Volume II ISSUE III ISSN NO : 2582-6034

LEGALFOXES LAW TIMES

CORPORATE SOCIAL RESPONSIBILITY TOWARDS ENVIRONMENT

By Anbupriyan.I

Abstract

Corporate social responsibility is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with the stakeholders on a voluntary basis.

Social responsibility of companies was defined as responsibility to consumers, workers, stakeholders and the community.The aim of social responsibility is to create higher standards of living, while preserving the profitability of the corporation.

Companies while creating profit should also be aware that they can contribute to sustainable managing their operations in such a way as to enhance economic growth and increase competitiveness whilst ensuring environmental protection and promoting social responsibility, including consumer interest.

Corporate Social Responsibility and Environmental Management provides a practical resource for the ever increasing number of organisations concerned about social and environmental responsibilities in the context of sustainable development. The author in this article evolved certain principles for the management of environment in relation to CSR.

Introduction

Today the efforts and the energy of the world are being spent on increasing the organizational wealth. Increased competition and commercial pressure are combining with rising regulatory standards and consumer demand to create a whole new playing field for business. Traditional expectations of business are also changing. It is no longer enough to simply employ people to make profits and pay taxes. Thus, it clearly shows that the companies have their own motto of earning profits rather than protecting the environment. In this contemporary era, it has also been found that companies are also required to keep an eye on *sustainable development* which has been a core part of protecting our mother environment. The company must accept its obligation to be socially responsible and to work for the larger benefit of the community.Environmental protection is considered to be in public interest rather than private interest. It‘s the government which has adopted a principal responsibility of creating a safe environment and also has directed the companies to follow the regulations at par with the legislations framed by the government.

The World Business Council for Sustainable Development (WBCSD) defines CSR as ―the commitment of business to contribute to sustainable economic development, working with employees, their families & the local communities‘‘

India is endowed with abundant natural resources, human resources, environmental awareness, technical personnel and legislations for environmental protection but still is unable to achieve environmental performance on a better scale. This might be due to lack of good governance and attitude of the common man who fails to understand the significance of sustainable development. Even most of the corporate would unwillingly adopt Environemntal policies due to legislation and penalties. The answer to the basic question why corporate sector should focus on environment and its sustenance is controversial. But the pro-environment argument is that corporate sector is part of natural environment and community at large consumes goods and services provided by this environment.

It is true that a firm must make profits in order to survive. It is also true that without profit there is no firm and no corporate social activity. But it is not true that corporate Social Responsibility is something that comes after profits are made and money deposited with the stockholders. Nor is it true that Corporate Social Responsibility is only for the big players, and smaller entrepreneurs have to wait till they break into the Big league. The question that needs to be answered is how to increase profits without damaging environment

Definition of CSR

The World Business Council for Sustainable Development (WBCSD) defines CSR as "the commitment of business to contribute to sustainable economic development, working with employees, their families & the local communities" According to the **The Institute of Directors, UK,** 2002 which defines "CSR is about businesses and other organizations going beyond the legal obligations to manage the impact they have on the environment and society. In particular, this could include how organizations interact with their employees, suppliers, customers and the communities in which they operate, as well as the extent they attempt to protect the environment."

In May 2002 the **Department of Trade and Industry (DTI)** published its first report on CSR. In the report, the DTI defined CSR in the following terms:

"… a responsible organisation does three things: (1) it recognises that its activities have a wider impact on the society in which it operates; (2) it takes account of the economic, social, environmental and human rights impact of its activities across the world; (3) it seeks to achieve benefits by working in partnership with other groups and organizations."

The International Chamber of Commerce (ICC), declares that ―The role of business in an open market economy system is to create wealth for shareholders, employees, customers and society at large". Profit is essential, not necessarily for itself, but for the survival in the long term of the company and for the employment it creates. The European Commission says no less when it declares that ― The principal function of a company is to create wealth, in producing goods and services demanded by the society, leaving thereby a profit for the owners and shareholders, while contributing to the well being of the society, in particular through a continuous process of employment creation ‖ but the companies
― can meanwhile contribute to the social and environmental objective, while integrating the social responsibility as a strategic investment in the heart of their commercial strategy, in their management tools and in their activities‖.

<u>The policies of CSR</u>

<u>Reputation Capital:</u>

ISSN NO : 2582-6034

Reputation is something which cannot be gained in a day or week but it takes years to build the reputation of a company but only a few minutes to ruin it. It can be said to be an intangible asset which is tool during the financial crisis of a company. Further, if a company is having a good reputation it can gain the confidence of the shareholders, stake holders and which helps it in the long run. But if the goodwill and reputation of a company is lost everything is at loss. For eg. Satyam computers.

