

# CSR in India & Globally - Evolving Trends

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Background

CSR in India and CSR Globally

Global Reporting Initiative (GRI) & Integrated Reporting

Evolving trends in CSR

Statistical Snapshots

Unspent CSR

Misfires and difficulties faced in CSR

Other key points



Background

# New way of CELEBRATION with NATURE

- Initiative from IDFC First Bank

With every new **SAVING** account opened IDFC will .....

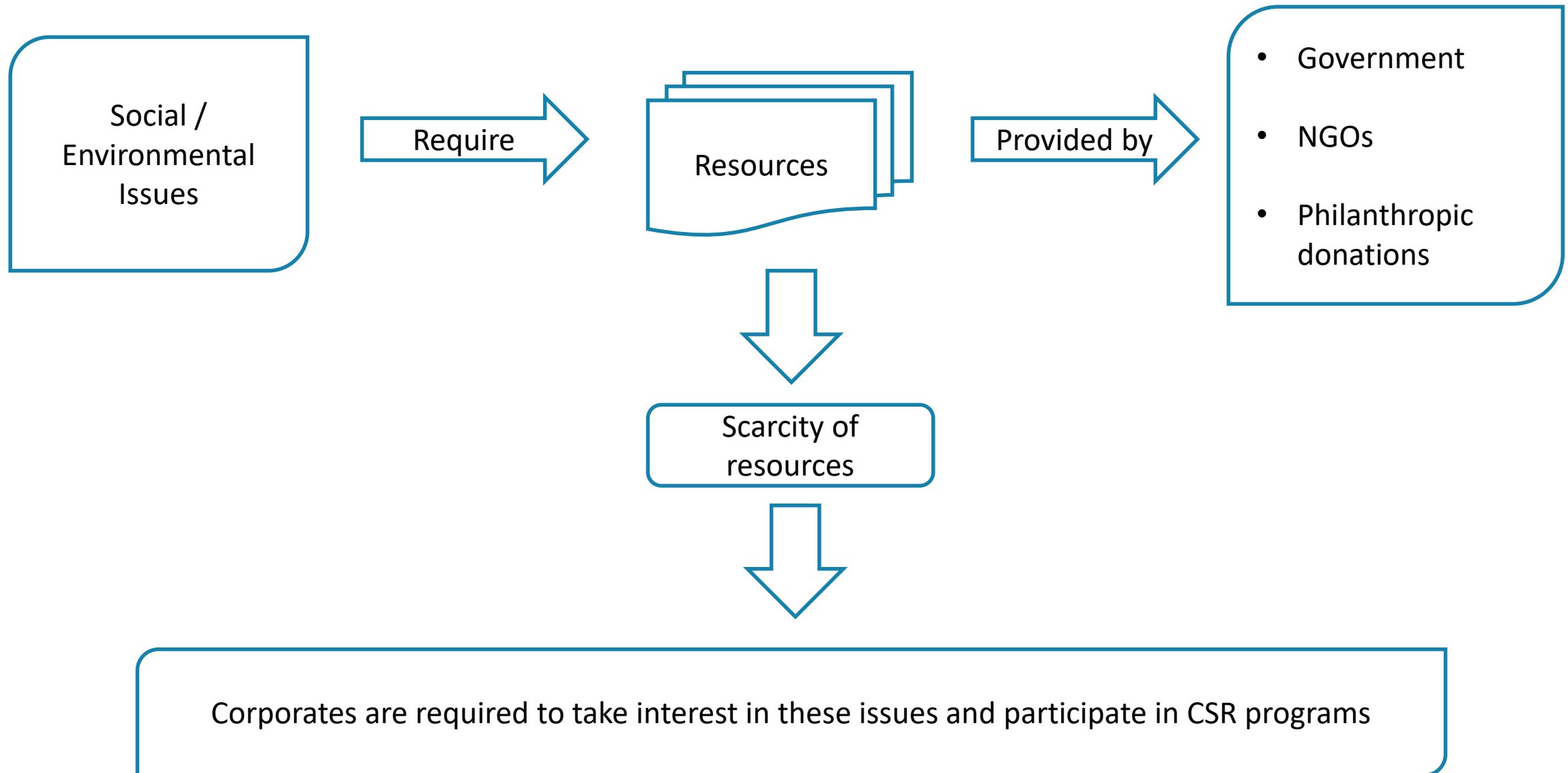
.....plant a **SAPLING**

# Relevance of CSR

- In line with our Founder's philosophy of business enterprises being the drivers of social upliftment, all Tata Steel Group companies embody social responsibility in their **vision**.
- **Mitsubishi Corp**- Business vision since its founding – strive to enrich Society, both materially and spiritually, while contributing towards the preservation of the global environment

**Do CSR ENHANCES BRAND VALUE OF THE PRODUCT / COMPANY ....**

# Corporate Role in CSR model



# Evolution of thinking

## Conventional Wisdom

- Business earns wealth by avoiding social problems
- Example: Installing pollution control devices and maintain healthcare facilities for employees – these are avoided considering additional cost / burden

## New Thinking

- Business progresses by solving social problems
- Example: Investing in pollution control devices helps in better environment & reducing non-compliance cost, creating brand value and maintain health of employees, reduces cost due to accidents, absenteeism, etc.

