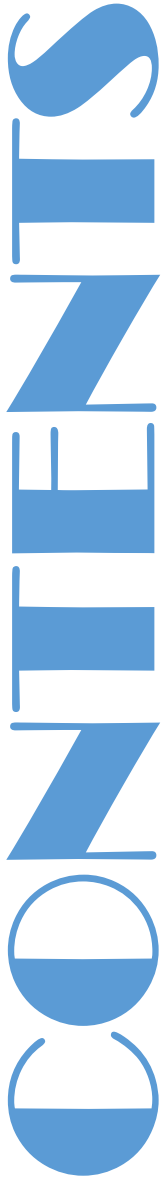


CSR in India & Globally - Evolving Trends

CA. Milan Mody
16th December 2017



Background

CSR in India and CSR Globally

Global Reporting Initiative (GRI) & Integrated Reporting

Evolving trends in CSR

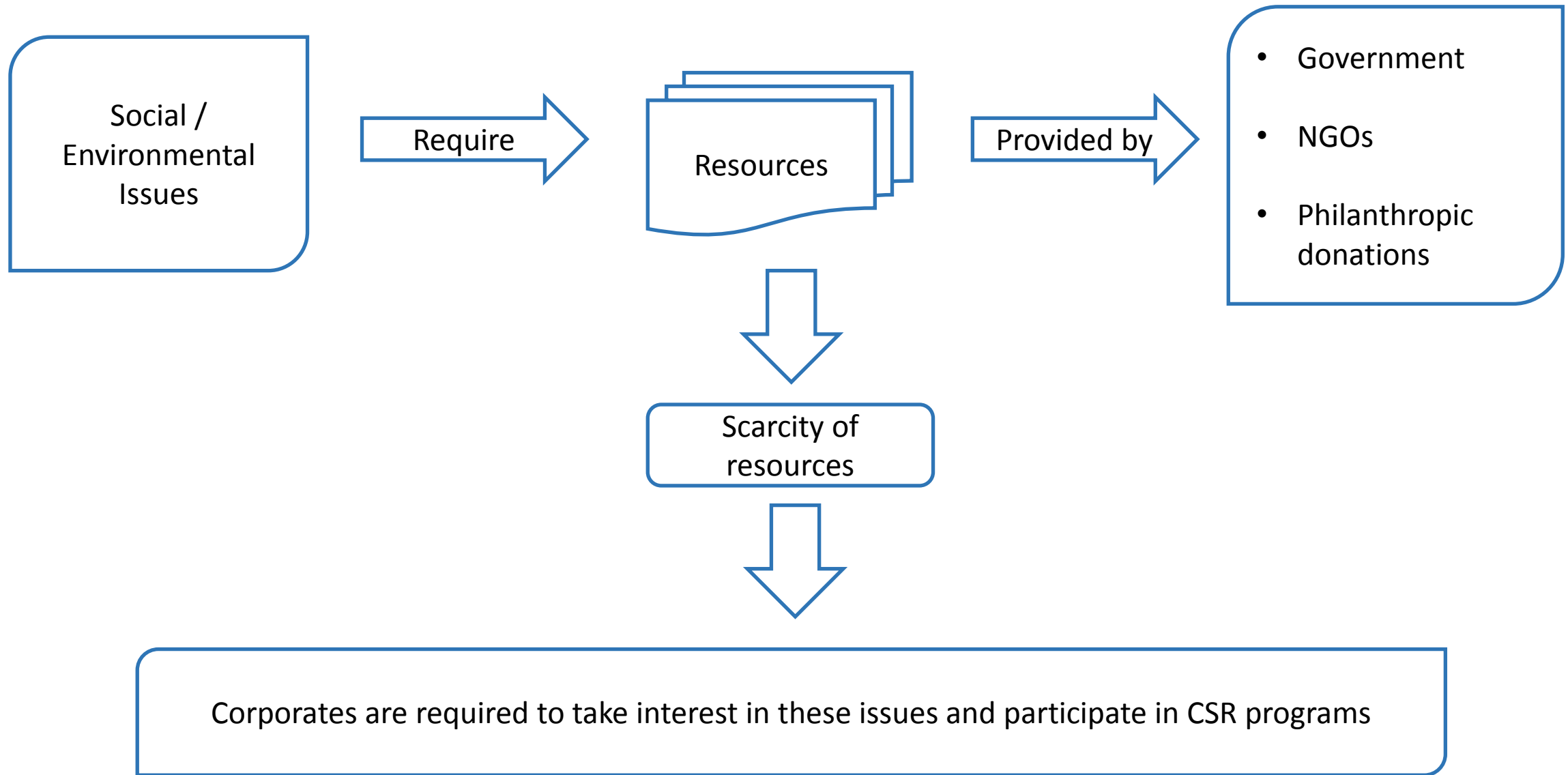
Statistical Snapshots

Misfires and difficulties faced in CSR

Other key points

Background

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 part of statutory obligation since they are expensive

