

A COMPARATIVE STUDY OF UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS AND ACTIVITIES COVERED UNDER SCHEDULE VII OF THE COMPANIES ACT, 2013

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ABSTRACT

Section 135 of Companies Act, 2013, states the social responsibilities of companies. The United Nations (UN) has proclaimed the social responsibilities of nations and corporates by way of Sustainable Development Goals. Hence, the present study is undertaken to compare the mandate provided under section 135 of the Companies Act, 2013, with that of the UN's Sustainable Development Goals.

KEYWORDS: CSR, Corporate Social Responsibility, Sustainable Development Goals

INTRODUCTION

In the wake of worldwide conscience regarding combating climate change, improving quality and sustainable living by way of adopting various sustainable practices, there is need to know and understand the vision set by the United Nations by way of Sustainable Development Goals and the vision of section 135 of Companies Act, 2013. Hence, the present comparative study is undertaken to comprehend the Sustainable Development Goals with that of activities mandated by virtue of section 135 of Companies Act, 2013.

OBJECTIVE OF THE STUDY

The United Nations by way of Sustainable Development Goals has set seventeen (17) Goals for Member States in order to have sustainable planet for the future generation. In India, the section 135 of the Companies Act, 2013, mandates the companies with certain criteria to carry activities mentioned in Schedule VII of the Companies Act, 2013, as Corporate Social Responsibility ("CSR"). The objective of the study is to make comparative analysis of Sustainable Development Goals with that of CSR activities mentioned in Schedule VII of the Companies Act, 2013.

METHODS

Research methodology is an approach to the study which is going to be conducted. The best and appropriate approach for comparative research would be the analysis of each subject matter in contrast with other subject matter. This will also help in understanding the objectives, intention and gaps among each other. Hence, the descriptive and analytical

research design is adopted for the present study. The primary data is collected from various official documents accessed through official and reliable web sites, and secondary data has been collected from different sources like scholarly books and articles, and newsletters.

Corporate Social Responsibility (CSR) under section 135 of the Companies Act, 2013

The Corporate Social Responsibility ("CSR") as the name suggest is an organisational notion, which aims in providing business model for corporations / enterprises, to establish, operate, function, regulate and accountable for societal well-being. The United Nations Development Organisation defines CSR as a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.

The 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. However, it is pertinent to note that since the evolution of the concept of CSR, there has been debate as to meaningful and effectiveness of voluntary CSR and regulated CSR, and for not being responsible to involuntary creditors.

In India, the ethical business leaders and certain principles of responsible business were noted for centuries before the evolution of modern governance structure, in various forms. Presently the concept of CSR has been incorporated in

the legal framework under section 135 of the Companies Act, 2013. As per section 135, a company following under any of the following category has to spend at least 2% of its average net profit for the immediately preceding three financial years on CSR activities in India.

- (a) net worth of the company to be Rs 500 crore or more; or
- (b) turnover of the company to be Rs 1000 crore or more; or
- (c) net profit of the company to be Rs 5 crore or more.

The list of recognized CSR activities mentioned in the Schedule VII of the Companies Act.

(i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water.

(ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.

(iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.

(iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water [including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga].

(v) protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts;

(vi) measures for the benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows;

(vii) training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports

(viii) contribution to the prime minister's national relief fund or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)] or any other fund set up by the central govt. for socio economic development

and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women;

(ix) (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and (b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).

(x) rural development projects

(xi) slum area development.

(xii) disaster management, including relief, rehabilitation and reconstruction activities.

Further, a company falling under any of criteria mentioned in section 135 of the Companies Act, 2013, need to constitute a CSR Committee. The CSR Committee shall be constituted by three or more Board of Directors and out of which at least one shall be independent director The CSR Committee should formulate the CSR policy of the company and shall recommend the CSR policy to the Board of Directors of the company. The Board shall take into account the recommendations made by the CSR Committee and approve the CSR policy of the company.

SUSTANABLE DEVELOPMENT GOALS

The concept of Sustainable Development was made known for first time in the United Nations Conference on the Environment, held at Stockholm [popularly known as "Stockholm Declaration"] in June 1972. The Declaration states the concept of Sustainable Development as a fundamental right of a Man to freedom, equality and adequate conditions of life, in an environment of a quality that permits a life of dignity and well being and he bears a solemn responsibility to protect and improve the environment for present and future generation.

