

Corporate Social Responsibility in India

Potential to contribute towards inclusive social development

Global CSR Summit 2013
An Agenda for Inclusive Growth

The EY logo consists of the letters 'EY' in a bold, black, sans-serif font. The 'E' and 'Y' are connected at the top.

Building a better
working world

The PHD Chamber logo features the letters 'PHD' in a large, bold, white, sans-serif font inside a dark blue square. Below the square, the word 'CHAMBER' is written in a smaller, white, sans-serif font.

PROGRESS HARMONY DEVELOPMENT

Estd. - 1905

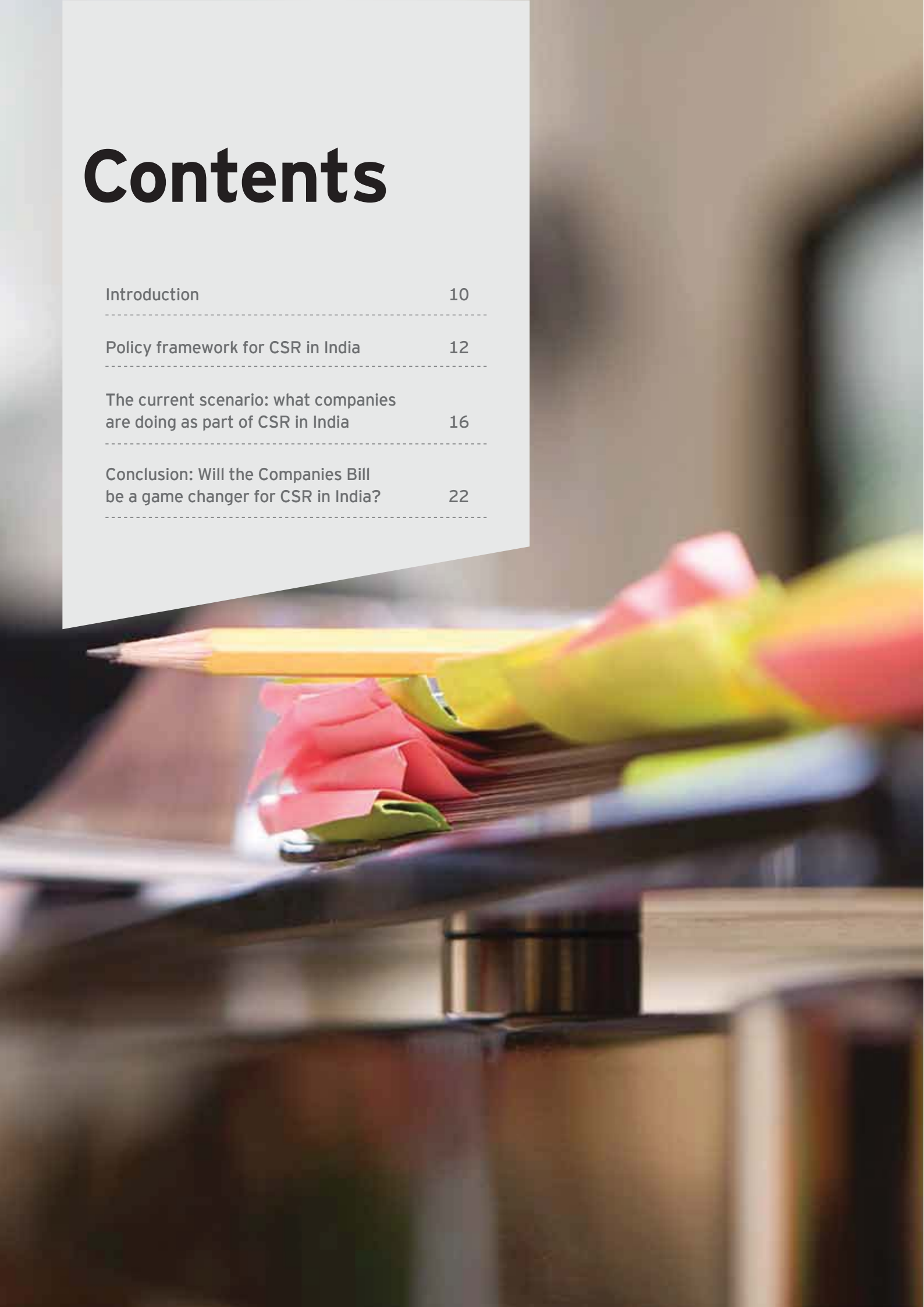
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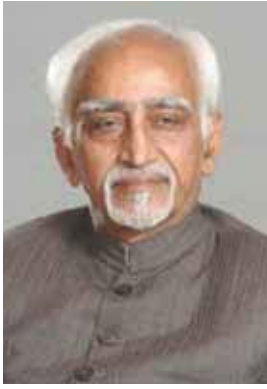
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Mohammad Hamid Ansari

Honourable Vice-President of India



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MESSAGE

Hon'ble Vice President of India is happy to know that the PHD Chamber of Commerce is organizing a Global Summit on 'CSR: An Agenda for Sustainable Inclusive Growth' on July 25, 2013 at PHD House, New Delhi.

The Vice President of India extends his greetings and good wishes to the organizers and the participants and wishes the event all success.


(NAGESH SINGH)

New Delhi
9th July, 2013.



I am happy to learn that the Task Force on CSR is organizing the Global CSR Summit: An Agenda for Sustainable Inclusive Growth.

CSR has gained unprecedented importance and has become imperative to any company's strategic decision making. It has gained prominence from all quarters. Organizations have realized that government alone will not be able to get success in its endeavor to uplift society. With the rapidly changing corporate environment and more functional autonomy, many organizations have set up separate CSR wings as a strategic tool for sustainable growth. There are scores of CSR organizations and business associations promoting CSR – big, small, and medium-sized – in diverse industries.

CSR has come a long way in India. From responsive activities to sustainable initiatives, corporate entities have clearly exhibited their ability to make a significant difference to the society and improve the overall quality of life. Effective partnerships between foundations, industry, NGOs and the government will place India's social development on a fast track.

I am confident that the summit will be a useful platform for exchange of ideas, laying best practices and will benefit the participants.

Suman Jyoti Khaitan

President, PHD Chamber





In the current scenario, CSR goes way beyond the old philanthropy of the past – donating money to good causes at the end of the financial year. Instead, it is an all year round responsibility. Indeed, the brand names depend not only on quality, price and uniqueness but on how, cumulatively, they interact with companies' workforce, community and environment. Keeping in mind the three "Ps" – people, planet, and profit – we need to move toward a challenging measure of corporate responsibility, where we judge results not just by the input but by its outcomes. This is the difference we make to the world in which we live, and the contribution we make toward poverty alleviation. The government should sensitize corporate entities and MSMEs to give back to the society for the development of the under privileged.