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

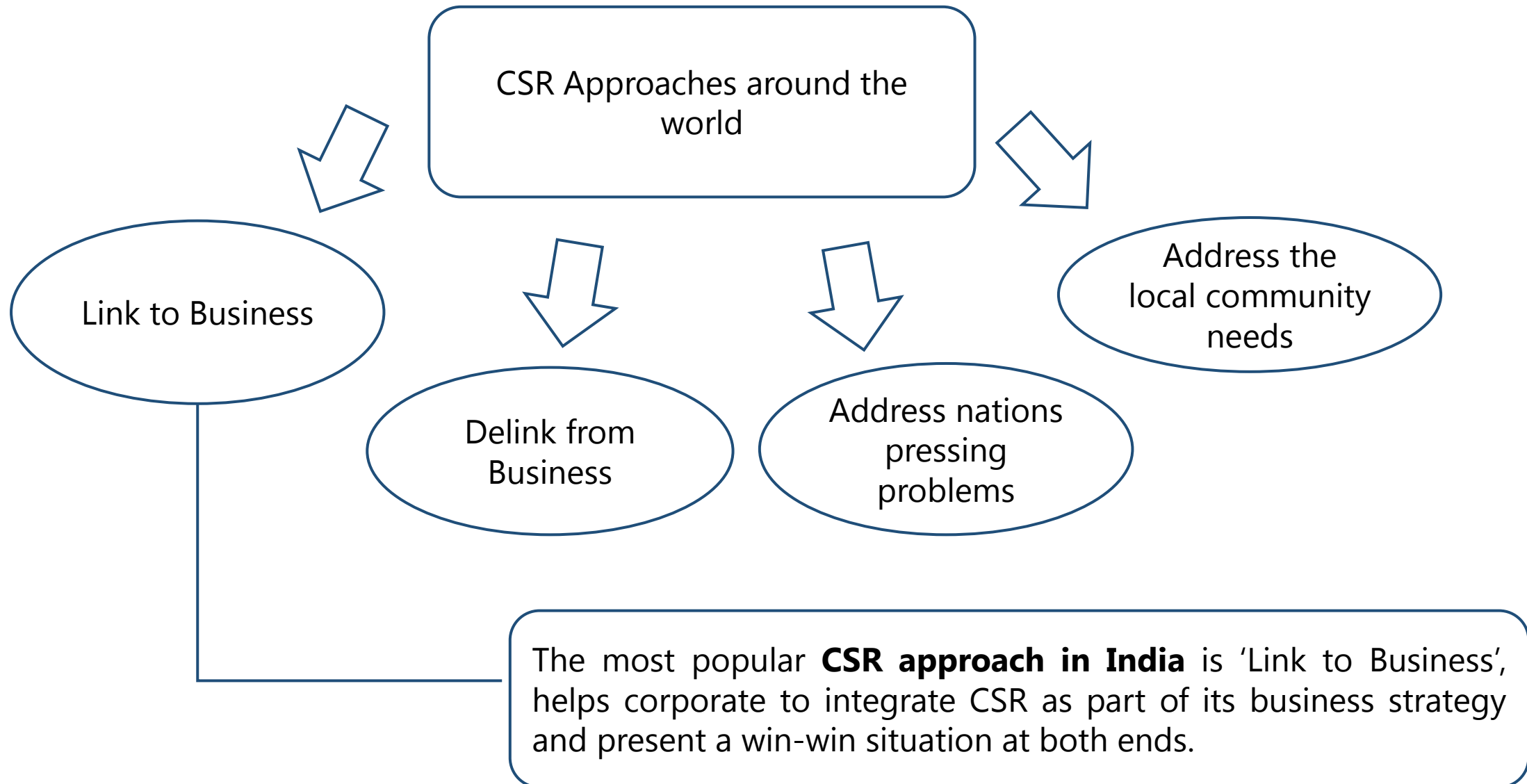
Mandatory Reporting Obligation

- France, Denmark, South Africa, China etc.

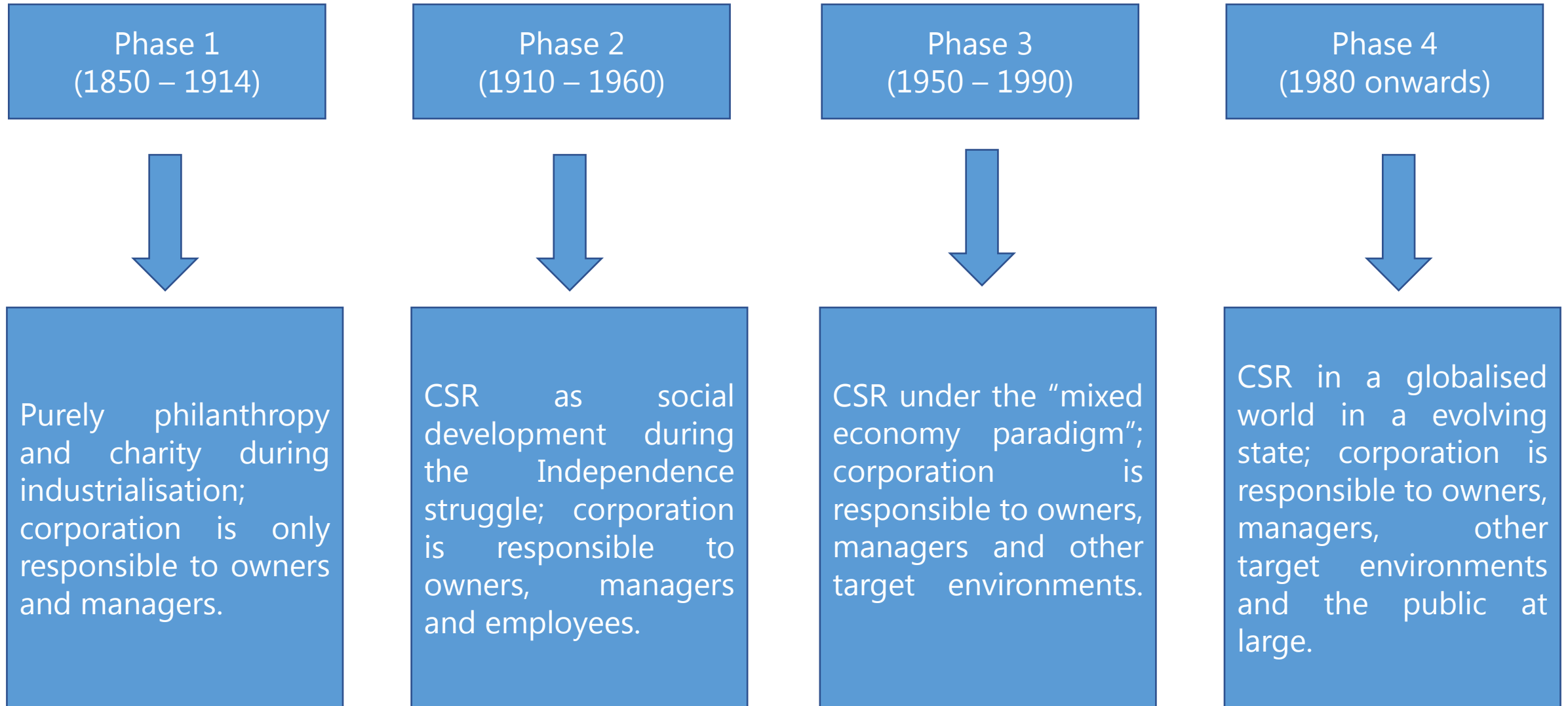
Disclosure of Good Corporate Governance Practice

