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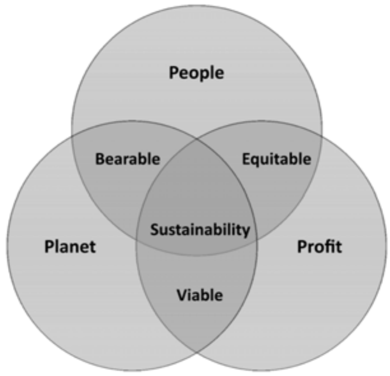
LESSON 1 - CORPORATE SOCIAL RESPONSIBILTY

Economic growth relies on the consumption of natural and societal resources, impacting the economy, environment, and society. Corporate Social Responsibility (CSR) ensures businesses act ethically by addressing the effects of their operations on stakeholders, including customers, employees, and communities. It promotes sustainable practices to generate economic, environmental, and social benefits. CSR integrates ethical governance and business ethics, aligning with societal expectations and international norms. Organizations adopt CSR to balance their profit motives with social welfare. As Winston Churchill stated, "With great power comes great responsibility," making CSR essential for long-term business sustainability.

Corporate Social Responsibility is an important business strategy because, to some extent a consumer wants to buy products from companies he trusts, a supplier wants to form business partnership with companies he can rely on, an employee want to work for a company he respects, other concerns want to establish business contacts with companies seeking feasible solutions and innovations in areas of common concern.

Corporate social responsibility is basically a new business strategy to reduce investment risks and maximise profits by taking all the key stake- holders into confidence. The proponents of this perspective often include corporate social responsibility in their advertising and social marketing initiatives. It is a tool to increase the reputation of the company in the eyes of society.



The triple bottom line is a sustainability framework focusing on three key aspects: economic, social, and environmental performance. It emphasizes that businesses should measure success not just by profits but also by their positive impact on people and the planet. This approach encourages long-term value creation while addressing global challenges like inequality and environmental degradation. By balancing these three dimensions, organizations contribute to sustainable development and ethical responsibility.

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Significance of CSR to sustainability of business:

The CSR is important to the corporate to sustain in the environment and thus has the following significance:

(i) Reduction in operative cost: corporate social responsibility helps companies in reduction in operating cost, this may include recycling, water conservation, energy efficiency etc..

(ii) Increased Sales and Customer Loyalty: The customers also recognize those companies which are socially responsible. This results in increased sales and content customers.

(iii) Higher productivity and Quality: Company as an essential of its triple bottom line, focuses on improving the working conditions of it employees, people in its suppy/distribution chain, which helps in increased productivity with better quality

(iv) Access to Capital: The companies with strong CSR have increased access to capital that might not otherwise have been available. Even the lending institutions are cautious and are considering this as an important parameter of granting loans.

(v) Boost in Brand Image and Reputation: CSR is an essential brand building tool used by companies to enhance its reputation amongst the stakeholders.

HISTORICAL BACKGROUND OF CSR

The concept of CSR is not new in India.
The concept can be traced back to times immemorial, our Vedas say -

Philosophers like Kautilya emphasized on ethical practices and principles while conducting business.
"SARVA LOKA HITAM"
THE WELL BEING OF ALL STAKEHOLDERS

man can live individually but can survive only collectively. Challenge is to form a progressive community by balancing the interests.

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CSR IN THE PRE-MANDATED PERIOD

The tradition of 'giving' has been deeply entrenched in the culture of India for community, religious and spiritual causes.

The concept daana (giving), karma (fate) and seva (service) in Hinduism; zakat (almsgiving) and sadaqat (voluntary offerings) in Islam; and of bhiksha (food given as alms) in Buddhism emphasize giving.

1st PHASE (1850 - 1914)

Seen primarily in the form of donations by big industrialists & not for strategic purposes.
Legal recognition to NPOs through Societies registration.

2nd PHASE (1914 - 1960)

Took the shape of support towards social and cultural causes - associated with Nationalist movement.
Focus on tackling widespread poverty at the village level.

