

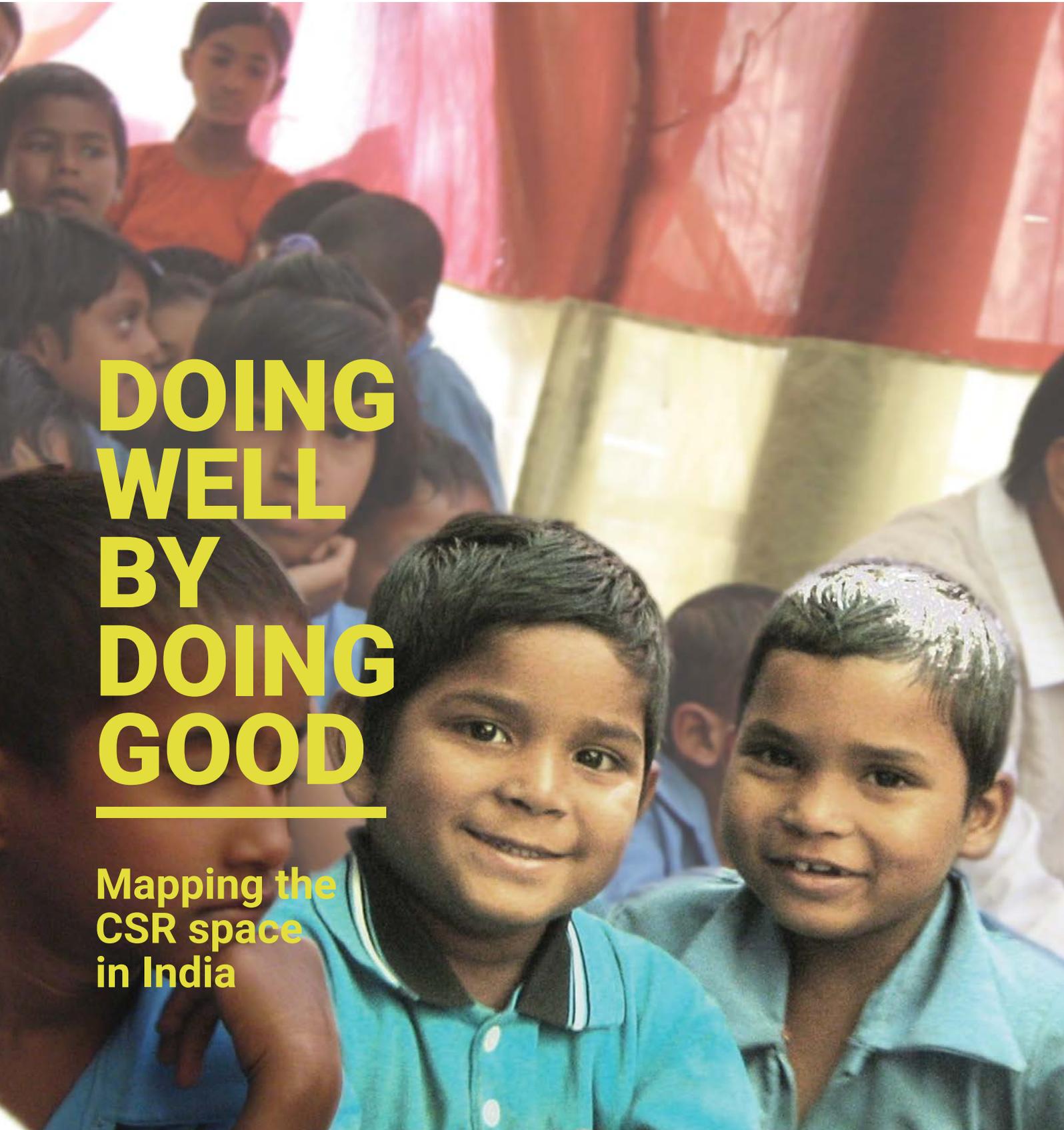


INDIAN CHAMBER OF COMMERCE



DOING WELL BY DOING GOOD

Mapping the
CSR space
in India





INDIAN CHAMBER OF COMMERCE

Founded in 1925, Indian Chamber of Commerce (ICC) is the leading and only National Chamber of Commerce operating from Kolkata, and one of the most pro-active and forward-looking Chambers in the country today. Its membership spans some of the most prominent and major industrial groups in India. ICC's forte is its ability to anticipate the needs of the future, respond to challenges, and prepare the stakeholders in the economy to benefit from these changes and opportunities.

Set up by a group of pioneering industrialists led by Mr G D Birla, the Indian Chamber of Commerce was closely associated with the Indian Freedom Movement, as the first organised voice of indigenous Indian Industry. Several of the distinguished industry leaders in India, such as Mr. B M Birla, Sir Ardeshir Dalal, Sir Badridas Goenka, Mr. S P Jain, Lala Karam Chand Thapar, Mr. Russi Mody, Mr. Ashok Jain, Mr. Sanjiv Goenka, have led the ICC as its President. Currently, Mr. Rudra Chatterjee is leading the Chamber as its President.

ICC is the only Chamber from India to win the first prize in World Chambers Competition in Quebec, Canada.

