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Tiruchirappalli – 620102

Phone : +91 94896 71437 – [info@iledu.in](mailto:info@iledu.in) / [Chairman@iledu.in](mailto:Chairman@iledu.in)



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## THE POLICIES OF CORPORATE SOCIAL RESPONSIBILITY AND HOW CORPORATE GOVERNANCE LAWS IMPACT THE SAME

**AUTHOR** – DEEWANSHI AGRAWAL, STUDENT AT UNIVERSITY OF PETROLEUM AND ENERGY STUDIES, DEHRADUN

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### **ABSTRACT**

*Corporate social responsibility (CSR) and corporate governance are the subjects of this article's investigation. The underlying assumption is that CSR policies and extra-financial performance are significantly influenced by governance factors. To be more specific, this article pinpoints three primary factors that influence the degree to which companies engage in CSR: the construction of value proprietorship (character of investors), the synthesis and design of top managerial staff, and the administrative structure on corporate administration and CSR. We show how the rise of CSR was paved and shaped by changes in corporate governance over the past three decades. In addition, based on whether the corporate governance model is based on the shareholder, stakeholder, or hybrid regime and whether the CSR reporting regime is stringent or non-stringent, this article develops a typology of CSR and governance structures that distinguish OECD nations.*

### **INTRODUCTION**

In India, the term "corporate social responsibility" (CSR) has been around since the beginning of the 1970s. Generosity and CSR is definitely not an original idea for Indian Organizations. Indeed, even before the presentation of any legal rules, a portion of the Organizations were releasing their Corporate Social Obligations by locking in themselves in financial and other altruistic exercises like advancing schooling, adding to the social advantages in the circumstances of regular disasters what's more, wellbeing of the average folks by arranging wellbeing camps. The dashboard of Indian Companies now has a formal mandate for corporate service responsibility thanks to the Companies Act of 2013. An attempt to supplement the government is the CSR mandate. efforts to distribute the growth's benefits fairly and involve the business community in the country's development plan. CSR can be defined as the

"continuous commitment by the business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as the local community and society," despite the lack of a specific, broadly applicable definition. Taking into account the support and sacrifices made by society, the corporate entity owes a duty of care to the community. The idea of corporate social responsibility (CSR) is that businesses should take on all aspects of their operations that have an impact on customers, employees, shareholders, communities, and the environment in order to serve society's interests.

CSR "means and includes but is not limited to (i) Projects and programs relating to activities undertaken by Board of Directors of the Company in pursuance of recommendations of the CSR Committee of the Board as per the declared CSR policy of the Company subject to the condition that such policy will cover subjects enumerated in schedule VII of the Act,"



as stated in clause 135 of the Companies Act of 2013. The principles of the National voluntary guidelines on social, environmental, and economic responsibilities of businesses released by the Ministry of Corporate Affairs, the SEBI guidelines on Business Responsibility Reporting, the Companies Act of 2013, and the ethos of our sponsor, Canara Bank, serve as the foundation for our CSR policy.

#### **OBJECTIVE OF CORPORATE SOCIAL RESPONSIBILITY**

The CSR policy aims to improve education, eradicate extreme poverty and hunger, promote gender equality, empower women, reduce child mortality and improve maternal health, ensure environmental sustainability, provide employment-enhancing vocational skills, support social business projects, and promote and protect natural heritage and culture, among other issues of common good.

Monetary contribution to any Central Government-established fund or the Prime Minister's National Relief Fund. or the State Govt. for the benefit of Schedule Caste and Schedule Tribes, other backward classes, minorities, and women's welfare, relief and rehabilitation for victims of natural disasters, and social and economic development. Advancement and supporting some other exercises to be prompted by the Govt. or approved from time to time by the Board.

Encourage and promote eligible trusts and societies, as well as other implementing agencies registered under Section 8 of the Companies Act, who are promoting the aforementioned goals independently or jointly with other businesses.

#### **THE CSR COMMITTEE**

The CSR council of the Board ought to be comprised by the Governing body of the Organization now and again. At least three Directors, one of whom must be an independent Director, must make up the committee. The Chairman of the Board of Directors and the Managing Director are the additional members

of the Committee. In accordance with subsection (3) of section 134 of the Companies Act, the CSR Committee's membership must be made public in the Board report. The CSR Committee's term must begin on the date of its formation and last at least three years. In the event that any of the company's directors who are also members of the CSR Committee retire, the Board must re-nominate another company director to serve as a reminder of the period.

Any independent Director of the company who is a member of the CSR Committee may serve as Chairman of the Committee. The Chairman of the CSR Committee must convene the committee at least twice a year, or at other convenient times as determined by him or her. The CSR Committee is responsible for ensuring that the company's CSR activities are carried out in accordance with the CSR policy and that the performance in relation to projections is presented to the Board of Directors twice a year, in September and March.

#### **FUNCTIONS AND RESPONSIBILITIES OF CSR COMMITTEE**

The CSR Committee of the Board is responsible for developing and recommending a CSR policy to the Board that details the CSR policy's activities in accordance with Schedule VII of the Companies Act and any alterations made by the government. every now and then. The CSR policy must also be reviewed by the Committee at least once a year or at other appropriate intervals. The company is obligated to investigate the corporate social responsibility (CSR) policies of other housing finance companies in its peer group as well as CISR, gather the necessary guidance for CSR activities, determine the method by which CSR funds are spent on eligible activities on a regular basis, and recommend any changes to the CSR Committee regarding the policy, goals, and allocation or spending of CSR funds.

The annual or project-by-project estimates and computations for CSR activities are the responsibility of the CSR Committee. All the use to be brought about towards CSR exercises will



be checked on by the Board, dependent upon such monitory roofs as might be endorsed by the Organization's Demonstration.

