

Ethics in Indian Business

The new look *IMI Konnect* now celebrates its one year of publication with this special issue themed as 'Ethics in Indian Business'. We do not claim achieving marvels; but as a journal we have upgraded ourselves to gain the 'ISSN' tag; and with this special issue, we have introduced articles from invited writers, which certainly add value to *IMI Konnect*. We have decided to produce at least two special issues on contemporary business topics every year, in addition to the monthly crop of well-researched articles by IMI Kolkata faculty members. We are really thankful to our beloved readers for their constructive suggestions, which have enriched the journal immensely. We look forward to your active encouragement and support, while we wish you all happiness for the New Year.

Our approach to business is forever changing and, we are sure, we will witness more changes with the introduction of Companies Act, 2013 equipped with the new Article 135 making 'Corporate Social Responsibility' mandatory in Indian business. How effective this amendment will be is already a matter of debate. Shyama V. Ramani of Brunel Business School, UK – one of our invited writers for this special issue – raises the obvious and much quoted statement of Milton Friedman: The social responsibility of business is to increase its profits. She points out, quoting Friedman again, that by asking corporations to invest in improving social welfare is like asking them to act like the 'government', which is bound to have negative effect on the profitability of the firm. 'If firms are made to bear social responsibilities, they will end up doing more disservice than good to society'. However, the author points out how in India firms like Amul and Hindustan Zinc Limited have effectively by partnering with the state government implemented the government's 'total sanitation campaign' as part of their CSR programmes.

The other invited author Sanjoy Mukherjee of IIM Shillong takes this issue of changing times to the next level: 'Time has come to take a deep look and seriously question some of our fundamental principles and dominant assumptions of management thinking and practices and redefine the roles and competencies of future leaders ...'. He quotes poets and management thinkers to re-emphasize the point that 'the whole notion of ethics and the understanding of culture need to be revisited in a spirit of inclusiveness and integration...'. Business and ethics are not mutually exclusive areas as the changing times have repeatedly made it clear.

IMI Kolkata faculty member Nandita Mishra shows how the concept of CSR has already outgrown the conventional approach of just being 'a cost, a constraint or a charitable deed' and has transformed into a strategic tool – 'a source of opportunity, innovative and competitive advantage'.

The house of ITC, whose officials she interviews for this issue, is a masterly example of how strategic CSR can be used for mainstream business plans. Long before the government had made CSR mandatory, ITC had created its 'sustainability committee' to guide the company in integrating its social and environmental objectives with its business strategies. ITC's multidimensional sustainability initiatives are today acknowledged as 'global exemplars'. The company's profile claims that its 'sustainability strategy aims to significantly enhance national wealth through superior "Triple Bottom Line" performance that builds and enriches the country's economic, environmental and societal capital'.

The public sector giant, Coal India, is also not far behind in its CSR efforts. The other interview included in this issue elaborates on how the public sector organization has been into 'CSR' through its 'community development policy' long before the concept became globally popular. 'Coal India Limited has a well-defined CSR policy introduced since 2010, based on the guidelines issued by Department of Public Enterprise for Central PSUs'. In the changing corporate scenario on CSR, Coal India would like to introduce a 'broader perspective' with 'community consensus' and 'inclusive participation'.

Even the ethics of marketing is changing – as pointed out by our other faculty contributor Rituparna Basu. The emphasis is gradually shifting from '*Caveat Emptor*' (buyers beware) to '*Caveat Venditor*' (sellers beware), though the ethics of marketing practices will ideally be a balance between consumers' and producers' rights.

IMI Kolkata has its own role to play in creating awareness on CSR. Its Centre for Corporate Governance and Corporate Social Responsibility is accredited as a National Centre for Corporate Governance by National Foundation of Corporate Governance. It has been selected to be a partner by Indian Institute of Corporate Affairs (IICA) for its flagship programme 'IICA Certificate Programme in CSR' for the year 2013-14. IICA has been established by the Ministry of Corporate Affairs for capacity building and training in various subjects and matters relevant to corporate regulation and governance.

India's business ethics is at the crossroads of a big change. We hope this special issue on 'Ethics in Indian Business' of *IMI Konnect* will contribute its mite to the general pool of business knowledge.


Dr. Buroshiva Dasgupta
Professor, IMI Kolkata

Look Who's Building Toilets! CSR in Action

By Dr. Shyama V. Ramani*, Brunel Business School, UK

In recent times the notion of corporate social responsibility or CSR has come out of the closets of philanthropic-minded business leaders to become a buzzword. Its virtues as a means to increase firm profits through appropriate investment in sustainable development and environmental security are being widely discussed in business and academic circles. At the same time, given its newness as a possible norm for carrying out the diverse activities of a firm, the application of CSR remains enveloped in 'strategic' and 'market' uncertainty and firms are experimenting to discover the right CSR practices in terms of scope and scale, given their history and resource base and the nature of the market in which they operate. The existing literature on CSR practices mainly focuses on corporate governance and voluntary costly routines adopted by firms that contribute towards environmental security, management of climate change, maintenance of good relations with clients and suppliers and finally fair human resource management within the firm. If this trend persists, clearly firm experiments with CSR will lead to its diffusion over the different activities of the firm, over different firms in the market and over different markets.

According to the standard microeconomics theory of the firm, as exemplified by the writing of the Noble Laureate Milton Friedman, there is a strong theoretical argument that a firm's responsibility to the society must be limited to its adherence to business laws and the tax laws of society; anything over and above would be an encroachment on the rights of the State leading to the detriment of the value of shareholders (Friedman, 1970)¹. Profit maximization in obedience of the law is the ultimate social responsibility of business. According to him asking corporations to invest in improving social welfare is like asking them to act like the 'government', which is bound to have a negative effect on the profitability of the firm. Consequently, the value of the shareholders' investment would not be maximized, and investment and social welfare would fall. Therefore, if firms are made to bear social responsibilities, they will end up doing more disservice than good to the society.

The above traditional view of the firm is however more and more questioned by empirical findings as well as theoretical work. Corporations themselves are also observed to hold the view that they should go beyond their traditionally defined responsibilities to take

up some of the social responsibilities. Indeed, the high expectations of today's society of corporations is exemplified in the plan proposed by the former UN Secretary General to achieve the Millennium Development Goals (United Nations, 2005)², where he delineates the role of corporations as not only to help the developing country governments to achieve the Millennium Development Goals by using their more efficient and often larger network, but also to influence the governments to pursue the goals. In the same vein in India, in 2012 the parliament approved the Companies Bill mandating companies of a certain size to spend 2% of their three year average annual profit towards CSR. Along with Indonesia, this marks India as being one of the few countries where CSR is mandated by law.

