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# Corporate Social Responsibility Towards Climate Change- An Analysis

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**ABSTRACT**

The world in which we all live is full of environmental and social issues. Being a part of society, business may help solve these issues to some level through CSR, or corporate social responsibility. While increasing profits is an inevitable aspect of running a business, social responsibility is a duty to the people who live both inside and outside of these businesses. Businesses interact with several societal groups, including suppliers, customers, employees, owners, and the government. The term "social responsibility of business" refers to the obligation of a business to ensure the happiness of these parties as well as the owner. CSR has emerged as one of the global catchphrases for the new millennium, and both businesses and the government need to prioritize it. These days, the government has also taken the initiative to regulate commercial operations that negatively impact society. The government periodically advised the business units to implement a corporate social responsibility (CSR) framework, including its areas, investments, activities, etc., and include it into the strategic planning, vision, and mission statements. CSR usually covers topics like human rights, global warming, water management, company ethics, community involvement, and resource management. Thus, organizations must have a close and positive interaction with society in order to achieve sustainable development and to thrive in this cutthroat environment.

The issue of climate change poses a significant and urgent global challenge that requires collaborative efforts from governments, organizations, and individuals. Corporate Social Responsibility (CSR) has emerged as a crucial framework for businesses to contribute to mitigating climate change. This paper provides a comprehensive analysis of CSR initiatives in the context of climate change, exploring the evolving role of corporations in addressing environmental issues.

**Key Words :** Climate Change, Corporate Social Responsibility, Organization.

## <u>Literature Review</u>

*A. Journal Articles*

Saurabh Kumar , this paper addresses the concept of CSR and its moral significance in the context of businesses' obligations to society. It emphasizes that companies have a moral duty to contribute to society beyond their responsibilities to customers and shareholders because they depend on society's support for their operations.The paper introduces the idea of "enlightened self-interest" as a perspective on CSR, where businesses prioritize societal and environmental well-being. The paper lacks specific examples or case studies that illustrate the practical implementation and impact of CSR in India or other places. Including real-world examples could provide a more tangible understanding of CSR's effects.

Riya Tomy, in this paper, the author has explained the CSR concept in India is gaining widespread acceptance, representing a framework for companies to align their values with community interests. The paper provides an overview of CSR procedures and policies in India while offering recommendations to enhance their effectiveness.

CSR is viewed as a mechanism for companies to fulfill their social obligations and gain a competitive edge in the global market. While the paper introduces the concept of CSR and its importance in India, it lacks a deeper analysis of specific CSR initiatives, case studies, or examples. Providing concrete examples of successful CSR projects could help illustrate the impact and effectiveness of CSR in the Indian context. The paper mentions the role of CSR in enabling Indian companies to compete globally but lacks a comparative analysis with international CSR practices. Analyzing how Indian CSR practices compare with those in other countries could provide valuable insights

*B. Indian Cases*

**M.C. Mehta v. UOI,** the Indian SC held that accountability extended to all parties involved. This expanded interpretation of the Rylands v. Fletcher strict responsibility rule, initially adopted by the UK House of Lords, was justified on the basis of human rights. The argument made by Henkin highlights the connection between societal expectations, legal duties, and human rights. In essence, the discussion explores the complex interplay between legal responsibility, societal expectations, human rights, and various philosophical perspectives on the role of law and its impact on individuals and society.

**Technicolor India (P) Ltd. v. Registrar of Companies**, This case illustrates a situation where a company fell short of its mandated CSR expenditure and sought legal

*C. Case Studies*

Infosys:

Infosys, one of India's largest IT services companies, has made substantial commitments to sustainability and climate action. They have set ambitious goals, such as achieving carbon neutrality and sourcing 100% renewable energy. Investigate how Infosys has implemented and reported on their CSR initiatives related to climate change.

Wipro:

The IT services company Wipro has made efforts to reduce its environmental impact. Look into their renewable energy investments, energy-efficient data centers, and other CSR activities focused on climate change.

Public Sector Undertakings (PSUs):

Many government-owned companies, like NTPC, ONGC, and Coal India, have undertaken CSR initiatives to address environmental and climate challenges. Investigate how PSUs are aligning.

## Research Methodology

The research is doctrinal in nature. It employs the doctrinal approach of research and is explanatory and evaluative, mostly depending on secondary sources. The research technique is to make the best use of the information that is available information, which are limited, in order to cover the extensive exposure of CSR across a few operations and processes of the Indian justice delivery system. The following data has been collected from:

Primary Sources: Statute.