- USA, UK, Europe etc.

Approach towards CSR



Evolution of CSR in India





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- focusing on promoting clean energy sources etc.

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, ACC Ltd, Aditya Birla Group 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



Evolving trends in CSR

Evolving trends in CSR

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

- Top Indian Companies spend less than 4% of CSR as 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

- Paris Accord for reduction in emission
- Focus of companies towards renewable sources of energy

Few CSR initiative in India

Amul Industries Pvt. Ltd.

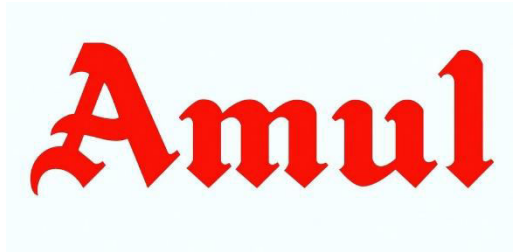
- Swarna Jayanti Gram Sanchar Yojana (SGSY): self employment of people by procuring milk from local villagers
- Tree plantation
- Amul Scholar: Scholarship program
- Blood Donation
- Rural Sanitization

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.

Nyaya Bharti

- In deserving cases, it will help the under trails by paying the bail and surety amounts
- Led by retired Chief Justice AS Anand, legal support AZB and Partners



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" character.

किसानों के हित में, किसानों 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 19

Few Examples of NGOs 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

World Vision India

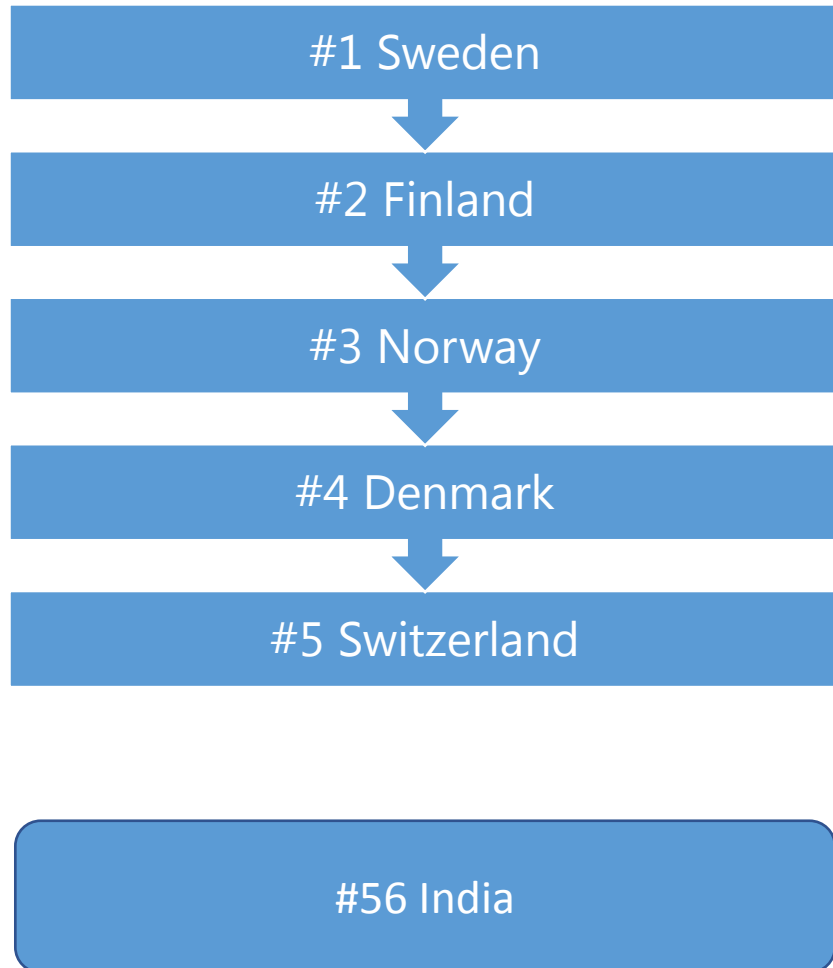
- For Rights of Underprivileged Child and their Education



