

"Indian Industry has and continues to be actively engaged in meaningful CSR. There is a genuine effort from members of India Inc. to effectively contribute to the society and ecology at large. FICCI survey to assess how companies have fared with regard to their CSR spend is indeed a forward step. It is indeed encouraging to note that companies have continued to base their CSR programmes according to community needs aligning with the national development agenda, especially those impacting women and children".

Mrs. Rajashree Birla, Chairperson, FICCI-Aditya Birla CSR Centre for Excellence & FICCI CSR and Community Development Committee

Preface

The concept of Corporate Social Responsibility (CSR) is not new and in fact India has had the earliest tradition of companies dispensing their social responsibility. Some of the oldest business houses in the country have made and continue to make exemplary contributions to the society. However, while earlier these activities came under the ambit of companies own initiative towards philanthropy, the concept of CSR gained more formal prominence towards the late 1990s.

With changing face of Indian businesses, it is the next most palpable 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 and have been able to establish a strong footprint globally. These companies have made a remarkable contribution in furthering India's growth story.

However, even though inclusive development has underpinned our broader growth agenda and we have seen significant progress in achieving our social ambitions (at least from the point from where we started); but the pace of progress has been inadequate and we still have a long road to cover.

Just to take a cue from the facts, on the Global Hunger Index (GHI) 2015, India was ranked at 80 among 104 emerging economies; and fighting hunger, undernourishment and mortality among children remain major challenges in the country. Further, the Global Human Development 2015 report released by the United Nations Development Programme (UNDP), ranked India at a level of 130 out of 188 countries on the Human Development Index for 2014 with a score of 0.609. Further, according to the Labor Bureau Report 2014 the size of India's formally skilled workforce is just about 2 per cent, which is meagre relative to countries like Japan (80%), Germany (75%), South Korea (96%) and United Kingdom (68%).

The contemporary businesses have the potential to make a difference at the ground level and this possibility should be leveraged earnestly. A business can be sustainable only when it sees itself as an integral part of the broader community. Adhering to the concept of triple bottom line of 3Ps- People, Profit and Planet – can be the only way forward for companies.

Executive Summary

- Corporate Social Responsibility has become an important aspect for Indian businesses and there is a discernible trend in CSR activity becoming more a part of strategic decision making for companies. Clause 135 and Schedule VII of the Companies Act 2013 govern the CSR activity of the companies, mandating not only compulsory reporting but also clearly defining the ambit of areas that can come under CSR. India has become the first country to strictly formalize CSR spending by making reporting obligatory and we are already into the second year of reporting of such activities.
- FICCI conducted a quick survey round in order to get some insight in to how companies are executing this law and how they are integrating CSR reporting into their mainstream business practices. The survey was conducted during the months of January and February 2016 and covers companies belonging to a broad array of sectors. The survey tries to gauge the involvement of management in CSR implementation, the strategy adopted by companies, how the companies are identifying and implementing the projects and also the broad trend in budgeting for CSR activities.
- According to the Clause 135 of the Companies Act 2013, a company is expected to appoint a CSR Committee of three or more directors, with at least one independent director on board. A majority 79% of the companies participating in the survey indicated that they have an independent director on board. A little less than half (49%) of the respondents said that they have one independent director, while another 26% cited having two independent directors. Further on the constitution of the CSR Committee, about 74% respondents reported having the CEO as a part of the committee.
- A majority of the respondents participating in the survey indicated ethical considerations as the primary motivation factor behind adoption of CSR activities. Companies are increasingly looking at integrating their businesses with the community to create shared value. About 49% of the respondents in the present survey stated creation of shared value as a motivation factor, followed by social good compliance.
- The Schedule VII of the Companies Act, 2013 lists down the key focus areas where the companies can undertake CSR activities. On this, about 21% of the participating companies indicated their efforts aligned towards promoting education, special education and vocation skills. This was followed by eradicating hunger, poverty & malnutrition, promoting health care, sanitation and safe drinking water; ensuring environmental sustainability and rural development projects as the other primary work areas for the companies.
- Moreover, a significant 95% of the respondents reported that their CSR projects are aligned with the Government's development initiatives and the Top 3 initiatives that the companies have aligned their activities to include – Swachh Bharat Mission, Skill India and National Health Mission.

