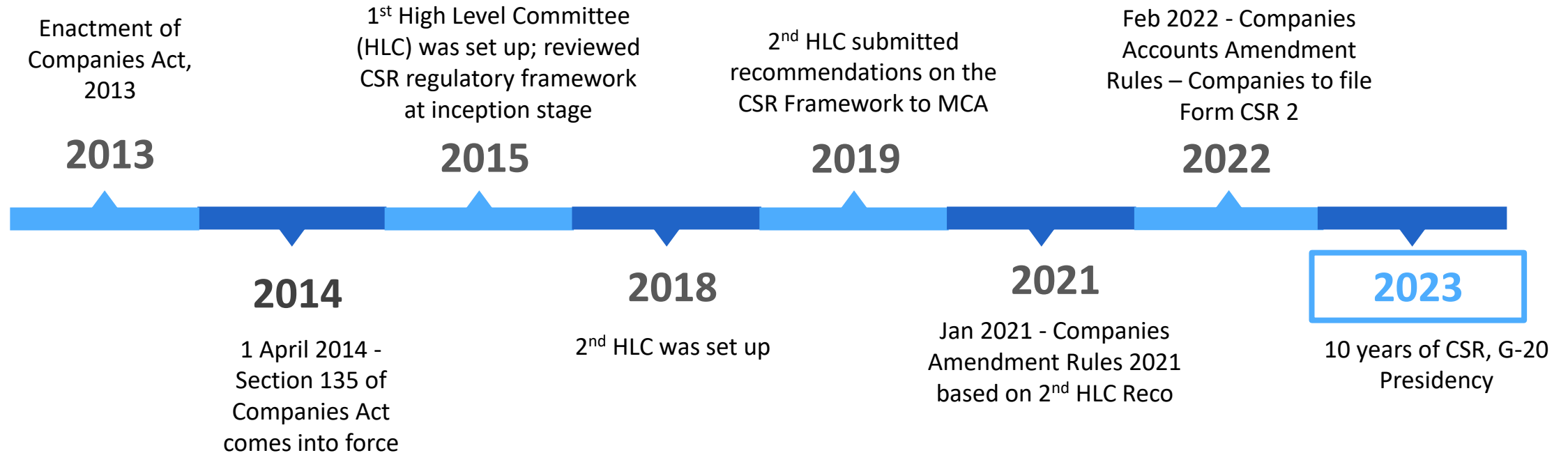




10 YEARS OF CSR – EVOLUTION & WAY FORWARD: STRATEGY & POLICY FRAMEWORKS

Roadmap – Evolution of CSR Timeline 2013 to 2023



How it began: Thought Process behind CSR Law (Emerging CSR Scenario in India – October 2013)

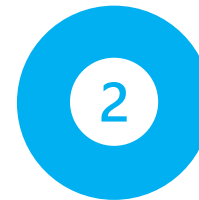
Through CSR 



CSR efforts if effectively channelized can –



Play a **catalytic role** leading to **better** utilization and impact of **government efforts**



Create **strong synergies** with **civil society** organizations

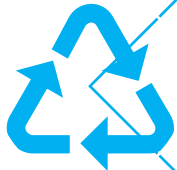
- **Business and development** are two sides of the same coin
- CSR in **not charity** or mere donations – it is a **way of conducting business** by which corporate entities visibly **contribute to social good**
- Use CSR to integrate economic, environmental and social objectives
- Prioritization – **Schedule VII activities evolved** keeping in view current **national priorities**
- Human and environmental **resources are limited** and must **not be taken for granted**. CSR to provide an opportunity to give back to the environment.
- CSR will help **in reaching the bottom of the pyramid**

Thought Process behind CSR Law (Emerging CSR Scenario in India – October 2013)

Creating Value in a mindful manner – Companies can solve problems in three ways that can lead to competitive wins.



Reconceiving products and markets – Solving societal problem by companies' products and services



