MANDATORY VERSUS VOLUNTARY CORPORATE SOCIAL RESPONSIBILITY: A COMPARATIVE ANALYSIS OF CSR REGIME IN INDIA AND SINGAPORE

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ABSTRACT

Corporate Social Responsibility is a form of business practice wherein a corporate regulates itself by being socially accountable to itself, the stakeholders, as well as the public at large. The concept of social responsibility by its bare meaning points towards a philosophy that seems to be voluntary in nature as the vigour to do social work should come from within and cannot be imposed. On one hand, a corporate needs to be socially responsible and do sustainable business but on the other hand, making expenditure on social causes mandatory poses an extra financial burden which may be undesirable for growing economies and mushrooming corporates.

At the same time, it becomes important to ensure that the profit-making zeal of the corporates does not surpass their requirement to be socially responsible and financially sustainable. India has been the forerunner in mandating CSR in the year 2013 and improvising an altogether new legal regime that needs to be complied with by the corporates. Singapore, on the other hand, has been a jurisdiction that motivates the corporates to invest in CSR rather than making it mandatory for them. This paper aims to compare and contrast the existing CSR regimes in both India and Singapore. In the end, certain suggestions will be made as to which model of CSR would be more beneficial for growing economies- Mandatory or Voluntary, given the analysis done in this paper.

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INTRODUCTION

"A good company offers excellent products and services. A great company also offers excellent products and services but also strives to make the world a better place."

- Philip Kotler.

Gone are the days when 'the social responsibility of a business was only to increase its profit.'[2] In the economic world today, the balance sheet of a company is no longer the only crucial document of the year. The principle of voluntarism predominated in early CSR literature, as the traditional concept of a business was based on the belief that the primary goal of a corporation is to maximize shareholder wealth. With the onset of globalization in the late 1980s and the growth of multinational corporations, however, this global consensus began to splinter. Governments could no longer rely on huge corporates' innate goodness to contribute back to society when their primary motivation for setting up operations in other nations was solely economic - cheap labour, access to raw resources, and lesser legal compliance.[3]

The societal transformation that has occurred has increased awareness towards the need for a better world, both environmentally as well as economically, prompting businesses to place a greater prominence on the presentation of a sustainability report, the true passport required to join today's corporate world. It is for the same reason that the concept of Corporate Social Responsibility [hereinafter referred to as "**CSR**"] has recently acquired traction. While the concept is not new in itself, its significance has surged in the new millennium.

It is no longer the era of the industrial revolution and exploitation, but rather that of knowing how to run an organisation while keeping in mind that the success of all players is determined by the overall welfare of the society. While profit is an important metric of a company's performance, an organisation has several other objectives such as the well-being of all its stakeholders including the environment. [4] The most important idea that has emerged is doing good and doing it well; 'making our life a product and making this product something

[2] Milton Friedman, *A Friedman doctrine: The Social Responsibility of Business Is to Increase Its Profits,* N.Y. TIMES (Sept. 13, 1970).

[3] Laura Colombo, *Corporate Social Responsibility is not only Ethical, but also a Modern Business Tool,* FORBES (September 12, 2021), https://www.forbes.com/sites/forbeshumanresourcescouncil/2021/04/05/corporate-social-responsibility-is-not-only-ethical-but-also-a-modern-business-tool/?sh=63f7a3cd1bfa.

[4] UN, DIGITAL ECONOMY REPORT, (2021), .

meaningful for the whole world.'[5] To put it another way, a new sustainable economy is represented by the ability to co-exist as a whole rather than a separate element, built on cultural creative capital and capable of recognising humanity as the ultimate commercial objective. Stakeholders will only be drawn to a company, in this environment, if the pursuit of business is equaled by the objective of contemporary society as well as when equity in diversity is a fundamental principle.

It is only with the advent of the Companies Act 2013, that CSR started being construed as a legal concept as before that it was merely understood as a management concept and as a part of a corporation's business strategy. As a landmark move, India became one of the foremost nations across the globe to have mandated CSR. Singapore, on the other hand, is also amongst the fast-growing economies of the world and even though it has gained its independence very recently, in the year 1965, it still emerges as a flagbearer of sustainability throughout the world. CSR has a long history in Singapore as a concept of a voluntary contribution to the betterment of society. Businesses appear to be intrinsically oriented toward long-term success and believe that economic growth and environmental protection are not inherently incompatible.[6] Hence, it becomes imperative to elucidate upon the CSR strategy of Singapore put it alongside that of India, so that India can enhance its policy and strategy concerning CSR and maximize the potential of its momentous legislation.