3rd PHASE (1960 - 1980)

Post independence evidenced the government assuming a larger role in development efforts and social welfare, with the participation of corporate sector slowing down.
Environment of mistrust grew because companies engaged in corrupt practices.

4th PHASE (1980 onwards)

The liberalization of the Indian economy in 1991 and emergence of strong civil society saw the emergence of CSR as strategic undertaking by companies going beyond the traditional form of donations (including domestic and foreign charities).

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Developments On Corporate Social Responsibility in India

2007	2009	2010	2011	2012	2014
Adoption Of Inclusive Growth-11Th Five Year Plan	Voluntary Guidelines On Corporate Social Responsibility, 2009	Parliamentary Standing Committee On Finance-21St Report On Companies Bill, 2009	National Voluntary Guidelines(NVGs) On Social, Environmental & Economic Responsibilities Of Business, 2011	Business Responsibilities Reporting	Mandatory Provision Of CSR Under Section 135 Of The Companies Act, 2013 Coming Into Effect From 01/04/2014

Mandatory provisions of CSR under section 135 of the Companies act, 2013 became effective from 01.04.2014.

The National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business released by the Ministry of Corporate Affairs in July 2011, is essentially a set of 9 principles that offer Indian Businesses an understanding and approach to inculcate responsible business conduct.

The 21st Report of the Parliamentary Standing Committee on Finance is one of the prime movers for bringing the CSR provisions within the statute.

What is the Concept of Corporate Social Responsibility (CSR)?

Corporate Social Responsibility (CSR) refers to businesses adopting responsible behavior towards society and the environment. Initially limited to charitable acts, CSR has evolved into welfare programs and strategies that align business interests with community well-being. By acting ethically, environmentally, and socially responsibly, companies not only enhance their long-term sustainability but also contribute positively to society. CSR involves taking accountability for the societal and environmental impact of business activities, integrating these considerations into policies and operations. It serves as both a responsibility and a strategic opportunity to gain stakeholders' goodwill while promoting sustainable development.

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Principle 1: Businesses should conduct and govern themselves with integrity and in a manner that is ethical, transparent and accountable.

Principle 2: Businesses should provide goods and services in a manner that is sustainable and safe.

Principle 3: Businesses should respect and promote the well-being of all employees, including those in their value chains.

Principle 4: Businesses should respect the interests of and be responsive to all its stakeholders.

Principle 5: Businesses should respect and promote human rights.

Principle 6: Businesses should respect and make efforts to protect and restore the environment.

Principle 7: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.

Principle 8: Businesses should promote inclusive growth and equitable development.

Principle 9: Businesses should engage with and provide value to their consumers in a responsible manner.

CSR IN INDIAN LEGISLATION

The Corporate Social Responsibility concept in India is governed by Section 135 of the Companies Act,2013 ('Act'), Schedule VII of the Act and Companies (CSR Policy) Rules, 2014 wherein the criteria has been provided for assessing the CSR eligibility of a company, Implementation and Reporting of their CSR Policies.

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CSR provisions applicable to companies which fulfill any of the following criteria during the immediately preceding financial year:

(i) Net worth of Rs. 500 crore or more; or

(ii) Turnover of Rs. 1000 crore or more; or

(iii) Net profit of Rs. 5 crore or more.

Every such company is required to constitute a CSR committee of the Board.

According to Section 135(2) of the Act, the Board's report under Section 134(3) shall disclose the composition of the Corporate Social Responsibility Committee.

What does Section 135(3) of the Companies Act state about the CSR Committee?

Section 135(3) specifies the duties of the Corporate Social Responsibility (CSR) Committee as:
(a) Formulating and recommending a CSR Policy to the Board, outlining activities as per Schedule VII.
(b) Recommending the expenditure to be incurred on these activities.
(c) Monitoring the implementation of the CSR Policy periodically.

What does Section 135(4) of the Companies Act state about the Board's role in CSR?
Section 135(4) states that the Board of a company must:
(a) Approve the CSR Policy after considering the CSR Committee's recommendations, disclose the policy in its report, and publish it on the company's website, if available.
(b) Ensure that the company undertakes the activities outlined in its CSR Policy.