There is no trade off between social progress and economic efficiency  
(Synergy benefit is realized in long term)

# CSR in India and CSR Globally



# Brief Comparison of the CSR Regulations across the globe

## Statutory Contribution Requirement

- India is the first country to have contribution requirement under statute
- Other countries such as UAE is proposing to introduce contribution requirement under statute for large companies

## Mandatory Reporting Obligation

- France, Denmark, South Africa, UAE, China etc.

## Disclosure of Good Corporate Governance Practice

- USA, UK, Europe etc.

*Source : Ipleaders Intelligent Legal Solutions - website*

# Brief introduction to Section 135 of The Companies Act, 2013

## Applicability of Sec 135

1. Every company having net worth of rupees **five hundred crore or more**, or
2. Turnover of rupees **one thousand crore or more** or
3. A net profit of rupees **five crore or more** in **immediately preceding financial year** (as amended 19<sup>th</sup> Sept. 18).

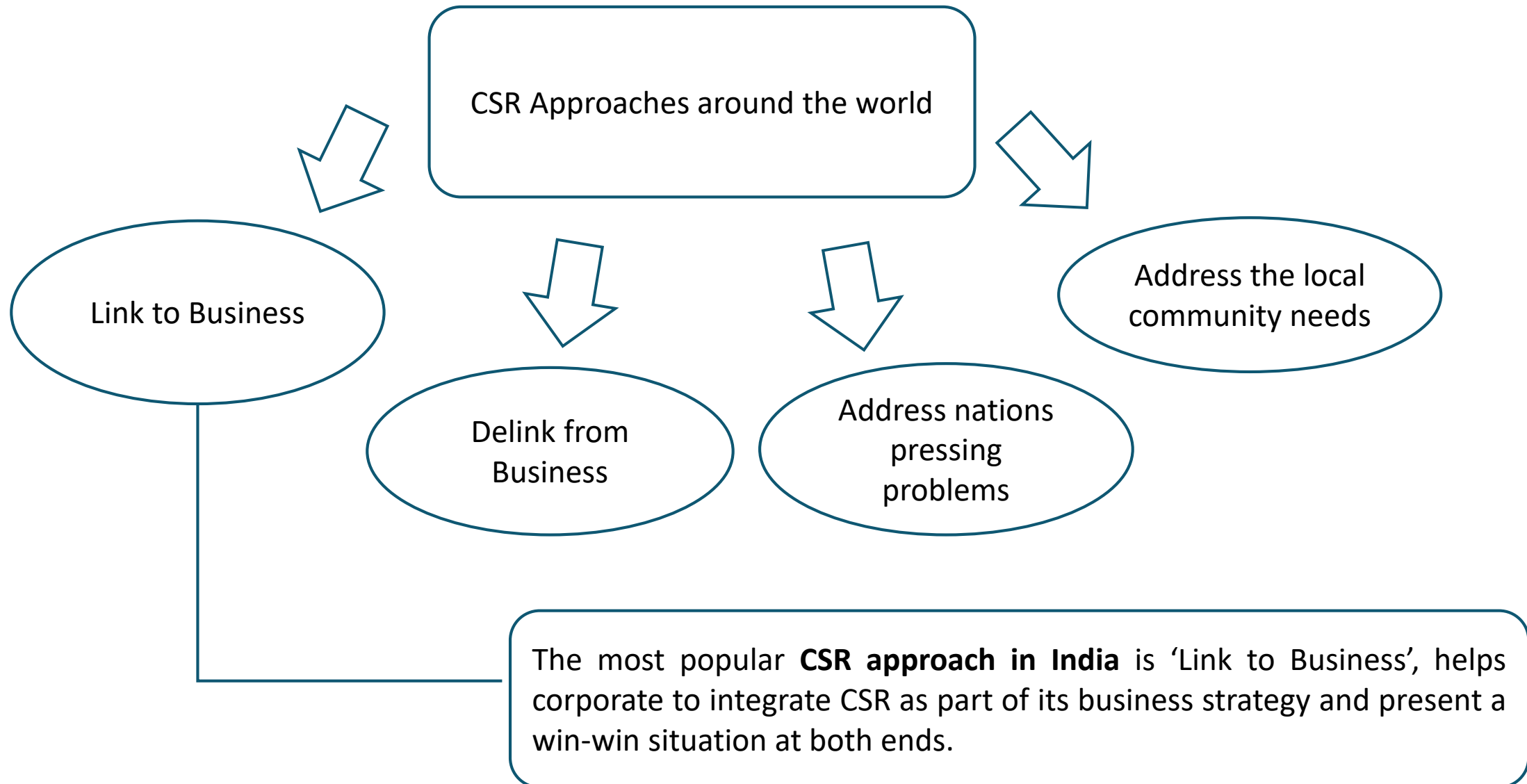
## Requirement of Sec 135

1. Constitute a **Corporate Social Responsibility Committee** consisting of **three or more directors with at least one independent director**. (unless the company is not required to appoint independent director under the Companies Act, the committee shall comprise of two directors)
2. Shall spend at least **2 % of average net profit as per section 198** of last three financial years.