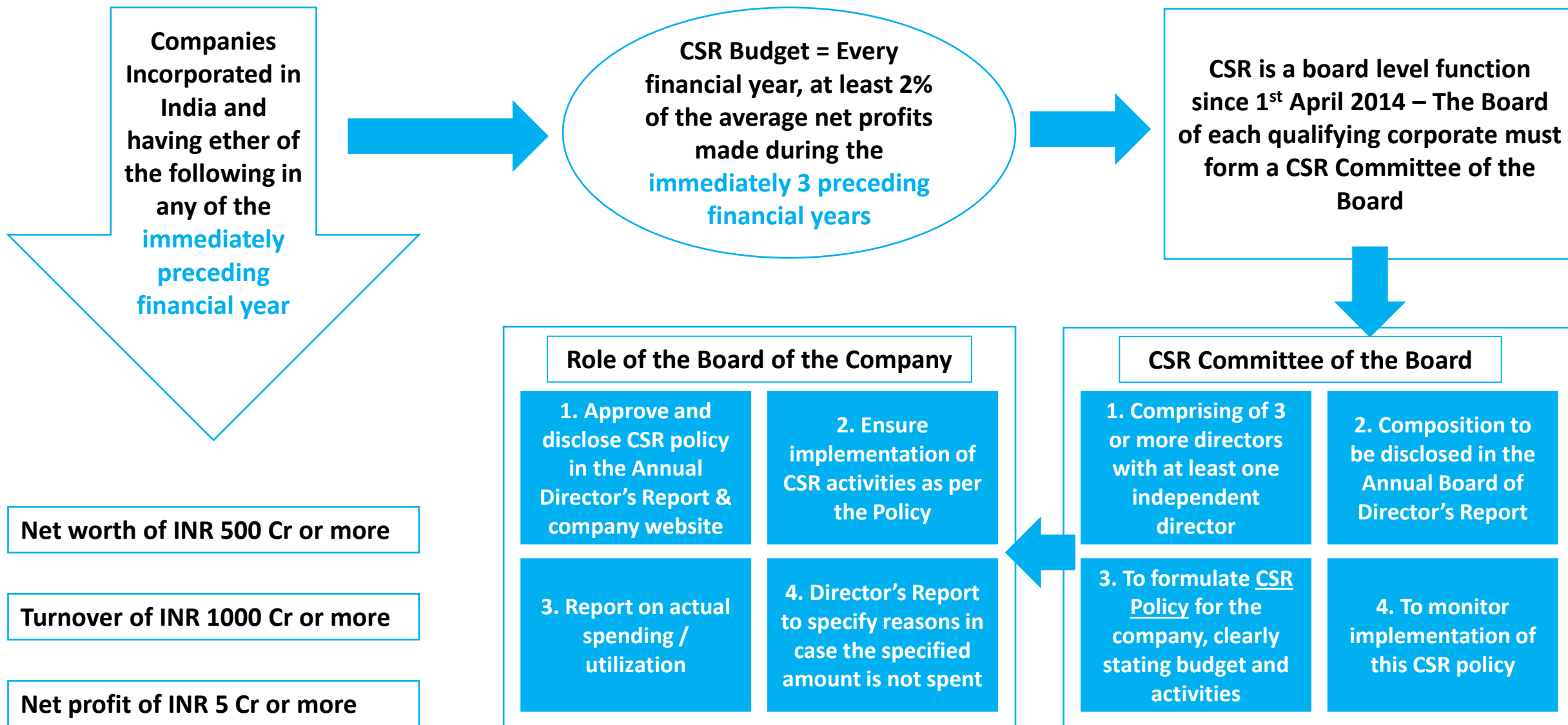
Reconfiguring value chains – consuming resources as efficiently and productively as possible



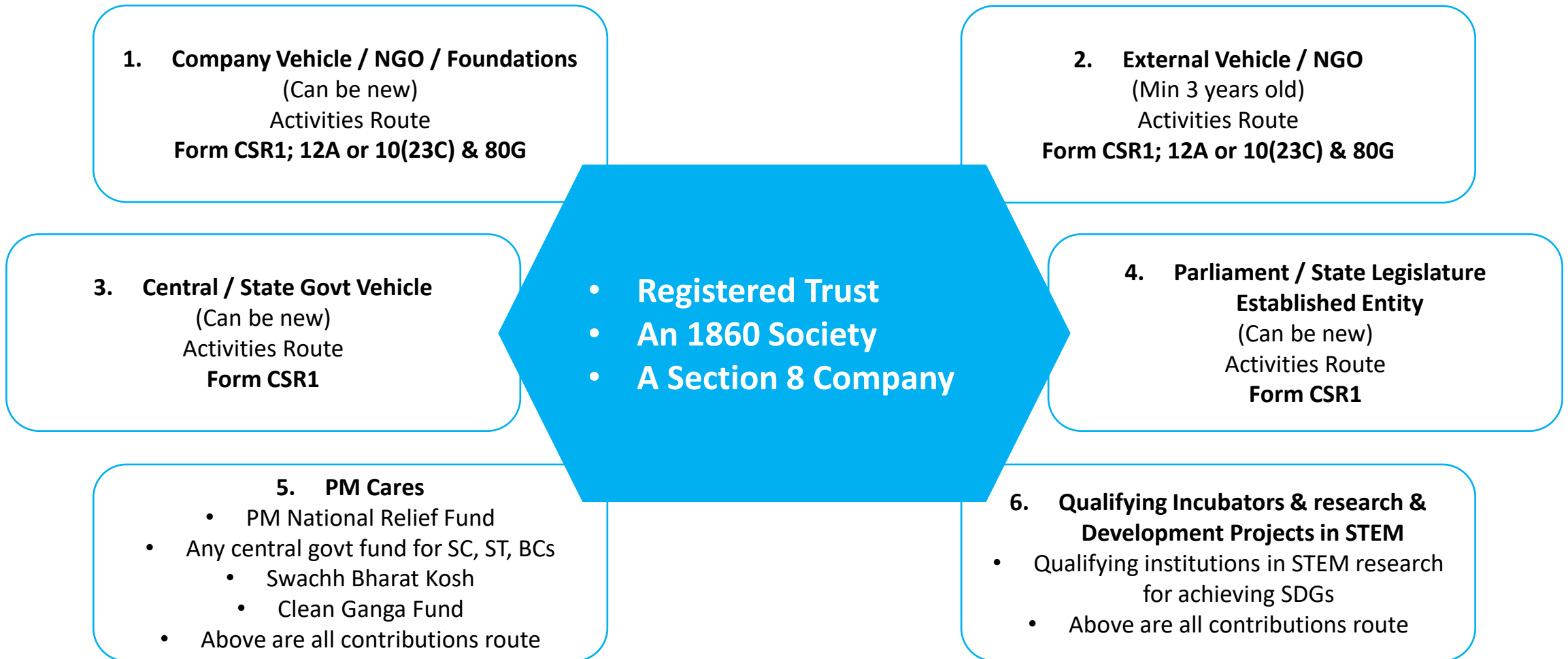
Enabling local cluster development – invest outside the companies' operations for local communities' development

