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**ADVANCING HUMAN RIGHTS AND ENSURING CORPORATE  
SUSTAINABILITY THROUGH CORPORATE SOCIAL  
RESPONSIBILITY IN INDIA**- Ayushi Gurnani<sup>1</sup>

The imperatives of climate change, equitable development, and globalisation have created unprecedented opportunities and challenges in the 21st century. Indian business, which is now acknowledged on a global scale as an important factor in India's rise, is prepared to assume a leading position in addressing the issues of our day. It is acknowledged on a global scale that businesses' long-term performance, competitiveness, and sustainability are guaranteed when social, environmental, and ethical responsibilities are incorporated into their governance. The idea that businesses are an essential component of society and have a vital and active role to play in maintaining and enhancing healthy ecosystems, promoting social inclusivity and equity, and upholding the fundamentals of ethical behaviour and sound governance is also reaffirmed by this strategy. Additionally, it makes good commercial sense because consumers favour businesses with strong CSR because they project an image of being socially conscious, grow sustainably over time, and provide superior goods and services.

Indian business owners and entrepreneurs have a long history of operating under the principles that have guided our country's ethos for millennia. The ancient wisdom of India, which is still applicable today, motivates individuals to work towards the more important goal of ensuring the welfare of all stakeholders. The problems of modern business, the expectations of stakeholders, and citizens willing to play an active role in economic growth and development make these sound and all-encompassing ideals even more important today<sup>2</sup>.

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<sup>2</sup> India, Ministry of Corporate Affairs, Corporate Social Responsibility Voluntary Guidelines 2009

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The concept of CSR was originally introduced in 1953 when HR Bowen's "Social Responsibilities of the Business" made it an academic topic. The idea and its application have since been the subject of ongoing discussion. Despite the concept's existence for more than 50 years, no one has been able to agree on how to define it.

The World Bank Group's definition of corporate social responsibility is among the most up-to-date, stating that it is "the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community, and society at large to improve their lives in ways that are good for business and for development."<sup>3</sup>

### **Corporate Social Responsibility Voluntary Guidelines 2009**

The Ministry of Corporate Affairs has created a series of voluntary guidelines to help firms implement responsible governance practises. These guidelines highlight some of the key areas that businesses should pay particular attention to while managing their affairs. These recommendations were developed after taking into account the societal expectations as well as the governance issues our nation is currently experiencing. While drafting these guidelines, consideration was given to the helpful recommendations from trade and industry organisations, experts, and other stakeholders as well as the widely accepted and applied rules, norms, and standards in the field of corporate social responsibility on a global scale.

Every company organisation should create a CSR policy to direct its strategic planning and give a road map for its CSR efforts, which should be an important component of overall business strategy and in line with its business objectives. The Board should accept the policy after it has been drafted with input from various level executives.

### **Core Components:**

Normal CSR policies should include the following fundamental components:

#### **1. Taking into account all stakeholders**

All stakeholders, including shareholders, employees, customers, suppliers, project affected individuals, society at large, etc., should be respected and responsive by the companies, who should

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<sup>3</sup> TheChallenges ofSocialCorporate SocialResponsibility: FactsforYou,May2013,pp.38-39

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also create value for all of them. They should create a system for actively interacting with all stakeholders, alerting them to underlying concerns, and addressing those risks when they arise.

## **2. Ethical behavior**

Ethics, transparency, and accountability should serve as the cornerstones of their governance systems. They shouldn't engage in unethical, dishonest, corrupt, or anti-competitive commercial practises.

## **3. Respect for the rights and welfare of workers:**

Companies should create a workplace that upholds the dignity of their employees and is safe, clean, and humane. All employees should have equitable and non-discriminatory access to training and development of the skills required for professional progression. They must uphold the freedom of association, effectively recognise the right of workers to engage in collective bargaining, maintain an effective system for handling complaints, refrain from using child or forced labour, and promote and uphold equality of opportunity without discrimination of any kind during hiring or employment.

## **4. Honouring Human Rights**

Companies should uphold human rights for all and refrain from supporting violations of human rights committed by themselves or by others<sup>4</sup>.

### **1. Environmental Respect:**

Businesses should take action to control and prevent pollution, recycle, manage, and reduce waste, manage natural resources sustainably and ensure the best use of resources like land and water, and proactively address climate change challenges by adopting cleaner production techniques, promoting efficient use of energy, and utilising environmentally friendly technologies.

### **2. Social and inclusive development activities**

Companies should engage in initiatives for the economic and social development of communities and geographic areas, particularly in the area around their operations, depending on their core competencies and corporate interests. Education, skill development for employment,

health, cultural and social welfare, etc., with a focus on underprivileged groups in society, could be some of these.