Is it rational for firms to invest in CSR? The indirect benefits of CSR to a firm can be understood as follows. Corporate social responsibility can be viewed as the efforts of firms to fulfil their 'social contract'. A corporation does not operate in vacuum but in a society that empowers it to operate as a legal entity. If it neglects its social responsibility, then the social sanction by which it operates may be withdrawn in the long run (Kakabadse et al., 2005³). Thus, the corporation invests in being socially responsible to ensure its long run sustainability. It trades off some amount of short run profit in return for a stable or a higher long run profit.

Leaving aside the philosophical side of the issue, even at a practical level, creating a friendly image in the society rather than promoting the image of the firm as a ruthless profit maximizer can help corporations establish a reputation, which, in turn, can create an effective entry barrier for potential entrants in the market⁴. Firms can use CSR to differentiate their products as well as to gain strong shareholder support⁵. Thus, such explanation support Friedman's position on corporate social responsibility albeit as holding over time rather than at a particular point in time.

Amul is a brand name for dairy products known to practically every child in India. Founded in 1946, it is unique on an international scale, being managed by a cooperative, namely the Gujarat Co-operative Milk Marketing Federation Ltd (GCMMF). Unlike many successful cooperatives including the famous American Ben & Jerry ice-cream (acquired by Unilever in 2001), that fell prey to acquisitions by giant conglomerates as they gain in terms of

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¹Friedman, M., 'The Social Responsibility of Business is to Increase its Profits', *The New York Times*, September 13, 1970 | ²United Nations, 2005, 'Investing in Development: A Practical Plan to Achieve the Millennium Development Goals, Report of the UN Secretary General', *Earthscan*, London | ³Kakabadse, N. K., Cecile Rouzel and L. Lee-Davies, 2005, 'Corporate Social Responsibility and Stakeholder Approach: A Conceptual Review', *International Journal of Business Governance and Ethics*, 1(4), pp. 277-302 | ⁴See McWilliams and Siegel (2001) for a number of hypotheses on possible determinants of strategic corporate social responsibility. Jones (1995) discusses a model of ethical behaviour of the firms. Siegel and Vitaliano (2007) empirically shows that corporate social responsibility is used to signal the higher quality of the product | ⁵Baron, D., 2007, 'Corporate Social Responsibility and Social Entrepreneurship', *Journal of Economics and Management Strategy*, 16(3), 683-717

market share, Amul generates ₹ 19 billion per year⁶ while remaining a cooperative. Hindustan Zinc Limited (or HZL), formerly known as Vedanta Resources, is not known to most children but it has been highly discussed in activist circles. Founded in 1976, HZL is a metals and mining company which has been mired in controversies regarding violations of forest conservation, tribal rights and environmental protection laws in Odisha⁷. Now, what can Amul and Vedanta have in common? Surprisingly, there is something. Both Amul and Vedanta are building toilets in rural India as part of their CSR efforts.

The core of Amul's CSR strategy is to foster pride in its members or workers. This is what companies like Google are also striving for. The logic is that when hierarchy cannot totally control productivity, either because the organization is a cooperative (Amul) or because the output is a knowledge product (Google whose output generation depends on creativity that cannot be monitored easily), 'corporate identity and pride' can stimulate worker efforts. Thus, Amul has 'Dairy Demonstration Farms' to teach and introduce usage of high yielding animals and modern aids to increase milk production (since 2004⁸), it gives scholarships to children of workers (since 1992) and runs health centres in villages (since 1950⁹).

HZL also spends a lot on CSR in the form of community development – a common practice in firms hit by controversy (e.g. Monsanto¹⁰). Whatever be the motivation, it is indeed noteworthy that HZL is implementing many large-scale projects to improve the quality of life and economic well-being of communities around their operations; for instance, through the opening of crèches or *anganwadis*, provision of mid-day meals in schools, picking up healthcare bills of the very poor etc¹¹.

How did Amul and HZL get into the toilets CSR game? Well, this is because awareness of the consequences of lack of toilets is now higher than ever before. According to the 2011 census data collected by the government of India, of the total 246.6 million households in India, only 46.9% have own toilet facilities and out of the remaining 53.1%, only 3.2% have access to public toilets. This leaves the residual 49.9% of the households with no option, but to defecate in the open. The government cannot close the

sanitation gap alone and thus a variety of firms from different sectors are constructing toilets to eliminate open defecation in India.

The common point between Amul and HZL is that both are building toilets for their worker households. According to Dr. V. D. Murkute of Amul¹², its goal is to ensure 100% sanitation in every village housing its milk societies in Gujarat in five years. The focus of HZL's sanitation efforts is Rajasthan and if targets are met over 50,000 will be built for its workers in various districts by 2014.

However, as partners of the State both companies are facing similar challenges. For instance, both companies are partially or totally paying for the costs of toilet construction on behalf of the beneficiaries – either directly or through the mediation of micro-finance institutions. Presently, efforts of the 'Total Sanitation Campaign' are being partially coordinated with the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). Thus, for every toilet constructed, local government bodies are supposed to receive funds from the Central and State governments, which in turn, they are supposed to release to beneficiaries. Then the beneficiaries can close their loans taken for toilet construction. However, like many partners of the State, both Amul and HZL highlight the fact that a combination of petty corruption and bureaucratic inefficiencies are severely straining the credit flow that is meant to support the CSR efforts of the companies. At the same time, the firms are facing the same problems as the State in sanitation coverage. For instance, Ms. Sushma Sharma of HZL¹³ finds that villagers are used to open defecation and do not feel that they require toilets. As a consequence, even after the toilets have been built, they are not always being used.

To conclude, for firms exercising corporate social responsibility is like walking on the razor's edge in terms of maintaining a fine balance between its short run and long run objectives. Overzealous pursuit of short run profit maximization might alienate the corporation from its larger group of stakeholders and present a threat to its long term sustainability. However, providing too much attention to the expectations of all its stakeholders possibly may take the corporation too far away from its objective of profit maximization and endanger its existence even in the short run.

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“ The existing literature on CSR practices mainly focuses on corporate governance and voluntary costly routines adopted by firms that contribute towards environmental security, management of climate change, maintenance of good relations with clients and suppliers and finally fair human resource management within the firm.

