CSR (CORPORATE SOCIAL RESPONSIBILITY) CERTIFICATION OF CORPORATE (CSRCC)

Er. Somashekara M S
B E (Mech); PGD (HRM); MIE (I)
M/s Shekara Consultancy Services
57/1, Third Cross, Jayanagara
Shimoga 577201

Abstract: CSR concept is undergoing lot of changes in the whole world especially after the deadly affect of Covid19 pandemic in the year 2020. In future days to come CSR is going to be one of the important aspect for all the stake holders of all corporate and CSR has to face many challenges in future times. These challenges are required to be addressed from time to time by Academia, Corporate, Policy makers, Implementers etc., if at all benefits of CSR is to be transferred to the stakeholders of the corporate and society. One of the challenges is the Certification of Corporate based on CSR which they undertake, which is beneficial to both corporate and all it’s stakeholders.

Index Terms: Corporate, Social Responsibility, Certification, Ethics, Governance

I. Introduction:

Global economy has shown fast growth in past 30 to 40 years. Now we are in the era of Industry 4.0 and speedily approaching Industry 7.0 within 20 to 30 years. Under this situation, the whole world is thinking and trying to understand how to sustain in this continuous changing business scenario and how to maintain business sustainability by following ETHICS AND GOVERNANCE IN BUSINESS. Now the business community in the whole world has realized that, for any business to prosper - Sustainability, Ethics, Governance, Social Responsibility, Customer Satisfaction, Human Values, etc., are interrelated and pure profit motive business will not survive in long run. This realization is more strongly concreted after the affect of Covid19 pandemic in the year 2020. This has made the world to realize the importance of being associated with socially relevant causes as a means of promoting their brands and to sustain. Cause-related marketing and Corporate Social Responsibility (CSR) has provided companies with a new tool to compete in the market. CSR refers to the corporate obligation to all the stakeholders. It stems from the desire to do well and get self satisfaction in return as well as societal obligation of business. This could be a strategic marketing activity a way for a company to do well by doing good-distinct from sales promotion, corporate philanthropy, corporate sponsorship, corporate samaritan acts and public relations. Now, it is assumed to be responsibility of the business houses too.
Nothing builds brand loyalty among today's increasingly hard to please consumers, like a company's proven commitment to a worthy cause. Other things being equal many consumers would do business with a company that stands for something beyond profits. In nutshell, CSR and cause related marketing results in increased sales, visibility, and consumer loyalty and enhanced company image along with positive media coverage. One might have observed how the recent Covid19 pandemic made the corporate to realize that if they are not social concern they cannot survive in the business which made almost all the corporate of the world to jump in to the salvation of Covid19 pandemic. It is worth to mention here that the affect of Covid19 pandemic on doing business has shattered so many theories and applications of Managerial Practices / Business Assumptions / Business Development Forecasts / Financial Reporting etc., for example: Modern managerial concepts like Supply Chain Management, Just In Time, Hire and Fire, Measuring anything and everything in terms of money - like the word COST TO COMPANY (CTC) of an employee etc.,

Covid19 pandemic has once again proved that only way to prosper in the business and to sustain is: To Ethically carrying out the Business with Good Governance keeping the Societal Development in mind and THERE IS NO SHORT CUT to it. For this, carrying out of Corporate Social Responsibility (CSR) activities is a mode and certification of such corporate is a method to encourage and publicize CSR.

From the beginning there are far and against arguments for the introduction of CSR in to the company affairs. During the year 2000 a study has been conducted to know the impact of CSR where in it is revealed that CSR is a profitable affair to the corporate. However the argument against CSR says that the goal of corporate is to maximize the profit and not the Social Responsibility (SR) and the SR is the sole concern of the Governments. In spite of for and against arguments, many of the corporate using the CSR only as gimmick and window dressing.

The eruption of Covid19 pandemic in the beginning of the year 2020 has disrupted the business, economy, developments, new projects, human resources etc., So, Money market institutions started recognizing the corporate who are following the Ethics, Governance, Shoudering Social Responsibilities etc., The result of this floating of new fund called ESG (Environment Social Governance) FUND by many Mutual Fund (MF) companies, few such companies are Axis MF, Aditya Birla MF, ICICI MF, Kotak MF, Mirrae Asset MF etc., These funds invest in to those corporate who fall under ESG compliance. Such fund already exists in European Countries like Norway. For example these funds do not invest in corporate whose business do not fall under ESG like Liquor, Tobacco etc., This shows the growing importance of doing business Ethically and with Good Governance.