Secondary Sources: books, journals, research papers, articles, websites,etc

## 1.1. Introduction

Businesses have a moral obligation to contribute to society beyond their responsibilities to customers or shareholders because they rely on society for their success. Corporate Social Responsibility (CSR), also known as enlightened self-interest, refers to companies' concern for people and the environment, promotion of fair trade, advancement of labor standards, support for communities, reduction of environmental harm, and engagement of their employees. CSR is based on the principle of quid pro quo, which means giving something in return for something. CSR provides companies with the opportunity to participate in a wide range of socially responsible initiatives.

The analysis begins by examining the fundamental concepts of CSR and its evolution, highlighting the growing recognition of businesses' responsibility to minimize their environmental impact. It then delves into the various strategies and practices adopted by corporations to address climate change, such as reducing carbon emissions, implementing sustainable supply chains, and promoting clean energy solutions.

The paper highlights several successful case studies from various industries, showcasing how corporations have effectively integrated CSR into their climate change mitigation efforts. These examples illustrate the positive impacts of CSR on reducing greenhouse gas emissions, fostering innovation, and achieving long-term sustainability goals.

This study investigates the motivations driving companies to engage in CSR activities related to climate change, including reputational benefits, risk management, and stakeholder pressure. It also explores the potential challenges and barriers that corporations face when attempting to incorporate climate-related CSR initiatives, including resource constraints and conflicting business interests.

**1.2. <u>Definition</u>**

According to the World Business Council for Sustainable Development (WBCSD),"CSR as a commitment by a company to behave ethically and contribute to economic development while improving the quality of life of its workforce and family members, as well as the local community at large".

Kotler and Lee define, "CSR as a commitment that companies make to improve the well-being of their communities through their actions and contributions".

According to A.P.J. Abdul Kalam, "CSR is a process that involves making ethical values, compliance with legal requirements and respect for people, communities and the environment around the world. However, this term does not have a set of specific criteria. Instead, it is an evolving concept that can be used to describe various activities and actions".

**1.3. <u>Origin of CSR in India and its Development</u>**

Corporate Social Responsibility (CSR) in India has a history that can be traced back to the ancient concept of "dharma" and philanthropic traditions. However, the modern concept of CSR in India has evolved significantly over the years.

The origin of CSR in India can be traced to its historical philanthropic traditions, but its modern development and formalization were largely shaped by the Companies Act, 2013. This legal framework and subsequent guidelines have played a pivotal role in making CSR an integral part of corporate culture in India, driving businesses to contribute positively to society and the environment.

**1.4. <u>Legal Framework</u>**

CSR is a means for a business to give back to the neighbourhood where it operates. CSR may be viewed as a technique for a company to enhance its reputation in the community. The Companies Act of 2013 mandates CSR efforts for businesses that fit a specific category. S 135 and the Companies (CSR Policy) Rules of 2014 both talk about CSR.

***Applicability***

Every company, including its holdings, subsidiaries, and foreign companies defined in clause (42) of S 2 of the Act, that has a "branch office or project office in India" and complied with the requirements in the most recent financial year is required to abide by S 135 and its regulations and set up a CSR Committee:

- Net worth of at least 500 billion rupees;
- Sales of at least one billion rupees;
- Net profit of at least Rs. 5 crores

**1.5. <u>Composition of the CSR Committee</u>**

The CSR Committee must include at least three directors, at least one of whom must be independent, according to S 135(1). According to "Rule 5 of The Companies (CSR Policy) Rules, 2014"-

- A director who is not required to be an independent director will not serve on the CSR Committee;
- The CSR Committee of a Pvt firm with only two directors will consist of two of the two directors;
- The CSR Committee of a foreign company must consist of at least two members. The foreign firm must select one of these individuals, and the other must be one of the individuals mentioned in "clause (d) of sub-S (1) of S 380 of the Act".

**1.6. <u>CSR Penalties</u>**

There is no explicit penalty for breaking the regulations under S 135 of the Act. However, due to two distinct regulations, there are hazards. If the board's report did not contain information regarding the CSR policy and how it was implemented, penalties would be applied.

- To share all the important information about its CSR policy and how it is being carried out every year;
- These are the penalties for not doing the above-mentioned duty;
- A fine of not less than 50,000 rupees or more than 25 lakh rupees;
- Every corporate official who violates the terms of their employment is subject to imprisonment for a time that may not exceed three years, a fine that must not be less than 50k which may extend to 5 Lakh, or both.