Top Strategies adopted by companies to identify projects

- ✓ Participatory rural appraisal by team through regular community interaction, need assessment surveys conducted by professional consultancy firm engaged by the company; undertaking stakeholder engagements and baseline studies to understand the concerns of the community
- ✓ Detailed discussions with village panchayats to identify specific needs
- ✓ Mapping CSR activities in local community with the help of local NGO's & local Government authorities
- ✓ Third party needs assessment studies
- ✓ Selection of project based on impact, sustainability & scalability
- ✓ Brain Storming in senior management group and the CSR Committee. And identify an area in accordance with the corporate policy
- ✓ Something that increases the employee engagement and volunteering in contributing to the social cause

- ✓ Undertaking those projects in the local areas that can be monitored easily
 - ✓ In accordance with the national priorities, existing initiative of the government, Millennium Development Goals (MDGs) and Sustainable Development Goals (SDGs).
- The respondents pointed out that they undertake project implementation through their company foundations or directly; and the focus is clearly on community representation in implementation of project. About 40% of the companies indicated that they implement projects through their company foundation and another 36% said that they do it directly. Also, about 65% respondents reported partnering with the Government or another corporate for execution of projects.
 - Furthermore, the respondents were asked to indicate some details on the impact assessment of their projects. About 31% of the companies said that children were the main beneficiaries of their projects, followed by women (22%) and environment (17%).

Obstacles in implementing CSR projects

- ✓ Inadequate clarity on laws and tax related regulations
 - ✓ Delay in project implementation due to problems in getting NOC from a competent authority. Problems in getting clearances for land for rural infrastructure projects.
 - ✓ At times in rural areas, the community fails to understand the development perspective underlying the project and has inhibitions
 - ✓ NGO accreditation and availability of good and suitable NGOs
 - ✓ Lack of skilled human resource that are willing to work at grassroots level. Lack of CSR professionals for project implementation
 - ✓ If the CSR project involves provision of healthcare facilities, then getting doctors and medical staff in remote villages to run primary care facilities is a key concern for companies
 - ✓ Conflicts among local stakeholders. Nonetheless, such conflicts are resolved through regular interaction.
 - ✓ There is sometimes lack of parity in understanding of CSR terms among stakeholders
 - ✓ Limitation of funds for project implementation
 - ✓ Lack of effective and transparent monitoring mechanisms
- A majority 77% of companies participating in the survey reported an increase in their CSR Budget in the year 2014-15, vis-à-vis 2013-14. While 12% participants reported a decline, another 6% cited no change. The remaining 5% of the companies said that they have made a CSR allocation in their budget for the first time.
 - About 83% of companies participating in the survey anticipated an increase in their CSR spend in the coming year (2016-17). While 6% participants expected a decline, another 9% cited no change. The remaining 2% of the companies said that they have made a CSR allocation in their budget for the first time.
 - On the audits conducted, 54% of the participating companies said that the impact of their CSR activities is audited by a third party. Further, 65% respondents indicated that they intend to use the outcome of the audits for CSR project implementation.

Survey Objective

CSR activities are a critical part of the business strategy today and this assumes particular importance in India, since we are the first country to have legislated the need to undertake CSR spending and make CSR reporting mandatory under the Companies Act 2013. It has been two years since reporting of CSR activity was made obligatory.

FICCI conducted a survey to understand how with the execution of this law, companies are integrating CSR reporting into their mainstream business practices. Survey seeks to provide some useful insights in to the level of engagement of management in CSR implementation, the spending portfolio of companies and their strategies towards project implementation.

