Corporate Social Responsibility: Priorities in India

Dr. Vijay Kulkarni
Vice President ESH & CSR
Shapoorji Pallonji Infrastructure Capital Company Ltd, Mumbai

vijay.kulkarni@shapoorji.com
Internal Story: Elephant and Blind Men
# Internal Story: Elephant and Blind Men

<table>
<thead>
<tr>
<th>Elephants</th>
<th>Experts</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Assimilative Capacity Based Standards</td>
<td>• Regulators</td>
</tr>
<tr>
<td>• Environmental Education</td>
<td>• Researchers</td>
</tr>
<tr>
<td>• Environmental Impact Assessment</td>
<td>• Academicians</td>
</tr>
<tr>
<td>• Carrying Capacity based Developmental Planning</td>
<td>• Media</td>
</tr>
<tr>
<td>• Sustainable Development</td>
<td>• Industry</td>
</tr>
<tr>
<td>• Cleaner Production</td>
<td>• Common Man</td>
</tr>
<tr>
<td><strong>Corporate Social Responsibility</strong></td>
<td></td>
</tr>
</tbody>
</table>
Corporate Social Responsibility

Industry Understanding

Philanthropy – Business CSR – Responsible Business
Corporate Social Responsibility

Researcher’s Understanding

Quantitative Evaluation – Rating - Ranking
Corporate Social Responsibility

Regulator’s Understanding

Voluntary – Mandatory - Compliance
Department of Public Enterprises Guidelines on Corporate Social Responsibility for Central Public Sector Enterprises (CPSEs) - April, 2010

- Baseline survey
- Documentation
- Long-term CSR Plan to match with long-term Business Plan
- Benefits to reach the smallest unit i.e., village, panchayat, block or district
- 27 possible areas for undertaking CSR activities
National Voluntary Guidelines on Social, Environmental and Economic responsibilities of Business from Ministry of Corporate Affairs – July 2011

- Refinement over the Corporate Social Responsibility Voluntary Guidelines 2009
- Guidelines voluntary and are not compliance driven
- Not prescriptive in nature
- Term applied throughout the guidelines is “Responsible Business”
9 cardinal principles

• Businesses should conduct and govern themselves with ethics, transparency and accountability.
• Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
• Business should promote the well-being of all employees.
• Businesses should respect the interests of and be responsible towards all stakeholders especially those who are disadvantaged, vulnerable or marginalized.
• Businesses should respect and promote human rights.
• Businesses should respect, promote and make efforts to restore the environment.
• Businesses, when engaged in influencing the public & regulatory policy, should do so in responsible manner.
• Businesses should support inclusive growth and equitable development.
• Businesses should engage with and promote value to their customers and consumers in a responsible manner.
Section 135 and its implications
Section 135(1)

Every company having:

- Net Worth of Rs. 500/- crore or more or
- Turnover of Rs. 1,000/- crore or more or
- Net Profit of Rs. 5 crore or more

during any financial year shall constitute a

Corporate Social Responsibility (CSR) Committee of the Board
consisting of –

3 or more directors, out of which at least one director shall be an independent director
• Union government is looking at a proposal to float a company to manage corporate social responsibility (CSR) funds of all central public sector enterprises, to ensure efficient implementation of this social initiative and to free companies from additional responsibility.

• Corporate affairs ministry expects that around Rs 15,000-20,000 crore would be spent in a year in various social projects such as environment, skill development, water and sanitation through CSR activities.

• As per a Comptroller and Auditor General (CAG) report, 47 profit-making central PSEs failed to comply with the CSR norms prescribed by the government in 2011-12.
Goodwill, Equity as a Socially Responsible business entity

- Quality of Life (water, sanitation, Health)
- Education & Skilling
- Inclusion (financial, Differently-abled)
- Environment-Preservation Enrichment