The present-day society is very different. The role of the state as the primary provider of social services is well established, while the institutions that used to underpin the morals of society no longer hold sway. This has led to a less certain world, where what constitutes ethical behavior is less clear and where there is diminishing trust in institutions to do the right thing. But it is undoubtedly true that the social context in which business operates at the opening of the twenty-first century is uncertain, complex and dynamic.

We at the PHD Chamber propose to advocate CSR among the industry so as to sensitize them and push them to take it up in a proactive manner.

Saurabh Sanyal

Executive Director, PHD Chamber



I am happy to learn that PHD Chamber is organizing Global CSR Summit 2013: An Agenda for Sustainable Inclusive Growth.

The concept of Corporate Social Responsibility has evolved over the years. It is today considered a vital part of the strategic business of large corporations. CSR is a way of conducting business, which makes corporate entities socially responsible citizens, visibly contributing to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth.

With the New Companies Bill in the pipeline, a legal acceptance to this vital concept would help further the cause and hopefully motivate organizations to undertake CSR proactively.

I am confident that the Summit would be a useful platform for exchange of ideas and best practices and will immensely benefit the participants.

I congratulate PHD Chamber and wish them a grand success.

Dr. Bhaskar Chatterjee

DG & CEO, Indian Institute of Corporate Affairs



The economic success story that our country has been over the last two decades is nothing short of remarkable. But in this narrative of change for the betterment, certain elements of our ecosystem, perhaps, fell through the gaps of popularly accepted definitions of development. This sometimes-blinkered rendition of our development has bred systemic inequities in our society and has, even, posed some serious question marks over the state of our environment.

And we as sentient citizens and responsible organizations must now band together to address that dichotomy; and bring in 'inclusiveness' and 'sustainability' within the purview of our 'development paradigm' and make that an indispensable strand in the way we do our business.

We, at ONGC, are affirmed subscribers to that outlook, and not just our CSR activities, our business pursuits as well are premised on the fundamental pillars of sustainability and 'an inclusive agenda'. Practitioners of CSR long before it became a buzzword in corporate circles,

ONGC espouses a brand of CSR that not only spells commitment towards integration of social, environmental and economic considerations into decision making structures and processes of business but also to enthusing innovation to find creative and value added solutions to the societal and environmental challenges.

And when it comes to making such real and perceptible differences on a greater scale, we believe it is imperative that individuals, organizations and industries come together on a common platform to herald a 'more equal and inclusive' landscape where a single definition of development contains within its scope the potential to usher in progress for the many and varied stakeholders of the society. In this context, the PHD Chamber is rendering an excellent service in facilitating the growth of this sentiment across the larger business fraternity.

I extend my sincere wishes and congratulations to the Chamber for their efforts towards this end.

Sudhir Vasudeva

CMD, ONGC

Foreword



Corporate social responsibility has many facets and it's important to note the interconnectedness of Corporate Social Responsibility, corporate governance, social inclusion and economic growth. This paper highlights this interconnectedness and the importance of CSR towards nation building.

The potential and advantages of CSR are often overlooked and in order to achieve inclusive growth businesses must participate in addressing socio-economic concerns while still maintaining profitability. Most industries today have already realized the necessity of incorporating CSR into their business strategies and the necessity to nurture and include all the relevant stakeholders in their growth stories.

The changing policy environment in India makes it imperative to be prepared and support industry efforts and provide technical assistance for adapting to the change. The next phase of CSR in India is promising and provides great motivation and incentive to reduce inequalities in our country.

We are glad to be associated with PHD Chamber, New Delhi as a knowledge partner and participate in their endeavor to provide a knowledge sharing platform and an understanding of CSR and the implications of the recently proposed Companies Bill in the industry and its expected contribution to inclusive growth.

Parul Soni

Executive Director and Practice leader,
Development Advisory services and Global deputy leader not-for-profit organizations
Ernst & Young LLP

List of acronyms

Acronyms	Full form
CM	Chief Minister
CPSEs	Central Public Sector Enterprises
CSR	Corporate Social Responsibility
DPE	Department of Public Enterprises
EAG	Empowered Action Group
EU	European Union
EUR	Euro
IICA	Indian Institute of Corporate Affairs
INR	Indian National Rupee
MCA	Ministry of Corporate Affairs
NGOs	Non-Government Organizations
OECD	Organization for Economic Co-operation and Development
PAT	Profit after Tax
PLCs	Public Listed Companies
PM	Prime Minister
PSUs	Public Sector Undertakings
SRI	Socially Responsible Investing
UN	United Nations



1

Introduction

Over the past few years CSR, as a concept, has been the focus of many deliberations and research. It has grown in importance both academically as well as in the business sense. It captures a spectrum of values and criteria for measuring a company's contribution to social development. As the term "CSR" is used continually, many complementary and overlapping concepts, such as corporate citizenship, business ethics, stakeholder management and sustainability, have emerged. These extensive ranges of synonymously used terms indicate that multiple definitions have been devised for CSR, mostly from different perspectives and by those in facilitating roles such as the corporate sector, government agencies, academics and the public sector.

A widely cited definition of CSR in the business and social context has been given by the European Union (EU). It describes CSR as "the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly, and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large...¹"

In other words, CSR refers to ensuring the success of the business by inclusion of social and environmental considerations into a company's operations. It means satisfying your shareholders' and customers' demands while also managing the expectation of other stakeholders such as employees, suppliers and the community at large. It also means contributing positively to society and managing your organization's environmental impact.² Hence, CSR is a contribution to

sustainable development, implying the way a company balances its economic, environmental and social objectives while addressing stakeholder expectations and enhancing shareholder value.

CSR not only includes the activities that a company undertakes in order to utilize their profit to enable social and environmental development, but also includes the methods that a company employs in order to earn these profits including socially responsible investments, and transparency to various stakeholders among others. Realizing the importance and the long-term benefit of being socially responsible many companies have incorporated socially responsible business practices. The basic objective of CSR is to maximize the company's overall impact on the society and stakeholders while considering environment and overall sustainability.

Some existing CSR policy initiatives across countries

As the importance of being socially responsible is being recognized throughout the world, governments are aware of the national competitive advantages won from a responsible business sector. Large corporations have progressively realized the benefit of implementing CSR initiatives where their business operations are located.

