

## THE RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

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### ABSTRACT

*While attention for the social and environmental impact of international business is certainly not new, the past years have seen renewed interest due to pressing global problems. Firms are increasingly called upon to play a positive role, and thus contribute to a more sustainable development. The concrete proposed solution globally lies in the concept of social responsibility of the enterprise in their policy of sustainable development. Therefore corporate social responsibility and sustainability is essentially a way of conducting business responsibly. The philosophy and spirit of corporate social responsibility and sustainability should be embedded in the core values of all enterprises, be imbibed by the employees at all levels and it should infuse into all the activities, processes, operations and transactions of the enterprises.*

*Today Companies Act - 2013 makes it mandatory for the companies to spend 2% of its net profit in the preceding immediate three financial years on CSR related activities. GRI guidelines (at present G-4 is in effect) emphasises on sustainable development through contribution in economic, environmental and social development. As per ISO 26000, the objective of social responsibility is to contribute to sustainable development, having impact on society and environment. 7 key principles and 7 core subjects are given in ISO 26000 guidelines in this regard. Gandhi's concept of trusteeship focuses on conducting business in a socially responsible way wherein capitalists act as trustee rather than owner of their business. These issues clearly establish a relationship between corporate social responsibility and sustainable development. At present companies are using its sustainability reports as channel for communication to external world regarding its CSR activities and is gaining popularity.*

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### **Introduction**

World Business council for Sustainable Developments (WBCSD) defines CSR as "Continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workplace and their families as well as local community at large." European Commission (EC) defines CSR as "the responsibility of enterprises for their impacts on society". To completely meet their social responsibility, enterprises "should have in place a process to integrate social, environmental, ethical human rights, and consumers concerns into their business operations and core strategy in close collaboration with their stakeholders".

The above given definitions of CSR is more relevant in present scenario where sustainability has become the buzzword. The aim of both of these definitions is to enhance positive impacts through innovation of products/services that are beneficial to the society and to business organisation themselves, and to minimise negative impacts on stakeholders.

USA model of CSR is based on philanthropic where organisation makes profit and then donates a share of profit for charitable purpose. European model of CSR focused on making investment in communities. In developing countries model of CSR is based on making profit for the organisation and stakeholders and achieving positive impact on society. Keeping in mind the above three different aspects of CSR , The United Nation Industrial Development Organisation (UNIDO) defines CSR as "the way company achieve balance or integration of economic, environment and social imperatives while addressing shareholders expectations. This definition seems more effective as it make CSR concept beyond charity, sponsorship and philanthropy.

The emergence of CSR and sustainable development as important concerns of business activity is the result of realization that any business concerned with the sole motive of profit maximization for shareholders, in disregard of societal and environmental concerns is bound to fail in the long run. CSR policies are closely linked with the practice of sustainable development. Sustainability practices through CSR involves conduct of business operations in a way that minimizes harm to environment and local communities, while benefitting consumers and employees, and thus contributing social development. Through sustainability

initiatives, companies can enhance customer satisfaction, and simultaneously boost business growth and profitability. R&D department in companies help in sustainability efforts through innovation that are beneficial for the environment and society. Infact, CSR activities are generally so full with content of, and focused on sustainable development that often CSR initiatives cannot be easily separated from sustainability policies. Since CSR and sustainability are so closely entangled, it can be said that CSR and sustainability is a company's commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that is transparent and ethical.

For leading companies, sustainability or CSR is not only a matter of public relations or philanthropic activities but also strategic initiatives that is carefully integrated into business functions. Sustainable development is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It implies three dimensions -

- Technology
- Resources and social structure, and
- Limits of each

Our government stands up firmly to make sure that the current and original development actions remain in balanced and optimal harmony with ecosystem and environment. This in turn will lead to better human security as well. Therefore maintaining environmental and social security idea is not just the responsibility of government but equally demands a proactive and effective involvement and participation from the companies and industries. Hence government of India came up with new guidelines for the corporates in the new Companies Act - 2013 to have a mandatory CSR activity in their company.

**Objective:** To study the relationship between Corporate social responsibility and sustainable development

### **CSR under Companies Act 2013**

The companies Act 2013 define CSR as activities that promote poverty reduction, education, health, environmental sustainability, gender equality, and vocational skill development. While this definition of CSR is broad and open to interpretation, it clearly emphasizes corporate philanthropy rather than strategic CSR. The Act does, however specify that companies 'shall give preference to the local area and areas around where it operates.'