Vision, Sustainability
Corporate Social Responsibility

SPINFRA Understanding

Need Assessment – Prioritization – Local Groups
CSR – Priority Group - Kodinar

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chhara</td>
<td>997</td>
<td>5,788</td>
</tr>
<tr>
<td>Sarakhedi</td>
<td>678</td>
<td>4,079</td>
</tr>
<tr>
<td>Kaj</td>
<td>630</td>
<td>3,933</td>
</tr>
<tr>
<td>Nanawada</td>
<td>327</td>
<td>1,737</td>
</tr>
<tr>
<td>Total</td>
<td>2632</td>
<td>15,537</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Village</th>
<th>Khatedars</th>
<th>Land, ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chhara</td>
<td>179</td>
<td>183.1</td>
</tr>
<tr>
<td>Sarakhedi</td>
<td>206+42</td>
<td>188.8</td>
</tr>
<tr>
<td>Kaj</td>
<td>294+62</td>
<td>262.2</td>
</tr>
<tr>
<td>Nanawada</td>
<td>97</td>
<td>67.5</td>
</tr>
<tr>
<td>Total</td>
<td>880</td>
<td>701.6</td>
</tr>
</tbody>
</table>
CSR Team - Kodinar

BAIF
- Survey – Jun’10,
- Report – Aug’10
- Field activities – Oct’10

PNC – Sept’10
- Environmental Monitoring
- Env. Awareness

ESI - AGES
- Survey – May’11
- Report – Jul’11
- Mobilization – Dec’11

Basic Information collection - Group meetings
What are the concerns people have today?

- Housing
- Education
- Solid waste management
- Health
- Food and Nutrition
- Eco-friendly products
- Sanitation
- Employment
- Water
- Child Labour
- Access to capital
- Energy
- Empowerment of women
- Slums
- E-waste
Need Analysis – BAIF – June 2010

• AGRICULTURE
  • Problems
    • Low productivity
  • Possible Reasons
    • Lack of water storage
    • Underground water salty
    • Poor quality inputs
    • Lack of knowledge

• ANIMAL HUSBANDRY
  • Problems - Possible Reasons
    • Low milk production - Poor quality animals
    • Animal diseases - Lack of nutritious fodder, Excess number of unproductive animals, Vaccination not done,
    • Goat Development - Lack knowledge on animal diseases
    • Fishery- Neglected, Suffer due to low catch and poor price recovery
Need Analysis – BAIF June 2010

• WATERSHED DEVELOPMENT
  • Problems - Possible Reasons
    • Soil erosion - Less usage of Organic fertilisers
    • Less fertile soil -Less use of biofertilisers
    • Disease and pests - Inadvertent use of chemical fertilisers
    • Low Productivity -Use of poor quality seeds, Low level of education, No link between farmers and agricultural research

• HUMAN HEALTH AND SOCIAL SECTOR
  • Problems - Possible Reasons
    • Human Health - Lack of Health facilities
    • Migration - No opportunity for employment , Traditional methods
    • Employment -No gainful self-employment opportunities
Need Analysis - ESI- May 2011

- Poor health and hygiene particularly women
- Inadequate employment opportunities
- Poor quality of Secondary education facilities
- Lack of basic infrastructure for
  - Women children health check-up
  - Insemination facility for dairy cattle
  - Water supply
  - Poor sanitation and household toilet facility
  - Lack of storage godowns / cold storages
- Addiction for liquor and tobacco (youths)
- Defunct dairy cooperatives
- Absence of SSI units / income generating activities particularly for women
- Lack of awareness of compensation payment
- Lack of community centre
CSR Plan – Entry Point Activities

Ongoing -
• Mobile Dispensary
• Village Health Camps
• Cattle Improvement - Artificial Insemination, Deworming
• Village Level Cattle Camps
• Support for Education – Lunch Box, School Bags, Water Filters, Sports Kits
• Women Self Help Groups
• Training – Tailoring, Beautician, FFL*

Planned -
• Training – Masons, carpenters
• Road Improvement, School Improvement
• Drinking Water facilities
• Supply of safe drinking water
• Drinking water for livestock
• Sanitation – Low Cost Toilets, Compost Pits, Awareness
• Renovation of Cremation Ground
CSR Plan – Long Term Activities