### **Advice for Implementation:**

1. The business entity's CSR policy should outline an implementation strategy that includes project/activity identification, the determination of quantifiable physical targets with a timeline, organisational structure and duties, timetables, and monitoring. Partnerships between businesses and municipal government, business associations, and non-governmental organisations are possible. They might have an impact on the supply chain for a CSR activity and inspire workers to volunteer for social development. While engaging in CSR activities in a specific area, they may develop a system of need assessment and impact assessment. On occasion, independent evaluation may also be conducted for a subset of projects or activities.

2. Businesses should set aside a certain sum in their budgets for CSR initiatives. Profits after taxes, the cost of upcoming CSR initiatives, or any other appropriate metric may be used to determine this sum.

3. The company should participate in well-known and respected programmes and platforms that support ethical business practises and CSR initiatives in order to share experiences and network with other organisations. This would assist businesses in strengthening their CSR strategy and successfully projecting the image of being socially conscious.

4. Through their websites, annual reports, and other communication channels, the enterprises should distribute information on CSR policy, actions, and progress to all of their stakeholders and the general public in an organised manner.

### **CSR is mentioned in the Companies Bill of 2012**

Even among the top 100 firms by revenue, many do not report their CSR spends or even declare the social causes they support because they are not required to do so by law and there are no provisions for CSR in the Companies Act of 1956, so at the moment the Ministry does not maintain such data. Until now, it has been very difficult to analyse the CSR spending by various firms and private companies, and such information is not maintained at the government level. But when the

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new Companies Bill, 2012 (which has already been approved by the Lok Sabha) becomes a law, everything will change.

Clause 135 of the Companies Bill, 2012 includes a provision regarding corporate social responsibility. It states that any company with a net worth of at least Rs. 500 crore, a revenue of at least Rs. 1000 crore, or a net profit of at least Rs. 5 crore shall establish a CSR Committee of the Board consisting of three or more Directors, including at least one Independent Director, to recommend activities for fulfilling such a man's corporate social responsibilities. After the Rajya Sabha passes the Companies Bill 2012, it is suggested that specific regulations be created to put this clause into practise.

The following activities are permissible for firms to incorporate in their CSR policies, as per Schedule-VII of the firms Bill, 2012:-

- (i) putting an end to extreme poverty and hunger;
- (ii) advancing education;
- iii) advancing female emancipation and gender equality;
- (iv) enhancing maternal health and lowering infant mortality;
- (v) battling infections like malaria, the human immunodeficiency virus, andacquired immune deficiency syndrome;
- (vi) preserving the ecosystem;
- (vii) improving vocational skills through work;
- (viii)ventures in social business;
- (ix) a donation to the Prime Minister's National Relief Fund or any other Central Government or State Government-established fund for socioeconomic development and relief, as well as money for the welfare of the Scheduled Caste, Scheduled Tribes, other underprivileged classes, minorities, and women;

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(x) any more items that may be required.

A CSR Committee of the Board may also be established under Clause 135 of the Companies Bill, 2012, which is another provision. It is necessary for the CSR Committee to;

(a) create a CSR Policy and recommend it to the Board, outlining the actions the company will take in accordance with Schedule VII;

(b) suggest how much money should be spent on the activities listed in subparagraph (a);  
and

(c) periodically check on the company's corporate social responsibility policy.

(d) Once the Bill is enacted, the rules will specify the format for disclosure of CSR policy and the activities therein as part of the Board's report.

The data pack provided by CSR identity.com and Forbes India provides some insight into how much each firm will need to spend on CSR when required to do so by law as well as their actual spending for the 2012 fiscal year. The information is provided in Annexure I.

### **CSR Guidelines for Public Sector Organisations**

Guidelines on Corporate Social Responsibility (CSR) for CPSEs were officially provided to Ministries/Departments for compliance in the Central Public Sector Enterprises (CPSEs) under their administrative authority by the Department of Public Enterprises in April 2010. The following are the key components of CSR and sustainability guidelines:

(i) Corporate Social Responsibility and Sustainability refers to a company's promise to its stakeholders to conduct business in a way that is ethical, transparent, and sustainable on all three of these fronts.

(ii) The updated rules reflect the perception that the CSR and sustainability agenda applies to both internal and external stakeholders, including a company's employees, and that a company's corporate social responsibility should extend to even normal business operations and activities. The expectation is that CPSEs will construct their policies with an equal emphasis on all facets of

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CSR and Sustainability, both in terms of their internal operations, activities, and processes, as well as in how they respond to externalities.

(iii) Due to the tight relationship between CSR and Sustainable Development, both ideas have been grouped together in the new standards as one set of CSR and Sustainability rules.