General punishments for breaking the rules and doing it more than once:

- Fines can go up to Rs. 10,000, and if the violation goes on for more than one day, they can go up to Rs. 1,000 for each day after the first that the violation goes on;
- A person who breaks the law can be fined or put in jail. If the same offence is committed again or more than once within 3 years, the company and every officer who broke the lawwill be fined twice the amount of the fine for that offence, in addition to any jail time that is provided for that offence.

**2.1. <u>Impact of Business Activities on Climate Change</u>**

The impact of business activities on climate change is a multifaceted issue that encompasses various sectors and practices. Here's an outline of potential impacts:

A. Carbon Emissions and Greenhouse Gases
B. Resource consumption and environment degradation
C. Waste generation and pollution
D. Energy consumption and renewable practices
E. Supply chain impacts

F. Social and community impact

The effects of climate change on the physical world often take centre stage in discussions surrounding it.

But what about its economic consequences?

By 2030, heat stress is expected to cause eight crore job losses worldwide, of which an estimated 3.4 crore could occur in India. According to the most recent RBI assessment, lost labour hours from excessive heat and humidity could risk up to 4.5% of India's GDP by 2030.

**2.2. Sectoral Economic Effects of Climate Change**

***Agriculture***

Low agricultural production and significant crop cycle disruption are two consequences of climate change. The main source of income in India, along with its related industries, is agriculture, which also makes a substantial economic contribution. Inflation in urban regions and the rural economy can both be impacted by low yields.

***Industry***

There may be a decrease in industrial sector profits and an increase in operating expenses. Reduced use of old stock, new climate-friendly policies, and a shift in investment toward greener infrastructure can all be contributing factors to high prices. Additional economic losses may result from the relocation of production activities and processes as a result of climate-related losses.

***Services***

The service industry may be threatened by a number of factors, including pressure on financial services, an increase in insurance claims, and disruptions in the travel and hospital.

***Labour market***

In addition to potentially causing migration from regions more vulnerable to climate concerns, health issues may result in a decrease in production. Physical risk and transition risk are the two categories into which the RBI divides climate change risks. Extreme weather events, temperature changes, precipitation patterns, etc. are examples of physical dangers.

**3. Challenges faced by Corporation in Implementing Climate-Friendly Practices**

Implementing climate-friendly practices within corporations encounters various challenges and hindering the seamless adoption of sustainable measures:

Shifting to sustainable practices frequently entails large upfront expenses, such as purchasing new technology or investing in renewable energy sources. Certain businesses, particularly smaller ones, may be discouraged from making the change due to these financial ramifications. Making supply chains and operating procedures more environmentally friendly can be a complicated task. It could entail difficult and time-consuming tasks including locating new suppliers, retraining employees, and changing current procedures.Businesses may find it challenging to develop long-term strategy if environmental regulations are unclear or subject to frequent changes. Hesitancy to make large investments can result from uncertainty about future policy.New more environmentally friendly procedures may encounter opposition from staff members or management in the organization. This resistance may be the result of ignorance, aversion to change, or worries about potential negative effects on profitability or productivity.

Putting climate-friendly policies into place may require collaborating with suppliers and vendors who must also adhere to these standards. It can be quite difficult to find partners that are committed to the same sustainability goals and to making sure that all suppliers follow these guidelines.**S**ometimes it is possible that the technology required to put certain climate-friendly measures into effect is immature or not widely accessible. There may be obstacles in creating or obtaining these technologies.Businesses may find it difficult to quantify how their sustainability initiatives are directly affecting their bottom line. Furthermore, it could take some time to see the return on investment, which makes it harder to defend the costs.It can be difficult to strike a balance between short-term financial goals and long-term environmental sustainability goals. The short-term expenses of adopting environmentally friendly methods can sometimes clash with short-term economic goals.

Furthermore  the other challenges faced by companies which are mostly related to sustainability challenges are:

A. Insufficient Funding
B. Lacking of Time
C. Employee Push Back
D. Prioritization
E. Green Washing

These are the difficulties in putting a sustainability program into action, but they can all be solved with the right strategy, tactics and approach.

