A billion dollars story of CSR spends in FY15

RESULTS OF CESD’S ANNUAL CSR TRACKER
# CESD’s Annual CSR Tracker

- **6 aspects**
- **43 indicators**
- **31 sectors**
- **1181 companies**
CESD’s sampling methodology

- 1294 companies from Bombay Stock Exchange

- Excluded few companies for following reasons:
  - Financial year ended after 31 March 2015
  - Public sector banks are not within the purview of Companies Act 2013, and Section 135 is not applicable to them
  - Companies that were acquired during FY15
  - Companies whose annual reports were not published by 1st week of December 2015

- Effectively, 1181 companies were analysed
Boundaries for analysis

- This analysis is limited to companies listed on BSE.
  - Most of the 16,000 odd registered companies supposed to comply with Section 135, are therefore not covered.

- CESD does not suggest extrapolating its analysis of 1181 companies to unlisted companies; it warns of any generalisations to be made.
Restating facts about Section 135

To get to almost an accurate analysis, CESD undertook a comprehensive analysis of all listed companies on BSE that were supposed to comply with Section 135.

Since the annual disclosures for FY2015 began to happen, many agencies have undertaken selective analysis of CSR disclosures. Focused on a small sample of publically listed companies, results of their analysis have been generalised to make non-representative of all companies coming under the ambit of Section 135 of Companies Act 2013.

Section 135 isn’t just about spending a certain percentage of profits on CSR. The two powerful provisions of Section 135 are making CSR a matter of corporate governance by mandating a Board-level CSR Committee, and mandating public disclosures of board engagement in CSR and a variety of aspects of CSR spends, of which 2% is significant but one of the aspects.

Section 135 requires eligible companies to definitely comply with governance requirements. Section 135 requires companies to spend at least 2% of profits on CSR, but definitely report on the under spend. Disclosures on Section 135 are not just limited to prescribed annexure. Disclosures are spread across the director’s report. CESD, therefore, did comprehensive analysis of the disclosures going much beyond the limited information available via the prescribed format.
Compliance rate ranges from 83-97%

- 97% by constituting board-level CSR Committee by 31 March 2015
- 94% of the companies had CSR policy by 31 March
  - Of these, about 91% companies put their CSR policy on company’s website
- 87% have actually spent on CSR, though around 52% spent less than 2%
  - 83% of the companies have given reasons for underspend
Governance matters – going beyond compliance

Almost 50% of the chairs of CSR Committees are independent directors.

30% of the companies have more than 3, i.e., 4 or 5 members in CSR Committees, more than the requirement of Section 135.
1st year of legislation has succeeded in channeling INR 6400 cr to nation building

- USD 1 bn or INR 6400 cr is the amount spent by the listed companies in our sample
- Maharashtra and Gujarat saw the most number of companies investing in CSR in states
Education and healthcare saw the biggest influx of CSR spends

This is similar to global corporate and individual philanthropic trends of spending primarily on education and health related causes.

Rs 1800 crores was spent in the field of education and skills through construction and improvement of academic facilities, providing vocational skills and livelihoods training.

Rs 1700 crores was spent towards healthcare and sanitation which included initiatives such as health camps, construction of medical facilities, building toilets, providing safe drinking water and similar. Toilet construction especially in rural areas and in public schools was observed to be a major thrust area keeping in mind the national level initiatives of Swachh Bharat and Swachh Vidyalaya.

*Percentage figures don't add to hundred as companies invest in multiple areas
PM’s relief fund is not the most favoured spend area

Contrary to popular perception

• only 2% of Rs. 6,400 crores went to PM’s relief fund,
• only 13.5% companies, or only 119 contributed to PM’s relief fund
CSR funds are deployed in areas of business operations

The Western states of Maharashtra and Gujarat saw CSR investments from 50% of the companies.

Northeastern region (Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura) were at the lowest end of the spectrum with only 3% of the companies choosing CSR investments in those states.
Channels for spends

- Directly by the company
- Through the company foundation
- Through implementation agencies

**CSR spend channels**

- CSR amount spent directly by the company: 56%
- CSR amount spent through their corporate foundation (or trust): 16%
- CSR amount spent through 3rd party implementing agency: 58%
CSR activities & spends are focused on few areas

Analysis shows that majority of the companies chose to direct their CSR spend in 1 or 2 activities and 1 or 2 geographical areas. Key observations are

- 4 companies invested in 20 or more states/geographical areas
- 64 companies mentioned investments were Pan India (graph below excludes Pan India)
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