here CSR activities are dealt with keeping in mind the business considerations and profits.
5.	Involvement of media and public	Here CSR activities are promoted on large scale for public recognition and brand building. Though, less transparency is witnessed in such nations.	Consumer base building is the prime focus of CSR activities and media engagement is also powerful enough to spread brand values of the corporations.
6.	Engrossment of government agencies	Involvement of Government agencies is often observed here for selfish motive.	CSR is not mere charity, but it even improves the standard of the corporations by attracting more market share (Gilman, 2014).

Source: Sharma (2019), https://ideas.repec.org/a/wly/corsem/v26y2019i4p712-720.html

6.10 SOME OF THE DETERMINANTS FOR SUCCESSFUL IMPLEMENTATION AND ADOPTION OF CSR

6.10.1 LEGITIMACY

To develop long-term relationships with the community, a business should obtain the approval of the community before engaging in activities that will impact the community. It is said that companies are social institutions and they should utilize their power responsibly by meeting the societal standards. According to Jamali and Karam (2016), businesses get legitimacy and authority from society because society grants them power. As a result, those who do not use their power standardized ways as prescribed by societal norms deemed to most likely lose their power. Additionally, according to Johnson and Greening (1999), legitimate companies are those whose performance and activities are accepted by the society and deserve support in carrying out its business activities. Moreover, a company that is perceived as legitimate is more likely to be perceived as more trustworthy, more credible, or more trustworthy than a firm that reportedly does not have any legal standing. These kinds of events, which result in companies losing credibility, may cause companies to run into problems in near future and to combat them correctives measures should be sought (Jones et al., 2019). Furthermore, the benefits accrued by legitimacy can be combined with social pressures in conformity to re-direct managers of illegitimate companies to improve their legitimacy in order to reap the benefits. There is, therefore, a risk that over the time perceptions of society and what they expect from an organization could change, and that these changes might affect the legitimacy and viability of an organization. Trying to ignore social expectations on the part of the companies might cause difficulties when itcomes to making internal decisions and dealing with issues from external resources. Jamali et al. (2008) argue that companies fail to give due consideration to society. Furthermore, it has been rightly said that at any given moment there will be a difference between the company's performance and the societal expectations, whether due to a specific business practice or to new societal expectations. If the gap in the business field continues to widen, the business will lose its legitimacy, and its survival will be threatened. To gain access to society's physical and human resources, the business community will need to close this "legitimacy" gap and maintain the maximum degree of discretion over its internal decision-making as well as its external dealings. The legitimacy and reputation are key intangible assets for companies that improve performance. A company's reputation may be an indication of their legitimacy, as well as a measure of their performance as a company, as compared to society's expectations and the norms in the institutions in which they operate. It must be emphasized therefore that companies' concern for their impact on society exhibited through their social commitment, can enable them to draw upon and also develop possible mutually beneficial exchange relationships with society through their concern for the impact of their operations on society. A company whose reputation is more positive is more likely to win the trust and support ofits significant stakeholders (Harjoto et al., 2015). Due to the positive reputation obtained by the company, the company's competitiveness will be boosted as a result of the positive reputation it has received (Idemudia, 2011).

6.10.2 INNOVATION

The innovation can be a powerful tool for companies to use in fine-tuning, improving, or enhancing how they treat their processes, products, and delivery methods so that they stay competitive. Companies can initiate changes to their existing practices as a result of innovation, which may result in a radical departure from their existing practices from what they know today (Jamali and Mirshak, 2007). It is essential that the products and services provided by these companies be embedded in systems of activities and to be associated with relationships with external and internal factors associated with the company as this is extremely important due to the fact that these products and services are integrated into systems of activities. According to Jones (1999), "It in an open innovation process, it is possible to launch projects from both internal and external sources, since that is achieved by transforming the formerly solid boundaries of the company into a semi-permeable membrane that permits innovation to move easily between the external environment and the internal R&D processes." Moreover, Khan et al. (2013) propose an argument that is conducive to support this opinion and report that the ability to extract external knowledge from a firm's interaction with the external environment is one of the best indicators of its ability to generate innovative ideas. The companies' ability to deliver innovative products and services locally reflects to a large extent in engagement strategies with stakeholders and how they engage in open innovation with local customers and this shows their extent of innovativeness.

6.10.3 STAKEHOLDERS

In the stakeholder theory, it is argued that effective management demands that all legitimate interests of stakeholders, particularly minorities, to be considered and looked after. An organization'sstakeholders are a group of people or other entities who contribute to the success ofthat organization. According to Donaldson and Preston (1995)'s Stakeholder theory, the implication of this is that managers should seek to influence constructive contributions from their stakeholder organizations in order to reach the goals they desire. The study conducted by Jones and Wicks (1999) stated four main issues that constitute stakeholder management:

Get to know the constituent groups (stakeholders) whose decisions are affected.

Understand "the process and outcomes" of stakeholder relationships.

Incorporate all legitimate stakeholders' interests.

Keep the decisions centered on the interests of management.

According to above-stated studies, positive relationships with stakeholders can be built and maintained through mutual trust and cooperation which will achieve a competitive advantage over others. However, managers who are seeking to achieve specific results pay special attention to certain stakeholder groups. The managers' perceptions of stakeholder's importance determine their position in the hierarchy, and stakeholders can be grouped into different categories based on whether they possess one, two, or all three characteristics power, legitimacy, and urgency. According to the stakeholder theory, business organizations succeed when their managers take into account the interests of heterogeneous stakeholders while implementing policies and practices that benefit their legitimate stakeholders irrespective of their own vested interests. Thus, if legitimacy, innovation, and stakeholder can be integrated in a way to enhance the competitiveness of any company would generate the best possible outcome with regard to CSR (Li and Zhang, 2010; Liao et al., 2015). Consequently, the focus on innovation and corporate social responsibility will fill the gap by providing new and innovative insights in developing countries to rethink about their social responsibility strategies (Kondra and Hinings, 1998; Lattemann et al., 2009; Khan, 2010; Khan et al., 2013). Some researchers contend that stakeholders of a firm are imperative than the resources that are required to accomplish the objectives of that firm (Meek et al., 1995). A strong emphasis has been made on the fact that stakeholders may form a pool of resources and capabilities with which a business can combine to attainits strategic objectives. In consequence, the markets and the firms themselves are undergoing an additional change as they become subject to new demands of corporate social responsibility and social innovation (Matten and Moon, 2008). There are various strategies that can beused to achieve this, including repackaging CSR into localized activities; partnering with stakeholders such as government agencies and non-profits; as well as integrating CSR with productive activities resulting in a bundle of products that meet local needs (Michelon and Parbonetti, 2012).

6.11 CONCLUSIONS

This chapter sought to understand the CSR practices and company's level of engagement in making efforts when it comes to social issues in developing and developed countries. There is a minimal contribution toward social issues by the companies engaged in agriculture sector such as in Africa. Although, this may be partially true due to the fact that current research tends to concentrate on listed companies and agriculture sector has been overshadowed. However, Indonesian companies are actively and directly engaged in social issues and same is with Asian countries. In European countries, CSR has become increasingly important and perceived over the past few years. The local firms participate in a wide range of activities such as education, health, sports, and community development and support etc. As part of corporate social responsibility (CSR) there are a variety of forms and different levels of engagement as to how it should be conducted. There is a critical difference between social engagement and engagement in the firm that stems from how it is rooted in the discourse of the firm. This is the origin of the distinction between proactive, reactive, and episodic forms of social engagement. In developed countries, it is commonly believed that philanthropy is associated with firms creating external organizations detached from their main areas of focus to address social issues. This has been witnessed in the charitable activities being carried out by the Bill and Melinda Gates Foundation, which works to increase healthcare and reduce poverty in many parts of the world through philanthropic activities. The managers should not focus only on investors while designing investment strategies, but should consider other stakeholders as well, such as community members, who can contribute to growth and influence how businesses behave. In addition, firms must engage themselves in mobilizing external resources as part of their CSR practices, including a range of partnerships with NGOs, and with other firms in their supply chains. As a result of this mobilization, relationships between business and the rest of the participators in the CSR will need to change, as their views on social engagement will change. This transformation may, in the long run, result in changes in the organization of business by making CSR an integral part of the organization's management. Therefore, organization is more likely to implement CSR, when the social responsibility initiative signifies a win–win situation. It is suggested that CSR should be understood as a process that engages business and stakeholders continuously through planning, implementing, monitoring, and evaluating, as well as including a range of stakeholder groups.

In addition, Corporate Social Responsibility should be seen as a participatory approach as opposed to a top–down exercise.

KEYWORDS

- **principles of Visser**
- **environmental management**
- **stakeholder management**
- **social media**
- **local community**
- **innovation**

CHAPTER 7

CSR Disclosure and Reporting Around the World

ABSTRACT

This chapter provides a thorough examination of the disclosure and reporting practices of Corporate Social Responsibility (CSR) on a global level, with particular attention given to prominent countries including the United Kingdom, United States, India, France, and China. The chapter offers a comprehensive analysis of the conceptual framework and key attributes of corporate social responsibility (CSR) reporting, emphasizing its importance within the contemporary business landscape. This study examines the effects of implementing corporate social responsibility (CSR) reporting on firms, stakeholders, and society. It aims to provide light on the ways in which transparency and accountability play a role in fostering sustainable development. In addition, the chapter explores the individual CSR disclosure and reporting regimes in each nation, providing insights into their distinctive characteristics, adherence to regulations, and exemplary approaches. The comparative analysis provides useful insights into the global evolution of corporate social responsibility (CSR) reporting and its impact on promoting responsible business conduct.

7.1 INTRODUCTION

Globalization and international trade have triggered a new dialogue about corporate social responsibility (CSR). In the past few decades, there have been many disputes surrounding globalization because its process

Corporate Social Responsibility in the Global Business World: A Conceptual, Regulatory, and Illustrative Framework. Meenu Maheshwari, Ashok Kumar Gupta, Pragya Gaur, Nupur Tiwari, and Shobhna Goyal (Eds)

has been mired in controversy, leading to some beliefs that multinational corporations aim to maximize profits at the cost of vulnerable sections of the society and the environment. As a result of concerns raised by such organizations, MNCs have increasingly demonstrated their social responsibility by implementing procedures that aim to demonstrate their corporate social responsibility (Albareda et al., 2007). It is noteworthy that the CSR code of conduct has been developed and adopted by a number of large companies (Albareda et al., 2007, 2008).

Corporate Social Responsibility (CSR) has become a vital component of corporate world, especially among multinational companies (MNCs). The fact that companies have been practicing Corporate social responsibility since the turn of the 21st century is interesting; hence, the practice is not entirely new to them. There is no doubt that multinational corporations have a distinct advantage when it comes to CSR disclosure over small- and mid-sized companies. A further effect of intense competition among MNCs has been that many of them are now starting to speak out about social welfare as part of their business strategy in the manner that prosperity and growth are generated through combined and coordinated efforts of all stakeholders, so satisfied stakeholders create value for the company as a whole over the long run (Albinger and Freeman, 2000). It is evident that multinational corporations have recognized CSR as a means to improve the quality of life for citizens in their host countries as well as to develop a positive image among stakeholders in the business sector (Albinger and Freeman, 2000).

There is evidence that indicates, historically, corporate sustainability reports have tended to include a disproportionate amount of corporate sustainability information, resulting in a decrease in environmental information being reported on an ongoing basis within the annual report (Frost, 2007). An organization which discloses the socioeconomic effects of its economic activities is obliged to inform stakeholders as part of the disclosure process about those impacts (Aupperle et al., 1985; Basu and Palazzo, 2008). While companies have historically included information regarding the social, economic, and environmental implications of their actions in their annual reports, an increasing number of companies are now issuing separate, standalone reports that focus solely on these disclosures. For an instance, presently, USA is not backed by the mandatory regulations on expenditure or reporting on CSR, thus characterized by the voluntary nature of this function, often called as Corporate Citizenship. So, it is not currently possible to create a framework for reporting. However, the number of companies publishing CSR reports in the United States has been increasing each year, despite the lack of regulations requiring companies to do so (Camilleri, 2017).

Thus, there can be many different types and names of reports that are inclusive of the term "CSR reporting," including "evaluations of environmental issues," "evaluations of social issues," "evaluations of climate change," "carbon reports," "triple bottom line evaluations," and "sustainability evaluations," among others (Brammer and Pavellin, 2005; Camilleri, 2015). CSR reports provide nonfinancial qualitative and quantitative data, which are separate from the annual report. Nonfinancial information is being included in the reports on a regular basis not only because of obligation of organizations to disclose this information but also due to increased demand for such information (Carroll and Shabana, 2010). The Internet has enabled organizations to become more sophisticated and to recognize that nonfinancial issues play a crucial role in maintaining the profitability of their organizations. There is a need for financial and nonfinancial information to be disclosed to stakeholders in order to give stakeholders a full understanding of an organization's health (Carroll, 1991; Chen and Bouvain, 2009).

7.2 CONCEPTUAL FRAMEWORK OF CSR DISCLOSURE AND REPORTING

For CSR reporting, the idea of boundary is one of the most important concepts since it defines the point at which an organization's behavior differs from that of its environment or society. An organizational model defines which elements and activities are part of the organization, and which components and activities are excluded or are deemed external to the organization. In this way, certain activities are more likely to be visible than others in the report as the adoption of different boundaries determines the content, scope, and coverage of the report (Llewellyn, 1994).

It is important to distinguish between the assessment of issue's materiality and that of the determination of the boundary. It is imperative that boundaries be considered during the construction process, but they are often overlooked. Organizations' guidelines detail their responsibilities: what actions stakeholders need to expect from them. A narrow boundary will not disclose a great deal of information about an organization's CSR efforts, causing these reports to be of little use. In terms of financial reporting, it has been a tradition that boundaries have not been questioned based on a long-term concept of control and significant influence. Nowadays, there is a general trend to suggest that organizational boundaries should be established based on the specific issue at hand instead of in a general way at an organizational level.

CSR reporting is generally seen as a two-stage process, whereby the first stage is deciding if the issue under consideration should be reported. Reporters should typically use a materiality assessment method in which material issues are distinguished from nonmaterial ones, ensuring that all relevant information is made available. There is a report published that argues that firms should demonstrate this by creating a matrix of materials which juxtaposes issues identified by stakeholders against issues identified by the organization (GRI, 2013). In the next stage of the process, a reporting boundary has to be established and it has been opined that this process is not transparent at all (O'Dwyer, 2003; Sethi et al., 2017). Setting a boundary may not be a neutral activity since managers may define boundaries in the manner they deem fit. Setting boundaries can be easily manipulated and swayed by managers for their own ends (Archel et al., 2008).

A significant element of CSR reporting and norms is their degree, both with regards to the broadness of the detailed information and the target group. The possible methodologies fall along a range between two limits. Under the narrow methodology, CSR reporting is restricted to data considered pertinent or material for investors while pursuing their investment choices. CSR data can be helpful to investors in assessing future incomes or while evaluating firms' risks on the grounds that CSR and sustainability subjects are seldom firmly connected with firms' typical business operations (Dhaliwal et al., 2011, 2012; Grewal et al., 2020). Hence, firms may as of now need to uncover specific CSR data under existing securities regulations (Wallace, 1993; Grayson and Boye-Williams, 2011). For instance, it is unlawful for registrants with the SEC to preclude material facts (Section 17(a)(2) of the Securities Act of 1933; Section 18(a) of the Securities and Exchange Act of 1934), in any case regardless of whether this information relates to topics on CSR. Moreover, Item 303 of Regulation S-K (Management's Discussion and Analysis of Financial Condition and results of operations) requires firms, among other things, to "describe any known trends or uncertainties that will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations," again making no distinction in determining about relation of these trends and uncertainties to CSR topics.

Accordingly, toward one side of the range, CSR reporting is restricted to information that is monetarily material to financial investors for their decision-making and probably won't go much past existing U.S. reporting necessities. This narrow approach actually covers numerous CSR subjects; however, it rejects reporting about externalities for which the firm gets a few advantages yet it does not bear the full expenses. On the opposite finish of the range is the wide way to deal with CSR reporting. It extends the degree and interest group of CSR detailing and gives data that are significant (or material) to a different arrangement of partners, like purchasers, workers, or neighborhood networks. Under this partner arranged approach, firms additionally report data about their effects on the climate and society, regardless of whether these effects have monetarily material ramifications for the firm. In this way, it incorporates reporting about externalities (e.g., CO2 emissions that are not covered by an emission pricing system). As this approach actually subsumes the data that is material to financial investors, it is alluded to as having a twofold materiality standard.

7.3 KEY CHARACTERISTICS OF CSR REPORTING

The key operations of the firms relate to the broad range of topics pertaining to ESG directly or indirectly which are extensively embraced by the CSR. This results in differentiation in conventional financial reporting and CSR reporting which not only deal with the financial results but also encompass the impact of core and regular business activities on the financial performance. The core and essential characteristics of CSR reporting are as follows:

1. **Multiplicity of Usage and Utilizers:** CSR reporting has more latent spectators as compared to financial reporting. While developing the standards for the investors in consideration, on the disclosure of CSR information, that whole content becomes significant for any user. This same thing applies for financial reporting also, but CSR reporting is more approachable to such audience who are amateur in reading corporate information extensively (e.g.,

consumers). Furthermore, this information can be utilized by these audience for diverse tenacities such as assessing the firm's contribution toward society on a broader scale, determining the adherence of the firms related to its consistency with the particular norms and ethical values etc.

2. **Diversification in topics:** The terms "CSR" and "sustainability" are not particularly defined; hence, it embodies a wide extent of ESG topics, initiatives, and policies. A variety of firms, industries, and nations have their distinct topics depending on its requirements and nature. This makes CSR reporting multifaceted comprising diversified formats of disclosure and reporting, making it difficult to compare and standardize (Kitzmueller and Shimshack, 2012; Liang and Renneboog, 2017; Amel-Zadeh and Serafeim, 2018).

3. **Diverse Objectives:** CSR reporting has numerous targets and addresses a large number of interests and inclinations from the inside and outside the firm. These interests and inclinations can change rapidly after some time, for example, when the firm turns into the objective of a social dissident mission (e.g., Baron, 2001), or as a consequence of exogenous occasions like a mishap or a natural calamity (e.g., Blacconiere and Patten, 1994; Bonetti et al., 2018).

4. **Differences in Measurement and Evaluation:** Various initiatives of CSR can be noticed in various forms or outputs (e.g., CO2 emissions, number of trees saved, etc.); however, it is not that feasible to measure it in pecuniary form (Kitzmueller and Shimshack, 2012). As the CSR reporting across the industries and nations lacks homogeneity and consistency, various standardized rules like accounting conventions, double-entry system, or accounting principles are strenuous to apply relevant to the reporting on CSR (Cohen and Simnett, 2015; Moroney and Trotman, 2016).

5. **Voluntary Disposition of CSR initiatives:** CSR initiatives in most cases are uncoerced and carried out intentionally, surpassing the legal, legislative, and prescribed obligations (Manchiraju and Rajgopal, 2017). For an example, a firm may take measures for mitigating the pollution it causes by its operations beyond the

extent a regulatory mandate requires, considering the welfare of the local surroundings. Thus, the reporting on CSR of firms crucially depends on the choices they make regarding discharging their social obligations and its disclosure or their inabilities to reach up to that level (Bouten et al., 2012).

6. **Long-term Prospect:** The nature of CSR of relinquishing short-term benefits in order to yield long-term profits for the firm makes it appear as a "strategic" activity (Bénabou and Tirole, 2010). As a consequence, the long-term horizons which cannot be quantified or monetized easily and are imperceptible in nature are often dealt with in CSR reporting (e.g., consumer goodwill or employee relations).
7. **Effect of Outwardness dominatingly:** The outer effects like impact of companies on the surroundings and the community are frequently being addressed under CSR, for example, CO_2 emissions. It is fundamental for CSR reporting to deal with such externalities through its regime utilizing the double corporality. Furthermore, the reporting on CSR can go beyond the themes and initiatives which come into purview of the conventional frontiers of the firm (e.g., when a firm imposes child labor restrictions on its supply chain).

These characteristics reflect the inconsistency in the CSR reporting practices across the different companies. As a result, making use of mandatory standards and provisions on CSR for regulating the CSR can possibly generate considerable gains. However, these same characteristics make assessment, comparison, and regulation difficult for itself and comparative to financial reporting also. Thus, it has been implied from the above stated characteristics that economic effect of making CSR reporting mandatory cannot be predicted feasible as compared to predicting it through financial reporting.

7.4 CSR DISCLOSURE AND REPORTING EFFORTS AROUND THE WORLD

As outlined in the report, "the number of corporate and professional users of social and environmental reporting is increasing day by day, which is leading to increased accountability in the business sector, as well as the need for risk management tools and to develop an effective stakeholder management framework that replaces any meaningful consideration regarding how the organization manages its obligations." Considering the fact that most CSR reporting is voluntary, managers have great flexibility in determining which information to report on, which reporting issues to address, and the scope of any assurances that should be conducted. By doing this, management is able to manipulate the information provided in the report and/or the assurance statement by emphasizing only certain impacts and excluding others. Then, both the transparency of information, as well as the reliability thereof, as well as the capability of benchmarking are drastically reduced, which ultimately reduces its value and usefulness.