The Organization for Economic Co-operation and Development (OECD) established a set of guidelines for multinational enterprises in 1976, and was thus a pioneer in developing the concept of CSR. The purpose of these guidelines was to improve the investment climate and encourage the positive contribution multinational enterprises can make to economic and social

1 "A renewed EU strategy 2011-14 for Corporate Social Responsibility," European Commission press release, http://ec.europa.eu/enterprise/newsroom/cf/_getdocument.cfm?doc_id=7010, 25 October 2011.

2 European Commission, Directorate-General for Enterprise

progress. In addition to the OECD's 30 member countries, 11 observer countries have endorsed the guidelines.³

It is observed that, transparency in reporting enhances the focus on economic, social and environmental factors. It motivates companies to intensify their efforts in becoming socially responsible. Several efforts have been taken by various governments, to encourage CSR reporting, such as incentivizing companies who voluntarily report their CSR activities or by taking measures such as mandating CSR reporting. In 2007, the Malaysian government passed a regulation to mandate all publicly listed companies to publish their CSR initiatives in their annual reports on a "comply or explain" basis. Accordingly, all public listed companies (PLCs) in Malaysia have to either publish CSR information or they need to explain why they should be exempted.⁴ In another example, in 2009 Denmark mandated CSR reporting, asking all state-owned companies and companies with total assets of more than €19 million, revenues more than €38 million and more than 250 employees, to report their social initiatives in their annual financial reports.

To enable transparency from businesses on the environment, social and governance front, France passed a law called Grenelle II, which mandates integrated sustainability and financial reporting for all companies listed on the French stock exchanges, including subsidiaries of foreign companies located in France and unlisted companies with sales revenue of more than €400 million and more than 2,000 employees.⁵

Although some CSR standards are mandatory, there are others, which comprise of both, mandatory and voluntary standards. For instance, in 2006 the British Companies Act mandated all companies listed in the UK to include information about their CSR activities in their annual reports; however, a full length CSR reporting was made voluntary.⁶

A corporate responsibility index challenges and supports large organizations to integrate responsible business practices. Emerging markets such as Brazil, China and South Africa have become forerunners in CSR reporting in the developing world in terms of their involvement in CSR-related activities in order

to promote the listed companies' credibility, transparency and endurance. The Johannesburg Stock Exchange was the first emerging market stock exchange to create a socially responsible investing (SRI) index in 2004. China has also encouraged CSR reporting in guidelines released through the Shanghai and Shenzhen Stock Exchange.

Evolution in India

India has a long tradition of paternalistic philanthropy. The process, though acclaimed recently, has been followed since ancient times albeit informally. Philosophers such as Kautilya from India and pre-Christian era philosophers in the West preached and promoted ethical principles while doing business. The concept of helping the poor and disadvantaged was cited in several ancient literatures. In the pre-industrialized period philanthropy, religion and charity were the key drivers of CSR. The industrial families of the 19th century had a strong inclination toward charity and other social considerations. However, the donations, either monetary or otherwise, were sporadic activities of charity or philanthropy that were taken out of personal savings, which neither belonged to the shareholders nor did it constitute an integral part of business. During this period, the industrial families also established temples, schools, higher education institutions and other infrastructure of public use.

The term CSR itself came into common use in the early 1970s. The last decade of the twentieth century witnessed a shift in focus from charity and traditional philanthropy toward more direct engagement of business in mainstream development and concern for disadvantaged groups in the society. In India, there is a growing realization that business cannot succeed in isolation and social progress is necessary for sustainable growth. An ideal CSR practice has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well socio-economic status (Bajpai, 2001).⁷

Currently, there is an increased focus and a changing policy environment to enable sustainable practices and increased participation in the socially inclusive practices. Some of these enabling measures have been illustrated in the next section of this report.

3 The 11 observer countries are: Argentina, Brazil, Chile, Egypt, Estonia, Israel, Latvia, Lithuania, Peru, Romania and Slovenia

4 "Current Corporate Social Responsibility Disclosure Efforts by National Governments and Stock Exchanges," The Hauser Center website, <http://hausercenter.org/iri/wp-content/uploads/2011/08/CSR-Disclosures-Update-6-27-13.pdf>

5 How France's new sustainability reporting law impacts US companies, EY report.

6 Matthew Maguire, "The future of Corporate Social Responsibility Reporting," Boston University website, The Frederick S. Pardee Center for the Study of Longer-Range Future, <http://www.bu.edu/pardee/files/2011/01/PardeeIB-019-Jan-2011.pdf>, dated 19 January 2011.

7 Bajpai, G.N. , Corporate Social Responsibility in India and Europe: Cross Cultural Perspective, 2001

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Policy framework for CSR in India

In the developing world, governments and businesses understand that their respective competitive positions and access to capital increasingly depend on being able to respect the highest global standards. At one end of the spectrum, CSR can be viewed simply as a collection of good citizenship activities being engaged by various organizations. At the other end, it is a way of doing business resulting in a significant impact on community and long-term sustainability.

The essence of CSR comprises philanthropic, corporate, ethical, environmental and legal as well as economic responsibility. An alternative, synonymous to CSR, is People, Planet, and Profit, also known as triple bottom line. In India, the evolution of CSR refers to changes over time in cultural norms of corporations' engagement and the way businesses managed to develop positive impacts on communities, cultures, societies, and environment in which those corporations operated. CSR motives changed during the independence movement in India toward social reforms to encourage empowerment of women and rural development.

In the last decade, CSR has rapidly evolved in India with some companies focusing on strategic CSR initiatives to contribute toward nation building. Gradually, the companies in India started focusing on need-based initiatives aligned with the national priorities such as public health, education, livelihoods, water conservation and natural resource management. Intensive national level deliberations on the potential role and responsibility of the corporate sector in contributing toward addressing social issues were witnessed in the last decade. In the last five years, the Government of India has also enhanced its focus on persuading companies to participate in addressing social and developmental issues, not only as a part of their social responsibility but also their business practices. Setting an

example for the private sector, guidelines regarding expenditure on CSR activities for Central Public Sector Enterprises were issued by Department of Public Enterprises. According to these "Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises" revised by the Department of Public Enterprises (DPE), Ministry of Heavy Industries and Public Enterprises every year, each CPSE shall with the approval of its Board of Directors make a budgetary allocation for CSR and Sustainability activities/projects for the year.

