

Chapter 16

An Empirical Study on Green Initiatives by S&P BSE SENSEX Companies in India at the Outlet of Companies Act, 2013

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ABSTRACT

Considering the necessity to build up corporate social responsibility (CSR) activities in general and sustainability in particular under statutory obligations, Ministry of Corporate Affairs, Government of India had notified in Companies Act 2013 (section 135) that every public limited company and private limited company having net worth of more than 500 crore or turnover more than 1000 crore or net profit more than 5 crore needs to comply with CSR rules (i.e., contributing 2% or more for the welfare of society following the prescribed guidelines under Schedule VII). The chapter focuses on CSR activities of companies registered under BSE SENSEX and evaluating their current status in CSR activities from the perspective of the broad heading of planet and people. A detailed analysis is done to highlight the current situation of the companies towards sustainable development through corporate sustainability index and statistical tools like Kruskal-Wallis test and Mann-Whitney U test to represent the contributions of these companies towards the environmental responsibilities. The study of CSR reveals the endeavors of surveyed companies towards the holistic development covering the noteworthy issue of environmental protection and sustainability; however, a continuous vigil from the regulatory bodies is the need of the hour to ensure that adherence to CSR practices should not only be in mere form but in true spirits.

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INTRODUCTION

Corporate social responsibility under the new Companies Act 2013 has brought a bundle of changes in Indian corporate business. CSR introduction in Section 135 is referred as a give and take policy, as the companies are taking resources from the society it needs to reduce the gap by providing something back the society. The concept goes way back in 1994 when John Elkington coined the need or Triple Bottom Line which was based on 3 pillars namely people, planet and profit. Ministry of corporate affairs notified Section 135 and schedule VII and the provisions regarding Companies (Corporate Social Responsibility Policy) Rules, 2014 or generally known as CSR rules which came into effect from 1st April 2014. Companies now need to share a part of their profit on CSR activities as a contribution to the society, and these expenses cannot be claimed as business expenses. The guidelines issued by MCA on social, environmental and economic responsibilities of business mandated adaptation of CSR by the companies having the following yardsticks during any financial year.

1. Companies with a net worth of Rs. 500 crore or more, or
2. Companies having turnover of Rs.1000 crore or more, or
3. Companies achieving a profit of Rs. 5 crore or more

And these companies shall constitute a CSR committee on the board. Composition of corporate social responsibility committee is subjected to disclosure under sub section (3) of section 134. These companies must constitute of minimum 3 directors containing an independent director. SEBI also mandated a top hundred listed companies at BSE and NSE on the basis of market capitalization for proper inclusion and disclosure of business responsibility report in their annual report. The CSR committee formulates and recommends about the CSR policy to the board and the amount of expenditure to be incurred in these activities. Monitoring these activities and policies are also another important function of CSR committee.

With great powers come great responsibility that is why CSR committee is bound to some responsibilities which are:

- Recommendations of the CSR committee are approved by the board which eventually becomes the CSR policy and disclosure of the contents of such policy in company report and website is required. Rule 9 of the CSR rules clarifies that a company qualifying under section 135 shall include a CSR report along with board report.
- The company must spend at least 2% of the average net profits of three years immediately preceding financial year. Computation of net profit is as per section 198 of the companies act, MCA clarifies that profit means profit before tax.

Companies may engage in various activities notified are: (1) In Schedule VII, for items (i) to (x), the following items and entries shall be substituted, namely:

1. Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
2. Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;

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