The Swedish Government, the Norwegian Ministry of the Environment, as well as the Dutch, Danish, and French governments, have mandated environmental reporting for public corporations. Despite the absence of mandatory CSR disclosures in Japan and the United Kingdom, most companies in these countries still choose to disclose their CSR activities. As of 2005, approximately 90% of Japanese companies and 71% of British enterprises were involved in corporate social responsibility reporting, compared to only 32% of American enterprises. The United States does not have regulations requiring companies to report CSR report in the manner the European Union does. However, more and more companies are releasing CSR reports for a variety of reasons.

7.5 IMPACT OF ADOPTING CSR REPORTING

The lessening of irregularities between the company and its investors as well as among investors is the fundamental gain that arises from the disclosure by the companies. There are diverse parts a corporate reporting can play in this whole arrangement. Firstly, the negative issue of selection can be moderated and leveling the play field for the investors can be addressed by the corporate disclosure (Verrecchia, 2001), which results in enhanced liquidity in secondary markets and dropping the returns that investors require for contributing their funds toward the stock of the company (Constantinides, 1986; Amihud and Mendelson, 1986). Secondly, the cost of capital can be mitigated with the help of corporate disclosure by the way of assessing future cash flows and covariances among it by the financiers (Easley and O'Hara, 2004; Lambert et al., 2007; Lambert et al., 2011). Third, it leads to enhanced distribution of risk in the economy by creating awareness among investors or boosting their intention to grip their securities (Merton, 1987; Diamond and Verrecchia, 1991). Fourth, it contributes in enriching the decision-making of the managers by creating a continuous surveillance on them by the outsiders for the companies such as analysts or institutional investors, thus resulting in improved investments by the companies (Bushman and Smith, 2001; Lambert et al., 2007). At last, the vital information of the other firms can be disclosed by the way of reporting of one company in the manner of transfers and spillovers (Foster, 1980; Dye, 1990; Admati and Pfleiderer, 2000), and mandating the disclosure and reporting is being catalyzed by these externalities (Bushee and Leuz, 2005).

The cost side gets affected on the same grounds. The benefits discussed above get counterbalanced by the direct and indirect costs that the process of disclosure suffers with. The preparation, authorization, and distribution of the accounting reports are some types of direct costs, whereas indirect costs comprise the costs incurred by the proprietors as various parties like competitors, suppliers, labor unions etc. can also utilize the information available for the financiers (Verrecchia, 1983; Feltham and Xie, 1992; Berger and Hann, 2007). The innovation encouragements which can prove essential in the context of CSR can also get adversely affected by over disclosure or reporting (Breuer et al., 2020). Furthermore, higher risk of legal actions can be called for, due to the over enthusiastic forward-looking disclosures (Johnson et al., 2001; Rogers et al., 2011). However, this same thing of probability and cost of legal action can be mitigated or eliminated by reporting the bad news (Skinner, 1994, 1997; Field et al., 2005; Donelson et al., 2012). At the end, both the firm and the society might suffer with adverse impact of disclosure and reporting, particularly when made compulsory (Dranove et al., 2003). They come from endeavors to oversee required disclosures through genuine activities and emerge particularly when the divulgence just ineffectively gauges the nature of the fundamental activities (Dranove and Jin, 2010). The costs discussed are just not confined to the financial reporting but also engulf the CSR disclosure and reporting.

7.6 CSR DISCLOSURE AND REPORTING IN UNITED KINGDOM

CSR activities are currently a global matter, especially since media and the collective impact of global associations can affect enterprises, regardless of where they are located. There has been a review of the UK's CSR practices and related policy and it has been observed that major advances have been made.

With the United Kingdom leaving the European Union on January 31, 2020, the UK's newly discovered autonomy in addition to its services pertaining to finance and strong banking industry, supermarket sector, and a multidisciplinary culture makes it an ideal contender to conduct an evaluation and comparison of its CSR practices in an effort to assist other countries in standardizing their principles and implementation strategies.

United Kingdom has focused on four major objectives, as outlined in its general objectives, set out by its government, viz., improve the planet, increase employee engagement, keep customers satisfied, and create thriving communities. Therefore, these four objectives include environmental management (i.e., estate and environment), people management (i.e., human resources, healthcare, and well-being), individual procurement (i.e., finance and procurement), and public procurement (i.e., finance and procurement). The two types of business sectors, that is, retail and banking have been explored in order to provide a better understanding of how CSR activities are actually implemented by UK enterprises. As a result of the primary and secondary data sources of the retail sector that have been analyzed, it appears that the United Kingdom's CSR activities are mainly concerned with the environment and community (Hirsh et al., 1999; Reynolds et al., 2005; Coop News, 2015).

Among its various CSR activities, community activities dominate, for example, that include its largest retail shops like Tesco and Morrisons which developed their own "Community Champions" by setting up their own store collection points for donations to local food banks and surplus food donated to charities and converted into energy. As part of its anaerobic digestion program, ALDI (Albrecht Discount), a supermarket chain, uses food waste to produce energy, while Marks and Spencer recycles clothes as part of its clothes recycling program. In the opinion of many retailers, most of the proceeds of their sales are donated to local charities and organizations (Coop News, 2015).

Through its "Let's Grow" program, Morrison's donated £18 million worth of gardening equipment to millions of schools worldwide. Several areas are shared in reports on a range of environmental topics, business practices involving sourcing, commitment to customers, commitment to employees, and community involvement of retailers. In addition, it has been reported that, for example, Sainsbury's, Marks and Spencer, and Kingfisher contributed 60%, 40%, and 46% respectively in favor of

CSR—thereby emphasizing the essential importance of incorporating community, environment, and social well-being into the reporting agenda (Jones et al., 2005). Information on environmental performance in relevant areas should be included in the activities as well as the reports, such as greenhouse gas emissions, waste management, and water use. An annual report should provide this information in the form of quantitative data and improvement targets (Allen-Gil et al., 2005; Jones et al., 2005; Aguinis, 2010; Aguinis and Glavas, 2012; Rangan et al., 2015; Wells et al., 2016).

On the other hand, a larger business or institution working in a financial or banking sector has more chances of complying with the CSR reporting policy than a smaller one (Day and Woodward, 2009). Throughout the course of the last several decades, a major UK bank, RBS, has been striving to become a more sustainable bank, responsible company, and intended for their business to be conducted in a more ecological manner (RBS, 2020). Managing operational impacts as well as contributing toward more sustainable growth is essential if they intend to meet their wider societal obligations. In case of Santander, a British bank, along with main CSR issues related to the primary group of customers, the organization has a wide range of CSR initiatives. Santander has a CSR policy that supports financial capabilities that help people better manage their finances and understand them. Through its Santander WorkWise program, it helps to increase knowledge, skills, and job opportunities that would assist in reducing youth unemployment. Santander Property Operations also manages environmental impacts through an environmental management system that takes into account the use of energy, water, wastes, and the emission of carbon dioxide. A procurement policy ensures fair treatment of suppliers through the supply chain management (Santander, 2020). As a principle of banking, banks believe in supporting the local communities in which they operate, emphasizing education, enterprise, and employment.

The United Kingdom has elevated its CSR schemes far beyond the traditional charitable measures, utilizing community involvement as a basis for all CSR policy initiatives: to provide new learning opportunities to disadvantaged groups, to sponsor young entrepreneurs, to create academic scholarships and grant proposals, to support the arts and culture, as well as to establish environmental initiatives.

There are a variety of initiatives, benefits, and services that banks and related businesses provide to help support staff in enhancing their mental, physical, and social wellbeing. This includes flexible working, seminars to assist in supporting the wellbeing of their staff, practical advice, and assistance from our employee assistance program, in-house counselling, and discounts for gym members among other things (Bank of England, 2020).

Unfortunately, most corporate social responsibility initiatives today do not result in real change. UK enterprises now have the option of reporting CSR voluntary as on 2014. As a consequence, many of the programs that had been offered have been discontinued because enterprises such as nonprofit organizations no longer have to document their CSR activities. Although there is no increase in the number of companies that report on CSR in the last year, there has been an increase in CSR reporting among companies across all industry sectors owing to the increase in public awareness and the media (Rangan et al., 2015; Wells et al., 2016; UK Government, 2020).

Because of the United Kingdom's CSR innovations related to sustainable thinking and societal conformity, persons expect an unprejudiced and sound practice related to CSR. Throughout the development of the economy, as well as the argument for investment in social responsibility activities, the companies of UK are recognized as exemplars for the rest of the world, especially developing countries.

7.7 CSR DISCLOSURE AND REPORTING IN UNITED STATES OF AMERICA

The conceptualization of CSR in US has been emerged with the publication of Social Responsibilities of the Businessman written by Howard R. Bowen in 1953 (Bowen, 1953). The purview of defining the CSR has been transformed variably from "social responsibility" or "public welfare" to environmental concerns and climate change. The belief of the advocates lies in the essence of pushing the efforts rather than being fused in mere generating profits for their shareholders. It has been examined in a variety of empirical studies the attitudes and perceptions of respondents with regard to corporate social responsibility (Camilleri, 2017). There are many occasions in which an organizational commitment to responsible organizational behavior could have been measured according to quantitative analyses of organizational commitments. Consequently, the responses to their survey responses would not be able to serve as a basis for identifying and explaining the actual corporate citizenship practices of these companies. The study could have been conducted by investigating perceptions of corporate citizenship on the part of management rather than focusing on the behavior of the corporation. It has been shown that a number of studies have been conducted using a number of factors in order to gauge the social responsibility of companies (Midttun, 2005; EPA, 2015). In addition to the Corporate Citizenship Index from Fortune, the KLD Index, and the Reptrak Index are some of the important factors that determine the ranking. Executives should be able to evaluate the extent to which their company complies with environmental and community standards in order to attain these objectives. Despite the fact that these indices were widely used in past research, there is still some doubt as to whether or not they are appropriate. According to Fortune, the reputation index failed to account for the multi-dimensionality and relationship between the corporate citizenship construct and management quality (Camilleri, 2017), so it is believed the reputation index to be more significant than the corporate citizenship construct. It is unfortunate that Fortune's past index suffered from a lack of theoretical arguments, which were more likely to disagree with ethical, legal, and moral dimensions of the corporate citizenship concept than to represent them appropriately (Midttun, 2005). In an analysis conducted for the July 2013 issue of Journal of the Academy of Management Review, it has been sought to determine the extent to which employees perceive managers' ethical behavior in their organizations, the extent to which employees perceive their managers as being concerned about ethical issues in their organizations and the extent to which employees perceive that ethical (or unethical) behavior is rewarded (or punished) in their organizations.

Socially responsible consumption has also been explored by other authors, including EPA. The four dimensions of corporate citizenry, including orientations, stakeholders, issues, and the autonomy of decision-making, have been identified, while meeting with corporate citizens recently (EPA, 2015). The argument of EPA was that by monitoring organizational orientations, one can better understand how organizations behave with respect to corporate citizenship and gain insight into their inclinations.

Identifying which stakeholders the organization is responsible for, will help the organization to identify the areas of concern, in terms of corporate citizenship issues or social concerns, that need to be addressed (Chen and Bouvain, 2009). The level at which corporate citizenship decisions are actually made, as well as the perception of corporate citizenship by an organization, is primarily influenced by the amount of autonomy that executive management has over decisions. Toxic Release Inventory, Directory of Corporate Philanthropy, and Fortune reputation index are all used by the staff to calculate the Corporate Citizenship Index, a measure widely used by employees of the company. They do not necessarily correlate their four metrics, despite their claims. In such a case, it can be argued that these indicators may not provide a comprehensive picture of corporate citizenship, and their items are probably insufficient to provide a great understanding of corporate citizenship. Taking a comprehensive approach to providing guidance and support for areas of corporate behavior and sustainable behavior, the U.S. federal government illustrates this exchange arena very well (Fifka, 2013).

As part of Secretary of State John Kerry's agenda, the U.S. secretary of state must ensure effective coordination, partnerships, and collaboration with international institutions so as to harness global economic tools and leverage U.S. foreign policy goals to advance responsible initiatives (Jeffrey et al., 2019). As an example, the U.S. Department of Commerce's Division of Economic and Business Affairs heads a team that manages corporate social responsibility programs, having as its primary objective, the promotion of responsible business practices and fostering sustainable development while simultaneously ensuring economic prosperity and security in the economy (Greendex, 2012).

The publications such as Forbes magazine have established sustainability ratings to assist the financiers on distinguishing the companies that indulge in CSR genuinely to carry out the initiatives and are just not "greenwashing." In order to help the investors to contribute their funds in the companies who discharge their social responsibility efficiently, the Dow-Jones Sustainability index has been created among many indices that rank companies on the basis of their CSR performance. The business culture of the US is seemingly shareholder oriented which makes it a common law nation (Holder-Webb et al., 2008; de Villiers and Marques, 2016). The wants, prospects, and forces of the other groups are often overlooked while dealing with corporate activities in comparison of shareholders, of which they are considered the vital stakeholder group (Simnett et al., 2009). For that reason, the US is not obliged to report about their sustainability information to its concerned stakeholders like any other stakeholder-oriented nation having a code law as it is not much expected for US to develop any such legislation pertaining to CSR. Although, the maximum of disclosure related to CSR in US is not mandatory, the mandated disclosure has put on by the Securities and Exchange Commission (SEC) through Regulation S-K in 1982. There are certain items of the regulation that talks about several distinct issues and concerns. It applies to public companies which require communicating about how capital expenses, income, and competitive positions get materially affected by adhering with national, state, and local laws on environment. The awaited legal trials pertaining to laws on environment are required to be disclosed under Item 103 along with the identified leanings, events, or uncertainties that can impact the monetary situations materially under Item 303. The Commission Guidance pertaining to change in climate was issued by SEC in 2010. It added no new substance to the existing law but just worked upon on raising the spirits of the firm to be more concerned about climate change and greenhouse gas emissions while incorporating the earlier laws into their operations (Grayson and Boye-Williams, 2011).

Despite not having mandatory requirements, the quantity of organizations that decide to report has developed emphatically. 85% of S&P 500 organizations made sustainability reports public in 2017, as reported by Governance and Accountability Institute in 2018 (Governance and Accountability Institute, Inc, 2018). This was a 425% increment in just six years when compared with 2011 in which 20% companies have published their sustainability reports. The extent of detail firms gave in their reports about their CSR exercises shifts broadly as reflected by the assessment of US yearly reports and CSR reports. The two most perceived and generally involved rules for reports are the GRI and the UN Global Compact, despite having diverse formats for reporting on CSR. US organizations are confronting expanding stresses from stakeholders to give CSR data. In January 2018, Larry Fink (CEO of BlackRock, Inc.) circulated a yearly letter to CEOs emphasizing on the requests of investors for firms to "answer more extensive societal difficulties" (Fink, 2018). It expressed: "To flourish over the time, each organization should convey economic performance, yet in addition show how it makes a positive commitment to society." When BlackRock—the world's biggest asset management organization—started settling on investment choices in light of CSR issues, different firms started to follow. GreenBiz Group's (2018) yearly study of sustainability experts presumed that relating to sustainability was affected by pressure from consumers and financiers searching for something beyond beautiful pictures and accounts of what the organization had done locally. In order to think up procedures for developing their organizations, they utilized data pertaining to ecological, societal, and administration concerns. The qualities of the US public culture could likewise build deliberate CSR-related reporting. In light of Hofstede's (2020) cultural dimensions and the value of the Secrecy Index created by Hope et al. (2008), the US is positioned as quite possibly of the most clear as crystal nation on the planet with a score of minus 5.

7.8 CSR DISCLOSURE AND REPORTING IN INDIA

There is no doubt that corporate social responsibility has become a vital part of the development of a country in the 21st century. Corporate social responsibility plays a significant role in the development of a country. Since ancient times in India, CSR has been referred to as social duty or charity. Hence with the passage of time, its nature is changing as it broadens its scope. It is crucial to pay more attention to healthcare initiatives in India, since it is the 2nd most populous country in the world and the country

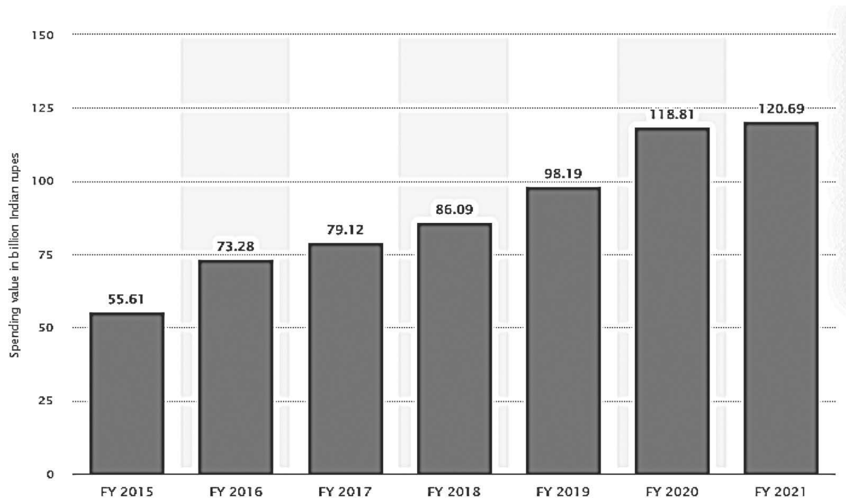

FIGURE 7.1 Value of CSR Spending by leading Indian BSE Listed Companies FY 2015–2021.

Source: (Statista, 2022). https://www.statista.com/statistics/1248102/india-csr-spending-of-leading-bse-listed-companies/#:~:text=Value%20of%20CSR%20spending%20of,in%20India%20FY%202015%2D2021&text=In%20financial%20year%20 2021%2C%20the,social%20responsibility%20(CSR)%20initiatives.

where the majority of the population live without basic amenities, so that additional efforts can be made to meet that need.

According to clause 135 of the Companies Act, 2013, which was passed by both the Houses of Parliament, the concept of corporate social responsibility is basically governed by the Companies Act, 2013, which received the official assent of the President of India on August 29, 2013. In many respects, it is very beneficial for India, for one thing, it simplifies a lot of issues as well as aims to increase both the transparency and ease of doing business in the country. Furthermore, it has also introduced a new kind of lawsuits, called class action lawsuits, which will provide protection for stakeholders.

Companies that have an annual turnover of 1,000 crore Indian rupees or more, or a net worth of 500 crores Indian rupees or more, or a net profit of five crores Indian rupees or more are eligible to comply with the CSR provisions of the Act. The Act requires companies to contribute at least 2% of their average net profit over the past three years to CSR initiatives as part of their CSR mandate. According to the Act, there are a list of activities that can be classified as CSR activities. Taking into account the local conditions, the company can implement these activities after having received approval from the board.

Among the various activities are the promotion of education, the eradication of hunger and extreme poverty, the advancement of gender equality and the empowerment of women, the support of environmental sustainability, the development of employment-relevant skills, the fight against HIV-AIDS, Malaria, and other diseases.

The Indian government has completely abandoned its involvement in corporate social responsibility and has incorporated it into its sustainable business strategy. As a result, corporate social responsibility is now a core component of every company's operations. There is a CSR team in most companies that is responsible for developing policies, strategies, and goals for the CSR programs and setting the budget to support them. It has been expected this contribution would play a significant role in enhancing the organizations' brand awareness as well as their reputation within the market. Increasing the contribution of the organization to society should therefore be treated as an integral part of its strategy.

It should be noted that CSR has a number of hindrances such as inadequate infrastructure, ambiguous policies, bureaucracies, and poor monitoring methods. It is nevertheless considered that business organizations are expected to perform a much more important role in society than simply providing quality products at reasonable rates, striving to implement a truly sustainable business model, adhering to the highest standards in the workplace, and reducing human rights abuses. Indian companies thus no longer rely solely on passive philanthropy when it comes to CSR. Increasingly, companies are considering corporate social responsibility to improve brand image and strengthen ties with the local community.

Corporate social responsibility strategies contribute to the sustainability of both the corporation and society at large. Community development can be accomplished by government, nongovernmental, and business organizations. It has been asserted that company-specific factors, such as the social responsibility issues a company emphasizes and the quality of its products, as well as consumer-specific factors, such as the consumers' own views about CSR issues, are key determinants of consumer behavior with regard to CSR. In their reactions to the company's CSR initiatives, consumers' perceptions of congruence between their own personalities and those of the company are also significant mediators.

CSR activities and policies and programs of the Indian government as well as other private sector and public sector banks have been examined. It has been observed that despite the fact that both public and private organizations in India are making efforts in the CSR areas, there is still a need for more focus to be placed on CSR. As far as Corporate Social Responsibility (CSR) is concerned, there are a number of studies by public and private sector banks in India that examine its impact.

Having conducted an analysis of the CSR initiatives taken by the banking industry of India, it is evident that this is an excellent initiative, but there is still some work to be done to improve the area of corporate social responsibility. Regulatory norms for corporate social responsibility (CSR) are negligent in some banks. To fulfill their social responsibility, banks seem to be focusing primarily on the social issues as well as financial issues, but the environment does not seem to really be touched. Among banks operating in the public sector, there is evidently a higher level of spending than that of banks operating in the private sector.