However, with all this arguments sorry affair of the CSR is there is no mechanism either in India or at global level to certify a corporate based on CSR, so that publics can know about CSR, recognize such corporate, encourage such corporate, market such corporate in their (public) own way if they (public) like it. To support my argument I would like to mention here an interesting incidence happened in my place Shimoga (Karnataka State). After the eruption of Covid19 in India, the Government of India (GOI) took various measures on war foot. GOI found that huge amount of financial assistance is immediately required to get out of this Covid19 pandemic. Prime Minister of India made an appeal to all Corporate and Citizens to contribute to this noble cause. As reply to this appeal, now, it is known to all that Sri Ratan Tata has contributed Rs. 500 Crore as his individual contribution and Rs. 1,000 Crore from the TATA Group. After the publication of this news of TATAs contribution towards Covid19 salvation in newspapers, one day I had been to a grocery shop to purchase some grocery items for my house. Then one old man, appeared like a cook in a small hotel rushed to the shop and asked the shop owner to give him five kg of salt. Shop owner gave him five kg of salt of a brand which cook used to buy regularly. But that old man cook said to the shop owner “I don’t want this, give me TATA salt”. For this, shop owner surprised and said “but always you used to take this low priced salt for your hotel, why this time TATA salt?”. Now I got interested in their conversation, and concentrated on their conversation.. Then that old man cook told the shop owner “have you not read the newspapers. TATAs have contributed so much money to the noble cause of Covid19 elimination. I am not in a position to contribute to this. So, I decided that, wherever possible to help TATAs by purchasing their products”. This conversation...
made me to think deeply and felt that there is an urgent need to make the public aware about CSR and certify the corporate based on their CSR activities. I feel that CSR Certification of Corporate as a WIN – WIN step i.e., by certifying the corporate based CSR and making the public to know about it and publics encouraging such corporate by becoming customers of such corporate is a winning situation for Customers (Publics), Corporate, Society, Nation etc.,

II. Certification of Corporate based on CSR:

Whether corporate likes it or not CSR is going to stay with them. GOI is continuously observing the CSR of all corporate, because finally the GOI is answerable to the citizens of India. The negative effects on the society due to natural calamity or disaster or failure due to corporate, the final sufferers are common man and GOI has to shoulder the responsibility of eliminating the sufferings of common man (Remember the cases of Bhopal Gas Leak, Enron/Dhabol Power Project, Satyam Computers, Sterlite Copper Industry, recently Covid19 Pandemic and many more such cases and present happenings in the prevailing economic scenario). In order to avoid the failures due to corporate this concept of CSR introduced in to the Indian Company Law 2013. In future days corporate has to shoulder more and more Social Responsibility and they are becoming responsible and answerable entities to the society. With this backdrop the certification of corporate based on CSR is need of the hour. In simple terms CSRCC is to inform all the stakeholders of the corporate about CSR compliance of the corporate, it means whether the corporate has followed all the criteria of the CSR laid down in Indian Company Law 2013 or not. A corporate may be eligible to carry out the CSR activities, but the corporate will be certified under CSR compliance only if it executes the CSR planned activities. This certificate is to be issued annually for having executed the CSR activities in the previous year.

III. What is Certification of Corporate based on CSR?

In the present era of globalised business, certification of corporate based on various parameters has become essential to acquire the global acceptance of a corporate. Based on this certifications corporate can carry out their business easily and efficiently. These certifications can be of National level or International level i.e., at National Level, in India it is Bureau of Indian Standard (BIS) which will certify and will be accepted by all India. Other countries may also accept our Indian level BIS certification. At global level certification, International Organization for Standardization (ISO) can certify a corporate which will be acceptable by all corporate of the world. As example: two of such ISO certifications, which are widely using by all corporate of the world for acceptance at global level are:

3.2 ISO 14000 Series - On Environmental Protection, which says in simple words – Environment has not been destroyed or polluted while meeting the objectives / goals of the corporate

On the same lines of ISO 9000 & ISO 14000, now time has come to certify the corporate based on CSR.