What does Section 135(5) of the Companies Act state about CSR spending?
Section 135(5) mandates that the Board ensures the company spends at least 2% of its average net profits from the last three financial years (or preceding years if the company is less than three years old) on activities specified in its CSR Policy during each financial year.

Provided that the company shall give preference to the local area & areas around where it operates, for spending the amount mentioned for Corporate Social Responsibility Policy.

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Provided also that if the company spends an amount in excess of the requirements provided under this sub- section, such company may set off such excess amount against the requirement to spend under this sub-section for such number of succeeding financial years and in such manner, as may be prescribed.

What does Section 135(6) of the Companies Act state about unspent CSR funds?
Section 135(6) states that any unspent CSR amount from an ongoing project must be transferred to a special account called the Unspent Corporate Social Responsibility Account within 30 days from the end of the financial year. The company must utilize this amount within three financial years for CSR obligations. If not utilized, it must be transferred to a Fund specified in Schedule VII within 30 days after the third financial year.

What does Section 135(7) of the Companies Act state about penalties for CSR non-compliance?
Section 135(7) specifies that if a company fails to comply with the provisions of Section 135(5) or 135(6):
- The company is liable to a penalty of either twice the untransferred amount or ₹1 crore, whichever is less.
- Each defaulting officer is liable to a penalty of either one-tenth of the untransferred amount or ₹2 lakh, whichever is less.

According to Section 135(8), the Central Government may give such general or special directions to a company or class of companies as it considers necessary to ensure compliance of provisions of this section and such company or class of companies shall comply with such directions.

Section 135(9) states that where the amount to be spent by a company under section 135(5) does not exceed fifty lakh rupees, the requirement under section 135 (1) for constitution of the Corporate Social Responsibility Committee shall not be applicable and the functions of such Committee provided under this section shall, in such cases, be discharged by the Board of Directors of such company.

Whether a holding or subsidiary of a company fulfilling the criteria under section 135(1) has to comply with the provisions of section 135, even if the holding or subsidiary itself does not fulfil the criteria?

No, the compliance with CSR requirements is specific to each company. A holding or subsidiary of a company is not required to comply with the CSR provisions unless the holding or subsidiary itself fulfils the eligibility criteria prescribed under section 135(1) stated above.

Example: Company A is covered under the criteria mentioned in section 135(1). Company B is holding company of company A. If Company B by itself does not satisfy any of the criteria mentioned in section 135(1), Company B is not required to comply with the provisions of section 135.

It may be noted that CSR Rules requires compliance of CSR provisions by holding and subsidiary companies, as well as by foreign companies having branches or project offices in India, which fulfill the criteria specified under section 135(1) of the Act.

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CSR COMMITTEE

Rule 5(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 provides that the companies mentioned in the rule 3 shall constitute CSR Committee as under:

(i) a company covered under subsection (1) of section 135 which is not required to appoint an independent director pursuant to sub-section (4) of section 149 of the Act, shall have its CSR Committee without such director;

(ii) a private company having only two directors on its Board shall constitute its CSR Committee with two such directors;

(iii) with respect to a foreign company covered under these rules, the CSR Committee shall comprise of at least two persons of which one person shall be as specified under clause (d) of sub-section (1) of section 380 of the Act and another person shall be nominated by the foreign company.

Rule 5(2) of the Companies (CSR Policy) Rules, 2014 states that CSR Committee shall formulate and recommend to the Board, an annual action plan including: the list of CSR Projects, manner of execution, modalities of utilisation of funds, monitoring & reporting of projects, details of needs & impact assessment

What is the composition of the CSR Committee?