The budgetary allocation is determined by the Profit after Tax (PAT) of the company in the previous year:

PAT of CPSE in the previous year	Range of budgetary allocation for CSR and sustainability activities (as % of PAT in previous year)
Less than INR 100 crore	3%-5%
INR 100 crore to INR500 crore	2%-3%
INR 500 crore and above	1%-2%

Source: The revised guidelines by DPE, with effect from 1 April 2013

These guidelines came into effect from 1 April 2013 and are a revised version of the previous comprehensive "Guidelines on Corporate Social Responsibility for Central Public Sector Enterprises" issued by The Department of Public Enterprises (DPE), in April 2010. While the earlier guidelines focused mainly on CSR activities for external stakeholders, the revised guidelines by the DPE also take internal stakeholders, particularly employees, into account.⁸ The new CSR Guidelines also include a dedicated section on sustainability reporting and disclosure.

8 New CSR Guidelines for Indian Public Sector Enterprises Focus on Sustainability Reporting. 24 April, 2013

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business

Voluntary CSR guidelines create a common standard for how companies can improve their CSR efforts, especially with regard to sustainability. The adoption of a common set of standards creates an expectation that companies will strive to meet the guidelines, and can create peer and public pressure for companies failing to comply. In this regard, the National Voluntary Guidelines (NVGs) on Social, Environmental and

Economic Responsibilities of Business, have been laid down by the Ministry of Corporate Affairs in order to provide companies with guidance in dealing with the expectations of inclusive growth and imperatives of climate change, while working closely within the framework of national aspirations and policies. These are applicable to all businesses irrespective of size, sector or location. The NVGs were designed with the intent of assisting enterprises to become responsible entities whereby they formulate their financial/business objectives while considering the impact on various diverse stakeholders including society and environment at large.

The nine principles of National Voluntary Guidelines are:

Principle 1: Businesses should conduct and govern themselves with ethics, transparency and accountability.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

Principle 3: Businesses should promote the wellbeing of all employees.

Principle 4: Businesses should respect the interests of, and be responsive toward all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

Principle 5: Businesses should respect and promote human rights.

Principle 6: Business should respect, protect, and make efforts to restore the environment.

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

Principle 8: Businesses should support inclusive growth and equitable development.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.



In the last decade, CSR has been a focus of all stakeholders including the government, corporate sector, media, customers, suppliers, employees and communities. The Government of India's initiative to provide a mandate to public sector enterprises to spend a certain percentage of profit after tax for CSR has set the wheels in motion for increased contribution and more socially responsible behavior to lead to inclusive growth. Moreover, the National Voluntary Guidelines on Social, Environmental and Economic responsibilities of business by the Ministry of Corporate Affairs indicates that governments emphasize on CSR and engaging public and private companies and enhancing their contribution toward lessening the gap between economic and social progress.

Companies Bill, 2012 and CSR

With a view to provide a framework for companies (private and public) to implement need-based CSR activities, the Government of India has included CSR-related provisions in the Companies Bill, 2012. The Clause 135 of the Companies Bill 2012 aims at motivating companies to spend 2% of the Profit after Tax (PAT) on CSR. Though spending 2% of the PAT is not mandatory but Clause 135 of the proposed Companies Bill casts a duty on the Board to specify reasons for not spending the specified amount on CSR.

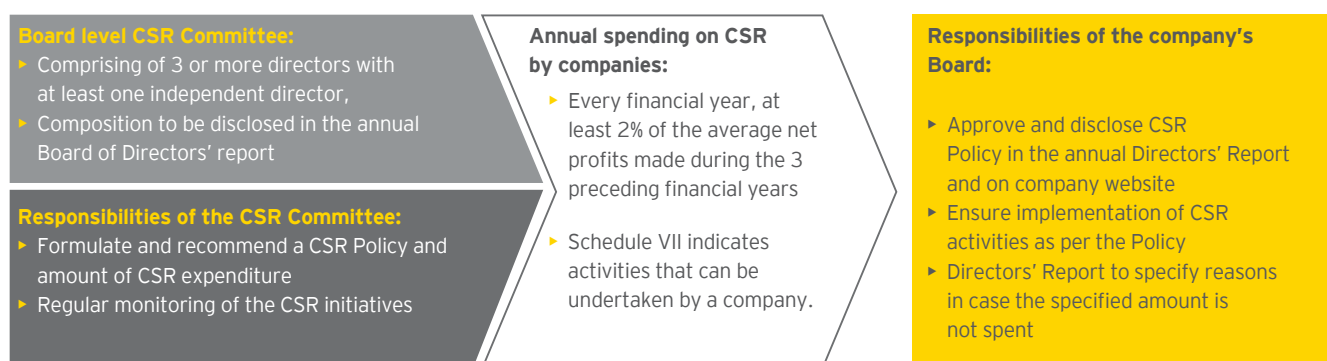
The Clause 135 will be applicable to all companies that have either of the following:

- ▶ Net worth of INR 500 crores or more
- ▶ Turnover of INR 1000 crores or more
- ▶ Net profit of INR 5 crores or more

An average of last three financial years PAT will be considered for calculating the 2% for CSR.

The Bill mandates companies to form a board-level CSR Committee comprising three or more directors with at least one independent director. The composition of the CSR Committee has to be disclosed in the annual board of director's report. The CSR Committee will be responsible for formulating and recommending a CSR policy and implementation plan. The Committee will also be responsible for regular monitoring of CSR activities. Company's board will be responsible for approving and disclosing CSR Policy in the annual Director's Report and on company's website. The Board will also be responsible for ensuring implementation of CSR activities according to the Policy. The annual Director's Report has to specify reasons in case the specific amount (2% of PAT) has not been utilized adequately.

The diagram below encapsulates the requirements of the CSR clause in the Companies Bill 2012 (clause 135):



Applicable to all companies that have either of the following in any financial year:

- ▶ Net worth of INR 500 crore or more
- ▶ Turnover of INR 1000 crore or more
- ▶ Net profit of INR 5 crore or more

- ▶ In addition, there are other Government initiatives such as the following:
 - ▶ Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises as well as the National Voluntary Guidelines on Social, Environmental and Economical Responsibilities of Business by the Ministry of Corporate Affairs, SEBI's mandates an annual 'business responsibility report for Companies



Schedule VII of the Companies Bill, 2012 specifies activities/ thematic areas that are likely to be considered for undertaking CSR activities. It is likely that activities proposed in Schedule VII will increase once the CSR rules are finalized. Furthermore, the rules will also provide some flexibility to the CSR Committee to decide on the thematic areas and activities. The Ministry of Corporate Affairs have established the Indian Institute of Corporate Affairs to create an enabling environment and capacity development on various issues related to corporate sector including CSR.

