



# India's CSR reporting survey 2017

January 2018

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# Foreword

India has emerged as one of the leading nations to make Corporate Social Responsibility (CSR) mandatory by the passage of the Companies Act, 2013 and the CSR (Policy) Rules (the Act) from 1 April 2014. It can be seen as an explicit call to businesses to partner in solving India's complex development issues. There is sustained interest amongst different stakeholders to understand the evolution of Indian businesses CSR journey.

In light of the same, KPMG in India published India's CSR reporting surveys for the last two years, analysing the CSR related disclosure of the top 100 listed companies as per market capital as on 31 March. In both years, the survey managed to generate substantial interest amongst stakeholders. The insights in the report were appreciated and feedback helped us to strengthen the report further.

2015 was the first year of mandatory CSR reporting. At this juncture, many corporates invested in systems and processes for effective reporting. Several CSR projects were being conceptualised and designed at this stage. In 2016, it was observed that the availability of information and governance mechanisms of CSR projects improved. Increased spending was witnessed in the second year.

The 'India's CSR reporting survey 2017' builds on the strengths of its previous reports and highlights new insights emerging as the reporting journey evolves. The report shows trends observed in the last three years indicating progress and aberrations. We have brought in new sections such as CSR and Sustainable Development Goals (SDGs) and CSR by turnover of companies. We have also brought in analysis on new parameters based upon the interest of various stakeholders such as diversity in CSR leadership, local community alignment of CSR programmes, project wise expenditure calculations, backward districts and CSR, and many more.

The findings of the report this year are encouraging. Compliance to regulatory requirements of the Act continue to be robust. Overall CSR spending has seen improvement compared to previous years. Education and health have managed to secure maximum funding this year as well. A sizeable number of companies have spent more than the prescribed 2 per cent amount. From a programme management perspective, projects are being designed with greater strategic intent. CSR projects seems to be spread better across the country as compared to earlier years.

While backward districts did not get the desired attention in the year 2016-17, there are interesting trends that are emerging in India's CSR discourse which especially focus on the backward regions of the country. There is growing interest amongst governments to use CSR as a medium for forming partnerships with corporates, leveraging CSR resources to accelerate development, and reducing disparity in backward regions. State governments have started establishing mechanisms which can act as enablers to bring different stakeholders together in creation of a sizeable impact on the communities. Establishment of such mechanisms have the potential to expedite execution of projects with augmented acceptance amongst different stakeholders. Only with the passage of time, it can be determined if this approach has led to projects which are scalable and or replicable.



Additionally, there are a few significant developments taking place in India's CSR discourse which merit attention. It is interesting to note that there is an apparent increase in dialogue related to CSR between different stakeholders. These dialogues are increasingly being facilitated by different bodies like academic institutions, industrial associations, media houses and others. A rise in the number of awards and events related to CSR can also be seen. A few awards are related to recognising excellence in CSR governance whereas a few focus on the impact created on communities through programmes such as water, health, sanitation and others. There have been increasing number of attempts by the government to qualify and quantify national priorities so that CSR funding can be attracted to fill up the relevant gaps.

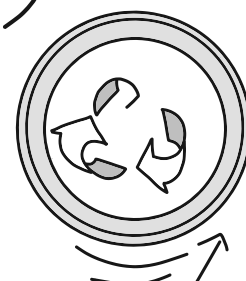
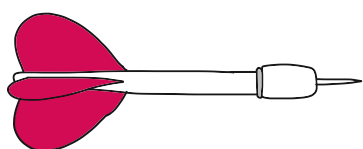
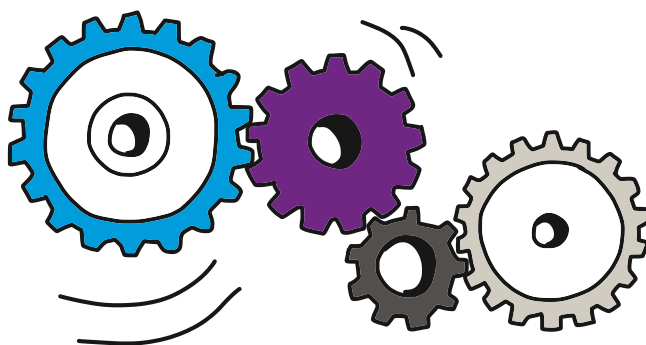
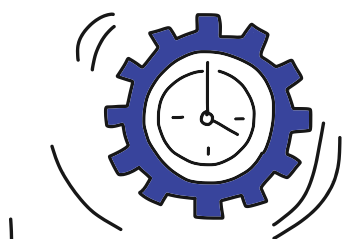
While we reflect back, 2015 was a watershed moment in the international development

scenario. It was the year of transition from Millennium Development Goals (MDGs) to Sustainable Development Goals (SDGs). The Paris Agreement was also adopted as a response to global climate change threat (Source: UNFCCC - 2014 United Nations Framework Convention on Climate Change). All these developments, including the landmark Act mandating India Inc. towards CSR, have several things in common, the foremost being the involvement of business in the larger development agenda.

It is an opportune time to evaluate India's CSR journey within the framework of these developments. There exists a clear intersection between SDGs and CSR activities. It would be interesting to evaluate if CSR projects are contributing in furthering the achievements of the SDGs. Although, 20 per cent of N100 companies have disclosed mapping of their CSR projects with SDGs,

going forward, it is anticipated that more companies might map their CSR projects with SDGs. Expectations will not be restricted to mapping alone, but for companies to design their CSR strategy in such a way that they systematically contribute to achievement of specific SDG targets and aid in the country's development and global sustainable future. Currently, five SDGs have received more 50 per cent of the traction among all the CSR themes. It would be good to see this spread enlarge and provide attention to other goals as well in the future. The 'India's CSR reporting survey' in the coming years will be keen to evaluate these developments.





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# Key findings



The Companies Act, 2013 and the Corporate Social Responsibility (Policy) Rules (The Act) came into effect from 1 April 2014. The Ministry of Corporate Affairs is responsible for the enforcement of the Act and its regulation. As per the Act, companies with a net worth of INR500 crore (cr.) or more, or a turnover of INR1000 cr. or more, or a net profit of INR5 cr. or more in a given financial year must spend 2 per cent of their net profits on CSR programmes (to be calculated as per Section 198 of the Act).

India's CSR reporting survey 2017 analyses and brings together findings from CSR reporting of the top hundred (N100) listed companies as per market capital as on 31 March 2017. All these companies are required to comply with the requirements of the Act. Their CSR policy, CSR committee, disclosure on CSR in the annual report, CSR spends, and others were reviewed based on their availability in the public domain as on 30 September 2017. A comparative analysis has also been presented to track the progress as compared to the last two years.

As on 30 September 2017, of the N100 companies analysed, the following documents have been captured from the public domain and evaluated for, 'India's CSR reporting survey 2017'.

CSR policy	98 companies
Annual report	100 companies
CSR disclosure in the prescribed format	97 companies

## CSR policy

The Act mandates companies to formulate CSR policy. The policy needs to list out projects/programmes it is planning to implement, execution mechanisms, monitoring and evaluation framework and others. The policy should be made available on the company's website.



### Compliance

98 of the N100 companies have a CSR policy in the public domain. However, two companies still do not have CSR policy in the public domain, and have failed to make this available in the public domain for the third year in a row. Three companies still did not disclose an area of intervention in their CSR policy for the third year in a row. Over 30 per cent of companies still did not disclose details regarding treatment of surplus arising from CSR programmes/projects, which is a concern.

### Beyond compliance

94 companies have disclosed details regarding vision/mission/philosophy behind their CSR initiatives which is a good practice. 92 companies have disclosed details regarding CSR governance structure in the CSR policy as compared to 75 companies during 2014-15.

## CSR committee

The Act mandates that eligible companies must formulate a Corporate Social Responsibility (CSR) committee. The CSR committee needs to formulate and recommend the CSR policy to the board, list out and recommend CSR activities and their expenditure and periodically monitor the CSR policy.



### Compliance

98 companies have disclosed details regarding CSR committee in director's annual report, however, 2 companies have failed to disclose CSR committee details for the second year in a row. All companies have independent directors in their CSR committee.

### Beyond compliance

90 companies have disclosed details regarding CSR committee meetings in their corporate governance section as compared to 77 companies during the first year of reporting (2014-15). 12 companies have had four CSR committee meetings during 2016-17, as compared to six companies during the previous year.

## Disclosure on CSR in the director's report

As per the Act, eligible companies must disclose CSR related details in their director's reports such as the composition of the CSR committee, details about the policy developed and implemented by the company on CSR initiatives taken during the year as annual report on CSR containing particulars as specified by the Act.



### Compliance

99 companies have disclosed about CSR in their director's reports. 97 companies have disclosed on CSR in the prescribed format. 3 companies have not disclosed details regarding CSR in the prescribed format for three years in a row. Of the 37 companies that were required to provide the reason/explanation statement, only one company has failed to do so.

### Beyond compliance

Almost half of the companies (47) disclose details regarding CSR expenditure in the director's report. There is a substantial increase in reporting the outreach of CSR activities by 136 per cent as compared to 2014-15. 72 companies have disclosed their focus areas, up by over 22 per cent as compared to the previous year.

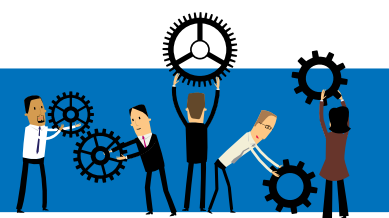
## CSR spends

As per the Act, companies with a net worth of INR500 cr. or more, or a turnover of INR1,000 cr. or more, or a net profit of INR5 cr. or more in a given fiscal year are required to spend 2 per cent of their average net profit of the last three years towards CSR. Companies that are not able to spend the prescribed 2 per cent spends are required to specify the reason for the same.



- As per the Act, N100 companies are required to spend INR7410 cr. (calculation as per Section 198 of Act) which is higher by 14 per cent as compared to 2014-15. It is interesting to note over 22 companies have committed a higher CSR budget outlay as compared to 10 companies in 2014-15. Seven companies have committed a lesser amount than the prescribed 2 per cent CSR budget, compared to three companies during 2014-15. During the current year, companies have spent INR7215.9 cr., 41 per cent higher as compared to 2014-15.
- The number of companies that have spent less than 2 per cent has also substantially come down by 29 per cent from 2014-15 during current year i.e. from 52 companies in 2014-15 to 37 companies during 2016-17. 58 companies have spent 2 per cent or more during the current year, as compared to only 32 companies during the first year of requirement (2014-15).
- During the current year, only 36 companies have disclosed direct and overhead expenditure towards CSR projects. Overhead expenditure towards education continues to be the highest at 37 per cent and has increased by over 30 per cent as compared to the previous year. 30 per cent companies have spent more than the permissible 5 per cent towards admin expenses.