(iv) Public sector businesses must have CSR and sustainability policies that have been authorised by their individual boards of directors. Their boards should also approve or ratify the CSR and sustainability initiatives that they carry out in accordance with this policy. The Board of Directors of CPSEs has the power to determine the CSR and sustainability activities to be carried out within the scope of these guidelines.

(v) The financial contribution and budgetary expenditure for CSR and sustainability will be based on the business's profitability and will be established by its Profit After Tax (PAT) for the preceding year.

CPSES PAT from the previous yearAs a percentage of PAT from the prior year, the range of the budgetary allocation for CSR and sustainability activities

All CPSEs must make an effort to spend as much money as possible on CSR and sustainability initiatives and advance up the budgeting scale.

(vi) Loss-making businesses are not required to set aside a certain amount of money for CSR and sustainability initiatives. They must, however, follow CSR and Sustainability policies by incorporating them into their business plans, strategies, and procedures, none of which require spending any money. They may also engage in CSR and sustainability efforts in inventive ways without receiving financial support, working alongside profit-making CPSEs.

(vii) CSR and sustainability activities shall include mandatory adherence to legal requirements, rules, regulations, and laws in letter and spirit. However, spending on such activities would be regarded as standard corporate spending and would not be covered by the financial component of CSR.

(viii) The unused portion of a year's allocated budget for CSR activities shall be carried over

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to the following year rather than expiring. The CPSEs must, however, explain why they did not spend the entire amount allotted for the CSR and sustainability activities they had planned for the year. The remaining funds must be used within the next two fiscal years; otherwise, they will be moved to a "Sustainability Fund" that will be established specifically for CSR and sustainability operations.

(ix) The stakeholders who are directly touched by a company's operations and activities can legitimately lay a claim for attention before other stakeholders among these beneficiaries of CSR and Sustainability spend (financial component) of a company. These stakeholders are typically found outside of a company's core business operations. Beyond its statutory duty to make up for and lessen the effects of its business activity, a company's corporate social responsibility to these stakeholders goes beyond that. Because of this, CPSEs must give these stakeholders top importance and prioritise CSR and sustainability programmes outside of their core business activities.

(x) CPSEs are expected to take the initiative to promote the welfare of workers and employees by attending to their worries about safety, security, career enrichment, and healthy working circumstances, whether required or not. However, financial CSR components cannot be applied to spending on specified activities.

(xi) Although CPSEs have a wide variety of CSR and sustainability project options to choose from, priority should be given to initiatives that promote (i) inclusive social development, with a focus on the advancement of the underprivileged and underdeveloped regions of the nation, and (ii) environmental sustainability. In order to create opportunities for the marginalised and underprivileged groups within local communities as well as in backward regions to generate income and find employment, as well as to feel empowered and included in the economy, CSR and sustainability initiatives should concentrate on capacity building, skill development, and infrastructure development. The weaker groups would be the SC, ST, OBC, minorities, women and children, BPL families, senior citizens and people with disabilities, etc.

(xii) It is required of CPSEs to undertake at least one large project for environmental sustainability and one big project for the development of a backward district as determined by the Planning Commission for its Backward Region Grand Fund (BRGF) Scheme. Maharatna CPSEs are



required to take on one extra significant project in one of the two categories.

(xiii) A board-level committee overseeing the implementation of CSR and Sustainability projects/activities by the CPSE would help the board of directors develop CSR and Sustainability policies. The committee might be led by the chairman, the managing director, or an independent director.

(xiv) Internalisation of the CSR and sustainability philosophies and principles into the organisational culture and ethos is prioritised. The theory and spirit of CSR and sustainability should become ingrained in the basic principles of all CPSEs, be embraced by staff members at all levels, and permeate all of the company's activities, procedures, operations, and transactions. Corporate entities who claim to act responsibly are expected to produce goods and services that are secure for the environment, safe for the public, and affordable for the business.

(xv) Five percent of the yearly budget for CSR and sustainability initiatives must be set aside for emergency requirements, including as contributions to the Prime Minister's and Chief Minister's Relief Funds and work done in the wake of natural catastrophes.

(xvi) The foundation of responsible business is ethical business behaviour. The importance of individual employee probity must be emphasised in order to promote organisational integrity. Transparency in all activities, dealings, and transactions must also be encouraged in order to counteract unethical, corrupt, and anti-competitive behaviour. Positions and circumstances that could lead to potential conflicts of interest should also be avoided.

(xvii) All CSR and sustainability-related actions carried out by a CPSE must be reported on and disclosed. Public sector enterprises can win and strengthen the stance of the stakeholders by reporting in a transparent and accountable manner. This would therefore act as a strong impetus for their CSR and Sustainability policies and objectives, inspiring them to pursue them more assiduously.