At this stage we all know that carrying out of CSR activities by all eligible corporate is mandatory in India and essential for the sustainable business and healthy society. But, how to know that all eligible corporate are carrying out the CSR in real sense?. Same type of situation faced by corporate business world all over the globe with respect to the Quality Maintaining by a corporate and Environment protection by corporate, for which they found solution through certification of corporate by ISO 9000 for Quality Maintaining and by ISO 14000 for Environment Protection.

At global level ISO 26000 is considered as the standard referring for CSR. But this ISO 26000 standard clearly tells not to use this ISO for certification of corporate for CSR, but to use as guidelines & reference for carrying out CSR. Based on this ISO, Government Of India (GOI) can formulate its own standard under BIS (Bureau of Indian Standard ) to apply for corporate all over India or steps can be taken in consultation with ISO to use ISO 26000 for CSR certification of corporate. Other countries also can follow on these lines.

IV. Brief details about ISO 26000

Because of non fulfillment of Social Responsibility (SR) by many corporate throughout the world, it has become necessary all over the world to think of formulating some guidelines on CSR and to make CSR as mandatory. After several meetings, discussions, deliberations at the international level the International Organization for Standardization (ISO) has launched an International Standard providing guidelines for Social Responsibility (SR) named ISO 26000. It was released on 1st November 2010. Its goal is to contribute to the
global sustainable development by encouraging business and other international organizations to practice social responsibility to improve their positive impacts on their workers, their natural environments and their communities.

**ISO 26000** offers guidance on SR behavior and possible actions. There are three ways it is different from the more widespread standards designed for companies to use to meet particular requirements for activities such as manufacturing, managing, accounting and reporting.

4.1. **ISO 26000 is a voluntary guidance standard** – that is, it does not contain requirements such as those used when a standard is offered for "certification". There is a certain learning curve associated with using ISO 26000, because there is no specific external reward – certification – explicitly tied to ISO 26000. ISO recommends that users say, for example, that they have "used ISO 26000 as a guide to integrate social responsibility into our values and practices."

4.2. **ISO 26000 is designed for use by all organizations**, not only businesses and corporations. Organizations, such as hospitals and schools, charities (not-for-profits), etc., are also included. ISO 26000 makes particular efforts to show that its flexibility means that it can be applied by small businesses and other groups as well.

4.3. **ISO 26000 was developed through a multi-stakeholder process**, meeting in eight Working Group Plenary Sessions between 2005 and 2010, with additional committee meetings and consultations throughout the five year process. Approximately five hundred delegates participated in this process, drawn from six stakeholder groups: Industry, Government, NGOs, Labour, Consumer; and SSRO (Service, Support, Research and Others-Primarily academics and consultant). Leadership of various task groups and committees was "twinned" between "developing" and "developed" countries to ensure viewpoints from different economic and cultural contexts. Since ISO operates on a parliamentary procedure form based on consensus, the final agreed-on standard was the result of deliberation and negotiations; no one group was able to block it, but also no one group was able to achieve its objectives when others strongly disagreed. The goal was to make ISO 26000 accessible and usable by all organizations, in different countries, precisely because it reflects the goals and concerns of each and all of the stakeholder groups in its final compromise form.

In spite of formulating ISO 26000 for implementation of CSR, the ISO committee did not spell about making the ISO 26000 as mandatory on corporate. But committee left it to the Governments / Country Heads to make the CSR mandatory or not for the corporate which functions in their land.

In India, Ministry of Corporate Affairs has notified Section 135 and Schedule VII of the Indian Companies Act as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 (CSR Rules) which has come into effect from 1 April 2014.