This paper aims to compare and contrast the existing CSR regimes of India and Singapore and to draw conclusions as to which model of CSR is more suitable for growing economies-mandatory or voluntary. It also seeks to highlight the lacunae in the Indian legislative framework and understand what still makes it lag behind nations like Singapore that don't have mandatory CSR framework but still outperform India on all sustainability indices. In doing the same, the author seeks to analyze the set of laws and regulations applicable in both jurisdictions with respect to CSR and Corporate Sustainability. The paper follows a doctrinal approach and has primarily utilized the primary sources of information, like statutes, legislations, and regulations, to ascertain and analyze the historical framework and the current scenario about legal issues surrounding CSR in India and Singapore. Secondly, it has gathered and analyzed secondary sources such as books, reports by the government, articles, and journal papers

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[5] *Definition of 'Product'*, ECONOMIC TIMES (September 12, 2021), https://economictimes.indiatimes.com/definition/product.

[6] ZABIHOLLAH REZAEE, JUDY TSUI, PETER CHENG & GAOGUANG ZHOU, BUSINESS SUSTAINABILITY IN ASIA: COMPLIANCE, PERFORMANCE, AND INTEGRATED REPORTING AND ASSURANCE 110-112 (2019).

prepared by eminent authorities in the field of CSR and Corporate Sustainability. Singapore has been chosen as a comparative jurisdiction as both the nations, India and Singapore are commonwealth nations and have gained their independence recently. Owing to this, their laws are similar. Though Singapore has no law which mandates CSR, it does have a mandatory CSR reporting framework, and its CSR model, yet, is considered to be one of the best in the world.

Part II of the paper gives a brief introduction to the concepts of CSR and Corporate Sustainability and also throws light upon their importance in the contemporary legal and economic scenario. Part III examines CSR from an Indian perspective and highlights all the legislative changes that led to CSR being mandated in the country. Part IV highlights the role of CSR in the Singaporean economy and various legislative frameworks in Singapore which are related to CSR and Corporate Sustainability. Part V elucidates upon the global trends with respect to the concepts of CSR and Corporate Sustainability and highlights the reasons why the concepts are the talk of the town and have gained enormous traction in the past few decades. Part VI finally lists down the findings which have been outlined in the course of the entire research paper. It also tries to present certain suggestions which can aid in making the CSR regime in India more robust and ensure effective implementation.

1. CSR AND CORPORATE SUSTAINABILITY

Sustainable and balanced development has emerged to present itself as a vital component of global expansion.[7] The existence of international standards and jurisdictions governing key social and environmental values has become crucial considering the needs of present generations as well as posterity. In light of the aforementioned argument, the role of various sectors of the economy such as businesses and industries in working towards a sustainable future has intensified. Being a critical part of society, it is in the business' interest to recognize and contribute towards the achievement of this goal. From a strategic viewpoint, businesses can thrive only when they operate within a healthy environment and ecosystem.[8]

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[7] UNESCO, SUSTAINABLE DEVELOPMENT, https://en.unesco.org/themes/education-sustainable-development/what-is-esd/sd. (last visited September 12, 2021),

[8] Julian Birkinshaw, *Ecosystem Businesses Are Changing the Rules of Strategy*, HARV. BUS. REV. (Aug. 08, 2019), https://hbr.org/2019/08/ecosystem-businesses-are-changing-the-rules-of-strategy.

The concepts of Corporate Social Responsibility [hereinafter referred to as "**CSR**"] and Corporate Sustainability are frequently considered to be synonymous and are used interchangeably. Though both the terms aid the corporates in attaining the same end of Sustainable Development, the means and the approach taken by both of them is indeed different. Both the terms are extremely in vogue and no study of corporate governance is ever complete without placing reliance on these terms. None of them has a clear-cut definition and we may find multi-faceted definitions for both of them. In this paper, we shall take into account some of the most prominent and commonly used definitions of these terms.

UNIDO defines CSR as "a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders."[9] CSR is commonly conceived as the process via which a company attains a balance of economic, environmental, and social objectives while fulfilling the expectations of all its stakeholders at the same time. The driving force to pursue CSR is generally to maintain a good reputation in the market and with time it has increasingly been seen as a way to primarily fulfill compliances. CSR as a concept is comprehended as having a short-term bent and has undertones of philanthropy as corporates have to expend a certain share of their profits to ensure compliance and also in a way give back to society. This philanthropic aspect of CSR makes it more often than not undesirable for growing economies and mushrooming corporates as they tend to look at it as an extra financial burden to spend their monies on social causes. The trends studied in various jurisdictions show that the zeal to provide for the betterment of society and in turn achieve or at least aim to achieve sustainability goes missing even though CSR as a concept is intended to be broader than mere philanthropy or social work.

On the other hand, Corporate Sustainability is not just a broader concept than CSR but also has a different way of attaining the goal of sustainable development. The United Nations Global Compact defines Corporate Sustainability as "imperative for business today –essential to long-term corporate success and for ensuring that markets deliver value across society. To be sustainable, companies must do five things: Foremost, they must operate responsibly in alignment with universal principles and take actions that support the society around them. Then, to push sustainability deep into the roots of the corporates, they must commit at the

[9] UNIDO, WHAT IS CSR?, , https://www.unido.org/our-focus/advancing-economic-competitiveness/competitive-trade-capacities-and-corporate-responsibility/corporate-social-responsibility-market-integration/what-csr#:~:text=Corporate%20Social%20Responsibility%20is%20a,and%20interactions%20with%20their%20stakeholders (last visited September 12, 2021).

highest level, report annually on their efforts, and engage locally where they have a presence."[10] This aids the company in attaining the objectives of the triple bottom line approach i.e., focus equally on people, planet, and profit.