• Watershed Development
• Agriculture Development
• Animal Husbandry
• Eco-Conservation and Eco-Improvement
• Establishing ITI
• Establishing School
• Community Halls
<table>
<thead>
<tr>
<th>CSR Activity</th>
<th>Total Cost (INR Lacs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobilization</td>
<td>10</td>
</tr>
<tr>
<td>Health Camps 4 per year for Human &amp; Cattle : Rs. 5 lakh per camp (4 x2x5x5)</td>
<td>200</td>
</tr>
<tr>
<td>School Infrastructure Improvement : 10 schools x 20 L each</td>
<td>200</td>
</tr>
<tr>
<td>PHC Infrastructure Support : 10 PHC x 10 L each</td>
<td>100</td>
</tr>
<tr>
<td>Crematorium / Road Improvement</td>
<td>200</td>
</tr>
<tr>
<td>Water Supply Units: 20 Nos x 5 L each</td>
<td>100</td>
</tr>
<tr>
<td>Support for Community Halls, 4 no's x 150 L each</td>
<td>600</td>
</tr>
<tr>
<td><strong>Fisherman Endowment Fund</strong></td>
<td><strong>100</strong></td>
</tr>
<tr>
<td>Water Resource Development</td>
<td>200</td>
</tr>
<tr>
<td>Productivity Enhancement in Animal Husbandry</td>
<td>100</td>
</tr>
<tr>
<td>Productivity Enhancement in Agriculture</td>
<td>200</td>
</tr>
<tr>
<td>Pasture Land Development</td>
<td>100</td>
</tr>
<tr>
<td>Income Generation Assistance for Landless, Youth &amp; Women</td>
<td>100</td>
</tr>
<tr>
<td>Educational Assistance to Students from EWS</td>
<td>100</td>
</tr>
<tr>
<td>Training &amp; Capacity Building</td>
<td>100</td>
</tr>
<tr>
<td>Establishing School</td>
<td>200</td>
</tr>
<tr>
<td>Establishing ITI</td>
<td>100</td>
</tr>
<tr>
<td>Establishing Mobile Hospital</td>
<td>25</td>
</tr>
<tr>
<td>Establishing Mobile Vet Facility</td>
<td>25</td>
</tr>
<tr>
<td><strong>Ecological Mapping &amp; Eco-Improvement (Birds, Lion, Sea Turtle &amp; Whale shark)</strong></td>
<td><strong>400</strong></td>
</tr>
<tr>
<td>Scholarship for students (recurring , @ 500 per month for 15 students)</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Total budget</strong></td>
<td><strong>3160.90</strong></td>
</tr>
</tbody>
</table>
# CSR – Major Events / Actions

**Major activities undertaken**

- MOU with Prakriti Nature Club, Kodinar for conducting Env. awareness programme in villages Kaj & Nanavada.
- Agreement with M/s BAIF to partner SP in implementing CSR activities.
- Agreement with AGES & ESI for CSR implementation

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep 2010</td>
<td></td>
</tr>
<tr>
<td>Oct 2010</td>
<td></td>
</tr>
<tr>
<td>Jan 2012</td>
<td></td>
</tr>
</tbody>
</table>

**Mobile Dispensary**

- Health Camps, Cattle camps
- Cattle - Artificial Insemination, Deworming
- Support for Education – Lunch Box, School Bags, Water Filters, Sports Kits
- Women Self Help Groups
- Training – Tailoring, Beautician, FFL
- Distribution of CFL

**Major activities planned**

- Training – Masons, carpenters
- Road Improvement
- School Improvement – Physical + Teaching
- Drinking Water facilities
- Drinking water for livestock
- Sanitation – Low Cost Toilets, Compost Pits, Awareness
Glance to activities
## Major CSR activities in FY 2011-12