ICC's North-East Initiative has gained a new momentum and dynamism over the last few years. ICC has a special focus upon India's trade & commerce relations with South & South-East Asian nations, in sync with India's 'Act East' Policy, and has played a key role in building synergies between India and her Asian neighbours through Trade & Business Delegation Exchanges, and large Investment Summits.

ICC also has a very strong focus upon Economic Research & Policy issues - it regularly undertakes Macro-economic Surveys/Studies, prepares State Investment Climate Reports and Sector Reports, provides necessary Policy Inputs & Budget Recommendations to Governments at State & Central levels.

The Indian Chamber of Commerce headquartered in Kolkata, over the last few years has truly emerged as a national Chamber of repute, with full-fledged offices in New Delhi, Mumbai, Guwahati, Ranchi and Bhubaneswar & Hyderabad functioning efficiently, and building meaningful synergies among Industry and Government by addressing strategic issues of national significance.

Foreword

By Mr Rudra Chatterjee | President, Indian Chamber of Commerce



More and more businesses are being asked to do more to solve social and environmental problems. Leading corporates are taking up the challenge of sustainability seriously, not only to reduce their environmental footprint and bolster their reputations but also to improve operations and financial performance.

Many ecosystem challenges cross jurisdictional boundaries and require systemic changes beyond the capabilities of individual companies or even of an industry. In these cases, the best approach for business can be to partner up—with governments, investors, local communities, nongovernmental organisations (NGOs), and other companies.

This report is a comprehensive review of what we know about partnering for sustainability.

Leaders from all sectors of society agree that solving sustainability challenges will require unparalleled cooperation and have realised the benefit of implementing CSR initiatives where their business operations are located. Against this backdrop, 'ICC Social Impact Awards & Summit' aims to focus on innovative and sustainable partnership mechanisms that can be adopted by Corporates, NGOs and Implementing Agencies in order to make a positive impact towards Social Development.



Consultivo is a management advisory and consulting firm helping global businesses in the areas of Sustainability, Business Excellence & Risk Management both in strategic and operational level.

With access to wealth of intellectual capital, Consultivo delivers Advisory, Research, Audit & Training services in the areas like Sustainability, Corporate Social Responsibility, Occupational Health & Safety, Environment & Energy, Management Systems, Organizational Development and Human Capital Development.

Sustainability services include sustainability strategy development, sustainability reporting as per GRI G4 standard, materiality assessment & study, stakeholder engagement, CSR Strategy development, reporting, Project monitoring, evaluation, Impact assessment, ethical supply chain management, due diligence and related services.

Major industry sectors where Consultivo has worked with:

- Metal including Iron & Steel, Aluminum
- Mining
- Cement
- Oil, Gas, Hydrocarbon
- Chemical
- Hospitals
- Warehouses
- FMCG
- Engineering
- Agribusiness
- Financial Investment
- Shopping Malls & Hypermarkets
- Construction
- Supply Chain

Consultivo works with 100+ National and International Sustainability related codes, standards and guidelines. Few of them worth mentioning are IFC & World Bank guidelines, ILO guidelines, GRI G4 standards, CDP, ISO 26000, ISO 14001, ISO 45001, SEDEX, SMETA, International Good Practices, Indian Standards (BIS) & Indian Legal Requirements, Oil Industry Safety Directorate (OISD) Guidelines, OSHA, NFPA, and country specific legal requirements.

Partnership with academic institutions, research organizations & industrial associations is a significant activity to create powerful business solutions bespoke to customer needs. In Consultivo, operating in a transparent & ethical value system which delivers quality is the key to earn trust, credibility and respect from all stakeholders.

Consultivo is partner of CII - Eastern Region, training & knowledge partner of ICC- Eastern Region and acknowledged safety, environment & social consultant of IFC (World Bank Group).

Consultivo is uniquely placed to offer advisory and assurance services free from commercial constraints and conflict of interest to find ways to improve business performances.

Consultivo Academy is the strategic business unit for training and capacity building services. It nurtures and enrich people potentials through interactive & solutions oriented course design in both conventional and new age e-learning platforms.



Preface

By Saikat Basu | CEO & Chief Mentor, Consultivo



The concept of Corporate Social Responsibility (CSR) isn't new within the social & sustainability segment. In fact, India has had the earliest tradition of companies disbursing their social responsibility, may be in the form of philanthropy or benevolence. Some of the pioneer business organisations in the country have made exemplary contributions to the society and still continue to do so. Corporate trusts are actively participating in societal development since long.

However, while earlier these activities came under the realm of company's own initiative towards philanthropy, the concept of CSR gained more formal prominence towards the late 1990s.

Today many companies are making a conscious effort to put sustainable practices into action which help the organisation to manage their stakeholders' expectations as well as the societal needs. They are well aware that doing so not only helps the environment & society, it can also create goodwill for their reputation and boost up their brands' health & performance positively.

Structured and strategic CSR initiatives have become the need of the hour.

This knowledge report on 'Doing Well By Doing Good - Mapping the CSR space in India' appreciates the journey of Indian corporates towards strategic approach on their CSR initiatives and the process of empowerment of Indian society.