Sustainability as a concept, voices for a long-term approach and something that the corporates are undertaking, not just as Good Samaritans, but as something which all corporates should undertake, to ensure advantages in the long term and to ensure that they can pursue their primary goal of shareholder wealth maximisation in the times to come. The ambits of sustainability are nowhere restricted to mere philanthropy but go way beyond that. A robust sustainability regime is not just focused on giving back to society but is also aimed at ensuring that the corporation flourishes along with the society they function in. The propagators of Corporate Sustainability strongly advocate that for a business to be able to prosper, the communities they operate should as well.[11]

2. CSR: Indian Perspective

The concept of good governance is deep-rooted in the Indian society dating back to the times of Kautilya (3rd century BCE) who laid down the basic facets of governance in his much-lauded work, Arthashastra. Despite this, the concept of corporate governance, as such, has been comparatively new to India having evolved only in the early 1990s with the advent of economic liberalisation. Ever since then, India has been trying to grow in terms of governance aspects and CSR is one of them.

Some companies in India like the Tata group etc. have always adopted a voluntary CSR approach but largely a concept like CSR or sustainability reporting was never existent in our country before 2009, when the Ministry of Corporate Affairs introduced Voluntary Guidelines on CSR. Before this, the businesses in India always had a shareholder-based approach and this was for the first time that drift was seen towards the stakeholder-based approach. Under these guidelines, each company was suggested to formulate a CSR policy that would provide a blueprint of all the CSR activities planned to be undertaken by the company.[12] This policy was restructured in the year 2011 to give rise to the National Voluntary Guidelines on Social, Environmental, as well as Economic Responsibilities of Business [hereinafter referred to as

[10] UN Global Compact, Guide to Corporate Sustainability, (2015).
[11] Thusita De Silva, *CSR in Singapore, Singapore* Singapore Mag. (Oct. 02, 2021), https://singaporemagazine.sif.org.sg/csr-in-singapore.
[12] MCA, Govt. of India, Corporate Social Responsibility Voluntary Guidelines, (2009).

"**NVG**"]. This time the guidelines provided for 9 basic principles which were to be the backbone of NVG. This was the first measure directed towards Long Term Share Value [hereinafter referred to as "**LTSV**"] but was still voluntary in nature. Also, this measure had very little impact on any kind of CSR spending by the companies as there was almost no encouragement to that end.

Since these guidelines were proving to be toothless legislation and since there weren't a lot of companies adhering to these guidelines, in 2012, the Securities and Exchange Board of India [hereinafter referred to as "**SEBI**"] released a circular mandating Business Responsibility Reports [hereinafter referred to as "**BRR**"]. To give effect to the same, clause 55 of the Listing Agreement was amended. The mandate was only applicable to the top 100 listed companies based on their market capitalisation at the National Stock Exchange as well as the Bombay Stock Exchange as of March 31, 2012.[13] These reports had to be in line with the principles enshrined under the NVG. Eventually, SEBI came out with the Listing Obligations and Disclosure Requirements Regulations, 2015 [hereinafter referred to as "**LODR Regulations**"], Reg. 34(2)(f), which states that the annual report submitted by the companies should contain a business responsibility report that describes the initiatives taken by the listed companies from an environmental, social and governance perspective, in the format prescribed by the Board.[14] This mandate is currently for the top 1000 listed companies based on their market capitalisation as of 31st March each year. Even the remaining listed companies can furnish these reports voluntarily.[15] Presently, the LODR Regulations, primarily govern the aspect of sustainability reporting in India.

More recently, SEBI has agreed to adopt new ESG reporting standards on March 25, 2021, following a consultation using Xtensible Business Reporting Language [hereinafter referred to as **XBRL**] in 2020.[16] The country's top 1,000 listed companies (by market capitalization) will be required to file a Business Responsibility and Sustainability Report [hereinafter referred to as **BRSR**], which will be voluntary for the 2021-22 fiscal year and mandatory for the 2022-23 fiscal year onwards.[17] The move aims to increase openness and make it easier to identify ESG-related risks and opportunities. When it comes to ESG requirements, companies listed in India

[13] SEBI, BUSINESS RESPONSIBILITY REPORTS CIR/CFD/DIL/8/2012, (2012).
[14] SEBI, FORMAT FOR BUSINESS REPORT CIR/CFD/CMD/10/2015, (2015).
[15] SEBI, LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS REGULATIONS, (2015).
[16] SEBI, XBRL PROJECTS IN SEBI.
[17] SEBI, BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORTING BY LISTED ENTITIES, (2021).