**4. <u>Barriers to Implementation and Overcoming Challenges</u>**

There are a number of implementation barriers for corporate social responsibility (CSR) related to climate change .Overcoming these challenges requires a multifaceted approach. Here’s an analysis:

**4.1**. **<u>Barriers to Implementation</u>**

The belief that adopting climate-friendly measures will be expensive is one of the main obstacles. Businesses frequently worry about how switching to sustainable practices would affect their bottom line right away. Companies may put immediate financial gain ahead of sustainability over the long run. Investment in green projects may be hampered by this short-term orientation because the results may not be felt right away. It's also possible that some businesses are unaware of the full effects of climate change or how crucial it is that they play a part in resolving it. A lack of initiative may result from this ignorance.

Regulations pertaining to climate change that are unclear or that are always changing might present serious difficulties. Planning and implementing strategies can be difficult for businesses in an unpredictable regulatory environment.Developments may be hampered by internal organization resistance. Employees, management, and shareholders are just a few of the groups that may be resistant to changing current procedures.   According to reports, a common obstacle to the implementation of CSR is a lack of resources, including money, human capital, knowledge, and expertise. To measure the advantages of implementing CSR, measurement systems are necessary. They thus function as a helpful instrument for assessing and managing CSR performance and as the foundation for incentives and rewards.

**4.2**. **<u>Overcoming Challenges</u>**

It's critical to provide thorough education about climate change and its effects. This involves emphasizing the advantages of implementing CSR practices in the short- and long-termand  Introducing financial innovations or incentives that increase the cost-effectiveness of sustainable activities can greatly accelerate their implementation. This can involve the creation of affordable green technologies, tax advantages, or subsidies.

It is also essential that there be strong leadership backing and commitment to CSR projects. Leaders that promote sustainability tend to instill it throughout the organization, which facilitates the process of overcoming opposition to change.Working together with other groups, NGOs, and governmental entities can increase resources and skills, which makes it simpler to tackle obstacles as a group. Also Integrating CSR practices with the core of the business plan guarantees that sustainability is viewed as an essential component of the company's goal rather than as a stand-alone endeavor.

**5. Transparency and Accountability in Reporting Climate Impact**

Building trust, controlling risks, and promoting a sustainable future all depend on transparency and accountability in climate impact reporting under Corporate Social Responsibility (CSR). Businesses that hold themselves accountable and communicate their climate efforts well help create a more accountable and resilient business environment. Incorporating global best practices, engaging stakeholders, and pursuing ongoing improvement should be fundamental components of corporate climate change strategy.

5.1. Transparency: To build  Credibility and Trust

An essential component of successful climate disclosure and reporting is transparency. It ensures being transparent with stakeholders, including staff members, on the risks, opportunities, and performance of your company with regard to climate change. Being open and honest about your company's environment initiatives helps you gain credibility and trust with your employees. They are able to observe your organization's dedication to tackling climate change and implementing practical steps to learn its effects. Accountability is further encouraged by transparency, which enables your staff to hold your company accountable for its climate pledges and advancements.

5.2. Accountability: Motivating Result-Sealed Action

Your organization develops an accountability culture as a result of climate reporting and disclosure. Through the establishment of a framework that measures performance, reports on progress, and sets clear climate targets, you hold your people accountable for their actions and outcomes.

Climate disclosure and reporting are effective means of motivating your people to take up climate action. You may establish a culture in which sustainability is ingrained in your organization's DNA by encouraging openness, responsibility, and involvement as well as integrating appreciative inquiry, teamwork, and design in leadership. Engaged, knowledgeable, and motivated employees actively participate in your company's sustainability journey and bring about positive change for the environment, society, and upcoming generations.

5.3. Reason why the Climate Disclosure is Important

A. To assessed and manage the risk.
B. Help the investor in decision making.
C. Regulatory compliance which include implementing  policies and regulation.
D. Foster stakeholder engagement.

E. Enhance customer choice while purchasing.

**6.<u>Benefit of CSR towards Climate Change</u>**

Corporate Social Responsibility (CSR) initiatives that specifically target climate change offer numerous benefits for both the companies involved and society as a whole. Some benefit are as follows:

Companies that prioritize social responsibility are often viewed positively by consumers, which can lead to increased business and customer retention. Also Adopting sustainable practices can save companies money in the long run by reducing waste and dependence on fossil fuels, among other investments. Moreover, employees are more likely to be motivated by a company that prioritizes social responsibility. This is especially true for the younger generations entering the workforce.

Businesses that exhibit environmental responsibility have a greater chance of attracting investors and customers who share their concerns.Companies with strong CSR practices related to climate change are more likely to attract socially responsible investors and access capital more easily.This not only helps avoid legal issues but also positions the company as a responsible corporate citizen.