Acknowledgement

This report would not have been possible without valuable contributions by the participating organisations and associated networks. We would like to express our immense gratitude and appreciation to Ms Soma Mukerji, Deputy Director and Mr Himadri Bhattacharyya of Indian Chamber of Commerce (ICC) under the able guidance of Dr Rajeev Singh, for providing overall support in making this report possible.

We acknowledge the contributions of the organisations who have taken part in the online survey and who have made their valuable contributions through sharing their good practices.

We would also like to place on record our sincere thanks to the Consultivo research & study team for their valuable contribution, precise online survey, data analysis, interpretation & communications.

DOING WELL BY DOING GOOD
Mapping the CSR space in India

Knowledge Report by Indian Chamber of
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CONTENT

Introduction	8
Objective of the study	9
Methodology	9
CSR legislation	11
Sustainable Development Goals (SDGs) and Schedule VII activities	12
What cannot be included in CSR in 2% spends	14
Analysis	15
CSR policy	16
CSR committee	17
CSR committee meetings	19
CSR spend	20
Good to Know	21
Conclusion	26



Introduction

The crux of India's quest for equitable, inclusive and sustainable growth is a robust and thriving development sector. Over the last few decades, there has been a substantial growth of India's development sector which is now witnessing unprecedented interest and investments across the value chain.

With the changing face of Indian businesses, it is the next most apparent thing that companies also look at changing the way they engage with society. Indian companies have grown by leaps and bounds over the past two and a half decades. They have been able to establish a strong footprint globally. A remarkable contribution has been made by

these companies in nurturing India's growth story.

However, our broader growth agenda has been strengthened more so by inclusive development and even though significant progress has been noticed in achieving our social ambitions (at least from where we started), the pace of progress has not been sufficient enough as we still have a long road to cover.

Corporate Social Responsibility has become an important aspect for Indian businesses and there is a discernible trend in CSR activity becoming more of a part of strategic decision-making for companies.



The CSR activity of the companies is governed by Clause 135 and Schedule VII of the Companies Act 2013 mandating not only compulsory reporting but also clearly defining the purview of areas that can come under CSR. India has become the first country to strictly formalise CSR spending by making reporting obligatory.

Corporate social responsibility, also referred to as corporate citizenship or conscious capitalism is practised by companies dedicated to making a positive social or environmental impact on society. More and more consumers are expecting companies to do one or the other or both. If a company is not using recycled materials in one's products, consumers want to hear that it is working to increase access to clean water, or working to promote education for the underprivileged. Green initiatives like reducing packaging materials, minimising transportation costs and installing energy-efficient lighting are just some of the ways through which environmentally savvy companies are cutting costs. But the ultimate crux is not just about profitability—it is also about driving a culture change.

Objective

More than four financial years have passed since the CSR legislation came into force. The objective of the study is to understand the CSR space in India in terms of legislative compliance, developmental initiatives with reference to respective thematic areas and alignment of sustainable development goals (SDG).

Methodology

This study analyses the aspects related to CSR such as policy, committee, director's reports, annual disclosure and spends of companies as on 31 March 2018.

Source: The primary data for this research has been collected from an online survey.

The secondary research data are sourced from:

- The CSR policy and annual report of companies available in the public domain
- The disclosures on CSR in the director's report by companies & compliance with the Act
- The annual CSR disclosures and CSR spends of companies





CSR Legislation

It is suggested in Section 135 that companies with an annual turnover of Rs. 1,000 crore and more, or net worth of Rs. 500 crore and more, or a net profit of Rs. 5 crore or more during the immediately preceding financial year have to spend at least two per cent of their average net profits of the previous three financial years on CSR activities.

The key elements of the legislation are that any company that falls into the above criteria does the following:

1. Constitute a CSR committee of the board comprising three or more directors out of which at least one director must be an Independent Director
2. Formulate and recommend a CSR policy to the board
3. The board shall ensure that the company spends, in every financial year, at least two per cent of its average net profit for the previous three financial years, in fulfilment of its CSR policy

According to the Act, 'Corporate Social Responsibility' means and includes but is not limited to:

- (i) Projects or programmes relating to activities specified in Schedule VII of the Act
 - (ii) Projects or programmes relating to activities undertaken by the Board of Directors of a company (Board) in pursuance of recommendations of the CSR committee of the Board as per declared policy of the company subject to the condition that such policy will cover subjects enumerated in Schedule VII of the Act.'
4. The Director's Reports of a company covered under these rules pertaining to a financial year commencing on or after the 1st day of April 2014 shall include an annual report on CSR activities in the specified template. In case a company fails to spend two per cent of its profits, the board needs to specify the reasons for the same.



Sustainable Development Goals (SDGs) and Schedule VII Activities

Sustainable Development Goals (SDGs) has been developed over Millennium Development Goals (MDGs) in 2015 to reduce poverty and inequality and simultaneously strengthen the discussion around equitable and sustainable growth. These goals are more cross cutting and interdependent in nature, needing a collaborative initiative from the private and public sector alike. It is vital for businesses across the globe to identify their role in this conversation and understand the points of their interaction with the SDGs.

