

CSR Should be part of DNA of the Company



Preeti Malhotra
Executive Director
Spice Group

It is recognized the world over that integrating social, environmental and ethical responsibilities into the governance of businesses ensures their long term success, competitiveness and sustainability. Businesses are an integral part of society, and have a critical and active role to play in the sustenance and improvement of healthy ecosystems,

in fostering social inclusiveness and equity, and in upholding the essentials of ethical practices and good governance.

Companies are increasingly motivated to become more socially responsible because their most important stakeholders expect them to understand and address the social and community issues that are relevant to them. There is need to understand that CSR should not only be a pure management directive but be central to the company and has to be embedded in its core values and principles. Ethical practices should form part of the DNA of the Company. It should not be a separate department; rather it should be integral to the business strategy of the Company.

The Ministry of Corporate Affairs, Government of India has unveiled the National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business in 2011. The new guidelines build upon the Corporate Social Responsibility Voluntary Guidelines released in 2009 and reflect a conscious shift from what is generally termed as CSR to a more encompassing concept of "Responsible Business." It urges businesses to embrace the "triple bottom-line" approach whereby its financial performance can be harmonized with the expectations of society, the environment and the many stakeholders it interfaces with in a sustainable manner. These guidelines indeed mark an important first step towards a movement for greater corporate contribution in creating societal welfare. The 9 cardinal principles on which these guidelines are based are listed as under:

1. Businesses should conduct and govern themselves with ethics, transparency and accountability
2. Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
3. Business should promote the well-being of all employees.

4. Businesses should respect the interests of and be responsible towards all stakeholders especially those who are disadvantaged, vulnerable or marginalized.
5. Businesses should respect and promote human rights.
6. Businesses should respect, promote and make efforts to restore the environment.
7. Businesses, when engaged in influencing the public & regulatory policy, should do so in responsible manner.
8. Businesses should support inclusive growth and equitable development.
9. Businesses should engage with and promote value to their customers and consumers in a responsible manner.

CSR is not about what companies do with their profits at the end of the day. It is about achieving commercial success in ways that honour ethical values and respect, people, communities and the natural environment – and this holds true whatever the business climate.

All Corporates have to have a larger purpose and have to have an inclusive strategy for the un-included. After all the purpose of any business cannot only be profit. The company's products and services should really improve our quality of life and don't cause harm or add to the low-quality junk.

This also makes business sense as companies with effective CSR, have image of socially responsible companies, achieve sustainable growth in their operations in the long run and their products and services are preferred by the customers.

Today Corporates are understanding that development & sustainability of the communities and their well being is very important for the sustenance of the Corporates and can generate competitive advantage for them as well as solve pressing social problems.

Development in its truest sense can only take place when economic growth fosters social equity. Emerging nations like India will drive growth in world GDP in the years ahead. But there seems to be growing evidence that **limits to future growth will be defined more by vulnerabilities flowing from social inequities, environmental degradation, and climate change** than by any other economic factor. Today, the richest 1% of adults control 43% of the world's assets. The bottom 50% has access to only 2% of world's assets.

By 2030, a mere two decades from now, the world's population will have touched 8 billion and clearly, a rising population of such magnitude will pose new challenges. We cannot address the challenges of tomorrow with the policies and strategies of yesterday and will definitely require innovative solutions. One of the KPIs of the corporate should be 100% renewable energy and zero waste. We cannot continue the same

practices that have, caused us to lose a third of the biodiversity on the planet nor can we continue to gamble with prospect of catastrophic and irreversible – climate change.

A constructive public-private-people partnership for socially responsible growth is critically important and must also occupy a larger space in corporate strategy. Only then can we secure the future and leave a better tomorrow for the coming generations.

Further, in my view, the companies that pay attention to their ethical responsibilities will likely to promote the good governance and transparency at workplace. In this way, the Corporate Governance can be integrated in CSR circles.

It is said that what does not get measured does not get managed. As a result, economic growth mostly reflects the creation of material wealth, largely ignoring the environmental and social costs of that growth process.

It is increasingly being felt that GDP calculations must now account for the cost of environmental degradation as well as its replenishment. This new approach, popularly known as the **Green GDP**, is expected to reflect the true dimensions of economic growth.

Challenge before India is to enlarge the size of its Green GDP while accelerating the creation of Sustainable Livelihoods. Long-term sustainability of growth of the Indian economy will depend on how effectively this twin task is achieved.

Government is proposing to prescribe mandatory spends of 2% of net profits on CSR. 'Commitment' of Corporates in making these social investments becomes very important and we hope the mandatory spends doesn't **encourage creative accounting to channelise funds for partisan purposes.**

I think, Incentivising outcomes, rather than just outlays is the key to drive business innovation and managerial capacity for societal value creation. There should be an effective incentive and reward framework for Corporates following sustainable business practices.

Strong market drivers that incentivize CSR will support corporate action for societal development.

Inclusive growth model will then become an integral part of corporate strategy and a part of balance sheet deliverables. **Societal value creation will no longer be left to corporate conscience alone, but will be defined by market forces.**

Strong multipliers will also emerge when enlightened consumers exercise a preference in favour of Businesses that contribute significantly to environmental and social sustainability. By expressing a direct and distinct choice for the products and services of such enterprises, consumers will unleash a multitude of positive actions that will eventually create greater shareholder and societal value. Similarly, investors / PE funds should invest in Corporates only if they have been socially responsible, which process has already started.

All companies operating in India beyond a threshold size, including Indian operations of multinationals, must be encouraged to make Sustainability Reporting an integral part of their annual disclosures. An enterprise could be awarded 'Credits', based on an objective evaluation of its triple bottom line performance, and an accumulation of such Credits could earn the enterprise Trustmark Ratings on a progressive scale. These Ratings could then be displayed on products and services of the company to help consumers make an informed choice.

Going forward, it may even be possible to **trade in these Credits.** Government must consider the provision of **a differentiated and preferential set of incentives, fiscal or financial,** to companies that demonstrate leadership in sustainability performance. **Responsible Business will then move from a realm of conscientious philanthropy to one that is driven by a competitive value proposition.**

CSR cannot just be a buzz-word for the marketing and PR department to use, but rather must be based on actions. This must become part of the corporate culture – embedded in their DNA.