Statistical Snapshots

Country Sustainability Ranking

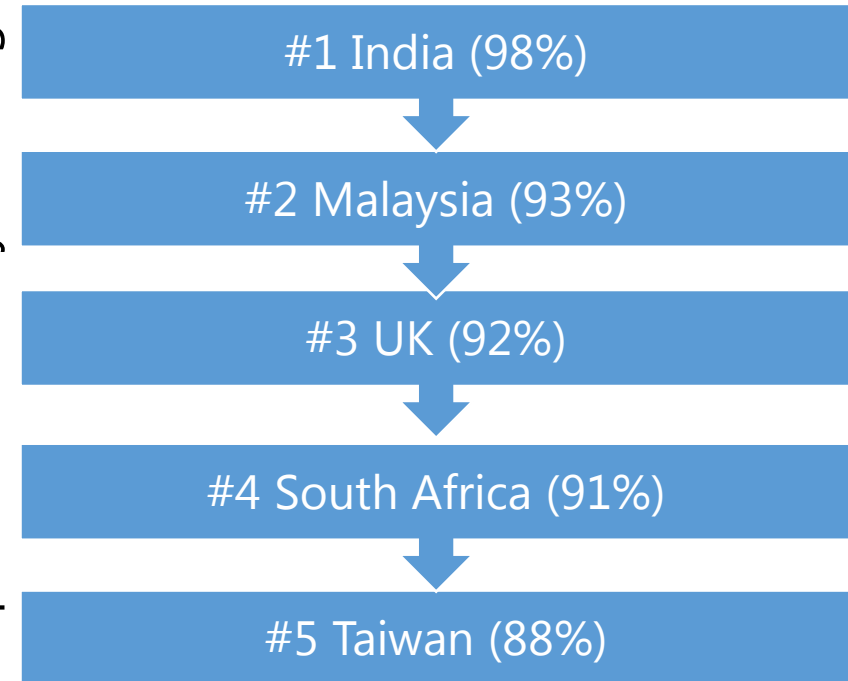
Top 5 Countries by Ranking



Source: Rankings based on 17 environmental, social and governance indicators as on October 2017
Published by RobecoSAM.com