Schedule VII activities

- I. **Health & sanitation:** Eradicating hunger, poverty and malnutrition, promoting preventive health care & sanitation and making available safe drinking water



- II. **Education and skill deployment:** Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects



- III. **Gender equality:** 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 taking measures for reducing inequalities faced by socially and economically backward groups



- IV. **Environment and ecology:** 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





V. **National heritage, art and culture:** 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 arts and handicrafts



VI. **Armed forces veterans:** Measures for the benefit of armed forces veterans, war widows and their dependents



VII. **Sports development:** Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports



VIII. **Prime Minister's relief fund:** Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief & welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women



IX. **Technology incubators:** Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government



X. **Rural development:** Rural development projects



XI. **Slum area development:** Slum area development projects, even such areas identified by CG or SG or competent authority





INDIAN CHAMBER OF COMMERCE



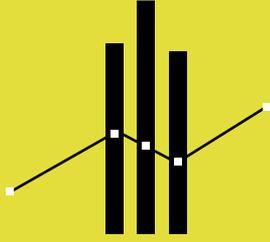
What cannot be included in CSR in 2% spends

The following activities cannot be considered under CSR spend:

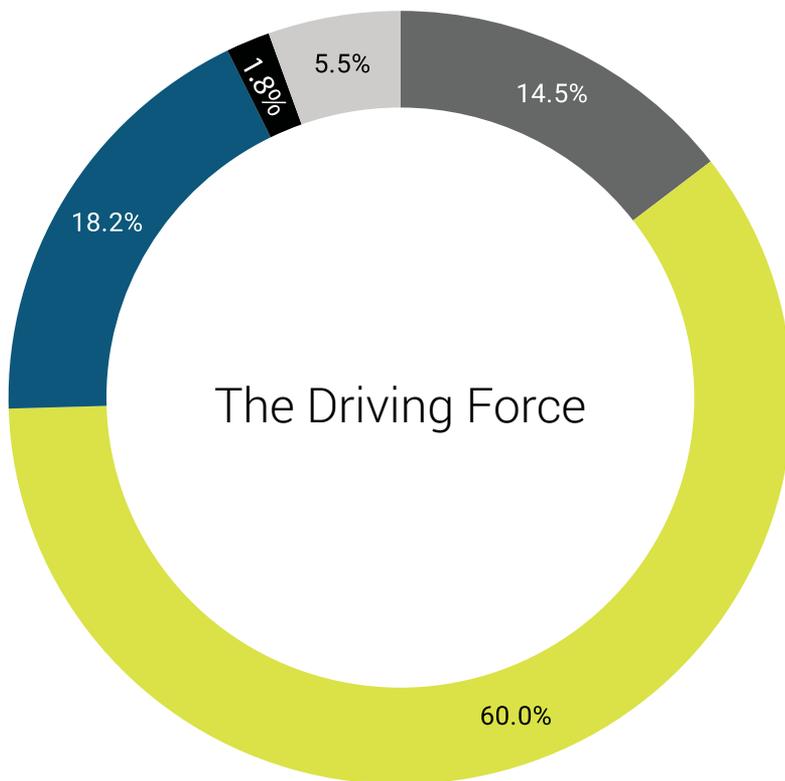
- CSR activities outside India
- Fund given to political party
- Normal course of business activities
- Spends for the benefit of company's own employees and families
- Marketing or branding activities even though with social and environmental cause
- One-off events/sponsorships
- Compliance with other legislations

Companies may build CSR capacities of their own personnel as well as those of their implementing agencies through institutions with established track records of at least three financial years, but such expenditure including expenditure on administrative overhead shall not exceed five percent of total CSR expenditure of the company in one financial year.





Analysis



- Brand Reputation
- Concerns of the Stakeholders
- Regulatory Compliance
- Cost reduction & efficiency
- Others



CSR policy

The Companies Act, 2013 with a net worth of INR 500 crore or more, or a turnover of INR 1,000 crore or more, or a net profit of INR 5 crore or more in a given fiscal year shall have a CSR policy.

The CSR policy should mandatorily have details pertaining to the CSR committee, areas of intervention aligned with Schedule VII of the Act, disclosure pertaining to treatment of surplus arising out of CSR projects and monitoring framework. It is also mandatory to disclose the content of CSR policy in the director's report and needs to be placed on the company's website, if any, in such manner as may be prescribed by the Act.

More than 93% of the companies are having CSR policies and publicly reveal them in the company's website.



It is mandated in the Act to disclose the details regarding CSR areas of intervention. More companies indicate very specifically their areas of interventions compared to stating that they will be covering aspects as per Schedule VII.

This is an indication of a clear strategic direction for CSR.

As per the act, it is not a mandatory requirement to disclosing details regarding CSR vision/mission/philosophy. In the current year, 93% of the companies have disclosed these details.

Disclosing the mode of implementation is a mandatory requirement of the act. 94% of the companies have disclosed the mode of implementation in 2017-18.