India, the only country in the world, is bent to make sure to corporates to take up socially responsible activities by making it mandatory. With this each of the companies, private or public limited, either with a net worth of Rs. 500 crores or turnover of Rs. 1000 crores or net profit of Rs. 5 crores has to spend a stipulated amount of 2% of its total net profit in the preceding immediate three financial years on CSR related activities. The Companies Act 2013 is likely to bring many SMEs into the CSR fold.

A review of Companies Act 2013, Section 135 and schedule VII clearly indicate a relationship between CSR and sustainability. Therefore, companies' CSR activities, mentioned in the Act, will contribute in sustainable development of the country.

### **Global Reporting Initiatives (GRI)**

The GRI has a vision of sustainability. GRI's vision is that reporting on economic, environmental and social performance by all organizations becomes as routine comparable as financial reporting. GRI accomplishes this vision by developing, continually improving and build up capacity around the use of its sustainability reporting framework. Sustainability reports help organizations to set goals, measure performance and manage change in order to make their operations more sustainable. In doing so, sustainability reporting makes abstract issues tangible and concrete, thereby assisting in understanding and managing the effects of sustainability developments on the organization's activities and strategies.

The GRI sustainability reporting guidelines are periodically reviewed to provide the best and most up-to-date guidelines for effective sustainability reporting. At present G-4 is in effect. As with all GRI guidelines, G-4 includes references to widely accepted and used issue specific reporting documents, and is designed as a consolidate framework for reporting performances against different codes and norms for sustainability. Sustainability information that is relevant or material to a company's value prospects should therefore be at the core of integrated reports. The three categories and their aspects are discussed in the following table:

**Table: Categories and aspects in the guidelines**

<b>Category</b>	<b>Economic</b>	<b>Environmental</b>
<b>Aspects</b>	Economic performance	Materials
	Market presence	Energy
	Indirect economic impact	Water

		Biodiversity
		Emission
		Effluents and waste
		Products and services
		Compliance
		Transport
		Overall
		Supplier environmental assessment
		Environmental grievance mechanisms

<b>Category</b>	<b>Social</b>			
<b>Sub-categories</b>	<b>Labour practices</b>	<b>Human rights</b>	<b>Society</b>	<b>Product responsibility</b>
<b>Aspects</b>	Employment	Investment	Local communities	Customer health and safety
	Labour/management relations	Non discrimination	Anti-corruption	Product and service labelling
	Occupational health and safety	Freedom of association and collective bargaining	Public policy	Marketing communications
	Training and education	Child labour	Anti-competitive behaviour	Customer privacy
	Diversity and equal opportunity	Forced or compulsory labour	Compliance	Compliance
	Equal remuneration for women and men	Security practices	Supplier assessment for	

			impacts on society	
	Supplier assessment for labour practices	Indigenous rights	Grievance mechanisms for impacts on society	
	Labour practices grievance mechanisms	Assessment		
		Supplier human rights assessments		
		Human rights grievance mechanisms		

**ISO 26000: Guidelines on CSR**

As per ISO 26000 guidelines, the objective of social responsibility is to contribute to sustainable development. ISO 26000 defines CSR as the responsibilities of an organisation for the impacts of its decision and activities on society and environment, through transparency and ethical behaviour that contribute to sustainable development, including health and welfare of society. Here definition of CSR correlates with the social and environmental dimensions of sustainable development. Thus, CSR is a good way of doing business strategically and profitability.

The seven key Principles, advocated as the roots of socially responsible behaviour, are:

- Accountability
- Transparency
- Ethical behaviour
- Respect for stakeholder interests
- Respect for the rule of law
- Respect for international norms of behaviour
- Respect for human rights

The ISO 26000 is based on seven core subjects or requirements which indicate relationship between CSR and sustainable development are:

- Labour practices
- The environment
- Fair operating practices
- Human rights
- Consumer issues
- Organisational governance, and
- Development of the community and society.