<table>
<thead>
<tr>
<th>Name Of Activities</th>
<th>Total of no. of activities</th>
<th>No. of participant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Meeting</td>
<td>37</td>
<td>662</td>
</tr>
<tr>
<td>SHGs Meeting</td>
<td>42</td>
<td>667</td>
</tr>
<tr>
<td>SHGs Formation Meeting</td>
<td>42</td>
<td>672</td>
</tr>
<tr>
<td>Awareness Meeting</td>
<td>7</td>
<td>201</td>
</tr>
<tr>
<td>Training On Animal Husbandry</td>
<td>24</td>
<td>591</td>
</tr>
<tr>
<td>Training On Agriculture</td>
<td>3</td>
<td>85</td>
</tr>
<tr>
<td>Educational Exposure Tour</td>
<td>7</td>
<td>390</td>
</tr>
<tr>
<td>Animal Health Camp</td>
<td>7</td>
<td>490</td>
</tr>
<tr>
<td>De-Worming Camp In Sheep &amp; Goat</td>
<td>5</td>
<td>200</td>
</tr>
<tr>
<td>Women Health Camp</td>
<td>6</td>
<td>698</td>
</tr>
<tr>
<td>Children Health Camp</td>
<td>2</td>
<td>185</td>
</tr>
<tr>
<td>Skin Treatment Camp</td>
<td>6</td>
<td>917</td>
</tr>
<tr>
<td>Blood Group Test Camp</td>
<td>4</td>
<td>861</td>
</tr>
<tr>
<td>Chaff Cutter Distribution</td>
<td>3</td>
<td>260</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name Of Activities</th>
<th>Total of no. of activities</th>
<th>No. of participant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volleyball Kit</td>
<td>1</td>
<td>49</td>
</tr>
<tr>
<td>Anganwadi Play Set Kit</td>
<td>14</td>
<td>1308</td>
</tr>
<tr>
<td>Beauty Parlor Training</td>
<td>4</td>
<td>46</td>
</tr>
<tr>
<td>Beauty Parlor Kit</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Tailoring Training</td>
<td>4</td>
<td>101</td>
</tr>
<tr>
<td>Tailoring Kit Distribution</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Anganwadi Lunch Box &amp; Water Bottle</td>
<td>1</td>
<td>334</td>
</tr>
<tr>
<td>Water Filter Distribution</td>
<td>11</td>
<td>2553</td>
</tr>
<tr>
<td>Gaushala Repairing Work</td>
<td>1</td>
<td>137</td>
</tr>
<tr>
<td>Vaccination In Animal</td>
<td>12</td>
<td>806</td>
</tr>
<tr>
<td>De-Worming (No. Of Farmer)</td>
<td>31</td>
<td>1299</td>
</tr>
<tr>
<td>Artificial Insemination(village-animals/farmers)</td>
<td>37</td>
<td>720</td>
</tr>
<tr>
<td>Diversion Of Water Through Canal</td>
<td>1</td>
<td>48</td>
</tr>
</tbody>
</table>

17228 – total no of participants in various CSR activities & Rs.67 Lacs – spent in FY 2011-12 for CSR & other welfare measures in Kodinar
CSR Roadblocks – Change in Attitude

- Lead the industry on social objectives
- Integrate social objectives and business goals
- Articulate social (CSR) objectives
- Do more than legally required, e.g., philanthropy
- Comply with legal requirements
- Fight CSR initiatives
- Do what it takes to make a profit; skirt the law; fly below social radar
CSR - Road Blocks

- Regulatory approach - “check the box”
- Action-Impact – Delink
- Qualitative CSR report
- Fund trusts and foundations
- Local community participation
- Trained and efficient NGOs
- Lack of consensus amongst local agencies
CSR - Future Directions

• De-linking philanthropic CSR from Business CSR activities
• Active involvement of stakeholders
• Identifying priority areas for CSR by employing scientific techniques.
• Evolving operational models of engagement between all three important stakeholders – the Government, the non-governmental organizations and the private sector.
• Creation of awareness about CSR amongst the general public to make CSR initiatives more effective.
• Involvement of small and medium enterprises (SMEs) in the CSR domain through active participation of Industry Associations
CSR - Future Directions

• Making CSR as a subject or discipline compulsory at business schools
• Companies involved in CSR activities should consider pooling their efforts into building a alliance for corporate social responsibility.
• Lastly, CSR is a gesture of the corporate to give back to the society it derives its survival from. CSR should include a responsible behavior towards all sections of the society, which the company directly and indirectly affects and influences.
“Every company harms the environment!”