There are several queries and concerns of companies related to the applicability, implementation and likely impact of the Clause 135 of the proposed Companies Bill, 2012. The Ministry of Corporate Affairs and the Indian Institute of Corporate Affairs have undertaken series of deliberations with companies in order to understand their concerns and draft rules for effective implementation of Clause 135.

In anticipation of the change, companies now need to put in place some compliance procedures and introduce an adequate governance framework. To begin with they need to establish a CSR committee, which in turn will have to define a CSR policy and identify projects based on the proposed thematic areas. Projects that have a high social impact and are measurably addressing a social development issue will have to be undertaken.

In order to do this, companies will have to identify capable implementation partners based on a sound due diligence process and determine accountability of an organization before engaging

with them. Companies will also have to monitor projects and evaluate effectiveness and measure the impact created. All of these actions will be required to be documented, reported and disclosed formally to all stakeholders.

The relevance of CSR within an organization

CSR is not only relevant because of a changing policy environment but also because of its ability to meet business objectives. Undertaking CSR initiatives and being socially responsible can have a host of benefits for companies such as the following:

- ▶ Strengthening relationships with stakeholders
- ▶ Enabling continuous improvement and encouraging innovation
- ▶ Attracting the best industry talent as a socially responsible company
- ▶ Additional motivation to employees
- ▶ Risk mitigation because of an effective corporate governance framework
- ▶ Enhanced ability to manage stakeholder expectations

These benefits are important and most companies that are engaged in CSR are revisiting their strategies and expanding their operations to reap enhanced benefits and contribute to inclusivity in growth. Some of the existing trends have been highlighted in the next chapter of this report.

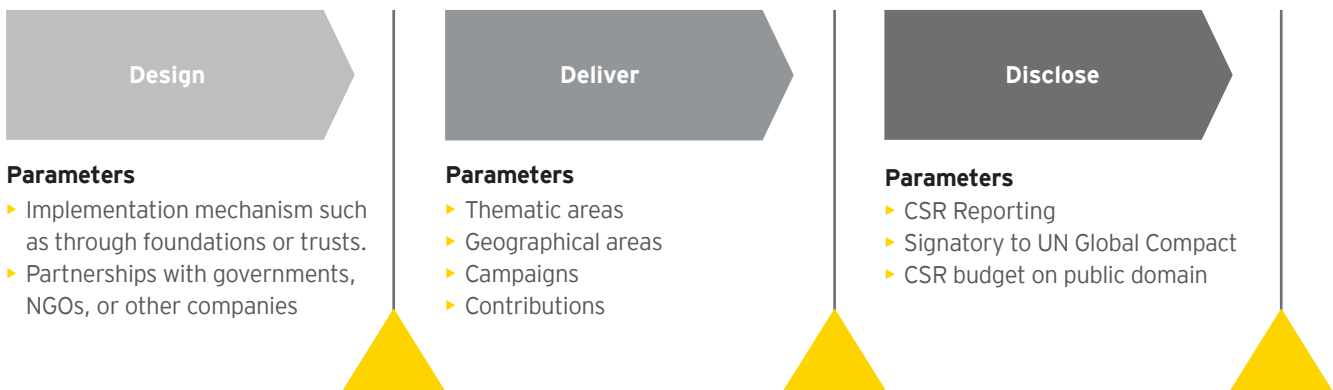
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The current scenario: what companies are doing as part of CSR in India

The Companies Bill 2012, once enacted, is envisioned to result in an increase in investments and strategic efforts for CSR in India. Companies will need to revisit their CSR policies, strategies and activities in order to align with the Clause 135. In this chapter, we have made an effort to provide an analysis of the current trends in CSR in India, particularly how companies are managing CSR, their focus areas and how they are disclosing their CSR activities to the public. Our findings are based on research conducted using secondary literature review on information available in the public domain.

The CSR activities of 50 companies from the S&P BSE Top 100 Index⁹ were analyzed in order to identify the trends of CSR activities in India as represented by those companies that are a part of the index. The reader is advised that research was based on publicly available information. The accuracy of which cannot be determined.

The parameters chosen to undertake the research have been categorized broadly into – Design, Deliver and Disclose. The Design category focuses on understanding the partnership preference and the implementation mechanism for CSR activities. The Deliver category aims to identify the thematic areas that best describe the company's activities and their geographic focus. The Disclose category provides an insight on how companies are disclosing their CSR activities and sharing their learning with the public.



9 S&P Bombay Stock Exchange Sensitive Index

Design

This section provides an insight on the implementation platform used by companies to implement CSR activities. It also highlights type of partnerships in practice for implementing CSR activities.

There are several platforms in use by companies to manage CSR. Out of the 50 companies reviewed, approximately 40% have established a not-for-profit entity to manage and execute CSR initiatives. The remaining 60% companies are managing CSR initiatives from within the organization – either by establishing a dedicated CSR department or giving the responsibility to the human resources function or to the Corporate Communication department. Currently, there is no mandate in the Companies Bill 2012 to establish a not-for-profit entity to implement CSR activities. Once the rules related to Clause 135 are finalized, the companies may need to review the advantages and disadvantages and arrive at an implementation strategy for their CSR activities.

Partnerships are important not only for effective implementation of CSR activities but also for reach and long-term sustainability and to achieve measurable change brought about by social initiatives. Partnerships with other companies could help in supporting cost-intensive social initiatives and increasing the reach of CSR projects. It can be observed that only 28% of the companies have established partnerships with other companies for CSR initiatives. This is one area where strategic deliberations are required in order to evolve mechanisms and platforms where companies can collaborate to support important social initiatives in a focused and comprehensive manner and avoid duplication of effort and resources.

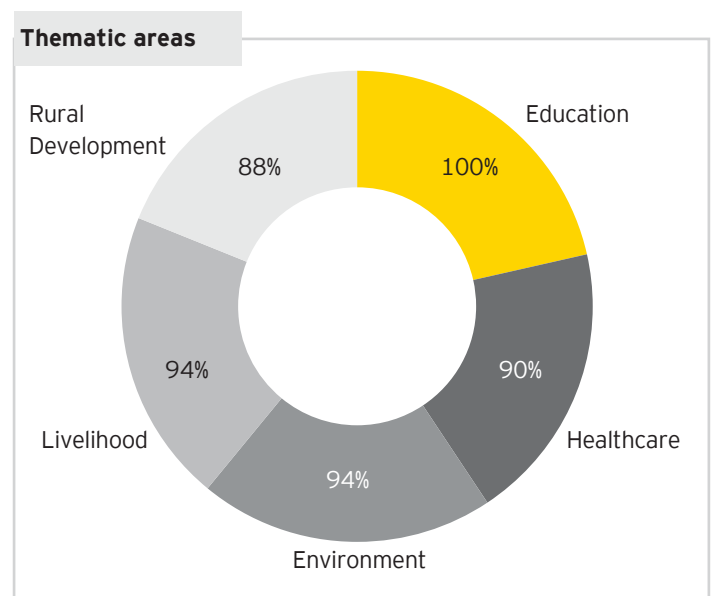
Partnership with local and state governments is another important factor that will help in better utilization of resources. Establishing partnerships and supporting the government have the potential to strengthen ongoing social programs and ensuring long-term sustainability. The research indicates that 46% of companies have established partnerships and are found to be supporting programs or schemes of local or state government through CSR. Mostly, the support is in terms of improving infrastructure, providing equipment, learning aids and other supplies to government programs. This is another area, which needs strategic thinking and efforts so that companies can complement government's efforts by supporting government-run programs and welfare schemes.