If the instance of industries in India is considered, it is clearly apparent from their CSR approaches, disclosure, and reporting that they follow an inclined approach while dealing with CSR and appear to be focused on merely meeting with the minimum requirements prescribed by Ministry of Corporate affairs in Section 135 of the Companies Act, 2013. However, due to mandatory provision of spending and disclosing the enough on

CSR, the companies across the industries never fail to report adequately in terms of its CSR activities and performance.

It is evident from the above-mentioned content that there is now a large base of existing literature that sheds a good deal of light on the growing importance of corporate social responsibility in contemporary organizations. The Indian economy is in the process of developing, and it is here that Corporate Social Responsibility (CSR) plays a key role in the performance of organizations.

There is no denying the fact that corporate philanthropy practices are evolving into corporate social responsibility in the Indian industry, if one pays attention. The importance of good corporate social responsibility is increasing in the Indian corporate scenario due to the realization that organization's goal is not profit making, on top of that trust building is not only possible, but it is also assertible with the societal relationship. There is a concept called Corporate Social Responsibility (CSR). It is based upon the idea that it is possible to achieve both organization success and social welfare in the same manner, so that these efforts may be conducted together.

An organization cannot succeed if the society in which it operates has inadequate functioning and that society cannot function effectively if it has an ineffective society. In terms of corporate social responsibility, it is built on the idea that the organization and the society it operates in are linked in that the events in one influence and affect the events in the other. Among the multitude of challenges facing a society or community where an organization operates is the degradation of the environment, the degradation of the land, the poor health of the inhabitants, and the presence of illiteracy.

These all make the chances of successful functioning of the organization next to nothing, if not wiped out. An organization that operates within its community but does not provide the services that residents require will have a negligible success rate.

7.9 CSR DISCLOSURE AND REPORTING IN FRANCE

Several reasons make France one of the most interesting cases to be explored from a legal standpoint. It is not surprising that France is one of the world's biggest economies, but little is known internationally about the way France's companies operate in society due to the fact that not much has been published in English on the topic thus far. As a part of the process of grasping a deeper understanding of these relationships, it is indispensable to understand that France has despite rich cultural and linguistic traditions, a history of economic development that differs significantly from the United States and other Anglo-Saxon countries. Despite the fact that all successive French governments (partly as a result of pressure from the European Union) have privatized many companies in recent times, the French economy remains a function of the role of the public sector. The socioeconomic structure of the French economy, particularly in business-to-business sectors such as banking and insurance, is another extremely important characteristic of the country (Jeantet, 2000). Apart from the economic aspects of corporate social responsibility in a country, the discourse and practice of CSR in a country are deeply impacted by how people perceive and understand the role of companies and governments in society, as well as other major groups of actors within society, both of which are constantly evolving.

In comparison to many other countries, particularly Americans and the United Kingdom, the French State played a significant role in the development of CSR from the mid-1970s to the mid-1980s through legislation that helped to effect the changes. There was a pioneering state in France that required corporate social responsibility reporting, introducing legislation to mandate the "bilan social" [social report] in 1977. It had to provide 134 items and indicators in order to qualify for this reporting requirement, which included employment and salaries, health and safety, training, working conditions, and labor relations (Gautier, 1999; Urminsky, 2003). While the report was admittedly limited in scope because only employment-related matters were covered, it was nonetheless a step toward establishing a standardized set of detailed items that would be counted in the survey. A particularly important aspect of the reporting process was that employees were specifically asked to participate in the process. Employee participation was a key element to ensuring the success of the social report.

As a result of the traditional French skepticism toward public reporting and in keeping with government's role as the central actor in the economy, the 1977 law requires companies to submit their social reports to a government agency rather than publishing them up themselves. In today's world, while governments still play an important role, a number of legislative initiatives have taken step toward expanding the scope of corporate social responsibility more broadly beyond employee-related issues. Legislation often compel organizations to make reports on crime, social issues, and environmental factors. It can be readily seen in the legislation on the New

Economic Regulations in 2001, which was a supplement to the 1977 law on the "bilan social" by expanding its scope of reporting and changing its targeting of its audience.

The French stock market began requiring all publicly listed companies in 2002 to publish information about their social and environmental impacts in their annual reports (Sobczak, 2003). AngloSaxon academics have developed the concept of triple bottom line in order to provide a better understanding of corporate social responsibility (Elkington, 1998). The mere fact that the French state intends to play a role in this field, even if it is imposing a common framework for reporting on social and environmental criteria, still does point toward the main role in the field that the French state intends to play, while other governments remain rather hesitant to get involved.

A new legislative framework was enacted in France for 2001 that covers not only labor aspects, but also the effects of business activity on the natural environment (Vogelpoth, 1980). These topics had been discussed in France (but not tackled) even in the late 1970s. As a result, the impact of the legislation will certainly be strengthened by requiring that social and environmental information be included in annual reports rather than devoting resources to creating a separate report. It became generally well understood by the end of the century that the impact of "bilan social" reports was diminished by the fact that they were presented only to the government rather than being made available to the broader public, which could read them and exert pressure on the government. As far as the section of the annual shareholders' report that deals with social reporting is concerned, there is an issue (Counseil Economique et Social, 1999).

France is one of the nations where the scope of the Corporate Social Responsibility idea has been expanded through various initiatives. France too is one of the nations which imagine that the European Union should deal with the meaning of all-inclusive norms in Europe for corporate social obligation reporting. At the level of the European Union, bringing together the rules of reporting is a fundamental component of a legitimate worldwide governmental issues as accepted by the French. In this manner, clear business standards of activity comprehensible for suppliers inside and outside the European Union are needed to be given by them. In his undertakings, France likewise brought up that it ought to be made an arrangement of rules adjusted to the size and profile of the association as similar necessities concerning the subject brought up in this publication cannot be utilized by small ventures and huge organizations. The Ordinance on required application and answers for corporate social obligation in the public sector has been primarily given by the France. The practice of reporting on corporate social responsibility in France traces all the way back to 1970 and is moderately lengthy. The organizations having the capacity of employees in excess of 300 individuals to publish reports (alleged social equilibrium) contained more than 1,000 pointers on the social effect of the initiatives of these associations as obliged by the President of France. Then, on May 15, 2001, the scope of indicators has been broadened. The document, which incorporates these issues, is known as the New Economic Regulations (NER) (Carrots and sticks, n.d.). The prerequisites for organizations utilizing in excess of 500 individuals with high greenhouse gas emissions have been introduced in created draft record (Grenelle 1 Act) connecting with reporting related to environment in 2019. From January 1, 2011 onward, information on greenhouse gas emissions must be published. As of now Grenelle Act necessities have been carried out in the new adaptation of the New Economic Regulations (NER). French experience shows that the reception of this new Economic Regulation of social and natural reporting has turned into an impetus for obliged French organizations as far as including CSR goals and standards of feasible improvement into their arrangement of administration. The portion of the 40 biggest French organizations draw up covers a wide social obligation as discrete reports, while others put the data in the integrated report of the association as reflected in the research led in 2004, and in this way a couple of years after the presentation of the document. To characterize the extent of reporting for holding organizations has been posed as the greatest challenge. Additionally, having minimal relevant information by the companies makes it challenging for the companies to report data about suppliers (Carrots and sticks, n.d.). The French made exceptional Internet platform to cover social reporting issues in order to work on the flow of information. The site was made in 2010. The data about the greater part of the corporate social obligation initiatives and sustainability reporting by associations have been contained in it. Its motivation along with giving more feasible admittance to data to stakeholders and people in general is to show best practices, all of which will help different associations. In the year 2010 another variant of the document NER was made. In order to advance the vastest conceivable reporting issues connected with corporate social responsibility reporting, extra necessities relating to CSR detailing and further activated French associations have been provided in the document. Another drive in the field of corporate social responsibility reporting was established in France in 2008 interestingly. Then, an organization on environmental technology called Ecotech 2012 was formed by the French government, which was grown together by the Ministry of Industry and the Ministry of Ecology.

7.10 CSR DISCLOSURE AND REPORTING IN CHINA

China is the biggest developing nation in the world. It is turning out to be crucial contestant in the development of CSR despite being different from the emerged nations in which origin of CSR has its place (Lee et al., 2017). China was not much involved in CSR practices in 1990s, at the time western countries were carrying out the CSR activities as their one of the fundamental business strategies (Wang and Juslin, 2009). The development of the economy in China costs the ecological concerns extensively. Without any doubt, the stress on the responsibility over societal and ecological matters was primarily directed by the policies of the government, considering the significant intervention of the government on the Chinese business and the economy (Allen et al., 2005). The need to maintain equilibrium among financial development and ecological and societal security and growth has been recognized by the government of China (See, 2009). The Third Plenary session of the 16th Central Committee in 2003 marked the introduction of Scientific Outlook on Development aimed at guiding the nation on the road to inclusive, harmonized, and sustainable development. Consequently, the 11th Five-year plan of the government pioneered the agenda of building a congruent societal arena. Considering the above two plans and document, CSR has been evidently a core strategic agenda of the nation.

Though, CSR was not overtly identified in the company law of China till 2006 in the context of disclosure and reporting (Hu et al., 2018). The Shenzhen Stock Exchange (SZSE) disseminated its "Guidelines for Corporate Social Responsibility of Listed Companies" in September, 2006. The concern and responsibility toward society and disclosing about their CSR voluntarily are being looked upon from the companies listed on the SZSE. It was in 2008 when China introduced the mandatory requirements to disclose information related to CSR which was quite late as compared to its competitor developed nations (Wu and Habek, 2021).

The two sets of guidelines on the social responsibility and disclosure on environmental information by Shanghai Stock Exchange (SSE) in 2008 for the use of listed companies have been issued. Alongside, in order to raise the spirits of state-owned enterprises regulated by central government, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) issued a CSR document, so that these companies put forth their efforts toward disclosure of their CSR voluntarily and exhibit their responsibility toward society and environment. Currently, the responsibility to fulfill the requirement to publish reports on CSR relies on SZSE 100 index companies. The three categories of the corporate viz., listed in Corporate Governance Index, overseas listed share companies and financial sector companies are in the purview of SSE for the purpose of publishing their reports on CSR since 2008 (Lee et al., 2017). The voluntary disclosure on CSR is incited to the other corporations listed on aforementioned both stock exchanges. If we look upon the genesis and evolution of CSR in China, it has become a core element of business operations and has enticed the mind of the stakeholders by a significant government intervention. The data in Figure 7.1 depict the number of companies that disclose CSR information and are categorized as A-share listed Chinese companies, for which data have been extracted from China Security Markets and Accounting Research (CSMAR) database. CSR disclosure practices have been boosted from 2010 to 2019 in the listed companies of China. While if we see Figure 7.2, the excess of voluntary CSR disclosures over the mandatory disclosures has been observed since 2017. This reflects the recognition of the relevance of disclosing CSR information voluntarily by the listed companies of China. Despite this, the extent of CSR disclosure differs greatly in Western countries and China. It is significant to evaluate the initiatives toward social responsibility and strategies on disclosure of the firms in China, so that the research on CSR in prevailing markets can be augmented.

An increasing trend in the quantum of CSR reports published by listed companies of China has been observed in last 12 years, as depicted in Figure 7.1. However, in the line with increment in publication of CSR reports over the years, the disclosure rate too endured between 24% and 28% in all the years except 2008, as depicted by the orange line in Figure 7.1. This low level of reporting on CSR has been reflected by the data of the listed companies in China.

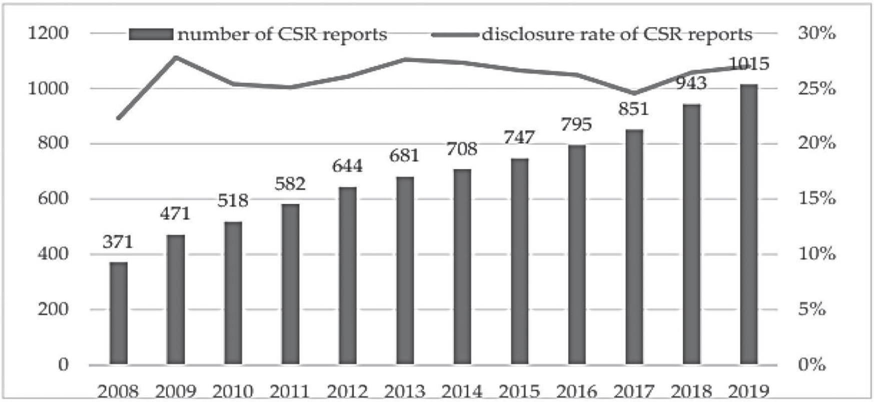

FIGURE 7.2 Number and disclosure rate of CSR reports published by Chinese listed companies.

Source: Data for 2008–2017, RKS Database and 2018 and 2019, CSMAR Database; Wu and Habek, 2021.

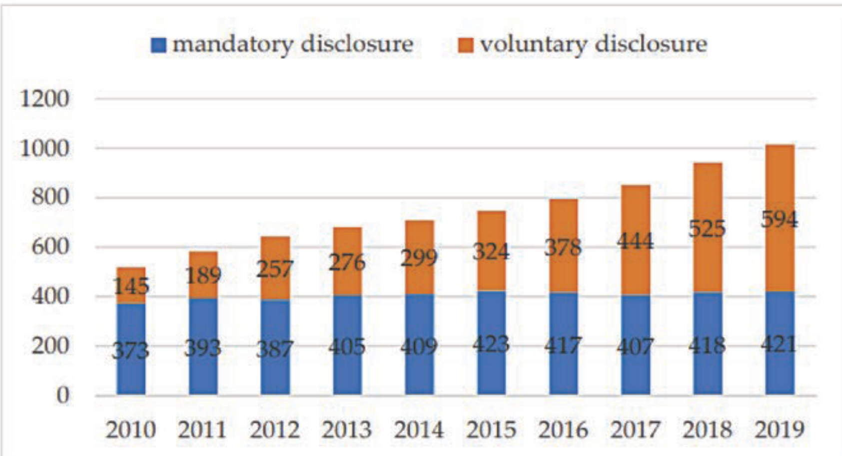

FIGURE 7.3 Number of mandatory and voluntary CSR reports of Chinese listed companies.

Source: Data for 2008–2017, RKS Database and 2018 and 2019, CSMAR Database; Wu and Habek (2021).

On the introduction of compulsory guidelines on reporting on CSR in China, it is crucial to ascertain the number of published reports voluntarily and mandatorily alongside getting an information on overall trend of such reporting. It is evidently depicted from Figure 7.2 that number of disclosed reports on CSR voluntarily was mere 145 which seems to be very less as compared to mandatory reports. But, since 2017 till later years, the number of CSR reports disclosed voluntarily have surpassed the mandatory reports on CSR. This signifies the enhanced consciousness in the listed companies of China about the significance of reporting on CSR, which lead to their sheer inclination toward voluntary disclosure of CSR reports.

Hence, the CSR reporting has posed several potencies in the Chinese listed companies. Foremost, there has been persistent increment in number of CSR reports that came into notice over the years. The rates of voluntary disclosure of all the sectors except financial sector are observed to be superior than their rates of disclosure as a whole, as reflected from the data of top ten industries depending upon their disclosure of CSR reports in 2019, keeping certain situations intact. The timely emergence of policy of disclosing CSR reports fortified the companies to emphasize on CSR and report on their practices, which resulted in this fulfilling trend. This substantiates the definition of organizational legitimacy, to wit, "a generalized perception that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995). The disclosure of societal and ecological disclosures voluntarily is being feasibly comprehended by the procedural assistance which is extended by approach of organizational legitimacy so that the political and societal procedures can be dealt with by the companies (Gray et al., 1996). However, the rules for creating the green financial system issued in 2016 which encouraged on involving in green projects and divulge the reports on CSR by the companies encompassing a great quantum of preferential and expedient financial services might have affected the approach of organizational legitimacy.

The environmental pollution got triggered by the advancement of economy in China. Hence, rules for creating the Green Financial System have been propagated in 2016 by seven ministries and commissions conjointly. This rule obligated the disclosure on environmental information in 2017 for the companies recognized as key pollutant emission companies by the Ministry of Environmental Protection. Till 2018, this rule mandated the disclosure of reason for not complying with the disclosure norm stated above. This rule took all the listed companies under its bracket till 2020, requiring them to make the necessary disclosures on their information about environmental aspects. This compulsory regulation issued by government prompted such an elevated rate of environmental disclosure from the companies. This is in the alignment of the notion that legality threats can be mitigated or legality gaps can be constricted by making an appropriate use of CSR disclosure (Cho and Patten, 2007; Nikolaeva and Bicho, 2011).

Notwithstanding, the CSR reporting of listed companies in China possesses several imperfections that should be focused upon. Primarily, the disclosure rates remained low persistently from 2009 to 2019 and no such increment has been observed in that period, despite the increase in the number of reports on CSR steadily by the listed companies of China. The illustration of CSR in the annual reports of the companies does not offer such comprehension and peculiarity as it is tendered in CSR reports published separately. Thus, it can be assumed that the public of China is still not come across with the complete or any information on CSR presented by the listed companies of China. The state of CSR disclosure in China lacks ideality and can be upgraded to a great extent. Second, there is a low level of verifiability of the CSR reports among the reports that have been disclosed related to CSR. The credibility of the reports highly depends on its verification (Gurturk and Hahn, 2016). In the words of Federation of European Accountants, “CSR reporting without the authentication of the veracity of the disclosed data is rightly deemed as worth little more than advertising activities” (Habek, 2017). As a result, the reliability of huge quantum of CSR reports of listed companies of China gets abridged due to non-authentication. If the legislations on CSR is studied upon, it can be evidently observed that it does not pose any well-defined obligation to get the CSR reports verified. Third, the listed companies of China do not reflect the extraordinary level of disclosing information in CSR reports. Despite development of such regulations more than a decade, the companies issuing CSR reports still fall short while disclosing adequate information on CSR, which results in difficulty in meeting the requirements of the stakeholders in the context of CSR information, as outlined by the assessment results of RKS (Ali et al., 2017). In terms of policy and strategy, the absence of significant benchmarks on the preparation of corporate social responsibility reports to pave the path for the companies often leads to such shortfalls of the companies to disclose adequately on CSR (Utama, 2011).

7.11 CONCLUSIONS

In the light of the above discussion over the extent and level of disclosure and reporting on CSR across the world, it is evident that every corner of the world addresses the area of CSR differently based on its regulatory environment and need of the surroundings. There are other points that have been came into consideration while drafting this chapter. To begin with, a significant part of the currently available literature on the impacts of corporate disclosure and reporting applies to the degree that organizations' CSR divulgences give data that are applicable to capital market members. The literature proposes that capital business sectors can be assisted ensuring prominent liquidity, lower cost of capital, and better capital allotment in the light of providing more and better (CSR) data. Also, the way of behaving of the firm can be altered by the corporate disclosures. If the objective of required CSR reporting is to impact firms' CSR initiatives or to moderate externalities of firm way of behaving, such genuine impacts appear to be significant in a CSR arrangement. The genuine impacts are bound to follow from a compulsory reporting than from voluntary revelations. The societal and ecological transformation can be driven by the device of mandating reporting on CSR as this understanding suggests; however, it can likewise prompt potentially negative results for firms and instigate firm way of behaving, which is unwanted to investors or society.

It can be construed from global literature on financial reporting that there is restriction in the role of principles in bringing together the practices of reporting, especially when administrative reporting motivations contrast across firms, ventures, and nations. The equivalent ought to hold for CSR principles, highlighting a pivotal job of the reporting framework and the implementation processes set up while carrying out these guidelines.

Albeit the above discussion features that the literature on reporting, comprehensively characterized, brings numerous bits of knowledge to the table, one must be cautious while applying them to CSR reporting. CSR and CSR reporting are portrayed by a colossal, complex arrangement of themes and topics, which in many cases are of long term, non-money related and elusive in nature, as well as by a huge arrangement of consumers, all of which makes it distinct from financial reporting. Consequently, it is advantageous to return to significant empirical relations with regards to CSR reporting.

Moreover, the information can be developed for the financiers and different stakeholders by utilizing the potential of compulsory reporting on CSR. Notwithstanding, the degree to which firms presently keep material information on CSR significantly influence the size of the subsequent data impacts from a CSR reporting compulsion. CSR norms in view of monetary (single) materiality should not create a lot of new data for investors in the event that organizations to a great extent consent to existing security regulations and as of now give all material CSR-related data. In this situation, regularization of reporting practices and improved equivalence across the companies encompassing saving the cost to firms and investors individually can yet yield benefits to CSR guidelines. One can envisage better response from capital markets in the case the compulsion can compel out new and better data, despite fairly low information on CSR even after being consistent with existing disclosure necessities as supposed by some proofs. Consequently, the liquidity can be upsurged, cost of capital can be brought down, and capital allotment can be enriched by making a use of CSR reporting. Despite this, restrictive expenses and uplifted examination by stakeholders are involved in driving firms to postulate new information. The former could lessen firms' impetuses to develop concerning CSR while the latter can affect firms' way of behaving in terms of wanted or unwanted behavior.