## CSR project management



- Exclusive implementation with support of external implementing agencies is reported by 34 companies against 19 during previous year. 57 companies implemented their CSR projects through a combination of direct implementation, own foundation or implementing partners. 967 projects were executed through implementing agencies with an expenditure to the tune of INR3014 cr., highest among all modes of implementation.
- During current year Maharashtra, Uttar Pradesh, Tamil Nadu, Karnataka and Odisha have the highest number of CSR projects to the tune of 32 per cent (629). Manipur, Tripura, Chandigarh, Daman and Diu, Dadra and Nagar Haveli continues to receive least attention with less than 10 project. It is even more interesting to note that the average project cost is highest in Haryana (INR8.4 cr.) followed by Andhra Pradesh (INR6 cr.) and Gujarat (INR3.6 cr.).
- During current year, education and healthcare account for over 56 per cent (INR4045 cr.) of the total spends towards CSR (INR7215.9 cr.). Expenditure towards education has increased by over 92 per cent over the last 3 years i.e. from INR1249 cr. (2014-15) to INR2404 cr. (2016-17).
- N100 companies have increased its CSR expenditure for over three-fold in arts and culture from INR49 cr. in 2014-15 to INR168 cr. in 2016-17 and for sports from INR48 cr. in 2014-15 to INR133 cr. in 2016-17. CSR projects for slum development, technology incubators and PM relief fund bottom the list with less than 10 projects to the tune of INR5 cr.
- It is interesting to note that six states which house almost 60 per cent backwards district of India have received only 15 per cent CSR fund, whereas five states with about 15 per cent concentration of backward districts have received more than 70 per cent CSR funds.

## CSR spends by the type and the nature of the industry



- The prescribed CSR expenditure of Public Sector Undertaking (PSU) companies during current year has decreased by 17 per cent from INR2306.4 cr. in 2014-15 to INR1903.6 cr. in 2016-17. The total CSR expenditure during the current year by non-PSU companies has increased by 46 per cent from INR3486 cr. in 2014-15 to INR5088.1 cr. in 2016-17, which is 92 per cent of the prescribed expenditure.
- The total CSR expenditure during the current year by companies of Indian origin is INR7019.7 cr. and that of non-Indian origin companies is INR196.2 cr. Against the prescribed CSR expenditure, Indian origin companies have spent 96 per cent while non-Indian origin companies have spent 145 per cent.
- Energy and Power sector has spent the highest amount towards CSR (INR2524.9 cr.) followed by BFSI (INR1281 cr.), Customer Products (INR586.8 cr.), IT Consulting and Software (INR959 cr.) and Mining & Metal (INR566 cr.).
- Telecom sector companies have increased their CSR spends during current year by 400 per cent from 2014-15, followed by pharmaceutical companies (234 per cent) and automobile companies (230 per cent).



# About the survey



Businesses across the world continue operating under highly complex and competitive environments. Businesses continuously face a myriad range of risks and are functioning under increased uncertainty. These risks are not financial, operational or restricted to technological disruption alone. Wider transformational changes are underway in society. The effects of climate change and social inequality in society are having a bearing on how businesses organise themselves and thrive. Indian businesses are also not untouched by these developments. Businesses and their impact on society are being constantly monitored by diverse stakeholders.

India has witnessed high economic growth in the last two decades. India continues to be one of the fastest growing economies in the world. India has made progress with respect to several development indicators. Despite progress, challenges persist. India continues to face several challenges in health and sanitation, education, un-employment, environment and others. The Companies Act, 2013 and the Corporate Social Responsibility (Policy) Rules (Act) have forward looking moves by the Government of India. It called on industry to partner in contributing to the development challenges of India by unleashing creativity and innovation. While the Act provide the overall guidance framework for the corporates to lead their CSR initiatives, it also provides ample autonomy and flexibility to design and implement programmes. Furthermore, India is one of the countries in the world which has mandated CSR. The mandatory CSR reporting has its unique advantages. It allows corporates to demonstrate their commitment towards organisational transparency. It can also be a communication tool to engage with different stakeholders including shareholders, regulators, communities, customers and society at large. CSR reporting provides an opportunity for corporates to reflect on internal processes as well compare their CSR performance with peers.

## Introduction

The Act came into effect from 1 April 2014. As per the Act, companies having a net worth of INR500 cr. or more, or a turnover of INR1000 cr. or more, or a net profit of INR5 cr. or more in a given financial year are required to spend 2 per cent of their profits on CSR programmes. Eligible companies need to form a CSR committee, formulate a CSR policy and implement projects in alignment with Schedule VII of the Act. CSR related disclosures need to be made in annual report in the prescribed format.

The year 2016-17 is the third year of compliance to the Act. India's CSR reporting survey 2017 analyses and brings together findings from CSR reporting of top hundred (N100) listed companies as per market capital. These companies are required to comply with the requirements of the Act. Documents for N100 companies were reviewed basis their availability in the public domain as on 30 September 2017.

The report aims to bring out key insights for various stakeholders like corporates, government, not for profit organisations, academic institutions and others. The findings of the survey can potentially reflect the evolving journey of the India's CSR journey.

## Availability of information

As on 30 September 2017, of the N100 companies analysed, the following documents have been captured from the public domain and evaluated for, 'India's CSR reporting survey 2017'.

CSR policy	98 companies
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## Methodology

This publication analyses the aspects related to CSR such as policy, committee, director's reports, annual disclosure and spends of N100 companies as on 31 March 2017. The main stages of research are presented below.

- The CSR policy and annual report of N100 companies for the year 2016-17 were collated from the public domain.
- The CSR policy of N100 companies were analysed for compliance with the Act.
- The disclosures on CSR in the director's report by N100 companies were analysed for compliance with the Act.
- The annual CSR disclosures and CSR spends of N100 companies were analysed.
- A comparison with the previous two years, wherever applicable, is presented in the report. It can aid in tracking emerging trends in India's CSR spending and reporting journey.
- Quantitative and qualitative attributes inferred and analysed as part of this survey are represented below:

CSR policy	CSR of PSU and non-PSU companies
CSR committee	CSR of Indian origin and non-Indian origin companies
CSR disclosure in director's report	CSR by type and nature of companies
CSR spends and reason for unspent amount	CSR by turnover of companies
CSR project management	CSR and community alignment
CSR and SDGs	CSR and diversity



# CSR policy



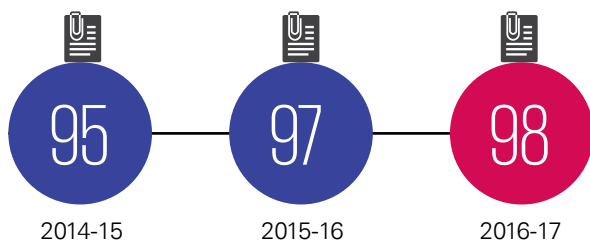
As per the Act, companies with a net worth of INR500 cr. or more, or a turnover of INR1,000 cr. or more, or a net profit of INR5 cr. or more in a given fiscal year shall have a CSR policy. All N100 companies surveyed for 2017, fall within the ambit of this definition and need to have a CSR policy.

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 it needs to be placed on the company's website, if any, in such manner as may be prescribed by the Act.

These aspects of the CSR policy have been analysed here.

## Availability of the CSR policy in the public domain

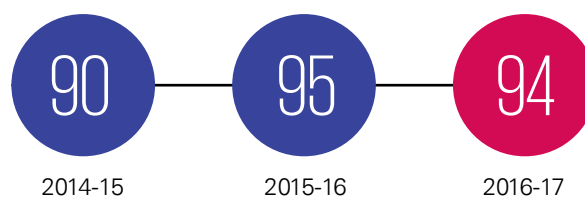
- Disclosing a brief about CSR policy and giving web-link of CSR policy is a mandatory requirement as per the Act.
- During the current year, 98 of the N100 companies have a CSR policy in the public domain as on 30 September 2017, which is easily accessible to individuals outside the company.
- Two companies still do not have CSR policy in the public domain, and have failed to make this available in the public domain for the third year in a row.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## Availability of vision/mission/philosophy in CSR policy

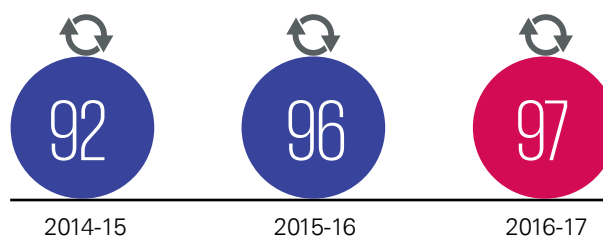
- Disclosing details regarding CSR vision/mission/philosophy is not a mandatory requirement as per the Act.
- 94 companies have disclosed details regarding vision/mission/philosophy behind their CSR initiatives which is a good practice.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## Disclosure on the areas of intervention in the CSR policy

- Disclosing details regarding CSR areas of intervention is mandated in the Act.
- From the companies that have CSR policy available in the public domain, 97 companies have disclosed details regarding CSR intervention area in their CSR policy.
- 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.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

**Disclosure on the mode of implementation in the CSR policy**

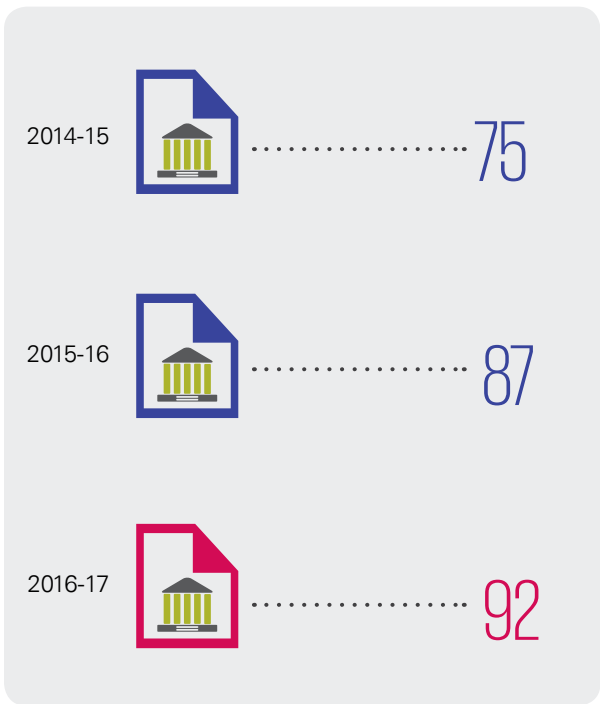
- Disclosing details regarding mode of implementation is a mandatory requirement of the Act.
- 92 companies have disclosed their mode of implementation in the CSR policy.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

**Availability of governance structure in CSR policy**

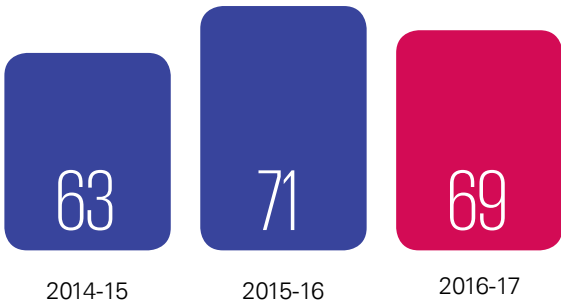
- Companies include governance details and responsibilities of CSR committee members in their CSR policy. Disclosing details regarding CSR governance structure is not a mandatory requirement of the Act.
- A majority of the companies (92) have disclosed details regarding the CSR governance structure (75 companies during 2014-15) which is a substantial increase indicating progress towards increased transparency and accountability.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