must compare themselves to worldwide best practices.[18] “The BRSR places substantial emphasis on measurable measures, which enables for simple assessment and comparability across firms, sectors, and periods,” according to the SEBI Board. In addition, the disclosures on the environment and social concerns have been much improved and granularized.” Essential and leading indicators are separated in the BRSR disclosures.[19]

Various studies claimed that the adoption of voluntary guidelines given in India was not up to the mark and therefore a need for a more stringed regime was felt. There were a lot of debates to have a law that mandates CSR expenditure by companies. Also, the talks to revamp the Companies Act, 1956 were ongoing. It was almost at the same time that the corporate governance regime in India was jolted by the Satyam scam. It was in the aftermath of this, that a lot of Companies Amendment Bills were placed before the parliament. Eventually, after a lot of debates and discussions, the Companies Act 2013 was enacted. In a landmark move, the Companies Act, 2013 mandated the undertaking of Corporate Social Responsibility for Indian based as well as foreign-based companies operating within the boundaries of the nation. The ratification of the Companies Act, 2013 made India a forerunner to obligate spending on CSR activities via a statutory provision. As stated earlier, while CSR has been taken up voluntarily by several corporate houses traditionally, the new provisions put formal and larger responsibility upon companies operating within the country to set out a more transparent framework to warrant a stricter acquiescence. Presently, what the Companies Act does is bring along additional organizations into the fold and exponentialize the total expenditure on CSR.

The law dictating the terms of CSR is mentioned within Section 135 of the Companies Act, 2013 which is to be conjointly read along with Schedule VII of the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014. Section 135 mandates the formation of a CSR committee and apparently, CSR expenditure for organizations crossing the benchmark as is mentioned in the same. The companies crossing the benchmark are under an obligation to spend 2% of their average net profits earned in the preceding three financial years towards CSR. Schedule VII of the Companies Act of 2013 lists down various activities that are considered to be CSR initiatives. Several activities such as engagement in education, poverty

[18] *Mandatory BRSR Reporting for Top 1,000 Listed Companies from FY2022-23*, KPMG ((June 08, 2021), https://home.kpmg/in/en/home/insights/2021/06/firstnotes-sebi-business-responsibility-sustainability-/reporting-listed-companies.html.
[19] ANN BROCKETT, ZABIHILLAH REZAEE, CORPORATE SUSTAINABILITY: INTEGRATING PERFORMANCE AND REPORTING 48-55 (2012).

alleviation, female empowerment, or contributions towards renowned funds such as the Prime Minister's National Relief Fund are covered as a part of CSR initiatives.[20]

One can make out a huge difference in the intention and implementation while giving the provision a thoughtful read. On an apparent reading of the section, one may feel that spending on CSR is mandatory but a careful reading would explain that the approach is way laxer than it seems. It is restricted more to being the "comply or explain" approach and it is the disclosures of CSR expenditures in the reports and the setting up of the CSR committee that is mandatory and attracts a penalty.[21] "Comply or explain" means the corporations must undertake the expenditure or elaborate on the failure to do so. Even though there is a spike in CSR expenditures ever since the enactment of the Companies Act 2013, India is still far from achieving its real vision and mission after implementing the provision. Since the provision is restricted to "comply or explain" mandate and the penalty imposed is arguably less, most companies are not taking it very seriously and have shown a very laid-back attitude in even disclosing or reporting the reasons for their inability to spend the stated amount. Enforcement of laws has always been a tricky issue in India. Hence, this provision merely boils down to just being legal compliance and is far from its primary objective of achieving sustainability.

More recently, section 135 was amended vide the Companies (Amendment) Act, 2019 inter-alia requiring the provisions to transform from "comply or explain " to "comply or suffer" by establishing a penal provision for non-compliance. The amendment further introduced a provision to park the unspent money for ongoing projects in a separate account and any other unspent amount to the Clean Ganga Fund or Prime Minister's National Relief Fund or like. Amidst the decriminalisation (of offenses under the Companies Act) spree of the Indian government, the introduction of imprisonment in CSR provisions has not been welcomed by organisations and has created a sense of panic amongst them. Though the provisions in the Companies (Amendment) Act, 2019 concerning CSR have been put on hold, the government is in the mode of amending CSR Rules 2014 to bring them in line with the said amendment in the Act and to ensure smooth implementation of the amendment in the Companies Act.

