

The background of the journal cover features a top-down view of a desk. On the left, a pair of black leather brogue shoes is partially visible. In the center, an open notebook with lined pages and a silver pen lies on a light-colored wooden surface. To the right, a black leather bag with a zipper and a black leather watch with a silver face are also on the desk. A large, semi-transparent white rectangular box is centered over the image, containing the journal's title and ISSN information.

INTERNATIONAL LAW  
JOURNAL

---

**WHITE BLACK  
LEGAL LAW  
JOURNAL**  
**ISSN: 2581-  
8503**

*Peer - Reviewed & Refereed Journal*

The Law Journal strives to provide a platform for discussion of International as well as National Developments in the Field of Law.

[WWW.WHITEBLACKLEGAL.CO.IN](http://WWW.WHITEBLACKLEGAL.CO.IN)

## DISCLAIMER

No part of this publication may be reproduced, stored, transmitted, translated, or distributed in any form or by any means—whether electronic, mechanical, photocopying, recording, scanning, or otherwise—without the prior written permission of the Editor-in-Chief of *White Black Legal – The Law Journal*.

All copyrights in the articles published in this journal vest with *White Black Legal – The Law Journal*, unless otherwise expressly stated. Authors are solely responsible for the originality, authenticity, accuracy, and legality of the content submitted and published.

The views, opinions, interpretations, and conclusions expressed in the articles are exclusively those of the respective authors. They do not represent or reflect the views of the Editorial Board, Editors, Reviewers, Advisors, Publisher, or Management of *White Black Legal*.

While reasonable efforts are made to ensure academic quality and accuracy through editorial and peer-review processes, *White Black Legal* makes no representations or warranties, express or implied, regarding the completeness, accuracy, reliability, or suitability of the content published. The journal shall not be liable for any errors, omissions, inaccuracies, or consequences arising from the use, interpretation, or reliance upon the information contained in this publication.

The content published in this journal is intended solely for academic and informational purposes and shall not be construed as legal advice, professional advice, or legal opinion. *White Black Legal* expressly disclaims all liability for any loss, damage, claim, or legal consequence arising directly or indirectly from the use of any material published herein.

## ABOUT WHITE BLACK LEGAL

*White Black Legal – The Law Journal* is an open-access, peer-reviewed, and refereed legal journal established to provide a scholarly platform for the examination and discussion of contemporary legal issues. The journal is dedicated to encouraging rigorous legal research, critical analysis, and informed academic discourse across diverse fields of law.

The journal invites contributions from law students, researchers, academicians, legal practitioners, and policy scholars. By facilitating engagement between emerging scholars and experienced legal professionals, *White Black Legal* seeks to bridge theoretical legal research with practical, institutional, and societal perspectives.

In a rapidly evolving social, economic, and technological environment, the journal endeavours to examine the changing role of law and its impact on governance, justice systems, and society. *White Black Legal* remains committed to academic integrity, ethical research practices, and the dissemination of accessible legal scholarship to a global readership.

## AIM & SCOPE

The aim of *White Black Legal – The Law Journal* is to promote excellence in legal research and to provide a credible academic forum for the analysis, discussion, and advancement of contemporary legal issues. The journal encourages original, analytical, and well-researched contributions that add substantive value to legal scholarship.

The journal publishes scholarly works examining doctrinal, theoretical, empirical, and interdisciplinary perspectives of law. Submissions are welcomed from academicians, legal professionals, researchers, scholars, and students who demonstrate intellectual rigour, analytical clarity, and relevance to current legal and policy developments.

The scope of the journal includes, but is not limited to:

- Constitutional and Administrative Law
- Criminal Law and Criminal Justice
- Corporate, Commercial, and Business Laws
- Intellectual Property and Technology Law
- International Law and Human Rights
- Environmental and Sustainable Development Law
- Cyber Law, Artificial Intelligence, and Emerging Technologies
- Family Law, Labour Law, and Social Justice Studies

The journal accepts original research articles, case comments, legislative and policy analyses, book reviews, and interdisciplinary studies addressing legal issues at national and international levels. All submissions are subject to a rigorous double-blind peer-review process to ensure academic quality, originality, and relevance.

Through its publications, *White Black Legal – The Law Journal* seeks to foster critical legal thinking and contribute to the development of law as an instrument of justice, governance, and social progress, while expressly disclaiming responsibility for the application or misuse of published content.

# **CORPORATE SOCIAL RESPONSIBILITY IN GLOBAL CONTEXT**

AUTHORED BY - DR SIMRANJEET KAUR

Assistant Professor

Amity Law School, Amity University, Mohali

## **Abstract**

This study examines Corporate Social Responsibility (CSR) in a global context as an evolving governance paradigm that integrates economic growth with social welfare, ethical accountability, and environmental sustainability. It explores CSR as a responsibility owed by corporations not merely to shareholders, but to a broader spectrum of stakeholders including employees, consumers, local communities, and society at large. The study traces the conceptual foundations of CSR through the Gandhian principle of trusteeship and the Triple Bottom Line approach, emphasizing the interconnected goals of people, planet, and profit. It analyzes the nature, scope, types, and necessity of CSR, demonstrating how economic, legal, ethical, and philanthropic responsibilities collectively contribute to responsible corporate conduct and sustainable development.