**Disclosure on treatment of surplus arising from CSR projects in the CSR policy**

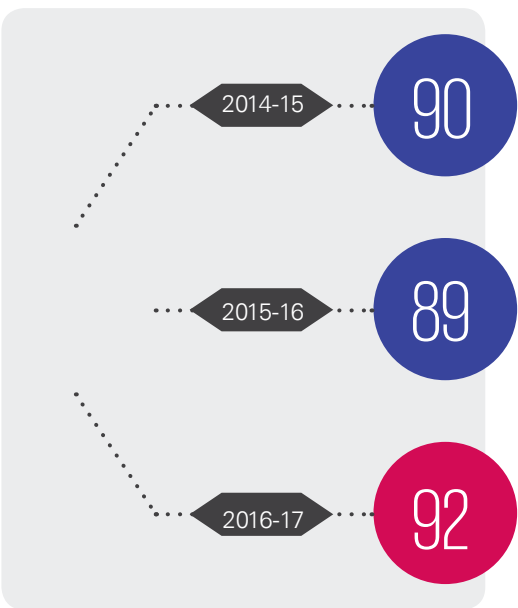
- The Act mandatorily requires that surplus arising out of the CSR projects or programmes or activities shall not form part of the business profit of a company. Over 30 per cent of companies still do not disclose details regarding the treatment of surplus arising from CSR projects, which is a concern.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

**Disclosure on the monitoring framework in the CSR policy**

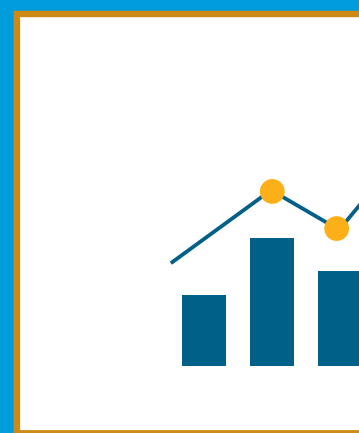
- Disclosing details regarding the approach towards monitoring of CSR interventions is a mandatory requirement of the Act. 92 companies have disclosed details regarding a monitoring framework



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

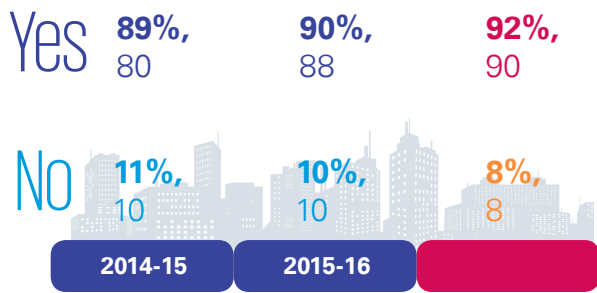
This section analyses details regarding various aspects of CSR committee such as presence of stand-alone CSR committee, composition of committee, its meetings, and others.

- 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 (I) 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 director on its board shall constitute its CSR committee with two such director.
- 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.
- Since we have considered only N100 companies, the committees should have three or more directors, out of which one director shall be an independent director.



Companies with a stand-alone CSR committee

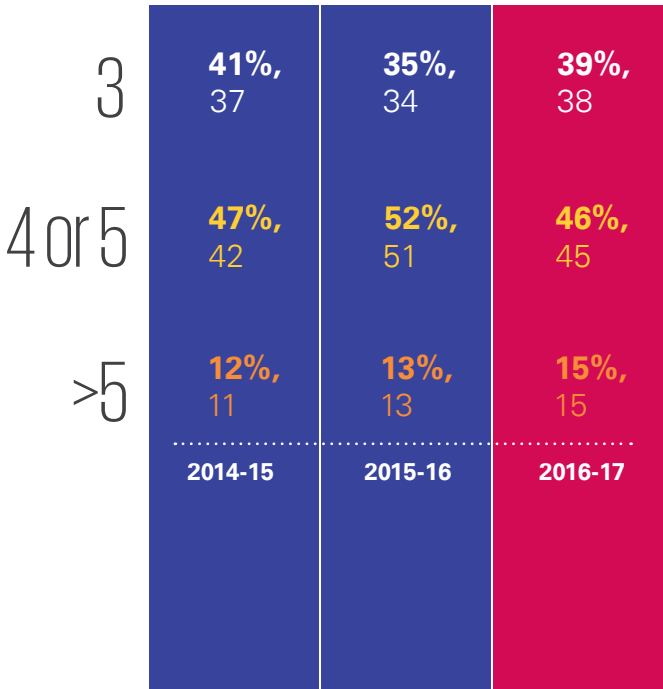
- As per the Act, companies are mandated to have a board level CSR committee. Out of the total companies disclosing their details, 98 companies have a CSR committee. Of the companies that have disclosed details regarding CSR committee, 90 companies have a standalone CSR committee during current year compared to 80 companies during 2014-15.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

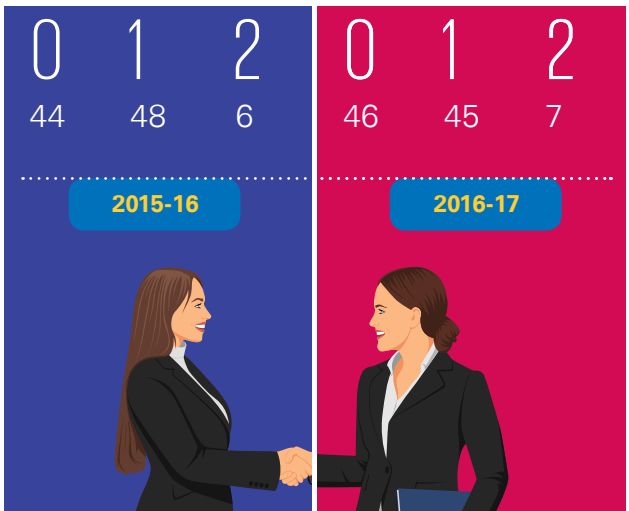
Members in the CSR committee

- Out of the total companies disclosing composition of CSR committee, 38 companies have 3 members, and 60 companies have 4 or more members in CSR committee.
- There is an upward trend of 13 per cent in number of members present in CSR committee in the range of 4 and above as compared to 2014-15.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

- Of the 98 companies having a CSR committee, 52 companies have women directors in their CSR committee, of which 7 have two women directors in the CSR committee.
- 51 companies have their Chief Executive/ Managing Director as a member of CSR committee.

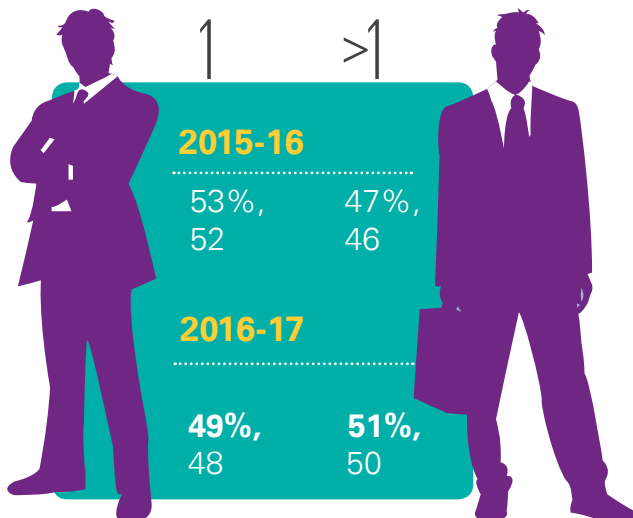


Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.



## Number of Independent Directors in the CSR committee

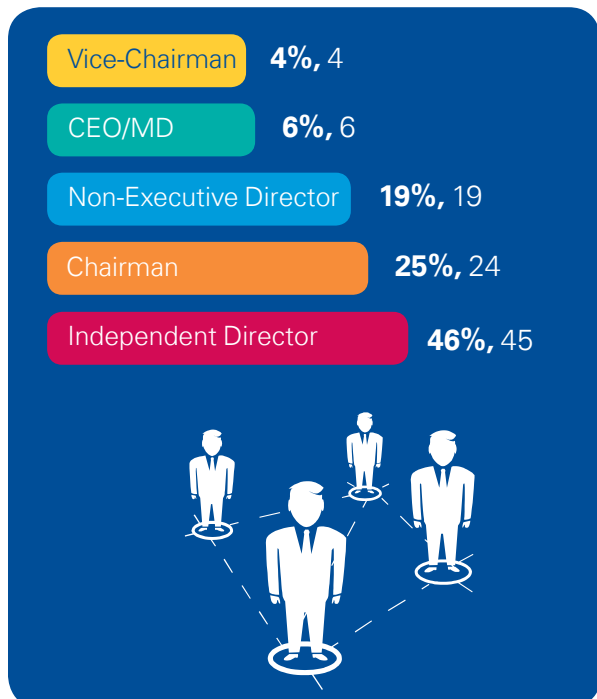
- Out of the 98 companies disclosing the composition of the CSR committee, all have one or more independent director in their CSR committee.
- There is also an upward trend of 8 per cent in number of companies having more than one independent director.
- Although one cannot draw an inference that higher 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.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## Chairman of the CSR committee

- 24 companies have their company chairman as the CSR committee chairman as well. 19 companies have women as the chairman of CSR committee. 6 companies have their chief executive/managing director as the chairman of CSR committee.
- It is interesting to note that 45 companies have independent director as chairman of CSR committee.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

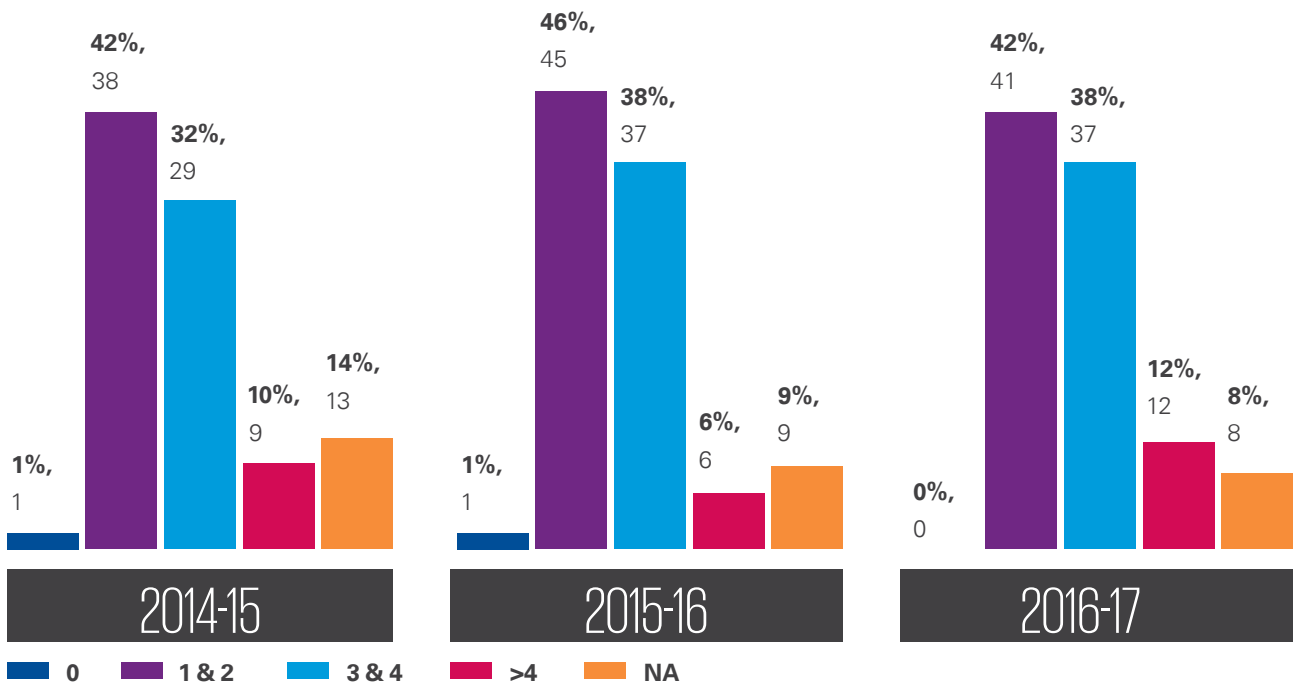


## CSR committee meetings

- As part of corporate governance section, companies have to mandatorily disclose details regarding board level committees, including the CSR committee.
- 90 companies have disclosed details regarding the CSR committee meeting in their corporate governance section as compared to 77

companies during the first year of reporting (2014-15), clearly presenting an upward trend.