⁶ <http://www.thehindubusinessline.com/industry-and-economy/agri-biz/amul-turnover-touches-rs-19100-crore/article4849923.ece> | ⁷ <http://www.theguardian.com/business/2010/aug/24/vedanta-mining-industry-india> | ⁸ <http://www.fbnnews.com/article/detnew.asp?articleid=24142§ionid=40> | ⁹ <http://www.amuldairy.com/index.php/csr-initiatives/tribhuvandas-foundation#> | ¹⁰ Ramani, S.V. and V. Mukherjee, 2013, 'Can Breakthrough Innovations Serve the poor (BoP) and Create Reputational (CSR) Value? Indian Case Studies', *Technovation* (forthcoming). <http://dx.doi.org/10.1016/j.technovation.2013.07.001i> | ¹¹ http://www.business-standard.com/article/management/brand-vedanta-seeks-csr-sheen-110072200056_1.html | ¹² Dr. V. D. Murkute, 'Low cost toilet structure - Amul Dairy, Anand, Gujarat', 4th FINISH conference on sanitation, Rising to the Sanitation (or lack of) Challenge, PHDCCI Conference Hall, Delhi, India, February 12, 2013 | ¹³ Ms. Sushma Sharma, "Gram Pratishtha - Sanitation Project", 4th FINISH conference on sanitation, Rising to the Sanitation (or lack of) Challenge, PHDCCI Conference Hall, Delhi, India, February 12, 2013

Building Economic, Social & Environmental Capital for the Nation

Mr. Nazeeb Arif,

Vice President & Head, Corporate Communications Department ITC Ltd, in conversation with Dr Nandita Mishra, Associate Professor, IMI Kolkata.
Session moderated by Dr. Ashesh Ambasta, Vice President and Head Social Investment Programme, ITC Ltd

On Triple Bottom Line Performance

ITC is inspired by the opportunity to make a meaningful difference through the enlargement of its contribution to the national economy. The Company's Sustainability Initiatives draw strength from its deep conviction that businesses can, and must, contribute to a larger societal purpose by fashioning corporate strategies that simultaneously build economic, environmental and social capital for the nation.

On Stakeholder and Corporate Social Responsibility

This focus on creating larger societal value has enabled ITC's businesses and value chains to generate sustainable livelihood opportunities for over 5 million people, many of whom represent the weakest sections of the society. In addition, its commitment to contribute to climate change mitigation and to the creation of natural capital has led to a symphony of efforts making ITC the only enterprise in the world of comparable dimensions to have achieved and sustained the three global environmental distinctions of being water positive (for 11 years), carbon positive (for 8 years), and solid waste recycling positive (for 6 years). Total shareholder returns over the last 15 years has grown at a compound annual growth rate of nearly 26%. These exemplary achievements have strengthened the Company's belief that it is possible to create and enhance shareholder value also by serving the society through a commitment well beyond the market.

On Global Sustainability Challenges

The predominance of the global market economy contributed to some serious challenges of which two major ones threaten to make economic progress unsustainable.

The first arises from the growing inequities in income distribution and wealth. A UNDP Report (2006) states that 10% of the richest adults in the world own 85% of the world's household wealth, while the bottom 50% have just 1% of total household wealth. The World Bank's recently revised 'international poverty line', identified on the basis of people living at less than \$1.25 a day, reveals that over 46% of Indian population live below this level.

These growing numbers lead to the second challenge – the threat of global warming and environmental degradation. The model of industrial growth without adequate attention to natural resource use

had the debilitating impact on air, water, soil and bio-diversity. This threatens the socio-economic security of the present as well as the future generations.

On Delivering Societal Development in the Context of its Business

Business can certainly make an invaluable contribution in meeting these global challenges. ITC believes that the best way forward for business is to focus on its contribution to the **Triple Bottom Line** objectives. This requires innovation and a concerted strategy to move from a unidimensional objective of only enhancing shareholder value to a more comprehensive goal of creating social and natural capital.

As Mr. Y. C. Deveshwar, Chairman ITC emphasizes: 'Corporates, on their part, are uniquely placed to play a constructive role in this process. Positioned, as they are, in the frontline of engagement with civil society, corporates have the wherewithal, including the more crucial managerial resources, to deliver social projects efficiently at a lower incremental cost'. ITC's own experience bears this out. Inspired by the opportunity to contribute to a more secure and sustainable future, it has structured innovative business models that leverage its brands, technological capability, agri-sourcing strengths and an unmatched trade distribution network to create unique opportunities for sustainable livelihoods.

On Long Term Competitiveness

The approach of crafting unique business models manifests itself through several unique initiatives such as ITC's globally acknowledged e-Choupal programme. In addition, ITC's Sustainability Vision is vigorously pursued through a dedicated social investment programme titled 'Mission Sunehra Kal' that aims to

empower stakeholder communities to conserve and manage their social and environmental capital. ITC has built a large portfolio of such projects.

ITC e-Choupal initiative

The e-Choupal initiative has become a fulfillment channel for a two-way flow of goods and services and raised rural incomes. ITC has not only gained from an efficient supply chain, which



Mr. Y. C. Deveshwar

add value to its packaged foods business, but has also created an inclusive model of business that empowers small and marginal farmers by giving them the power of digital connectivity and access to markets. The e-Choupal initiative today has empowered over 4 million farmers in 40,000 villages. It is a case study at Harvard Business School, has won several global awards, and has also been mentioned in the World Development Report of the World Bank in 2008, and Government of India's Economic Survey 2007.

ITC Choupal integrated watershed programme

This programme, designed to help farmers in identified moisture-stressed districts through scientific soil and moisture conservation projects, continues to bring precious water resources to several rural communities. The total area covered touched over 1, 20,000 hectares. The initiatives are further strengthened by several public-private partnerships. MOUs have been signed with NABARD and with the state governments of Maharashtra, Rajasthan and Madhya Pradesh.

ITC Choupal livestock development services

This programme targets livestock through a threshold increase in yields of milch animals. ITC's Animal Husbandry Services have reached out to over 9, 00,000 milch animals so far, creating avenues for non-farm based livelihoods.

On Development Challenges and Crafting New Strategies

Several years ago, ITC was confronted with a significant challenge in its paperboards business primarily due to cost effective access to fibre. ITC had the easier option to import wood pulp and carry on a 'business as usual' scenario. However, it chose to take on the more difficult route of mobilizing marginal farmers and tribals to plant trees on their private wastelands. This strategy implied longer gestation, substantial investment and considerable attention in managing uncertainty and risk. However, it enabled poor and marginalized farmers to create a sustained source of income for themselves.