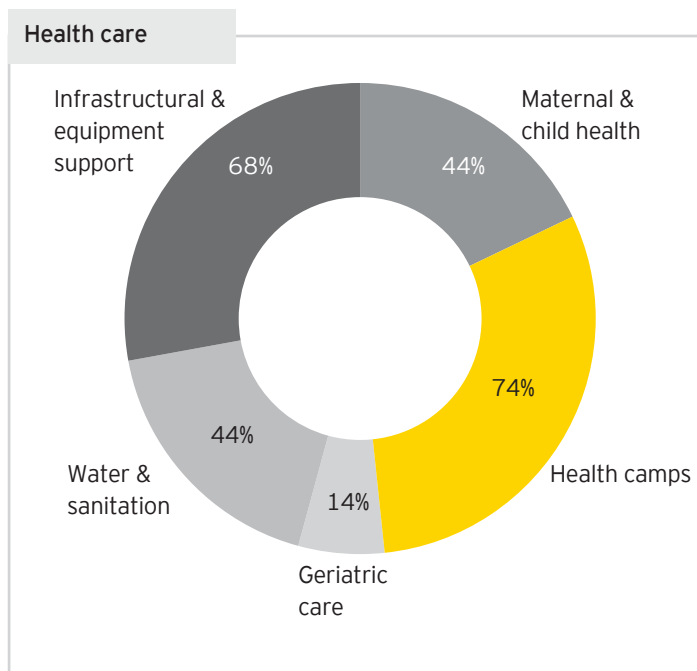
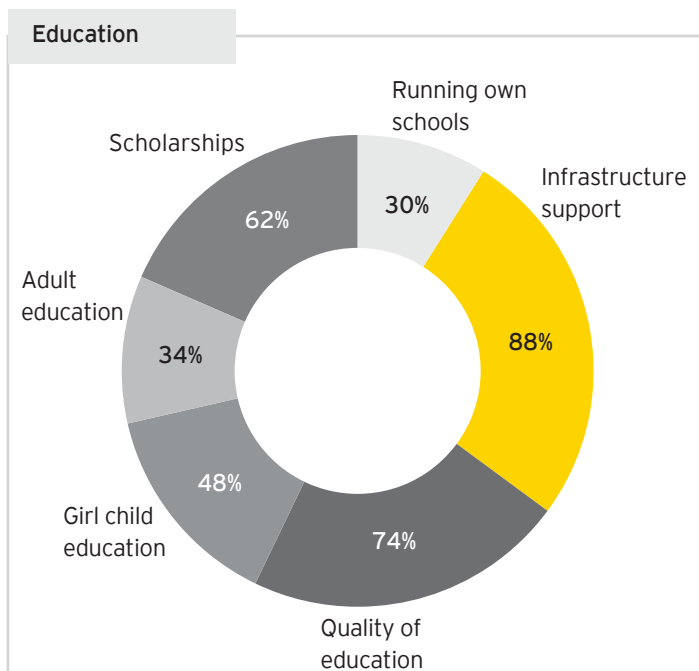
Most of the companies implement CSR activities through NGOs. The research indicates that nearly 70% have partnerships with the NGOs for implementation of CSR activities. The remaining companies are implementing CSR activities directly; it is possible that these companies are not likely to have disclosed their partnerships in the public domain.

Deliver

The research focused on understanding broad thematic areas such as education, health care, environment, livelihood, rural development and disaster relief as a focus of CSR initiatives. Furthermore, efforts were made to understand specific areas/ issues covered in each of these broad thematic areas.

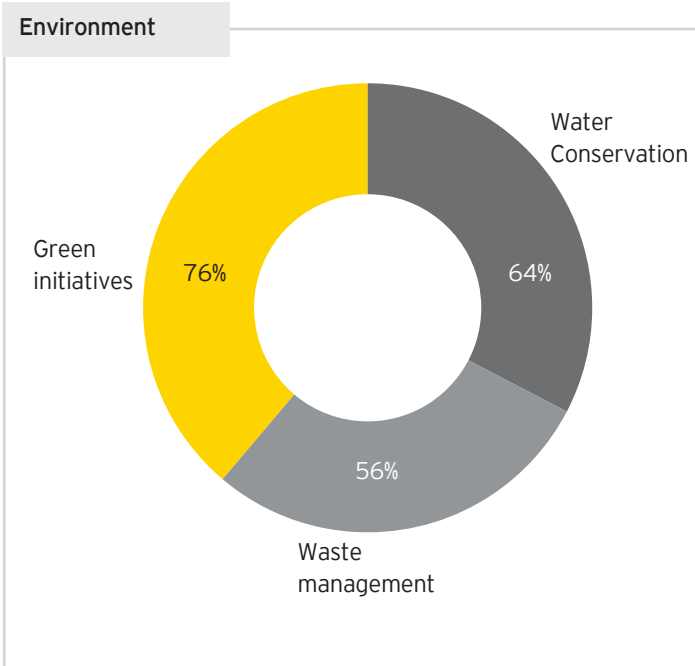
As presented in the figure most common thematic areas covered by the companies include health, education, livelihoods, environment and rural development. Of these thematic areas, education is the most common and research indicates that 100% of the companies included in the research were found to have some initiatives on education followed by livelihoods and environment and then health care and rural development.