- The **government gives adequate leeway to industry** and trust the corporates and believe that they will **do meaningfully good for the society**
- Companies Act is a path breaking development, and it was **thought 10 years ago that** if done the right way, **India would have the potential to become a leader** and a trend setter in this domain
- **Public private partnerships (PPP)** between corporate, government and NGO – leading to national development – bottom-up development
- New CSR scenario - **Social entrepreneurship** – endless possibilities for innovation to gain scale and bring widespread positive change
- **Development of a repository** of exhaustive development sector literature that could be used by planning commission, ministries, economist etc.

CSR – Section 135, Companies Act 2013 – A Quick Recap



CSR can be undertaken in several ways as per Schedule VII of the Companies Act 2013



CSR can be undertaken in a number of ways besides directly by the qualify company as per Schedule VII of the act

SCHEDULE VII

Activities which may be included by companies in their Corporate Social Responsibility Policies.

Activities relating to:—

- I. ¹[eradicating hunger, poverty and malnutrition, ²[promoting health care including preventive health] and sanitation ³[Including contribution to the Swatch Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water;
- II. promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- III. 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 measures for reducing inequalities faced by socially and economically backward groups;
- IV. 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 ⁴[including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga];
- V. 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. measures for the benefit of armed forces veterans, war widows and their dependents, ⁵[Central Armed Police Forces (CAPE) and Central Para Military Forces (CPMF) veterans, and their dependents including windows];

SCHEDULE VII

- VII. training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports;
- VIII. contribution to the Prime Minister's National Relief Fund or ⁶[Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) or] any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- IX. ⁷[(a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and (b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs)]
- X. rural development projects.]
- XI. ¹[(xi) slum are development. Explanation.— For the purposes of this item, the term 'slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.]
- XII. ²[(xii) disaster management, including relief, rehabilitation and reconstruction activities.]

High Level Committee (September 2015)

Main thrust and spirit of the law is not to monitor but to **generate conducive environment for enabling corporates** to conduct themselves in a socially responsible manner

Core of CSR is **corporate innovations and management skills** in the delivery of public goods.

It is for the **first time** anywhere **in the world that** CSR finds a place in the **statute book**.

CSR is based on general principles of **comply or explain**

HLC strongly felt that there is a need to **ring fence companies CSR resources so that the objective is not defeated**. This is ensured by CSR committees/boards.

There should be 2 model of implementation strategies for CSR – 1. for companies that have CSR exp of more than 5 cr. (should be able to take up long term projects and give measurable outputs) , 2 – for smaller companies with CSR exp of less than 5 cr. (Take project-based activities year on year)

Any **unspent CSR** amount beyond 5 yrs. **should be transferred to one of the funds** listed in schedule VII

HLC felt that Capacity Building sessions should not be part of CSR

Section 8 companies should not be part of CSR provision.

HLC **felt that all info** relating to implementation of **CSR by companies to be compiled by MCA** and placed in **public domain**

High Level Committee (August 2019)

Clarification may be issued that Section **135 shall only be applicable to companies** after they have been in **existence for 3 years**

Companies with **CSR budget of 50 lacs and below** to be **exempt from forming a separate CSR committee**

Any **unspent amount** has to be transferred to a designated account, and this **has to be spent in 3 to 5 years**. If you **fail to do so**, the amount will be transferred to a **fund specified by central government**. **Penalty : 2 to 3 times the unspent amount**, subject to a max of 1 Cr can be imposed

The **emphasis on local area** in the act is only **directory and not mandatory** in nature

Impact assessment study to be disclosed in the board report if the avg CSR amount of company is Rs. 5 Cr or more in the 3 immediately preceding financial years.

Reporting for CSR needs to be **strengthened** with enhanced disclosures for better information dissemination

The HLC is of the view that **details of CSR spending** should be part of the **financial statements** of the company.