Furthermore, the firms are prompted to alter their business operations due to mandated reporting on CSR. The firms expand and bend its initiatives on CSR to further develop CSR execution which is exorbitant to the firms ordinarily in response of compulsory reporting on CSR, as advocated by the existing literature. These transformations can be elucidated by the forces of the society or stakeholders along with setting yardsticks by the contemporaries. The responses generally come from the firms having their good reputation at risk and who reflected poor CSR performance in the past. The managers are anticipated to downsize such initiatives on CSR that are not lined up with investor inclinations in the case of resultant better information on CSR due to mandatory reporting. The business operations that are perceived adversely by stakeholders or relate to exceptionally delicate CSR issues possibly tend to be diminished or disinvested by the firms. Thus, considering such existent impacts, the persuasive stakeholders can put stress on the companies to concentrate on outside impacts with a sheer assistance of the compulsory reporting on CSR.

At last, in case of compulsory reporting on CSR to make considerable financial impact, whether planned or unplanned, the implementation is presumed to be a focal point. It is a difficult task to make a powerful authorization system and infrastructure and technical mastery is needed to be invested substantially. In view of the involvement in financial reporting, it is a good idea to think about a mix of private confirmation with public implementation and oversight. The mandatory CSR reporting probably calls for the enhanced demand for confirmation services, despite not having a necessity of auditing the data on CSR. There are certain focal research enquiries in this framework such as whether and how CSR norms work on the viability of implementation, how the affirmation of CSR reports performed by audit firms contrasts from the confirmation given by particular CSR experts, and how interaction between public and private administration takes place for supervising the reporting on CSR.

KEYWORDS

- **CSR reporting**
- **CSR disclosure**
- **liquidity**
- **capital allotment**
- **societal and ecological transformation**

CHAPTER 8

Areas of Corporate Social Responsibility: Within and Beyond the Purview of the Regulations

ABSTRACT

There is a great deal of discussion in this chapter about the areas that developing and developed countries are focused on CSR across the globe. There have also been discussions about how to implement CSR ideas into the business. As an addition, this chapter revolves around the company's own case studies, which are derived from corporate social responsibility projects that have been carried out by it for the benefit of society and the planet as a whole. A number of factors need to be kept in mind when adopting CSR practices, as well as avoiding several key points that are essential to adopting a socially responsible business model for a company, which is why this chapter flows in that direction. In addition to the value that the company receives from its stakeholders, the company also gains a greater understanding of its human resources. In order to achieve the desired result, it is important to integrate social concerns into the company's goal. Business enterprises in India are not simply concerned with doing business ethically, but they are also concerned with the way their business handles issues relating to the environment and social responsibility. When we disregard corporate social responsibility, we shall jeopardize our potential success in the ever-growing global market and thus threaten the survival of our business. Every company today is primarily concerned about its overall social responsibility as well as its responsibility toward the environment, which is all major and important concerns.

Corporate Social Responsibility in the Global Business World: A Conceptual, Regulatory, and Illustrative Framework. Meenu Maheshwari, Ashok Kumar Gupta, Pragya Gaur, Nupur Tiwari, and Shobhna Goyal (Eds)

8.1 INTRODUCTION

The practice of Corporate Social Responsibility (CSR) has got the spike in recent years, though its existence could be traced back to the early 1950s. Due to the integration of social perspectives with corporate growth, the social responsibility aspect has become significant and has grabbed attention over the passing years. The public can hold companies accountable for their actions. The need for social practices such as product donations, social services, adoption of eco-friendly practices, financial contributions, etc. was necessitated when business leaders and management theorists realized this peculiar situation that mere profits-seeking endeavors cannot be the sole reason for the existence of the firm today. The issues cannot be resolved with the same state of mind that generated them, as stated by Albert Einstein, and he also mentioned that everything has not been acquired from the planet; rather, youngsters have lent it to us. This quote demonstrates the need to think beyond the conventional methods, and at the same time, take due care of the responsibility that the whole society has toward succeeding generations. Along with ethical practice, CSR has become the expectation of stakeholders, be they investors, consumers, etc. The contributions to making society a better place to live in and everyone who could benefit from the facilities to accomplish the purpose—consumers, workers, and investors—have made it possible for investors by putting pressure on corporations. Social, economic, and environmental concerns are now more favored by the consumers of organizations that are engaged with the company through their products and services. Younger investors and consumers report the strongest belief in corporate responsibility. The focused areas of CSR include climate change and environmental protection practices, according to a survey conducted by Millennia by Deloitte in 2019. There are several other forms that are covered under social responsibility that must be adhered to by the corporates namely: economic efficiency, sourcing responsibly, stakeholder engagement, labor standards and their working conditions, employee and community involvement, social equity, maintaining balance amongst genders, governance measures, anticorruption measures, etc. The developed nations mainly focus on sustainable development, which jeopardizes the need for future generations, and their serious concern is the environment. On the other hand, alleviation of poverty and hunger, sanitation, the availability of food and shelter to all, and the elevation of underprivileged sections of society are major alarming issues that require sincere attention.

The legislators have established legal responsibilities reflecting codified ethics to portray notions of fairness. The law for the good of society binds businesses. When businesses disagree with legislation that has been passed or is about to be passed in the future, society is equipped with a mechanism for rebels to be heard through the courts. Furthermore, ethical responsibilities reflect emerging values and standards that society expects companies to live up to, as sometimes performance standards go beyond existing legal companies, even if they demonstrate performance beyond current legal requirements. There are discretionary responsibilities that impose expectations, go beyond ethical responsibilities, and are truly proactive actions by the company. The finest illustration has been portrayed here with the help of Ronald McDonald Houses, which are located near hospitals. Hostel stays have been allowed to the families of sick children so that they could stay close to them without the prohibitive cost, and this program has benefitted society through performing proactive responsibility.

The CSR Voluntary Guidelines (2009) rightly provided that a company's systems of governance should reinforce ethics, transparency, and accountability. The corporates should not engage in abusive, unfair, corrupt, or anticompetitive business practices. Financial reasons such as profits or dividends not only influence corporate decisions but also have an instant and long-standing societal and environmentally friendly consequential impact on their activities. CSR has gained prominence in corporate strategies, and through the growth of dedicated CSR organizations worldwide, government organizations across the world are increasingly promoting CSR practices. CSR has become an integral part of all business courses, as it is now a major global issue. As CSR issues have integrated into modern business practices, they have become more important to be followed by the corporates to survive in today's cut-throat competition and attain corporate sustainability. In general, CSR is understood as the means by which societal, ecological, and socioeconomic concerns can be integrated in a transparent manner with complete accountability into its corporate values, corporate culture, decision-making, various strategies, and business operations, thereby establishing better social practices within the company and hence creating financial opportunities in the near future. With the increasing importance of sustainable development issues, the question of how businesses deal with them also becomes part of CSR.

FIGURE 8.1 CSR key focus areas.

Source: https://www.sony.com/en/SonyInfo/csr/library/reports/sis4ug000000jyws-att/CSR2017E_PDF_all_e.pdf.

The guiding instructions for CSR compliance usually comprise voluntary assurances and accomplishments linked toward:

- Corporate governance
- Morals and ethics
- Well-being and protection
- Environmental concerns
- Human rights
- Ecological development
- Working hours
- Labor relationships
- Public engagement
- Growth and investments
- Diversity inclusion for people who belong to various cultures

- Customer satisfaction
- Measures to combat unethical practices
- Fairness, accountability, and transparency in business reporting practices
- Maintenance of relationships with suppliers around the globe
- Corporate philanthropic responsibility
- Employee volunteering activities

Mainly, two facets are covered by CSR:

- **To reduce the negative impact caused by business operations:** Several steps have been followed by the company to counterbalance the toxic effects caused by processes used in business operations and products produced by the company.

- **Positive contributions by the company:** The company can assist in improving the standards of society and providing them with potential benefits by using its manpower, resources, and core strengths for the good of people and society at large.

There are quite a lot of social responsibilities, which would prove useful in favor of society and the country as a whole. Some of them have been brought up here:

- Aspiring needs of the public
- Inadequate resources
- Improved social environment
- Long-ranging profits
- Favoring government regulations and laws
- Stability between responsibility and authority
- Businesses contributed to social problems
- Public image.

There is always the other side of the coin, and certain opinions, which go against companies' social responsibilities, are:

- Profit maximization is the prerequisite
- Shared goals and distorted expectations
- Costs of social commitment

- Businesses possess an abundance of authority
- Absence of social skills
- No accountability
- Corporate incompetence to make ethical decisions

There are numerous studies on CSR found in established specialist journals related to the types of CSR practices adopted by nations and corporates worldwide. These literatures include those working on societal marketing of CSR (Daub and Ergenzinger, 2005), cause-based marketing issues (Chattananon et al., 2008; Gupta and Pirsch, 2006), environmental marketing (Banyte et al., 2010; Lyon and Maxwell, 2008; Peattie and Peattie, 1995), socially responsible buying (Maignan and Mcalister, 2003; Oberseder et al., 2011), and sustainable consumption (Fedrigo and Hontelez, 2010; Vaaland et al., 2008). There have also been articles linking CSR specifically to consumer behavior, which has also been studied by previous researchers. Mandhachitara and Poolthong (2011) also presented that CSR initiatives can influence customers' perceptions of service quality and brand effect.

8.2 FOCUS OF CSR PRACTICES TOWARD KEY AREAS ACROSS THE GLOBE

The CSR practices have been mandated by India, which became the first country across the world to make them happen as per an amendment in the Companies Act, 2013, in April 2014. The amendments have been made to the laws that make education, gender equality, hunger, and poverty a part of CSR compliance. With this change, business houses would come forward and initiate investments in prominent areas. The Ministry of Corporate Affairs, amid the COVID-19 outbreak, notified that any expenditure made with respect to combating the impact of this pandemic would be counted as CSR activity, such as the promotion of healthcare and medical kits. The organization's compliance with the law would indirectly foster the growth and development of marginalized sections of society. The CSR activities must go hand in hand with business operations, and they must be framed in alignment with business goals so as not to hamper the routine business activities of the company. India's CSR practices are rooted in its values; therefore, organizations have started behaving sensibly in taking up CSR initiatives and incorporating them into their business processes. It is also important to shape responsible and manageable relationships with the community at large to ensure the business's survival in the end. To carry out CSR with projected plans, companies have dedicated departments and teams to frame policies, strategies, and goals for the programs and even a separate budget is allocated to them. The year 2020 drastically changed the dynamics of everything from personal to professional levels and halted work for months. However, the CSR community continued their projects in a pulled-out way. This drastic new normal brought new learnings and forced the implementation agencies to redesign their models in case of such emergencies. For example, the agencies learned to reach mass communities without gathering the crowd, and this entire pandemic paved the way for digitalization and turned out to be a bug savior in business dealings and in the education sector as well.

The CSR projects have now been formed keeping in mind the needs of society, as CSR committee members utilized their experiences to make their CSR projects as per requirements. Implementation agencies also used more technology while working and gathering data. The corporates even invested their CSR money in obtaining COVID vaccines and engaged with communities on vaccination procedures, as it was a need of the hour. The corporates have increasingly planned several activities to enhance the education level of underprivileged students so that, in such tough times, they are not deprived of their education. Further, CSR activities focused on a mixed mode of learning so that students could learn in a virtual environment. The CSR projects also provided skill development and job-oriented training programs for job seekers. After the education sector, healthcare got the most attention from corporates in India, and it was given priority in case of development under CSR initiatives, and was clearly visible from the fund allocation made by the government of India. Over 5 years, that is, from 2014–2015 to 2018–2019, the complete CSR budget of the country was ₹71,469. 96 crores, out of which ₹19,124.82 crores was allocated to healthcare, eradicating hunger, poverty, malnutrition, drinking water, and sanitation (Menon, 2021). The European countries focus on four sets of CSR issues, namely those relating to the environment, the workplace, the community, and philanthropy. The European companies paid more and more attention to CSR under the pressure and promotion of governmental institutions and international partners. CSR and sustainability in Austria have always been strongly oriented toward environmental issues and shaped by the self-image of being pioneers. This self-perception is based on the great relevance of an intact nature for Austria and its tourism, on pioneer performances and rapid progress made in environmental protection during the 1980s, as well as on the strong interest the Austrian population has in environmental topics (Forster et al., 2020). The EU has been continuously working on ecological, social, and governance concerns. In Japan, population decline, shrinking workforces, advanced aging, and increasing social welfare costs are among the issues that threaten to define both Japan's social and economic future. The Parliamentary Joint Committee on Corporations and Financial Services and the Corporations and Markets Advisory Committee are the committees of Australia; they conducted inquiries into various significant aspects of corporate responsibility in 2006, and both committees agreed upon CSR being considered an imperative area for the corporate sector. Still, a wide range of Australian laws need to incorporate legal laws for the protection of human rights, which form part of social activities.

8.3 ROLE OF ETHICS IN BUSINESS PRACTICES IN DETERMINING CSR-FOCUSED AREAS

In any organization, at all levels, be it top management or employees, ethics is seen as apprehensive. It is not only related to achieving a high level of economic performance but also to ethically mastering important social challenges in business. Ethics in business is nothing but the dos and don'ts of conducting business activities. It is based on a set of morals and ethical values that must be absolute, and one must take them seriously to take precedence over any human rationale, weakness, ego, etc. When nothing works in one's favor, one should always look back to those core values that guide and act as a backbone. Life is not easy going, unfortunately for everyone, disagreements always exist, and in that case, values should be kept in frontline. A moral or ethical statement asserts that a specific action is right or wrong, distinguishes between good and bad characters, and establishes a principle for making a correct judgment. All of these statements express first-order ethical judgments of varying generality (Mackie, 1977). The statements given by thinkers, professors, and social critics are focused upon as current literature on ethics. Nevertheless, executives, managers, and engineers require more practical information when dealing with ethics. Workplace ethical management would bring tremendous benefits for engineers, managers, organizations, and society. This becomes absolutely true when understanding and managing diverse groups possessing diverse values to operate unitedly at the workplace, and most ethical dilemmas at the workplace aren't simply a matter of yes or no; depending on the situation, a decision is taken. The way a company deals and communicates at world level and with individuals reflects its business ethics, resulting in corporate rationalization in terms of economic, environmental, and social spheres. The triple bottom line approach is a useful tool to integrate sustainability into the business agenda when business and society have come close to each other in terms of interaction and connectivity. Thus, it is imperative that sustainability form an integral part of the strategic planning of a modern business organization.

Liberalization and globalization are fundamentally changing the concept of business, but the main byproducts such as corruption, favoritism and nepotism, the degradation of human values, and a series of frauds in business, government politics, and society still exist in the 21st century; therefore, society's instruments have broken the trust. Business houses thrive with control over major human, financial, and technical resources, but their surviving purposes for society are always of dubious value. In the wake of mounting scandals, companies around the world are adopting ethical behavior and a code of ethics. They are outstanding organizations that have shown an active push toward evaluating goals, concepts, value management, and behavior. There is a growing recognition among business leaders that CSR must have an enduring ethical foundation. Ethics is a very broad segment today.

Davis and Blomstrom (1975) examined CSR in their work and demonstrated social responsibility as the obligatory duty of decision-makers to take actions that protect and enhance the well-being of society along with their own interests. It proposes two active aspects of social responsibility: protection and improvement. Protecting relates to the well-being of society by avoiding negative impacts on it. Improving the welfare of society implies providing positive benefits for it. One of the modern systematic studies conducted by Davis (1975) anticipated the following five theories on CSR: The first theory states that CSR arises from corporate social power. He emphasized the consequences of businesses that harm the interests of others. From these consequences derives the responsibility of the company toward the community. The second theory focuses on operating as a two-way open system, which means receiving resources from society and disclosing them openly to the public. The third theory emphasizes careful consideration and calculation of the societal costs and benefits provided by an activity, product, or service to determine whether a product should be continued or not. The fourth theory says that the price of the product or service must be set in such a manner that the user is ready to pay the cost that affects society due to the consumption of such a product or service. The fifth and last theory says that, beyond the social costs, international economic institutions as citizens have a responsibility for social commitment in areas of their competence in which there are major social needs. Here, Davis outlines the elementary ideologies for the development of socially responsible politics. Robin and Reidenbach (1987) showed that stakeholder guidelines can be integrated into the creation of organizational strategies. McGuire (1963) explained social responsibility in the context of economic and legal goals. He noted the awareness of social responsibility and assumed that the company is not only bound by economic and legal obligations, but that certain responsibilities toward society are to be carried out that go beyond those obligations. The due care theory defines increased corporate accountability to stakeholders, based on the classic facts provided by Plato and Aristotle, according to which it is the responsibility of management to care for and serve the needs of others. Thus, through the due care theory, the author has shown that companies can be socially responsible. The concept is a corporation in which management is a representative of all factor suppliers and not just the shareholders. Since each interest group has more interest in a public company and monitors the agent, the public company tries to carefully manage its contracts with all interest groups. Wokutch (1990) presented Japanese-style CSR, particularly with regard to the workplace well-being and health practices of Japanese companies. Due to the human resource philosophy of Japanese companies, which attaches importance to human resources, labor protection procedures are integrated into the fundamentals of the production system. This type of integration comprises high-level meetings, an emphasis on educational activities, the pursuit of zero-accident standards, and an operative emphasis on behavioral and technical guidance together for the promotion of safety and health in employees at the worker and manager levels. Anand (2002) examined social responsibility initiatives as building blocks to construct corporate repute in the Indian context. He analyzed reputation from a stakeholder perspective. A company's reputation helps position its identity appropriately and more attractively. Biggs and Ward (2004) attempted to establish a relationship between CSR, good governance, corporate accountability, and an institutional framework. The requirement to integrate public governance with CSR activities to achieve better results has arisen over the years. Lockwood (2004) explained the crucial role of HR in organizations by playing a leading role and educating these companies about the importance of CSR while being strategic at the same time.

The implementation of well-polished HR management practices supports the company's business and CSR objectives. The use of a company's name to promote social responsibility practices would be risky for its corporate image, especially when it comes to handling significant societal and environmental issues. Thus, CSR must work through ethical institutionalization. The company needs to build a solid ethics policy for the accomplishment of business goals. For this reason, the following points should be observed:

- The code of ethics should be clearly communicated to employees;
- Employees are formally trained in this;
- Employees must be taught ways of dealing with ethical challenges;
- The code is heavily implemented;
- The code is contemporary;
- Corporate governance must adhere to the utmost ethical standards.

8.4 ENVIRONMENTAL CSR

The well-established social-psychological theories supported the operationalization of the CSR concept and the expected relationship between CSR and the environment. A general overview of the motivation for companies to invest in ECSR programs has been proposed in stakeholder theory. Stakeholder theory states that an organization's survival and success depend on meeting both its economic (e.g., profit maximization) and noneconomic (e.g., social performance) goals to fulfill the requirements of the company's stakeholders (Pirsch et al., 2007). Stakeholder theory suggests that firms are motivated to broaden their goals to include goals other than profit maximization. Based on this theory, companies that have adopted the ECSR program to promote socially responsible policies would be able to effectively respond to stakeholder demands (Maignan and Farrell, 2004).

According to organizational identification theory, a person who appreciates an organization's noble efforts will be more proud of their organizational affiliation, which in turn leads to a hike in organizational identification and encourages associated responses (Jones, 2010). Hong et al. (2010) provide further empirical evidence to support this theory, concluding that customers who perceive a company to be socially responsible are more likely to exhibit positive behavior toward that company. The individuals who identify with the company become psychologically attached to and care about the company and its products, which seems to increase customer loyalty. These studies seem to indicate that consumers' perceptions of CSR increase their identification with the company. When companies incorporate social responsibility initiatives, consumers are likely to assume that these companies have desirable attributes that align with their self-image and form the basis of identification (Lichtenstein et al., 2004). Additionally, consumers are more likely to value companies that are socially responsible and care about the needs of the community and society, and as a result, a sense of connectedness can develop that fosters customer-company identification.

The systems theoretical management approach is based on the convention that an organization must function as a system consisting of a set of interrelated features that function together. The impact of systems theory on managers lies in understanding the nature of the organization, which starts with awareness of the various factors that affect organizational life. Workers, technology, leaders, values, goals, and motivations do not exist in a vacuum. In fact, all the above factors together influence each other (Katz and Kahn, 1978). An organization that is wholly committed to environmental protection and sustainability incorporates this in all aspects of its operations, including its interactions with all stakeholders. The same is also expected from all aspects of ECSR initiatives.

After witnessing escalated environmental disasters caused by unscrupulous business interests and human negligence (Banyte et al., 2010), business organizations are turning toward CSR as a payback tool. Businesses would now actively seek to merge environmental considerations into their operations and activities. These include promoting the benefits of green products (Pickett-Baker, 2008; Ramayah et al., 2010), promoting ecotourism (Weaver and Lawton, 2007), and developing proenvironmental behavior through workplace climate. These studies have become the empirical basis for developing a holistic organizational perspective on environmental protection. Williamson et al. (2006) consider CSR as:

> *…a concept of the extra effort companies makes to integrate environmental concerns into their operations and into their interactions with their stakeholders. It is seen as the contribution companies make to sustainable development by offsetting and improving environmental impacts without compromising economic performance.*

Meanwhile, Rahman and Post (2012) tried to make a wide-ranging effort to trace empirical studies that have tried to conceptualize ECSR and create a consistent and valid instrument for measurement. They found that ECSR is a multidimensional construct, and many of the magnitudes of the study are directed toward corporate governance matters and the performance of the organization. Though fewer studies have been undertaken, those focus on establishing associations between ECSR and customers of the organization. Organizations today have a more holistic and strategic management approach to encourage environmental protection. This is the reason that influences the members of the company to share the same assumptions, beliefs, and value system, which ultimately leads to managing the balance of socioeconomic matters and environmental issues (Bertels et al., 2010).