- All 90 companies have had one or more CSR committee meeting, and the average attendance was to the tune of 91 per cent.
- 12 companies have had four CSR committee meetings during 2016-17, as compared to six companies during the previous year.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.



# Disclosure on CSR in the director's report



As per the Act, companies with a net worth of INR500 cr. or more, or a turnover of INR1,000 cr. or more, or a net profit of INR5 cr. or more in a given fiscal year must disclose CSR related details in their director's reports. This shall include details such as composition of the CSR committee, policy, implementation of projects, reason for failure to spend, etc.

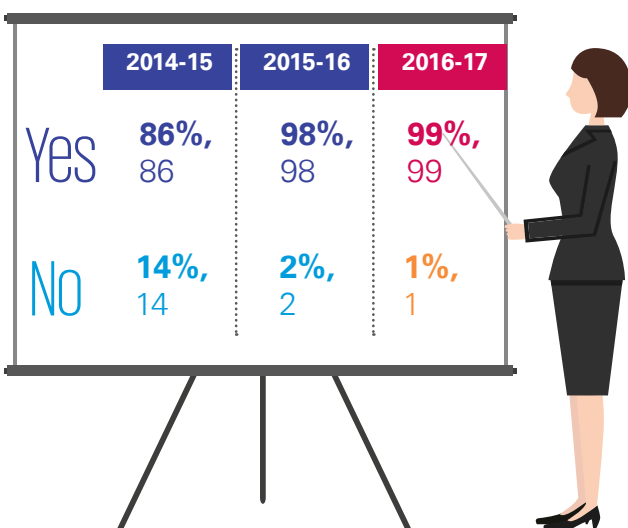
A mandatory requirement as part of Act reflects the priority given to CSR at the board level. This section analyses details regarding the quality of the CSR disclosure in the director's report.

## Disclosure on CSR in the director's report

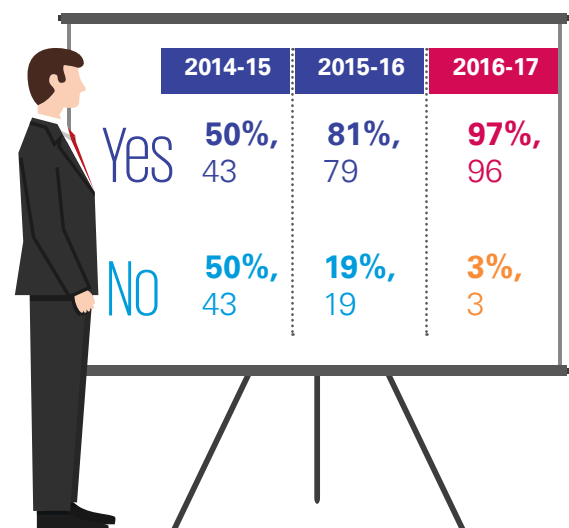
- As per the Act, the board's report of a company should include details on CSR. During the current year, 99 companies have disclosed about CSR in their director's report.
- Sustained high levels of disclosure on CSR in the director's report reflects the seriousness of CSR at the board level decision making and management, and also aids in communication with broader stakeholders.

## Reference to the CSR policy and its web link in the Annual Report

- During the current year, 96 companies have given references to their CSR policy and its web-link in their Annual Reports, a mandatory requirement as per the Act.



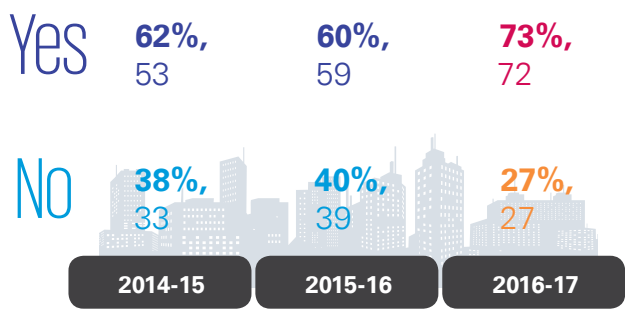
Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

Disclosure on the focus areas of CSR

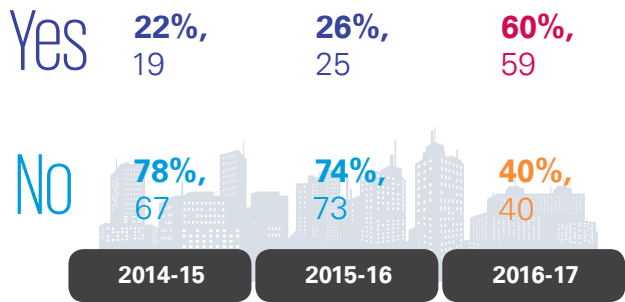
- During the current year, 72 companies have disclosed their focus areas, up by over 22 per cent as compared to previous year. Disclosure on focus areas is not a mandatory requirement as per the act.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

Disclosure on outreach/people impacted

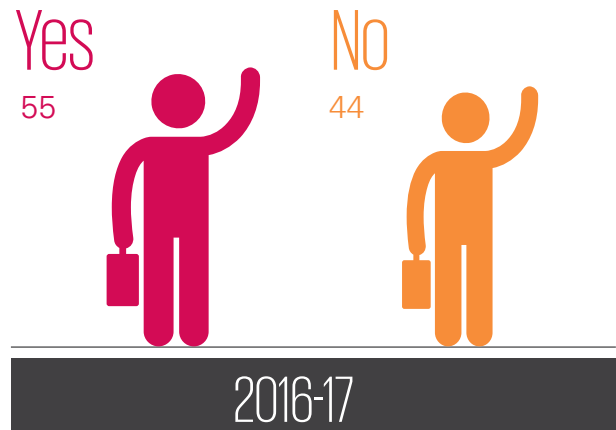
- During the current year 59 companies have reported details regarding the outreach / people impacted, though not mandated by the Act. There is a substantial increase in reporting the outreach of CSR activities by 136 per cent as compared to 2014-15.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

Employee volunteering

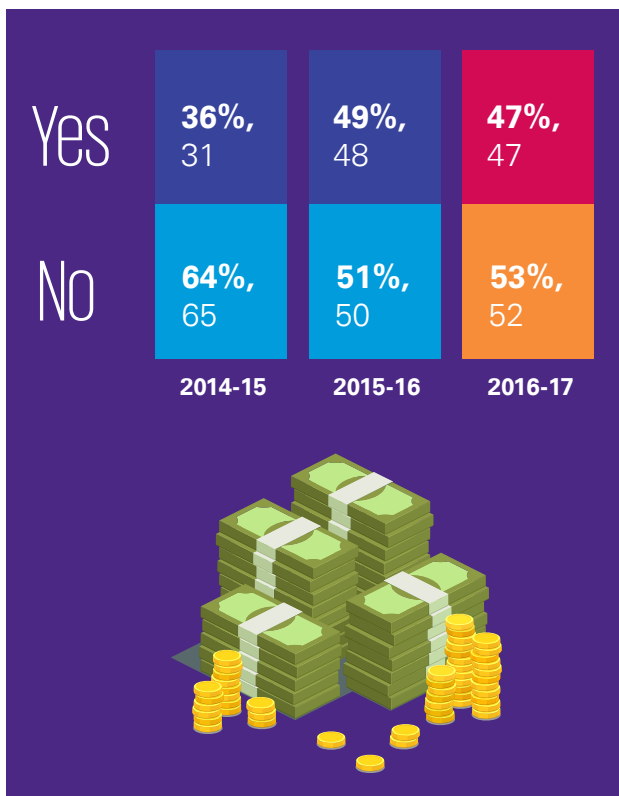
- Over 55 per cent companies have disclosed involvement of employees as 'volunteers' for implementation of CSR projects during current year. With amendments in the Act, 'salary paid by the company to volunteers of the company (in proportion to company's time/hours spent specifically on CSR) can be factored into CSR project cost as part of the CSR expenditure' was omitted. Although more than half of the companies have disclosed involvement employees as volunteers, the current disclosure are limited to gauge if time spent by them is accounted as CSR expenditure, which is a concern.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## Disclosure on the amount spent on CSR

- Disclosures on spends in the director's report indicates the board level ownership and accountability for CSR related spends on projects.
- Almost half of the companies (47) disclose details regarding CSR expenditure in the director's report. There is 52 per cent increase in the number of companies disclosing CSR amount spent in the director's reports compared to the year 2014-15. (This is different from the annual CSR spends disclosed by companies in the format prescribed by the Act, which is covered separately.)

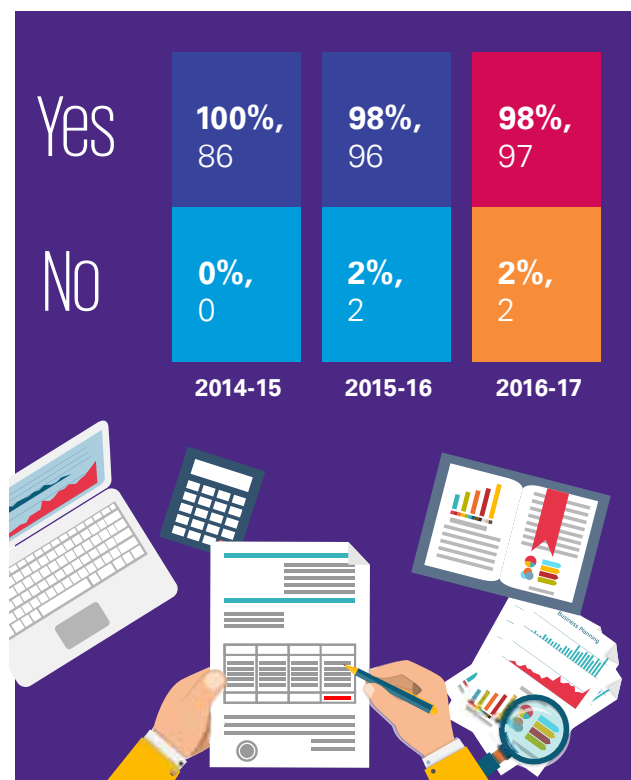


Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

- In the spirit of the Act (the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities), there is clear disclosure to suggest that, 71 per cent companies have implemented projects in the localities they are present.