The research further undertakes a comparative analysis of CSR approaches adopted by different jurisdictions, particularly the United States, European Union, and India. It highlights India's pioneering role in introducing statutory CSR through the Companies Act, 2013, while also examining global regulatory and voluntary initiatives such as the Sarbanes-Oxley Act, OECD Guidelines, United Nations initiatives, and International Labour Organization principles in promoting socially responsible business behaviour. The study also focuses on the role of international organisations in shaping global CSR standards and encouraging accountability beyond national boundaries.

A significant contribution of the study lies in its analysis of social audit as a mechanism for measuring, monitoring, and evaluating CSR commitments. It demonstrates how social audit enhances transparency, stakeholder engagement, accountability, and effective implementation of CSR policies. Through case studies such as Coca-Cola and Cadbury, the paper illustrates how violations of CSR principles can adversely impact corporate reputation and public trust, while responsible practices can strengthen goodwill and long-term sustainability.

Adopting a doctrinal methodology, the study concludes that CSR is no longer a matter of philanthropy or charity alone, but a strategic governance obligation essential for ethical business conduct, stakeholder confidence, sustainable development, and corporate legitimacy in a globalized world.

**Keywords:**

Corporate Social Responsibility; Global Governance; Stakeholder Theory; Social Audit; Triple Bottom Line; Sustainable Development; Companies Act 2013; OECD Guidelines; Corporate Accountability; Ethical Governance.

**Introduction**

Albert Einstein in his famous book 'The world as I see it' wrote; "A hundred times every day, I remind myself that my inner and outer life are based on the labours of other men, living and dead, and that I must exert myself in order to give in the same measure as I have received and am still receiving."<sup>1</sup> Corporate social responsibility is based on the principle that all organisations, big or small are dependent on the society for their existence and hence the organisations should be mindful to the needs of the society i.e. shareholders and other stakeholders. Thus corporate social responsibility can be defined as a strategy or an action to take up responsibility or accountability for company's effect on environment and social wellbeing. This responsibility or accountability of the organisation is towards the consumers, own employees, shareholders and to the society and local community. The phenomenal stretch of globalisation has affected every aspect of human existence. The recognition and acceptance of CSR by different countries is an example of the same. It is pertinent to note that CSR is nowhere a legally sanctioned document but has come up as a minimal standard as to governance of business at global level with standards set by various organisations such as International Labour Organisations, United States Organisation and Organisation for Economic Cooperation and Development ('OECD guidelines. This study helps in understanding the concept, types and need of corporate social responsibility. Further, it helps in understanding role of different organisations in promoting corporate social responsibility. Moreover, Social Audit is a concept which helps in achieving corporate social responsibility. Thus understanding the meaning and purpose of social audit also becomes important.

---

<sup>1</sup> S. Rajarathinam, "Social Responsibility of Enterprises need for Social Audit", *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 68.

### **Objectives of the Study**

*The present has been carried out with the following objective:-*

- i *To understand the concept of corporate social responsibility*
- ii *To study different countries approach towards corporate social responsibility;*
- iii *To understand the role of different organisations in promoting corporate social responsibility;*
- iv *To understand the meaning of social audit and how social audit helps in achieving corporate social responsibility.*

### **Significance of the Study**

This study undertakes to understand first the concept of corporate social responsibility, than it helps in understanding the role of different organisations in promoting corporate social responsibility, this study also help us to see different countries approach towards corporate social responsibility and finally this study helps us to understand the meaning of social audit and how social audit *helps in achieving corporate social responsibility.*

### **Research Questions**

The researcher tries to find out the following research questions: -

1. What is the concept of corporate social responsibility and the need of corporate social responsibility?
2. What approach different countries follow towards corporate social responsibility?
3. What role different organisations play in promoting corporate social responsibility?

### **Research Methodology**

The methodology adopted in this research is Doctrinal. The study is based on the collection of data from secondary sources such as books and internet. The study also involves the collection of data from primary sources such as statutes.

## **Concept Of Corporate Social Responsibility**

### **Meaning of Corporate Social Responsibility**

The term Corporate Social Responsibility is comprised of three words i.e. ‘corporate’ which means organized business, ‘social’ which means everything that is related to public and

‘responsibility’ which means accountability of one towards another.<sup>2</sup> Thus we can say corporate social responsibility is an action or a strategy to take a responsibility for company’s effect on environment and social wellbeing. This is an effort or an action which is taken by big corporate. Such effort and action is beyond the legal compliances, rules and regulations i.e. it is voluntary in nature.

The vital aspect of Corporate Governance lies in ensuring that there is flow of external capital to companies, whether owned or borrowed/ debt capital. However it is pertinent to note that the existence of companies are a contribution by various stakeholders including employee, shareholders, creditors, suppliers, customers and other stakeholders and hence their interest should be protected.<sup>3</sup> For “company” a society is a place within which it operates and it defines a number of stakeholders for which it is directly and indirectly responsible.<sup>4</sup> Thus CSR can be defined as an ideology whereby companies along with shouldering economic obligation i.e. earning profits are also considering the interest of society along with the environment in which they are operating by taking up responsibility for the negative impacts of business activities.<sup>5</sup>

### **Trusteeship And CSR**

A book named “Trusteeship” written by Shri M K. Gandhi, reflects the modern concept of CSR. According to Gandhiji, the wealth which is in excess of one’s need is held by oneself in trust for society and used accordingly. The modern concept of CSR also lies in this Gandhian principle of trusteeship of surplus wealth. Following are the extracts of the book “Trusteeship”:  
“Take what you require for your legitimate needs, and use the remainder for society”.<sup>6</sup>

---

<sup>2</sup> ICSI, *Corporate Governance Beyond Letters*, Taxmann Publications, New Delhi, 2011.

