What is Corporate Social Responsibility (CSR)?

Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.

Promoting the uptake of CSR amongst SMEs requires approaches that fit the respective needs and capacities of these businesses, and do not adversely affect their economic viability. UNIDO based its CSR programme on the Triple Bottom Line (TBL) Approach, which has proven to be a successful tool for SMEs in the developing countries to assist them in meeting social and environmental standards without compromising their competitiveness. The TBL approach is used as a framework for measuring and reporting corporate performance against economic, social and environmental performance. It is an attempt to align private enterprises to the goal of sustainable global development by providing them with a more comprehensive set of working objectives than just profit alone. The perspective taken is that for an organization to be sustainable, it must be financially secure, minimize (or ideally eliminate) its negative environmental impacts and act in conformity with societal expectations.

Key CSR issues: environmental management, eco-efficiency, responsible sourcing, stakeholder engagement, labour standards and working conditions, employee and community relations, social equity, gender balance, human rights, good governance, and anti-corruption measures.

A properly implemented CSR concept can bring along a variety of competitive advantages, such as enhanced access to capital and markets, increased sales and profits, operational cost savings, improved productivity and quality, efficient human resource base, improved brand image and reputation, enhanced customer loyalty, better decision making and risk management proces

So we can say Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable—to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental.

To engage in CSR means that, in the ordinary course of business, a company is operating in ways that enhance society and the environment, instead of contributing negatively to them.

Understanding Corporate Social Responsibility (CSR)

Corporate social responsibility is a broad concept that can take many forms depending on the company and industry. Through CSR programs, philanthropy, and volunteer efforts, businesses can benefit society while boosting their brands.

As important as CSR is for the community, it is equally valuable for a company. CSR activities can help forge a stronger bond between employees and corporations; boost morale; and help both employees and employers feel more connected with the world around them.

KEY TAKEAWAYS --

- **Corporate social responsibility is important to both consumers and companies.**
- **Starbucks is a leader in creating corporate social responsibility programs in many aspects of its business.**
- **Corporate responsibility programs are a great way to raise morale in the workplace.**

For a company to be socially responsible, it first needs to be accountable to itself and its shareholders. Often, companies that adopt CSR programs have grown their business to the point where they can give back to society. Thus, CSR is primarily a strategy of large corporations. Also, the more visible and successful a corporation is, the more responsibility it has to set standards of ethical behavior for its peers, competition, and industry.

Small-and-mid-sized businesses also create social responsibility programs, although their initiatives are not often as well-publicized as larger corporations.

Example of Corporate Social Responsibility

Long before its initial public offering (IPO) in 1992, Starbucks was known for its keen sense of corporate social responsibility, and commitment to sustainability and community welfare. According to the company, Starbucks has achieved many of its CSR milestones since it opened its doors. As per its 2018 "Global Social Impact Report," these milestones include "reaching 99% of ethically sourced coffee, creating a global network of farmers, pioneering green building throughout its stores, contributing millions of hours of community service, and creating a groundbreaking college program for its partner/employees."

Starbucks' goals for 2020 and beyond include hiring 10,000 refugees across 75 countries, reducing the environmental impact of its cups, and engaging its employees in environmental leadership. Today there are many socially responsible companies whose brands are known for their CSR programs, such as Ben & Jerry's ice cream and Everlane, a clothing retailer.

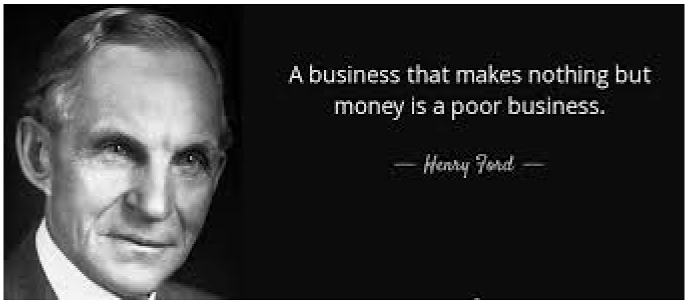
Special Considerations

In 2010, the International Organization for Standardization (ISO) released a set of voluntary standards meant to help companies implement corporate social responsibility. Unlike other ISO standards, ISO 26000 provides guidance rather than requirements because the nature of CSR is more qualitative than quantitative, and its standards cannot be certified.