Survey Profile

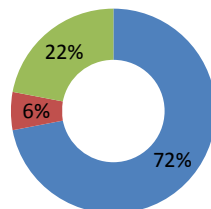
The present survey was conducted during the months of January and February 2016 and drew responses from companies belonging to a wide array of sectors. The results are based on about 150 responses. The companies participating in the survey included public sector undertaking, private companies as well as foreign MNCs.

Sectors Covered

Engineering	Cement	Electronics	Real Estate	Chemicals
Manufacturing	Oil & Gas	Pharmaceuticals	FMCG	Gems & Jewellery
Food & Beverages	Textiles	Mining	Infrastructure	Metals
Bank, Finance & Insurance	Tourism & Hospitality	Information Technology	Paper & paper products	

Participants Profile: Company Ownership

Company Ownership



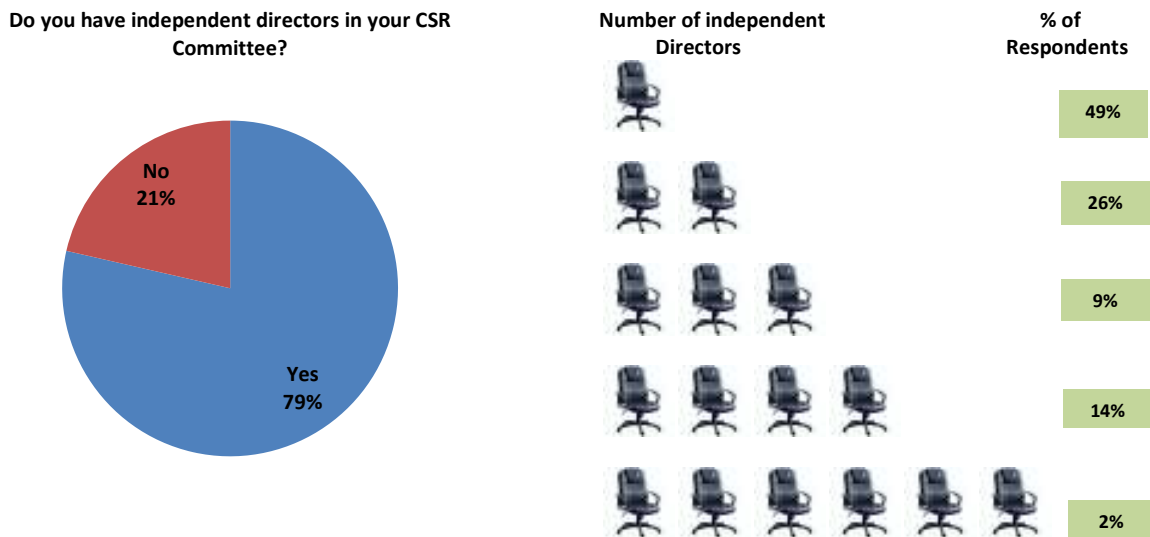
■ Privately Owned ■ Government Owned ■ Foreign

Survey Results

I. CSR Implementation: Management Involvement

Clause 135 of the Companies Act, 2013 mandates a company to appoint a CSR Committee of three or more directors, with at least one independent director on board. The first section of the survey attempts to understand how involved is the management in the implementation of CSR activities?

A majority 79% of the companies participating in the survey reported that they have an independent director as a part of their CSR Committee. Further, a little less than half of the respondents indicated having one independent director on board

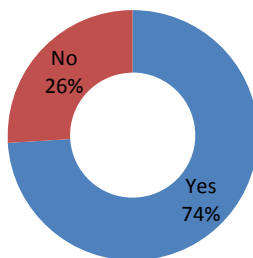


Further on the Composition of CSR Committee....

