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UNDER COMPANIES ACT 2013**

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ALL ABOUT CSR & STATUTORY RECOGNITION UNDER COMPANIES ACT 2013

Kinkini Chaudhuri¹

INTRODUCTION

Recent changes to Indian corporation law, such as the adoption of the Companies Act 2013 and subsequent amendments, have seen a transition away from the shareholder model of governance and toward a stakeholder model. The Act of 2013 gives statutory recognition to a director's fiduciary obligation, which extends beyond shareholders to include employees, the community, and environmental protection.

Additionally, independent directors must "*safeguard the interests of all stakeholders, particularly the minority shareholders*" and "*balance the competing interest of the stakeholders,*" according to Schedule IV of the Act 2013, which contains a code of conduct for independent directors.

MEANING OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

There are several definitions of the notion that have been offered, but none of them is acknowledged as being exhaustive. Generally speaking, corporate social responsibility is a concept where businesses and organisations work toward societal well-being and its related elements in addition to their own profit-making goals. When a business firm intentionally and purposefully takes steps to improve the social well-being of those whose lives are impacted by the firm's economic operations, this is known as corporate social responsibility (CSR).

According to the Journal of Management Studies, CSR is more specifically defined as "*circumstances where the firm goes beyond compliance and engages in acts that appear to serve some societal good,*

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beyond the interests of the corporation and that which is required by law." It wouldn't be incorrect to state that corporate social responsibilities (CSR) are essentially public relations (PR) strategies employed by firms and corporations to keep linkages to the outside world and human society.

According to The World Business Council for Sustainable Development, corporate social responsibility is the ongoing commitment made by businesses to act morally, promote economic growth, and enhance the lives of their employees, their families, the local community, and society as a whole. The discipline of CSR is not only concerned with these things; it is always changing and growing in response to societal demands and shifting global trends. Prior to the change in time, only top-tier businesses, or perhaps we should say multinational companies, used this tool for the benefits of the business and the expansion of its scope. However, as the corporate world has become more competitive, every corporate entity, whether it be a three-tier company or a local business mart in the city, has incorporated the concept into its business policies. Because the idea addresses the three main aspects of social, economic, and environmental well-being, it is also referred to as a "triple bottom line" by multinational and transnational corporations that are applying their core strategic minds to developing ideas in the area of fulfilling social obligations.

EFFECTS OF CSR ON HUMANS

Both the idea of human rights and corporate social responsibility are universal phenomena. Understanding the social, economic, political, and environmental issues that CSR affects is essential to comprehend the philosophy of CSR and how it affects human rights and existence. Social considerations include things like consumer protection and awareness, rights against exploitation, the idea of fair prices, labour rights and protection, and individual and societal sustainability.

Investments, altruism, the supply chain, subsidies, the creation and consumption of commodities, etc. are all examples of economic variables.

Finally, health, safety, environmental protection, pollution control, global environmental crises, waste management, climate change, and similar environmental factors are the environmental factors that influence and marginalise the working mechanism of Corporate Social Responsibilities. In a manner similar to that of political factors, environmental factors also include conflicting interests, bureaucracy, corruption, political pressure, leadership, governmental and non-governmental organisations, etc.

A rising number of top businesses are committed to employing a human rights framework to help design more ethical and successful corporate behaviour because they recognise the importance of equal corporate opportunities. Individual (civil) rights, political rights, economic and social rights, rule of law, and community rights are the four main components of human rights standards. These human rights standards are seen by corporations and other commercial entities as benchmarks that must be attained in order for CSR to be truly effective.