## Amendments to Section 135 under the Companies Act, 2019

1. The amendments introduced require companies to deposit the unspent CSR amounts
  - (a) pursuant to an ongoing project into a special account called the Unspent CSR Account within thirty days from the end of the financial year. This amount must be utilized within three years from the date of transfer, failing to which the fund must be deposited into a Fund specified under Schedule VII within thirty days of completion of third financial year.
  - (b) Into a Fund specified under Schedule VII of the Act within 6 months of end of financial year in absence of ongoing project.
2. The amendment prescribes for monetary penalty not less than fifty thousand but which may extend upto twenty-five lakh rupees as well as imprisonment up to a term of three years in case of non compliance.

# Approach towards CSR



# Evolution of CSR trends

Corporate Social Responsibility is not the norm or boon of the present day society.  
It was prevalent during early ages also.

## First phase



Pre-Industrialization period where charity and philanthropy were main drivers of CSR.

## Second Phase



During independence movement there was an increased stress on Indian Industrialists to demonstrate their dedication towards progress of society.

## Third Phase



With emergence of PSUs, private sector was forced to take a back seat. PSUs were prime movers of development and promoters of CSR.

## Fourth Phase



Indian companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy.

## Current state



CSR contribution once again became a driver for corporates to co-exist in society.



# Global Reporting Initiative (GRI) & Integrated Reporting

## Concept of Sustainability

**Sustainability** is a development concept where the needs of the present are met without compromising the ability of future generations to meet their own needs

### Examples :

ITC- Encouraging paper recycling and tree plantation and other clean environment projects

RIL- Making life better for everyone - focusing on promoting clean energy sources

Marico – Parachute kalpavriksha / Eliminate use of PVC

Killer Jeans –water saver denims

Tata Motors - fuel efficient / electric vehicles

# Global Reporting Initiative (GRI)

Independent International  
Organization

Pioneer in sustainable  
reporting

Operating since 1997

Collaborates with Experts,  
Reporters and Report  
users

Issues Newsletters, and  
reports for guidance on  
issues relating to  
sustainable reporting

Companies Like Reliance Industries Ltd., Marico Ltd., Mahindra Group, Tata Group, ACC Ltd, etc. have reported sustainability using GRI standards



# Core areas of GRI

## Creates Standards for Sustainability reporting

- Universal Standards, Economic standards, Environmental standards & Social standards

## Organises training session

- Helps corporates understand and communicate their impact on sustainability issues

## Harmonize the sustainability landscape

- Make GRI as a central hub for sustainability reporting

## Use of sustainability performance

- Enables the use of sustainability reporting for effective reporting

# Integrated Reporting (IR)



- Aims at disclosing corporate information which is **concise yet comprehensive**
- IR adoption would increase **transparency** and set **standard** for sustainable reporting
- IR aims at **value creation over time**
- IR aids to **uniform and comparable** across firms and countries
- SEBI prescribes **voluntary adoption** of IR for top 500 companies (Required to prepare BRR) from FY 17-18

# Practices followed

- Sustainable procurement – indigenisation, minimise transport
  - E.g. packaging material - reduce, reuse, replace and recycle approach
- Vendor – on board relationship – impart core value / ethos of the company
  - Vendor audits for ethics, environment and social responsibility



## Evolving trends in CSR

# Evolving trends in CSR

Significant benefit to PWD  
(Divyangjan)

- Make them independent and sustainable & live with DIGNITY

Push for cleaner environment

- 39% of Companies focus on this contribution
- Focus has increased after introduction of Swachh Bharat Abhiyaan which received INR 502 Cr CSR funding (almost 7.3% of total CSR spent)

CSR as a strategy not charity

- Company hold on to donation if no good projects come by

Zero Impact to Net positive

- Focus on projects leading to sustainable growth
- Major water consuming companies focus on CSR for conserving water

Renewables Gather Momentum

- Focus of companies towards renewable sources of energy

# Few CSR initiative in India

## **TATA Chemicals Ltd**

- Tata Chemicals Society for Rural Development
- Disaster Relief (2017-18)
- Inclusive Growth and retirement
- Educational and vocational skill Development Programme (2017-18)



## **Tech Mahindra Ltd**

- Smart Academics
- Project Nanhi kali
- Programme Shikshaantar
- Mobile Science Lab



## **Infosys Ltd**

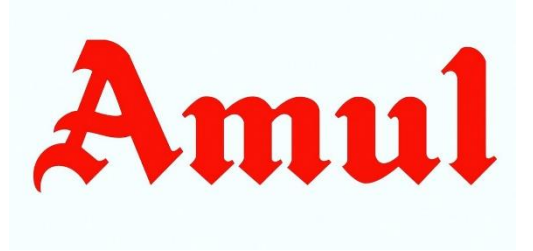
- Improved Cookstove project
- Multipurpose solar lamp project
- Led street light project
- Biogas project



# Few CSR initiative in India

## **Amul Industries Pvt. Ltd.**

- Swarna Jayanti Gram Sanchar Yojana (SGSY): self employment of people by procuring milk from local villagers
- Tree plantation
- Amul Scholar: Scholarship program
- Blood Donation
- Rural Sanitization



## **TATA Group**

- Vidhya Dhanam: Scholarship Program
- Aarogya: Addressing Malnutrition and preventive and curative healthcare
- Vasundhara: Tree Plantation
- Kaushalya: Training program for self employment



## **Wipro Ltd.**

- Wipro Education: Sponsorship of higher education
- Mission 10x: Employability training
- Sustainability programs



## Unique CSR initiatives

The logo for Bharti, featuring the word "bharti" in a blue, lowercase, sans-serif font with a small yellow square above the 'i'.