The composition of the CSR Committee for various categories of companies is as under:

- **Listed companies** - Three or more directors, out of which at least one shall be an independent director.
- **Unlisted public companies** - Three or more directors, out of which at least one shall be an independent director. However, if there is no requirement of having an independent director in the company, two or more directors.
- **Private companies** - Two or more directors. No independent directors are required as mentioned in the proviso under section 135(1).
- **Foreign company** - At least two persons out of which: (a) one shall be as specified under clause (d) of subsection (1) of section 380 of the Act, and (b) another shall be nominated by the foreign company.

Where the amount required to be spent by a company on CSR does not exceed fifty lakh rupees, the requirement for constitution of the CSR Committee is not mandatory and the functions of the CSR Committee, in such cases, shall be discharged by the Board of Directors of the company.

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CSR EXPENDITURE

What does Rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 state?

Rule 7 specifies that the board must ensure that administrative overheads do not exceed 5% of the total CSR expenditure for the financial year. Additionally, any surplus generated from CSR activities should not be included in the company's business profits. Instead, it must either be reinvested into the same project, transferred to the Unspent CSR Account for use according to the CSR policy and annual action plan, or transferred to a Fund listed in Schedule VII within six months of the end of the financial year.

When a company spends an amount in excess of requirement, such excess amount may be set off against the requirement to spend under section 135(5) up to immediately succeeding 3 financial years subject to fulfilment of certain conditions.

The CSR amount may be spent by a company for creation or acquisition of a capital asset, which shall be held by:
(a) a company established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number under sub-rule (2) of rule 4; or
(b) beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
(c) a public authority.

Any capital asset created before the Companies (CSR Policy) Amendment Rules, 2021 must comply with the rule within 180 days of its commencement, extendable by up to 90 days with Board approval for valid reasons.

CSR Reporting - Rule 8 of the Companies (CSR Policy) Rules, 2014:

The Board's Report must include an annual CSR report as per Annexure I or II. For foreign companies, the balance sheet must also contain this report. Companies with a CSR obligation of ₹10 crore or more in the last three years must conduct an impact assessment of CSR projects with budgets of ₹1 crore or more, completed at least one year before the assessment. The impact assessment report must be presented to the Board and included in the CSR annual report. The expenditure for impact assessment can be up to 2% of total CSR expenditure or ₹50 lakh, whichever is higher.

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CSR: An International Perspective

The Corporate Social Responsibility is not only extended to India but it has a worldwide accepted concept.

There are other countries that also follow the concept of Corporate Social Responsibility in their country in their own way. The international perspective to Corporate Social Responsibility to other countries like Singapore, Malaysia, South Africa and UK that practices CSR are discussed hereunder.

In the international level many countries come and meet for discussion on many other different matters. One of the matters is Social Responsibility for which conventions are held globally.

Sustainable Development Goals

The 2030 Agenda for Sustainable Development, with 17 Sustainable Development Goals (SDG) at its core, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

The 17 Sustainable Development Goals are as under:

1. No Poverty
2. Zero Hunger
3. Good Health and Well-Being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production.
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace, Justice and Strong Institutions
17. Partnerships for the Goals

As the name Corporate Social Responsibility indicates, enterprises focus both on the pursuit of monetary interests and productive relationships with stakeholders as well as show a concern for the environment and overall economy as well. A company will take responsibility to promote positive growth in society, and mainly focus on their individual "enterprise" as compared to the "global" goals of Sustainable Development Goals.

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UNITED NATIONS GLOBAL COMPACT

In 2000, the United Nations launched the Global Compact to encourage businesses to adopt sustainable practices and social responsibility policies, while also reporting on their implementation. This framework is based on principles related to Human Rights, Labour, Environment, and Anti-Corruption. Through the Cities Program with UN Agencies, companies are integrated into this initiative. With 193 member states, the UN Global Compact is the world's largest corporate citizenship initiative, aiming to "mainstream the ten principles in business activities globally" and "catalyze actions supporting broader UN goals."

The Following are the Ten Principles which are recommended by the United Nations Global Compact:

Human Rights:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standard:

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment:

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption:

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

The International Organization for Standardization (ISO)

The International Organization for Standardization (ISO) is an independent, non-governmental entity composed of National Standard Bodies from around the world. Established in 1947, ISO's Secretariat is based in Geneva, Switzerland. Through its members, ISO brings together global experts to share knowledge and create voluntary, consensus-driven International Standards that foster innovation and address global challenges.