Applicability of BRR to 1000 companies

CSR 2.0 : Amendments (2021 & 2022)

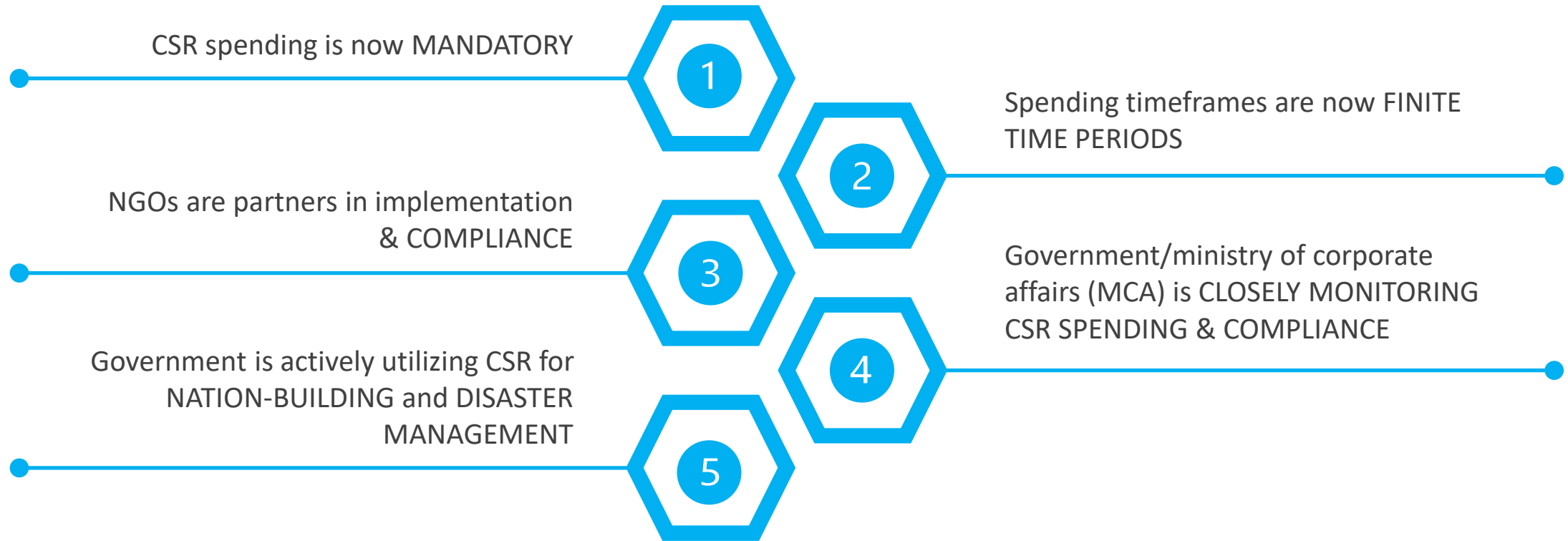
Amendment – January 2021

- Board is obligated to ensure that disbursed funds are **utilized as approved and monitor implementations** (fund allocations and timelines) of **ongoing projects**
- CSR implementing non-governmental organizations (**NGOs**) are **required** to be registered for **income tax and company law purposes – 12A, 80G, Form CSR1**
- Companies are required to mandatorily spend their CSR obligation
- **Treatment of unspent CSR amount at financial year end** is dependent upon whether the **project is an ongoing project or not.**
- There shall be **penalty on company** and officers in default **for failure to transfer unspent amounts** as prescribed
- Companies are **required to carry out impact assessment mandatorily for CSR projects** meeting specified thresholds
- Reporting format for disclosures is revamped

Amendment – September 2022

- **Constitution of a CSR Committee** by a company **having any amount in its unspent CSR account,**
- Omission of Rule 3(2) of the CSR Policy Rules,
- **Broadening the class of entities that can be engaged as implementation agencies,**
- Change in the limits of expenses incurred towards impact assessment studies, and
- **Revisions in the format for the Annual Report** on CSR activities.

5 Mega trends in CSR Compliance that all MUST KNOW



CSR 3.0 : India, the G20 Presidency and CSR to achieve SDGs (December 2022)