A majority of the respondents indicated that the CEO is a member of the CSR Committee

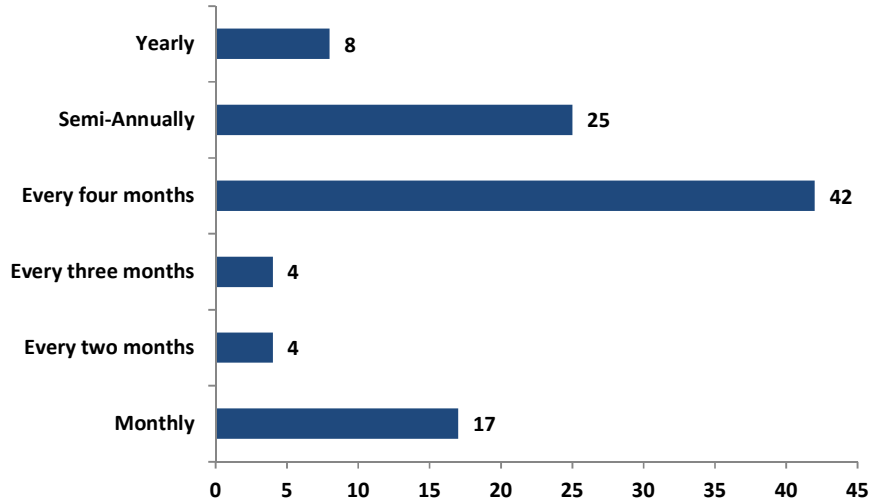
(percentage of respondents)

Is the CEO a member of CSR Committee?



How often does the Committee meet to review the progress of your CSR projects?

(percentage of respondents)

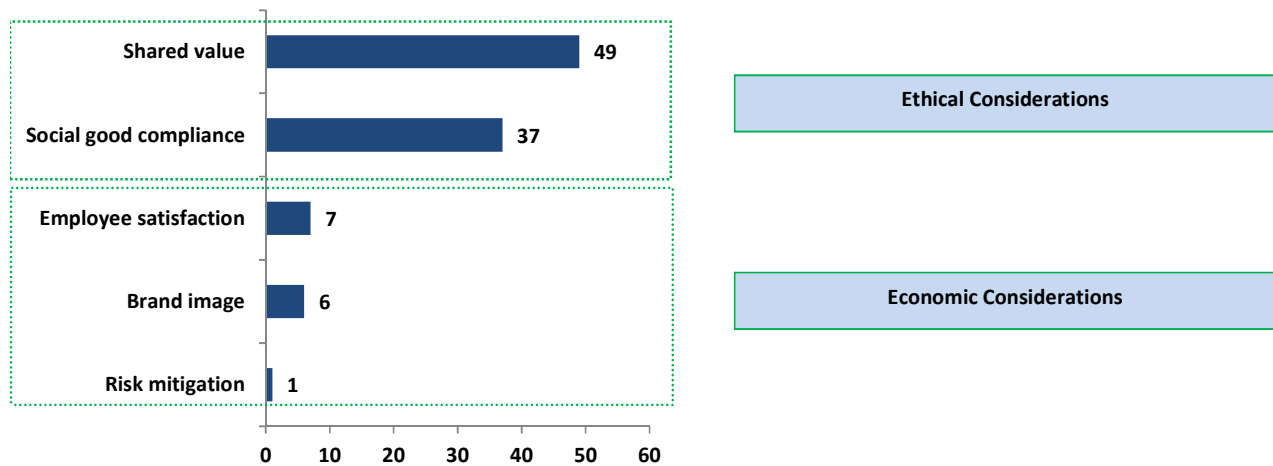


II. CSR Strategy

Main motivational factor for undertaking CSR activity

Understanding the motivational factors behind CSR activity is important. While studies indicate CSR activities earlier were mostly reactive in nature driven primarily by the objective of risk mitigation, however this has changed in the current context. At present, the key motivational factors can be divided into economic and ethical considerations.