ISO standards provide world-class specifications for products, services, and best practices, ensuring quality, safety, and efficiency. Developed through global consensus, these standards help eliminate barriers to international trade. Covering a wide range of activities—from product manufacturing to service delivery—ISO standards are the collective expertise of professionals from various sectors, including manufacturers, customers, regulators, and trade associations.

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ISO 26000 provides guidance on how businesses and organizations can operate in an ethical and transparent way that contributes to sustainable development while taking into account the expectations of stakeholders, applicable laws and international norms of behavior.

In terms of ISO 26000, the following are the 7 core subjects that socially responsible organizations should address in their policies:

1. *Organizational governance* – Practicing Organization accountability and transparency at all levels; leadership promotes responsibility
2. *Human rights* – treating all individuals with respect; making special efforts to help members of vulnerable groups
3. *Labour practices* – providing just, safe and healthy conditions for workers; engaging in two-way discussions to address workers' concerns
4. *Environment* – identifying and improving environmental impacts of your operations, including resource use and waste disposal
5. *Fair operating practices* – respecting the law; practicing accountability and treating all partners fairly, including suppliers
6. *Consumer issues* – providing healthy and safe products, giving accurate information, and promoting sustainable consumption
7. Community involvement and development being involved as a good neighbour for the betterment of local community.

ISO standards help meet the Sustainable Development Goals (SDGs)

The SDGs represent an ambitious plan to enhance peace and prosperity, eradicate poverty and protect the planet. This plan of action calls on the contribution from all elements of society, including local and national governments, business, industry and individuals. To be successful, the process requires consensus, collaboration and innovation.

Global Reporting Initiative

The Global Reporting Initiative (GRI) is a vast network of thousands of experts from various countries who contribute to GRI's working groups and governance bodies. These participants use the GRI Guidelines for reporting, access GRI-based reports, or help develop the Reporting Framework through formal and informal channels.

Developed by GRI in the Netherlands, the Sustainability Reporting Guidelines provide a comprehensive system for integrating sustainability issues into a structured reporting framework. GRI's goal is to make the reporting of economic, environmental, and social performance as standard and comparable as financial reporting across all organizations. The concept for developing sustainability reporting guidelines was first conceived in 1997, with the draft GRI Sustainability Reporting Guidelines released shortly after.

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The framework has been continually revised over the years, the Fourth generation of Sustainability Guidelines; the GRI G4 Sustainability Guidelines were released in May, 2013. The GRI Reporting Framework Principles are divided into two parts: Principles for defining report content and Principles for defining report quality.

Principles for defining Report Content

- **Stakeholder Inclusiveness** (stakeholders are those who have direct or indirect connection / relation with the business of the organisation and includes shareholders, employees, suppliers etc.)

  Organisation is duty bound to identify, explain and respond to the expectations and interest of the stakeholders.

- **Sustainability Context**

  The most important and underlying question is that how an Organisation contributes or aims to contribute in the future for the development, improvement and growth of the social, economic and environmental conditions.

- **Materiality**

  Materiality refers to including information in a report that reflects an organisation's significant economic, social and environmental impacts. It should focus on topics that substantially influence stakeholder's decisions and assessments.

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- **Completeness**

The report should be such that includes complete and full coverage of material aspects and their boundaries, sufficient enough to reflect economic, environmental and social impacts with a view to enable stakeholders for assessing organisation's performance in a reporting period.

- **Defining Report Quality**

The principles for Defining Report Quality ensure that sustainability reports provide accurate, transparent information. High-quality information enables stakeholders to make informed assessments and take appropriate actions, supporting overall transparency.

- **Balance**

The report should reflect positive and negative aspects of the organisation's performance to enable a reasoned assessment of overall performance (particularly providing an unbiased picture of the performance of the Organisation).