Climate change-related CSR projects have a number of advantages, including enhanced competitive advantage and brand image as well as cost savings and long-term survival. Businesses that embrace and promote corporate social responsibility (CSR) towards climate change are likely to prosper in the changing business landscape as the world community places more emphasis on sustainable practices.

**7. <u>Case Laws</u>**

Rural Litigation Entitlement Kendra v State of UP

In this case , the SC accepted the letter submitted to the Court as a writ petition. The courts have described it as a first-of-its-kind case involving ecological balance and environmental challenges. The voluntary organization RLEK, Dehradun, filed the motion in court.

Mohd Hazi Rafeeq v State of Uttaranchal

In this case, the Court referred to Article 48 A and 51 A (g) when considering the need for the state to prioritize environmental issues at all costs even if it meant going against a business owner's interests.

T. Dhamodar Rao v Special Officer, Municipal Corporation of Hyderabad in Andhra Pradesh.

The High Court referred to Article 51A (g) and 48A, and the protection of environment has been repeatedly mentioned as a duty of the state and citizens of India.

M.C. Mehta v Union of India

In this case, the Supreme Court tested the limits of Article 32's power to issue directions and orders,'which may be appropriate' in 'appropriate proceedings' by interpreting the scope of absolute liability for harm caused by hazardous and inherently dangerous industries based on their interpretation of the term 'appropriate proceedings' as described in Article 32 under Part 32 titled 'Special provisions relating to certain classes' of the Constitution .

**<u>Conclusion</u>**

Corporate Social Responsibility (CSR) towards climate change is a critical and timely topic that demands comprehensive analysis and thoughtful conclusions. In examining the relationship between corporations and their responsibility in addressing climate change, several key points emerge:

A. Corporations have a moral obligation to address climate change. As major contributors to environmental issues, they must acknowledge their role and work towards sustainable practices.
B. Adopting environmentally responsible practices can lead to cost savings through resource efficiency, as well as opportunities for revenue generation through the development of sustainable products and services.
C. Businesses that ignore climate change run a higher risk of regulatory penalities to supply chain interruptions.
D. Working together with governments, NGOs, and other groups is essential to tackling the many issues that are present in climate change.
E. An expanding number of stakeholders—including investors, employees, and customers—prioritize ecologically friendly business practices. To preserve trust and improve their brand reputation, companies must match their CSR strategy with these expectations.

**Suggestions**

It's a wonderful opportunity to reflect on what we've learnt about how CSR programmes makea difference as India enters its eighth year of required CSR. The following are some ideas for enhancing CSR in India:

A. **Concentrate on fewer, higher-impact tasks, and make sure they play to the company's advantages:** Similar to when a firm distributes its resources across several distinct business lines, spreading CSR resources across numerous minor programmes might lessen their influence. A select few impact priorities are chosen by high-impact CSR projects, and these priorities are connected to long-term flagship activities or grant agreements. This enables them to invest more resources and time into creating effects that are more significant and stay longer.

**B. Prioritise underprivileged groups in current programmes:** High-impact CSRinitiatives prioritise disadvantaged populations in their current initiatives by outliningtheir areas of focus, such as women, persons with disabilities, or reserved castes andtribes. Additionally, they either develop trust with these communities directly orcollaborate with NGOs who have already established social capital with thedisadvantaged populations.

C. **Adopt a collaborative strategy with NGOS and local communities:** High-impact CSR initiatives place the people they serve at the core of what they do, just like successful businesses listen to what their consumers have to say. They collaborate as partners in creating and implementing projects with NGOs and local communities.

**D. Collaborate with other corporate and Pvt philanthropies:** CSR initiatives may enhance their efforts and have a greater effect by collaborating with other philanthropies. Collaboration increases programme funding and disperses costs and risks among more participants.

**E. Engage a qualified CSR team, have the C-suite advocate CSR, and give the board significant control for CSR:** Professional CSR teams that connect the corporate and social worlds are used by high-impact CSR projects. Additionally, they create advisory boards with professionals whose expertise complements their corporate boards. Like a good business, an effective CSR project requires strong leadership. It is advantageous when the CEO is enthusiastic about CSR initiatives and how they might advance societal objectives.

**F. Develop communication, measurement, and learning techniques with various stakeholders:** The same reporting criteria are applied to CSR initiatives by organisations with high-impact CSR programmes as they are to their core operations. They can enhance next endeavours and investments by assessing the appropriate items, taking note of the outcomes, and speaking with the appropriate individuals.

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