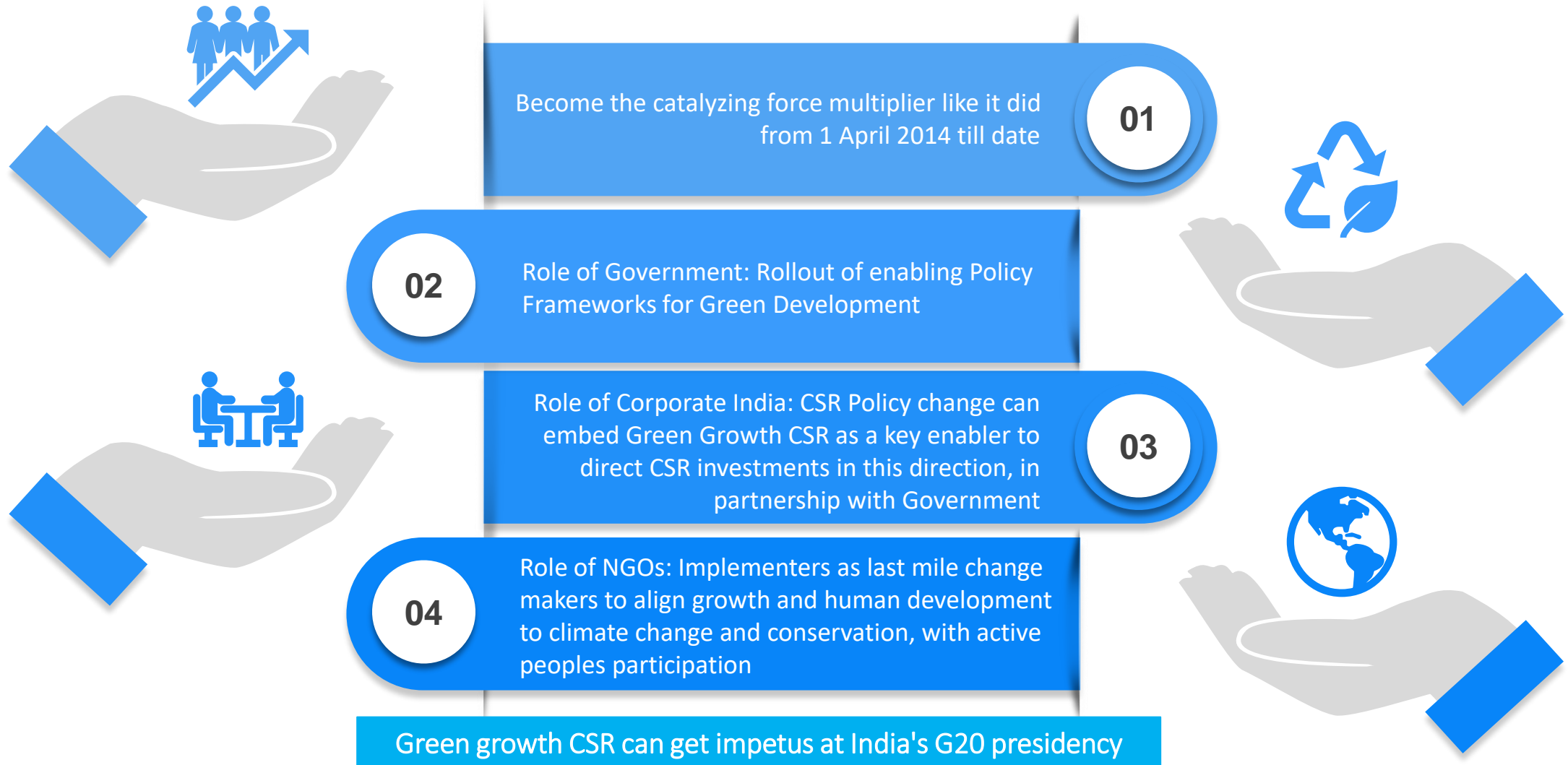


Our theme aligns to the global need:

Vasudhaiva Kutumbakam” or “One Earth · One Family · One Future”

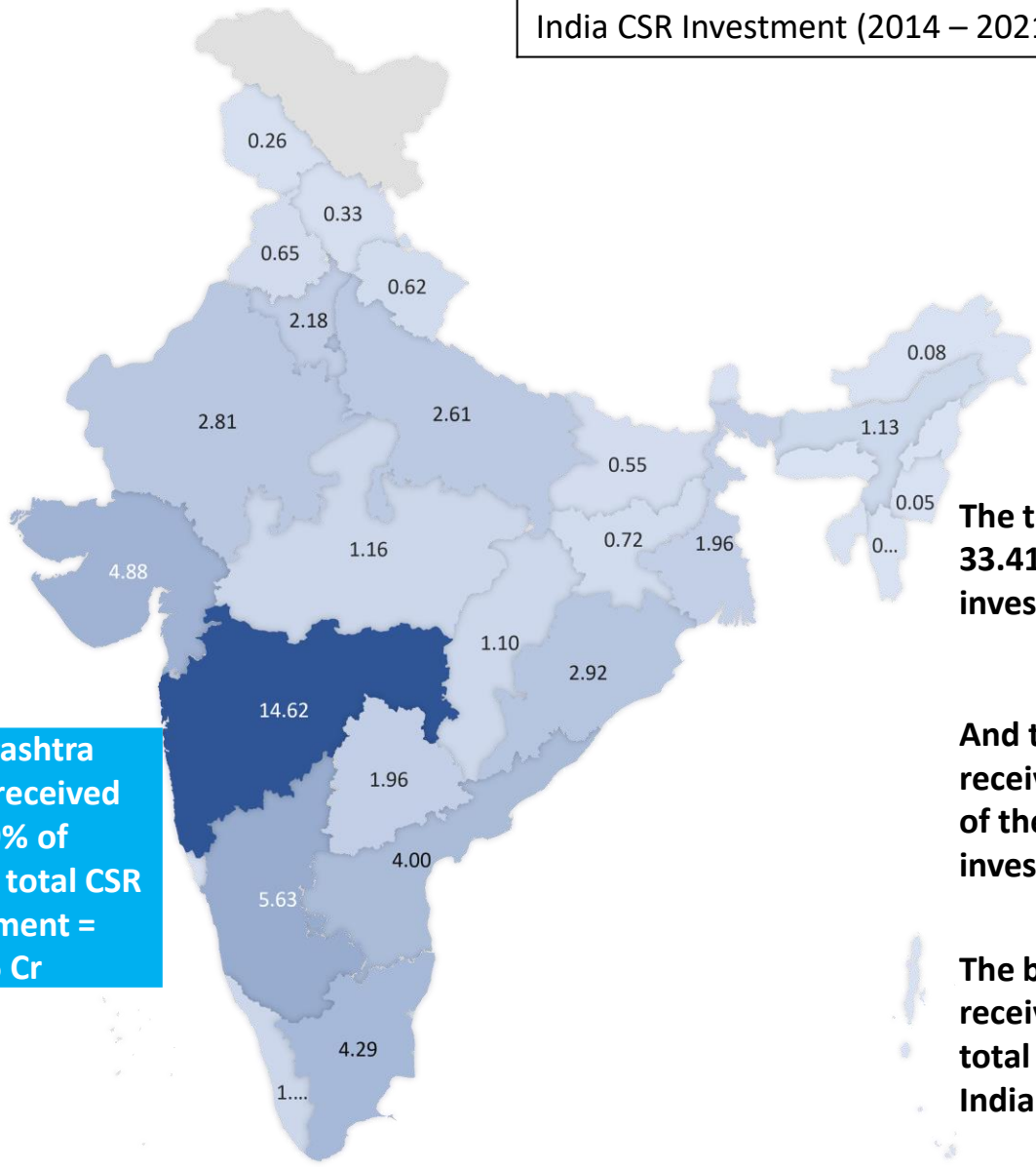
CSR 3.0 : India, the G20 Presidency and CSR to achieve SDGs (December 2022)