ITC invested in extensive R&D to create clonal saplings, which would be disease resistant and grow much faster in relatively harsher conditions. Farmers use these saplings on degraded wastelands. The Company is a willing buyer of such produce, whilst the growers are free to sell to the highest bidder in the open market. Today, this programme covers over 1, 45,000 hectares and has provided over 65 million man days of employment. This approach has also brought additional benefits such as creation of a green cover for carbon sequestration, groundwater recharge, regeneration of biomass and the nurturing of depleted soils. The Social & Farm Forestry programme was conferred the World Business and Development Award at the recently concluded Rio+20 UN Summit by the UNDP, International Chamber of Commerce and the International Business Leaders Forum.

On Impact of Social Investment Programme

ITC's conscious strategy to enhance the competitiveness of value chains delivers social investment programmes that encompass the most disadvantaged sections of the society, especially in rural India.

ITC's engagement in the social sector since 2000 has addressed the major challenges of poverty, environmental degradation and climate change through interventions on two fronts:

- **Diversifying Farming Systems:** Broad-base the farm-based livelihood portfolio of the poor through initiatives in areas like e-Choupal, value-added crop rotation, animal husbandry etc.
- **Expanding Off-farm Income Opportunities:** Two initiatives – economic empowerment of women and community development.

These projects are spread across 60 districts of Andhra Pradesh, Tamil Nadu, Karnataka, Kerala, Odisha, West Bengal, Bihar, Madhya Pradesh, Maharashtra, Rajasthan, Uttar Pradesh and Haryana. ITC has supported women self-help groups and helped create sustainable livelihoods for nearly 40,000 rural women. The primary education programme has so far covered nearly 3, 00,000 primary school goers.

On Environment Management Systems

In line with ITC's vision to pursue a proactive low carbon strategy, a multi-pronged approach has been adopted. The large-scale afforestation initiatives help in sequestering twice the carbon emitted from the Company's operations. The propagation of sustainable agricultural practices help adapt to climate change. These actions are complemented by efforts to continuously enhance energy efficiency and conservation as well as invest in cleaner and renewable energy sources.

ITC continues to provide inspiration to the 'green buildings' movement in India. All ITC premium luxury hotels have been accorded the LEED (Leadership in Energy and Environmental Design) Platinum certification making ITC Hotels the 'greenest luxury hotel chain' in the world.

Today, over 41% of the Company's total energy consumption is from renewable sources. Several of ITC's factories, five premium luxury hotels and the Infotech park in Bengaluru are run 100% on wind energy. ITC's Wealth-out-of-Waste programme promoting recycling and source segregation is today supported by 300 corporates.

On ITC's Strengths and Beliefs

In conclusion, ITC believes that the need of the hour is to encourage innovation in corporate strategies and business models that will enable companies to co-create, with local communities, opportunities for sustainable livelihoods, as well as enrichment of natural capital. ITC believes that its vision, values and vitality have created a sustainable organization that is future-ready with a growing contribution to creating a large-scale societal value.

Integrating Ethics into Business: Challenges and the Way Ahead

By Dr. Sanjoy Mukherjee*, IIM Shillong

Prologue: The Times They are Changing

In his essay 'The Crisis of Civilization', his last testimonial left for the world on his 80th birthday, the genius of Rabindranath Tagore sounded a note that was poignant yet profound:

'I look around and see the crumbling ruins of a proud civilization strewn like a vast heap of futility... Yet I shall not commit the grievous sin of losing faith in Man...'

Centuries ago we heard the lament of Shakespeare, the Bard of Avon: 'Times are out of joint'.

And our modern bard and singer Bob Dylan wrote and sang: 'The times they are changing'.

The Present Scenario

With galloping and unprecedented change in every aspect of human existence in our 21st century, business leaders are increasingly finding themselves grappling with uncertainty and paradoxes. All predictions and calculations are simply going haywire in the face of turmoil and tremors from the global economic meltdown to natural catastrophe and finally increasing revelations of mega frauds and crimes in political as well as economic fronts.

Time has come to take a deep look and seriously question some of our fundamental principles and dominant assumptions of management thinking and practices and redefine the roles and competencies of future leaders starting with their ability to address some unsettling questions. The whole notion of ethics and the understanding of culture need to be revisited in a spirit of inclusiveness and integration amidst myriads of diversity.

This calls for a challenging embrace of this hour of transition from the conventional obsession with techno-economic imperatives and functional priorities towards an expanding perspective of education in a broader global setting but not sparing attention to the local nuances and characteristics. At a micro level it also marks a transition from our limited notion of the self as an economic entity to a deeper understanding of our true human identity and viewing ourselves deeply interconnected in an organic relationship with others in space and time.

Learning to live with uneasy questions that challenge the conventional mental models and stereotypes and finally embarking upon an adventurous odyssey into search for the real answers are the characteristics of this unsettling transition. The business leaders of today are compelled to take a fresh look at themselves and the world at large with an element of creative tension and irresistible discontent. The beginning of this journey in search of light from new horizons also demands a transformation of the mind-space from a mad, 'brave new world' of speed, information and numbers towards a sustainable earth with a passion for excellence, commitment to quality, concern for harmony in relationships, a quest for enduring values and ethics and an earnest seeking for wisdom.

With the dawning of leadership wisdom in our consciousness in the media world and the broader arena of business, the leaders of tomorrow can move ahead towards making a palpable difference in the quality of lives of the suffering humanity and the planet at large.

Embracing the Challenges

In his famous poem, 'The Rock', T. S. Eliot had lamented:

'Where is life we have lost in living?

Where is wisdom we have lost in knowledge?

Where is knowledge we have lost in information?'

Leaders of tomorrow must be bold enough to unfold a learning odyssey – a journey from information through knowledge to wisdom for future. Pertinent insights from the millennia old classical wisdom literature of India may throw light on new and unconventional sources of learning like learning from stories and parables, lessons from the workings of nature, learning from meaningful and engaging conversations and also learning from tryst with silence and solitude. Relevant inputs from great masters in the West need to be shared in the right context to make this journey truly global. Themes of creativity and communication will also be dealt with in the context of creating enduring impact upon the target audience through responsible media intervention. It is also critical to touch upon the art of asking questions that break the barriers of linear thinking and binary logic in our thoughts, perception and communication. Finally, it will try to leave the participants with some pertinent questions to carry back in their mind for further exploration. Millennia ago Socrates had remarked: 'An unexamined life is not worth living.'

Learning from Great Masters

Personal experience with teaching of ethics and values in business and academia in general reveals a sordid and sterile exercise by and large. Instead of making the inputs vibrant and engaging, the disseminators of knowledge on ethics make the subject insipid and lifeless by reducing the immensely potent and diverse topic to does and don'ts. Miserable failure to reach the world of thoughts of the extremely alert and intelligent students of the 21st century results in abject apathy of the fresh minds towards the issue. It was indeed our great cultural and intellectual fortune that Tagore left formal schooling in his very childhood! Then only he could write '*Bhalo mondo jahai asuk/sotyere lobo sohoje*' ('Good or bad whatever you find in your way/Accept the truth, come as it may' – translation mine).