4.4. **Key Principles and Core Subjects of ISO 26000:**

4.4.1 **Key Principles**: The Seven Key Principles, advocated as the roots of socially responsible behavior, are:

4.4.1.1 Accountability
4.4.1.2 Transparency
4.4.1.3 Ethical behavior
4.4.1.4 Respect for stakeholder interests (stakeholders are Individuals or groups who are affected by, or have the ability to impact, the organization's actions)
4.4.1.5 Respect for the rule of law
4.4.1.6 Respect for International norms of behavior
4.4.1.7 Respect for human rights

4.4.2 **Core Subjects**: The Seven Core Subjects, which every user of ISO 26000 should consider, are:

4.4.2.1 Organizational governance
4.4.2.2 Human rights
4.4.2.3 Labor practices
4.4.2.4 Environment
4.4.2.5 Fair operating practices
4.4.2.6 Consumer issues
4.4.2.7 Community involvement and development

ISO 26000 standard are devoted to definitions, examples, and suggestions on how to identify and communicate with stakeholders, and how to identify and address specific issues in each Core Subject area.

V. Eligibility criteria for a Corporate to be CSR Compliance

As per Indian Company Law 2013, in India any corporate which falls under the following category is mandatorily required to carry out the CSR activities.

- Net worth of the company - Rs 500 crore or more OR
- Turnover of the company - Rs 1000 crore or more OR
- Net profit of the company - Rs 5 crore or more

Mandatory amount to be spent on CSR is 2% of the net profit and no maximum limit.

But after the eruption of Covid19 in the beginning of the year 2020, it has become necessary to review this criteria to make all corporate (SEBI listed or unlisted) to follow the CSR activities as per Indian Company Law 2013 and certify those corporate as CSR Compliance corporate whether it is Large, Medium, Small or Micro corporate

VI. Understanding of CSR by Corporate

Very few corporate have clearly understood the meaning, usefulness and necessity of CSR. Many eligible corporate wants to get rid of involving in to the CSR activities just by contributing the mandated CSR amount to GOI or NGO as they can’t escape from it.. So, following factors should be assessed by competent authority to ascertain whether corporate is fully aware about CSR, which should be the primary consideration for certifying the corporate under CSR compliance. These are: What, Why, Where, Who, When, How and Importance of CSR.

6.1 What is CSR? and What are the reactions of Corporate, Policy Makers, Administrators, Stake holders etc., towards CSR? – Corporate should be made known that CSR is the responsibility of the corporate to fulfill their objectives, goals, targets with the positive impact on society. The positive impact on society means impact on living things / non living things, persons, communities, society, etc., If at all any negative impacts erupts, same should be nullified with immediate corrective measures.

6.2. Why CSR by corporate? - For this WHY question, we should go back to the era of LPG (Liberalization, Privatization, Globalization) when all the economic and financial forums in the world campaigned that the governments / country heads should act only as a facilitator to the economic development and create the excellent facility / infrastructure to the private corporate, there by the common man can get several benefits like: availability of quality products and services at affordable prices at the needed time. It also said that equal opportunity should be created to all private participants to compete with the government corporate. But after the LPG, it is observed that the many of the corporate are only concerned about their corporate profit and growing their business, but did not care for Social Responsibility (SR). Only few corporate are really had concern about Social Responsibility and such corporate are fulfilling their SR even beyond their corporate obligation calls for and even before the CSR made mandatory in India. One such corporate in India is TATA Group.

6.3. Where all the situations demands for CSR? - Where is the location of CSR activities of a corporate? Is it at the place of manufacturing or at the place of selling or at the place of usage of the product or service or while transporting? It is not limited to one place. As per ISO standard, where all the stake holders of the product or service of a corporate exists, that corporate is responsible to carry out CSR activities in that region. It may be local or global. So, a company’s approach to CSR policy and implementation is solely depending on Geography – Location of company, affected locations and the location of consumers of the company.

6.4. Who are responsible for the CSR? - Each and every one of the corporate is responsible for this. Corporate may designate a person or department to fulfill the obligations and responsibilities of the CSR, but every one of the corporate is directly or indirectly responsible for this.
6.5 When is the right time for the implementation of CSR? - When a corporate is to be carry out the CSR activities? Is it only when the society calls for? or only when there is a complaint from public or any authorities about the problems created by corporate towards society? or just by doing some philanthropy activities to cover up the misdoings of the corporate? or by engaging an NGO on behalf of the corporate to do some social work and document it for further proof? or just by paying the fine/bribe, whenever some authorities questions about the negative impact happening on society by the activities of the corporate.