The STEP framework developed by Peattie exemplified the requirement for a balanced and comprehensive view that considers the social, technological, economic, and physical aspects of business operational activities (Peattie, 1995). This holistic world view concedes that organizations can become successful through positive appreciation and relationships among all the stakeholders. Therefore, organizations need to show continuing consistency in their commitment to every aspect of environmental protection and sustainability challenges. The holistic view with respect to an environmentally sustainable approach while implementing CSR initiatives has to be adopted by the organizations, as it would motivate them to remain consistent in performing CSR activities.

8.4.1 DIMENSIONS OF ECSR

The choice of dimensions must consider two important factors. First, the ECSR dimensions must be potentially relevant to stakeholders in order to integrate with the organization's overall marketing strategy. Stakeholders must be able to relate to the ECSR initiatives implemented by the organization before forming an opinion on them. The ECSR concept is relevant to initiating green steps for the safety of climate, water, and the environment.

Secondly, the focus must be on economic considerations. The researchers should avoid a complex research framework with an unmanageable number of factors, as this would lead to the avoidance of a significant contribution from the search, and rather economic considerations must be taken care of. There are consumer behavior studies that approach CSR as a one-dimensional construct (Pivato et al., 2008), while others view it as a multidimensional construct (Swaen and Chumpitaz, 2008; Abd Rahim et al., 2011; Mandhacitara and Poolthong, 2011). Ironically, while almost all of the studies mentioned seem to refer to the well-established model by Carroll (1979), the model itself does not explicitly mention environmental protection as a dimension of CSR.

Therefore, the ECSR dimensions covered in this study include: environmental philanthropy, environmental community engagement, and customer environmental well-being.

8.4.1.1 E-PHILANTHROPY

CSR activities' core strategy is philanthropy (Carroll, 1991; Onlaor and Rotchanakitumnuai, 2010; Peloza and Shang, 2011). Philanthropy is the organization's desire to promote the well-being of others, particularly as expressed through generous monetary donations to charitable causes. In the context of ECSR, philanthropy could be seen as providing financial resources to undertake activities to improve environmental awareness and public response.

8.4.1.2 E-COMMUNITY PARTICIPATION

CSR initiatives of social and community engagement can be achieved through the participation of community members in any CSR program (Rahman, 2011; Sen et al., 2006; Uddin et al., 2008). Traditional CSR practices for social and community causes typically include organizing blood donation programs, running a walkathon to support cancer patients, or sponsoring charity events, and all such activities necessarily require community engagement.

8.4.1.3 E-CUSTOMER WELL-BEING

An outstanding customer experience is a primary element of most successful companies (Carroll, 1991; Cochran, 2007; Okada and Mais, 2010). In general, e-customer initiatives aim to develop and deliver the best product to customers, to complete product information, or to provide them with security products (Turker, 2009). This also includes offering customers environmentally friendly products and ensuring that the products being offered are not harmful to the environment.

8.5 PHILANTHROPHIC RESPONSIBILITY

With the growing interest of the world community in products manufactured according to social and environmental principles, the implementation of CSR has become an important global trend. For the operation of the company, CSR impact is of utmost importance and is considered one of the most important keys to enhancing the company's repute. This impact has prompted companies to rush funding for their CSR activities. Therefore, CSR is no longer seen as a wasteful activity but as an investment by a company to improve its image and competitive dominance (Boulstridge and Carrigan, 2000). CSR investments not only strengthen a company's positive image but also wipe out the impact of negative publicity on that image. These are the choices companies make when reporting controversially about their product.

Controversies over whether products from fast-food restaurants cause health problems have also prompted reactions from stakeholders.

All the controversy surrounding fast-food products has prompted some franchise managers who hold a fast food establishment license to review the ingredient content of their products. In return, these companies have renewed their menus and offered healthier menu options such as pasta, salad, or fruit. In Indonesia, Pizza Hut has also communicated its nutritional information on its website (Anna, 2015). The franchise of fast-food restaurants is not only concerned with food safety but also tries to responsibly take care of its duties toward society through CSR practices. Global fast-food restaurant brand owners have no hesitation in boycotting certain companies from their supplier list if they fail to meet standards of business ethics. For example, Burger King dismissed the contract with Golden Agri-Resources Ltd. as a supplier in 2010 because it noticed that palm oil companies listed on the Singapore Stock Exchange do not follow sustainable farming practices. KFC in Indonesia curtained in 2012 to stop buying products from Asia Pulp and Paper (APP), as APP used to make paper from plantations and is believed to have wrecked tropical Indonesian rainforests and endangered the habitats of protected animals, as per Greenpeace.

Along with the implementation of business ethics at the workplace, fast-food restaurants also undertake various social activities. For example, KFC in Indonesia contributes to the children's education. On the other hand, McDonald's has the Ronald McDonalds House Charities Foundation, which focuses on children's health in Indonesia.

According to Green and Peloza (2011), a company's CSR measures can influence consumers. A study of fast-food consumers published by Schröder and McEachern (2005) showed that most respondents liked the global fast-food company's commitment to CSR, be it offering healthier foods, getting involved in social activities, taking care of animal safety, or taking responsibility for the environment. Due to this, consumers provide affirmative reviews to companies that implement CSR, are more interested in buying the company's products (Mohr et al., 2001), are less easily swayed by adverse concerns affecting the company (Green and Peloza, 2011), generate positive word of mouth, and do not hesitate to pay more (Laroche et al., 2001).

The impact of CSR is increasing, or CSR initiatives have become tactics for the company to construct a positive portrait and become a kind of "legitimacy" to spread the truth about the harmful effects of the products produced to cover them up. This theory is supported by research by Arli et al. (2015) examining the impact of CSR on public acceptance of smoking in public places and privately, despite its being injurious to health. The results of the study show that cigarette companies that engage in CSR activities have a more positive impact on smokers. And surprisingly, tobacco companies' CSR activities are undertaken to further promote the smoking lifestyle in public, which is quite surprising.

According to Turban and Greening (1997), consumers have become sensitized to the operational performance of the social enterprise invested in the idea of CSR, defined as a business organizational configuration based on the norms of social responsibility, the procedure of social policy comebacks, and agendas that create social relationships. According to Brown and Dacin (1997), studies show that corporate social performance execution is one of the relevant factors considered by consumers when making decisions. Corporate philanthropy is one such form that is covered under corporate social performance, and Kotler and Lee (2005) show that corporate philanthropy is the oldest form of CSR, where the company undertakes activities to donate to a specific community. The company's charitable contributions generally take the form of monetary donations, grants, the provision of scholarships, the provision of products, the provision of free services, the provision of technical expertise by company employees, permits to use facilities and dispersion channels, the company's social activities, and the offer to use the instruments owned by the company. Philanthropic activities are usually linked to a variety of social activities that are the main concern of the company. In addition, Kotler and Lee (2005) discuss the advantages that can be achieved by embracing the activities of corporate philanthropy, which are intended to enhance the company's repute, reinforce the company's business in the forthcoming years, and bring about the resolution of social problems in local communities.

8.6 HUMAN RIGHTS ISSUES

Economic, social, and environmental corporate activities directly or indirectly affect human rights. If the organization doesn't pay fair wages, the economy is affected. The social and environmental aspects of human rights, such as the right to nondiscrimination and the right to clean drinking water, are impacted by corporate activity. Corporations across the world are equally responsible for the enforcement and protection of human rights, along with governments. Corporations affect human rights substantially, and this is due to their increasing economic and political influence over the decades. Corporations have recognized that, to be good corporate citizens, human rights need to be respected. Nowadays, stakeholders expect corporations to behave in a socially responsible manner. CSR programs launched by the companies create greater influence on consumers and investors while making decisions. The international communities worldwide have given relevant clarifications on the connection between corporations and human rights issues. NGOs, governmental institutions, and stakeholder groups have cultivated a wide array of voluntary initiatives, which include voluntary guidelines, standard procedures, monitoring, supervisory, and reporting procedures in detail, and socially responsible reporting indices. All such activities show that the growing acceptance by companies worldwide of safeguarding the interests of their shareholders, employees, customers, and the community they belong to will bring enormous change to society. Certain protuberant illustrations of worldwide standards and steps undertaken by corporations to assist human rights consist of:

- The ILO Tripartite Declaration on Fundamental Principles and Rights at Work.
- The Organization for Economic Cooperation and Development (OECD) Guidelines prescribed for multinationals.
- The principles framed voluntarily on Security and Human Rights.
- The United Nations (UN) Global Impact
- Initiatives taken by business leaders on human rights
- Global Reporting Initiatives (GRI)

8.7 NOTIONS ON CORPORATE SOCIAL RESPONSIBILITY THAT COULD BE ADOPTED BY COMPANIES AND NATIONS

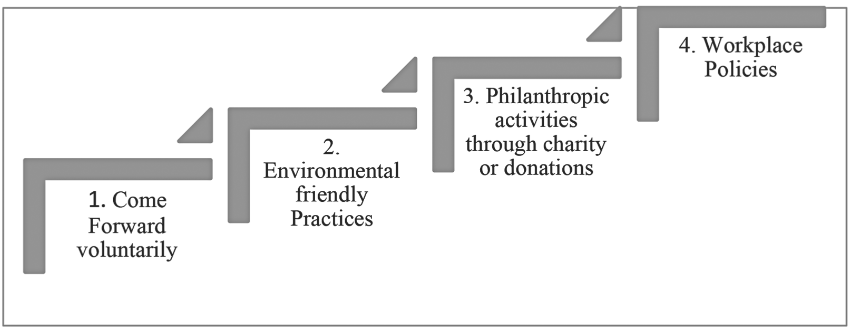

FIGURE 8.2 Various CSR notions.

Source: Adapted from https://www.unboxedtechnology.com/blog/corporate-social-responsibility-ideas-for-companies/.

8.7.1 COME FORWARD VOLUNTARILY

Corporations must encourage their employees to voluntarily engage in CSR practices. This voluntary habit would work as an opportunity for them and would benefit them and society. Approximately 71% of the employees believe that volunteering makes them feel much better about their employer, as per the survey conducted in 2017 by the "Doing Good Is Good for You

Study," in partnership with VolunteerMatch. For developing teamwork skills, volunteering at the workplace is a great initiative, as per 92% of people.

Moreover, volunteering helps the employees create opportunities by:

- Engaging with the local community
- Building trust with the community

Apart from that, some instances of volunteering also involve providing assistance at a local food pantry, cleaning up a local park for community hygiene, etc.

8.7.2 ENVIRONMENTAL FRIENDLY PRACTICES

Environmental and sustainability practices have gained momentum over the years. Thus, it becomes important that companies work in alignment with CSR practices.

Various recommendations for refining CSR practices related to the environment and sustainability include:

- By investing in and using renewable energy sources.
- By promoting recycling and composting.

By participating in online programs, as online learning reduces energy consumption and CO_2 emissions by cutting the

- Transportation costs
- Energy used at in-person facilities
- Usage of paper

Thus, implementing a few small changes in the work environment can actually make a big difference in the world in regards to environmental sustainability.

8.7.3 PHILANTHROPIC ACTIVITIES THROUGH CHARITY OR DONATIONS

The philanthropic activities seed generous behavior in employees for CSR. Many companies engage in employee donations to promote employee giving.

8.7.4 POLICIES AT WORKPLACE

CSR activities are meant for both internal and external stakeholders. That's why new labor policies, by strengthening and broadening the rights of employees, can make them feel valuable, and it is one way to show socially responsible behavior on the part of the company. CSR policies at the workplace can involve:

- Offering stipends for promoting healthy living
- Encouraging diversity and inclusive initiatives
- Giving off for special, religious festivities often
- Granting and extending parental leave whenever required

8.8 CSR IN ACTION—FEW EXAMPLES FROM COMPANIES WORLDWIDE

Society has been enriched through various innovative CSR initiatives, ranging from local projects to national-level ones. These projects are either related to social causes or environmental matters. The alignment of corporate goals with such social causes helps navigate the company's mission for the greater good. Several companies have engaged themselves in specific projects to contribute their part to society's development through their endeavors.

- **TenTree—Project Name: Tree Planting and Community Projects**
  Founded in Canada, TenTree has been dealing in sustainable clothing since its inception in 2012. This company has already been overloaded with praise as its business model embeds social responsibility. As the name of the project suggests, the company says its each sale contributes toward planting of 10 trees. It is quite appreciable that the company tells its customers to visit the official website to know about the location where trees have been planted against their purchases. The company has also initiated several projects based on providing education, providing clean water, or supporting other social causes in the area where they plant trees.

- **Patagonia—Project Name: Sustainability and Environmental Impact**
  This clothing brand started its business operations in 1973. It has pioneered itself and is engrossed in social activities focusing on climate change matters, encouraging the use of renewable energies, and also reducing the impact of carbon footprints. It donates 1% of its revenue earned through sales to resolve environmental affairs. The company advertises and promotes the use of sustainable clothing by sponsoring sustainable development.

- **BNP Paribas—Project Name: Employee Volunteering and Giving**
  It is a well-recognized European bank that belongs to Switzerland, established in 1872. It has been actively engaged in various CSR activities and working vigorously to achieve the mission it has set for itself. Employee engagement is extremely important here, and that is the reason the company even sanctions leave to employees to volunteer for social initiatives, which have hiked employee participation up to 40% and are being identified as socially responsible troupes in the banking and finance industries.

- **NuSkin—Project Name: Fighting Famine and Poverty**
  This company pays back to society in a number of ways, and one of them is through the nourishment of the children. It was set up in 2002 to run a business related to the manufacturing of personal care products and dietary supplements. Through this CSR program, it provides malnourished kids with healthy and nutritious food, and to accomplish its mission, it asks its customers to also support such distribution. It has managed to provide about more than 650 million meals to deprived children.

8.9 REASONS TO EMBRACE CSR PRACTICES BY THE COMPANIES

- **Companies' brand image is affected by customers opinions**
  Companies now need to ensure that they keep up with the expectations of society as stakeholders diligently consider a company's economic and noneconomic transactions while selecting a company. The companies are held accountable for all the actions

they take to bring about social change in their surroundings, as their beliefs and value systems are responsible for bringing about the much-needed ecological and societal transformations. The company's CSR initiatives must incorporate awareness programs for the important and latest issues. By improving their sources of raw materials and making changes in their supply chains, corporates can also sustain themselves and act responsibly.

According to Katie Schmidt, the founder and lead designer of Passion Lilie, "What the public thinks of your company is critical to its success." Therefore, a company's brand image plays a vital role in its future leads.

There exists a direct correlation between the positive impact perceived by the public and the growth of brand value, as evidenced by the "The Kantar Purpose 2020" study. The study illustrated that over the past 12 years, 175% growth of brand value has been observed in the case of companies that apparently received a positive impact, compared to companies that received a low positive impact, which underwent only 70% growth.

- **CSR acts as a magnet for new blood and keeps hold of its employees**

  Consumers of the company need to be taken care of by the business, along with other stakeholders who are in one way or another connected with the organization. At present, employees often search for companies that have sustainable business practices, which are actually worth looking for. The relevance of people, planet, and profit is now being realized by the younger generation. Along with financial incentives, now emphasis is laid on the company's culture, diversity inclusions, etc.

  The company's goals and its approach toward achieving the targets have to be well-recognized by its employees, and if this is practiced, companies would be able to retain 40% of their employees, as per Deloitte's Global Marketing Trends Report.

- Helps in grabbing investor's attention

  The company is obliged to maintain persistence and become fair, transparent, and accountable when it announces and launches various CSR-related programs and campaigns, as it allures stakeholders, especially existing and prospective investors. The data of the CECP influential 2021 report reveal that investors play the role of significant stakeholders as their sustainability perspectives are welcomed as data are openly made available to them. CSR is crucial at the moment and it is observed collectively with ESG metrics. These metrics were further analyzed by the experts for exact computation and impact of social responsibilities carried out by their companies.

8.10 THINGS TO AVOID WHILE FORMING A SOCIALLY RESPONSIBLE BUSINESS MODEL

Certain limitations need to be pondered when a business model is being framed embedding social responsibility:

- **Avoid starting up with activities not related to the core business:** The activities undertaken for the purpose of extending aid must in no way compromise with the standards set by the company in regards to ethics and values. The charities or donations must be virtuous for society. Social responsibility cannot be treated as an obligation; otherwise, it would just become a formal duty to be fulfilled by the corporates toward society.

- **CSR is not a marketing tool:** Sometimes, for the sake of making CSR campaigns attractive and prominent, companies end up making mammoth promises, and if such promises are not kept and followed through, the company faces aftermaths. CSR is not a one-time activity; instead, it's a life-long affair that should be taken care of. Companies that follow social responsibilities are often seen as experiencing a mounting trend, both in terms of finances and even in terms of their stakeholders' positive attitudes toward the respective company.

- **Early adoption of CSR, even if not mandated by the statute:** There are several countries worldwide where embarking on social responsibilities is yet trailed voluntarily, such as the USA, Brazil, Kenya, South Korea, etc. Nevertheless, countries that have opted for socially responsible activities are way ahead and have set the standards for those that are still in the initial stages. Alarming situations such as climatic changes, disadvantageous sections of society, availability of food and clean water, etc. have prevailed in society and need to be fought against and dealt with through social activities or organizing campaigns.

8.11 CONCLUSIONS

Over more than 3 decades, the notion of CSR has emerged and grown rapidly in the business arena. CSR's concept has shifted from an old approach of philanthropy and is embedded in the business models of companies. Both developing and developed nations have moved from the era of market reforms to sustainable development. The developing nations have been facing a number of challenges, such as poverty, inequality, poor public infrastructure, healthcare facilities, education, less opportunity for women, etc. The challenge is also to maintain the pace of growth along with managing sustainability issues like reducing pollution, dealing with water and energy crises, and guarding the country's exquisite natural resources. It is therefore felt that the government or the private sector in isolation cannot shoulder such a massive task. There is a need to involve the private sector in achieving the goal of long-term sustainable development. The spirit of the laws and regulations lies in maintaining a balance in the economic, social, and environmental contemplations of business, as CSR expenditure has not been made mandatory in every country except India. This implies that in their introductory phase, companies used to engage in activities to increase their profits. But once the revenues start flowing in, companies are expected to put a percentage of their profits into areas directly impacting national sustainability development goals. There is flexibility for the companies in choosing and implementing their CSR projects. The objective is to promote efficiency and effectiveness in project selection and implementation. There is limited literature available on CSR initiatives undertaken by companies in developed nations, which makes it difficult to assess the efficiency and effectiveness of the efforts made toward ESG factors. A company collaborates with governmental organizations to solve societal problems and environmental concerns to benefit society, building corporate image and long-term brand equity. The societal problems include drug abuse, the formation of economically backward classes, human rights issues, unemployment, child labor, and environmental disquiets that comprise recycling waste materials, the legitimate treatment of industrial waste, viable environmental pollution reduction, and an effective fight against health concerns. It develops trust and confidence in the market and likewise builds the perceivability of an organization. There are several areas which are benefitted by the company, namely stakeholder value, human resources, etc. Integration of social concerns into the company's goals would pave the way for achieving the desired outcomes. The global customers of the companies expect augmented social responsibility and community engagement. They prefer to build relationships with companies that serve important social and environmental causes. Indian companies, along with doing business ethically, also guarantee to deal effectively with environmental and societal issues. Disregarding CSR will put business success at risk in the global market. CSR and obligations toward the environment are themselves major and important concerns for every company today.

KEYWORDS

- **societal marketing**
- **COVID**
- **Davis's Five theories on CSR**
- **environmental CSR**
- **ECSR**
- **human rights issues**

CHAPTER 9

The Future of Corporate Social Responsibility

ABSTRACT

This chapter explores the evolution of corporate social responsibility (CSR) and its future direction. It highlights the growing influence of CSR on businesses and society, emphasizing the importance of stakeholder involvement and cooperation in CSR. The chapter emphasizes accountability, ethical business practices, and the ecological impact of CSR. It also explores the connection between ethics and CSR, highlighting the role of government intervention in promoting ethical business practices. The chapter also discusses the need to differentiate and standardize CSR management structures to achieve a balanced strategy that meets public demands and organizational principles. The future of CSR is marked by innovative approaches and continuous learning, enabling adaptive strategies to address environmental and societal concerns. The chapter provides a forward-looking perspective on how CSR can develop, adapt, and promote constructive change in the business sector.

9.1 INTRODUCTION

The present and future hold more relevance as compared to the past, in spite of the resources and information they have for our learning. In fact, considering the ever-changing business arena, there is a rapid shift from the present to the past. Hence, in order to ensure an efficient decision,

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visualizing prevailing drifts and being cognizant of forthcoming directions is more important than relying on the past and analyzing the present.