However, the concept was given a definite shape in a report by World Commission on Environment, in 1987, which was chaired by the then Norway Prime Minister, Ms. Gro Harlem Brundtland. The report was popularly known as “Brundtland Report”. The report defines Sustainable Development as a development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

In June 1992, the concept of sustainable development was discussed under Agenda 21 of the United Nations Conference on Environment and Development (UNCED) [popularly known as “Earth Summit” or “Rio Summit”] held at Rio de Janeiro, Brazil.

Further, in September 2000, the United Nations adopted the Millennium Declaration whereby eight Millennium Development Goals (MDGs) was set at Millennium Summit held at New York, U.S. Following are the eight Millennium Development Goals.

1. To eradicate extreme poverty and hunger
2. To achieve universal primary education
3. To promote gender equality and empower women
4. To reduce child mortality
5. To improve maternal health
6. To combat HIV/AIDS, malaria, and other diseases
7. To ensure environmental sustainability
8. To develop a global partnership for development

The new 17 Sustainable Development Goals (SDGs) was adopted by United Nations Member States in the United Nations Sustainable Development Summit 2015 held at New York, U.S. on 25th to 27th September 2015. It is a 2030 agenda for sustainable development set by United Nations Member States. The 17 Sustainable Development Goals are action plan by all developed and developing nations by way of a global partnership. It emphasis on ending poverty, inequalities, improving education and health, off shooting economic growth which is inclusive, sustainable and innovative, without affecting the ecology and biodiversity.

A COMPLETE STUDY OF SUSTAINABLE DEVELOPMENT GOALS AND CSR ACTIVITIES MENTIONED UNDER SCHEDULE VII OF THE COMPANIES ACT 2013

Go al No.	Sustainable Development Goals	CSR Activities under Schedule VII of Companies Act 2013
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1	Goal 1. – No Poverty – End poverty in all its forms everywhere	Covered in (i) (i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.
2	Goal 2. – Zero Hunger – End hunger, achieve food security and improved nutrition and promote sustainable agriculture	Mostly covered in (i). However, achieving food security and sustainable agriculture is missing. (i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.
3	Goal 3. – Good Health and Well-being – Ensure healthy lives and promote well-being for all at all ages	Covered in (i) (i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.
4	Goal 4. – Quality Education – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Covered in (ii) (ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.
5	Goal 5. – Gender Equality – Achieve gender equality and empower all women and girls	Covered in (iii) (iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.
6	Goal 6. – Clean Water and Sanitation – Ensure availability and sustainable management of water and sanitation for all	Covered in (i) & (iv) (i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water. (iv) ensuring environmental sustainability, ecological balance,

		protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.			and measures for reducing inequalities faced by socially and economically backward groups.
7	Goal 7. – Affordable and Clean Energy – Ensure access to affordable, reliable, sustainable and modern energy for all	Not available			(viii) contribution to the prime minister's national relief fund or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) or any other fund set up by the central govt. for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women.
8	Goal 8. – Decent Work and Economic Growth – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Not available			Partially covered in (x) and (xi) (x) rural development projects (xi) slum area development
9	Goal 9. – Industry, Innovation and Infrastructure – Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	Covered partially in (ix) (ix) (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and (b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).			
10	Goal 10. – Reduced Inequality – Reduce in equality within and among countries	Partially covered in (iii) and (viii) (iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens			
11	Goal 11. – Sustainable Cities and Communities – Make cities and human settlements inclusive, safe, resilient and sustainable				
12	Goal 12. – Responsible Consumption and Production – Ensure sustainable consumption and production patterns				Not available
13	Goal 13. – Climate Action – Take urgent action to combat climate change and impacts				Covered differently in (iv) (iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.
14	Goal 14. – Life below Water – Conserve and sustainably use the oceans, seas and marine resources for sustainable development				Covered differently in (iv) (iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.
15	Goal 15. – Life on Land – Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss				Covered differently in (iv) (iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.