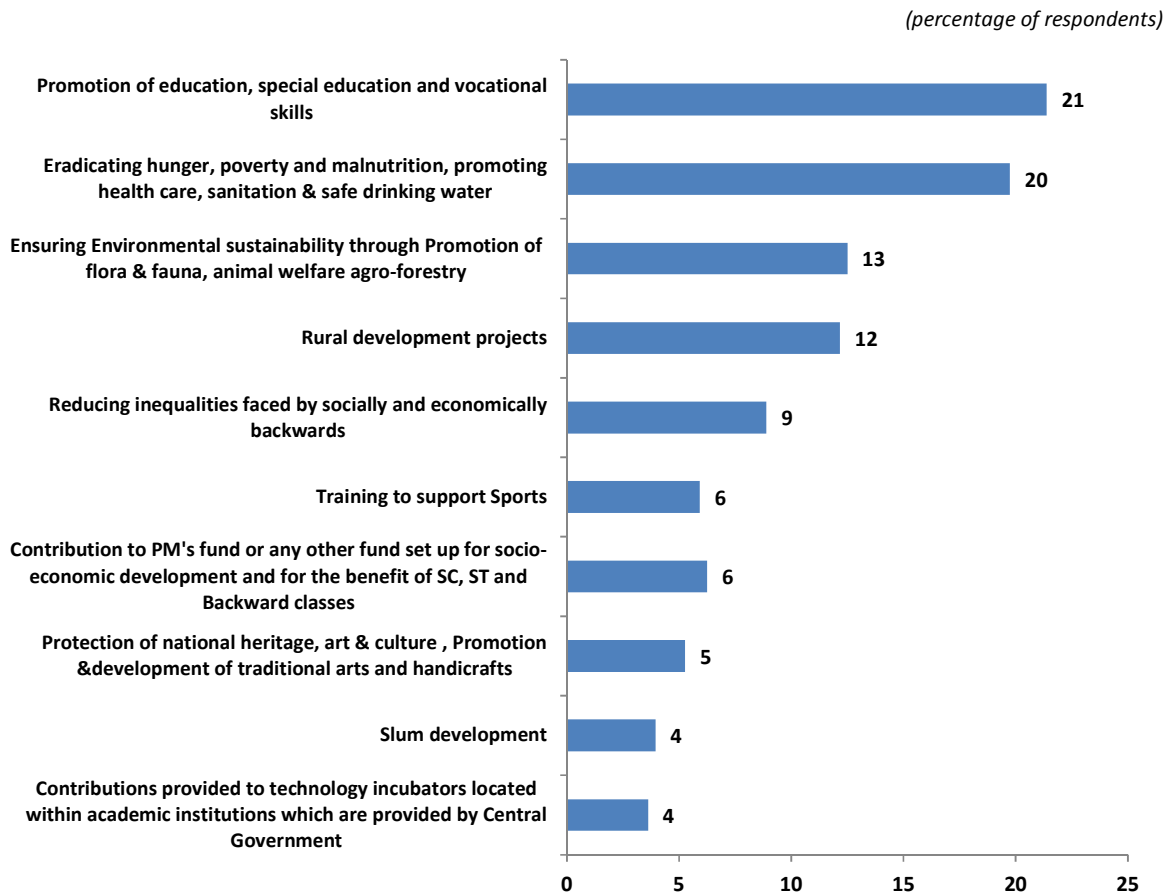
(percentage of respondents)



A majority of the respondents participating in the survey indicated ethical considerations as the primary motivation factor behind adoption of CSR activities. Companies are increasingly looking at integrating their businesses with the community to create shared value. About 49% of the respondents in the present survey stated creation of shared value as a motivation factor, followed by social good compliance.

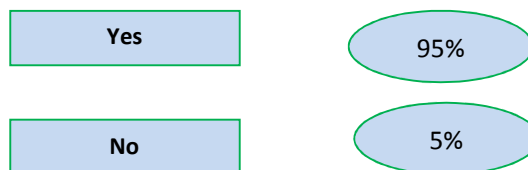
Focus Areas of CSR Intervention

The Schedule VII of the Companies Act, 2013 lists down the key focus areas where the companies can undertake CSR activities. Given that, the participants were asked to indicate the areas where their companies were involved from the list laid out by the Government.



Further, a significant 95% of the respondents reported that their CSR projects are aligned with the Government’s development initiatives like Swachh Bharat Abhiyan, Digital India, National Health Mission, MGNREGA, etc.