CSR has been around in diverse forms for 1/4 century, or perhaps longer, depending on the way you view records. CSR has advanced into a career and is being talked about globally, pushed via global intervention and technological advancement. There are various organizations dealing with CSR disquisition and various brain trusts in the most developed and growing international locations around the arena. Social (e.g., HIV-AIDS), environmental (e.g., weather trade), and monetary (e.g., Enron) shocks are bringing CSR issues onto the worldwide stage. The hopes of the people, elevating advancements, and increased issues of society and environment put forth the challenges ahead of the groups, organizations, and companies that desire or are already trailblazers in the field of CSR. They are obliged to frame their directions in CSR, keeping in mind the intricate and ever-changing environment. In order to determine the future track of CSR, it is important to view it in three diverse scenarios: gloomy, hopeful, and probable as deliberated. The beginning of vanishing from the picture and ultimately waning from the schema of the business characterize the gloomy scenario. The extent of the collapse of the economy globally can be the cause of this scenario; however, there is a qualm in this scenario. On the other hand, the significant growth in compliance with CSR obligations and conditioning by worldwide companies by shifting their transactional methodology to a transformational approach is being conferred in a hopeful scenario. Moreover, the most imperative issues of society would be taken care of by the mounting social entrepreneurs through their pioneering way-outs. At last, probable scenarios put forward the opinion that there is a probability of the prevalence of strategic and integrated CSR more willingly than the primacy of CSR lite or deep CSR (Strandberg, 2002; Carroll, 2015).

Correspondingly, the incidence of more analogous scenarios has been discoursed, namely, Fad or Fade, Embed and Integrate, and Transition and Transformation scenarios. It has been asserted in the first scenario that the essence of CSR would not expect to flourish practically and would fade into the papers due to the obstacles of meager governance, issues of manpower, gaps in attitude and behavior, etc. in the companies. While the second scenario opined that there would be an integration of CSR into the fundamental planning and functions of the business. However, the third scenario postulates the replacement of the short-term shareholders' value with the development of the stakeholder model, which will take the concerns of the workforce, public, suppliers, and shareholders into consideration and ponder them as "investors," which gives them the privilege to be a part of the governance of the company and yield profit out of it (White, 2005).

However, to remove the idea of diverse scenarios, Visser (2012) has hashed out the 10 most convincing trends in CSR that the future is likely to hold, which are being briefed out as under:

1. The movement of vast business houses from the first four levels, namely, defensive, charitable, promotional, and strategic CSR, to working upon CSR has completely changed its face.
2. Adherence to codes, rules, and guidelines will be perceived as significant but inadequate to live out CSR. The assessment of the companies will be based on their out-of-the-box efforts to confront societal and ecological issues.
3. Increase in the role of government to embolden the companies to not provide "less ethical" commodities rather than relying on the ethical behavior of consumers to ensure the change.
4. CSR practices will be most likely to be influenced by the collaboration of different sectors.
5. The best practices prevailing globally will be required by the companies working on CSR 2.0, considering the issues and needs of their surroundings in parallel.
6. The aim to ensure nonexistent waste, carbon-less, and water-neutral manufacturing, along with repudiating arrangements for such products, will be expected from the growing companies.
7. The CSR will be evaluated and unveiled by the Generally Accepted Sustainability Practices (GASP) globally, comprising universal philosophies, ways, methods, and rules.
8. The practices of CSR prevailing in current times will become mandatory. Although companies that desire or are capable of surpassing the regulations to augment the value of life can consider CSR a voluntary practice in general.
9. The pellucidity in the companies will take an upper level by taking the shape of sets available to the public, disclosing societal, ecological, and administrative information mandatorily, in conjunction with platforms for putting forth opinions on CSR, sites for impeaching, and applications for grading products.

10. The specialized department for CSR will fade, and ordinarily, every workman of the force will be aware of and acquainted with the integration of CSR into their operational activities.

In order to aid this workout, it is significant to emphasize and contemplate the long-term drifts of CSR and how the obligations of companies socially, ecologically, and morally will take a turn in 5–10 years down the line, ahead of the instantaneous working environment. In what manner will the expansion of the societal, ecological, and moral direction of companies' sustainability take place in the forthcoming years? What future demands of stakeholders behold for the company? To look upon the emergence of different kinds of alliances and affiliations. What will be the newfangled issues in CSR that the companies will face? To emphasize the ever-changing legislative arena and the role of government in CSR. How will the functional environment of companies in the context of CSR take a turn?

The ideas from the various resources have been pulled together and discoursed into various themes, illuminating the expectations and beliefs of drivers and influencers to ensure the evolvement of CSR in the future. The themes are being deliberated as under:

9.2 ENTERING INTO CONVENTIONAL BUSINESS THROUGH GRADUAL GROWTH

The future of CSR vests in the various assumptions of diverse altitudes, stretching over two views of different corners, that is, a disenchant thought that CSR will merely remain the shield of a company's operation, while on the other hand, the optimistic thought that the exemplar swing of capitalism from industrial to sustainability will make CSR its core part.

The cynics of CSR forecast as follows (Strandberg, 2002):

- With growing inconsistencies between corporate moves and declared CSR commitments, corporations are getting more adept at being protective about their real performance.
- The technical solution will lie in CSR.
- Clearly, major problems will not be dealt with the aid of CSR; we will come to the level of asserting about the major progresses but will question the absolute change due to them.

- Maximum groups are reluctant to wait for the commercial enterprise case to expand, but they'll never be content with the enterprise case evidence and may use this as an excuse for a state of no activity.
- The companies will not be certain enough about the case of commercial business that they would take it up altogether without it being miles enshrined with legislations or providing certain enticements.
- CSR will be far from the vision of the public, as there will be no comprehension of its meaning and significance.
- CSR will become extremely doctrinaire and will be dismissed as unnecessary documentation that increases the cost of doing business.
- Agencies that had embraced CSR earlier will lose interest and pursue different goals.
- The one handling CSR will move to minimal activities in CSR and will never go beyond the primary degree of CSR.

The visionaries of CSR consider that the cynics merely observe the interlude between where we are and where we need to reach, without conceding that attitude transformation will take time or spotting that integrating these ideas into the economy could be very slow. They believe that disillusionment is a result of hoping for an excessive amount too soon.

Most CSR optimists consider that (Strandberg, 2002):

- In the future, a considerable number of corporates will be persuaded to integrate CSR substantially into their regular functioning to ensure their strategic advantage.
- In the era of distrust and a lack of social responsibility in commercial capitalism, it will be stimulating to witness the reconsideration of the role that corporates have to play in societal affairs.
- There has been a crossway in CSR, where at the time of incoherence, it is surprisingly converting. The blows on the grounds of the business such as Enron, 9-11, Worldcom, etc., reflect the preliminary stages of evolution. It is just a trailer before the huge picture, which denotes the big havocs yet to come in the environment and society. This will trigger the practice of CSR in the future considerably and with volatility.

- The remarkable obstacles like poor execution, a noninclusive approach, inefficient consideration, etc. will continue to trigger corporate social responsibility (CSR).
- The deliberation on responsibility and clarity has been boosted due to the continuous crisis prevailing in the market globally, thus clearing the way for CSR, which will be perceived as good governance in companies.
- Better performance on CSR will be coerced by rivalry.
- There will be rapid movement in the future by the small cluster of companies.
- As a result of nonstop development and a pleasant guarantee, a difference is made between one-of-a-kind models and tiers of CSR.
- CSR will evolve, however, depending on a company's overall economic performance, financial downturns, market competitiveness, etc. in such distinct sectors.
- Underlying structural drivers will affect big agencies, consisting of the cost of knowledgeable workers and other intangible belongings, prompting companies to bear in mind various problems.
- We only see a few agencies that are committed to CSR due to the fact that we are at the beginning of a protracted road on this path; the transition to sustainable capitalism is an extended-time period trend, and few companies will circulate along this route in 5–10 years.
- Agencies will increasingly apprehend that CSR ends in increased competitiveness and profitability.
- The cynical corporations are dinosaurs and can be swept apart now or in 10 years; changes might be there, but they might not be dramatic.
- CSR is part of the search for a new social contract between business and society. This new social agreement will now not always come approximately through the creation of a set of guidelines, but as an alternative, through a brand new, experimentally developed set of standards.

Despite differing views on the societal effect and degree of corporate engagement, maximum optimists and pessimists agreed that during the next 5–10 years, CSR will become more mainstream in enterprise, albeit not in public awareness. CSR tools, sources, and language—the whole lot—are becoming more and more aligned with commercial enterprise norms and structures. CSR standards will become more or less a part of the commercial enterprise and no longer an add-on. Most of this hypothesis points to continued, albeit slow, progress toward increasing integration of CSR values into the company area with varying levels of engagement and affect within the 5–10 year time frame.

9.3 RANGE OF CSR

CSR, be it minimal or profound, is consistent with their perspective on the evolution of CSR and the ability of CSR to bring about social and environmental improvements. CSR thought leaders believed that there were different levels of commitment and types of application of CSR in the industry. CSR will give us a future similar to today. Together, they pronounced a continuum of CSR, from CSR "lite" to deep CSR (Strandberg, 2002).

9.3.1 CSR "LITE"

- These companies have a shallow or marginal commitment to meaningful social or environmental improvement.
- They focus primarily on complaint response, not CSR; the business model will not change.
- They may use common standards such as the Global Reporting Initiative and therefore feel they are on top of CSR when they don't have to be.
- This group includes those companies that are legally obliged to comply with CSR goals, regardless of whether environmental violations, corrupt business practices, etc. have occurred. They show no commitment to social or environmental progress.

9.3.2 ADHERENCE TO CSR

- Companies make voluntary ecological and social commitments in order to obtain their operating license.

- They keep up with new CSR standards and norms and ensure that they comply with these standards.

9.3.3 PLANNING FOR CSR

- Companies will approach various aspects of CSR strategically.
- They will stick to standards and then carve out niches in specific CSR areas that are more strategic for their companies. They develop business strategies within one or two aspects of CSR around which they develop a competitive advantage and can have a significant impact.
- Companies in certain sectors will believe that their key to survival lies in providing products and services that are acceptable to broad public interests, or they will go out of business.

9.3.4 COHESIVE CSR

- On the broader side of the continuum will be those companies that fully integrate CSR into their business model, not as a strategic advantage but in the belief that social and environmental impacts and opportunities need to be considered.
- They have comprehensive CSR policies covering all areas of their business and will operationalize their CSR principles through strong performance standards, goals, reward mechanisms, etc.
- CSR, or sustainable development, influences decision-making and business strategy throughout the company.

9.3.5 PROFOUND CSR

- A group of companies adopts or establishes business models whose task is to improve social or ecological conditions.
- Some leading companies will recognize that the small benefits of CSR have been achieved and that early-stage CSR measures have been used and exhausted. These companies will seek to address the real trade-offs between different elements of the triple bottom line in terms of sustainable consumption, resource depletion, just transitions, intergenerational equity, and so on.

The first two topics discussed above point to the current debate in the CSR field about their significance. The world of corporate will embrace the concept of CSR. Overall, the range of CSR performance from the cynics to the believers is expected to remain as it is today, even though CSR is increasingly being adopted by companies and new entrants are moving into deeper CSR for continuous improvement issued by companies. Efforts will go beyond mild advocacy of CSR and consider how it is affecting the way companies do business. Is this move expected to help resolve the confusion about where and when CSR principles should take precedence over shareholders' interests? Furthermore, it was pointed out that the environmental aspects of CSR are still making more progress than the social aspects, given the level of government regulation, the availability of tools and systems, and the more established business case for environmental management.

9.4 RELEVANCE OF STAKEHOLDERS' ROLE IN CSR

Regardless of the diverse opinions of scholars and thinkers without much consensus among them, they agree on the same thing that in the forthcoming time period, there will be a prevalence of a stakeholder approach in order to deal with the social responsibility of companies, whether by the decision-making of managers to safeguard the stakeholders' interest, by engaging stakeholders, or by making them represent in the administration of the companies (Strandberg, 2002; White, 2005; Mele, 2008; Chatterji, 2011; Carroll, 2015). The ample amount of power vests in stakeholders who will address the common issue by operating together progressively. By seeing the association between corporate behavior and quality of life, the customers and workforce will put forth their demands. Irrespective of the consistency of problems in CSR, there will be a continuous rise in performance pertaining to it. The concept of CSR will be professionalized, and thus the part and significance of managers handling CSR will be acknowledged by the world of corporate (Blowfield and Murray, 2008; Chatterji, 2011).

The growing significance of stakeholder's engagement for the destiny of CSR is one of the most important traits that everyone agrees on. Stakeholders are getting engaged in increasingly important ways; their gains will have an effect on change, and will continue to innovate and create new and tough confronts. The term "stakeholders" embraces the various parties like customers, workmen, people having their share in the company, dealers, NGOs, governments, and partners of business—every single one having their "stake" in the functions of the company.

Many suggest that an extended rendezvous of stakeholders calls for the expansion of assistance for the purpose of solving issues and making decisions in order to facilitate the method of developing accord. In order to make human beings aware that, as employees, investors, and citizens, they occupy one-of-a-kind roles in groups and therefore need to compromise certain advantages with a view to gaining other benefits that can be relevant to them, a number of techniques will be developed. It lies in the trust of others that conciliation is a subsuperior outcome, and technology for decision-making will get advanced to optimize triple-bottom-line solutions. The improvement of these processes became deemed crucial for those who believed that in an increasingly linked world, there would be a requirement to apprehend that increasingly distinct human beings value different things. The important thing can be discovering the ideal results for maximum parties.

Along with the development of tools and methods, consulting with stakeholders will more and more become an essential proficiency for all personnel, who will be predicted to preserve beneficial tie-ups with stakeholders.

For those few who were much less certain about the development of the sizeable involvement of stakeholders, fashions will flourish with the development of CSR. There has been a consensus that businesses will continue to make strides concerning communities in local decision-making by way of decentralized decision-making through big organizations.

To keep away from decision paralysis, in which businesses become paralyzed and accept as true that they cannot make choices without recommendations, in the forthcoming period those businesses will make decisions when they recognize something is "right" and seek advice on arguable or tough problems.

Some opinionated leaders believed that a few NGOs and CSR beliefs would not be capable enough to embrace compromises, while others questioned if stakeholders would lose their potential to question corporate activities because of their close ties with the company.

As net technologies increase, stakeholders might be better informed, be able to proportion their perspectives with a much wider audience, and be able to impact the choice or pronouncement before it is declared.

Moreover, customers will become more and more informed and aware that earnings frequently come from child labor, bribery and corruption, environmental exploitation, and so forth. Despite the fact that in the past they were merely interested in paying the minimum rate, many of them will be inclined to pay beyond the required amount. They will progressively look at the way corporations make profits on the grounds of their belief that it matters. The future beholds much preparation of the consumers in various forms: the sense of powerlessness will proliferate; cumulative customer organizations will start to encourage ethical buying in their groups; this fashion will be pushed in part by means of authorities' downsizing and deregulation; purchasers will begin organizing to defend their pursuits.

Most forecasts factor in developing a wide variety of personnel worried about their organization's social values. It is predicted that the agencies that want it most will use their impact in the workforce market to improve corporate CSR performance. However, an increasing share of people who presume they can get the right salaries will ask more unique questions about the groups they will be a part of. Honestly, agencies with a bad CSR record in comparison to their more superior counterparts will struggle to hire new personnel. Younger entrants, particularly, will be predicted to search for work with companies that align with their values.

9.5 ACCOUNTABILITY, ECOLOGY, ENVIRONMENT, AND ETHICAL GOVERNANCE

There have been pinnacle issues that were broached by some leaders pertaining to CSR, like certain issues related to the environment, primarily changing weather conditions followed by quality of water provided, accountability and governance encompassing matters of veracity and openness, societal barring issues predominantly represented by scarcity and retrieval of basic needs, etc. Even so, these issues will mark the core CSR problems in the coming times.

Even though those may be the most important issues, present-day CSR issues aren't predicted to alter. The standards and rules for CSR will be pushed by the force of expanded evaluation and tracking, which will induce some corporates to focus and fragment certain CSR problems that suit their type of business.

One opinion in this context asserts that there might be new CSR-demanding situations in variety with populations growing older and variations in the culture and religion of those populations. The multiplicity will be perceived by individuals distinctly in the forthcoming time, which will be pondered in the discussion related to CSR. There will be an enhanced interest in the concerns of egalitarianism, which will find its place in both business and politics, be it domestic, national, or at the world level. The timeline of CSR tends to contemplate these concerns as well.

The progression of responsibility and openness by the corporates in the coming decade will be a matter of sheer curiosity, along with acknowledging the matters pertaining to governance and honesty of the companies. The inability of the private sector to fulfill its pledge to address various societal and ecological issues by taking initiatives voluntarily in spite of having ample authority and impact will likely trigger the need for enhanced duty, liability, and sheerness.

On the grounds of some beliefs, the matter of transparency will change its place from yearly reporting to hourly reporting if it is unable to ensure immediate reporting. The companies will reflect their top-notch honesty at the highest level of the enterprise. The capabilities of the board of a company will be expected to be validated by acknowledging the concerns related to CSR. Such tools and methods will be established that will assist in ensuring the proper administration of CSR.

9.6 INTERVENTION OF GOVERNMENT IN MAKING CSR EFFECTIVE

The opinions on the intervention of the government to boost CSR conduct in the coming times range differently in volume. Most expect that governments will at the very least encourage CSR performance through the supply of information, aid for networks, and other deliberative channels. On the other hand, many suppose no less than compulsory disclosure by the companies on their societal and ecological conduct, though by getting it verified by a third party. It then depends on the mindset of a distinctive organization about how strongly they want to adhere to the CSR route, which reflects their voluntary passivity. In another way, the government is being looked upon to ensure sheerness and responsibility in the functions of the companies, principally by way of reporting requirements.

There is greater evidence for enhancing the legislative framework pertaining to environmental protection in the coming future, which is the most probable state of affairs. However, it is also visible that governments will flow toward emphasizing extended law on the diverse concerns related to CSR in case the voluntary framework does not yield well.

It's far anticipated that within a decade, exchange negotiations will be expected to embrace greater social and environmental concerns as a result of CSR being backed by prominent worldwide institutions such as the World Bank, and the offenders engaged in unlawful behavior or operating in disputed arenas will be taken care of by the other administrations.

The tendencies in region- and countrywise growth will be impacted by the manner in which the concept of globalization is developed. For instance, there can be a scaling up or down in the conducts in the context of CSR providing their influence on the competitive environment; either the intrusion of administration in handling CSR might be followed universally or be completely deprived globally.

Europe is being anticipated to advance the diverse nations in law and that any regulation that comes into impact can be geared toward large corporations as opposed to small ones. There may be far less actuality as to how far north the USA will comply with the regulatory route ahead of the requirements of disclosure.

The dominators of the market are likely to demand legislation to gain their competitive lead over the levers of the market through an effort at standardization. On the other hand, groups can result in formulating policies and heading off interference. In both cases, there is a strong probability of neutralization or support from frontrunners of CSR pertaining to future legislation that will provide favorable surroundings for the involvement of the government in the process of CSR.

9.7 STANDARDIZATION AND DIFFERENTIATION OF CSR MANAGEMENT STRUCTURE

There is a general opinion and agreement on the standardization and establishment of the structure of CSR in the next 10 years. The reconciliation will have taken place over the controversy and dispute on the code of conduct. A consensus on key signs of CSR will increase the "initial percent" of key

CSR metrics, giving organizations the liberty to tailor the standards to their specific corporations. CSR ideas may be more tried and tested and less difficult to adopt. There will be more clarity on what is supposed to be done with the aid of "actual" CSR to differentiate it from "superficial" CSR.

With an increment in the concerns of society and the environment, CSR will continue to grow and develop. These signs of development will continue to organically stimulate these standards and structures.

These guidelines will likely be received extensively in the future, accompanied by enhanced testing in corporations and sectors regionally as well as locally. In spite of having some base guidelines, there is not even a single norm permitting the companies to adhere to those standards that are appropriate in alignment with their activities. The bottom line will be procured from materials that are consistent, which the companies have to stretch out. In pursuit of this, the contending corporations will take diverse approaches to augment their intensity in CSR.

There will be expanded standardization, yet there will be more powerful principles, especially estimation instruments, to show what the progressive partners are looking for. The discussion will move from conversations connected to examining guidelines and the business case to practice; there will be an open conversation around the issues and problems overseeing CSR and an attention to CSR's nonstop improvement. There will be more focus on administration learning and execution instruments.

The novel emphasis will be on evaluating and investigating CSR influence—how much an enterprise's CSR execution has really further improved conditions in the public arena or the climate. More organizations will move from essentially revealing insights to utilizing them to improve or gauge improvement, where the genuine worth will lie, and progressively they will report out on their advancement around the reporting procedure. By and large, there will be more estimation that consolidates yield, inward improvement, outside effect, and issues of worry for people with a stake. Organizations will show how they have utilized the information and data on which they report, and more importantly, how they have utilized stakeholders' contributions to work on their tasks. Through this, they will improve their responsibility to stakeholders. Because of this expanded reporting about impacts, there will be more spotlight on comparisons of results between organizations.

The developing dissimilarity between corporate activities and principles worked upon locally versus those practiced universally could arise as a critical pattern. No forecasts were made for the goal of this pattern; however, stakeholders remembering legislatures for the global field will presumably have some impact.