CSR committee

The company's CSR committee plays a critical role in driving CSR agenda at the organisational level. It is the CSR committee through which CSR policy is formulated and monitored periodically. The committee ensures the alignment of proposed projects to Schedule VII of the Act. A monitoring mechanism needs to be set up by the committee for CSR projects. It is required to propose a budget for the suggested projects to be taken up during a financial year. The board makes the decisions based on the CSR committee's recommendations.



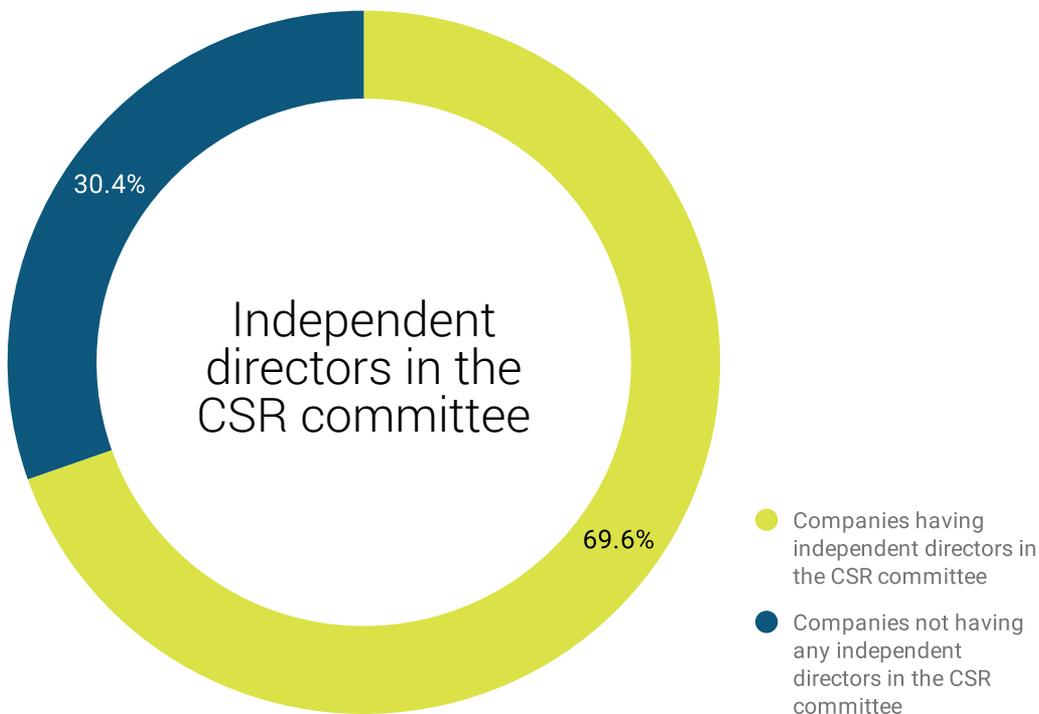
The composition of the committee

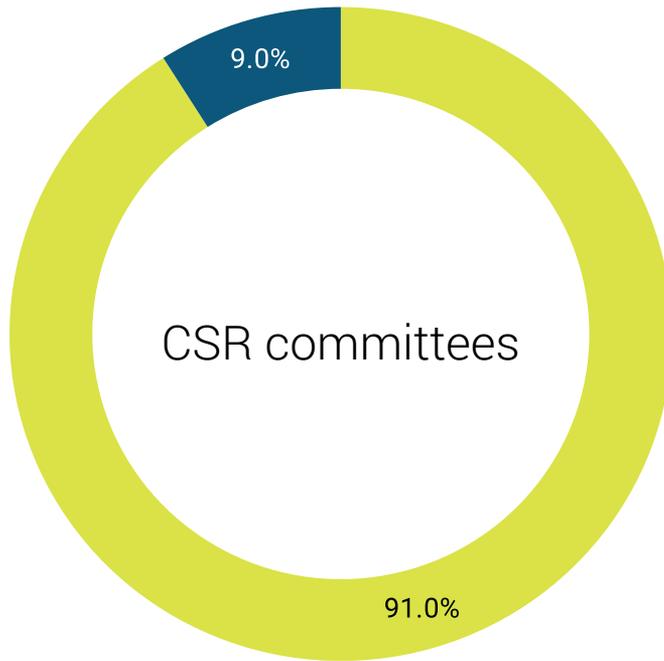
- As per the Act, eligible companies are mandated to form CSR committee of the board consisting of three or more directors, out of which at least one director shall be an independent director.
- An unlisted public company or a private company covered under sub-section (1) of section 135 which is not required to appoint an independent director pursuant to subsection (4) of section 149 of the Act, shall have its CSR committee without such an independent director.
- A private company having only two directors on its board shall constitute its CSR committee with two such directors
- With respect to a foreign company covered under the CSR rules, the CSR committee shall comprise of at least two persons of which one person shall be as specified under clause (d) of sub-section (1) of section 380 of the Act and another person shall be nominated by the foreign company.



Number of independent directors in the CSR committee

There is also an upward trend of 8 percent in number of companies having more than one independent director. Although one cannot draw an inference that higher number of independent committee members will lead to better governance, it is an interesting trend and shows that the requirement has not been considered merely from the compliance perspective. In FY17, of the companies with a board level CSR committee, 98.71% have an independent director as a member of the CSR committee and about 47% have an independent director as the chair of the CSR committee. There is no significant difference regarding the presence of an independent director in the CSR committee in a span of three years.