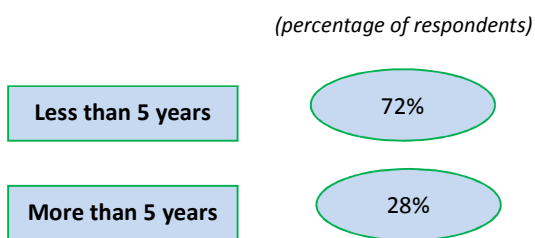
Are your CSR projects aligned with Government’s development initiatives?



Top 3 initiatives of the Government that the companies have aligned their activities with –

**Swachh Bharat Mission
Skill India
National Health Mission**

Typical duration of a CSR project initiated by your company



A majority 72% of the respondents said that the typical duration of a CSR project is less than 5 years. Further, for those who mentioned that it takes less than 5 years to complete a project, most of the respondents indicated projects being completed within a time frame of 1-2 years or 2-3 years.

Methodology used by companies for identifying CSR projects

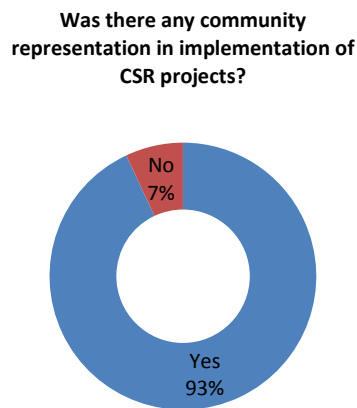
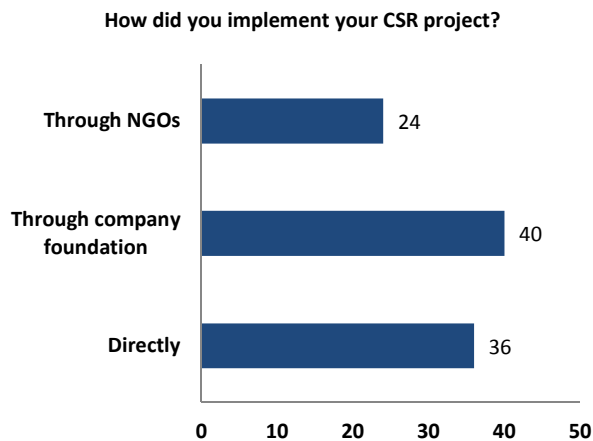
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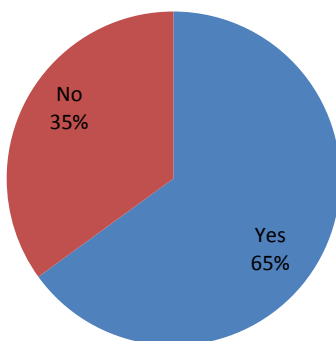
III. Project Implementation and Impact

Majority respondents undertake project implementation through their foundations or directly.... the focus is clearly on community representation in implementation of project...

(percentage of respondents)