*(Just as an individual does)*

Corporate Social Responsibility is about two aspects:

1) **Reducing the Negative Effects:** Steps taken by a company to neutralise, minimise or offset the harmful effects caused by its processes and product-usage

2) **Increasing the Positive Contributions:** Further steps by a company using its resources, core competence, skills, location and funds for the benefit of people and the environment
**Section 135(2)**

The Board's report under sub-section (3) of section 134 shall disclose the composition of the CSR Committee.

**Section 135(3)**

The CSR Committee shall:
- formulate and recommend to the Board, a **CSR Policy** which shall indicate the activities to be undertaken by the company as specified in Schedule VII
- recommend the **amount of expenditure** to be incurred on the activities referred to in clause (a)
- monitor the CSR Policy of the company from time to time
Section 135(4)

The Board of every company shall after taking into account the recommendations made by the CSR Committee,

- **approve** the CSR Policy for the company
- **disclose** contents of such Policy in its report
- **also place it on the company’s website**, if any, in such manner as may be prescribed
- ensure that the activities as are included in CSR Policy of the company are **undertaken by the company**
Section 135(5)

The Board of every company shall ensure

• that the company spends, in every financial year, at least 2 percent of the average net profits of the company made during the 3 immediately preceding financial years, in pursuance of its CSR Policy

• provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities

• provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount
Guiding Principles Under the Rules

• CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies
  • Thus CSR is not charity or mere donations
  • CSR is a way of conducting business, by which corporate entities visibly contribute 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
Computing CSR

• ‘Net Profit’ for the purpose of Section 135 shall mean net profit before tax as per books of accounts and shall not include profits arising from branches outside India

• 2% CSR spending would be computed as 2% of the average net profits made by the company during every block of three years

• For the purpose of first CSR reporting, Net Profit shall mean average of the annual net profit of the preceding 3 financial years ending on or before 31 March 2014
Reporting & Tax Treatment

• Reporting will be done on an annual basis commencing from FY 2014-15

• Tax treatment of CSR spending will be in accordance with the Income Tax Act as may be notified by the Central Board of Direct Taxes (CBDT)
Specified CSR Activities Under Schedule VII

i. Eradicating extreme hunger and poverty
ii. Promotion of education
iii. Promoting gender equality and empowering women
iv. Reducing child mortality improving maternal health
v. Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases
vi. Ensuring environmental sustainability
vii. Employment enhancing vocational skills
viii. Social business projects
ix. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women
x. Such other matters as may be prescribed.
How CSR Activities Can Be Conducted?

• CSR activities may generally be conducted as projects or programs (either new or ongoing) excluding activities undertaken in pursuance of the normal course of business of a company

What Would NOT Be CSR?

• CSR activities outside India
• Activities which are exclusively for the benefit of employees of the company or their family members.
Corporate Foundation

Where a company has set up a Foundation operating within India to facilitate implementation of its CSR activities in accordance with its stated CSR Policy, the following shall apply:

• The contributing company would need to specify the projects/programs to be undertaken by the Foundation, for utilizing funds provided by it
• The contributing company shall establish a monitoring mechanism to ensure that the allocation is spent for the intended purpose only
• A company may also conduct/implement its CSR program through Trusts, Societies, or Section 8 companies operating in India, which are not set up by the company itself
Corporate Foundation

• Such spending may be included as part of its prescribed CSR spending only if such Foundation / organization has an established track record of at least three years in carrying on activities in related areas

• Companies may collaborate or pool resources with other companies to undertake CSR activities and any expenditure incurred on such collaborative efforts would qualify for computing the CSR spending
Consequences of Contravention under Section 134(3)(o):

“There shall be attached to statements laid before a company in General Meeting, a Report by its Board of Directors, which shall include the details about the policy developed and implemented by the company on CSR initiatives taken during the year”

Under Section 134(8) if a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than Rs. 50,000/- but which may extend to Rs 25 lakh and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to 3 years or with fine which shall not be less than Rs 50,000/- but which may extend to Rs 5 lakh or both