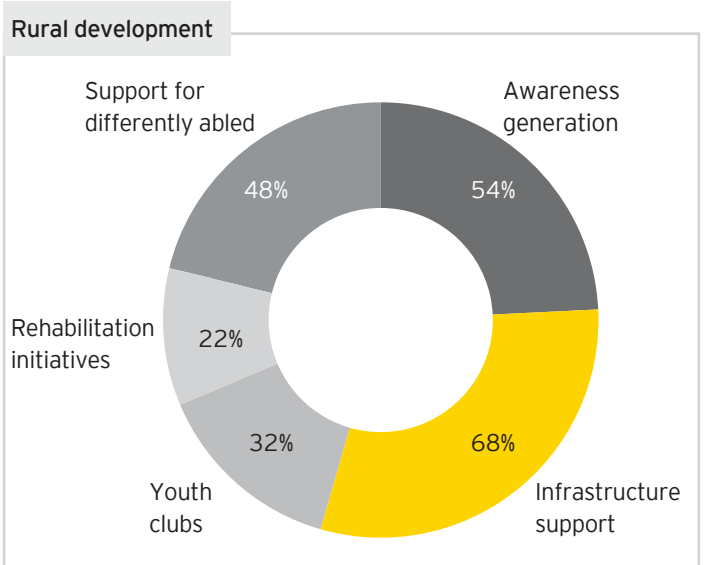
The research indicates that providing infrastructure support is the most common activity in the education domain, undertaken by approximately 88% (44 out of total of 50 companies focusing on education thematic area) of the companies. For the purpose of this study we have included equipment, furniture, books, teaching supplies, construction of libraries and renovation work for school buildings as a part of providing infrastructure support. Providing scholarships to disadvantaged students is another common activity being observed with 62% of all companies offering some form of scholarships. The research also indicates that approximately 74% of companies were also running projects to improve quality of education by offering coaching classes for underserved children, training primary and secondary school teachers in new and improved teaching methodologies and providing innovative teaching and learning aids. Around 34% of companies included in the research were found to be running their own schools.

In the health care domain, organizing health camps to offer curative services and raising awareness on health issues is the most common activity being implemented by nearly 74% of the companies included in the research. Providing infrastructural and equipment support is another common activity in the health care domain being undertaken by around 68% of the companies. The infrastructure and equipment support includes medical equipment and ambulances to hospitals and health centers as well as renovation of hospital buildings and construction of new health centers. Water and sanitation and maternal and child health are other chosen areas of intervention in the health domain.

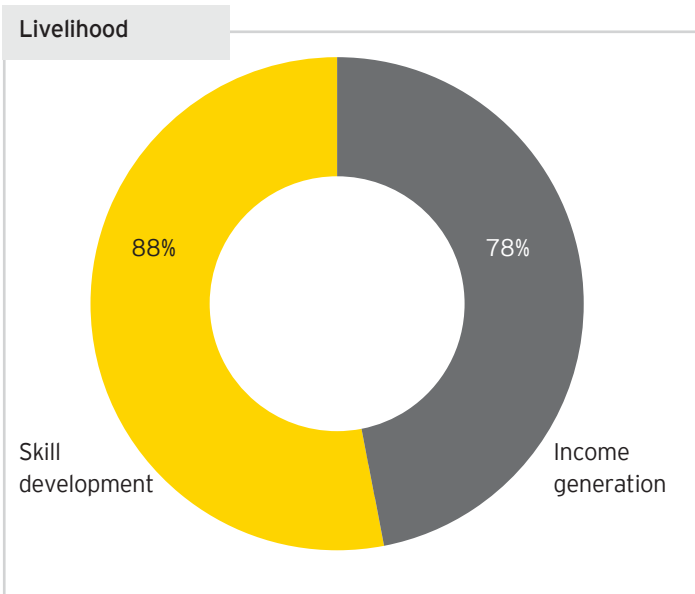


CSR initiatives aimed toward the betterment of the environment include green initiatives such as tree plantation drives to promote afforestation, efforts to conserve water and manage and dispose of waste responsibly. Green initiatives garner the highest attention with 76% of all companies undertaking specific initiatives to improve the environment and approximately 64% taking measures to conserve water.

Of the 50 companies taken into consideration approximately 88% support skill development through vocational training and career counseling to improve skills and employability of candidates and subsequently their earning capacities. Some activities undertaken by companies have included improving the knowledge of people in their own field of work such as sensitizing farmers about new and improved farming techniques. Approximately 78% of the companies were found to be supporting income generation activities for people and especially for women in rural areas.

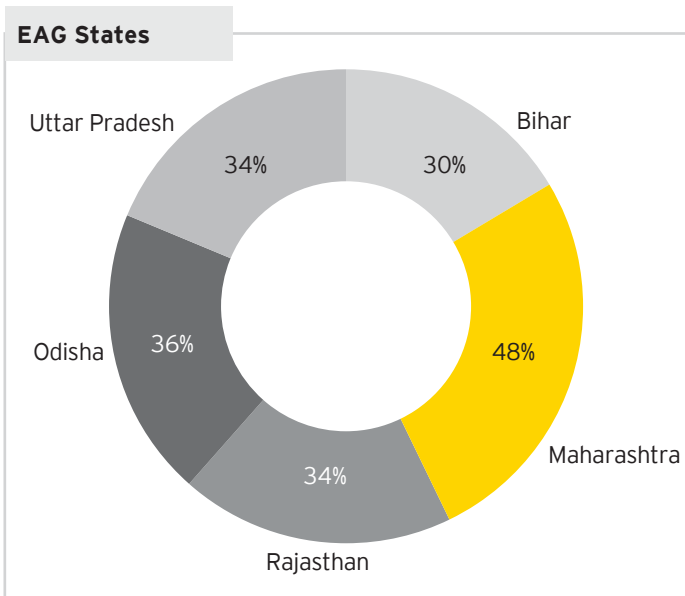


In rural development, 68% of all researched companies have been working toward betterment of rural areas by providing infrastructure support such as building of check dams, revamping of water pumps and laying down of roads to improve connectivity. Companies have also been working for rural development through organizing awareness generation camps for issues such as domestic violence, female feticide, and importance of education among others initiatives.



Geographical areas

Most companies were found to be undertaking CSR activities in the vicinity of their offices or manufacturing units. The analysis indicates that out of the total 50 companies included in the research, 84% undertake CSR activities near their area of operation and about 46% have expanded their CSR activities to other areas. The study also emphasized on understanding how many companies are focusing on major EAG states including Bihar, Maharashtra, Rajasthan, Odhisha and Uttar Pradesh. There are a total of 8 states. However, for the purpose of this study, we have focused only on five major states. The result indicates that around 79% of the 50 companies are working in at least one of the five EAG¹⁰ states included in the research.



Being one of the highly industrialized states, Maharashtra emerged as one where nearly 50% of the companies included in this study were implementing CSR initiatives.