#### **RELATION BETWEEN CORPORATE GOVERNANCE AND CSR**

At first, CSR was only thought of in terms of philanthropy or charitable giving. However, this philanthropy-based model of CSR has been fundamentally replaced by a stakeholder participation-based model in the post-liberalization phase. Additionally, corporate social responsibility (CSR) is gradually being integrated into corporate governance procedures. Ethical business practices and an organization's responsiveness to its stakeholders and the environment are at the heart of both Corporate Governance and CSR. Corporate

Administration and CSR results into better picture of an association and straightforwardly influences the exhibition of an association.

The OECD standards on Corporate Administration, UN Worldwide Conservative Support illuminate CSR conspire however in India CSR, by righteousness of proviso 49 of the posting arrangement, have been made absolutely discretionary.

It is pertinent to mention that ethical behaviour, sustainability, transparency, and disclosure are major themes in both CSR and Corporate Governance. In addition, it is important to note that while Corporate Governance is the most extensive control mechanism within which a company takes its management decisions, CSR is based on the concept of self-governance, which is connected to external legal and regulatory mechanisms. Additionally, CSR and Corporate Governance share a number of goals and advantages, some of which are outlined below:

- Rebuilding public confidence through increased financial and non-financial reporting transparency, thereby increasing shareholder value.

- Building a solid brand reputation for the business.
- Significantly enhancing its relationship with a variety of stakeholders.
- Making a positive contribution to the growth of the society and region in which it operates Addressing the concerns of its various stakeholders in a balanced manner in order to maintain a strong market position

In addition, it may be worthwhile to note that, despite the presence of some provisions in the Companies Act of 1956, unlisted companies do not have a robust corporate governance system. In this context, the connection between Corporate Governance and CSR is extremely significant and significant. Examining the legal and regulatory framework pertaining to CSR and Corporate Governance would be worthwhile in order to evaluate the current state of CSR and Corporate Governance.

#### **LEGAL LANDSCAPE BETWEEN CORPORATE GOVERNANCE AND CSR IN INDIA**

A potential convergence between CSR and corporate governance emerges as CSR adapts to current business practices and the legal framework and becomes increasingly driven by ethical norms and the need for accountability. The provisions pertaining to CSR and corporate governance fall under the following headings in India:

The Securities and Exchange Board of India and regulations (applicable to listed companies) The Companies Act of 1956 (applicable to both listed and unlisted companies) It should be noted that the norms for unlisted companies are comparatively simpler and are outlined in the Act. However, all of the provisions of the Companies Act of 1956 and the SEBI regulations regarding transparency, disclosure, and corporate governance, as well as those of the listing agreement with the Stock Exchange, apply to listed businesses.

The Organizations Act, 1956- The Organizations Act, 1956 is material to all kind of organizations, both recorded and unlisted organizations. The



Demonstration contains elaborate arrangements about the working of organizations and arrangement, job, position, obligations and liabilities of directorate as well as security of premium of financial backers in instances of persecution.

Section 252 of the Act, which allows a company to appoint directors who are small shareholders, is one of the important provisions. In addition, the Directors' authority over a variety of subjects is restricted by Section 292 of the Companies Act of 1956. Additionally, companies are restricted by Section 372 A from providing loans, guarantees, and the like without first obtaining shareholder approval. Clause 49 of the Listing Agreement The SEBI's Kumar Mangalam Birla Committee on Corporate Governance made significant changes to the norms of corporate governance by changing the Stock Exchanges' listing agreements, specifically Clause 49 of the Listing Agreement.

All listed companies are subject to Clause 49 of the Listing Agreement with the Stock Exchange, which contains elaborate provisions to enhance corporate governance by ensuring transparency, disclosure, the appointment of independent directors, a remuneration committee, and an audit committee.

The Companies Bill, 2011 According to the most recent draft of the Companies Bill, 2011 that has been finalized by the Ministry of Corporate Affairs, it has been decided to take a middle path in enforcing corporate social responsibility (CSR) by giving businesses the option of spending 2% of their net profits on philanthropic endeavors or mandatorily explaining why they would not be able to do so. Due to the serious objections of the business community, the earlier draft had a mandatory requirement that businesses devote 2% of their profits to CSR initiatives. This has diluted the proposed mandatory CSR spending provision.

In addition, the Companies Bill of 2011 has made a significant advancement by incorporating Class Action or Derivative Action provisions in

Clause 216. Class Action and Derivative Action are exceptions to Foss v. Harbottle's majority rule, which discusses class actions. Shareholders make decisions through resolutions, and the decisions of the majority will take precedence in corporate democracy. Under Sections 397 and 398 of the Companies Act, 1956, Class and Derivative action in Corporate Governance was permitted in very limited circumstances in India in cases of oppression and mismanagement in the event that the majority commits fraud and misfeasance, thereby violating the corporate rights of the minority.

While, under Statement 216 of the Organizations Bill accommodates Class Activity and Subordinate Activity to safeguard interests of minority investors, this will additionally fortify the component of Corporate Administration.

#### **CONCLUSION**

For a long time, the methodology of organizations on the job of business in the public eye could be summed up with the accompanying expressions of Milton Friedman: "there is one and only one social obligation of business to increment its benefits" and "Business of business will be business". Nonetheless, it could be advantageous to specify that the world has moved a long way ahead from the previously mentioned expressions of Milton Friedman, presently a day's Corporate Administration what's more, CSR are fundamental piece of any organization.

Under the various provisions discussed above, it should be noted that the provisions of Corporate Governance are currently mandatory and recommendatory. However, CSR is completely optional and does not have a specific system. Additionally, India would benefit from incorporating CSR provisions into the Corporate Governance framework due to their interconnectedness and complementarity.



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