Highest CR reporting in AR

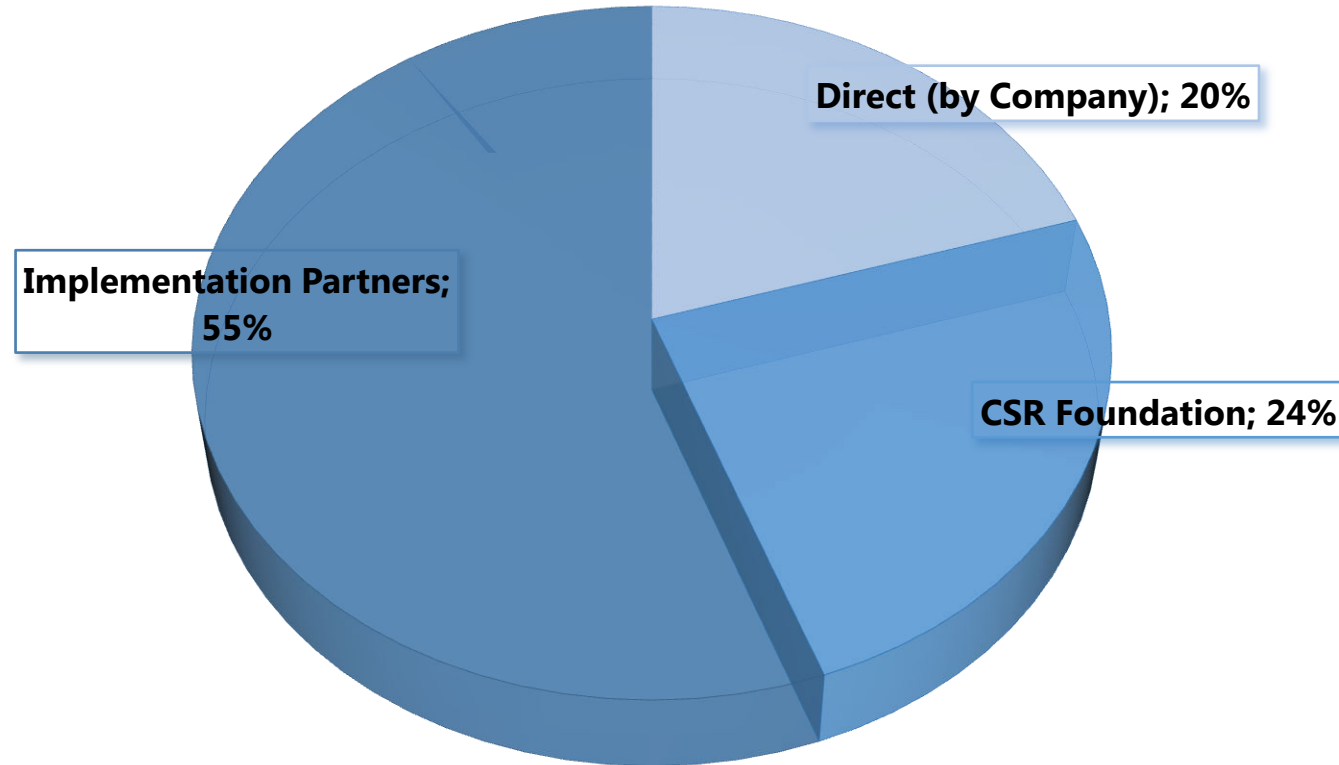
Top 5 Countries by Ranking



Source: KPMG survey of CR reporting 2017

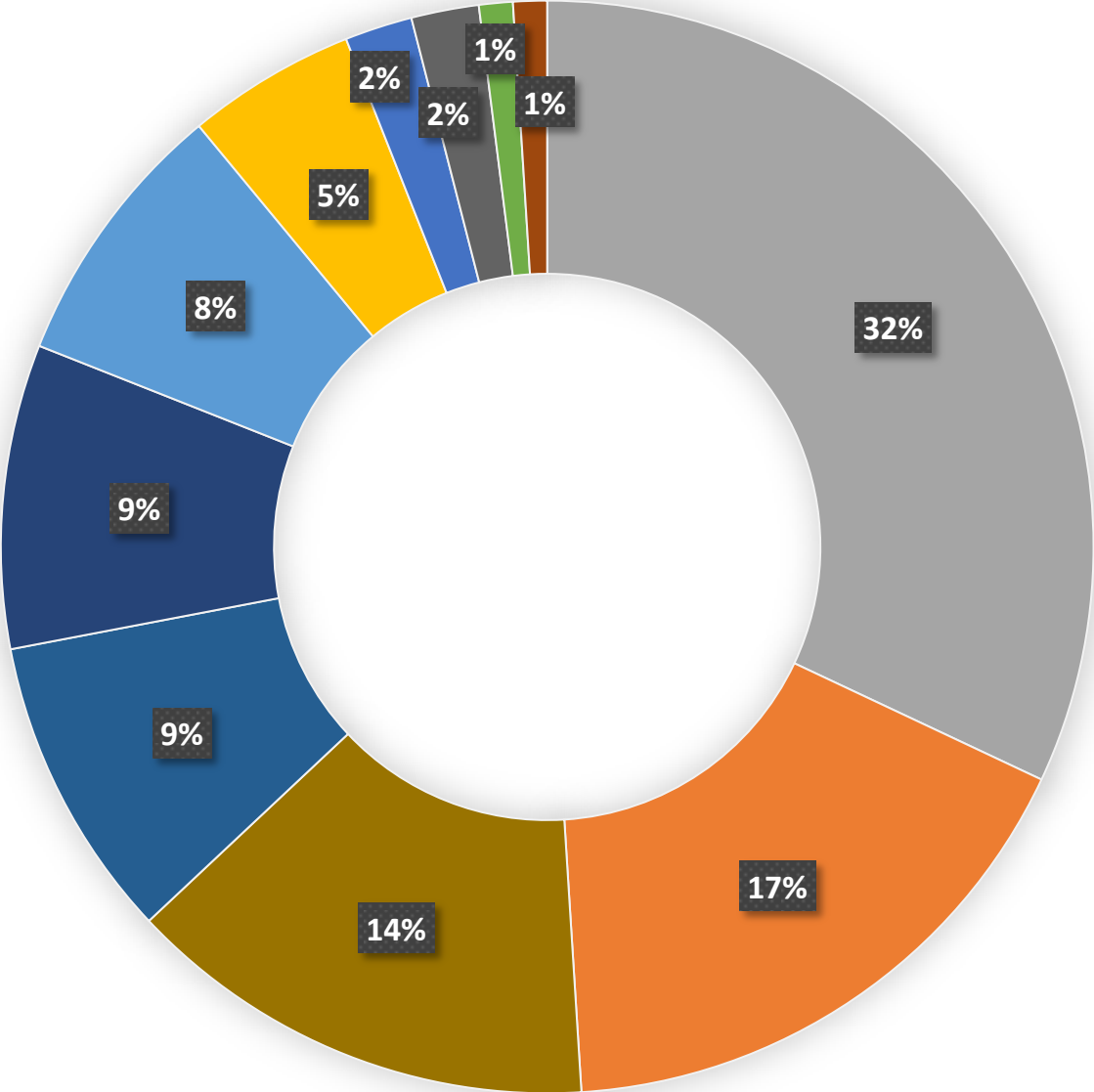
Project Implementation Mode

CSR PROJECTS IMPLEMENTATION (% OF CSR FUND)