All profit-making Central Public Sector Enterprises (CPSEs), including Maharatna CPSEs, are required to choose CSR activities that are aligned with their Business strategy and to undertake them in a project mode, in accordance with the aforementioned CSR guidelines issued by the

Department of Public Enterprises (DPE) in April 2010. The use of CPSE funds on CSR initiatives chosen by them with the agreement of their separate Boards is required. All for-profit CPSEs must obligate budget allocation by a Board Resolution expressed as a percentage of net profit (prior year) in the following ways:

The earmarking of specific funds for CSR initiatives is not required of CPSEs. The CSR Budget is set for each fiscal year and does not expire. It is moved to a CSR account where it accumulates. The administrative Ministries/Departments of the involved CPSEs oversee the implementation of CSR initiatives. The Department of Public Enterprises does not maintain centralised data on the number of people who have benefited from the CSR work done by CPSEs, including Maharatna CPSEs, by states, UTs, or PSUs. The Annexure-II provides information provided by Maharatna and Navratna CPSEs on the total money allotted for CSR and the monies utilised for the years 2010-2011 and 2011-2012. CPSEs are free to launch CSR Projects to improve underprivileged communities and underdeveloped regions.

Work of Note by a Few Companies A FunBus is run by Ashok Leyland in both Chennai and New Delhi. This vehicle, which has a hydraulic lift, transports children with special needs, orphans and students from company primary schools on field trips. Additionally, the business offers 3.5 lakh drivers in its Hosur factories AIDS awareness and prevention programmes.

#### Bank Axis

Children who live in sizable urban slum clusters attend Balwadis, which are educational facilities, which are run by the Axis Bank Foundation. For the youth in underdeveloped areas, it also runs skill-development programmes (PREMA and Yuva Parivartan) in motor driving, welding, mobile repair, tailoring, etc.

#### Indian Oil Corporation

With the help of the Oil Industries Development Board, it chooses draught-affected communities for its rainwater gathering initiative, Boond, which transforms them from "water-scarce to water-positive." Other social projects offered by BPCL include village adoption, HIV/AIDS prevention and care, and rural health services.

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**Industry sector: Hindalco**

The majority of its CSR efforts are focused in 692 villages and 12 urban slums, where they interact with over 26 lakh individuals. It has built bore wells, ponds and check dams to supply safe drinking water. It provides scholarships for students from the rural schools it supports in the field of education. Its other areas of interest include women's empowerment and healthcare, where it provides hospital patient care, organises medical camps, and offers mobile medical van services in rural areas.

**Company called Indian Oil**

It manages the Indian Oil Foundation (IOF), a nonprofit organisation that strives to protect and promote the nation's history. Additionally, IOCL provides 150 deserving young people with sports scholarships each year. The areas of clean drinking water, education, hospitals, and health care are some of its other focus areas.

**Infosys**

The Infosys Prize is awarded annually by the Infosys Science Foundation, which was founded in 2009, to recognise outstanding contributions to science and engineering. The business promotes rural development, health care, and cultural issues. In a unique initiative, it provided free surgery as part of a week-long campaign for 100 school teachers in Karnataka who were suffering from arthritis.

**Mahindra and Company**

Over 75,000 disadvantaged girls are supported in their education through the Nanhi Kali scheme, which is run by the KC Mahindra Education Trust. To far, 83,245 students have received grants and scholarships from the charity. The Mahindra Pride School offers vocational training to young people from economically and socially underprivileged neighbourhoods. M&M is also involved with environmental, medical, sporting, and cultural concerns.

**Natural Gas & Oil Corporation**

Through its 30 Mobile Medicare Units (MMUs), it provides rural areas with community-based health care services. The Kaziranga National Park in Assam is home to the endangered Eastern

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Swamp Deer, which is being protected by the ONGC-Eastern Swamp Deer Conservation Project. ONGC also supports women's empowerment and education.

### **TCS Tata Consultancy**

1.2 lakh persons have already benefited from its Computer Based Functional Literacy (CBFL) initiative for adult literacy. There are nine Indian languages supported by the initiative. TCS also works in the fields of skill development, healthcare, and agriculture in addition to adult education.

### **Tata Steel**

To evaluate the results of its efforts in rural regions, it creates the Human Development assessment (HDI), a composite assessment of health, education, and income levels. One of its primary concerns is health care. The Tata Steel Rural Development Society seeks to increase farmers' standards of life and increase agricultural output.

### **Conclusion**

The 2012 Companies Bill's precise provisions are still up for debate. The contents of the voluntary guidelines released in 2009 to the corporate sector (private companies) will come into force after the Bill is approved by the Rajya Sabha in which case the Companies would be required by law to adopt CSR. As a commitment to their stakeholders to conduct business in a way that is economically, socially, and environmentally sustainable, CPSEs are committing to their stakeholders by implementing revised rules on CSR and sustainability in the case of public sectors as of 1 April 2013.