- **Comparibility**

The way the report is prepared and compiled should be done in a way that presents the information in a consistent manner. Compaiibity is necessary for evaluating performance.

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Accuracy

The reported information should be adequately, sufficiently and in a detailed manner report the events so as to present the affairs of the organisation in a fair and true manner.
Also, care should be taken to take into account the qualitative and quantitative aspect of the information.

Timeliness

Care should be taken to report on a regular basis so that the information is available on timely manner. The usefulness of information is closely tied to the timing of its disclosure to stakeholders (timely disclosure assists in taking right decision at right time).

Clarity

The Organisation should make information available in a manner that is understandable and accessible to stakeholders using the report (The Report should be comprehensive to stakeholders who have a reasonable understanding of the organisation and its activities.

Realiability

The Organisation should gather, record, compile, analyze and disclose information and processes used in the preparation of a report in a way that can be subject to examination and that establishes the quality and materiality of the information.

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The GRI reporting Framework also defines the following General Standard Disclosures:

- Strategy and Analysis
- Organizational Profile
- Identified Material Aspects and Boundaries
- Stakeholder Engagement
- Report Profile
- Governance
- Ethics and Integrity

Specific Standard Disclosures are:

- Disclosures on Management Approach
- Indicators

Asean Csr Network

The ASEAN CSR Network, launched in 2011, aims to promote Corporate Social Responsibility (CSR) across ASEAN Member States by encouraging businesses to integrate CSR into their strategies and operations, considering their economic, social, and environmental impacts. The Network facilitates regional collaboration, information exchange, and advocacy for international CSR standards. It also supports businesses in aligning with stakeholder needs and contributing to the United Nations' 17 Sustainable Development Goals (SDGs) for sustainable socio-economic development in the region.

1. End poverty in all its forms everywhere
2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
3. Ensure healthy lives and promote well-being for all at all ages
4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5. Achieve gender equality and empower all women and girls
6. Ensure availability and sustainable management of water and sanitation for all
7. Ensure access to affordable, reliable, sustainable and modern energy for all
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
10. Reduce inequality within and among countries
11. Make cities and human settlements inclusive, safe, resilient and sustainable
12. Ensure sustainable consumption and production patterns
13. Take urgent action to combat climate change and its impacts
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
17. Strengthen the means of implementation and revitalize the global partnership for sustainable development

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Iso 26000

ISO 26000 is a standard that helps organisations assess and address social responsibilities. The 7 core subjects of social responsibility in ISO 26000 are

① Human Rights	② Labour Practices
③ Environment	④ Fair Operating Practices
⑤ Consumer Issues	⑥ Community involvement and development
⑦ Organisational Governance	

ISO 26000 offers practical guidance to organisations that want to contribute to sustainable development. It includes more than 450 recommendations related to its main principles and core subjects.

THE EGYPTIAN CORPORATE RESPONSIBILITY CENTER

The Egyptian Corporate Responsibility Center (ECRC) is a leading advocate for the United Nations Global Compact (UNGC) principles in Egypt, established to promote sustainable business practices. A joint initiative between the UN Development Programme and the Industrial Modernization Center, the ECRC supports companies in implementing the UNGC's Ten Principles and aligning with Egypt's Millennium Development Goals. Its activities include business advisory services, capacity building, and training to help businesses develop sustainable CSR policies, promote gender equality, and encourage inclusive business models, particularly by integrating the "base of the pyramid" into the workforce, consumer base, and entrepreneurial ventures.

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Corporate Social Responsibility in South Africa

In South Africa, Corporate Social Responsibility (CSR) is guided by the King Report on Governance (King III), which promotes good social and environmental practices as part of corporate governance, aligned with international standards. King III applies to all entities, public or private, and emphasizes sustainability as a key moral and economic imperative. It stresses the need for a fundamental shift in business practices towards sustainability, highlighting the interconnectedness of nature, society, and business. The concept of corporate citizenship emphasizes that businesses should operate sustainably, in line with the South African Constitution, which imposes responsibilities for realizing fundamental rights.