The simple answer for When CSR should start is at board level of the corporate. Corporate are having their own Vision/Mission/Values (VMV) statements at corporate level to follow their routine business activities, CSR of a corporate also should have exclusive VMV statements to follow. This VMV of CSR should be the basis for CSR activities of the corporate. Corporate is a continuously functioning, moving and changing entity. In today’s economic scenario corporate are changing their business goals/objectives/targets etc., to grow at faster rate which in turn having cascading effect on their CSR.

6.6 How CSR? - It is very clear that corporate cannot escape CSR activities. Next question is - How to execute the CSR activities? For this, resources required are men, material money and time. After formulating the CSR policies and VMV statements of CSR at board level, the design and planning are to be carried out.

6.6.1 Money available for this is known i.e., as per existing law it is at least 2% of the net profit, but over and above this amount also can be spent on CSR.

6.6.2 Men for the CSR activities are based on the decision of the board. Generally many corporate prefer to hire external agencies like NGOs for this purpose as the corporate feel the recruiting additional manpower for implementing CSR is a financial burden. But it is preferable to engage corporate own people for execution of CSR. Because note that CSR is not a burden on corporate, but it is an opportunity to involve directly with the public and society. By involving directly in to the CSR, corporate gets newer ideas, thoughts, to create new businesses, to alter their business models, to modify their business strategies, to know the public’s wants and not’s etc., Few of the corporate are functioning on these lines where in they are having their own CSR team. Corporate who have to involve themselves first time in CSR (which will be continuous in future days), it is better to draw their employees from various departments/sections/units and make a CSR team. In the beginning stage corporate can take guidelines and advice from external consultants and/or other corporate who are already carrying out CSR on their own. At this juncture I would like to quote one case where in a problem for a corporate turned in to profitable business. A medium scale 200 ton paper industry, in Karnataka State, had the problem of contaminated waste water disposal. By deliberating with nearby farmers and agro scientists, that paper mill succeeded in converting that water in to Organic Manure. Now that paper mill is not allowing contaminated water in to river. Also their Organic Manure getting sold easily. This increased the company’s profit and esteem.

6.6.3 Material required for CSR will not be a problem at all. Since corporate are dealing with the various aspects of material like arranging qualitative material at reasonable cost will not be a problem. Here corporate should think properly and judiciously. Many times the material available at the corporate disposal can be made use for CSR.

6.6.4 Importance of CSR, when there was no much talk or insistence of CSR in all these years, why it has become suddenly so much important – From the beginning there are for and against arguments for the introduction of CSR in to the company affairs. During the year 2000 a study has been conducted to know the impact of CSR where in it is revealed that CSR is a profitable affair to the corporate. However the argument against CSR says that the goal of corporate is to maximize the profit and not the Social Responsibility (SR) and the SR is the sole concern of the Governments. In spite of for and against arguments, many of the corporate using the CSR only as gimmick and window dressing.

Any approach towards CSR should develop the Creating Shared Value (CSV) which is based on the idea that Corporate Success and Social Welfare are Interdependent. TATA steel way back in 1979 has formed a committee to conduct the Social Audit whose objective was to find out whether the company has achieved its objectives with social concern. It is a historical approach in India.
VII. How to Certify a Corporate based on CSR?

A corporate can be certified based on CSR based on various factors like:

7.1. Clear understanding of CSR by a corporate. Corporate should spell out why they are carrying out the CSR activities - is it just because of mandatory? Or their business process has created the situation of carrying out of CSR activities? Or to promote their business? or as Marketing tool for their corporate? etc., what are the goals and objectives of their CSR activities etc.,

7.2. Well defined CSR Policy and Vision Mission Value (VMV) Statements of the CSR. Every corporate is having VMV statements at the corporate level. On the same lines each corporate should have VMV statements for its CSR activities which are to be adapted and follow by the corporate. This CSR’s VMV statements and actions should have correlation with the corporate business activities. On many cases it is so happens that the corporate CSR activities do not have linkage with their business for example: a Paper Industry polluting water and air is distributing computers to schools under CSR activities.