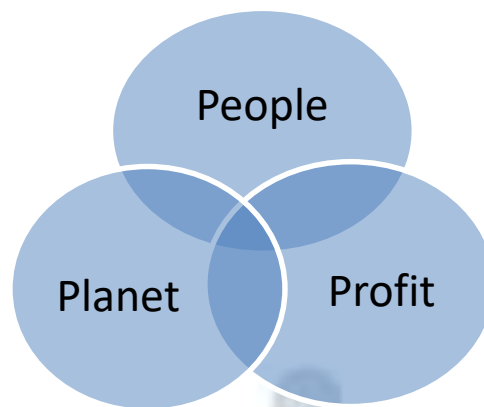
<sup>3</sup> Gaurav Pingle, Deepti Dole, “An Analysis of OECD Principles of Corporate Governance vis- a- vis Indian Corporate Laws”, *Chartered Secretary*, Vol. 46, No. 04, April 2016, pp. 1-148 at pp. 35.

<sup>4</sup> Komal Jain, Karuna Jain, “Corporate Social Responsibility- Priceless Contribution of Corporates towards Prosperity of People and Planet”, *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 43.

<sup>5</sup> Bharatsinh Chandrasinh Parmar, “Efficacy of Social Audit in Contemporary Statutory Enforcement of Corporate Social Responsibility in India”, *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 56.

<sup>6</sup> Bhawesh A. Kinkhabwala, “ CSR- Rethinking the phenomenon”, *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 33.

**Figure 1:- Understanding CSR through Triple Bottom Line Approach (TBL)**



In the above Diagram, the word “people” represents the social performance, “profit” represents the economic performance and the word “planet” represents the environmental performance.

**Need to apply the concept of TBL**

The need to apply the above TBL concept arises due to the following reasons:-

- a. Consumer sensitivity towards corporate social behaviour has increased as compared earlier scenario;
- b. Growing demand of shareholders towards transparency and disclosure has increased;
- c. Number of environmental regulations have increased, hence compliance is mandatory;
- d. Legal cost of compliances and default have increased;
- e. Concerns over global warming have increased;
- f. Social awareness have increased;
- g. Media’s attention towards social issues have increased;
- h. Corporate participation in social upliftment is growing.

**Definition of Corporate Social Responsibility**

The World Business Council for Sustainable Development defines CSR as ” 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 local community and society at large”.<sup>7</sup>

“The United Nations Industrial Development Organisation (UNIDO) puts forward the following definition of Corporate Social Responsibility (CSR) – Corporate Social

---

<sup>7</sup> *Ibid*

Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (“Triple Bottom-Line- Approach”), while at the same time addressing the expectations of shareholders and stakeholders.”<sup>8</sup>

According to CSR ASIA, CSR is “the company’s commitment to operating in an economically, socially and environmentally sustainable manner while balancing the interests of diverse stakeholders.”<sup>9</sup>

CSR means Public Accountability and Accountability is defined as a ‘process of being called to give account to some authority for one’s actions’, or a process of ‘giving an account’. Thus accountability can be seen as ‘answerability’. It is the relationship that exists between an actor and a forum in which the actor is under an obligation to explain and to justify his or her conduct, the forum has the right to pose questions and the actor may face consequences.<sup>10</sup> From the above definition it is clear that the word accountability has an element of control, which in fact is a term used in the literature before the term accountability took over.<sup>11</sup>

Webster’s Third International Dictionary<sup>12</sup> defines accountability as follows:-

- (1) The state of being accountable i.e. is answerable or explainable.
- (2) The state of being liable;
- (3) The state of being responsible

### **Types of Corporate Social Responsibility**

The idea behind the concept of corporate social responsibility is that companies have multiple responsibilities. These responsibilities can be arranged in a pyramid shape, where the basic responsibility i.e. economic responsibility (profits) to be placed at the bottom.

---

<sup>8</sup> Hemant Gupta, “CSR in the Indian Context- the Past, Present and the Future”, *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 26.

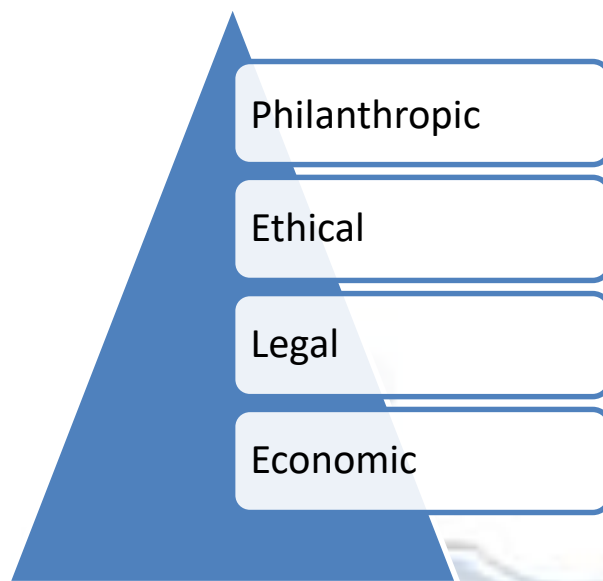
<sup>9</sup> Sunil Kumar Banerjee, “Corporate Social Responsibility: Provision in the Companies Act, 2013”, *Chartered Secretary*, Vol. XLIV, No. 05, May 2014, pp. 533-672 at pp. 576.