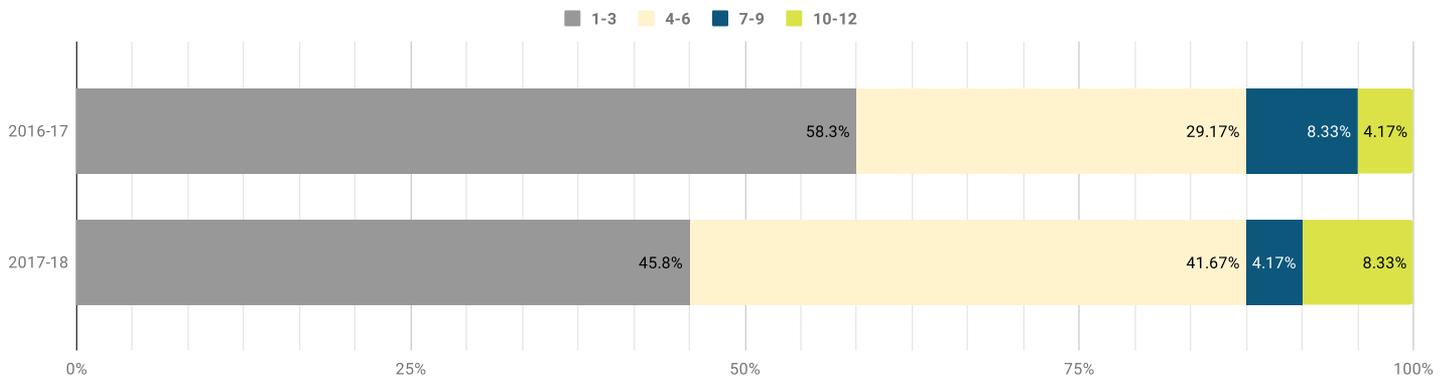




CSR committee meetings

As part of corporate governance section, companies have to mandatorily disclose details regarding board level committees, including the CSR committee. In FY17, companies not conducting CSR meetings decreased to 3.25% from 3.75% in the previous year. Moreover, this year, the proportion of companies that did not mention about CSR committee meetings decreased to about 23% as against 31.32% in FY15. Further, in FY17, eight companies are reported to have met more than five times a year.

- Companies regularly holding CSR meetings
- Companies not regularly holding CSR meetings