How many of us will realize the power and potency of the words of Swami Vivekananda – 'Be wicked but be strong!' Narendranath (pre-monastic name of Vivekananda) didn't manage to get a job of five rupees a month in those days with all his background and erudition! Thank God, he couldn't! Five centuries back, the stellar figure of European Enlightenment Leonardo da Vinci was harping on the need to cultivate '*sfumato*'

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– the ability to embrace paradoxes, uncertainty and ambiguity – as a vital principle of learning for life. Truly enough, Andre Gide had revealed ‘The colour of Truth is grey’. Truth thus prevails in the twilight zone beyond the black and white to bring in all possible colours to life perennial. Fiery and bold was the exhortation of the German philosopher Nietzsche – ‘If one is to live, one is to live dangerously’.

Why Mahabharata?

No input on ethics can be meaningful and comprehensive without an access to the masterpiece *The Mahabharata* where all our fixation within our mental ‘boxes’ and stereotypes are shattered to open up horizons for a new awakening of our ethical consciousness.

Gurcharan Das, former CEO of Procter and Gamble India, a renowned literary figure and columnist argues that India’s current failures show that prosperity and democracy are not enough. ‘Prosperity had indeed begun to spread across India, but goodness had not’. He looks for answers in dharma, the moral law that sustains society, the individual and the world. Whether it is reigniting leadership commitment to excellence or upholding ethics and values in organizations, the principles of leadership that India’s epic heroes found in the *Mahabharata* are badly needed at this hour.

Here is a flavour of this epic in one of its passages: ‘In this cauldron fashioned from delusion, with the Sun as fire and day and night as kindling wood, the months and seasons as the ladle for stirring Time (or Death) cooks all beings: this is the simple truth’.

Alternative Learning: Towards a Creative Odyssey

Engagement with ethics is a creative odyssey. Unless this adventurous journey is enjoyed by the leaders, it can never appeal meaningfully to the organizational community. Questioning the existing patterns and frameworks of learning with respect is where one must start from.

This will challenge us to open ourselves to a whole repertoire of alternative as well as non-conventional sources and methods of learning beyond books and classroom lectures. Let us hear from Wordsworth in ‘The Tables Turned’:

‘Books! ‘tis a dull and endless strife,
Come, hear the woodland linnet,
How sweet his music! On my life,
There’s more of wisdom in it...
...Come forth into the light of things,
Let Nature be your Teacher.’

The uniqueness of such learning, personal as well as organizational (including academic institutions), will be in its conceptual diversity, multi-disciplinary character, pedagogical innovations and state of the art delivery mechanisms that expose the participants to a whole repertoire of alternative sources and methods of learning (Eastern and Western, ancient and modern) beyond the conventional modes of classroom lectures and case studies and discussions. These include:

1. Learning from Nature
2. Immersion in silence and contemplative as well as meditative practices
3. Sharpening the art of seeing and listening as a means to enliven experience and role effectiveness
4. Lessons from illuminating conversations

5. Integrating inputs from arts, literature, music, theatre and films for leadership excellence
6. Insights from wisdom literature of oriental as well as western traditions, cultures and philosophy
7. Storytelling and experience sharing
8. Guidelines from lives and works of thought as well as action leaders from different fields, both eastern and western
9. Participation in dialogues rather than debates for collaborative learning

Beyond the cliché of changing the mindset, there must be thrust on alternative learning barriers to holistic perception and widened perspectives methods will actually help the participants to **expand the mind space** and thereby overcome the barriers to holistic perception and widened perspectives created by our dominant limitations of linear thinking and trap of binary and judgmental functioning of our mental faculties. As William Blake puts it so succinctly in ‘Auguries of Innocence’:

‘To see a world in a grain of sand
And a heaven in a wild flower,
Hold infinity in the palm of your hand
And eternity in an hour.’

Epilogue: Quest for the Child Within

But where is the mind that chooses willingly to face turbulence and navigate through transition by asking questions? It cannot be a mind merely confined to limits of calculations around worldly affairs. ‘Let not earthly prudence whisper too closely into thy ears for this is the hour of the unexpected...’ remarked Sri Aurobindo while heralding ‘The Hour of God’. But how would the notion of God appeal to a rational, technical and skeptical 21st century mind? Thus, where do we find God? The best answer comes from Sri Aurobindo himself:

‘What is God after all – an eternal child playing an eternal game in an eternal garden?’

The child within us may have the magic mantra of this transformation but it has hardly been tendered for long years. But we have sacrificed her beyond redemption at the altar of lifeless structures and mindless systems in professional and academic arenas. Tagore was sensitive enough to quit schooling in childhood so that the child in him with a vibrant and beautiful mind could ever flow in abundance like ‘Awakening of the Waterfall’ (*Nirjhorer Swapnobhongo*):

‘I shall run from one mountain peak to the other,
And roll from a bed of earth to the other,
Laughing aloud, singing amuse,
Clapping with every rhythm of life!’

Shall we awaken the child within to make this journey to ethical excellence a creative and vibrant odyssey?

Then, where do we start from? Charity begins at home. One may start by spending some time with children around us every day – not to teach them but to watch them and learn from them deeper lessons of life in a way that is so simple and joyful! Who knows they may show us the new dawn in the days to come.

‘Perhaps the dawn will come from the East where the Sun rises.’

That final note of hope from Tagore in ‘The Crisis of Civilization’ still rings in the ears:

Leaders of tomorrow, are we listening?

Sustaining the Sustainable Business Practices

Mr. Ajit Kumar,

General Manager (HRD) and Head CSR, Coal India Ltd, in an interview with Dr Nandita Mishra, Associate Professor, IMI Kolkata, at CIL office, Kolkata

Coal India's commitment to CSR is vastly different from its mainstream function. When did it start?

Corporate Social Responsibility (CSR) is a company's commitment to operate in an economically, socially and environmentally sustainable manner, while recognizing the interests of its stakeholders. This commitment is normally beyond statutory requirement.

The poor and needy people of the society living in and around coalfields/mining areas in different parts of India are the major beneficiaries covered under CSR activities. The CSR policy is operational within the radius of 25 km of the project site and areas including headquarters, as well as beyond mining areas within the respective state. Coal India Limited (CIL) being a holding company executes CSR activities, which are beyond jurisdiction of subsidiary companies.