<sup>10</sup> Dorothea Greiling, Katharina Spraul, “Accountability and the Challenges of Information Disclosure”, *Public Administration Quarterly*, Vol. 34, No. 3, Fall 2010, pp. 338- 377 at pp. 339.

<sup>11</sup> Tero Erkkila, “Governance and Accountability- A Shift In Conceptualisation”, *Public Administration Quarterly*, Vol. 31, No. 1/2 , Spring 2007, pp. 1-38 at pp. 6.

<sup>12</sup> Stephen Knouse, “Towards a Psychological Theory of Accountability”, *Interfaces*, Vol. 9, No. 3, May 1979, pp. 58-63 at pp. 58.

**Figure 2:- Pyramid depicting Types of Corporate Social Responsibility**



**Economic Responsibility:** - The company's first and the basic responsibility is its economic responsibility. Economic Responsibility means that the company first needs to earn profit which is its primary concern. The main and important reason is that if the company does not earn or make money it won't last, employees will lose jobs. If it cannot earn profits it won't be able to contribute towards society or take care of its social responsibilities. In order to become a good corporate citizen it is very important that the company earns profits.

**Legal Responsibility:** - A company's next important responsibility after earning profits is to comply with all rules and regulations of Companies Act, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, labour laws, environmental laws and even criminal laws.

**Ethical Responsibility:** - Ethics is derived from the Greek word "ethos" which means character, standards, guiding beliefs, and ideals that pervade a group, a community or people.<sup>13</sup> After the two basic responsibilities are fulfilled, the company can concentrate on the ethical responsibilities. Ethical Responsibilities are the responsibilities that a company puts on itself. Ethical Responsibilities include being environmental friendly, paying fair wages, good quality products at fair prices, treat their employees with great respect and pay taxes honestly, rewarding shareholders with good returns. Ethical policies and practices help in developing

<sup>13</sup> ICSI- Professional Programme- Module 2-“ Ethics, Governance & Sustainability” available at [https://www.icsi.edu/WebModules/PP-EGAS-2016%20-%20Full%20Book%20\(2\)%2002%20feb2016.pdf](https://www.icsi.edu/WebModules/PP-EGAS-2016%20-%20Full%20Book%20(2)%2002%20feb2016.pdf)

reputation of the organisation i.e. building goodwill. By adhering to the code of conduct it gains competitive advantage and builds a long term value in the eyes of investors. Unethical practices create distrust and bring turmoil in society and thus hindering the growth of the organisation. It is pertinent to note that Business ethics and corporate governance go hand in hand. If the organisation follows the ethical practices, it is said to follow best corporate governance practices as well.

**Philanthropic Responsibility:** - Philanthropic Responsibility also known as discretionary responsibility. It means going above and beyond what is simply required. They involve giving an extra effort to benefit the society. For example, donating services to community organisations, engaging in projects to aid the environment or donating money to charitable causes.<sup>14</sup>

### **Need for Corporate Social Responsibility**

**Globalisation:** - It is because of the cross border trade, multinational enterprises and global supply chains i.e. because of the globalisation there is increase awareness regarding CSR activities. Reporting of CSR activities is becoming mandatory which *inter alia* increases stakeholder trust and confidence on entity and thereby promoting good corporate governance. CSR activities increase corporate to get into more meaningful dialogue with stakeholders and thereby creating better position to anticipate and respond to regulatory, economic, social and environmental changes that may occur.<sup>15</sup>

**Expectation of Society:** - Companies are expected to do more than merely provide jobs and contribute to the economy through employment and taxes.<sup>16</sup> The basic concept is that corporations get bigger in size and apart from earning profits they have other responsibilities attached to them which are something more than earning profits. They are the expectations of the society from these companies to give back something in return with whose direct or indirect help these companies stand where they are.<sup>17</sup> Hence it is the consumer and society which expect

---

<sup>14</sup> Depti Shah, "Social Audit and Corporate Social Responsibility", *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 39.

<sup>15</sup> Mohd. Anas Riyaz, Suvir Sharma, "Corporate Social Responsibility- Perspectival difference among developed and developing nations", 2010] 95 CLA (Mag.) 30 available at <http://www.claonline.in/UserAdmin/DisplayArticle.aspx?ID=MTg3MQ==>

<sup>16</sup> *Ibid*

<sup>17</sup> ICSI- Professional Programme- Module 2-" *Ethics, Governance & Sustainability*" available at [https://www.icsi.edu/WebModules/PP-EGAS-2016%20-%20Full%20Book%20\(2\)%2002%20feb2016.pdf](https://www.icsi.edu/WebModules/PP-EGAS-2016%20-%20Full%20Book%20(2)%2002%20feb2016.pdf)

more from the companies whose product they buy. Further, in the light of recent scandals it becomes more imperative for the companies to become more accountable to the society as Accountability is the key to measure performance of the company. Improved accountability towards stakeholders helps in quality decision making which further enhance the long term prosperity of the companies. This long term prosperity of the company in terms of profitability leads to better corporate performance and thus retaining the trust of the investors and become more transparent in terms of their performance and be prepared to report to public with regard to social and environmental concerns.