A high-level committee has been set up under the chairmanship of Mr. Injeti Srinivas which has also given its suggestions for making the CSR regime in the country more efficient and

[20] The Companies Act, No. 18 of 2013, Acts of Parliament, 2013 (India).
[21] Umakanth Varottil, *Analysing the CSR Spending Requirements under Indian Company Law, in* GLOBALISATION OF CORPORATE SOCIAL RESPONSIBILITY AND ITS IMPACT ON CORPORATE GOVERNANCE 231-53 (Jean J. du Plessis, Umakanth Varottil & Jeroen Veldman eds. 2018).

robust. Some of these suggestions are to make CSR expenditures tax-deductible, violation of CSR compliance to be made a civil offense, carry forward unspent CSR balance for three to five years, etc. The Committee stressed advocacy and sensitization to achieve the overall objective of CSR.[22]

Hence, one can make out that the past decade has seen a lot of changes being made in the CSR regime in India where we can see the drift from voluntary to pseudo-mandatory to mandatory to such an extent to make the defaulters pay hefty penalties as well as face imprisonment. It can be said without a doubt that the government is trying extremely hard to streamline the regime and ensure effective implementation. But, as of now, the CSR policy in India is mostly compliance-based rather than sustainability based. The focus on compliances has increased so much that we seldom see the word sustainability being used with CSR which in itself is the defeat of the concept. As discussed earlier also, the nature of CSR in India is such that this concept is almost understood the same as Corporate Philanthropy and thus, the real intent takes a back seat.

3. CSR: SINGAPOREAN PERSPECTIVE

Singapore is a unique nation because it has been relatively very recently that it has gained its independence and even in such a short period, it has developed its economy exponentially. Even though the economy is small at a global level, it is comparatively very rich, having one of the highest per capita income in Asia. The rapid financial growth that Singapore has seen also boasts of environmental-friendly and sustainable economic development. The Singaporean government has given paramount importance to sustainable practices all across the nation, ever since its inception. The country has always been well-known for its green city programs and the government has taken considerable efforts to embed sustainable practices throughout the majority of sectors in the nation. The policymakers in Singapore have seemingly attained success in enforcing a social contract between the stakeholders and the corporations.[23]

CSR as a concept of voluntary contribution towards the general upliftment of society has been deep-rooted in Singapore. The culture there is such that the corporates seem to be automatically

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[22] MCA, REPORT OF THE HIGH LEVEL COMMITTEE (2015).

[23] Hu Yuen Ping, *Corporate Social Responsibility in Singapore: Institutions, Framework and Practice, Econ. Paper on Corp. Social Responsibility (2005),* http://publications.apec.org/-/media/APEC/Publications/2005/12/Corporate-Social-Responsiblity-in-the-APEC-Region-Current-Status-and-Implications-December-2005/TOC/Singapore.pdf.

focused on sustainable growth and believe that economic development is not at odds with environmental protection.[24] There is no provision in Singapore for "mandatory CSR" as such even though they have a tradition and statutory requirements of Sustainability Reporting by the corporates. As a concept, CSR is not understood as standalone and is more often than not, referred to along with, Corporate Sustainability. Therefore, even though there is no formal statutory requirement for CSR, the corporates in Singapore have been undertaking CSR expenditures as their normal business method. The fundamentals of corporates in Singapore have always been transparency and ethics.

To formalise CSR issues, the National Tripartite Initiative on CSR was established in May 2004 which involved having a tripartite approach including representatives from government, industry, and unions.[25] The government at its behest has tried to address maximum issues about CSR even though they emphasise primarily voluntary action. On the legislative front, the basis for socially responsible behaviour in Singapore dates back to 2001 when the Corporate Governance Committee, laid down the Code of Corporate Governance for the first time. The most recent amendment to the said document was carried out in 2018 by the Monetary Authority of Singapore.[26] It lays down a certain set of principles and provisions and it is mandatory for all the listed companies to abide by them. The companies are under a 'comply or explain' obligation and all the requirements are to be met by the organisation and have to be stated in its annual reports. The listed companies are required to address issues of board independence and diversity of thought and background, division of responsibilities between the leadership of the board and the company management, assessment of the board's effectiveness, transparency of the appointment of directors, remuneration policies, risk management and internal controls, shareholder rights, audit, engagement with shareholders and interests of other stakeholders.[27]

The Singapore Exchange [hereinafter referred to as "**SGX**"], is another pivotal body to ensure compliance with sustainability in Singapore. Alongside the global thrust in Sustainability Reporting and the advantages that Sustainability Reporting brings to both investors as well companies, SGX introduced Guide to Sustainability Reporting for listed companies in the year

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[24] Mauraqz, *How Singapore became Asia's Greenest City* QUARTZ (Mar. 07, 2017), https://qz.com/921517/how-singapore-became-asias-greenest-city/.

[25] Thomas, Thomas, *CSR Singapore Style*, SOCIAL SPACE 54-55 (2009), https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1041&context=lien_research.

[26] Code of Corporate Governance, 2018 (Sing.).

[27] CFA INSTITUTE, ESG DISCLOSURES IN ASIA PACIFIC (2012).