7.3. Listing of the corporate business’s positive impacts and negative impacts on the society..

7.4. Corporate planned actions on the negative impacts - to nullify it.

7.5. Whether the corporate achieving CSR on its own or through the NGOs or just by donating/contributing the mandated money to NGOs to carry out the activities on behalf of them.

7.6. Whether corporate having exclusive CSR department comprising of efficient workforce or not.

7.7. Whether the CSR activities planned by the corporate falls under mandatory functions / operations / activities of the corporate or not. For example: the environment parameters to be maintained by a corporate as per Central Pollution Control Board (CPCB) / National Green Tribunal (NGT) should not be considered as CSR activities but achieving over and above it can be considered as CSR activities.

7.8. Whether the CSR activities carrying out by corporate are having Local Level / State Level / National Level / International Level interest or not.

7.9. Whether CSR activities’ are carrying out by corporate on Build Own Operate Maintain (BOOM) basis or Build Own Operate Transfer (BOOT) basis or not.

7.10. Total amount spent each year on CSR activities by corporate in terms of amount & percentage of profit..

7.11. Impact on society by the CSR activities carrying out by the corporate.

7.12. What is the plan of action for continuation of CSR activities, if the corporate becomes fully closure or partially closure or bankruptcy or insolvent? – example: Sterlite Copper Industry, Satyam Computers, Union Carbide etc.,

7.13. Motives of CSR should not be to cover up the negative motives of the Corporate and CSR should not be used for Misdirection of the society.

7.14. Controversial Industries like Tobacco, Alcohol are to be carefully analyzed, scrutinized before considering for CSRCC.

7.15. How much government resources (Money, Men, Material, Time etc.,) saved due to CSR activities carried out by the corporate.

7.16. Effect of CSR activities of a corporate on society’s communal harmony

7.17. In recent days an indicator named Do Good Index (DGI) is formulated for country level. On the same lines National Level DGI for corporate can be formulated and use it for CSRCC and for ratings of corporate on CSR basis.

VIII. Benefits to be extended to the CSR Certified Corporate (CSRCC)

8.1. CSRCC can be listed on proposed Social Stock Exchange (SSE)

8.2. Policy makers, Administrators and Publics to be made understand about mandatory CSR and CSRCC and to inform the policy makers, administrators, publics to do the business preferably with CSRCC for healthy society, thereby encouraging CSRCC.

8.3. Law can be enacted to do business preferably with CSRCC i.e., business of Government to Corporate, Corporate to Corporate, Public to Corporate etc., to carry out preferably with CSRCC.

8.4. Ratings of corporate can be introduced based on CSRCC.

8.5. Cost incurred by the corporate towards it’s certification under CSRCC can be considered as CSR expenditure.
8.6. Whether the corporate are carrying CSR activities mandatorily or voluntarily irrespective of the size of corporate (i.e., Large / Medium / Small / Micro) CSRCC to be applied to all corporate who are all follows the CSR as CSRCC helps the stakeholders to recognize such corporate and to do business with them which in turn helps the corporate profitability.

IX. Conclusion:
In future days the social responsibility of the corporate increases as the government alone cannot shoulder it, also global negative impact of Covid19 during the year 2020 strengthens this statement. So, CSR is need of the hour and very much essential. But government should take necessary immediate steps to bring awareness to public, policy makers, administrators, people representatives etc., about CSR and its effect on the society. For this purpose CSR Certification of Corporate (CSRCC) is one of the best methods.

India’s Greatest Industrialist, Social Sympathizer, Great CSR implementer much before CSR made as law is Sri J R D TATA, who always used to say:

“I WANT HAPPY INDIA BUT NOT SUPER POWER INDIA”

With little modification same can be re-captioned to suit the present Industrial, Technological, Fast Growing Societal Scenario as:

“WORLD NEEDS SOCIALLY RESPONSIBLE CORPORATE BUT NOT SUPER POWER CORPORATE”

X. Acknowledgment
I acknowledge Siddaganga Institute of Technology, Tuakuru, Karnataka State, India for having given me an opportunity to present my innovative and creative research thoughts on CSR Certification of Corporate in their International Virtual Conference.

REFERENCES:
[1] ISO 26000
[4] My own experience, creative thinking, innovative analyzing etc.,