### Nyaya Bharti

- In deserving cases, it will help the under trails by paying the bail and surety amounts



ADITYA BIRLA GROUP

### E-Spousing

- Revolutionary projects undertaken-widow remarriages in UP
- Espousing dowryless marriages

The logo for E-Choupal, featuring the text "ई-चौपाल" in a stylized font with a blue bird icon above the 'प'.

फिसानों के हित में, फिसानों का अपना

### E-Choupal

- Link directly with rural farmers via the Internet for procurement of agriculture and aquaculture products



# International - unique CSR initiatives

## **LEGO – Build the change**

Lego is top CSR spending company in 2017

Focuses on Innovative learning programs for children

Environmental leadership – by partnering with WWF and other conservative organizations



## **TOMS - One for One Campaign**

TOMS shoes has given 60mn shoes to children as a CSR initiative. For every pair of shoe bought one pair is given as a charity to children who cannot afford to buy a the same

TOMS is also involved in helping in restoring eyesight of people, providing safe drinking water and safe birth services



## **People water – Drop for Drop initiative**

Drop for Drop initiative, the company drills or restores wells, provides water purification systems or implements new water-providing solutions to deliver new sources of clean water to those in need for every bottle purchased



#dropfordrop 25

# International - unique CSR initiatives



*Protecting Ecosystems –  
continuing CSR work since  
last 40 +years*



*“One Planet. One Health –  
basic health care coverage  
in countries where there is  
no welfare system”*



*Vocational training for school  
drop-outs*

# Initiative by Marriot Inc.

## North

**(Nurture our world)**

No poverty, gender equality, clean water and sanitation.

## South

**(Sustain Responsible Operations)**

Affordable and clean energy, responsible consumption and production.

## East

**(Empower Through Opportunity)**

Reduce inequalities, quality education, peace; justice and economic growth.

## West

**(Welcome All and Advance Human Rights)**

Goal of creating a safe, welcoming world for all, rally for pro- travel policies and support programs allow people to experience and understand other cultures.

Organizations  
supporting the cause

# Few Examples of organization working for CSR in India

## Samman Foundation

- Bridges the Gap between Corporations and NGOs

## Smile Foundation

- Focuses on Family Health, Livelihood and Community Engagement

## The Coca-Cola India Foundation

- Grants for Sustainable Development in India

## Arghyam Foundation

- Grants for Groundwater and Sanitation Projects in India

## Akshaya Patra

- Build centralized kitchens for children

# Few Examples of NGOs working for CSR in India

## Indian Social Welfare Society (ISWS)

- Works for the poor, tribal and rural people to educate, empower and help them develop their own social and economic status to support their sustainable development.

## Ambuja Cement Foundation

- It works in the selected thrust areas of Water Resource Management, Agriculture, Skill and Entrepreneurship Development, Health, Women and Education through different programmes.

## Edunet Foundation

- Is focused on bridging the academia-industry divide, enhancing student employability, promoting innovation and creating an entrepreneurial ecosystem for youth

## Environmental Synergies in Development (ENSYDE)

- Works towards providing programmatic solutions for the environment particularly energy, water and waste

## Few Examples of CSR Project Proposals

<b>Project Name</b>	<b>Proposed By</b>	<b>Proposal Date</b>	<b>Proposed Thematic Area</b>	<b>Budget (Rupees in Crore)</b>
E- Biodiversity India – A citizen Science Project	Sahyadri Nisarga Mitra	27 December 2019	Ensuring environmental sustainability, ecological balance, wildlife & natural resources conservation	0.6 - 1.0
Goat Based Livelihoods – The Path out of Poverty for Rural Families	Ambuja Cement Foundation	20 December 2019	Gender equality, women empowerment , senior citizens and economically backward groups	1.0 - 5.0
Baby Feeding Centers at Railway Stations	Child Help Foundation	29 November 2019	Eradicating hunger, poverty and malnutrition, promoting health care, sanitation & safe drinking water	0.6 - 1.0
Education on wheels	Rehab India Foundation	16 October 2019	Urban slum development	below 0.3