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

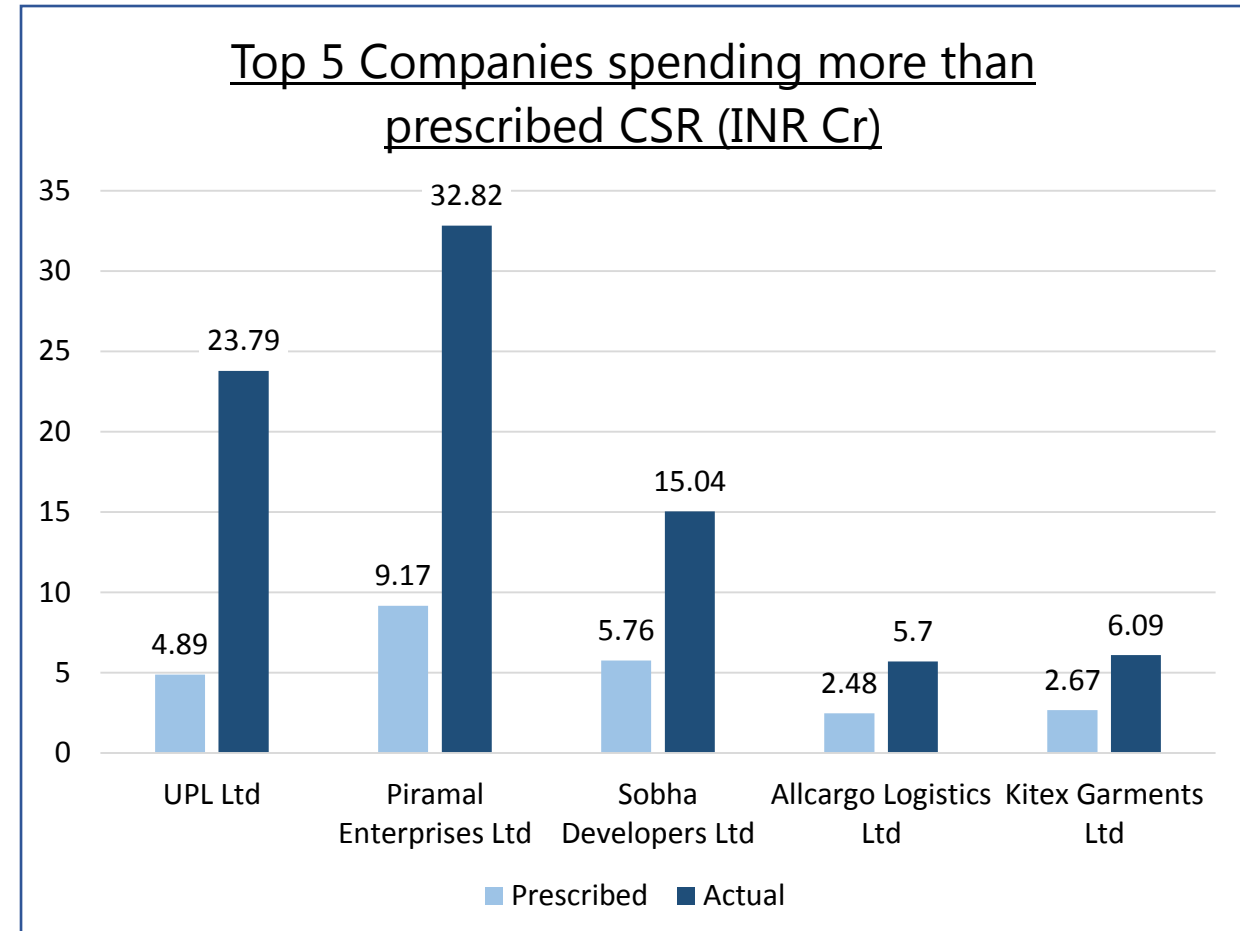
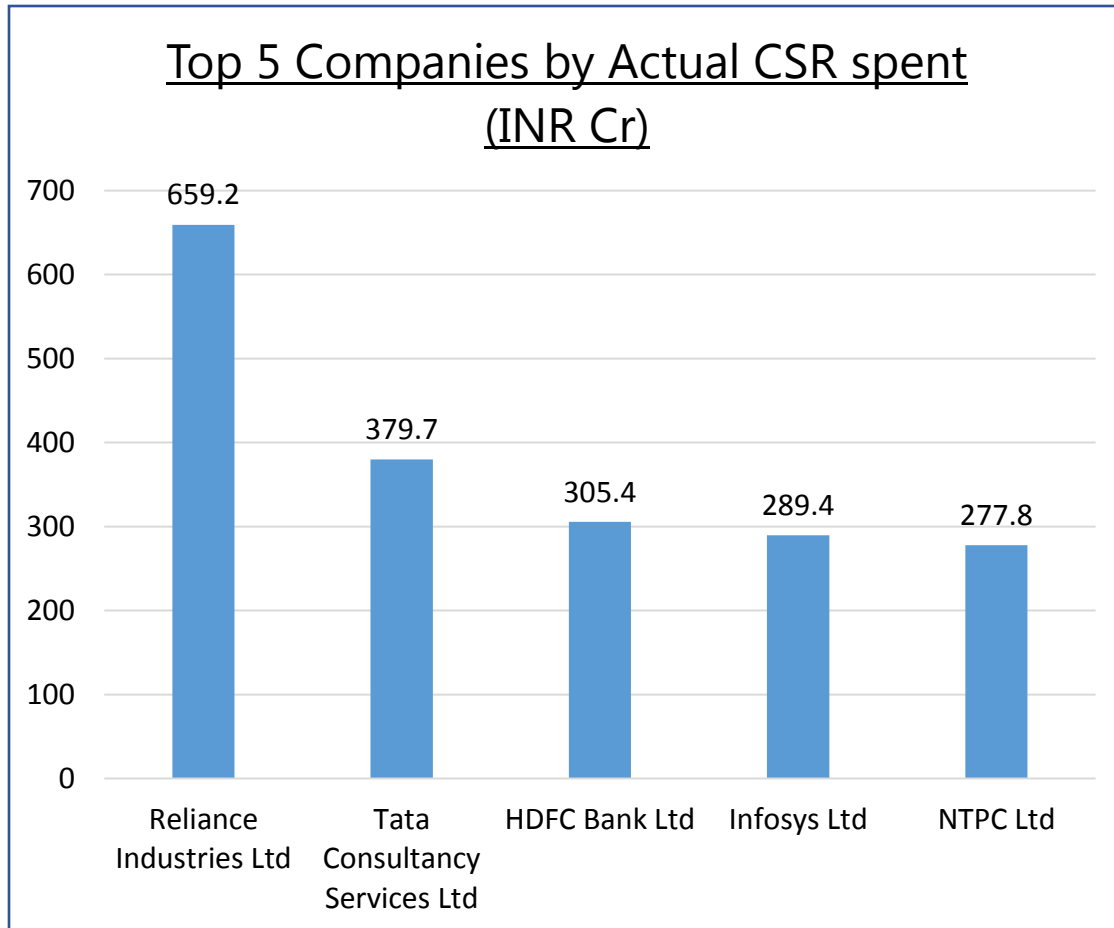
Theme-wise CSR spent (%)