**Corporate Image:** - Corporate Social Responsibility helps companies to build strong image in the eyes of shareholders and stakeholders. Companies have well understood that the concept of CSR is no longer just a public convenient relationship tool which is mandated by the Act.<sup>18</sup> CSR provides information about the ethical performance of the company; it promotes community participation and social awareness which help to develop reputation which ultimately leads to better financial performance of the company.<sup>19</sup> It is now in recent times become one of the vital component for success in the modern business world. It is the responsibility and accountability that plays the key role to attract the investors and build corporate image. Companies have understood that the consumers are now highly tuned to the fact whether the company is ready to take responsibility and accountability for the harm done to the society and whether it is ready to give it back to the society.

### **Countries Approach Towards Corporate Social Responsibility**

**United States:** - The concept of CSR emerged in the United States as a social and political reaction to the rapid growth of capitalism during the thirty years following the civil war of America.<sup>20</sup> It was in the early 1980s that the American Government assumed responsibility for correcting the social behaviour of the big corporate by passing various laws on child labour, safety at industrial sites and on workers' rights to form trusts. Talking about the 21<sup>st</sup> century scenario, the Federal Government has passed legislations such as the National Environmental

---

<sup>18</sup> Kausik Nath, "Corporate Social Responsibility is not charity, but a responsibility", *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 49.

<sup>19</sup> Bharatsinh Chandrasinh Parmar, "Efficacy of Social Audit in Contemporary Statutory Enforcement of Corporate Social Responsibility in India", *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 58.

<sup>20</sup> Mohd. Anas Riyaz, Suvir Sharma, "Corporate Social Responsibility- Perspectival difference among developed and developing nations", [2010] 95 *CLA (Mag.)* 30 available at <http://www.claonline.in/UserAdmin/DisplayArticle.aspx?ID=MTg3MQ==>

Protection Act, the Clean Air Act, the Clean Water Act, the Safe Drinking Water Act etc just to protect the environment, consumers as well as the organisations. Another government policy that assists the consumers and the organisations is the Sarbanes –Oxley Act, 2002 which came in the wake of collapse corporate like Enron, Tyco, Quest, Global Crossings, the WorldCom and the Xerox fiasco. The main reasons for the fall of big corporate were manipulations in accounting and other non- disclosures i.e. failure on part of auditors like Arthur & Anderson. The main object of the Act i.e. Sarbanes Act was to restore the lost confidence of the investors by providing effective corporate governance i.e. by preventing frauds and misfeasance in companies. In order to gain the lost trust of the investors it was of utmost importance that the companies provide investors with transparent financial reporting and the level of disclosures should also be increased. Thus the Sarbanes- Oxley Act is designed to make the US public companies more transparent in providing material financial information to auditors, audit committee and investors. Moreover section 302 mandates the chief executive officers and chief financial officer to certify the corporate financial statements of the companies.<sup>21</sup> The Act applied to all small, medium and large organisations except the private companies. The Act provided for annual evaluation of the internal controls and financial reporting. Every company must document its existing control and report on gaps and deficiencies with regard to financial reporting. This will help public to make sound decisions with regard to financial decisions in terms of investments. By providing transparent financial information and making complete disclosures with regard to various compliances, the companies will strengthen its stewardship role and social responsibility that they owe towards the society i.e. shareholders and various stakeholders.

**European Union:** - European environmental regulations are in line with the United States environmental laws. United States Environmental Protection Agency has a database which has all the information regarding existing and formerly contaminated lands in the United States. France, has also developed database to track all information regarding existing and formerly contaminated lands in France. The Ministry for Environment has been developing several databases in order to gather information regarding all existing and formerly contaminated lands in order to protect the public from coming in contact with contaminated lands. France corporations are becoming active in their CSR practices. France has developed various CSR

---

<sup>21</sup> Naresh Kumar, "Corporate excellence and accountability in the USA under the Sarbanes- Oxley Act, 2002 and lessons for Indian corporate sector", [2004] 58 *CLA (Mag.)* 84 available at <http://www.claonline.in/UserAdmin/DisplayArticle.aspx?ID=Mzc0>

initiatives. In 2010 France introduced reference system with regard to transparent disclosures of social conditions in which goods are produced.

The United Kingdom is considered to be a leader in CSR. The government has put pressure on companies with regard to the disclosure requirements, for example, Tomy Blair asking nearly 350 companies to produce social and environmental reports. In the year 1999, the Combined Code (the Turnbull Report) whereby all listed companies was asked to comply with it. It specifically mentioned about keeping good “internal control” in their companies and having good audits and checks to ensure quality of the financial reporting. The Companies Act, 2006 compelled directors to act only in the interest of shareholders and other stakeholders. It mandated companies to provide information in their annual reports regarding various strategies, risks involved, performance and various compliances done by the companies. In addition to this it also asked companies to provide information on environment, workplace, social and community matters in their annual reviews.