# Statistical Snapshots

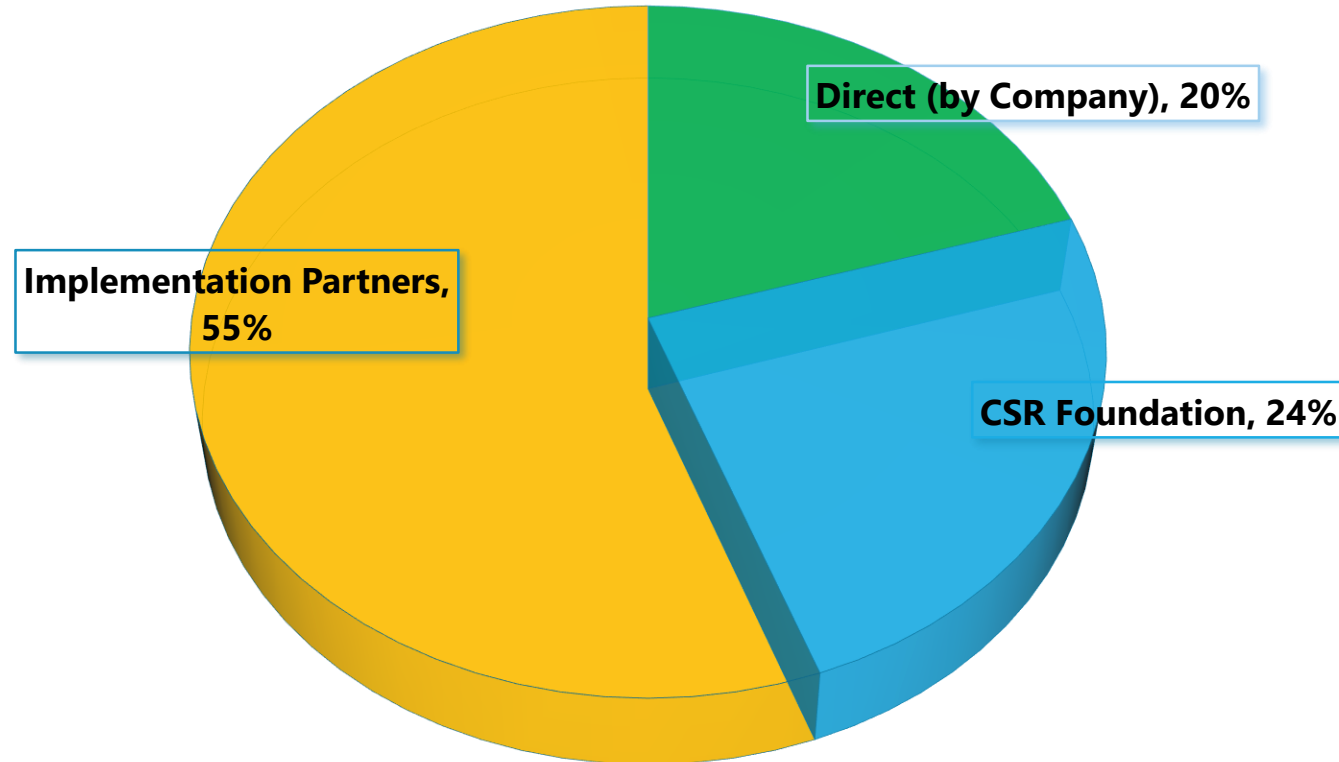


## Continuous Growing in CSR Spent

- Cumulative spent on CSR exceeds Rs. 50k crore since inception i.e. FY 14-15 and upto FY 18 Rs. 47,000 crore i.e. annual average of Rs.12,500 crore.
- Contributor
  - Listed companies - 64%
  - Unlisted companies - 36%
- Is growth in CSR linked to growth in annual profit ?
- Largest share of spent – Maharashtra and followed by Delhi & Gujarat
- Least share of spent – Uttar Pradesh, Haryana & Rajasthan

# Project Implementation Mode

## CSR PROJECTS IMPLEMENTATION (% OF CSR FUND)



55% of the CSR projects funding is through Implementation Partners (NGOs, Government Agencies etc.)