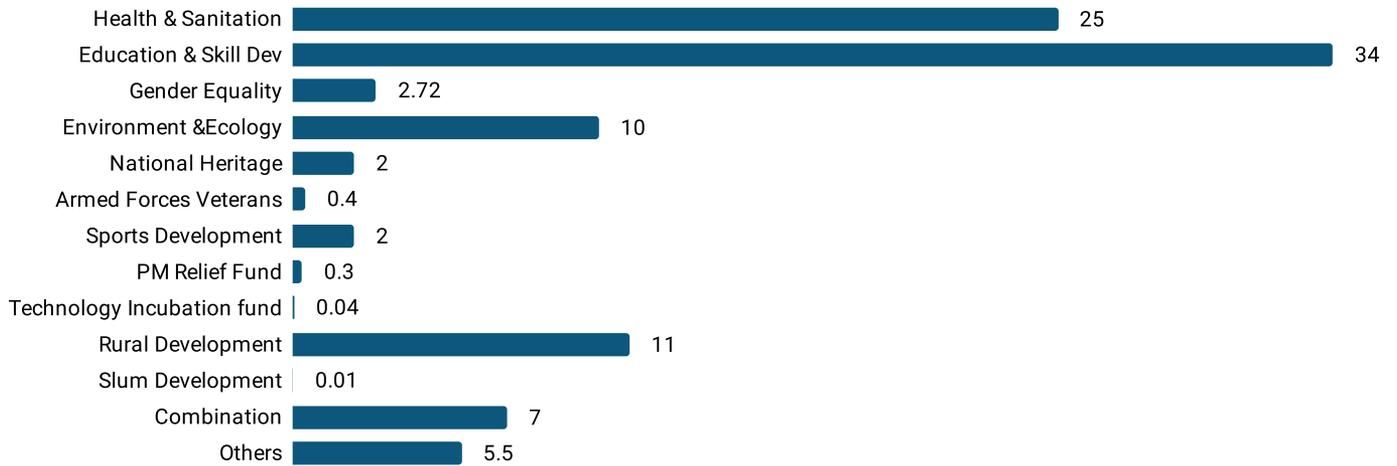


No. of CSR meetings being held



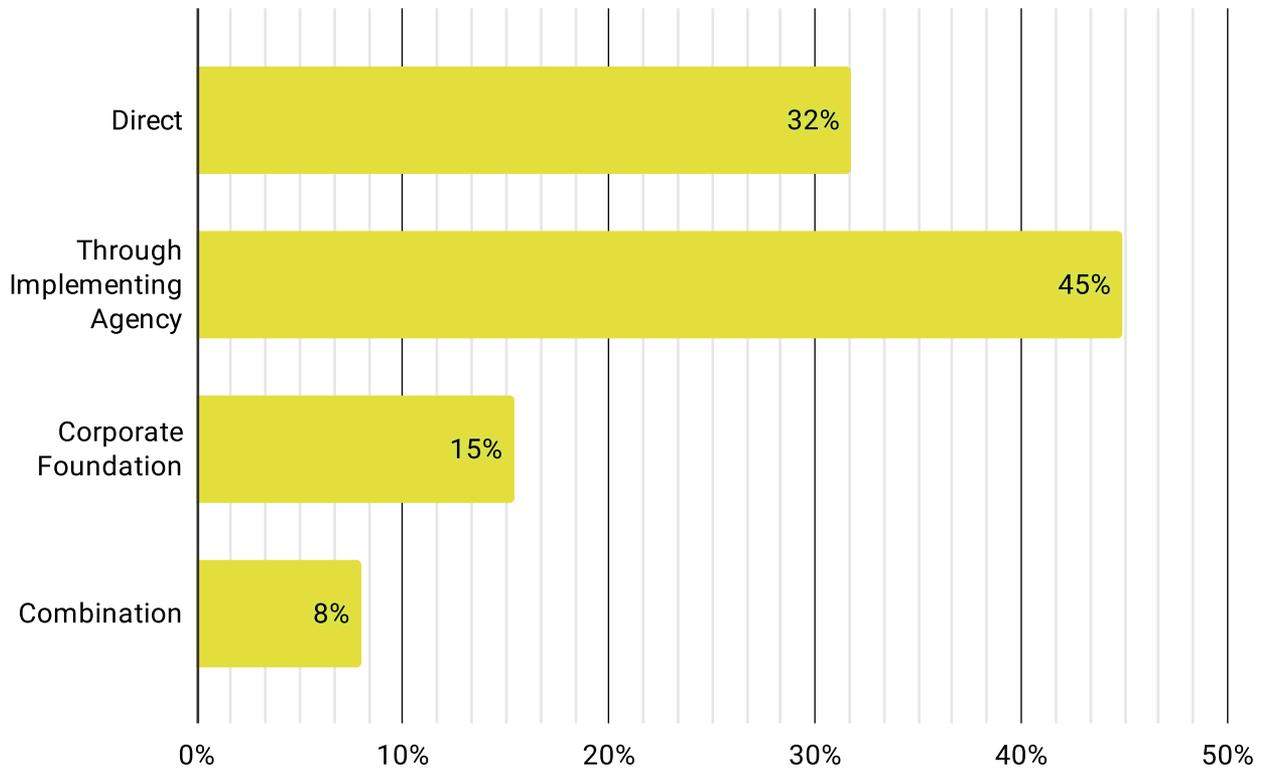
CSR spend

Education and healthcare received the maximum share of corporate funds together amounting to about 60% of the total CSR spends in the year 2017. About 68% of companies invested in health and sanitation in 2017 as compared to 69% in 2016 and 66% in 2015 whereas three-fourths of the companies spent on education and skill development in FY17.





Spend channels





GOOD TO KNOW - I

Sanitation project of Indian Tea Association (ITA)

Project: Sanitation project of Indian Tea Association (ITA)

Project funder: UNICEF

Project Implementation partner: Indian Tea Association (Assam Branch)

Beneficiary name: Saharia Minj

Working status: Temporary worker

Name of the Tea Estate: Teloijan Tea Estate (T.E)

November 19th, 2017 is a remarkable day for Sri. Saharai Minj & family. The Minj family from today onwards started using sanitary toilet instead of open air defecation.

During the field visit in the Teloijan T.E in the month of October- November 2017, Mr. Manoj Tanti, Block Coordinator – WASH, ABITA-UNICEF Project, visited 6 no. line of the garden where the coordinator was doing the BCC (Behaviour Change Communication) with the existing families in the labour lines. Most of the families in the line have sanitary toilets but one; the Minj family residing in the line has been practising the habit of open defecation from a very long time. Mr. Saharia Minj and his wife along with two children residing in kaccha house with a small backyard, was not aware of the drawbacks of open defecation. The coordinator advocated the family and made them understand that how open defecation was infecting their family and the garden society. Various channels of disease transmission from unsafe defecation practices were discussed with them and Mr. Minj was very much convinced to build a sanitary toilet.



INDIAN CHAMBER OF COMMERCE



Now, his financial status was a barrier for him as he assumed that it would require a huge amount to build a safe sanitary toilet. Mr. Manoj Tanti again illustrated how to build a low cost sanitary toilet by expending a small amount for the purpose of purchasing the necessary sanitation kit i.e. Pan, Trap, Junction Box and Pipe; the purpose of the sanitation kit was also explained. The other things which are required to maintain the privacy was available with him like bamboo, etc. Mr. Minj finally decided to build a low cost sanitary toilet from his own capital. The coordinator requested him to dedicate his greatness of building a sanitary toilet to the date 19 November which is also known as World Toilet Day.