**India:** - Indian Companies have engaged in CSR activities since time immemorial.<sup>22</sup> India is the first country to introduce Statutory Corporate Social Responsibility through the introduction of the new Companies Act, 2013. Even prior to the Companies Act, 2013 CSR was not a new concept in India; the same can be traced in the historical evidences. The origin of CSR can be traced from our Upanishadas, Puranas and Vedic literature like Ramayana, Mahabharata and Bhagwat Gita. “The evolution of CSR can be divided into four phases.

**Phase 1** (1850- 1914):- Purely philanthropy and charity during industrialisation, here corporations were only responsible to owners and managers.

**Phase 2** (1910-1960):- CSR as a social development during independence struggle, here corporations were responsible to owners, managers and employees.

**Phase 3** (1950-1990):- CSR under mixed economy paradigm, here corporations were responsible to owners, managers and other targeted environments.

**Phase 4** (1980 onwards):- CSR in globalised world is in confused state, corporations are responsible to owners, managers, targeted environments and the public at large.”<sup>23</sup>

There are many drivers which lead to this law they are ethical, cultural and strategic reasons. The main catalyst which led to this law was the post-independent governance of India. The role

---

<sup>22</sup> Hemant Gupta, “CSR in the Indian Context- the Past, Present and the Future”, *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 25.

<sup>23</sup> Bhawesh A. Kinkhabwala, “CSR- Rethinking the phenomenon”, *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 33.

of business in nation building was recognised and the same was reflected in various expert committees' reports who were appointed to recommend company law. It was because of this philosophy that various companies in different industrial segments were nationalised. The main objective was to use corporations as a vehicle for nation building.<sup>24</sup>

**Applicability of CSR Provisions: -**

“Section 135(1) of the Companies Act, 2013 lays down that CSR expenditure will be done by the companies which meet the below set criteria:-

- i. Net worth of 500 crore, or,
- ii Turnover of 1000 crore, or,
- iii Net profit of 5 crore (to be calculated under section 198 of the Companies Act, 2013 excluding profit arising from overseas branch of the company and dividend received from other companies in India under Section 135).

If any company fails to meet the above criteria for consecutive three years, they shall not be required to follow the criteria laid down under Section 135. Also, Schedule VII of the Companies Act, 2013 specifies activities/ thematic areas that are likely to be considered for undertaking corporate social responsibility activities.

There shall be a CSR committee, for listed companies minimum 3 directors of which 1 shall be Independent Director, for unlisted public companies 3 directors and Independent Director not necessary, for private limited companies 2 directors and Independent Director not necessary, for foreign company 2 persons out of which 1 should be resident in India and the other nominated by foreign company. The committee shall recommend and formulate the CSR policy which shall inter alia specify the activities to be taken by the company and the amount to be spent by the company on such CSR activities. The Board shall consider recommendation of the CSR committee and thereby approve CSR policy.

The Board Report shall include a report on CSR as prescribed by the Companies (Corporate Social Responsibility Policy) Rules, 2014. The Board Report should also mention about the composition of the committee, average net profit, expenditure set aside for CSR activities and amount spent on CSR and if the said amount is not spent reasons for not spending should be mentioned in the Board Report.”<sup>25</sup> The Act does not prescribe any penal provisions for not

---

<sup>24</sup> Dr. Indrajit Dube, “Statutory Corporate Social Responsibility- A philosophical Shift in Decolonized Company Law”, *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 28.

<sup>25</sup> Depti Shah, “Social Audit and Corporate Social Responsibility”, *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 40.

spending the said amount on CSR.

## **ROLE OF DIFFERENT ORGANISATIONS IN CORPORATE SOCIAL RESPONSIBILITY**

**United States Organisations:** - “The Millennium Declaration which is one of the most ambitious global agenda was adopted by the United Nations in the year 2000 which was subsequently updated in the year 2008. The Millennium Declaration was for eradicating poverty and preventable disease, promoting equitable development and protecting earth’s environment. It has been signed by 193 countries which provide for following goals:-

- i. Eradicating poverty
- ii. Achieving primary education
- iii. Gender equality and women empowerment
- iv. Reducing child mortality rate
- v. Improving maternal health rate
- vi. Combating life threatening diseases HIV/AIDS
- vii. Sustainable development

CSR policy in India helps in achieving the above goals led down by the Millennium Declaration.”<sup>26</sup>

**Organisation of Economic Cooperation and Development:** - The OECD provides guidelines for Multinational Enterprises which are voluntary in nature. The OECD guidelines encourage Multinational Enterprise for sustainable development by being accountable for its actions. These principles/ guidelines has been there for past 35 years as the only CSR instrument to be officially negotiated and authorised by governments. The guidelines focus on the some aspects like Disclosure of Information, Human Rights, Labour, Environment protection, Combating bribery, Interest of consumers, Science and Technology, Competition, Due diligence and supply chains. The main reasons for such guidelines were to expand the area for foreign direct investment, sustainable growth and also to encourage multinational companies for positive contribution to society.<sup>27</sup>