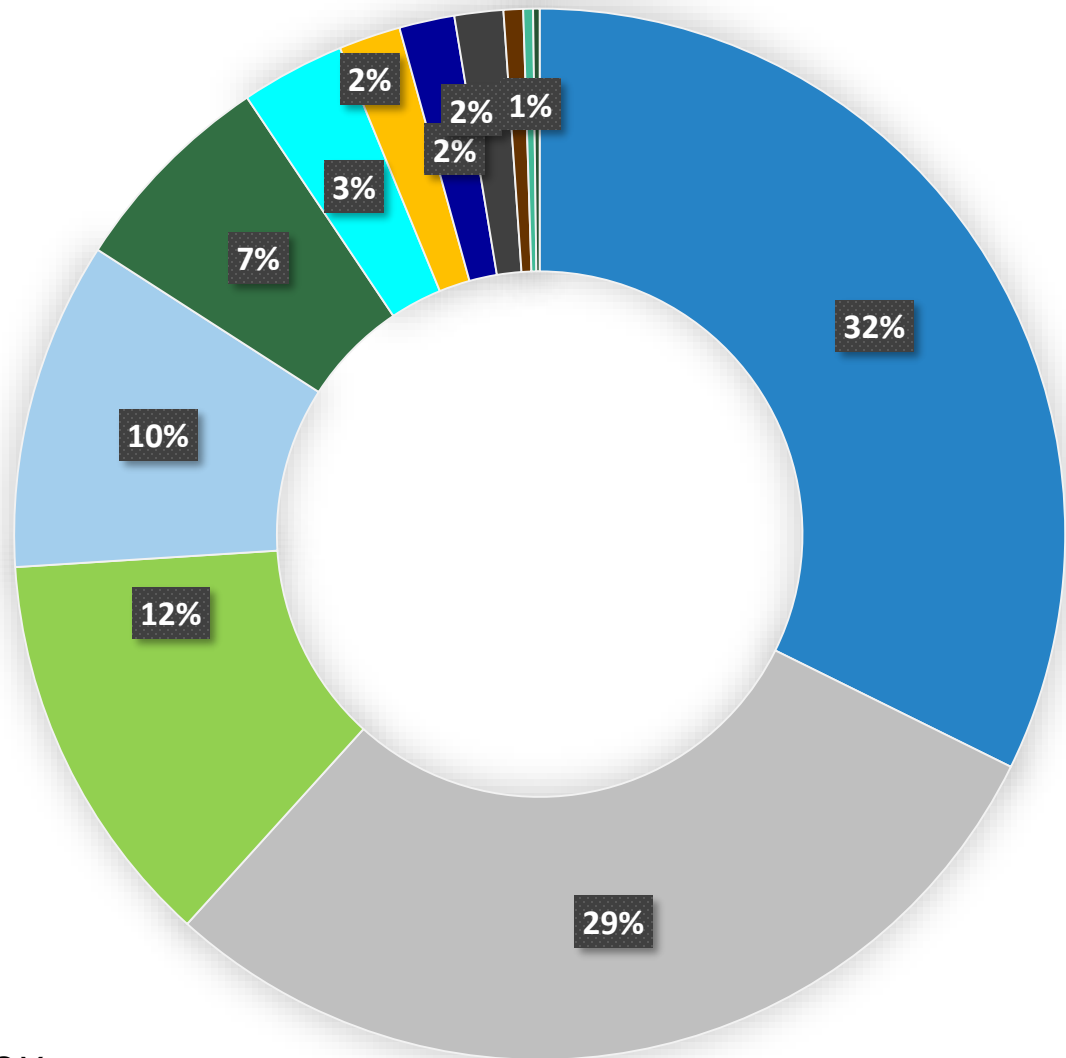
## Few CSR initiative in India

(Rupees in Crores)

Company	Actual CSR expenditure (2018-19)	Prescribed CSR expenditure (2018-2019)
Reliance Industries Ltd	904.00	849.32
ONGC	614.63	480.21
IOCL	490.60	490.60
HDFC	443.78	439.20
Infosys Ltd	342.04	340.35
NTPC	285.50	237.01
Tech Mahindra Ltd	90.36	84.41
Coal India	41.14	45.78
TATA Chemicals Ltd	25.68	19.86