### **CSR and substantial development: Gandhian perspective**

"The industry should regard themselves as trustee of the poor". So, CSR can be traced to a Gandhi's concept of trusteeship, which means that capitalists to act as trustee (not owners) of their property and conduct of themselves in a socially responsible way. The philosophy of trusteeship is inherent goodness of human beings. It involves the capitalists and landlords in the service of society without any element of coercion. It does not want the destruction of capitalists. Gandhi himself believed that their destruction would result in the end of the workers. Thus, Gandhi's ideas focused around the concept of dharma-

- duty to the society
- the role of business as being that of a trustee or steward of what you hold, and
- surplus wealth needs to be kept in trust for common good and the welfares of others.

### **Thrust area of CSR and sustainability**

The CSR involves applying the concept of sustainable development to the corporate world. With the help of above discussion i.e. ISO 26000, The Companies Act - 2013 and GRI guidelines, for CSR and sustainability following activities can be thrust upon:

- capacity building
- Empower of communities
- Inclusive socio-economic growth
- Environment protection
- Promotion of green and energy efficient technologies

- Development of backward regions, and upliftment of the marginalised and under privileged section of society.

### **Sustainability as communication tool for CSR**

The sustainability reports are released by the corporates for the stakeholders showcase the social activities undertaken by the companies. The companies have CSR activities and strategies since public, customers and investors expect them to be sustainable and responsible. The definition for reports on sustainable development has been stated as the public reports by companies. This usage of sustainability report is one of the recent ways for CSR communication used by the companies. The sustainability reports released by companies are a platform for the company to show to all the stakeholders from a top level regarding the positive responsible corporate citizenship the company follow. CSR activities can also act as differentiating factor for many companies and they can identify their uniqueness in this manner. Thus, the sustainability reports are channels for communicating to the external world used to communicate regarding its CSR activities and are gaining popularity among various companies. It gives legitimacy to companies' activities and actions, and aids in covering up and preventing the negative attitudes associated with big corporates and their actions.

### **CSR sustainability benefits**

CSR and sustainability, if discharged sincerely, is perceived to bring with its several benefits for the companies. The spin off can be by the way of:

- Improving the brand image.
- Preparing it for risk management through public goodwill in the event of crisis
- Retaining and attractive talent for the organization.
- Winning confidence of investors and shareholders,
- Improving its relations with important stakeholders, and
- Positioning the company for competitive business advantage and financial gains in the long run.

### **Measurement of performances**

Growing awareness about CSR and sustainability issues have led to attempt at devising some common matrices for measuring the performances at least underline the need for consistency,



transparency and impartial measurement. A number of international private initiatives in this regard have led to the development of standards and benchmarks for voluntary disclosure, reporting and audit of CSR and sustainability programmes. Most notables of these initiatives are:

- Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines.
- Institute of Social and Ethical Accountability: Accountability's AA 1000 series of standard.
- Social accountability internationals (SAI): SA 8000 Standard.
- The ISO 14000 environmental management standard.
- ISO 26000: Social responsibility.
- Organisation for Economic co-operation and Development (OECD) CSR policy rule.
- Global compact self-assessment tool.

### **Challenges to CSR initiatives sustainable**

Today CSR activities are very important under the Companies Act 2013 and offering huge opportunities for the companies to use sustainability report as an indirect tool for communicating CSR activities. In the current world, with the increase of a more socially responsible people infused into workforce has driven sustainable development for companies' activities to a whole new land. Sustainability in every aspect be it supply chains, material procurement, mergers and acquisitions, marketing, branding of finance and many more functions is highly valued. Thus, one big challenge which remains is

- the companies have to see that which CSR activities are sustainable, be it social or environmental.

With this challenge of having a self-sustaining CSR activity agenda the companies are coming up with initiatives that are sustainable and work on understanding at which point to drop or alienate from such activities which are detrimental or to the core work of the company. Thus, corporate that respect and listen to their stakeholders must naturally be concerned by their growth and profitability, but they must also aware of the economic, environmental, social and societal impacts of their activities.

### **Conclusion**

CSR is a concept with a growing impact around the globe. Today CSR goes for beyond the philanthropy of the past, it is about the business contribution to sustainable development. Therefore, the promotion of CSR as proactive solutions to societal and environmental challenge, it can enhance competitiveness in the globalization context. Making CSR mandatory for the corporate will certainly contribute in this direction. Though responsible business is necessary but not sufficient condition of sustainable development, therefore type of CSR that contribute best to sustainable development must be identified and focused by corporate world.

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