Indian CSR can be the **Game Changer** again in the Decade of Action to facilitate achievement of SDGs, its G20 Presidency in 2022-23 can be the jump-starter:



CSR Investment Distribution Across India (2014 – 2021)

India CSR Investment (2014 – 2021) 1,27,618.6 Cr



NE Received 1.4% of total CSR = 1798 Cr

The top 5 states received a 33.41% of the total CSR investment in India.

And the metro cities received a total of 29.65% of the total CSR investment.

The bottom 5 states have received a mere 0.06% of the total CSR investment in India.

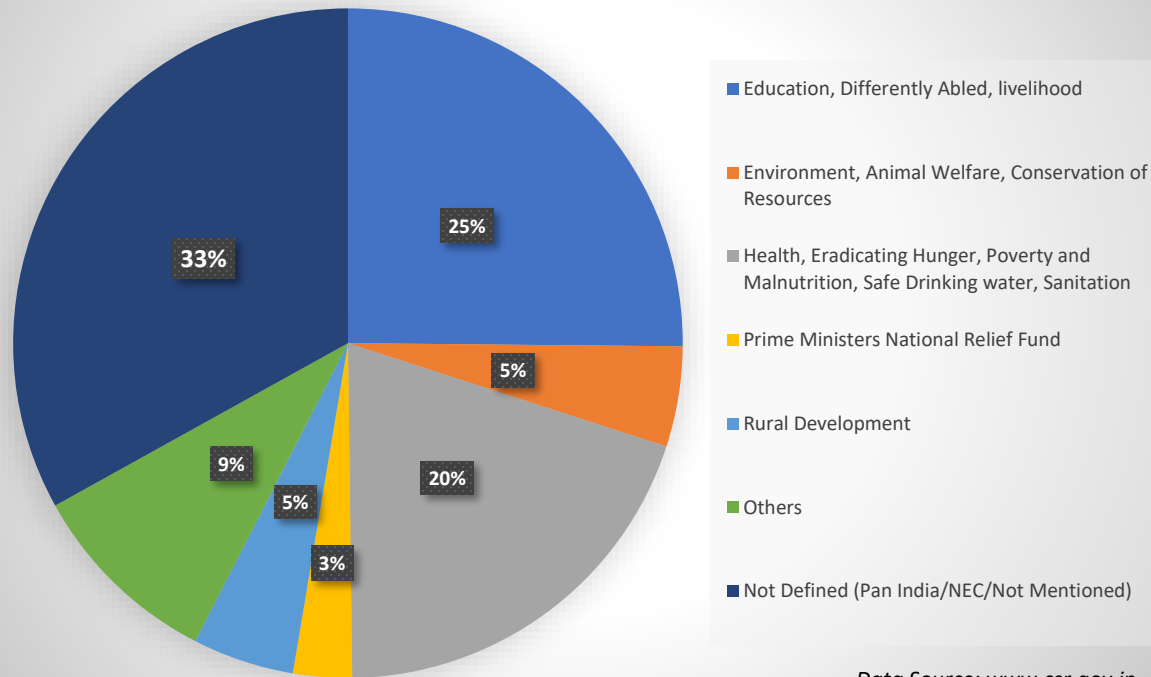


Maharashtra alone received 14.619% of India's total CSR investment = 18,656 Cr

State	% of CSR Investment (2014 – 2021)
Gujarat	4.876%
Andhra Pradesh	4.002%
Tamil Nadu	4.286%
Karnataka	5.627%
Maharashtra	14.619%
Delhi	3.164%
West Bengal	1.959%
Andaman & Nicobar Islands	.006%
Lakshadweep	.002%
Mizoram	.004%
Nagaland	.012%
Tripura	.037%

CSR Investment Distribution Across different Sectors in India (2014 – 2021)