# Theme-wise CSR spent (%)

Projected CSR fund distribution from FY14-15 to FY 18-19

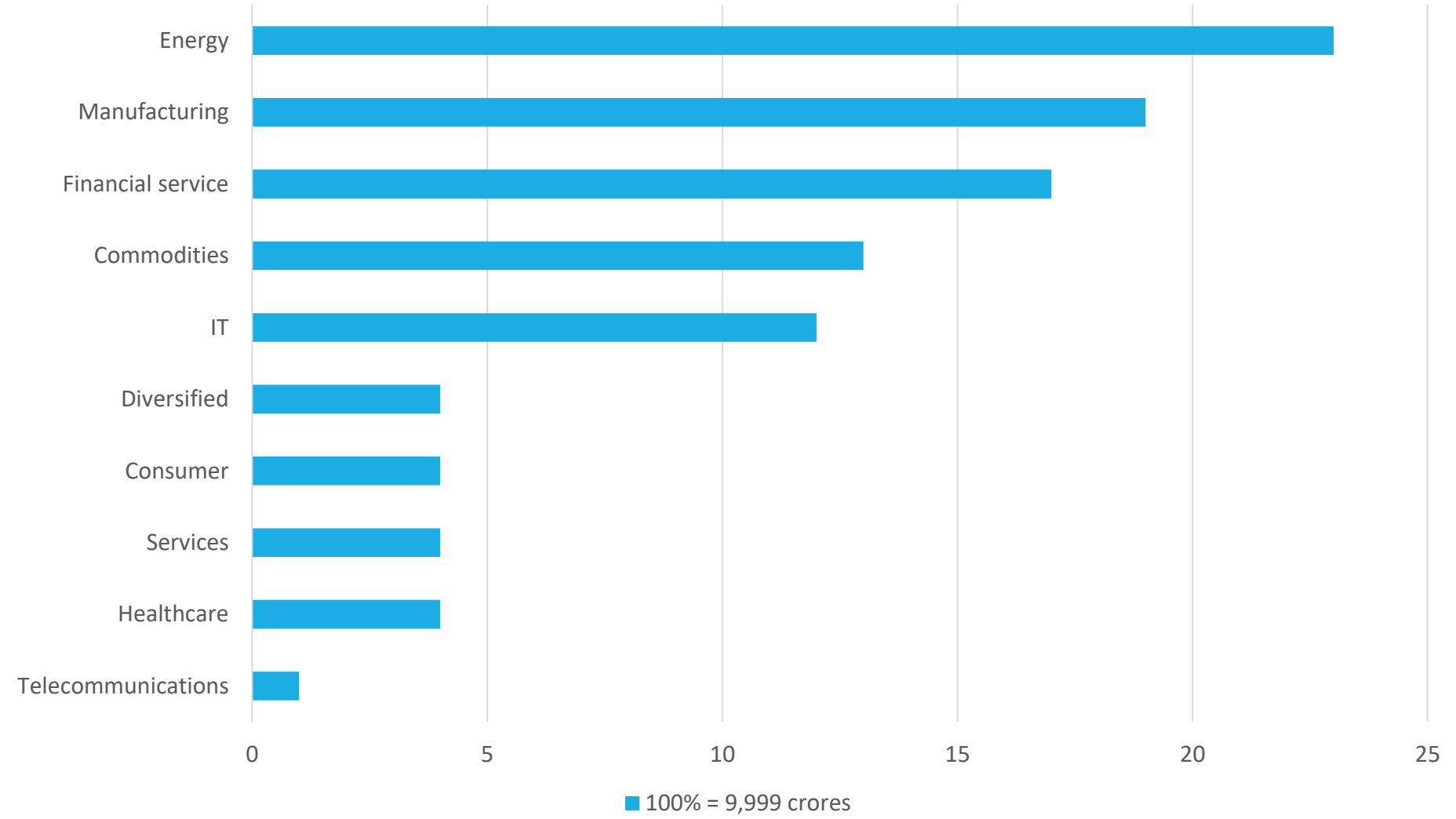


- Education & Skills
- Poverty Alleviation, Healthcare and WASH
- Rural Development
- Environment Sustainability
- Other (Admin, Misc. Projects)
- Gender Equality and Women Empowerment
- Rural Sports and Paralympic
- Protection of Heritage & Art
- Prime Minister's National Relief Fund
- Urban Slum Development
- Technology Incubation
- Benefits to Armed Forces Veteran

Source: NGOBOX report

# CSR spent by sector(%)

100% = 9,999 crores



# Unspent CSR

# Expenditure Deficit

Companies That Did Haven't Spent as Per CSR Mandate

	Company	Amount to be spent	Amount Unspent	% Unspent
FY2018-19	TCS	542.00	108.00	19.93
	Hindustan Zinc	203.93	73.75	36.16
	Kotak Mahindra Bank	96.27	59.72	62.03
	Yes Bank	95.58	41.80	43.73
	Zee Entertainment	39.71	17.02	42.86
FY2017-18	Bharti Airtel	214.62	190.09	88.57
	REC	161.95	112.50	69.47
	Hindustan Zinc	189.64	97.46	51.39
	TCS	497.00	97.00	19.52
	Kotak Mahindra Bank	73.97	47.57	64.31

(Figures in ₹ crore)

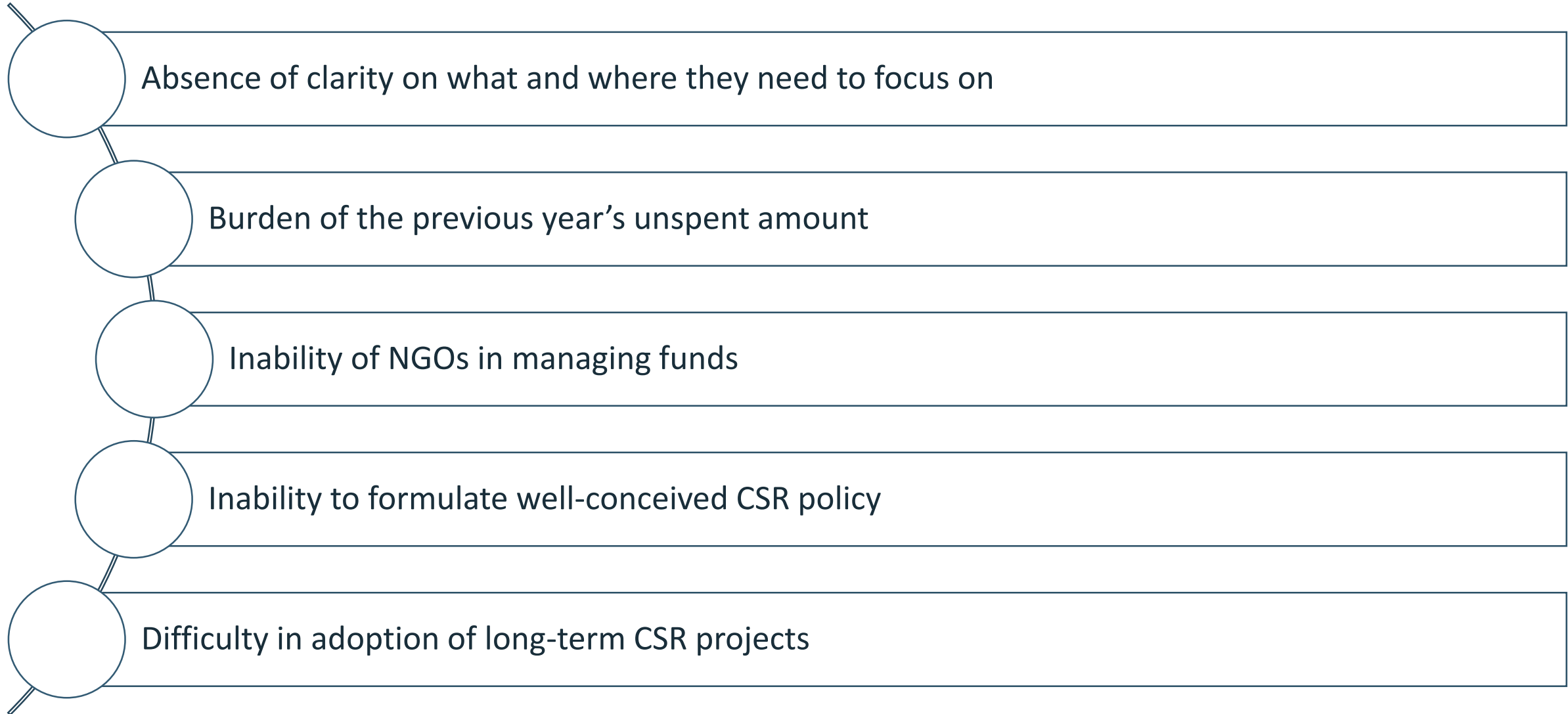
Source: [nseinfobase.com](http://nseinfobase.com)