Long back, even before CSR became a global concern, Coal India started fulfilling the aspiration of the society through well-defined 'Community Development Policy'. This has resulted into a harmonious relationship between Coal India and the peripheral communities. CIL has a well-defined CSR policy introduced w.e.f. June 29, 2010 based on the guidelines issued by Department of Public Enterprise for central PSUs on CSR in April 2010, which is also applicable to the subsidiary companies of CIL. This makes CSR more practical with broader perspective.

What is your idea on different CSR projects?

The scope of CSR activities of CIL and its subsidiary companies are broadly executed by way of education facilities, pure drinking water supply, medical facilities, social empowerment, relief of victims of natural calamities/disasters, adoption of village for carrying out the activities like infrastructural development i.e., road, water supply, electricity and community centre etc.

A few of the major CSR initiatives taken by CIL are as under:

- Infrastructural grant to Netaji Subhas Chandra Bose Cancer Research Institute for the development of their existing setup of bone marrow and umbilical cord blood transplantation and stem cells research unit
- Funding Alipurduar Municipality for setting up of water treatment plant for underprivileged people
- Funding for 500 bedded multi-specialty general hospital for needy and underprivileged to Bharat Sevashram Sangha (amounting ₹ 1 crore)

- Support to West Bengal Transport Infrastructure Development Corporation for construction of sports hostel at Kolkata for swimmers (₹ 57 lakhs)
- Construction/repairing of roads, green belts and sanitation under Kanpur Municipal Corporation area, Kanpur (₹ 114.38 lakhs)
- Financial support for promotion and preventive healthcare through awareness in rural population by conducting camps in 23 villages in the district of Kamrup, Assam
- CIL headquarters has also released ₹ 100 crores in favour of the Chief Minister's Relief Fund, Uttarakhand for the disaster at Uttarakhand and ₹ 50 crores to the victims of Phailin cyclone to the Government of Odisha
- CIL's total committed and actual expenditure on CSR activities during 2012-13 was ₹ 551 crores

What are your plans for future projects of CSR?

CIL headquarters has the following plans:

- Financial support to the government of Jammu & Kashmir for construction of Trauma Centre in the district of Leh for the victims of cloudburst
- Support for imparting professional training to the visually impaired and creating employment avenues through National Association for Blind, Gurgaon
- Support for Sunebadahill area development plan by way of providing bicycles for 12,000 households for ensuring better mobility in Nuapada district, Odisha
- Support for installation of solar lights in the backward areas of district Siddharthnagar, Uttar Pradesh
- Support for community drinking water project to ensure safe and clean drinking water to the people of Bishnupur Municipality, district Bankura, West Bengal

What type of skill development does your organization do?

The thrust of CSR activities is on inclusive growth, sustainable development and capacity building. Some of the skill development initiatives already undertaken by CIL and its subsidiary companies are as under:

- Imparting ITI training/education to promote technical skill development of youth on cutting-edge courses/trades as well as skill development to readily cater to the core industry. Training

is imparted through Kabiguru Industrial Training Centre (KGITC) at Birbhumi, West Bengal, one of the stakeholders. The ITI would cater to the specific manpower requirement of mining industry

- CIL has principally agreed to join the West Bengal state government as one of the industrial partners for setting up of a new IIIT on PPP model at Kalyani, West Bengal with CIL's share of approximately ₹ 7 crores

How do you internally assess the impact of CSR on the beneficiaries?

Assessment is done by regular visit to project site and submission of report by the CIL team comprising of executives from CSR, finance and other relevant departments. Also, utilization certificate duly signed and certified by practicing Chartered Accountant with regard to amount spent for a specific job and creation of assets are obtained from concerned agencies/NGOs in every phase of CSR work for which financial support are granted.

What are the challenges of Coal India in mitigating CSR needs?

Challenges faced by Coal India:

- As per DPE guideline, planning for CSR activities should be based on long term sustainable approach and should ensure that the benefits reach the smallest unit i.e. village, panchayat, block or district. It was a difficult task to accomplish as CSR was a new concept.
- CSR projects are to be implemented by specialized agencies. In order to quantify the impact need assessment, conducting baseline survey before start of any project is a must. This time-consuming process resulted in delay in the finalization of the projects.
- The delay in getting NOC/site clearance from the local authority has also been an area of constraint.
- CSR activities are often implemented through outside agencies/NGOs. Selection of authentic NGOs having proper credentials is also a challenge.

Challenges are dealt with following measures:

- Well-defined CSR policy has been introduced based on the guidelines issued by DPEs covering the scope of CSR activities as well as the modus operandi.
- CIL has entered into a MOU with Tata Institute of Social Sciences (TISS) for extending guidance and assistance in implementation of CSR activities.

- A separate department has been established headed by General Manager for execution of CSR activities in a befitting manner
- A prescribed format has been introduced for receiving CSR proposals, which are being implemented through NGOs and other agencies
- District Collectors/state authorities are involved in implementation of CSR activities keeping in view the sustainability of the projects



Signing of MoU between Shri Ajit Kumar, GM(CSR), CIL and Shri S Simrandeep Singh, IAS, Deputy Commissioner, Ladakh Autonomous Hill Development Council, Leh (J & K) for construction of Trauma Centre at district Leh (Ladakh)

Your comments on forming a CSR committee and its role.

The institutional mechanism for implementation of CSR activities is taken up by separate CSR department under the jurisdiction of Director (P & IR) headed by General Manager CSR along with five Executives.

- A two-tier CSR committee – one Board Level Committee consisting of Independent Directors and Regular Directors and one CSR Committee comprising of six General Managers – has been formulated for taking proper decision towards implementation of CSR activities based on the value of the project

- For approving CSR projects there is a committee consisting of six General Managers who can approve projects up to ₹ 1 crore
- A CSR SD Board Committee consisting of five Directors (three Independent and two Working) is formed, which can approve projects up to ₹ 10 crores
- A CIL Board Committee has been formed for approving projects above ₹ 10 crores

Any change in strategy with new CSR Act?