2011 though this guide provided for voluntary reporting of sustainability practices by the listed companies.[28] To make the mechanism more robust, in 2016, SGX came up with a new listing rule which mandated the listed companies to issue annual sustainability reports on a 'comply or explain' basis. An option was given to issue standalone sustainability reports or the same could be incorporated well within the annual reports submitted by the companies. These requirements were further elaborated upon by SGX-ST Listing Rule 711B. This rule listed down the main components that should be there in sustainability reports. They are:[29]

- Material ESG factors (where ESG stands for Environmental, Social, and Governance)
- Sustainability reporting frameworks
- Policies, practices, and performance
- Board statement
- Targets

The Monetary Authority of Singapore and the SGX can be seen hand in hand in working towards making the sustainability regime in Singapore more and more effective.[30] Along with them being the flag bearers of the corporate sustainability regime in Singapore, there are various other authorities also in place to protect the environment and uplift the society like the Ministry of Sustainability and Environment- [hereinafter referred to as "**MSE**"], (erstwhile The Ministry of the Environment and Water Resources), National Environment Agency, Council for Corporate Disclosures and Governance [hereinafter referred to as "**CCDG**"], etc. The MSE is committed to providing Singaporeans with a clean and green environment, clean and safe water, and food. The CCDG, on the other hand, lays down accounting standards for companies in Singapore and reviews the corporate governance and disclosure practices regularly.[31] In furtherance of the largest corporate sustainability initiative in the world i.e. The United Nations Global Compact, Singapore launched the Global Compact Network Singapore

[28] Lawrence Loh & Michael Tang, *Sustainability Reporting- Progress and Challenges*, SINGAPORE EXHANGE (2019), https://bschool.nus.edu.sg/cgio/wp-content/uploads/sites/7/2019/12/SGX-CGIO-Sustainability-Reporting-Progress-and-Challenges-Report-2019.pdf.
[29] *Id.*
[30] PWC, SGX SUSTAINABILITY REPORTING GUIDE (2017).
[31] MINISTRY OF FINANCE, PRESS RELEASE, AUG. 16 2002. (Sing.) (2002).

in 2005. Eventually, Singapore Compact for CSR was also launched and it primarily seeks to foster collaboration and dialogue amongst various CSR stakeholders.

4. GLOBAL TRENDS

Understanding the concept of CSR is incomplete without studying the famous paper published by Milton Friedman titled "The Social Responsibility of Business is to Increase its Profits". This paper portrayed a pure shareholder centric approach. Milton Friedman is often cited as the father of the shareholder theory of corporate governance which identifies the shareholders as the only group a company is responsible or accountable towards. He always stated that the sole and primary responsibility or purpose of business is to maximise the wealth of its shareholders. He also said that CSR is a "fundamentally subversive doctrine in a free society".[32] For most of the last century, we saw businesses being governed by this ideology. Even though we saw corporates flourishing, it was also seen that such an ideology gave rise to huge scams and frauds being committed in the companies. The profit-making zeal surpassed all ethical and sustainable vigour in the company. Companies were said to be burgeoning at the cost of the larger community. A lot of social and environmental challenges were being faced across the globe. That was the time when people started talking about the aspects of social responsibility and the sustainability of businesses.

The last decade across the globe has seen excessive importance being given to sustainability and social responsibility. A paradigm shift can be observed in Michael Porter and Mark Kramer's article titled "Creating Shared Value" which observes that businesses need to change their approach and methods of doing business and redefine their purpose. It states that businesses should aim to 'create shared value' and 'responsible profits.'[33] They further argued that a business should, while remaining competitive, also focus on the economic and social advancement of the society in which it operates.[34] Creating shared value should be the basic ethos of doing business and it is to be understood as a concept that will benefit the company itself in the longer run.

[32] Friedman, *supra* note 2.
[33] Michael E Porter & Mark R. Kramer, *Creating Shared Value,* HARV. BUS. REV. (February, 2011), https://sharedvalue.org.au/wp-content/uploads/2015/12/Harvard-Business-Review-Creating-Shared-Value.pdf.
[34] Janos Takacs, *CSR and Sustainability- from Milton Friedman to Michael Porter and beyond*, (Oct. 13, 2017), http://www.eoq.hu/iaq/wqf2/papers/c2-3_takacs.pdf.

Adding to this paradigm shift, the International Organisation for Standardisation, came up with ISO 26000 in the year 2010. It provides international standards and guidance on social responsibility. Its primary objective is to contribute to sustainable development across the globe by motivating businesses and other organisations to exercise social responsibility and curb their impacts on their natural environments, their workers, and the communities in which they function. It helps establish the concept of social responsibility, assists businesses and organizations translate principles into efficient actions, and shares ideal practices relating to social responsibility worldwide. Its scope is aimed at all types of organizations regardless of their size, location, or activity.[35]

In furtherance of the same, the United Nations also manifested the Sustainable Development Goals [hereinafter referred to as "**SDG**"], or the Global Goals in the year 2015. These goals that were adopted by all the respective member nations, focus on an "action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030."[36] It lists down 17 goals that are all correlated to each other and aspire to balance economic, social, and environmental sustainability. Each goal has some targets allocated to them and in total, we have 169 targets. Even though these goals are not legally binding on nations, all the member states are determined in their pursuit of the same. There are a few scholars who claim that the SDGs are utopian but still most people believe that even trying to achieve them will enhance the quality of life for all and save the planet as well. Both India and Singapore are pursuing the SDGs.