- Education
- Healthcare
- Rural Development
- Environment & Sustainability
- Others & Misc
- Poverty Allevation & WASH
- Skills
- Gender Equality & Women Empowerment
- Sports promotion
- Heritage & Art
- Technology incubation

Source: NGOBOX report- Sept. 2017

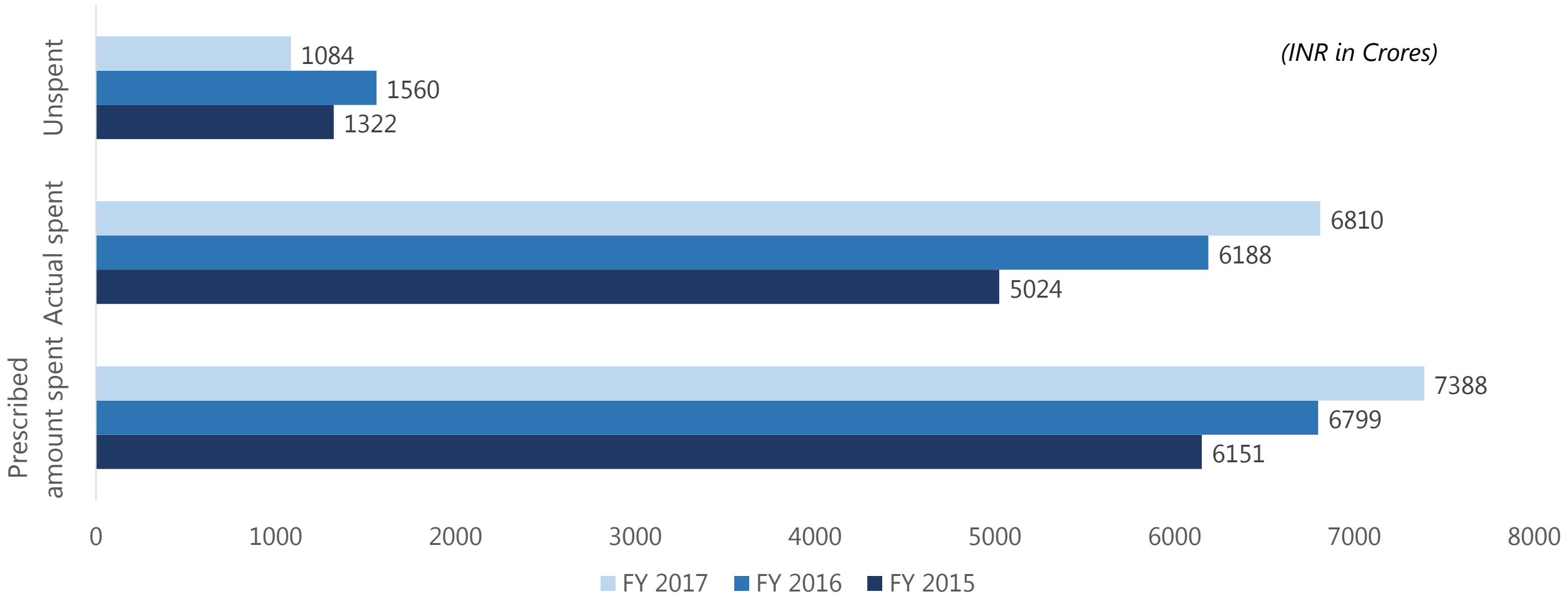
Statistics – CSR spent in FY 2016-17



Source: NGOBOX report – Sep. 2017


Analysis for Unspent CSR for FY 2015 to 2017

(INR in Crores)




There is an increase in prescribed amount over the years and we can see that in past three years, there is a reduction in total unspent amount. However not all companies spend 100% of prescribed amount, while some spend more than 2% limit


Highlights of CSR 2017




As in the previous two years, in FY17, nearly half of the top 10 spenders exceeded their prescribed limit.