## Disclosure on CSR in the format as prescribed by the Act

- As per the Act, companies are required to disclose details regarding CSR spends (annually) in the format prescribed by the Act.
- During the current year, 97 companies have disclosed on CSR in the prescribed format. However, it is important to note that 2 companies have not disclosed details regarding CSR in the prescribed format for three years in a row.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## Disclosure on the reason for the unspent amount

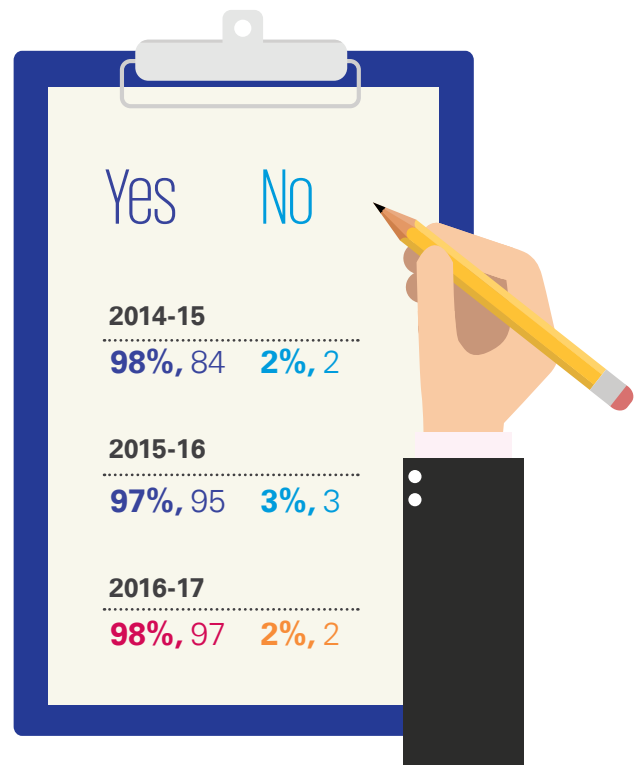
- As per the Act, companies which fail to spend the mandatory 2 per cent towards CSR during a year need to provide explanations for the same.
- In the current year, 37 companies have spent less than the prescribed amount towards CSR, and thus, were required to provide explanations/ reasons for not being able to spend the amount. One company did not provide the reason/ explanation statement.

	2014-15	2015-16	2016-17
<b>Given</b>	98%, 51	100%, 44	97%, 36
<b>Not given</b>	2%, 1	0%, 0	3%, 1

Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## Responsibility statement in the annual CSR disclosure

- All N100 companies need to give a responsibility statement of the CSR committee confirming that the implementation and monitoring of CSR projects is in compliance with CSR objectives and policy of the company. During the current year, 97 companies have given responsibility statements.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## Unspent amount carried forward

- Of the 36 companies that have disclosed reason, 44 per cent of companies (16) have committed to carry forward the unspent amount next year.

	2014-15	2015-16	2016-17
<b>Yes</b>	25%, 13	20%, 9	44%, 16
<b>No</b>	75%, 38	80%, 35	56%, 20

Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

# CSR spends



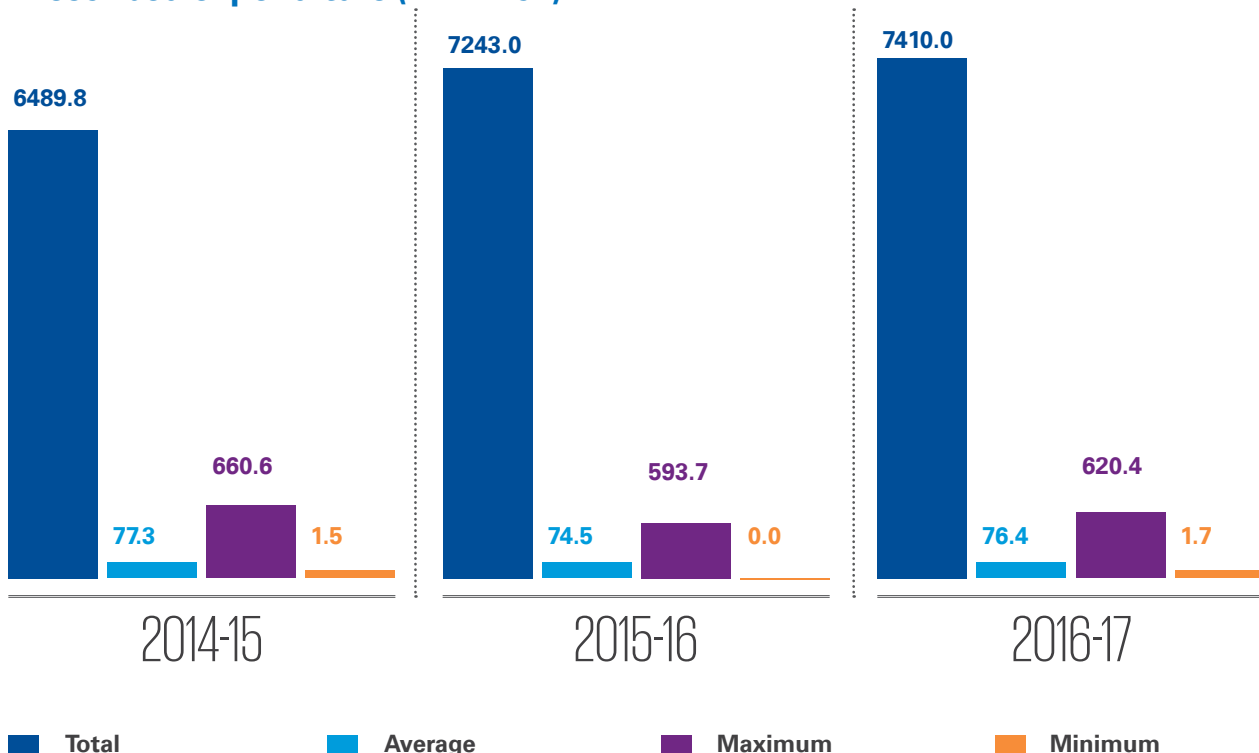
As per the Act, companies with a net worth of INR500 cr. or more, or a turnover of INR1,000 cr. or more, or a net profit of INR5 cr. or more in a given fiscal year are required to spend 2 per cent of its average net profit of preceding three years towards CSR. N100 companies were analyzed of which 95 companies were required to spend the prescribed 2 per cent CSR amount. It is noteworthy to mention that the five companies that are not required to spend, have spent towards CSR, of which 4 are doing so for the last 3 successive years.

This section analyses the details regarding CSR expenditure by N100 companies and provides a comparison with the previous year's disclosure.

## Amount to be spent (CSR budget outlay) against the prescribed 2 per cent CSR amount

- As per the Act, N100 companies are required to spend INR7410 cr. (calculated as per Section 198 of Act) which is higher by 14 per cent as compared to 2014-15. The prescribed amount ranges from a minimum of INR1.7 cr. to a maximum of INR620.4 cr.

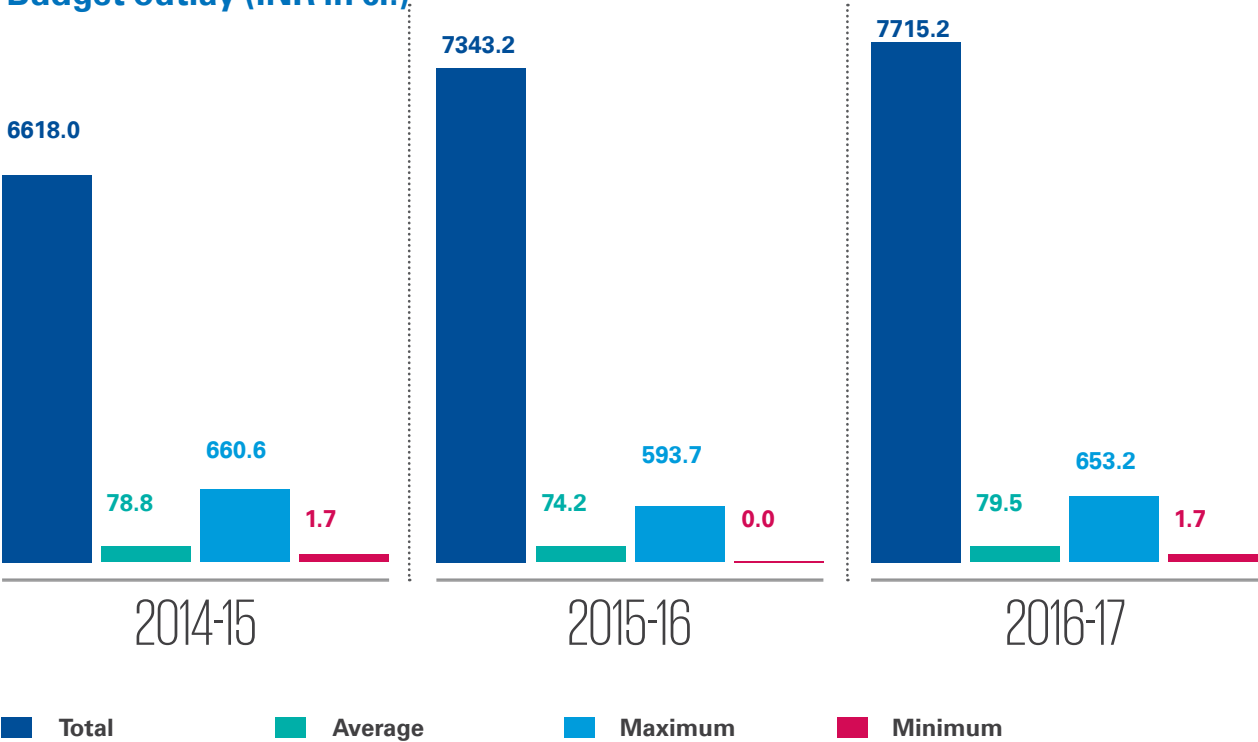
### Prescribed expenditure (INR in cr.)



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

- Against the prescribed CSR amount, companies have committed INR7715 cr. to be spent during 2016-17, up by 17 per cent as compared to 2014-15.
- The average amount committed to be spent during 2016-17 per company is INR79.5 cr., up by over 7 per cent as compared to 2015-16.