Other than this, countries like the Nordic group of nations, the USA are leading the world in CSR initiatives and are emphasising more and more the importance of sustainability. Some of the biggest companies in the world with the best CSR and sustainability ratings are from these nations, for example, Lego, Microsoft, IKEA, Apple, Amazon, Novo Nordisk, etc. Apart from them, countries like Australia, New Zealand, Canada, etc. are treating CSR and Corporate Sustainability as a high priority issue and working hard to come up to the global standards of sustainability.

In the light of all these stated developments across the globe, various organisations came up with a global sustainability reporting standard and framework like the Global Reporting

[35] ISO 26000, SOCIAL RESPONSIBILITY, https://www.iso.org/iso-26000-social-responsibility.html (last visited Nov. 7, 2021).
[36] UNDP: WHAT ARE THE SUSTAINABLE DEVELOPMENTAL GOALS (2015).

Initiative [hereinafter referred to as "**GRI**"], Sustainability Accounting Standards Boards, etc. The most prominent of them all is the GRI which is largely being adopted by a lot of nations to fulfill their requirements of filing sustainable reports. GRI is an international independent standards organization that assists governments, businesses, and other organizations understand and communicate their impacts on important issues such as climate change, human rights, and corruption. The GRI Standards are the first global standards for sustainability reporting. They feature a modular, interrelated structure, and represent the best global practice for reporting on a plethora of economic, environmental, and social impacts. Since most of the nations in the world do not prescribe a set format for sustainability reporting, this serves a huge purpose of providing the basic format from the same which can be followed by all nations.

5. FINDINGS AND RECOMMENDATIONS

The Brundtland Commission report explicated sustainable development as "development which meets the needs of current generations without compromising the ability of future generations to meet their own needs".[37] This definition is the most acceptable of all definitions of sustainable development in the world. This in itself makes the agenda of sustainable development extremely clear. It makes it clear that our activities should not only be focused on a bright day today but we also have to ensure that we have brighter days in the times to come.

CSR and Corporate Sustainability, as we have understood in the course of the paper, are not the same concepts at all, though both of them are means to attain the end of sustainable development. Even though CSR aids in achieving the latter, the role of CSR is way more than that. A properly implemented CSR concept can bring along a variety of competitive advantages for the company, 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 processes. Hence, the ultimate objective of CSR is not just to make the world a better place to live in but also to make the corporations sustainable and in a position to pursue their profit-making objectives for a longer period.

[37] UNITED NATIONS, REPORT OF THE WORLD COMMISSION ON ENVIRONMENT AND DEVELOPMENT: OUT COMMON FUTURE https://sustainabledevelopment.un.org/content/documents/5987our-common-future.pdf (last visited Nov. 9, 2021),

To ensure that we have the best set of policies to implement and reach global standards, a comparative analysis is extremely important. It has been stated that to know just one nation is to know no nations or to know just one culture is to know no cultures. We understand best the culture in which we live when we make a comparison with other cultures. Keeping the same in mind, this paper tries to compare and contrast the regime in India and Singapore. Singapore consistently outperforms India as far as sustainability indices are concerned. In a sustainability-minded ranking, which is backed by jurists like Michael Porter, the Social Progress Index 2021, Singapore ranks 30 while India ranks 115. This index aims at measuring ''the capacity of a society to meet the basic human needs of its citizens, establish the building blocks that allow citizens and communities to enhance and sustain the quality of their lives, and create the conditions for all individuals to reach their full potential".[38] Also, in the Global Sustainable Competitiveness Index 2021, Singapore ranks 48 and India ranks 135. This index measures the "competitiveness of countries in an integrated way."[39] Although none of these rankings should be individually relied upon, a cumulative understanding of them depicts that India can learn and grow a lot with its deeper understanding of sustainability concepts, practices, and measures in Singapore.

Primarily, the very basic difference that we can make out in the course of this paper is the difference in approach towards the concept of CSR in the two nations. While Singaporean corporates look at CSR more from a sustainability-oriented mindset, the approach in India is deeply philanthropic. The corporates in India have been mostly observed to have a very negative kind of approach upwards the concept of CSR and tend to mostly see it as a burden. A burden, which forces them to divulge a share of their profits, fruits of their labour, for the betterment of society. CSR expenditure is, most often than not, thought of as an added tax on the corporates. There are constant debates around the issue that CSR as a concept is inherently voluntary and nobody can be forced to do social service. The impetus of social work should always come from within and can never be forced. The aspect of sustainability tends to always take a back seat around such discussions.