Sector Wise CSR Investment Distribution 2014 - 2021



Data Source: www.csr.gov.in

- A total of Rs 32,094.76 Cr has gone towards Education and Livelihood sector (2014-2021)
- A total of Rs 25,274.18 Cr has gone towards Health sector (2014-2021)

India CSR Investment (2014 – 2021)	1,27,618.6 Cr
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Sector	% of CSR Investment (2014 – 2021)
Education, Livelihood	25%
Health	20%
Rural Development	5%
Environment	5%
Prime Ministers National Relief Fund	3%

Sectors under Others: Clean Ganga Fund, Any Other Fund, Encouraging Sports, Gender Equality, Heritage Art and Culture, Other Sectors, Others, Slum Area Development and Swachh Bharat Kosh

*33% of the CSR Funds (2014-21) went to Pan India/NEC/Not Mentioned where sectors were not recorded

Key Points from Ministry of Corporate Affairs Newsletter dated June 2023

Key Points:

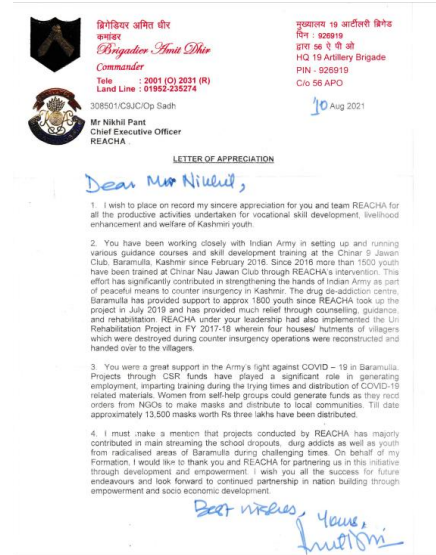
- While **Sustainability is about** factoring the social and environmental impacts of conducting business, that is, **how sustainably profits are made**, Corporate Social Responsibility (CSR) **focuses on** what is done with the profits made and whether they are **utilized for the greater good of the society**
- **CSR** has evolved from a peripheral aspect of business to a **strategic imperative**.
- The **government's intention** to make **CSR** more **robust** is quite evident in the initiatives undertaken, such as the need to certify the **utilization** of CSR funds by a Chartered Accountant (**CA**)
- Education, healthcare, and rural development are the top three development sectors receiving the CSR funds



Challenges:

- In **FY 2021** the **CSR spent** was Rs. 26,210 crore which is almost **twice** in comparison to **FY 2016** where Rs. 14,542 crores were spent
- However, **the impact** of the CSR funds is **not widely felt** and there is a need to enhance the visibility as well as impact of these invested funds.
- There has been **uneven distribution** of the CSR Funds across the states of India with 10 states receiving 44% of the CSR funds
- Northeast states received a mere 0.91% of the funds in FY 2020-21
- The emphasis should be on creating an appropriate structure for CSR, ensuring that the funds go towards the well-being of the community, hence the **intent to do good for the society becomes important**

Case Study 1 – Public Private Partnerships (PPP) between Corporate, Government and NGO



1

REACHA in Kashmir – Aspirational Districts Kupwara and Baramulla

2

Strengthening Indian Army's efforts of Operation Sadbhavana to bring peace in the valley

3

Community development through partnership between Corporate, Indian Army (Government), State Administration and NGO



An effort of CSR intervention through multiple stakeholder partnership to mainstream the youth of Kashmir, give them an opportunity to have a better livelihood, and instill a sense of pride in them for the country.

Link to: [Project Video](#)

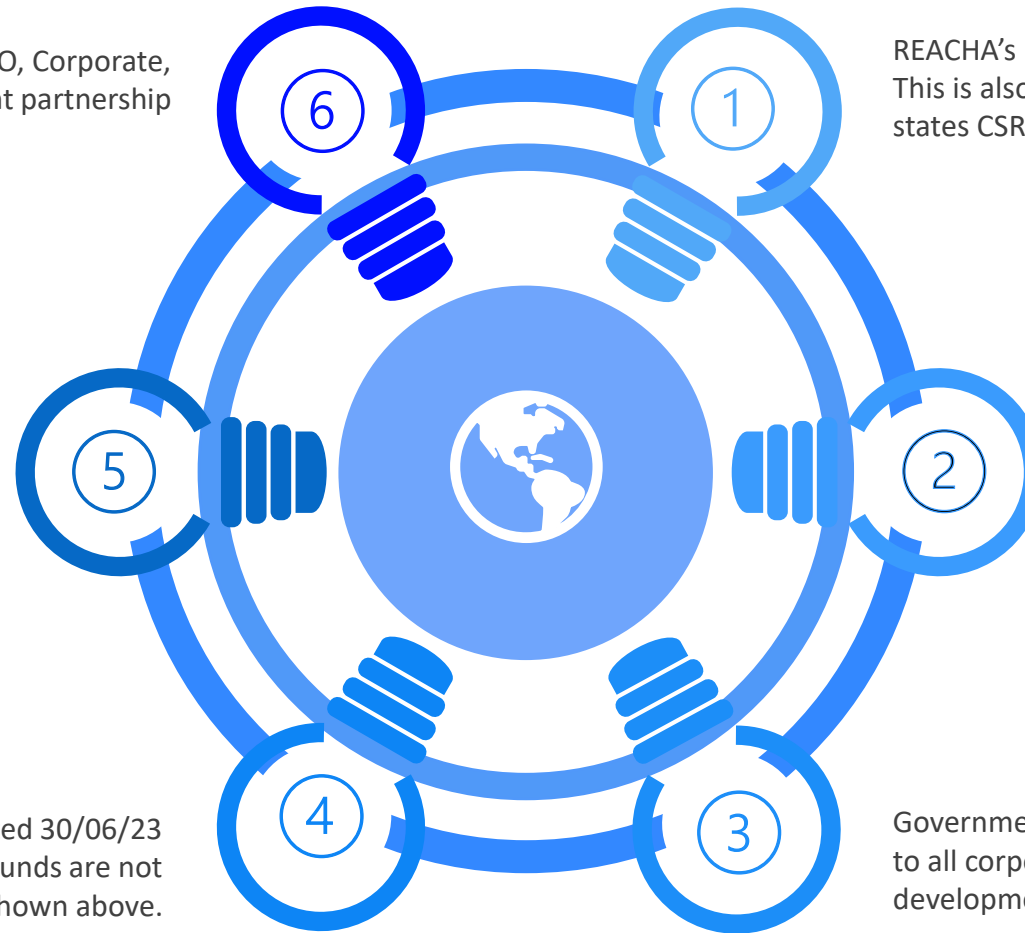
Case Study 2 – Public Private Partnerships (PPP) between Corporate, Government and NGO