Maharashtra Continued to attract Highest CSR spending for third year in a row




6% companies could not spend even 1/3rd of the prescribed CSR budget



The share of top 10 companies is nearly 50% of the total amount spent by the firms



Among the Schedule VII activities that received the lowest funding were Prime Minister's relief fund and technology incubators



95% of the CSR projects are aligned with Government development initiatives like Swachh Bharat Abhiyaan, Skill India & National Health Mission



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

Actions proposed to be taken against non-compliances related to disclosure

The ministry has served show-cause notices to 1,018 defaulting entities for non compliances during FY 14-15

Penal actions to be initiated against top 160 firms Failing to comply CSR in FY 14-15

Section 134(8) provides for imposing a minimum fine of INR 50,000 and the amount may go up to INR 25 lakh for certain violations

Reasons given by companies for not spending on CSR



Absence of clarity on what and where they need to focus on

Burden of the previous year's unspent amount

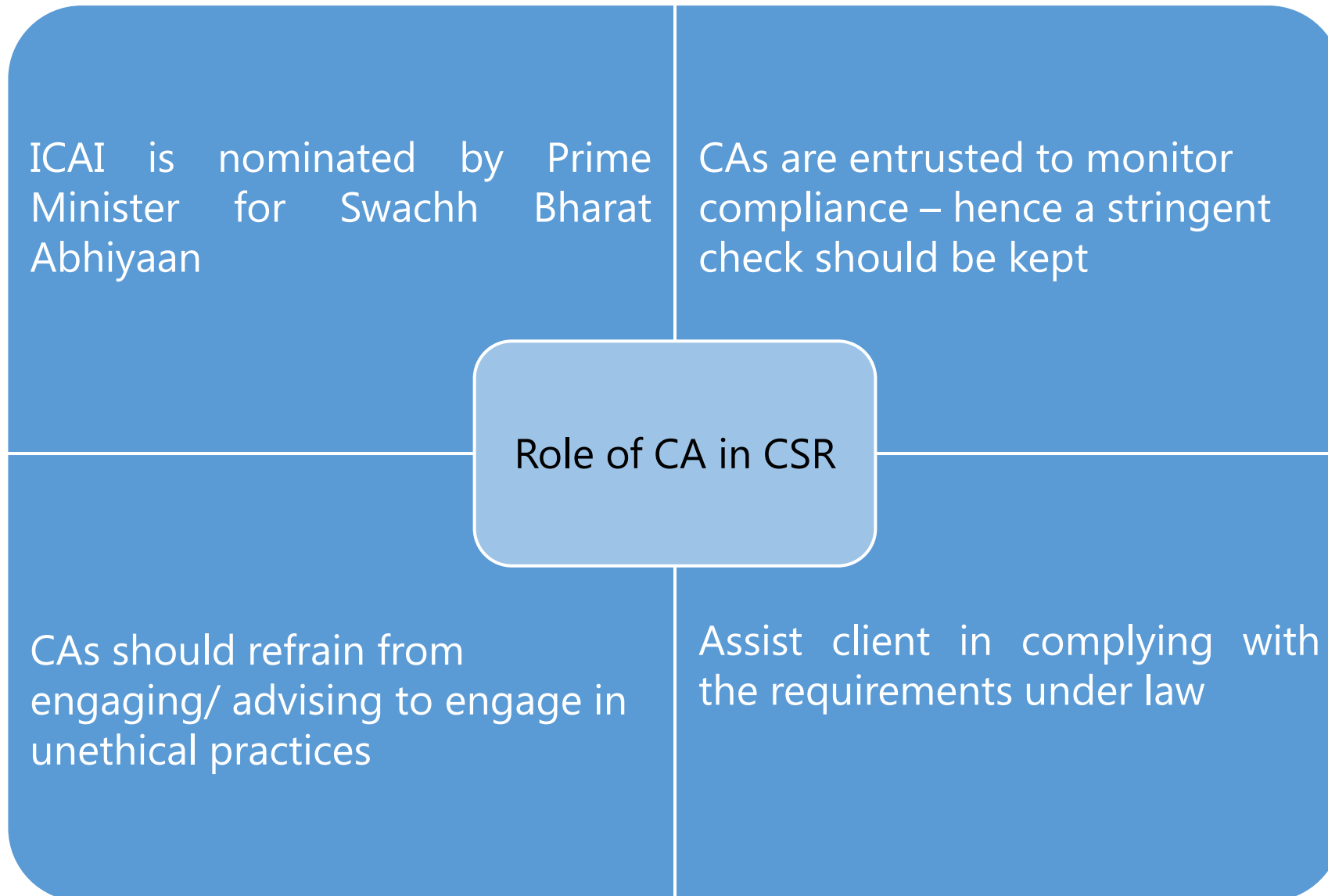
Inability of NGOs in managing funds

Inability to formulate well-conceived CSR policy

Difficulty in adoption of long-term CSR projects

Other key points

Role of a Chartered Accountant in CSR



Food for Thought?

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

CSR spent in CY – Should it be adjusted against unspent amount of PY (if any) on FIFO basis or against CY's prescribed CSR

Parking of funds by companies in their own foundations

Treatment of amount unspent in previous year(s) which remains unspent even in the current year? Is only disclosure to this effect sufficient?

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

Sources :

- NGOBox Survey report 2017
- FAQs on CSR
- Articles on Forbes.com
- Report on integrated reporting by EY
- Report of CSR by KPMG
- Robecosam.com



Questions?

Thank You