Secondly, In India, excessive dependence is seen on just ensuring compliance. A lot of it is owed to the nature and language of our statute also. India is the only country across the globe

[38] Social Progress Imperative, Global Index, https://www.socialprogress.org/index/global/results , (last visited Nov. 9, 2021).
[39] Solability, Global Sustainable Competitiveness Index, https://solability.com/the-global-sustainable-competitiveness-index/the-index (Nov. 9, 2021, 6:11 PM),

to direct its corporates on how much to spend, where to spend etc. Schedule VII of the Companies Act, 2013 sets boundaries for what can come under the purview of CSR expenditure. The burden of compliances has been made such that the aspect of sustainability again goes missing. A result of this is that most corporates are spending money just to avoid legal soups and are spending money, not on a need basis but just to fulfil the legal formalities. As a result, the quality of reporting in India is also not up to the mark and is very superficial with no detailing being done. Moreover, there are no such criteria to judge the appropriateness of the reports.[40]

Even though it is a stated fact, that the CSR expenditure in India has greatly increased after the enactment of Sec. 135,[41] it is still way behind what it should have achieved. Most problems are because India is still a developing economy and enforcement, as pointed out earlier, has always been a tricky issue for India. To overcome the issues, a lot of measures are being taken by the Government of India to strengthen its legal framework as much as possible. A lot of deliberations and discussions are done aimed at redressing the same but a lot more can be done to address the issue of sustainability.

If we look at the Singaporean regime, it does not have a legal mandate for undertaking CSR expenditures typically, though it has the mandatory sustainability reporting requirement. The corporates themselves set their ESG goals in the light of SDGs. The government empowers the corporates with the importance of sustainability and for the corporates based in Singapore, sustainability can be understood as a way of doing business. It forms a part of their basic business ethos and the corporates seem to have a ubiquitous culture of sustainability. The government also promotes the expenditures towards social causes by corporates by giving them tax breaks on such expenditures. Also, sustainability practices have grown manifold in the past two decades owing to such practices.[42] It is not that the Singaporean system is unblemished or flawless but with a positive mindset towards sustainability and confabulations aimed at creating a better society, they are firmly moving towards their goal.

[40] UN GLOBAL COMPACT, *supra* note 10 at 44.

[41] *India's CSR Reporting Survey*, KPMG (Feb. 18, 2020) https://assets.kpmg/content/dam/kpmg/in/pdf/2019/01/India_CSR_Reporting_Survey_2018.pdf.

[42] Diligent Boards, *Two Decade of Progress: Singapore's Good Governance Pays off*, CEO MAG. (Sept. 01, 2020), https://www.theceomagazine.com/business/sponsored-content/two-decades-of-progress-singapores-good-governance-pays-off/.

To make the CSR regime in India more efficient, the following recommendations are proposed:-

Firstly, Indian corporates need to be explained that sustainability initiatives will increasingly help companies in their operation, assist in saving costs, recruit and retain talent, drive innovation and open up new markets. By adopting an active stance on addressing sustainability issues, corporations will manage their risks better and stimulate long-term growth. The listed companies must understand that the process of implementing Sustainability Reporting includes more than just the Sustainability Report. The real importance of Sustainability Reporting lies in how businesses can successfully integrate sustainability within their business strategies, operations, and processes. Sustainability or CSR should not just be restricted to legal compliance but the deep-rooted intent behind the concept should be clearly understood. Therefore, they need to come to terms with the differences between the concept of CSR and social philanthropy. They should be promoted to make sustainability a way of doing business and their basic ethos of functioning in the market.

Secondly, a more robust and elaborate scheme of sustainability reporting should be introduced which is in line with the SDGs. Only then, it will be possible to reach out to the global levels of sustainable practices and disclosures. The disclosures should be comprehensive and as detailed as possible to demarcate which practice will be or has been undertaken and in what time frame. They should focus more on the reporting schemes given by organisations like GRI as it will help them to attain the ends of standardisation and make a global presence.

Thirdly, it is also pertinent to note that a clearer and more explanatory provision concerning CSR can also aid in a lot of perils. Nowhere in the legislative framework for CSR in India, is the term CSR defined in itself which is what leaves the scope for multiple and anomalous definitions and interpretations of CSR for the corporates. Having a better-defined provision, will make the legislative intent clearer for the corporates and leave lesser room for any discrepancies.

To conclude, simply by making a practice legally mandatory, it is very difficult to achieve the desired result. The key lies in the spirit and intent with which CSR is practiced. Looking at the reports laid down by KPMG, it is clear as a bell that we, as a nation, are growing in our pursuit to achieve sustainable development.[43] Even though a lot has already been done, a lot still needs

[43] MANDATORY BRSR REPORTING FOR TOP 1,000 LISTED COMPANIES FROM FY2022-23 *supra* note 18 at 9.

to be focused on to achieve the desired results. There is quite a hope that to keep itself up to the mark globally and to meet the standards of good governance, India will adopt sustainability, both in letter and in spirit.

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