On 18 November 2017, Mr. Manoj Tanti (Block Coordinator) with Mr. Minj, went to the Public Health Engineering Office, Moran and collected the basic sanitation kit. They also met the PHE officials and requested them to visit Mr. Minj's house the next day and also guide them to build a proper low cost sanitary toilet. After a pretty engagement, Mr. Minj built a low

cost sanitary toilet in the presence of Mothers Club Members, Line Chowkidars, AWW, AGC Members and the residents of the garden under the supervision of ABITA-UNICEF Coordinator and PHE officials. A brief awareness programme was carried by the experts before the construction of the toilet. Now, the Minj family is using safe sanitary toilet and also spreading the WASH messages to his neighbourhood.





GOOD TO KNOW - II

Magma M Scholar – making a mark in the field of education

Samir Mandal hails from a poor family in South 24 Paraganas, West Bengal. He lost both his hands in an accident when he was only 4 years old. His father is a rickshaw-puller and finds it difficult to make both ends meet. Being a bright student, Samir scored 84% in Plus 2 board exams but did not have the necessary resources to chase his dream of becoming a Sanskrit Scholar.

Arwaz Alam of Nalanda, Bihar sold eggs in a village market for his living. A bright student, Arwaz aspired to be a Computer Engineer from IIT Mumbai – one of the India's top engineering colleges. He too faced poverty like Samir but did not let his ambition die.

V Jamuna of Tamil Nadu is a bright student coming from a very poor family. Her father works as a mechanic in a cycle repair shop. She has scored 97% in her Plus 2 board exams and dreams to be a Chartered Accountant of repute.

The above three stories are not unique in India where a large section of the society is still reeling under poverty. Every year, numerous meritorious students from financially weaker families are forced to quit studies and take up odd jobs to support their families. The loss on account of this is colossal, not just to the students and their families, but also to the nation which is aspiring to grow at double digit and become one of the top three economies in the world.

Magma Fincorp Ltd, a premier NBFC, whose motto is to invest in the smallest dream to provide equality of opportunity to the economically disenfranchised, has taken up education as a key pillar for CSR programme.

Magma believes in "Padhega India Tabhi Aagey Badhega India" (when India studies, India will grow) and that's the genesis of our CSR programme – Magma M Scholar. Under this scheme,



Magma is supporting meritorious students from under-privileged families to continue to live their dream by pursuing under-graduate studies at prestigious institutions. Every year, Magma selects a fresh batch of Plus 2 pass-outs from across the country and enroll them under this scheme. “M Scholar is now a popular programme. This year, we have received more than 1600 enquiries and some 750 complete applications. It was a tough task to select the top 100 from amongst so many applications. With the fresh batch joining, we are now supporting 300 students from various streams like Engineering, Medical, Humanities, Science, Commerce and Law at some of India’s best known institutions. We have a number of them studying engineering at IITs, NITs and medicine at top medical colleges. The future looks very bright for the students and Magma is absolutely ecstatic with the progress.”, commented Kaushik Sinha, Group CSR Head.

The application criteria are as below:-

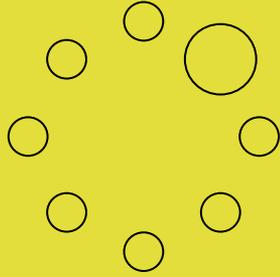
- Should have secured at least 80% in Plus 2 board exam
- Monthly household income should be less INR 10,000/-
- Age of the applicant should be below 20 years
- Special quote for physically disabled candidates

The scholarship is offered for a period of 3 to 5 years depending on the course. Students need to renew their scholarship every year by submitting progress and attendance report. Magma also offers mentoring and guidance to the students periodically.

Samir, a student from 1st batch of Magma M Scholar has since completed his Graduation (Sanskrit Honours) with flying colours and is now pursuing his Masters from Jadavpur University. Arwaz Alam is into the second year of his B Tech - Computer Science course at IIT Mumbai and Jamuna is happy with her B.Com course from Shri Bhavani Art and Science College, Medavakkam, Chennai. She is preparing for C.A first level.



From selling egg to studying at IIT, Mumbai, Arwaz Alam has come a long way, courtesy **Magma M-Scholar**.



Conclusion

A journey towards strategic investment

The basic objective of CSR is to maximise the company's overall impact on the society as well as on the stakeholders. More and more companies are comprehensively integrating CSR strategies, policies, committees, programs and practices throughout their business operations and processes.

CSR is perceived not just a compliance requirement or another form of indirect expense but an important tool for protecting and enhancing the brand image, increasing competitiveness and inclusive growth along with the community.

It has been more than four years since the companies act 2013 has been instituted and the CSR practices in Indian companies has gone through a sea change. It has become more structured, strategy based and result oriented. There is a clear governance structure visible in the CSR initiatives and the thematic areas are clearly mapped by many organisations.

Corporates are joining hands with various implementation bodies and use their expertise in devising effective CSR programs to address wider societal problems.

The journey has crossed a long way from philanthropy to strategic investment; from mere donation and benevolence to structured societal development initiative. It has started actively contributing towards India's demographic social development.

The long road ahead is to become more objective in measurement of the outcome and use CSR investment to be a part of inclusive growth, both for the organisation and the society.

Disclaimer

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