Other findings:

- ▶ Out of the 50 companies analyzed, 38% have supported disaster relief and rehabilitation activities as part of CSR.
- ▶ Around 26% of the companies have made a contribution toward relief funds such as PM National relief fund, and CM State relief fund for various social initiatives.

¹⁰ The GoI had constituted Empowered Action Group (EAG) under the Ministry of Health and Family Welfare following 2001 census to combat socio-economic concerns in eight states, which are called the EAG states.

Disclose

One of the key focus areas of research was to determine whether companies disclose their CSR initiatives in the public domain either through a sustainability report or a specialized CSR report. The research also determined whether the allocated budget or the total expenditure for CSR activities was disclosed in the public domain.

Out of the 50 researched companies 40% are a signatory to UN Global Compact.¹¹ This implies that these companies are committed to aligning their business operations and strategies to the ten universally acceptable principles in the domain of human rights, labor, environment and anti-corruption.



¹¹ UN global initiative encourages businesses worldwide to adopt sustainable and socially responsible policies and report on their implementation. The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment and anti-corruption.

Approximately 66% of all the considered companies had compiled a report regarding their CSR activities. Among these, 19 publish a sustainability report and 5 publish a business responsibility report whereas 9 report their CSR activities under other titles such as CSR Activity report, CSR Brochure, Report of Inclusive growth, amongst others.

Out of the 50 companies only 36% had specified details about the funds allocated/spent on CSR activities.

The above analysis indicates that companies in India need to revisit their CSR policies and strategies in order to adequately adapt their activities to the requirements of the Companies

Bill, 2012. Once the guidelines related to the CSR clause are finalized, companies will have adequate information related to the terms of permissibility of the expenses that will be counted as CSR and possible thematic areas and activities that could be considered for CSR. However, the Clause 135 of the Companies Bill, 2012 is very clear on the requirement of reporting of the CSR activities and expenses. This is one area where many companies have to focus and evolve mechanisms to regularly document, collate and analyze data regarding CSR activities and prepare a CSR report to share at the public domain for all stakeholders.





4

Conclusion: Will the Companies Bill be a game changer for CSR in India?

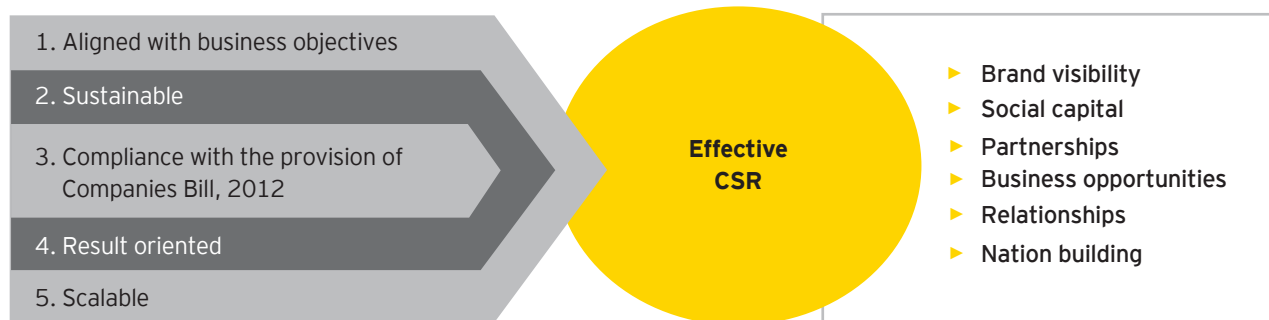
We recognize that companies have, in their own ways, been contributing to the foundation of CSR in India. They have, with their desired methods of intervention, been addressing national concerns such as livelihood promotion, community development, environment, making health services more accessible, creating inclusive markets and so on. However, the efforts are not coordinated and a strategic national level policy framework with the involvement of all stakeholders may ensure that the efforts made by companies, individuals, organizations, and the government are synergistic and create a snowball effect. Therefore, it benefits more people, utilizes resources more effectively, minimizes duplication and creates more value and really achieves development goals.

By providing more clarity on standardizing the meaning of CSR in the Indian context and providing a favorable policy environment, the initiatives can be strengthened. These definitive steps are being undertaken by the Government of India implying that if companies employ CSR strategically this can lead to achieving more sustainable businesses. By creating a pool of resources, whether financial or technical, a win-win situation is within reach of all the stakeholders involved. The mandatory reporting standards being introduced in the Companies Bill will aid in creating uniformity and accountability of actions and also become a measure of the impact these activities will have – and the ability measure the impact will be a step in a positive direction. Even the tools that have been developed for measuring social return on investment can be employed more effectively.

The proposed Companies Bill, 2012 has been passed by the Lower House of the Indian Parliament and is pending with the Upper House. Once enacted, it is expected to cover more than 2,500 companies in India. Rough calculations indicate that there could be an annual CSR budget of INR 12,500 to INR 15,000 crores for CSR once the Bill is enacted. It is imperative that the Companies Bill will be a game changer and infuse new investments, strategic efforts and accountability in the way CSR is being conceived and managed in India. The Companies Bill have opened a new opportunity for all the stakeholders including the corporate sector, government, not-for-profit organizations and the community at large to evolve innovative ways to synergize efforts and contribute toward equitable social and economical development.

The key to maximizing returns for all the stakeholders in the given situation is to emphasize on developing effective and need-based CSR strategies so that the investments can yield intended results. Effective CSR can be achieved by aligning CSR initiatives to the extent possible with business objectives, thereby indirectly benefiting and increasing their own incentive for efficient programming. As far as possible, the CSR initiatives should be designed in a sustainable manner and should be scalable and result oriented. Therefore, creating indirect advantages such as brand visibility, social capital, partnerships, business opportunities, long-term community relationships and most importantly nation building.

Framework for effective CSR



There are various methods that enable effective CSR, beginning with a thorough assessment of the existing processes and approaches employed to managing CSR expectations. These include clearly identifying the CSR strategy and aligning it to considerations such as the existing policy framework and the vision and mission of an organization. Initially, the CSR strategy needs to include transparent systems and risk mitigation tools, which need to be communicated adequately within the organization and all those involved in implementation.

Secondly, an organized focus on the project planning and design is beneficial in the actual project implementation and monitoring and finally achieving the intended outcomes and assessing if the program or project has had an impact on the identified factors. The actions described above ensure that maximum utilization occurs and that interventions yield results.

Currently, the stance of CSR in India is headed in a positive direction as there already exist a multitude of enabling organizations and regulatory bodies such as the DPE, MCA, and IICA that have already set the wheels in motion and are playing an important role in making CSR a widespread practice and ensuring success in reducing inequalities without risking business growth.

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