# Non spending CSR Companies

- Around 60 of the 220 NSE listed companies publishing their FY19 annual reports so far have not fully spent their CSR budgets. Many companies are finding it difficult to spend the CSR funds.
- India's most valuable company, TCS has about Rs 108 crore unspent in FY19, and it cited multiyear project funding to explain the shortfall.
- Similarly, Kotak Mahindra Bank unspent 60+% of the required amount, citing the inability of partner NGO's to spend the money.



# Reasons given by Companies for not spending on CSR



# Strict Penal Provisions for Defaults in CSR Compliances

## Introduction of criminal liability vis-à-vis CSR

- Prior to this amendment, there was no imposition of any penalty in the statute for a breach related to non-dispersal of CSR amount, if the companies were able to provide reasons for the same.
- In addition to this, penalty can also be levied on *every* officer of the company who is in such default. They could be subjected to a fine of not less than INR 50,000 which may extend to INR 5,00,000, or imprisonment for a term of up to three (3) years, or both.
- This shows a major shift in the position of law, as earlier it was a choice between spending the CSR fund or disclosing the reason for non-expenditure, but now no such choice exists, as it is mandatory to spend the sum or face penal actions. Further, the amendment also authorizes the central government powers to issue general or special directions to companies to ensure compliance of CSR provisions.



## Misfires and difficulties faced in CSR

# Major CSR mishaps

## **Volkswagen Auto: False claim for emission controlled engines**

The Company deliberately set out to design a means to circumvent emissions control for gaining unfair advantage over competitors

- Used CSR as a marketing exercise
- This action severely impacted the Brand Image as it is the top vehicle company in the world
- Lead to heavy penalties



**Volkswagen**

## **Unilever: Fail to meet own sustainability**

Despite spending huge sum on CSR programs in India, Unilever was accused of not cleaning up the toxic mercury waste in Kodaikanal Factory which had already done its part in damaging the environment.

- Issue spread as a global news and the Brand value of the brand in India was hampered



**Unilever**

Other key points

# Role of a Chartered Accountant in CSR

ICAI is nominated by Prime Minister for Swachh Bharat Abhiyaan

CAs are entrusted to monitor compliance – hence a stringent check should be kept

Role of CA in CSR

CAs should refrain from engaging/ advising to engage in unethical practices

Assist client in complying with the requirements under law

# MONITORING MECHANISM

- Internal reviews by CSR teams
- Periodic third party assessment of key programs
- Impact assessment of operation on periodical basis
- Regular review by the CSR Committee and reporting to the Board on:
  - achievement against milestones and objectives
  - planned budget vis-a-vis actual expenditure on each program
- External concurrent audit for CSR programs

# Food for Thought?

Tax paid on account of disallowance of CSR expenditure – Should it be added to the total CSR spent?

Whether GST input credit is available on CSR cost

Parking of funds by companies in their own foundations

Disclosure of cumulative CSR spent and unspent

Should contribution in kind be permissible?

Should CR activities undertaken outside India (e.g. in neighbouring countries) qualify as CSR?



## Way forward

More incentives for doing CSR

Mechanism monitoring fund utilisation

Should there be progressive % limit to be spent on CSR?

Possibility of setoff of losses of group companies by calculating CSR on consolidated basis

Emerging possibilities for mandatory CSR audit



Questions?

Thank You