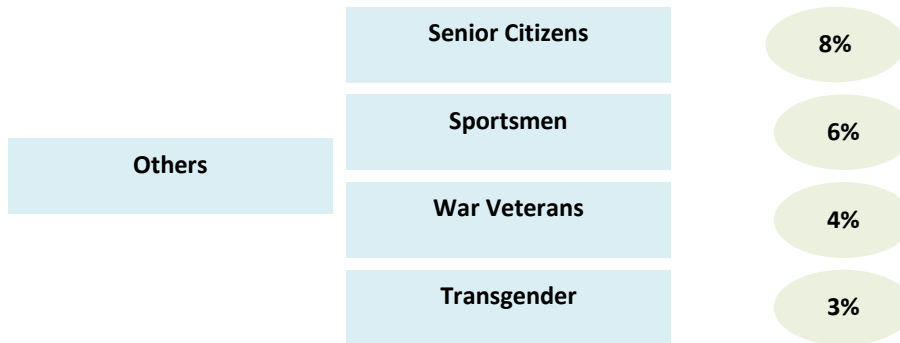
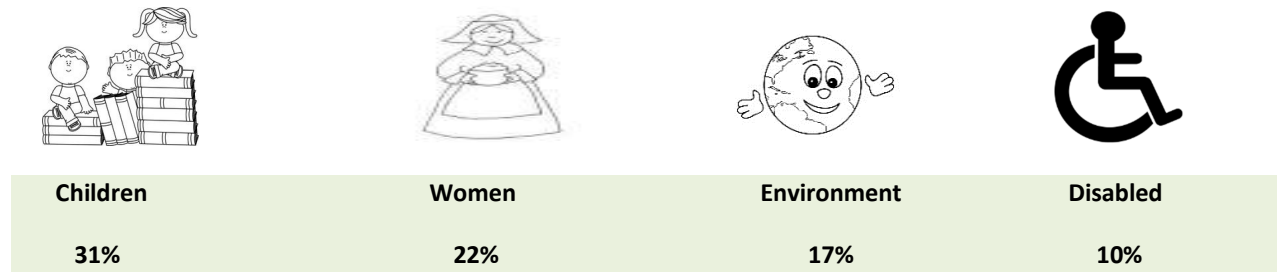
Did you partner with Government or other Corporate for implementing the Project?



Impact Assessment

Key Beneficiaries of CSR Projects

(percentage of respondents)



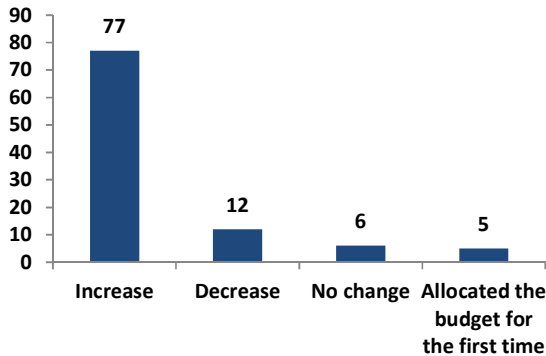
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IV Financials pertaining to CSR Spend

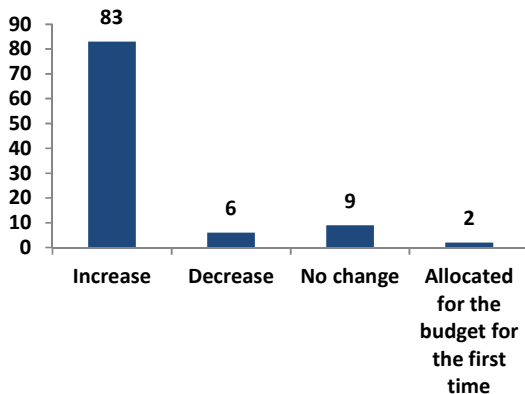
Majority 77% of respondents reported an increase in their CSR Budget in 2014-15, vis-à-vis 2013-14

(percentage of respondents)



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Further a majority of the respondents expected an increase in CSR spend in the coming year (2016-17)



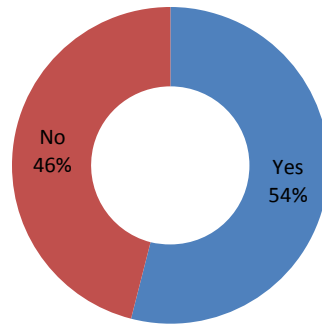
About 83% of companies participating in the survey anticipated an increase in their CSR spend in the coming year. While 6% participants expected a decline, another 9% cited no change. The remaining 2% of the companies said that they are going to make a CSR allocation for the first time in their budget.

Project Focus Areas: Priorities for the next fiscal year

Skill Development	Road Safety	Sportsperson
Education for Children	Community Development	Livelihood Generation/Entrepreneurs hip
Agriculture Development	Poverty Alleviation	Healthcare
Water & Soil Conservation	Disbability	

V. Auditing

Is impact of your CSR activities audited by a third party?



Do you intend to use the outcome of the audits CSR project implementation?