<u>Brand Perception:</u>

Various researches have come to a conclusion that people are more acquainted towards the brand and it also plays an important role. For.eg. TATA, BIRLA, RELIANCE, ITC (Class mate note books) which is one of the highest selling note books and they contribute one rupee for rural development.

<u>Transparency & Accountability:</u>

It has to be seen in the present scenario that in a democratic country transparency & accountability are the pillars of democracy and this is applicable in case of companies also. By applying the principles of transparency & accountability towards the shareholders and stakeholders the company would have its name and fame to a greater extent and it helps the company‘s image also. It is to be noted here that a company which is transparent in its report will be favoured by the society and the investors will spend in it to a greater extent. This will act as a good strategy for the company‘s future. Eg. TATA, RELIANCE etc.

<u>Legislative provision under Companies (Amendment) Act 2013</u>

Sec 135. (1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute ***a Corporate Social Responsibility Committee*** of the Board consisting <u>of three or</u> <u>more directors,</u> out of which at least one director shall be an independent director.

(2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

(3) The Corporate Social Responsibility Committee shall,—

(a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;

(b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a)

(c) Monitor the Corporate Social Responsibility Policy of the company from time to time.

(4) The Board of every company referred to in sub-section (1) shall,—

(a) After taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and

(b) Ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

Activities which may be included by companies in their Corporate Social

SCHEDULE VII of Company Act, 2013

Activities which may be included by companies in their Corporate Social Responsibility Policies Activities relating to:—

(i) Eradicating extreme hunger and poverty;

(ii) Promotion of education;

(iii) Promoting gender equality and empowering women;

(iv) Reducing child mortlity and improving maternal health;

(v) Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;

(vi) Ensuring environmental sustainability;

(vii) Employment enhancing vocational skills;

(viii) Social business projects;

(ix) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and

(x) Such other matters as may be prescribed

Forests conservation Act, 1980:

The government of India came up with the Forests Conservation Act, 1980 whereby the Act promulgated to stop the use of forestlands for non-forest purposes like roads, dams and buildings which affect forest cover.

In the case of, MC MEHTA Vs UNION OF INDIA the court directed the company to close the mining activities within the vicinity of the tourist's resorts and as the company had caused environmental degradation.

The corporate Social Responsibility towards Environmental Management

The Corporate Environment Management (CEM) has become a hot topic of debate since a decade. Growing awareness for environmental conservation and greening of corporate strategies is showing up all over the world. Ryding (1992) equates environmental management with ―The management of

Sustainable Development‖ while Welford (1995) defines environmental management specifically as one stage in society‗s progress towards sustainable development. A holistic approach by Buchholz (1998) projected CEM as the greening of manufacturing, Marketing strategy and Communication.

With the passage of time, the countries have adopted their own policies for protection of the environment and the Wold Bank (i.e. IBRD) also came up with a new concept of Environmentalism whereby they developed a new theory known as the ―New Environmentalism Theory‖ which aims at finding a 'win win area' so that the development and environment could go together. Through this new theory which is also construed as "Free Market Environmentalism‖, the World Bank stresses on the need to correct the failures in regard to market policy and also calls upon the government to integrate fully the economic and environmental concerns into developmental process by stimulating environmentally sound market behaviour.

The problems relating to environment is a global problem and there can be no solution to it unless and until they try to follow some specific mechanisms and sustainable Development happens to be the best solution to it. In the meantime, the concept of sustainable Development has acquired different dimensions as acclaimed internationally are the economic, social and environmental dimensions. However, in absence of any distinctive features some of the salient features of _sustainable Development‗ as culled out from the ―The Brundtland Report‖ and other international documents are as follows:

(1) Inter- Generational Equity

(2) Use and Conservation of Natural Resources

(3) Environmental Protection

(4) The Precautionary Principle

(5) The Polluter Pays Principle

(6) Obligations to assist and Co-operate

(7) Eradication of Poverty

(8) Financial assistance to the Developing countries19

CERES is an international network of investors, environmental organizations and other public interest groups working with companies and investors, seeking to address sustainability challenges such as a global climate change. At the heart of CERES working lies its ten point code of corporate
environmental conduct to be publicly endorsed by companies as an environmental mission statement or ethic.
The following are the CERES principles which are mentioned below:

(a) Protection of the Biosphere
(b) Sustainable use of natural resources
(c) Reduction and disposal of wastes
(d) Energy Conservation
(e) Risk Reduction
(f) Safe Products and Services
(g) Environmental Restoration
(h) Informing the public
(i) Management Commitment
(j) Audits and Reports

But if one throws light into the principles laid down by CERES it would be a sorry state of affair to mention here that most of the companies which are working in India have violated it and they don‘t follow it. For instance, the POSCO, VEDANTTA, the LAVASA project, the DOW Chemical‘s etc have failed to follow such principles.