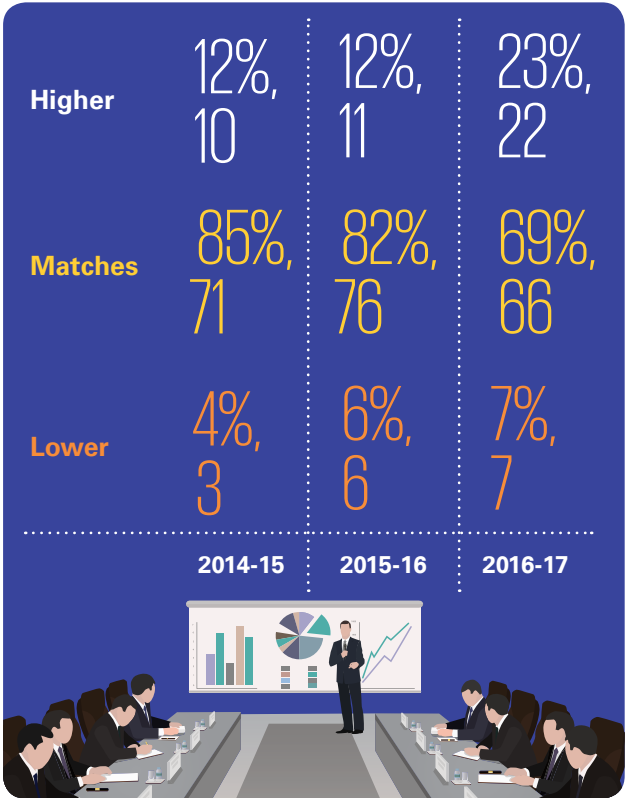
Budget outlay (INR in cr.)



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

- During the current year, it is interesting to note that 22 companies have committed a higher CSR budget outlay as compared to 10 companies during 2014-15. The total CSR budget outlay of these 22 companies is INR2424.95 cr.
- This is the same trend when we evaluate the companies that have made lesser commitments as compared to prescribed CSR amount i.e. against three companies during 2014-15, seven companies have committed lesser amount than the prescribed 2 per cent CSR budget, which is to the tune of INR167 cr.

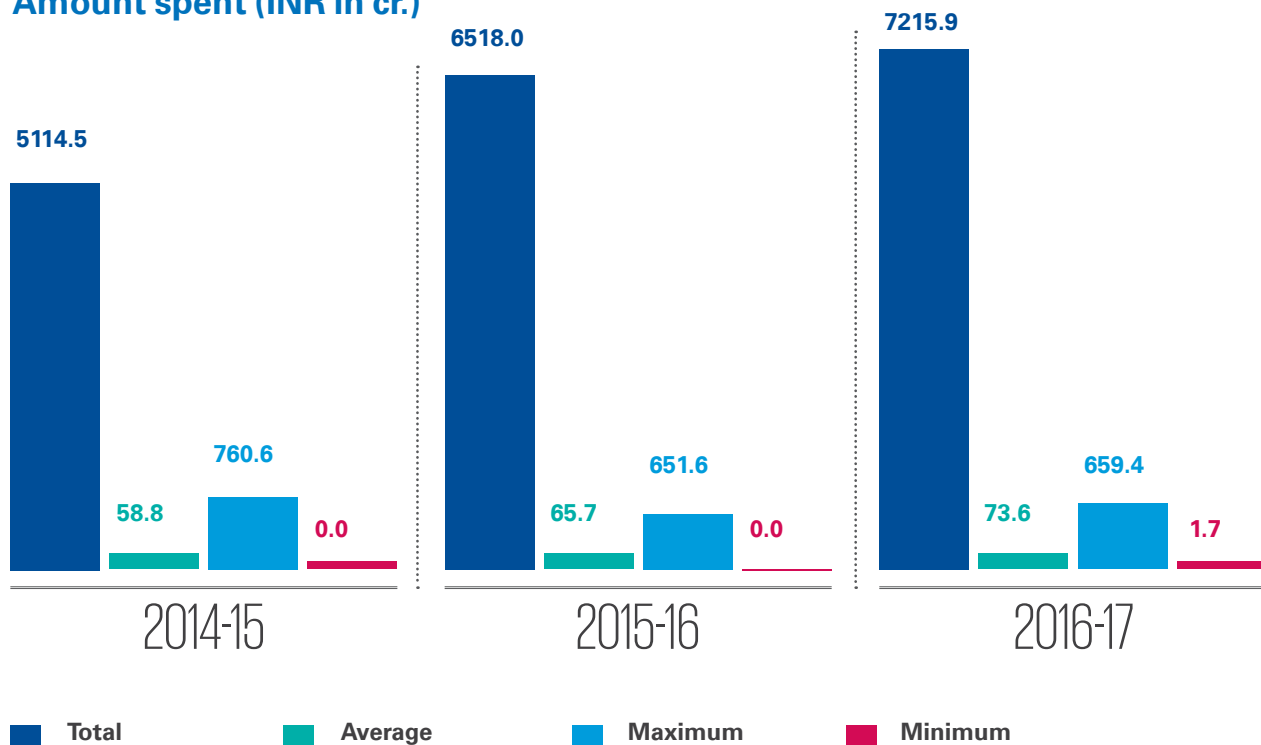
Amount to be spent versus prescribed expenditure



### Amount spent against the prescribed 2 per cent CSR amount

- During the current year, companies have spent INR7215.9 cr. which is 41 per cent higher as compared to 2014-15. This is a significant rise, clearly demonstrating higher expenditure towards CSR activities from the mandated year.
- The amount spent during current year ranges from a minimum of INR1.67 cr. to a maximum of INR659 cr. (Only profit making companies considered)

### Amount spent (INR in cr.)

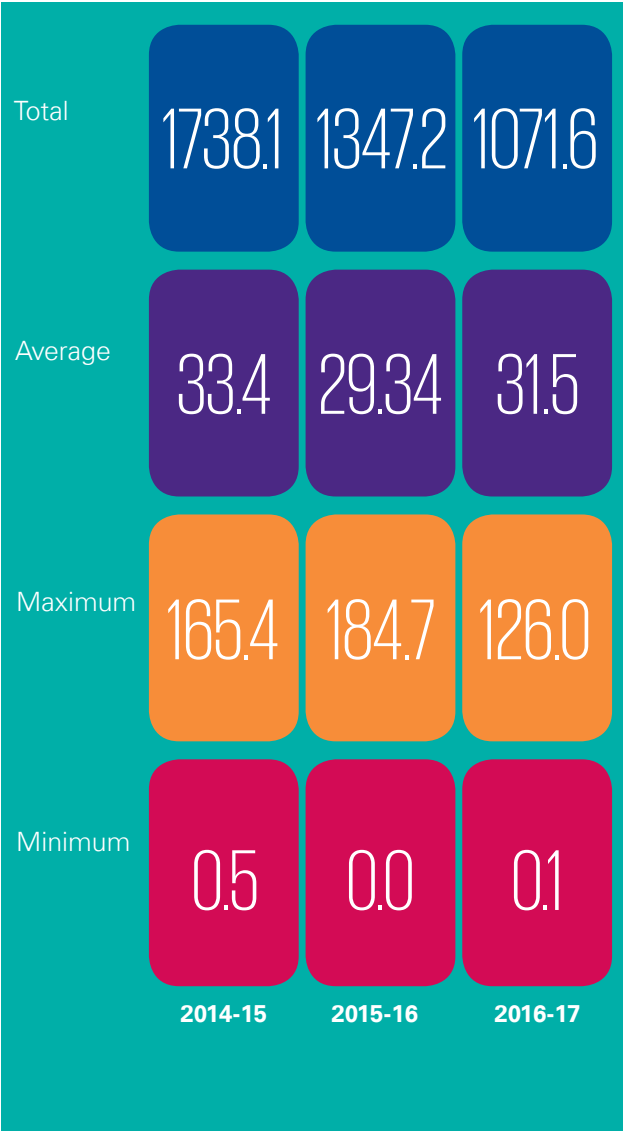


Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.



- It is noteworthy to mention that the average spending per company has also gone up to INR73.6 cr. compared to INR58.8 cr. during 2014-15, up by 25 per cent. It is also remarkable to note that the total amount unspent has reduced by INR666 cr. (i.e. from INR1738 cr. in 2014-15 to INR1072 cr. during 2016-17).

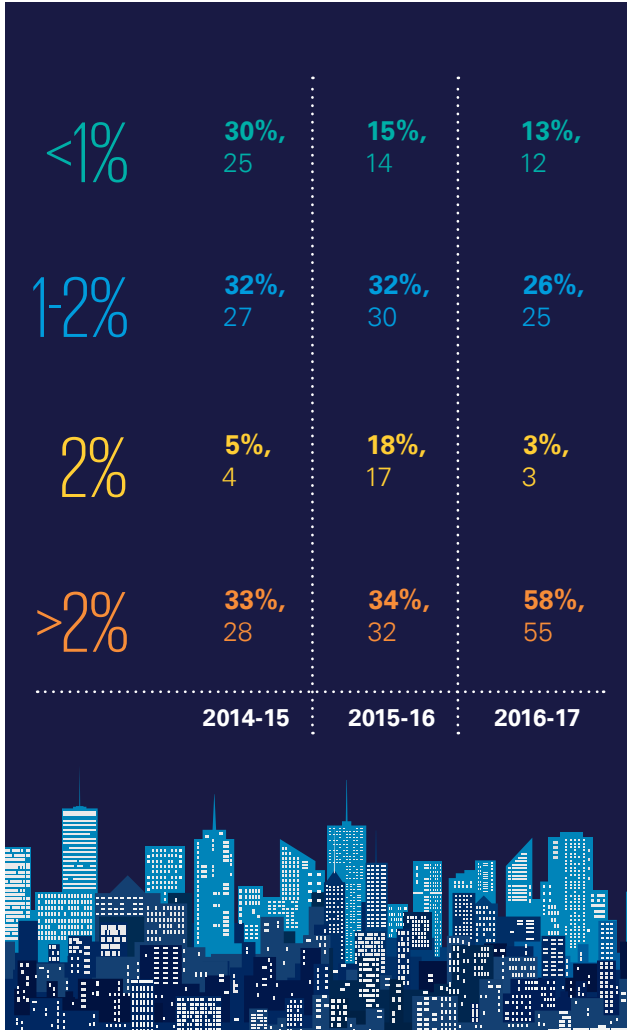
Unspent amount (INR in cr.)



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

- The number of companies that have spent less than 2 per cent has also substantially come down from 52 companies in 2014-15 to 37 companies during 2016-17.
- Against the 25 companies that had spent less than 1 per cent of the prescribed CSR amount during 2014-15, only 12 have spent less than 1 per cent during 2016-17, a substantial improvement by 52 per cent.
- 58 companies have spent 2 per cent or more during the current year, as compared to only 32 companies during the first year of requirement (2014-15), which is again a striking improvement of 81 per cent over last three years.
- This is an indication of N100 companies getting familiar with the requirements of Act and also getting the internal controls in place, a major reason why companies were not able to spend the required amount during the previous year.