NGO, Corporate, Government partnership

MDoNER has been set up for the facilitation of CSR funds from corporates to NE

According to the latest MCA circular dated 30/06/23 govt has again re emphasized that CSR funds are not being direct toward northeast as shown above.



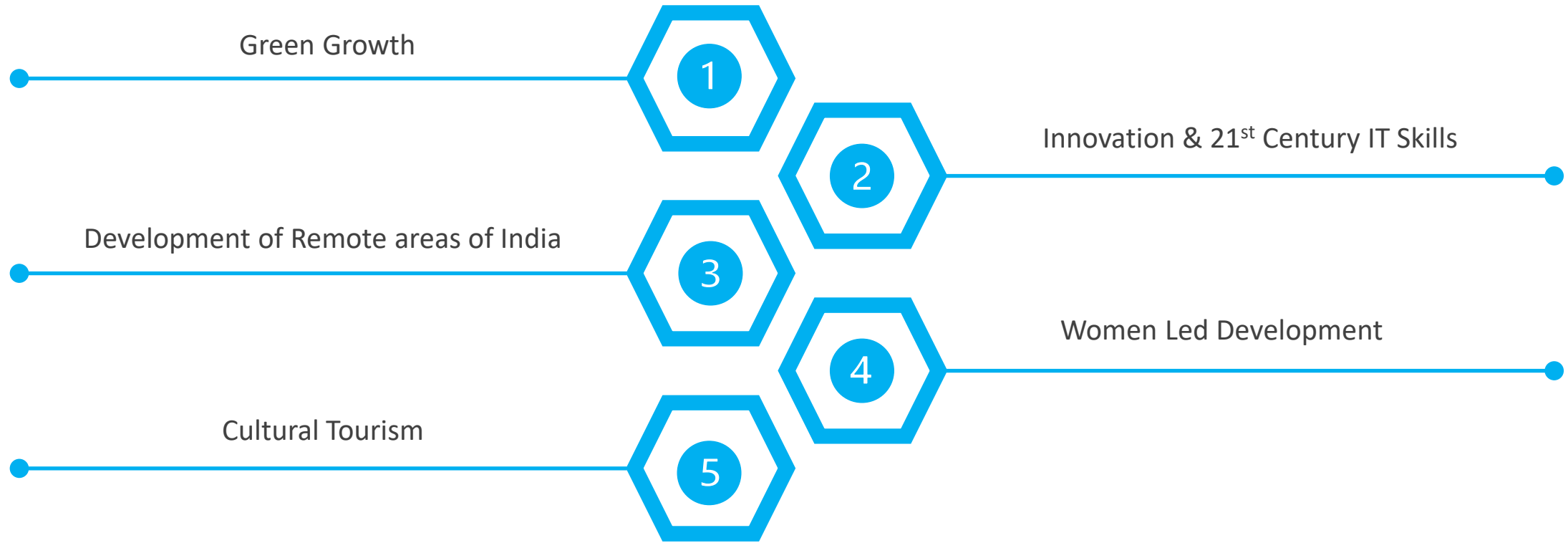
REACHA's efforts in Northeast – Arunachal Pradesh. This is also in line with the latest MCA newsletter that states CSR is not getting channeled towards northeast.

Total percent of CSR investment in Northeast compared to overall CSR investment since (2014 – 2021) is only 1.4% - 1798.1 Cr

Government of India's focus towards Northeast – call to all corporates to bring in CSR investments for the development of this area.

CSR 4.0 – The Way Forward (August 2023)

Future of CSR



A possible recommendation could be for corporates to spend some defined amount of money towards the areas that need urgent attention – asking corporates to diversify their CSR spending.

THANK YOU



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