Environemntal Impacts of Large Corporations

The corporate social responsibility towards environmental management needs to adopt by corporate to reduce or eliminate the impact of corporate on environment. The impact of corporate on environment is as follows-

1. Accidents
2. Water pollution
3. Consumption of natural resources
4. Noise pollution
5. Soil damage
6. Atmospheric emissions
7. Generation of hazardous waste

Corporate leaders across all industries now face growing pressures to become more sensitive to their companies energy consumption and Environemntal impact.

Judicial scenario

In the case of Vellore Citizen’s Welfare Forum Vs Union Of India the supreme court held that such industries though they are of vital importance to the country‘s development but they cannot be allowed to destroy the ecology, degrade the environment and post a health hazard and cannot be permitted to continue their operation unless they set up pollution control devices. Justice Kuldeep singh observed, ― while such industries are of vital importance for the country‘s progress as they generate foreign exchange and employment avenues but having regard to the pollution caused by them, principles of sustainable development has to be adopted as a balancing concept between ecology and development. His lordship further observed „precautionary & polluter pays principle" are essential feature of sustainable development and as such the polluter is liable to pay the cost to the individual sufferers as well as the costs of reversing the damaged ecology.

In the case Of Goa Foundation Vs Konkan Railway Corpn. In this case the Bombay High Court observed ― we hope and trust that everyone will realise that providing a railway line is neither a political nor a religious issue but is undertaken for providing basic necessity of cheap and quick mode of transport.

<u>Recommendation</u>

Environmental Management principles are the part of overall management of corporate management which includes organisational structure, planning activities, responsibilities, practices, procedures, processes, and resources for developing, implementing, reviewing the environmental policy.

Properly designed Environemntal Management principles will provide the guidelines to organisation for its environmental agenda. It helps to ensure that major environmental risks and liabilities are

properly identified, minimised and managed. It helps to see that operations are conducted in compliance with environmental laws. It provides the framework within which an organisation can pattern its environmental management practices. Principle based management system have the flexibility necessary to make changes according to changing conditions.

1. Commitment by top management

It is first step to develop environmental management in the organisations. As a corporate responsibility, it is necessary to top management & individuals to participate in environmental activities, defining individual responsibilities and establishing the appropriate accountability mechanisms.

2. Planning & implementation

An organisation should plan the environmental activities & communicate it to the members of organisation and stakeholders. The planning should include-

a. Identification and Evaluation of environmental Impacts-

The organisation should assess the impact of corporate activities on environment by pollution, consumption of natural resources which affects the environment and try to minimise the same.

Where there are threats of serious or irreversible damage to environment, lack of scientific certainty should not be used as s to environment for postponing cost effective measures to prevent environmental degradation.

Organisations should apply environmentally responsible management practices to hazardous substances used in operations, including biological products, specifically with regard to the acquisition, handling, and storage, safety in use, transportation and disposal of such substances.

b. Environmental Objectives and targets

According to the Brundtland Report sustainability states that _meeting needs of present generations without compromising the needs of future generations‘. To implement this principle it is necessary to establish environmental objectives, targets and priorities consistent with their environmental policies.

c. Legal and other compliance-

Organisation should comply with Environmental Impact assessment process & get the clearance certificate before commencement of any activity.

Organisations should seek cost-effective ways of reducing the input of raw materials, toxic substances, energy, water and other resources, and of reducing the generation of waste and noise associated with day-to-day operations.

d. Environmental Management program

To achieve all objectives and targets an organisation should establish an environment program.

3. Awareness and motivation

There is variety of means to increase staff awareness of environmental values and to motivate them, including business reports, the environmental policy, newsletters, training programs, award programs, procurement standards, environmental days, etc. Motivation of staff appears to be reinforced by measurement and reward.

Organisations should improve the level of awareness regarding environmental and health benefits and risks of operational decisions and to encourage and recognize employee actions.

4. Auditing

Audit in the organisation is necessary to see that the environmental management principles are followed or not. It is the way to monitor the implementation of management policies. Periodic audits should be conducted to determine whether the system has been properly implemented and maintained.