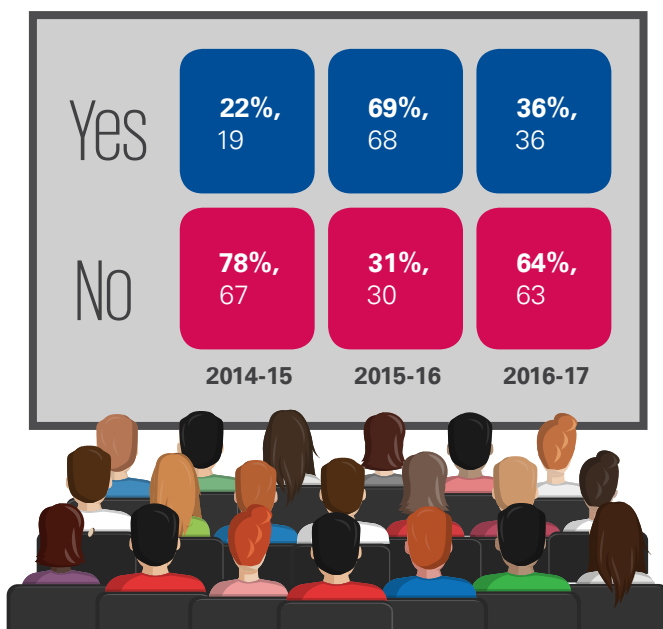
Amount spent versus prescribed expenditure



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## Separate reporting on direct and overhead expenses on projects

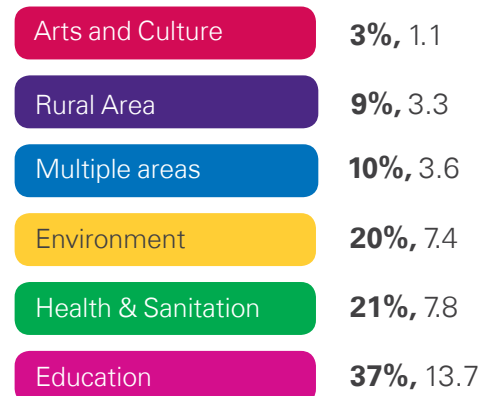
- Disclosing project direct and overhead expenses in the prescribed format is a mandatory requirement as per the Act.
- During the current year only 36 companies have disclosed direct and overhead expenditure towards CSR projects. There is a significant drop in the number of the companies that have disclosed the direct and overhead expenditure separately as compared to previous year. This is critical considering this is non-compliance to the requirement as stipulated by the Act.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

- It is interesting to note that the overhead expenditure towards health and environment related CSR activities have reduced as compared to previous year. It will be difficult to make a judgment if this is a reflection of improved project management skills or transparency in reporting by N100 companies.
- The project overhead expenditure have remained static in case of rural development projects, which are usually holistic in nature and has a larger overlap with other Schedule VII activities.
- However, overhead expenditure towards education continues to be the highest at 37 per cent and has increased by over 30 per cent as compared to the previous year.

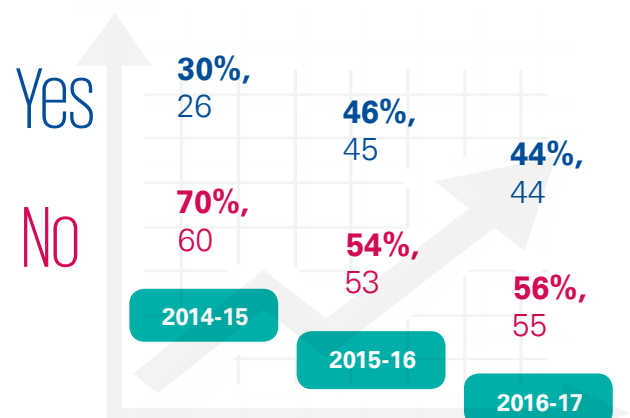
## Project overheads according to Schedule VII areas



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

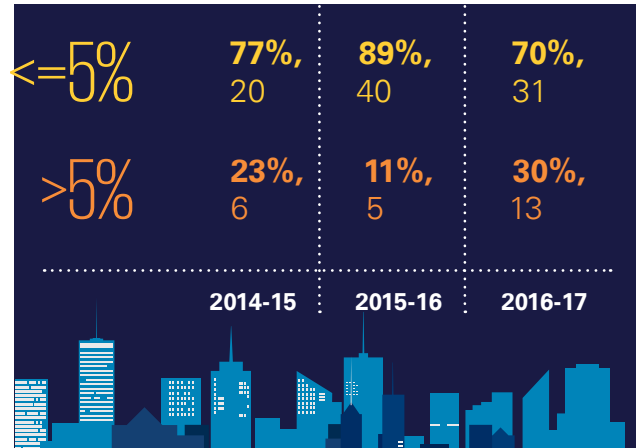
## Separate reporting on admin expenses

- The Act allows companies to spend a maximum of 5 per cent as admin expenses, against their annual expenditure on CSR.
- 44 companies have given details regarding administrative expenses during the current year, which is a good indication as compared to 26 companies in 2014-15. However, this still remains a concern wherein more than half of the companies (55) still do not disclose details regarding admin expenses.



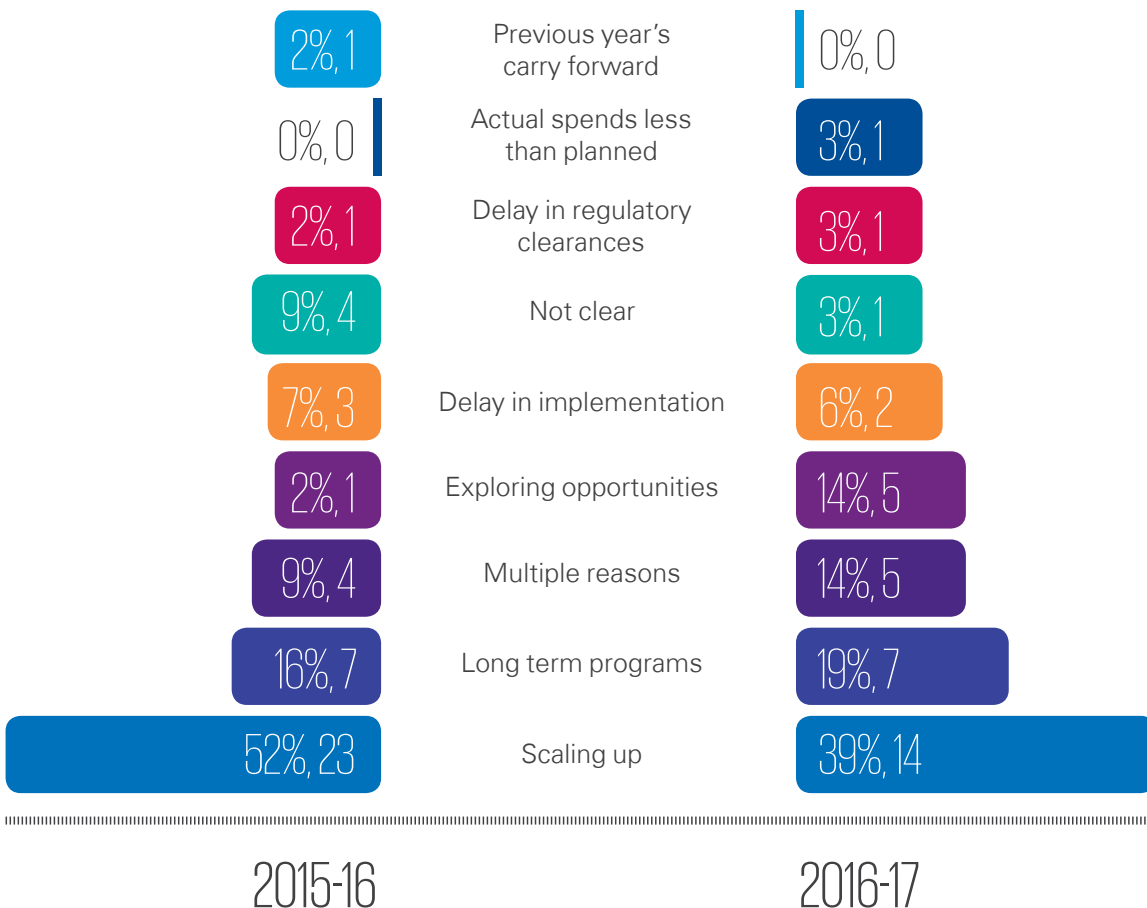
Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

- Of the companies that have disclosed details regarding admin expenses, 30 per cent companies have spent more than the permissible than 5 per cent towards admin expenses, which is critical considering this is non-compliance to the requirement as stipulated within the Act.



### Reason for not spending the 2 per cent CSR amount

- During the current year, 37 companies have spent less than the prescribed CSR amount towards CSR, and thus, were required to provide an explanation/reason for not being able to spend the amount. 36 companies have provided a reason/ explanation statement.
- More than 50 per cent companies have stated 'scaling up the projects or exploring opportunities' followed by 16 per cent companies stating 'long term projects' as the reason for not being able to spend the prescribed 2 per cent CSR amount. Almost 10 per cent companies blame the same on approval processes or delay in implementation.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

# CSR project management

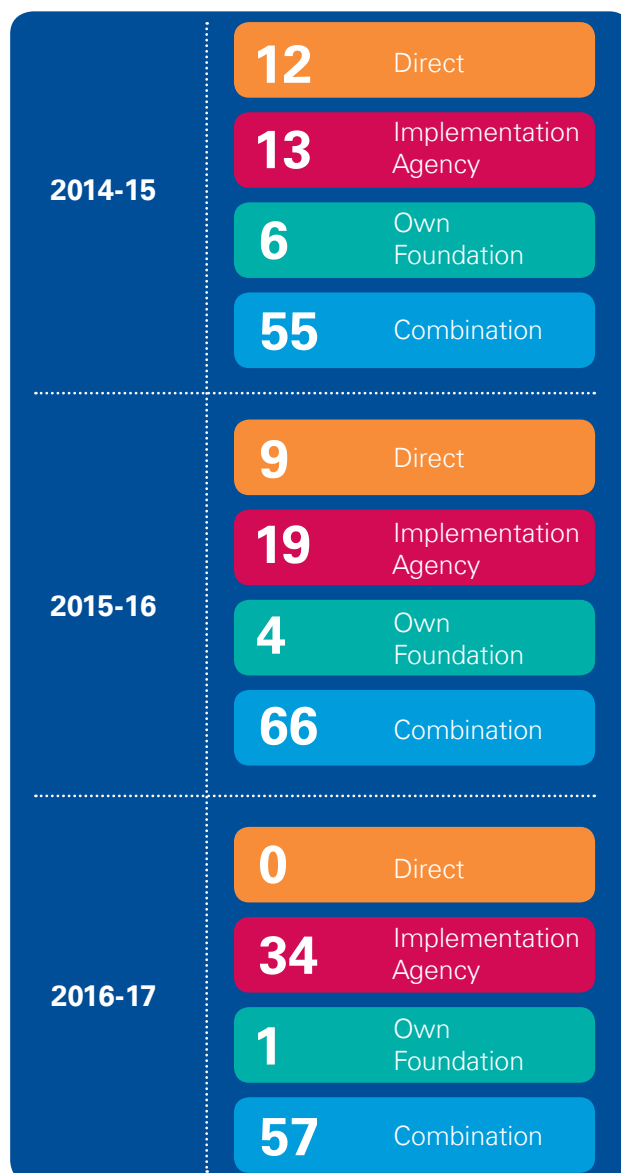


The Act mandates that companies must implement the activities in project mode. It provides flexibility to implement the project directly, through own foundation, implementing partner, or through a combination of all.

This section analyses the project management aspects such as the mode of implementation, geographical area of intervention, and treatment of un-utilised funds.