Instead, ISO 26000 clarifies what social responsibility is and helps organizations translate CSR principles into practical actions. The standard is aimed at all types of organizations, regardless of their activity, size, or location. And, because many key stakeholders from around the world contributed to developing ISO 26000, this standard represents an international consensus.

CORPORATE GOVERNANCE AND SOCIETY →

The Council on Business and Society advocates a wider, deeper role for corporate governance as serving the interests of business, shareholders, stakeholders and the wider perspective of society itself. The following chapter demonstrates the positive effects of government legislation and influence on corporate governance, highlights the impact of dualism and voluntary codes of governance and finally, provides a set of effective proposals for the shape of governance to come.



Three perceptions:

1. **The economic context: Corporate governance - Strongly needed but effective only if market governance and long-termism prevail**
2. **The cultural context: Corporate governance - The German answer to a global issue**
3. **The legislative context: Governance and the role of government.**

1. The economic context: Corporate governance - Strongly needed but effective only if market governance and long-termism prevail.

A fundamental shift is underway in the world economy which requires both change and adaptation. In this new era, corporate governance will increase in importance. Understanding the essential role of governance, the French Asset Management Association has focused on the exercising of voting rights by asset managers, devising a corporate governance code and monitoring the governance of France's major companies. However, although improvement has been made in governance structure and practice, even more is required if organizations are to effectively champion the change ahead.

<u>Can corporate governance help ride out the sea change?</u>

While economies in Europe are seemingly in a period of autumn and may well be heading towards winter, many individuals and governments remain hopeful that spring and summer will return. Some believe Europe's financial crisis was inevitable and are even surprised it didn't happen sooner given the context in which greed, short termism and addiction to debt were underlying influences. Initially, access to debt actually delayed this crisis as innovative finance instruments hid the difficulties that existed. Eventually, lenders said "enough" with the result that the world is now going through the sometimes painful experience of deleveraging.
Pierre Bollon, however, does not foresee a cyclical economic process, with a typical spring or summer. He sees an entirely new era. Firms will have to change and adapt and difficult decisions must be made, requiring courage. In this process, corporate governance will be of the utmost importance.

<u>What role has the French Asset Management Association played in governance changes?</u>

Comprising 500 small and entrepreneurial to large firms that manage 2.6 billion Euros, The Association recognizes the importance of corporate governance and has taken several steps to strengthen it:

Encouraging the exercising of voting rights

Many French companies were once characterized as having absentee owners and in this light, 15 years ago or so, the Association created a governance committee that recommended asset managers exercise their voting rights. It is important to stress that this recommendation was not so much driven by asset managers' clients – who indeed, were not demanding such a step – but on asset managers seeing it as their fiduciary duty to be more engaged in governance and voting despite this representing a cost in following companies more closely in order to form clear decisions when voting.

Formulating a corporate governance code

This established what asset managers should expect from companies in which they invest including concepts such as one share, one vote, opposition to poison pills and significant representation on a board among independent directors.

Establishing a monitoring system

This involves assessing the governance of France's 120 largest companies and notifying Association members if the governance at these companies is contrary to the code. These steps have been a huge success, with increasing numbers of asset managers attending annual meetings, engaging in a dialogue with the firms they own, voting their shares and at times voting against firm resolutions. Further systemic changes are needed to consolidate improvements in how organizations manage governance

While considerable progress has been made in strengthening corporate governance in France, other important areas requiring focus are say-on-pay and more director education. In looking beyond improving governance for individual companies, there are several additional areas where governance in the wider perspective needs to be improved:

- **An owner mindset -- Asset managers and shareholders must behave as owners, with a long-term focus**
- **Deleveraging -- Deleveraging must occur, with debt becoming less important, and bondholders must have a voice**
- **Norms -- Global accounting norms should be adopted**
- **Financial firms -- Determinations should be made regarding whether special governance is needed for financial firms**
- **Greater market governance -- Greater market governance is required. Markets have been liberalized, perhaps too much. More regulation may be needed to ensure properly functioning markets**
- **Focusing on ESG -- Both companies and markets must focus on ESG: Environmental, Social and corporate Governance.**

INSIGHTS

Good corporate governance builds on good financial markets governance.
Asset managers should behave more as owners, engage and vote their shares appropriately.
Creditors' should have a voice to prevent excessive risk-taking which is detrimental to society.
As companies, asset owners should integrate non-financial issues.