CSR organizations will move from having specific CSR departments investigating stakeholder crusades, assessing guidelines to guarantee consistency, and so forth, to the foundation of norms and measures coordinated throughout the organization that are evaluated and written about. While there will be a proceeding with jobs for CSR-trained professionals, they will act as interior CSR specialists, supporting development, characterizing arrangements, utilizing information, going about as informants, and so on. Full CSR incorporation across the organization will become the standard, with instruments and approaches executed to guarantee viable CSR execution and incessant improvement. There will be line responsibility pertaining to delivering CSR approaches; responsibility for execution will be checked intermittently in this setup.

There will likewise be an expansion of board CSR panels or subgroups focused on CSR strategy. In order to improve corporate CSR administration, certain tools will be established. Later on, organizations will quit viewing CSR as an approach to answering outside tensions and will begin administering it, utilizing the frameworks, instruments, and norms accessible to them, to build CSR notoriety and results, decrease gambles, and further develop connections. Genuine estimation and advancement will be critical to keeping stakeholders under control. Right now, NGOs are pretty much supporting the principle model; however, will turn out to be progressively discontent on the off chance that progress does not work well.

9.8 INNOVATION AND LEARNING DRIVE

There were many assertions and opinions on creating surroundings to master CSR. It is broadly certain that teaching and learning about CSR will be a central part of the syllabus in various business schools as an essential skill. Also, there will be incessant thrive for the progress of CSR by the concerned networks of companies. There can be internal education applications to improve the talents of personnel across the enterprise, with a focus on how CSR is defined, how it's carried out, and the way it influences commercial enterprise strategies. The focal factor of transforming core initialization through the personal and professional development of key workforce members should be emphasized by the companies going through the in-depth assimilation of CSR. CSR and its fundamentals will continuously be considered for the purpose of research in the matter of business, which tends to go forward on its own.

CSR will become an impetus for revolution and novelty in the prevailing surroundings. There will be a development of such commodities and facilities that will assimilate CSR and add value to the stakeholders' approaches and operations. Some companies will have to determine whether they can capitalize on increased business possibilities by creating new environmentally and socially sustainable markets.

9.9 COMPANIES EXPECTED TO ACHIEVE OR LEVERAGE GREATER SOCIAL CHANGE

The big CSR debate in 5–10 years will probably revolve around its impact on societal change. In the subsequent decade, CSR will be criticized for not thoroughly addressing the foremost issues of environmental sustainability and the developing imparity among rich and poor; it will no longer considerably affect the quality of life. As authorities continue to process cuts and trade deals in various jurisdictions, an increasing number will privatize social and environmental issues. Dedicated CSR corporations are predicted to work to cope with these troubles and improve their impact and social trade results.

Many are pinning their hopes on an emerging zone whose complete project and agenda is sustainability, both socially and environmentally. These corporations, which are often known as the third sector or civil economy, have CSR values and an ethos devoted to social and environmental responsibility. These encompass natural foods, herbal drug treatments, renewable strength, water, clothing, production, network banking, social investment, tour and education offerings, and many others. Cooperatives, credit score unions, and nonprofit corporations are observed in this region. This sector is predicted to grow and evolve over the following 5–10 years, which will affect the marketplace, society, and the environment. The concerned sector will be under competitive pressure in the commercial economy, albeit in niche markets. They will be at the leading edge of CSR innovation and assist in boosting the bar for CSR's overall performance throughout all sectors.

One angle is that the CSR management confirmed this quarter stems now not only from their social and environmental duties but also from the fact that they are insulated from short-term marketplace needs and often have stakeholder models of possession. Nonprofits, cooperatives, and worker possession are examples of this model, as are corporations moving from hierarchical governance to community governance, as well as proprietor-run, founder-run, and family-run businesses. Those groups are inherently much less income-maximizing than their larger publicly traded counterparts.

There are a few economies in the world, for instance, Italy's Emilia Romagna, through which this sector is stimulated as a method of monetary and social development. Structures and systems are being put in place in those areas to inspire the thriving of polyarchy—the distribution of strength to nonearnings groups, cooperatives, and social organizations. Accountable without delay in the neighborhoods in which they live, those organizations are considered to be doing a lot in the direction of neighborhood social and environmental conditions and their "footprints." New research on the benefits of social capital and marketplaces underscores the essential function these companies play in enhancing the financial performance of individual firms and entire regions.

A cloud has been diagnosed on the horizon of this rising "social economy," indicating that this sector will not thrive without capitalization and public coverage reform. It lacks the potential and economies of scale to exert sufficient impact available on the market financial system and could consequently continue to be marginal to the economy, society, and surroundings.

Some other expected improvement is a growing insistence that accountable businesses no longer only take a look at the impact of their own operations and those of their commercial enterprise partners, but additionally deal with macroeconomic troubles applicable to a company's industry: climate change, rising inequality, toddler labor, differential access to important items, war and violence decisions, and so on. Agencies in this scenario are expected to work in multistakeholder partnerships on macrosocial and environmental issues in their sphere of influence, in addition to their very own inner CSR issues.

As a part of this go-enterprise collaboration, the business enterprise will realize that it cannot have its very own unified view, and stakeholders will come to the realization that a few problems can't be motivated through the agency on its own. CSR corporations engage in stronger partnerships with civil society and the government where there's a shared duty for development.

Other expected courses for CSR groups in their quest for social and environmental improvement are public coverage and advocacy. A few believe that pressure from stakeholders on corporations to cope with fundamental social issues will cause them to be extra worried about influencing public coverage. Actual social trade is understood to require broader exchange in economic and governmental systems, and corporate CSR leaders are expected to grow into effective advocates for progressive CSR public policies.

The developing nations will experience more rapid and fervent growth in CSR in comparison with developed nations due to the development of the economy in consort with stresses placed on the supply chain by the developed and flourished economies. Furthermore, no association with domestic culture, traditions, or desires will be endured by the individuals. CSR will expand its reach to SMEs by way of fleet evaluation and execution techniques (Hopkins, 2007; Carroll, 2015). CSR will be deeply rooted in the emerging economies, and there will be no requirement to plan for any exit as the survival of businesses will depend on showing sheer signs of responsibility in their regular operations and in the way they behave with their stakeholders (Hopkins, 2007).

It is evident that CSR will not remain a significant topic for only developed and flourished economies but will also be emphasized by developing nations at their core. CSR will be entrenched widely and purposefully by corporates in the developing economies of Asia, Africa, and South America, irrespective of differing impetuses and factors when regions and countries are analyzed crossways (Lenssen and Wassenhove, 2012).

9.10 CONCLUSIONS

In order to conclude, it can be seen that the future of CSR is bright and convincing in the coming decades. Although the stakeholder theory will not fade away, it will continue to exist and flourish in diversity. The descriptive and legislative orientation of CSR will take a turn, and the execution of CSR conduct will be accentuated to a great extent by the fact that corporates coexist with the factor of being a core component of not only huge business houses but also of small and medium corporations. Along the same line, developing nations will embrace and integrate CSR into their schema way more than they used to. Hence, the responsibility lies with the managers and leaders of CSR across the globe to incorporate it more creatively and strategically into their operations and developments. Corporates around the world can look at societal issues and give rise to business value if they work innovatively and follow a strategic approach to them. It not only gives a sense of contentment about doing something right but also yields greater benefits to the business.

KEYWORDS

- **CSR lite**
- **cohesive CSR**
- **profound CSR**
- **innovation**
- **learning drive**
- **accountability**
- **ethical governance**

CHAPTER 10

Excerpts of Companies Worldwide Engaged in CSR Activities

ABSTRACT

Throughout the chapter, we will look at examples of case studies of big fat companies involved in different contexts around the world who have adopted a wide array of CSR initiatives and practices across a wide variety of sectors. By addressing several social and environmental issues either through stakeholder relations and collaborations with NGOs or agencies or adhering to government regulations regarding corporate social responsibility, the chapter aims to highlight the active participation of companies from developed or developing nations towards challenging opportunities. Companies' nature plays an important role in determining the kind of CSR practices they undertake, or else the environmental or social situation of the country dictates the manner in which CSR practices should be undertaken. Collaboration with government or non-government organizations makes it easier to implement CSR practices for corporations. Diverse CSR practices have been practiced by both developing and developed countries. We are now in the midst of a time when businesses are able to provide more to society than they have received by transforming challenges into opportunities through a magic word called Corporate Social Responsibility.

10.1 INTRODUCTION

Business operations strive to earn profits and to impart its social responsibilities and CSR is nothing but embedding social obligations in alignment with business goals. There has been no certain and well-defined definition of CSR.

Corporate Social Responsibility in the Global Business World: A Conceptual, Regulatory, and Illustrative Framework. Meenu Maheshwari, Ashok Kumar Gupta, Pragya Gaur, Nupur Tiwari, and Shobhna Goyal (Eds)

Therefore, many factors come in purview when it is practiced. The first one deals with the importance of placing CSR practices on supremacy of the business and second is the role of government in framing the rules for the companies related to adopting suitable practices to encourage sustainable development. The policies framed by the government to act in socially responsible behavior should be in the benefit of companies. When companies are fulfilling their legal obligations toward society then this must be coordinated with the needs of environment and society. The companies can impart best of their duties by following the moderate approach by positively contributing in sustainable development by addressing the societal issues. It would be apt to say that CSR in every way increases the role of business toward society and society also have grand expectations from the business activities and as such are driven by stakeholders. The developed countries have rich resources and are rich enough to promote and allocate the funds toward sustainable development assistance. The agendas framed to endorse CSR by the rich or developed countries are promoted worldwide. However, developing countries face bad stroke when it comes to national or international visibility and challenges have openly hit hard the corporates. The CSR agendas have become market driven and gets exaggerated once it gets positive response from stakeholders and have greater outreach through social media, campaigns, or NGOs.

In countries like China, India, and Africa and other developing nations, CSR arrangements and initiatives have fastened and, thus, India became the first ever country to make CSR activities and reporting mandatory as per Companies Act, 2013; in developed countries as well socially responsible business practices have found the way through business drivers. Globalization has hiked the unprecedented interests and investments through FDIs. This would attract more companies into the fold to act with strategies, systematic methodologies, and contemplations.

The veteran CSR practitioners have to equip themselves with new and well-structured community involvements and keep revising them in regular intervals with emerging transformations. The socio-economic realities of the countries are under debate and it is time for an action from the corporate world through gazing at the activities by keeping multidimensional approach.

There are two kinds of mindsets when countries, either developing or developed, engage in CSR activities: defensive and proactive. The defensive mindset touches the areas of minimizing the adverse effects on local communities, environment, etc., and proactive mindset is related with adapting the CSR practices and embedding them in company's mission beforehand; they have actually been made binding on companies as per the statutory guidelines of the respective state they belong to.

The government of emerging economies have commenced with several new initiatives as per need of economy and society and such CSR initiatives are tailored in such a way. Sometimes CSR standards of corporates sets the benchmark for the government policy-making authorities as it has been observed that governments so often become lenient while implementing their less-stringent rules. CSR standards application sought to be designed and shaped as per the needs of the society along with embedding governmental guidelines, if any. Just pleasing through fascinating CSR practices would not be enough for the companies and their respective governments, frequent monitoring and supervision has to be adopted focusing on social changes in local communities or committees at global level. The companies along with taking up social responsibilities are obliged to entail the programs related with it, such as fundraising for social causes, volunteering its employees to participate in such activities, etc. In this way, companies would integrate CSR goals in their overall business aspirations. This entire chapter has been written highlighting the CSR practices undergone by the companies globally as per the interests of society and economy at large. The engagements in CSR activities have been shown tremendously by the corporates worldwide be it developing or developed country. All the countries have been doing their part in the best possible manner keeping under their purview all the basic requirements of their existing and prospective stakeholders.

10.2 CASE STUDIES OF COMPANIES IN DEVELOPING NATIONS

10.2.1 CSR IN INDIA

- **Godrej Consumer Products Limited**

In 1897, Godrej Group was founded by Ardeshir Godrej and Pirojsha Burjorji Godrej. It is a multinational conglomerate which deals in consumer products, engineering, agricultural products, etc. On CSR initiatives, amount of ₹34.08 crore has been spent by Godrej Consumer Products Ltd.

(GCPL) in FY 2020–2021. The company managed to benefit vulnerable communities comprising of more than 2.77 lakh people. In FY 2019–2020, GCPL, in support of 9000 nano-entrepreneurs have allocated 63% for livelihood recovery programs and the company has even accomplished the goal of zero waste-to-landfill and water positivity. It recycles the plastic packaging waste and the company achieved 15th position in the leadership index of the Climate Disclosure Project in India. Among 25% of global companies, GCPL scored an "A" rating in climate disclosure. The GCPL has done great efforts for protection of India's forest and made endeavor for propagation of greenery. The name Godrej has always been allied with trees. To accomplish the purpose, at Pirojshanagar, a well-maintained tree stock has been made for the past many years and free-of-cost saplings are generously distributed to voluntary organizations engaged in afforestation work. India is blessed with flora and fauna but carelessness and irresponsibility has led to degradation of nature. There is an association named TRAFFIC-India—Trade Record Analysis of Flora and Fauna in Commerce—working since 1976 and responsible for monitoring legal and illegal trade in plants and animals. On the 25th anniversary of WWF, Late Chairmen S.P Godrej was conferred with the White Pelican award. Godrej has been actively engaged in improving skills, livelihood, public health, waste management and watershed management, etc.

➢ **Infosys Limited**

Infosys Limited, founded in 1981, was the company which adopted CSR initially even before it was mandated by the law in country. In 1996, Infosys Foundation was formed to carry out CSR initiatives. The company has followed all the rules and regulations as per Section 135 of The Companies Act, 2013, of India on constituting a CSR committee to monitor and supervise CSR practices and policies of the company. The company has dedicatedly worked for societal development programs for bringing long-lasting positive impact on deprived communities. The focused and key areas of CSR deployment of funds include poverty, hunger, malnutrition, etc. By the time sustainable business practices gained utmost relevance, it has become imperative for the business activities to be done in alignment with economic, environmental, and social activities being practices in the nation. To fulfill its CSR responsibility, the company has allocated ₹325.32 crores on CSR activities in FY 2021–2022. Beyond philanthropic activities, the company has made efforts for holistic community development and institution-building. As far as digital skills are concerned, the company launched "Infosys Headstart" to enable digital skills in alignment with its ESG Vision 2030. Infosys has planned to inculcate digital and life skills to more than 10 million people via the implementation of this initiative.

- **Wipro**

The company carried out its CSR initiatives through WIPRO foundation mainly established in 2002 named WIPRO CARE. Wipro was founded in 1945 by Mohammed Hasham Premji. All kinds of societal and developmental activities in the society are carried on through the company's foundation. The three pillars named as Strategic, Systematic, and Deliberative have proved as pillars for the company. For CSR expenditure, ₹251 crores have been spent in the FY 2020–2021. More than 1561 projects have been undertaken to support health and livelihood in last 1 year. These projects have benefitted more than 10.2 million people which included 330 million meals, distribution of ration, and personal hygiene and provided assistance to approx. 500 NGOs. The company has indulged in spreading education to about 1.1 lakh students through various innovative means such as mohalla classes, books, and other related materials. The company has always worked to support sustainable development.

- **Tata Chemicals**

The Tata Chemicals, founded in late 1939, is contemplated as foremost champions in the arena of sustainability by the time. The company has undertaken several initiatives to engage with local communities toward developing a sustainable and eco-friendly ecosystem. It has also launched multiple projects to conserve the environment. It implements its CSR activities either directly or through agencies like Tata trusts, NGOs, etc. For CSR programs, nearly ₹21 crores have been spent by the company during the FY 2021.There are several projects launched such as Agriculture and Livestock Development, Handicrafts & Cluster Development, Health Care, Nutrition, Safe Drinking water & Sanitation, and Inclusive Growth and Education. The company has also commenced either digitally or physically, capacity-building programs for farmers, field demonstration, and livestock management. Moreover, many programs have been conducted to support rural women artisans who belong to Okhai and converted the place into a marketplace, which connects more than 25,000 artisans across India to customers. At Mithapur, company has planted 1.15 mangroves across various sites under its greening programs to conserve local plants. Largely, the company has changed the lives of lakhs of people through its CSR initiatives till now.

➢ **ITC Limited**

The existence of ITC Ltd. could be traced back from 1910 and its sustainability initiatives are obsessed by the credence to serve greater societal commitments and that too in alignment with national primacies. Most challenging issues like poverty and environmental degradation has been committed to be addressed through Triple Bottom Line commitment. The company has the Social Forestry program, which greened around 30,439 acres of land. Lakhs of children, through its education program, have been approached. Also, under vocational training programs, 12,470 youths have been skilled under the same. It provided financial aid in construction individual household toilets in 28 districts. The waste recycling program named “Well Being Out of Waste (WOW),” related to collection of dry waste has been launched to save the environment and overall company managed to spent ₹353.46 crores toward CSR activities in FY 2020–2021.

10.2.2 CSR IN CHINA

➢ **Alibaba**

To make online business easy for everyone and for raising the living standards of the poor is the social responsibility which is considered as extremely eminent in Alibaba group, founded in 1999. The company’s motto is “Commercial practices with a public welfare mindset,” which indicates that social practices must run hand-in-hand with business operations. The company uses Internet public welfare products to provide humanitarian aid for children, women, and needy ones. One of them is “Model Mother” and other is “Reunion System.” The reunion system prevents the elder people from getting lost and also finds the missing ones. This reunion system has helped to a great extent as 5 lakh cases of elders getting lost have been traced. To make this system more successful, Alibaba collaborated with CCTV Sunset Glow to encourage the project at large. In case of “Model Mother,” which has been operational since last 10 years, Alibaba has been dedicated to create a lenient and fair platform for underprivileged groups to start their businesses or find new jobs as this will empower the distressed mothers. For the mothers who wanted to enter in start- ups and felt stressed, the company held the Model Mother Entrepreneurship Competition in March 2020, which provided a stage for them. This attracted around 1117 mothers to sign up for the program and this was promoted through Red Cross Society organizations. The "Model Mother" shop has been opened for the display of high-quality products.

- **Haier**

Haier has concentrated on poverty alleviation and made it as part of its CSR practices**.** The company has been constantly making efforts over the years to make significant contributions for education. Haier has constructed over 300 hope primary schools and hope middle school, which covers 26 provinces and municipalities directly under the central government and autonomous regions in China and it has been continuously providing schools support through making available the materials. These initiatives toward education have effectually boosted the basic educational capabilities in impoverished areas and upgraded the quality of education. The company's budgeted expenditures on poverty alleviation was approximately RMB 17.82 million for effective utilization in various areas such as in educational advancement and societal welfare. Along with several initiatives, Haier Group has also made investments to alleviate poverty through agricultural development and abetted in improvement of the health of farmers and cultivation of innovative talents for betterment of society.

- **Xiaomi**

This company has strived to become successful since it was founded in 2010 and explored the ways which can make it more socially responsible. It has always worked hard and made new innovations in technologies which will further make the life of people easy. The technological advances have contributed in bridging the gap between the people and gadgets as it will make the society more inclusive and equitable one. The company's objective is to closely notice and recognize the needs of society, and identify the actual problems they face in day-to-day routine; its research has always been related to offer such products to society which would promote social equality. The technology is also one of the ways to unite the feelings and generate sense of togetherness among the people. The company organizes several programs and campaigns to spread awareness about friendly designs, universal accessibility, and also stimulates social responsibility through appropriate educational campaigns worldwide. Overall six Xiaomi libraries and calligraphy classrooms have been donated by Beijing Xiaomi Foundation and Xiaomi Corporation to Dali in Yunnan' impoverished area. The company also donated computers, books, and stationery items worth RMB1 million in the year 2020.

In 10 popular Chinese Universities, Beijing Xiaomi foundation has also launched Xiaomi Scholarships to provide financial assistance to the students in need. The company has supported disabled employees also by donating lifestyle products and batch of Iot, worth more than RMB 940,000. The company also organized charity events jointly with Buy42 to help the less-privileged sections of the society.

- **Huawei**

It was in 1987 when Huawei was established and it has a vision of making everyone digital friendly, being benefited from technology, and remaining fully connected with each other, whether they are in home or working in their respective companies. The company observed that disparities in healthcare services have been spotted and it is the global and major problem affecting people in urban and rural areas. The healthcare services including proper treatment and medication facilities are limited to crowded cities and remote areas faces scarcity of the same. To resolve this problem, the company has taken upfront and successfully developed the telemedicine solution with mature applications, which takes into account HD video conferencing system as technological advancement. In collaboration with China Mobile Henan, Huawei has built a telemedicine platform with completely new ICT infrastructure, also a joint innovation center for the Hospital of Zhengzhou University. Due to this innovation, healthcare facilities could be extended to remote areas.

10.2.3 CSR IN BRAZIL

- **Natura**

Founded in 1969, NATURA is renowned and Brazil's largest multinational cosmetics brand. It works on the concept of innovation and sustainability and produces more than 2000 cosmetic products in sustainable manner as products are 84% vegan and uses sustainable material. The company does not use animals for testing and has developed specialized processes and machinery for the same. All the ingredients used in products are from Amazon forest. Such products are supported by the customers and in this way buyer's increase. The local communities are involved in the process and all such practices have promoted sustainable development for the more than 7039 families who work with Natura and also assist in conservation of the rainforest. Natura uses environmental friendly packaging and also recycles its trash spawned by 3 million users in single day. Through offsetting carbon emissions by acquisition of carbon credits, the company is following the path to become 100% carbon neutral. The education and social well-being programs are organized more often as the company treats its employees as real assets. The CSR practices have become a tool of brand building over the period of time and thus Natura's publicity has increased and helped in rocketing its profits.