CIL believes in 'mining with a human face' through a socially sustainable inclusive development to improve quality of life with community consensus. Some of the policies are:

- New CSR policy adopted and provided CSR budget as 5% of retained earnings of previous year subject to minimum of ₹ 5/- per tonne of coal production of previous year, whichever is higher
- Inclusive model of all-round growth for Project Affected People (PAP)
- Massive social investment in education, health and community development
- Skill development programme

The Ethics Era and the Demise of *Caveat Emptor*

By Dr. Rituparna Basu, IMI Kolkata

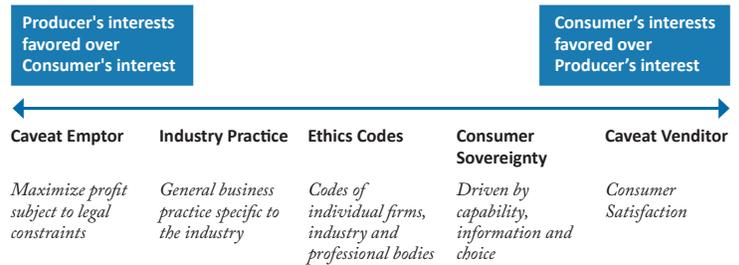
First potato. Then salt. The sight remained the same with serpentine queues in front of the stores and malls, where even the much educated elites rushed to their nearest store to see the stocks vanishing from the shelves within a flash. Flummoxed consumers were ready to pay five times the price, a price for being in control of their monthly requirements. The question that bothered us was whether this was yet another instance of failed marketing intelligence, unethical pricing and marketers taking advantage of vulnerable consumers.

In the world of marketing where much of marketing is about creation and communication, marketing ethics is more of a contradiction. The basic marketing task of anticipating needs seems inherently unethical. Marketers often turn out to be their own worst enemies. Consumer cynicism around advertisements or promotions results in the inevitable back lash of consumer boycotts and even more skeptics who consider marketing as synonymous with the words like scam, ploy or trick. The inherent conflicts in marketing related to competition, identity, quality of products, social responsibilities or extent of consumer friendly services add to the larger ethical drama to battle the constant pressures of the right or wrong values and norms.

Whatsoever, facing globalization and intensifying competition, such moral strains on marketing are getting harder to afford. Competitive pressures of the largely static markets bring the ethical dilemmas in focus. Most consumers see ethical products or marketers as something that is sustainable. Brand marketing that guarantee quality, and provide a level of trust and security are most welcome in the diverse and complex marketplace. When Starbucks work with their coffee bean growers to improve their farming methods and quality of the beans, it speaks for the set of values that lies at the heart of such successful corporations.

Marketing ethics primarily relates to ethical practices in the realms of marketing activities like pricing, advertising to kids, concerns around overselling, coping to vulnerable consumers and many more. Its overlap with the HR ethical issues is normal because of the interaction. In the present ethics era the widespread concern about ethics in public and private life encompasses the society, and consequently the acceptable marketing practices starts shifting along a continuum. The marketer expecting their buyers to beware while they themselves just abide by the laws gets redundant. While statutory warnings on cigarette packs are not totally unacceptable as an ethical marketing practice, the presumptions of *Caveat Emptor*¹ that requires a cigarette consumer's heightened degree of vigilance to accept being duped occasionally does not suffice any longer.

It is imperative that the growing obligation of the firm towards its consumers is moving the marketing ideology along a



Adapted from Smith's 'Marketing Ethics Continuum', MIT Sloan Management Review (1995)

continuum, on a plane of conflicting producer's and consumer's interest. Though the positions along the continuum reject a perfect win-win scenario, yet it never suggests a zero-sum game either. In the mixed markets *Caveat Emptor* remains outdated. The industry marketing practices and the corporate codes of ethics with a little more discretion around the specificities of the industries or standards set by professional bodies are more of an average ethical marketing practice. The normative practices start with the consumer sovereignty position determined by the marketer's level of commitment to ensure the capability, information and choice for its consumers. It obliges the marketer to understand the consumer's actual or potential vulnerability, serve their information needs and give them a choice of movements between brands. The *Caveat Venditor*² in contrast with the *Caveat Emptor* position asks the seller to beware. However, in such context protecting the consumer to that extent might result in paternalistic consequences. One might argue that, marketers protecting consumers and determining what is best for them even at the cost of the firm's economic disadvantage is too much to ask for.

Nevertheless, the task is to address dilemmas at the micro level even under conditions of market level uncertainties. Such initiatives can plausibly take different forms from the broader realm of the good life and that of a responsible society. A pragmatic interpretation of the invoked moral value or principle of any given ethical situation is expected to consider the context and meaning around the discourse of the particular action in the realm of the particular social environment. As a simpler thumb-rule practice, the benchmarks for evaluating marketing practices based on an appropriate balance of consumers' and producers' rights seems to be the most appropriate. Consequently, marketing ethics in the modern times is increasingly favouring the consumer sovereignty position that requires a moral impulse even in times of uncertainty or crisis. Here, the decision makers are expected to exercise judgment, based on their values and interpretation of the facts where the conscience signals the right over wrongs. And *Caveat Emptor* rests in peace at responsible corporations.

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¹ *Caveat Emptor* is Latin for 'let the buyer beware' | ² *Caveat Venditor* is Latin for 'let the seller beware'

Doing Well by Doing Good

By Dr. Nandita Mishra, IMI Kolkata

Corporate Social Responsibility, even after the Companies Act 2013, remains a deeply controversial issue in business circles. Many feel CSR is a stealth tax that starves the value-creation process of capital. However proponents contend that CSR itself is a wealth-creating opportunity.

CSR efforts may become counterproductive in two circumstances, (i) when it is pitted against society, while the two are interdependent and (ii) when companies practice CSR in the generic ways instead of strategic ways. In order to practice strategic CSR, we need to identify points of intersections between the company and the society. Does the organization affect the society negatively, does it create environmental hazard and does the organization provide safe working conditions?

Corollary to the first issue, one needs to identify how social needs are to be addressed in order to create shared values. If corporations were to analyze their prospects for social responsibility using the same framework that guide their core business choices, they would discover that CSR can be much more than a cost, a constraint or a charitable deed. It can be a source of opportunity, innovative and competitive advantage.

Four major justifications for CSR are moral obligation, sustainability, license to operate and reputation. The CSR field remains strongly imbued with a moral imperative. Honesty in filing tax or publishing financial statements or operating within the tax system is both easy to understand and apply. However these principles do not tell a company how to allocate revenues for sustainability or how to preserve conventional energy, neither do they tell how to provide dividends to its investors through CSR activities. The challenge in meeting the needs of the present without compromising the ability of future generation is sustainability. Many companies justify that CSR is done for brand building and image. Porter and Kramer (2002) call this win-win situation, strategic CSR. In course of time CSR (Corporate Social Responsibility) would be used interchangeably with CSI (Corporate Social Integration).

The shift from responsive CSR to strategic CSR is far more competitive. Corporations cannot solve all the problems in the world. But each company can identify the particular set of societal problems that it is best equipped to help resolve and from which it can gain the greatest competitive benefit.

In pursuing societal needs, all organizations face constraints on their methods and results. For example, the economics of survival requires each entity to produce the results that generate the donations, taxes, or profits needed to operate. At the same time, these results must be attained by methods that are deemed acceptable to the larger society.