FOOD FOR THOUGHT…

- **To what extent do the benefits for your organization and its customers lie in the active involvement of asset managers?**
- **What effect would having a corporate code of ethics and governance have on your organisation and its stakeholders?**

- **To what extent is your business and, to a wider extent, your sector focused on environmental, social and corporate governance? What are the short- and long-term benefits of ESG for you and your business sector?**
- **For asset managers and analysts: To what extent are/should financial and non-financial reporting be analyzed by the same analyst?**
- **Companies: to what extent should the financial and non-financial reports be integrated?**
- **For the regulator: to what extent/how should creditors have a voice in corporate governance?**

2. The cultural context: Corporate governance - The German answer to a global issue

To increase Germany's companies and capital markets attractiveness to investors, its corporate governance code establishes both standards and 90 recommendations for good governance. Stakeholder-oriented in nature, they emphasize underlying principles of a social market economy such as transparency and sustainability. Compliance is voluntary (though non-compliance requires an explanation), providing companies with flexibility, and in all evidence, the governance code, along with Germany's dualistic board structure, has worked well for the country, creating a vibrant, entrepreneurial business climate that is respected across the globe.

A dualistic structure is a defining characteristic of German business, and has proven quite successful

Most countries have a one-tier corporate structure, with one governing board that is often controlled by members of management. In contrast, explains Professor Müller, Chairman of the Supervisory Board at Commerzbank AG, Germany requires two boards: a management board that operates the enterprise and a supervisory board that oversees and advises the management board. These two boards are completely separate and independent, with supervisory boards increasingly involved in strategic planning.

A convergence is occurring between countries with one-tier boards and those with dualistic structures. Increasingly, countries with one-tier structures are separating the CEO and chairman roles or are appointing an independent lead director. Both approaches can work and the dualistic approach has proven successful in Germany.

Germany's voluntary code on corporate governance helps strengthen Germany's businesses

10 years ago, a government commission was formed in Germany to develop a corporate governance code and standards for listed German companies. The purpose of this code was to increase the attractiveness of Germany's companies and capital markets to international investors, as well as taking into account all stakeholder groups and including 90 recommendations on the rights and duties of management and supervisory boards. These deal with topics including the management board's duty to provide information to the supervisory board and its independence. Importantly, companies have no legal obligation to follow these recommendations; voluntary in nature, boards must, however, indicate in the Declaration of Conformity if the recommendations have been followed and explain when they have not.

The code is flexible, with deviations from it being both legally admissible and sometimes necessary. Such deviations are not automatically considered an expression of bad governance, the essential point being

that there has to be an explanation when there are deviations. This clause ultimately provides transparency to the capital markets in order for the markets to draw their conclusions.

A stakeholder orientation has become an accepted practice for German companies

The German Corporate Governance Code has a stakeholder orientation that goes beyond just the interests of shareholders in maximizing profits. The approach of the code conveys the obligation of management and supervisory boards to act in accordance with the principles of a social market economy. Ethics, sustainability and avoidance of excessive risk are all important.

Transparency is critical for good governance

To make capital markets work effectively, the solution is not increased regulation. What is indeed needed is even greater transparency which provides investors with visibility on matters such as remuneration and gives investors more information with which to make decisions.