Natura's Global Sustainability Director Denise Hills said "We want to be the better beauty brand for the world." Natura's sustainable business practices helped it achieve position in Global 100 ranking provided by Corporate Knights.

- **Green People**

In 2014, Green People was established and it deals in supplying cold-press fruit juices which are prepared without preservatives or synthetic colors or sweeteners to retailers and to consumers. The company's business model focal point is CSR. This company has organized a separate sustainability committee that monitors sustainability agenda's. The company sources its main ingredients for the products from sustainable and organic suppliers, which consist of primarily local organic and family-run farms. Furthermore, has been providing assistance for formation of community gardens to provide easy access to healthy and nutritious food in Rio de Janeiro's favela slums.

An interesting initiative started by the company includes "reverse packaging logistics," which means company recycles the plastic and waste which it sends to market every day. This entire program is executed by collection of plastic then processing is done followed by recycling the entire plastic waste. These kinds of initiatives give rise to various initiatives such as income generation by the organization hired for collecting the waste, environmental education, partnerships, and volunteering.

Social media platforms are appropriately used by the Green People to make these initiatives public. The company even make available the QR code on the product so that consumer comes to know about the origin of the product; all such activities differentiates the GREEN PEOPLE from other similar companies and thus enhances the customer-brand relationship.

10.2.4 CSR IN KENYA

- **Cypher Environmental Ltd.**

In Kenya, being voluntary in nature CSR is observed as sincere commitment by the organization and one of its kind is Cypher Environmental Ltd. founded in 2010. The company is actively involved in social, legal, and environmental issues for sustainable outcomes. Erosion control, dust control, and soil stabilization solutions with zero environmental impact have been ensured by environmental engineers. It even provides green roads by enhancing infrastructure facilities. The company has been complying with evolving environmental standards by delivering products for the communities and for company itself. While carrying out CSR activities, safety is taken care of without compromising the environment. The company deals in products that are non-corrosive, non-toxic, and environmentally friendly. It provides operational efficiencies and potentially significant cost savings while ensuring the safety of our planet and keeping the world green. The company believes in sustainable development by saying—"Our promise to you: Better Roads. Better Bottom Line. Better Planet."

- **FirstCarbon Solutions (FCS)**

The FirstCarbon Solutions (FCS) holds 30 years of consulting experience on environmental and sustainability. It has advanced sustainable practices around the world, which made the organization grow responsibly and operate their businesses. The company has worked impeccably well and delivered assimilated, lucrative consulting, data management, and software solutions. The company also supported its clients in time saving, cost reduction, optimum utilization of resources, and initiates operational efficiencies. FCS extends its services across Asia, Europe, Africa, Australia, and North America and ensures that its clients are provided access of ever-evolving environmental and compliance needs in energy, air and carbon management, environmental assessments and planning, supply and life cycle assessments, permitting and compliance, and software and data processing.

10.3 CASE STUDIES OF COMPANIES IN DEVELOPED NATIONS

10.3.1 CSR IN AUSTRALIA

➢ **Walt Disney**

The WALT Disney has navigated itself for the creation of sustainable world by incorporating sustainable business practices since 1923. The company has never failed to acknowledge its flaws for better future. The Walt Disney Company's social responsibility (CSR) states , *"Our approach to corporate social responsibility is built upon the Company's long and enduring legacy of engagement in our workplaces and communities and our actions to protect the environment."* The company has formulated strategies to aim at the goals it has committed:

- Emphasis on social justice and impact
- Developing more inclusive and delivering positive content, products, and experiences
- Maintains happy workforce
- Creates safe and comprehensive supply chains
- Commitment to achieve environmental safety standards by reducing greenhouse gas emissions.

The company has been actively engaged in diversity, equity, and inclusion and to achieve this purpose, it has launched its initiative Reimagine Tomorrow. This wide initiative includes conversations with its employees and experts to know about progress on the initiatives undertaken. The company has donated $150 million to charitable houses to conduct programs to build support for underprivileged communities.

➢ **LEGO**

Lego initiated its business from 1984. To increase the efforts in sustainability arena in coming years, it aims to invest $ 400 million on variety of projects. It focuses on replacing plastic packaging with sustainable packaging by 2025. It has entered into partnership with Forest Stewardship Council since 2021 for producing paper bags and boxes. Several projects have been running to create zero waste and producing sustainable products.

Niels B Christiansen, CEO LEGO Group, toward social responsibility states that, "We cannot lose sight of the fundamental challenges facing future generations. It's critical we take urgent action now to care for the planet and future generations. As a company who looks to children as our role models, we are inspired by the millions of kids who have called for more urgent action on climate change."

- **TOMS**

TOMS has donated more than 100 million pair of shoes to needy children as it missioned itself to donate a pair of shoes for every pair they sell. It was formed in 2006 with an aim to provide comfortable shoes to underprivileged kids. The company allocates its profits in medical treatments, arrange for clean drinking water, and construction of houses in emerging nations, which would ultimately benefit in creating jobs as well. The company even faced criticism for making available shoes free of cost and creating hurdle for domestic sellers. It then revived its strategy that it will undergo collaborations with NGOs to promote the campaigns through its share of profits. It raised awareness in campaigns such as Black Lives Matter. Its report mentions that, "*We learned that giving shoes, sight, and safe water for over a decade was an amazing start— the right start — to creating meaningful change. But, the decision to give impact grants instead will enable our community to do even more. Rather than giving shoes, we're giving 1/3 of our profits. In other words, $1 for every $3 we make, which is about as much as a company can give while still keeping the lights on.*"

10.3.2 CSR IN CANADA

- **Maple Leaf Foods**

It is a Canadian chief manufacturing company pioneered in making high-range good quality food products and it has several other brands, which include Maple leaf Prime, Schneider, Mina, and Field Roast Grain

Meat Company. It is a multinational company incorporated in 1927 and has business set up in the U.S. also. It has employed more than 11,000 people. It is earnestly committed toward sustainable food security. It has its separate registered charity governed by independent Board of Directors launched in 2016, namely Maple Leaf Centre for Action on Food Security. Canada has been facing food insecurity issues and the entire team of Maple leaf has been working to minimize such issues up to 30% by 2030. The entire country has been dealing with food issues; to address such matters, the Center has been working in alliance with civil societies and other private sector partners. A proper governance framework establishment is required to monitor and supervise the policies and programs and sights of the stakeholders should also be incorporated while implementing the program. The food policy was also announced by the company in 2019, to provide accessibility of healthy food to Canadian communities. The Maple Leaf Centre for Action on Food Security has launched nine scholarships to pursue higher studies on food security for Masters or Ph.D. students. The Maple leaf team has always come forward to provide help in case of emergency and fulfilled the demand for food supply wherever needed. The company, along with the Center has supported and meet the needs of food demand. The company has launched a campaign to raise $2.0 million (CAD) to support food reliefs in case of emergency and also committed to give $500,000 (CAD) toward food contributions. Being a food company, making healthy and nutritious food is the core function it follows and it also works with its partners in public or private sector to create the environment for learning and sharing new skills to overcome the emergency concerns.

- **Telus Corp**

It is telecommunication company providing wide range of services including access to Internet, entertainment programs, etc. The company was founded in 1990 and is well known for charitable purposes as it consists of 13 Canadian community boards and 5 international boards to accomplish the objective. The community boards have laid positive impact through annual donations of US $100,000 to Bulgaria, Romania, Philippines, etc. The company's team members comprise of retired members also who have been active to support the company in dealing with socially responsible activities and this is the reason that Association of Fundraising Professionals (AFP) have name the company as most outstanding philanthropic global concern and became the very first Canadian company to receive this esteemed identification. Telus International is a program which connects the women and their interests and desires to support them in personal and professional development. There is a training program called "Work for Her," which provided high school graduates with English training of 210 hours and it has 40 hours of workshops, which involve 40 hours of life skills training to open the doors of reputed positions in companies. The volunteers at the company approach the villages to teach life skills and teach the children to improve their lives. Although charitable activities are conducted on a regular basis, employees of the company put their efforts to join a common activity and that could be related to contributing in building schools or making arrangements for homeless people in villages, distributing foods, blankets, medication kits, etc. These are certain ways which could make a difference in the lives of deprived people.

10.3.3 CSR IN FRANCE

- **L'Oréal**

L'Oreal is the one of the biggest and famous producer of personal care products founded in 1909. It achieved the sale of € 26 Billion in the FY 2020–2021. The company claims that it managed to reduce the CO_2 emissions by 67% in the year 2020–2021. It has carbon in setting program to reduce carbon emissions. Even water consumption has also declined to 46% and waste generation reduced by 35%. The company strategies are to use 100% renewable raw materials delivered through sustainable supply chain while manufacturing its products, though it has already incorporated this in making of its existing products. The company has linked its bonuses for managers to environmental and sustainability targets. The company has revealed that its 85% of new or modified products have an improved environmental image and 54% of products have been produced with formula that will lead to reduction in environmental footprint and 78% of its products have been packaged in environmentally friendly packaging. The company along with environmental concerns has equal emotions for social issues and this is the reason which made it committed to Diversity, Equity & Inclusion to fight against discrimination. The company has done a remarkable job by signing declaration of inclusion for refugees and migrants. The role of women in science is respected by the company through highlighting the talents and surely for inspiring future generations. This celebration is joined by UNESCO where five distinguished women researchers are honored to break glass ceiling.

- **Kering**

Kering is a global luxury group started in 1963. It initiated its new natural accounting method named as "Environmental Profit and Loss" (EP&L) in the year 2013 and has set 40% reduction target of carbon offset by 2025. This has been adopted by the company to measure the impact of company's retail operations and its production and processing of raw material's impact. It has been giving its contributions in other areas also such as mitigating the climate change. Kering has committed to reduce its zero greenhouse emissions by 2050. The company supports the protection of bio-diverse forests by safeguarding local community's livelihoods. Human rights of the people engaged with the group are also taken care of, especially of the women who have been playing supportive and integral part of the supply chain. Kering often strives for new partnerships with start-ups to practice more sustainable and responsible business practices. The expertise of the craftsmen associated with the group is cared for through sharing the same with schools and colleges through organizing workshops. The company sources through organic supply chains and uses metal-free tanning processes for leather to payback in the future endeavors.

10.3.4 CSR IN GERMANY

- **Lenze**

This Group carries a certain social responsibility and accepts duties in a variety of ways. Lenze, since 1947, has been dynamically engaged in engineering operations with its active research and development department of more than 1000 people. The company has supported all kinds of activities which assist in environmental management as it has separate environmental management system which is certified from environmental standards. The company has undertaken project to improve energy efficiency in coordination with innovation management in the year 2020. Their social activities have been executed and benefited the country. The company shares a common commitment to help the community. The company supports the local community through regional and local projects or initiatives in the areas of education, sport, health and social care, etc. It also organizes local charity events to help the people in need. It gets donations through France location for charitable purposes. The company's employees in Switzerland provided sustenance to the national skeleton team in their trainings and preparations for the Winter Olympics in Pyeong Chang. The employees around the world contributed to a good cause as part of the company anniversary celebrations through 1000 kilometers run and donated the collection to Pink Kinds, which works for the children whose mothers suffers from breast cancer. This initiative was highly appreciated as it, along with raising awareness among employees for the early detection of breast cancer, also promoted a healthy culture in company.

- **Siemens**

From 1847 till now, the company has been determined to expand its technologies globally and make the lives of people easy by overcoming challenges and through its innovations. Here, social responsibility is seen as *corporate citizenship*, which commits to improve the quality of life and aims at maintaining sustainable future. The company has three well-defined strategic key areas to be focused on comprising of education, social responsibility, and environment and these areas are based on the UN Sustainable Development Goals. Its innovations have been made to protect the environment, to promote health and safety, and work to favor decarbonization so that the world can be made a better place to live in. The Company's Chief People and Sustainability Officer (CPSO), Member of the Managing Board of Siemens AG and Labor Director, Judith Wiese, says "Sustainability is in our very DNA. It's not an option. It's a business imperative. Based on our successful track record, we're now setting ourselves even more ambitious targets. We'll accelerate our efforts and raise the bar to create considerably more value for all our stakeholders. Sustainable business growth goes hand in hand with the value we create for people and our planet."

- **Adidas**

Adidas being the second largest sports company worldwide, founded in 1949 observes social responsibility as a central element in its business model. The company aims to use more than 60% of recycled polyester while manufacturing shoes and apparels from the year 2021 and it is on the way to make achievement in 2024 by using 100% recycled polyester. One of the company's vegan version products hit the market in 2020 which was Stan Smith Shoe line and this made the company to expand its vegan line of products. It has been actively working on diminishing its environmental impact by developing alternatives of leather with recycled cotton to be used in its products.

Adidas has been tremendously working in partnership with Parley for the Oceans to convert it and dream of using reprocessed plastic waste which was collected from beaches and coastal areas in the process of manufacturing the shoe. The company successfully manufactured 17 million shoes using marine plastic waste and earned tones of appreciation from the consumers and other fashion celebrities.

The company's intention is to use more refined and ecological material while making the shoe and to achieve that goal, it has reduced water consumption and Adidas will reach global climate neutrality by 2050. The company's Human and labor rights program are 25 years' old which works for transformation in the lives of people and simultaneously has aligned its activities with International Organization for Migration regulations. Five years back, the company launched its slavery outreach program and conducted various strides. In the DETOX campaign also, the company has given its support, which was organized for removing all kinds of chemicals used in manufacturing.

- **Bosch**

Bosch claims that it has social responsibility in its corporate culture. The company has set the standard by setting the benchmark and defined the approaches of behaving in responsible manner and it must be related to economical or environmental issues since its establishment in 1886. The company intends to reduce ecological footprint and encourage sustainable development through adoption of United Nations' Sustainable Development Goals (SDGs) in regard to climate action, water, health, circular economy, human rights, and diversity. BOSCH has pioneered itself in climate action as it claims to reduce 15% CO_2 emissions by 2030. It has been working on improving material efficiency and is also trying to reuse the components from old appliances. Its new innovations and navigations toward climate protection have paved the way for its 400 locations to become climate neutral. Eventually, it has set definite targets to achieve milestones in terms of sustainability in near future.

10.3.5 CSR IN AMERICA

- **Anheuser-Busch**

At Anheuser-Busch, sustainability is considered as a wider term as they connect sustainability with the entire nation. Being the largest producer of Beer worldwide, brewing process is the key component and must be conducted in healthy environment. The protection of the environment in the entire supply chain from seed to sip has been maintained by the company. The company has been playing its role responsibly by creating positive impact on the environment through sustainable brewing and logistics operations. It has done several measures, which includes investing in conservation of water and improving energy efficiency across every aspect of the business; the company has always dreamt big and challenged itself to do more. Back in 2018, it has launched ambitious sustainability goals, and focused on four key areas where they believed that they have the most impact on renewable electricity and carbon reduction, water stewardship, smart agriculture, and circular packaging.

- **Google**

Google has pioneered itself and specialized in Internet-related services and products. These products and services consists of online advertising technologies, a search engine, cloud computing, software, and hardware. Since the inception of company, its search engine has gained popularity. Google has been working sincerely over more than 20 years and focuses on sustainability majorly. It has worked a lot on environmental policies. In 2007, it became the very first company to convert itself into carbon neutral operations. The company has made the commitment to become carbon free by 2030. Google is one of the largest buyers of renewable energy and innovative program was launched named "high-quality carbon offsets program" to wipe off carbon footprint. The company has also indulged itself in planting of trees. The company claims to create energy efficient computer network across the globe. Google has global diversity when comes to hiring employees and it has its workforce from all over the world. The company has aims to make underrepresented groups facing racial discrimination as a part of its workforce. The company has always concerned for its employees working environment and believes in providing ideal working space to them and this makes it staff turnover ratio very less.

➢ Microsoft

Microsoft is multinational IT Company founded in 1975 by Bill Gates and Paul Allen. Its co-founder Bill Gates is considered as greatest philanthropist and had always worked for societal and environmental issues by taking several CSR initiatives. The company has empowered people through education by giving access to modern technology; the company has begun various CSR projects across the globe with a motive to empower people through education and provide access to technology, safety measures in favor of human rights. More than 12 million youth around 54 countries has been provided with computer science learning experiences. The company has donated nearly $1.4 billion in software and services to non-profits worldwide. The Microsoft has committed that by 2030 it would become carbon negative. The company has also aimed to become water positive by 2030, which involves reduction of water consumption as its Environmental Sustainability report 2021. The company's President and Vice Chair has said "*The Key to addressing climate change at a company like Microsoft is to partner with every industry to understand how it functions, discern the elements vital to its success, share and adapt solutions, and help our customers chart and informed path to decarbonization.*" Along with environmental concerns, racial and injustice inequity is also looked upon. The company has expanded its access to the digital skills. These skills initiatives helped more than 13 million learners worldwide and these skills included e-learning resources, certification opportunities, and job-seeker tools from LinkedIn, GitHub, and Microsoft Learn. It is even indulged in inclusion and diversity and created new ways of working by introducing Hybrid Workplace Flexibility Guide to better support managers and employees to drive innovation in them.

➢ Cisco Systems

In 1984, Cisco Systems was founded by two computer scientists—Leonard Bosack and Sandy Lerner. To connect everything company has established an advanced technology and deals in manufacturing and selling the hardware, software, and telecommunication facilities. The company believes that it has the capacity and strength to create opportunities and lots of challenges, which prevailed over the time and could be solved. The company focuses on CSR as its investment model. Its focus areas include: climate change and GHGs, inclusion and diversity, human rights and working conditions, employee well-being, digital inclusion, economic empowerment, etc. It also supports local community programs. Cisco has commitment to positively change the lives of 1 billion people by eliminating poverty. It even helps small farmers around the world and also serves 2 million children with its Networking Academy. The company has reached to the goal of reduction of 1-million-ton emission and its uses 100% renewable energy. The company has committed to reduce the use of virgin plastic by 20% by FY 2025.

➢ **GAP**

GAP deals in cloths and accessories in retail market. In 1969, it has been founded by Doris and Don Fisher. This company has indulged in activities which created opportunities for people worked for their business and continuously making efforts to build sustainable future for the communities, people, and planet at large. As per the companies ESG report 2021, more than 1 million women and girls have completed skills development programs conducted by the company initiatives. Moreover, 90% GAP's factories finished gender awareness trainings for top and middle management. Since it deals in clothing, it sourced 79% of cotton from sustainable sources and it sources 10% of polyester from recycled sources. This renowned brand has tacked the waste produced from fashion industry in sustainable manner. It has been involved in several environmental friendly techniques be it sustainable supply chain, eliminating waste or reducing energy usage. Various initiatives have been taken for protection of endangered species and for handling climate change issues. In the words of Judy Edler, VP, ESG "At Gap Inc., our ESG team's vision is to be a driving force in the industry, collectively building a more sustainable future for our business, global community, people, and planet."

➢ **Starbucks**

The company was established 1971 and aimed at building a goal embedded with positive social and environmental impact. The company's social responsibility commitment is based on three pillars namely—community, ethical sourcing, and environment. It also desires to diversify its workforce through hiring veterans and spouses by 2025 who could become part of its socially responsible activities. This would be the best opportunity to the prospective employees in imparting duties toward society. Moreover, Starbucks has launched mentorship program, which creates network between local people and senior leaders for investment in start-ups. It even aims to connect BIPOC (Black, indigenous and people of color) in corporate roles, retail, and manufacturing sector as BIPOC are expected to represent up to 30% and 40%, respectively, by 2025.

10.4 CONCLUSIONS

The scenario of business entities has completely changed in today's times; now along with profit-making objective, businesses have started showing interest in social issues as well. This would attract investors who share the same values. What has to done with the profits earned by the company actually is the concern where the word CSR comes from. Therefore, to operate sustainably has become an absolute necessity and it eventually makes good business sense as well. It has been observed that a company's nature has vital role in deciding the type of CSR practices it has undertaken or else the countries environmental or social issues drives the way in which CSR practices should be performed. CSR practices when collaborated with governmental or non-governmental institutions becomes easy for the corporates to carry out such practices. Both developing and developed countries have been indulged in diversified CSR practices. Environmental-friendly practices are mostly exercised by developed countries, be it related with manufacturing, sourcing raw materials, or green supply chains, as they lay substantial impact on stakeholders both internally or externally. In case of developing countries, mainly problems of clean water, poverty elimination, and elevation of underprivileged sections of society are matters of concern. Today, when stakeholders are keenly interested in organizations economic and non-economic activities, all sorts of sustainable practices such as waste reduction, emissions of CO_2, or other environmentally friendly practices need to be aligned with company's goals. Countries have thereby framed its CSR policies in alignment with SDGs to combat societal and environmental issues. A CSR policy acts as building block in developing the organization in subtle and responsible manner. A society should be such which make available equal opportunities for all by disavowing all social disparities. Now, this is the time for an action on part of companies to pay back the society more than it has received by converting challenges into opportunities through the magical word, though not a new one called *corporate social responsibility*.

KEYWORDS

- **societal issues**
- **sustainable development**
- **sustainable development goals**
- **developing nations**
- **developed nations**
- **social change**

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