Leaders of all organizations constantly grapple with the balance between methods and results. When these issues involve for-profits, CSR helps businesses balance the means they use and the ends they seek. It does this by ensuring that profit-seeking businesses plan and operate from the perspective of multiple stakeholders. The problem that a firm's decision makers face is simple to state: Which stakeholders and what issues matter under the broad heading of corporate social responsibility as it pertains to their organization? The simple (if not simplistic) answer depends on the for-profit's strategy. And, because these strategies vary widely, the right mix will differ from firm to firm and will evolve over time as firms adapt both their strategy and execution to increasingly turbulent operational environments. The result: It is impossible to prescribe the exact issues that any firm is likely to face at any given time. Instead, a strategic lens offers the best viewpoint through which to study CSR.

Companies need to view CSR through a strategic lens. Although businesses exist for many reasons, survival depends on profits. These profits depend on revenues that only come about through customers who are satisfied with the value the firm offers through its competent and motivated employees. The pursuit of profits, however, is so broad a mandate that it offers little guidance about where to begin or what to do. Instead, insight comes from understanding the need in the society that the business seeks to meet. Ideally, an organization's vision is an articulated statement of what it seeks to be and become. A vision that ignores the larger role that a firm plays in society is likely to be not sustainable. Vision statements must appeal to multiple stakeholders, including customers, members of the organization (employees), its direct beneficiaries (owners), and the larger community in which the organization operates (society), broadly defined.

Doing well by doing good isn't just fashionable; it's becoming part of the corporate DNA. The business case for CSR is compelling. 'If ethics fails to persuade you, the bottom line should' (*Caribbean Business*, May 2004). That is because, the more a company makes CSR as part of its core business, the more profitable and competitive the company becomes. It has been proven that the social non-financial improves the financial, as confirmed by numerous studies and successful cases.

Proliferation of CSR reports has been paralleled by growth in CSR ratings and rankings. The rating game is often confusing. In an effort to move beyond this confusion and self-appointed score keepers, corporate leaders have started collaborative work with NGOs, consulting firms and academic experts.

The primary school of thought of CSR has given way to the emerging new approach, which would again be integrated as CSI (Corporate Social Integration).

We have miles to go before we leap!

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IMI Kolkata Centre for Corporate Governance and Corporate Social Responsibility

IMI Kolkata is a partner institution of Indian Institute of Corporate Affairs, Ministry of Corporate Affairs, Government of India for its IICA Certificate Programme in CSR (ICP-CSR)

The Centre for Corporate Governance and Corporate Social Responsibility (CCGCSR) carries out development and dissemination of knowledge focused on corporate governance and CSR issues. The work done by this centre has fetched recognition from industry and government. Some of them include the following:

- IMI Kolkata has been selected to be a partner by Indian Institute of Corporate Affairs (IICA) for its flagship programme 'IICA Certificate programme in CSR' for the year 2013-2014. IICA has been established by the Ministry of Corporate Affairs for capacity building and training in various subjects and matters relevant to corporate regulation and governance.
- IMI Kolkata is accredited as National Centre for Corporate Governance by National Foundation of Corporate Governance (NFCG). NFCG has been set up by the Ministry of Corporate Affairs (MCA), in partnership with the Confederation of Indian Industry (CII), the Institute of Company Secretaries of India (ICSI) and the Institute of Chartered Accountants of India (ICAI).

The CCGCSR Team

The IMI Kolkata CCGCSR team consists of three of its faculty members, who have also been selected the CSR Master trainers by the Institute of Corporate Affairs, Government of India. Following is a brief profile of the team members:

1. **Dr. Tirthankar Nag, Dean (Academics) & Associate Professor (Strategy):** Tirthankar is an experienced researcher with proven publications on CSR. He has also organized workshops on corporate governance with focus on CSR. Tirthankar is Fellow from the IIM Ahmedabad and has taught at IIM Ahmedabad, IIM Calcutta and IIM Kashipur as visiting faculty. He has authored several books, book chapters and papers in peer reviewed international journals.
2. **Dr. Nandita Mishra, Associate Professor (Economics & Public Policy):** Nandita's Ph.D thesis was on CSR. Nandita has long experience in teaching and executive training in several reputed business schools across India and abroad. As a researcher with interest in CSR, she has published research papers on: 'Ethical Leadership', Research Journal – *Pathh*, St Francis Institute of Management and Research, 2007, Second Edition; 'A Paradigm of Organizational Adaptation to Corporate Social Responsibility', Research Journal – NIRMA Institute of Management, January 2009; 'Ethics in the Marketplace', National Management Convention, Asian School of Business Studies, Bhubaneswar; 'Ethical Organizations and Employees', Asian Journal of Management Research. http://ipublishing.co.in/ajmrsp1no1_2011.html June 2011.
3. **Dr. Chanchal Chatterjee, Assistant Professor (Accounting & Finance):** Chanchal addressed the issue of corporate governance in relevance to existing share buy-back regulatory framework in his doctoral dissertation, which was awarded the best Ph.D thesis by IIM Ahmedabad in the year 2010.

Corporate Social Responsibility in Companies Act 2013

The Directives

Corporate Social Responsibility (CSR) has emerged as one of the prominent areas in the Companies Act, 2013. The CSR agenda during any financial year covers every company in India having net worth of ₹ 500 crore or more, or turnover of ₹ 1,000 crore or more, or net profit of ₹ 5 crore or more.

The Act has provided that such a company shall constitute a CSR Committee of the Board consisting of three or more Directors out of which at least one Director shall be an Independent Director. The Committee shall ensure that in every financial year it spends at least 2% of the average net profit made during the three immediately preceding financial years, in pursuance of its CSR policy and shall give preference to the local area and areas around it where it operates, for spending the amount.

Responsibilities of the CSR Committee include formulating and recommending CSR policy indicating the activities to be undertaken, recommending the amount of expenditure to be incurred and monitoring the CSR policy of the company.

Activities that may be included in CSR policies are those relating to eradicating extreme hunger and poverty, promotion of education and gender equality, empowering women, improving maternal health, ensuring environmental sustainability, reducing child mortality, developing employment-enhancing vocational skills among others.

Resources for Further Readings:

- <http://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf>
- <https://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/taxnewsflash/Documents/india-sept20-2013no4companies.pdf>
- http://gtw3.grantthornton.in/assets/Companies_Act-CSR.pdf
- <http://www.ilo.org/public/english/support/lib/resource/subject/csr.htm>
- http://articles.economictimes.indiatimes.com/2013-09-05/news/41803586_1_csr-corporate-social-responsibility-india-inc