INSIGHTS

- **Good corporate Governance relies on more transparency, not more regulation.**
- **"Comply or explain": deviations from the code's recommendations should be allowed provided companies explain.**

FOOD FOR THOUGHT…

- **Is a dualistic structure of governance (Board of Management and Board of Overseers) viable for both small and large companies alike? What are the pros and cons?**
- **To what extent does your organisation work within a voluntary environment for governance? Does regulation help or hinder?**
- **To what extent is transparency also a leadership quality?**
- **For the regulator: should more flexibility be introduced in the choice of the Board Structure (example of France where companies can opt for the monist or dualistic structure).**

3. The legislative context: Governance and the role of government

Government policies definitely affect corporate governance, for policies and their enforcement shape the environment for corporations. Professors Sridar Arcot, Rodrigo Bandeira de Mello and Mr Mats Isaksson of the OECD explore various policy frameworks, each of which has benefits and shortcomings, with the conclusion that there is not a one-size-fits-all approach to policy or governance, though the desire among companies for flexibility must be balanced by the need for investors of disclosure transparency. As experience in Brazil shows, especially in developing markets, the government is not just a policymaker; it may be a partner, a lender and even an owner.

How do governments create conditions for companies to grow?

For Matts Isaksson, there is no doubt that the government plays a role in governance and the OECD has developed a set of corporate governance guidelines whose purpose focuses on economic efficiency which in turn drives economic growth. This is achieved when companies can access capital and sell equity which they then use for growth. For investors to invest amid uncertainty requires laws on corporate governance and the stock market that include rules relating to transparency and disclosure.

However, the rules that exist in many countries may be based on an antiquated financial view of the world. These rules assume that shareholders have a direct view and interest in a company, which today is often not the case due to the rise of institutional investors and middlemen. Other notable changes in the market include market fragmentation and use of trading techniques such as indexing and ETFs and it is due to these new realities that the OECD will be reassessing its guidelines for corporate governance at a future date.

What impact does allowing voluntary disclosure have on companies?

In the UK in the early 1990s, the Cadbury Committee developed a code of corporate governance best practices. Compliance with this code was voluntary, but if companies did not comply they were expected to explain the reason for not doing so. Within the UK and around the world, this approach gradually took off. Among the code's best practices are separating the chairman and CEO roles; appointing a senior, nonexecutive director; having one third of directors as non-executives; having a CEO service contract of not more than one year; and creating committees in areas such as audit, remuneration and nomination. Professor Arcot's research shows voluntary compliance in the UK has risen steadily and now exceeds 60%, though among firms that haven't complied, many offer no explanation for their non-compliance. When explanations are provided, they tend to be general and are rarely specific, which may be acceptable for family firms where the family can be expected to closely monitor its investment, but problematic for widely held companies where investors want to monitor the firm but lack the information to do so. In Professor Arcot's view, corporate governance is complex and there is not a one-size-fits-all solution, believing it good practice to provide companies flexibility in deciding which practices to adopt based on their situation, but seeing drawbacks in a purely volunteer compliance system where there is weak legal protection for investors in widely held companies. In this light, governments need to attribute further thought to those circumstances requiring more compliance or explanation.

Brazil's experience shows that the government is more than just a regulator

Professor Bandeira de Mello explains that in developing markets such as Brazil, the government often plays a greater role than simply establishing rules. In Brazil, the government has always had a close link with the private sector, both embracing the market and enacting policies to help the country develop. Furthermore, the government has acted as a legislator, a lender and an owner of companies and controls or influences many of the resources that firms need, affects issues such as licensing and often has influence regarding the naming of CEOs and directors. The idea of government playing a "blurred role" is not limited to Brazil however. In many countries, the government plays a key role in supporting industries or companies, providing access to capital, deciding on executives and directors and deciding upon regulations, thereby actively contributing to the impact on corporate governance.

INSIGHTS

- **Transparency and disclosure are important for protecting investors, promoting economic efficiency and growth in the interest of society.**
- **Rules should be adapted to acknowledge the rise of institutional shareholders and middlemen who are not the ultimate owners of companies.**

FOOD FOR THOUGHT…

- **To what extent does your organisation work within a voluntary environment for governance? Does regulation help or hinder?**
- **To what extent is transparency also a leadership quality?**
- **Regulator: Given the diversity of companies, what are the respective benefits of mandatory compliance or flexibility?**

Please visit and go through sincerely at

https://www.nikon.com/about/sustainability/nikon-csr/

https://www.esi-group.com/company/about/our-responsibility/csr-approach

https://www.toolbox-studio.com/blog/top-6-csr-videos-by-top-corporates/

https://www.classy.org/blog/6-socially-responsible-companies-applaud/