---

<sup>26</sup> Manan Dua, “Corporate Social Responsibility in the Companies Act A match made in public and corporate interest”, [2013] 117 *CLA (Mag.)* 49 available at <http://www.claonline.in/UserAdmin/DisplayArticle.aspx?ID=MjA5Ng==>

<sup>27</sup> *Ibid*

**International Labour Organisation:** - International Labour Organisation in the year 2000 accepted the request of UN Secretary General to participate in the project to promote good corporate citizenship. In the year 2004 the report of the world commission highlighted the work of ILO in the CSR field. In the year 2006, ILO implemented the In-Focus Initiative whereby ILO provided its leadership to uphold the principles laid down in MNE declaration. In the year 2009 it launched a helpdesk to provide easy access to information or any assistance or advice regarding CSR.<sup>28</sup>

## **SOCIAL AUDIT AND CORPORATE SOCIAL RESPONSIBILITY**

### **Meaning of Social Audit**

Social audit is a process whereby the companies account for their social performance to various stakeholders of the company. The term audit have been derived from the Latin term “Audire” which means “to hear”. Earlier the ancient emperors used to engage some persons to go to public places in order to get feedback on their activities. These persons were designated as auditors.<sup>29</sup>

Social Audit is an assessment, analysing, measuring and reporting organisations social and ethical performance based on corporate social responsibility objectives. This helps the business meet the expectations of the shareholders and other stakeholders regarding social and environmental responsibilities.

The identification of stakeholders is the first and most important task of social audit. Those with vested interest in a company are considered to be the stakeholders and thus it is important to identify them and involve them in the audit. The work of the social auditor is to study various components of social policy which inter alia consists of ethics, labour, environment, community and for each subject the social auditor has to analyse the various expectations of various stakeholders. It is pertinent to note that yearly social audit helps company to comply to compare their social performance with the set standards along with comparing the same with other competing companies. This further adds on to the image building in the eyes of various stakeholders. Social audit like financial audit plays a vital role in increasing transparency and accountability towards various stakeholders.<sup>30</sup>

---

<sup>28</sup> *International Labour Organisation* available at [http://www.ilo.org/emment/Informationresources/WCMS\\_101253/lang--en/index.htm](http://www.ilo.org/emment/Informationresources/WCMS_101253/lang--en/index.htm)

<sup>29</sup> Bharatsinh Chandrasinh Parmar, “Efficacy of Social Audit in Contemporary Statutory Enforcement of Corporate Social Responsibility”, *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 55.

<sup>30</sup> Depti Shah, “Social Audit and Corporate Social Responsibility”, *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 38.

As CSR has become mandatory, it becomes imperative to ensure that the money spent in the CSR is subjected to independent social audits. Social Responsibility means doing right things and also protecting the reputation of company not by just fulfilling the short term goals i.e. earning profits but also going beyond or doing things beyond just earning profits.

The CSR audit covers the following aspects:-

- a. Auditing the effectiveness of framework for CSR implementation;
- b. Auditing the effectiveness of implementation of large CSR projects;
- c. Auditing the adequacy of internal control and review mechanism.
- d. Auditing different aspects of management of risk associated with external factors like regulatory compliance.

### **Purpose of Social Audit**

It is conducted to see how well the companies have performed in meeting the needs of various shareholders and other stakeholders. The main rationale behind the social audit is to see what people want and what they get. Thus following are the objectives or purpose of social audit:-

- a. Assessing the gap between the needs of stakeholders or society at large and various resources available for local development;
- b. Creating awareness among various beneficiaries;
- c. Increasing the effectiveness of local development programmes;
- d. Scrutiny of various policy decision by keeping in view the stakeholder interest;
- e. Estimating the opportunity cost for stakeholders who are not getting timely access to public services.
- f. Like financial audit provides verification of financial statements that they are true and accurate, in the same manner social audit verifies the CSR of a company. Social Audit checks whether the amount allocated for CSR is spent in CSR properly;
- g. It provides a transparent control and monitoring mechanism of individual companies, thus increasing the transparency of the company;
- h. Social audit helps companies in comparing their social performance with respect to pre-set social, environmental, community goals and other external factors, thus it helps in better self assessment and establishment of strengths and deficiencies present within the corporate strategy;<sup>31</sup>

---

<sup>31</sup> Meena Gupta, "Audit of Corporate Social Responsibility", *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 51.

- i. It helps in safeguarding the corporate image in the case of an event leading to negative image.<sup>32</sup>
- j. It helps governments to monitor companies and hold them accountable when they breach environmental or other external factors;
- k. Social audit helps to build corporate image and thus gaining an increased market share;
- l. It helps in organisational change;<sup>33</sup>
- m. It helps organisation to act with confidence with special focus on neglected social areas.
- n. Social audit helps the local social provider to be aware of the needs of the community;<sup>34</sup>
- o. It helps community with planning;<sup>35</sup>
- p. Social audit benefits the individuals and families that are poor or disadvantaged.<sup>36</sup>

### **Social Auditor**

The audit process is conducted internally or externally. However, it is advisable that the social audit be conducted by the external auditor so as to reduce biasness (Practicing Chartered Accountant, Cost Accountant or Company Secretary)<sup>37</sup> There is no statutory qualification prescribed under any of the statute yet the social auditor must be a person with expert knowledge about the activities of social work, accounting knowledge and knowledge about various compliances under various provisions like Companies Act 2013, Income Tax Act, 1961, etc.<sup>38</sup>

## **CASE STUDY- VIOLATION OF CSR PRINCIPLES**

### **Coca- Cola Case:-**

Coca-Cola is a publicly-held company listed on the New York Stock Exchange<sup>39</sup> and it started its business in year 1886 as a local soda producer in Atlanta, Georgia, U.S. On publication of a report issued by the Indian NGO Centre for Science and Environment in 2003 several campaigns and demonstrations followed. The report provided evidence of the presence of

---

<sup>32</sup> *Ibid*

<sup>33</sup> Bharatsinh Chandrasinh Parmar, "Efficacy of Social Audit in Contemporary Statutory Enforcement of Corporate Social Responsibility", *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 58.