16	Goal 16. – Peace, Justice and Strong Institution – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Not available
17	Goal 17. – Partnership for Goals – Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development	Not available

The above comparison clearly indicates that majority of the Sustainable Development Goals find a place, directly or indirectly, under the activities mentioned in Schedule VII of the Companies Act, 2013. Out of total 17 Sustainable Development Goals adopted by United Nations, only following mentioned 5 goals are not found place under the Schedule VII of the Companies Act, 2013

1. Goal 7- Affordable and Clean Energy Ensure access to affordable, reliable, sustainable and modern energy for all.
2. Goal 8-Decent Work and Economic Growth - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
3. Goal 12 - Responsible Consumption and Production Ensure sustainable consumption and production pattern.
4. Goal 16- Peace, Justice and Strong Institution - Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
5. Goal 17-Partnership for the Goals-Strengthen the means of implementation and revitalize the Global Partnership for sustainable development.

Moreover, goals such as ensuring affordable and clean energy and providing access to justice for all, are State to be driven goals and not very much directly applicable to the business houses. Similarly, the goals such as decent work conditions are covered under the various principles of labour

legislations which governs and applicable to the respective industry.

Likewise, the Goal-17 [Partnership for the Goals] guides the nations for strengthening domestic resource, mobilize additional financial resources, promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favourable terms, equitable multilateral trading system, and encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

Furthermore, it is important to note that few of Sustainable Development Goals set by United Nations are completely having the same vision and objectives as that of activities covered under Schedule VII of the Companies Act, 2013. These are eradication of poverty, hunger, promoting health care, quality education which is inclusive and equitable education, promoting gender equality and making available safe drinking water. Additionally, it is important to note that, under these instances, if the companies undertakes the socio-responsible activities may be termed as political actors or political sponsored, irrespective of its actual intention, as local communities and leaders will be involved.

Few other goals especially related to environment and ecology, the Sustainable Development Goals are more comprehensively described than the activities incorporated under the Schedule VII. It can be stated that the Schedule VII is articulated distinctively for the Indian context with much same as the objectives that of the Sustainable Development Goals, which is applicable globally and for Member States.

However, there is no specific mention about conservation and sustainable use of the oceans, seas and marine resources in the Schedule VII. Also, the Schedule VII misses out the issue of food security and sustainable agriculture, which is one of the crucial Sustainable Development Goals.

Furthermore, in India, the concept of Smart Cities has been initiated, recognised and implemented by the Government of India rather than the concept of Sustainable Cities and human settlement. The Sustainable Development Goals thrives for making cities and human settlements inclusive, safe, resilient and sustainable, whereas the Schedule VII limits the CSR activities to the rural development projects and slum area development only.

Also, it is pertinent to note that as the UN resolution on Sustainable Development Goals requires the member state to take appropriate measures for the furtherance of each goal in the jurisdiction of each member state, on similar lines, the

Companies Act, 2013, emphasis the companies to provide preference to the local area where it is operated for utilizing the CSR fund.

CONCLUSION

Sustainable Development Goals are primarily the Member State's obligation to meet the set agenda 2030. Nevertheless, basis on the above comparative study it can be stated that most of the Sustainable Development Goals are covered under the activities recognised by Government of India under the Schedule VII of the Companies Act, 2013, in direct and indirect form. Moreover, few activities like preventive health care are more comprehensive and broader in the Schedule VII of the Companies Act, 2013, as compared to the Sustainable Development Goals.

Also, it is vital to note that certain internal activities of a corporate such as work culture, sustainable use of labour force, etc., are not recognized under the Schedule VII of the Companies Act, 2013. The fundamental reason for the same is that it is regulated under various principles of labour legislations and judicial precedents in India and also if included in the Schedule VII the corporate may misuse the CSR fund for their own internal benefits which may happen by way of incentives to the employees, etc.

Finally, as a result of discussion, it can be stated that the activities mentioned in the Schedule VII of the Companies Act, 2013, thrives most of the Sustainable Development Goals in one or other form, which is a positive, progressive and virtuous directions for the companies, and so called temples of modern India, which also in turn acts as booster for growth and development of India.

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