King III has 'apply or explain' approach to its principles and recommended practices. It is the legal duty of directors to act in the best interests of the company. The 'apply or explain' regime shows an appreciation for the fact that it is often not a case of whether to comply or not, but rather to consider how the principles and recommendations can be applied.

In contrast to the King I and II codes, King III applies to all entities regardless of the manner and form of incorporation or establishment and whether in the public, private sectors or non-profit sectors. We have drafted the principles so that every entity can apply them and, in doing so, achieve good governance. All entities should apply the principles in the Code and consider the best practice recommendations in the Report. All entities should by way of explanation make a positive statement about how the principles have been applied or have not been applied.

Corporate Social Responsibility in United Kingdom

The United Kingdom has been a pioneer in shaping global understanding of Corporate Social Responsibility (CSR), addressing both the positive and negative societal impacts of businesses. Most large UK companies separate the roles of CEO and board chairman, with institutional investors holding about 80% of UK equity. While initially skeptical about CSR, companies now widely embrace it as a mainstream activity, often developing company-specific strategies to enhance market positioning and align with investment goals. The UK government could play a stronger role in promoting CSR for societal benefit, complemented by progressive coalitions like the Business Leaders Initiative on Climate Change and Human Rights. CSR remains dynamic, requiring continuous updates and active participation from all stakeholders to maintain credibility, supported by CSR-focused training on social and environmental issues.

Netherlands Enterprise Agency

The Dutch government expects Dutch companies that do business abroad to follow Corporate Social Responsibility (CSR). To do so, they must follow the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights. The government promotes International Corporate Social Responsibility (ICSR) in many different ways. Companies following the OECD Guidelines can apply for funding.

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CSR means taking responsibility for the effects of your business activities on the world around you. It also means respecting people, animals, the environment and Society (including but not limited to):

- lower your CO_2 emissions
- treat men and women the same
- ensure good working conditions
- ensure transparency
- ask your supply chain to help you with CSR.

CSR IN EUROPEAN UNION

The European Union, in its Green Paper on Corporate Social Responsibility, defined CSR as 'the voluntary integration of companies' social and environmental concerns in their business operations and in their interaction with their stakeholders.'

Although, big and public interest companies are expected to communicate extra financial information with regards to how they are handling with their environmental and social challenges.

CSR IN THE UNITED STATES OF AMERICA

CSR in the United States of America is characterized by voluntary societal engagements by businesses since they are not obliged to undertake any social and environmental responsibility practices.
The Corporate Social Responsibility (CSR) team in the Bureau of Economic and Business Affairs is given the responsibility of engaging with U.S. businesses for the promotion of responsible and ethical business practices.

In spite of no CSR mandate, the United States of America is by far the largest and most active philanthropic sector in the world.

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CSR IN SOUTH AMERICA

In Brazil, CSR disclosure is not mandatory and there is no formal report form or measures for CSR disclosures. However, there are few initiatives that make CSR announcements compulsory.

In Peru, all companies listed on Lima's Stock Exchange are mandated under law to report on sustainability practices. The law follows the "comply or explain" principle; In other words, Peruvian companies are required to disclose information, but they can also decide not to disclose information and explain the reasons for it.

CSR IN ASIA

- Philanthrophy has been deeply rooted in the history and culture of Asian economies.
- India and Nepal have mandated spends on CSR by Corporates.
- China's Company law merely requires all companies to "undertake social responsibility". The Government of the Republic of China has issued directives for state owned companies and export companies to encourage CSR as a way to create a "harmonious society" and improve the international image of the country.
- Indonesia requires corporations operating in the oil, gas and mining sectors to invest 2% of their profits in CSR Programs.
- Japan has turned funds in dormat accounts into more resources for the social sector. The Japan Dormant Deposits Utilisation Act, which came into effect in 2018, allows funds in dormant bank accounts to be directed towards meeting social needs.
- Corporate funding and support have traditionally played an important role in the Social Sector in Korea.

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