<sup>34</sup> Parthasarathy R, "Social Audit under Companies Act, 2013", *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 60.

<sup>35</sup> *Ibid*

<sup>36</sup> *Ibid*

<sup>37</sup> C.B Prabhurashi, "Social Audit in the Context of CSR", *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 65.

<sup>38</sup> Parthasarathy R, "Social Audit under Companies Act, 2013", *Chartered Secretary*, Vol. 46, No. 12, December 2016, pp. 1-164 at pp. 61.

<sup>39</sup> Coca-Cola company's profile at the NYSE: <https://www.nyse.com/data-and-tech>

pesticides, to a level exceeding European standards.<sup>40</sup> With that evidence at hand, the Centre for Science and Environment (CSE) called on the Indian government to implement legally enforceable water standards. The main allegations made by the NGO against Coca-Cola were that it sold products containing unacceptable levels of pesticides, it extracted large amounts of groundwater which has led to drying up of wells and other natural resources in the concerned area and it had polluted water sources.<sup>41</sup> Being a giant global company it attracted a lot of international attention. There were also findings that the products of Coca-Cola and Pepsi sold in Delhi had harmful chemicals which could cause cancer, deadly diseases and also nervous system damage. The brand suffered a great loss of consumer trust and reputational damage in India and abroad. Company became aware of its mistake after the controversy had been ongoing for a couple of years.

The reputational damage experienced after the controversy in India pushed Coca-Cola to take damage-control measures. Coca-Cola gradually changed its strategy to include damage-control measures that addressed the Indian communities' grievances. In 2008 the company published its first environmental performance report on operations in India, which covered activities from 2004 to 2007. It is noteworthy that Coca-Cola publishes, in addition and separate to the sustainability reports, an annual water report. In these reports the company publishes assessments of and the progress in its water initiatives. In 2007 Coca-Cola launched its sustainability framework Live Positively embedded in the system at all levels, from production and packaging to distribution. The company's CSR policy establishes seven core areas where the company sets itself measurable goals to improve the business' sustainability practices. Coca-Cola has a Code of Business Conduct which aims at providing guidelines to its employees including competition issues and anti-corruption.<sup>42</sup> The company has adopted international CSR guidelines such as Global Compact and Ruggie's Protect. The Coca-Cola Company Annual Report' has a section of CSR wherein it mentions the activities wherein it has contributed.

### **Cadbury Case: -**

In 2003 worms were detected in dairy milk chocolate in Mumbai. Commissioner of Food and

---

<sup>40</sup> Cristina A. Cedillo Torres, Mercedes Garcia-French, Rosemarie Hordijk, Kim Nguyen, Lana Olup, "Four Case Studies on Corporate Social Responsibility: Do Conflicts Affect a Company's Corporate Social Responsibility Policy?", *Utrecht Law Review*, Vol 8, November 2012

<sup>41</sup> *Ibid*

<sup>42</sup> The Coca-Cola Company, "Code of Business Conduct", available at <http://www.coca-colacompany.com/investors/code-of-business-conduct>

Drug Administration examined other packs of dairy milk chocolate, they found worms in them, hence order was passed to seize all the dairy milk chocolates from the concerned factory. It is also pertinent to note that those chocolates were delivered in three wheelers which were not hygienic, moreover it did not have refrigerating facility.

The above cases show that how society can respond to the irresponsible behaviours of the MNCs. Thus it is in the best interest of the company that they take into account welfare of the local community because adverse publicity cause harm to corporate image.

### **CONCLUSION**

Corporate Social Responsibility will now make corporate more accountable to shareholders and various other stakeholders and also make them more careful to the environment and will restrict all violative practices which can effect adversely to their brand image and thus distorting profits for the companies. The concept of CSR along with CSR policy as introduced by the companies act, 2013 will not only be beneficial for the investors or society in general but also for the companies as it will play important role in the creation of goodwill of the company, thus creating brand image as a responsible company and thereby increasing profits of the company. With the increase in CSR activities there also comes the role of social audit. Thus in the context of managing CSR activities, it is time for the CSR personnel to have conceptual clarity regarding different ways of monitoring and evaluating the CSR activity. It is essential for every CSR personnel to understand the importance of social audit and how the social audit can actually monitor and increase the CSR activities.

The main instrument to overcome any hurdles to the pathway is to use strategic approach. Strategic approach means to incorporate societal issues into the core business strategies to gain competitive advantage. Moreover the approach should be participatory and not contributory and CSR agenda should focus on stakeholder approach and not charity oriented approach.