AREAS OF SPENDING THE FUND

According to the Companies Act, 2013, businesses that meet certain net worth, turnover, or net profit requirements are required to devote at least 2% of their average net profits over the previous three years to charitable causes like:

- Eradicating hunger, poverty, malnutrition etc.
- Promoting education, including special education to impart knowledge for vocational training, especially amongst children for various jobs

- Promoting gender equality, promoting woman empowerment, etc
- Keeping in mind the environment stability, ecological balance, protecting the flora and fauna, etc
- Spending on the Clean Ganga Fund that has been set up by the Government of India
- Protection of the national heritage, art and culture of India, etc
- Action plans for military retirees, war widows, and their dependents
- Providing training to promote Olympic and Paralympic sports, nationally recognised sports, and rural sports;
- Donation to the Prime Minister's National Relief Fund or any other Central Government-established fund established for the socioeconomic development, relief, and welfare of the scheduled caste, tribes, other underprivileged classes, minorities, and women;
- Donations or financial support is given to academic institutions with central government-approved technological incubators;
- Developing the slum area of the country
- Promoting rural development projects

CORPORATE RESPONSIBILITY TO PROTECT THE HUMAN RIGHTS

The 2018 NGRBC has mentioned the following principles:

- 1. Principle 1:** Businesses should act honorably and transparently, and they should be accountable for their actions.

- 2. Principle 2:** Businesses should deliver products and services in a sustainable and secure manner.
- 3. Principle 3:** All employees, even those in their value chains, should be supported by businesses.
- 4. Principle 4:** Businesses should be sensitive to all of their stakeholders and respect their interests.
- 5. Principle 5:** Businesses ought to uphold and support human rights. The 2018 NGRBC's Principle 5 expressly acknowledges that organisations must uphold and advance human rights in their operations. It recommends that organisations set up procedures, structures, and policies that show respect for human rights. In order to "identify, prevent, mitigate, and account for how they address adverse human rights impacts," such processes must involve the obligation to do human rights due diligence.
- 6. Principle 6:** The environment should be respected, safeguarded, and restored by businesses.
- 7. Principle 7:** When influencing public and regulatory policy, businesses should do it in a way that is ethical and open.
- 8. Principle 8:** Businesses should support equal development and inclusive growth.
- 9. Principle 9:** Businesses should interact with and benefit from their clients and customers in a responsible way.

RECENT AMENDMENTS

The CSR Rules 2014 and Section 135 of the Companies Act 2013 have both undergone essential changes as of January 22, 2021, as a result of an official notification from the Indian government.

ACTIVITIES WHICH HAVE BEEN INCLUDED IN THE CSR

Activities that contribute to decreasing the effects of COVID-19 and protecting patient lives by financial support for or assistance with research and development of medical tools, vaccines, etc.

Making or acquiring a capital asset that belongs to a public authority, etc., in order to use it to fund community projects and self-help organisations.

CONCLUSION

After researching the idea of corporate social responsibility and its current problems, it is fair to state that the idea is gaining popularity and that people are adopting it favourably. The "appropriate execution of the notion" may use some improvement. The process must be resisted and must continue to exist inside corporate standards; its mere inception is insufficient. To execute the ongoing CSR activities, private corporative entities require a supporting infrastructure of statutes and provisions—or, to be more precise, the approval of authorities. Companies who are just interested in making profits and gains typically deceive the public by portraying themselves as conducting CSR initiatives while, behind the company's back, engaging in unethical and immoral acts. The legislative and executive branches need to be stricter when it comes to disclosure of commercial activity and transparency. Even though a company's primary objective is to make profits, companies can simultaneously contribute to social and environmental goals by integrating corporate social responsibility as a strategic investment into their business strategy. This awareness is growing as businesses face themselves in the context of globalisation.

In an ideal world, businesses operate under the guiding philosophy of appeasing the internal and external elements that have a significant impact on the growth and decline of the organisation. Investors,

employees, support staffs, operational teams, etc. are among the internal component or factors, and they can be easily satisfied by offering incentives, bonuses, promotions, profits, etc. But pleasing society, the exterior component, is the more difficult duty. Society is the ultimate consumer of all corporate activity, as was previously discussed, so businesses must take care of it. Corporate bodies must strive tirelessly for the welfare and advancement of society's constituents in order to satisfy society.