## Implementation modality of the CSR programme

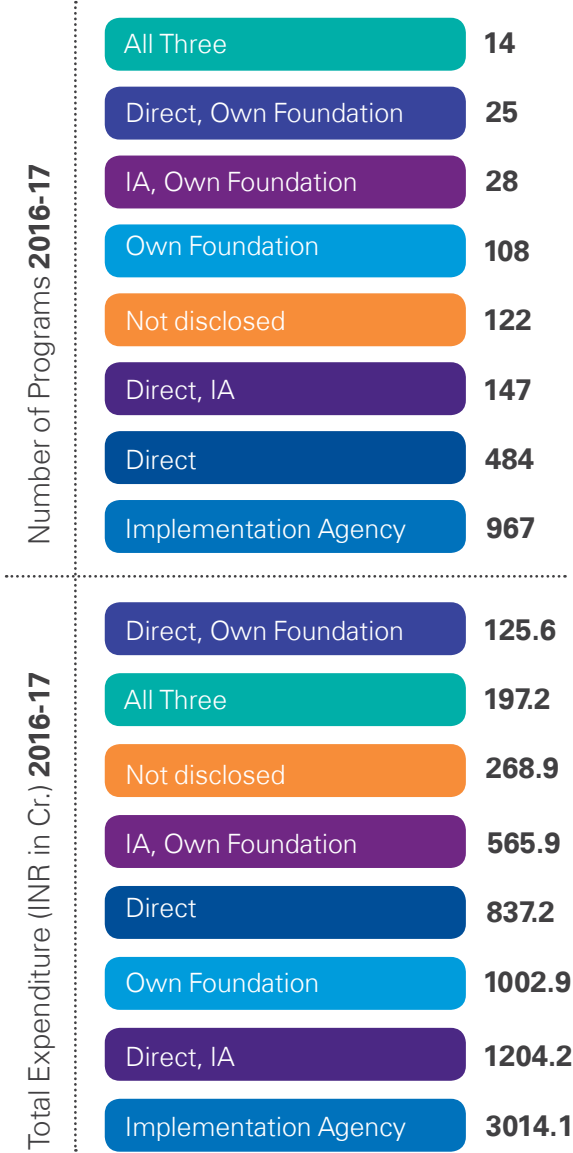
- 92 companies of N100 have clearly disclosed details regarding their mode of implementation.
- During the current year, exclusive implementation with the support of external implementing agencies is reported by 34 companies against 19 during previous year, an upward trend of 79 per cent.
- Against 18 companies that implemented its CSR projects directly or exclusive through own foundation in 2014-15, only one company has reported to have chosen this mode of implementation during 2016-17, an increased dependability on implementing agencies. There is an upward trend of working with not-for-profit entities by the companies compared to the last two years.
- In the current year, 57 companies implemented their CSR projects through a combination of direct implementation, own foundation or implementing partners.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

Mode of implementation and CSR expenditure

- A total of 1895 projects were implemented during the current year. 967 projects were executed through the implementing agency with an expenditure to the tune of INR3014 cr., highest among all mode of implementation. Although the number of projects executed exclusively through implementation agency is highest including the expenditure, the average project cost amounts to only INR1.7 cr., which is the least among all the other modes of implementation.
- 484 projects were executed directly by the companies and 108 through their own foundations, with an expenditure to the tune of INR1840 cr. It is interesting to know that though the number of projects implemented exclusive by companies through their own foundations are fewer as compared to the others, the average project cost stands to be highest at INR9.3 cr.

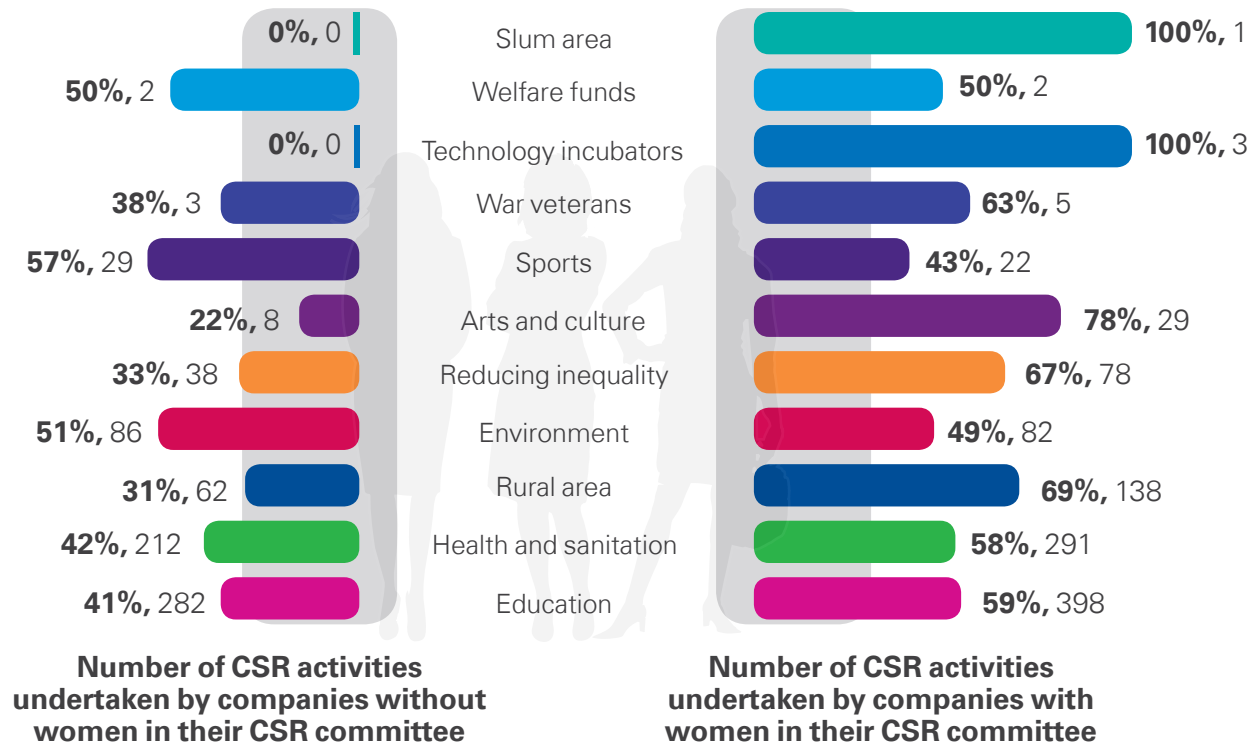


Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## CSR and diversity

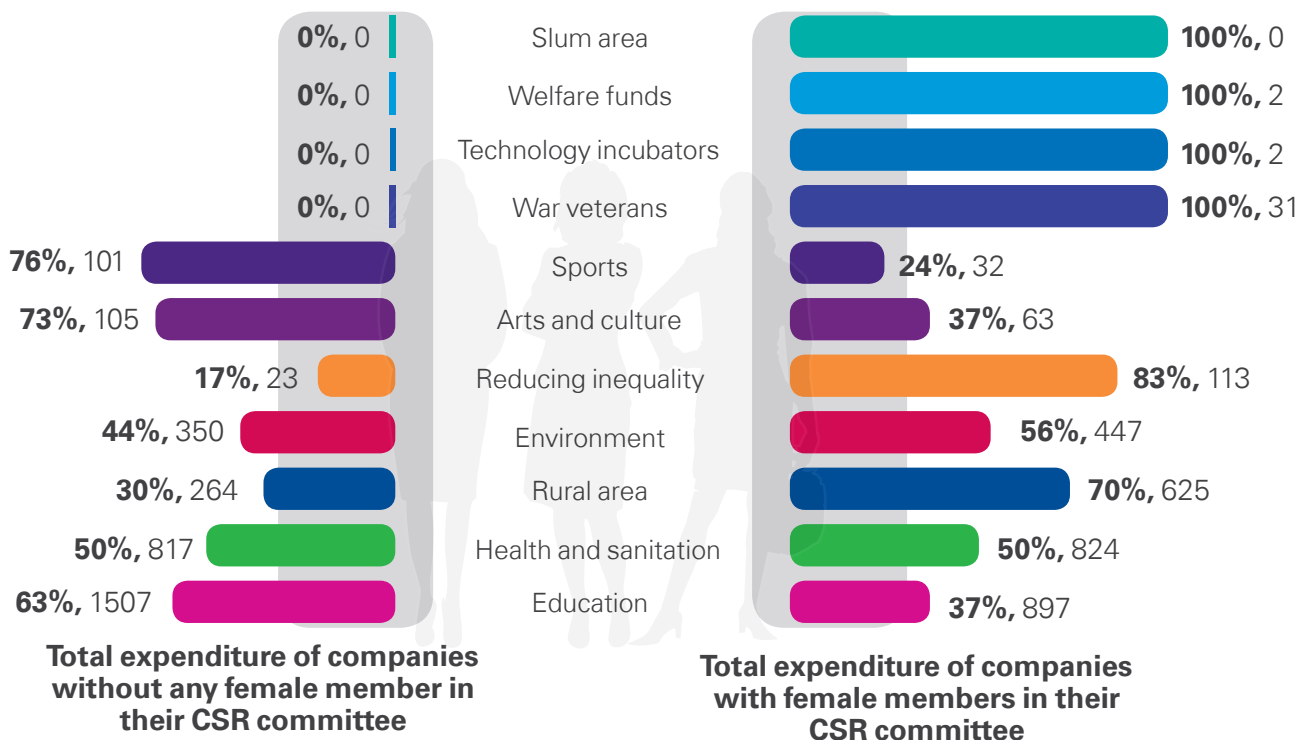
- Companies with women representation had more programmes and expenditure incurred towards reducing inequality.
- 67 per cent of total activities in the thematic area of reducing inequality were pursued by companies having women representation in the CSR committee.

companies having women representation in the CSR committee. Similarly, 83 per cent of total expenditure in the thematic area of reducing inequality were pursued by companies having women representation in the CSR committee.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

Note: Out of 116 activities done to reduce inequality, 67% of the activities has been done by companies with female members in their CSR committee.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

Note: Out of 136 cr. spent on reducing inequality, 83% of it has been spent by companies with female members in their CSR committee.

## Schedule VII-wise focus of companies

- During current year, education and healthcare account for over 56 per cent (INR4045 cr.) of the total spends towards CSR (INR7215.9 cr.), which is less by 2 per cent as compared to 2015-16.
- Expenditure towards education has increased by over 92 per cent over the last 3 years i.e. from INR1249 cr. (2014-15) to INR2404 cr. (2016-17).
- It is noticed that after having received highest traction for the last two years, in 2016-17 healthcare has moved to second position in the order of CSR expenditure, less by 24 per cent as compared to last year.
- N100 companies have increased their CSR expenditure over three-fold in arts and culture from INR49 cr. in 2014-15 to INR168 cr. in 2016-17 and for sports from INR48 cr. in 2014-15 to INR133 cr. in 2016-17.
- Most surprisingly, after receiving less than 1 cr. over the last two years, the CSR Schedule VII activity linked to 'war veterans' has picked up momentum and has seen a CSR expenditure of INR31 cr., which is the highest in the past three years.
- N100 companies have reduced their contribution to PM relief fund to only INR2 cr. during 2016-17 compared to INR56 cr. in 2014-15 (the first year of mandate). CSR projects for slum development, technology incubators and PM relief fund bottom the list with less than 10 projects to the tune of INR5 cr.
- Interestingly, the average project cost is highest in case of environment, art and culture, and rural development approximately to the tune of INR4.5 cr.



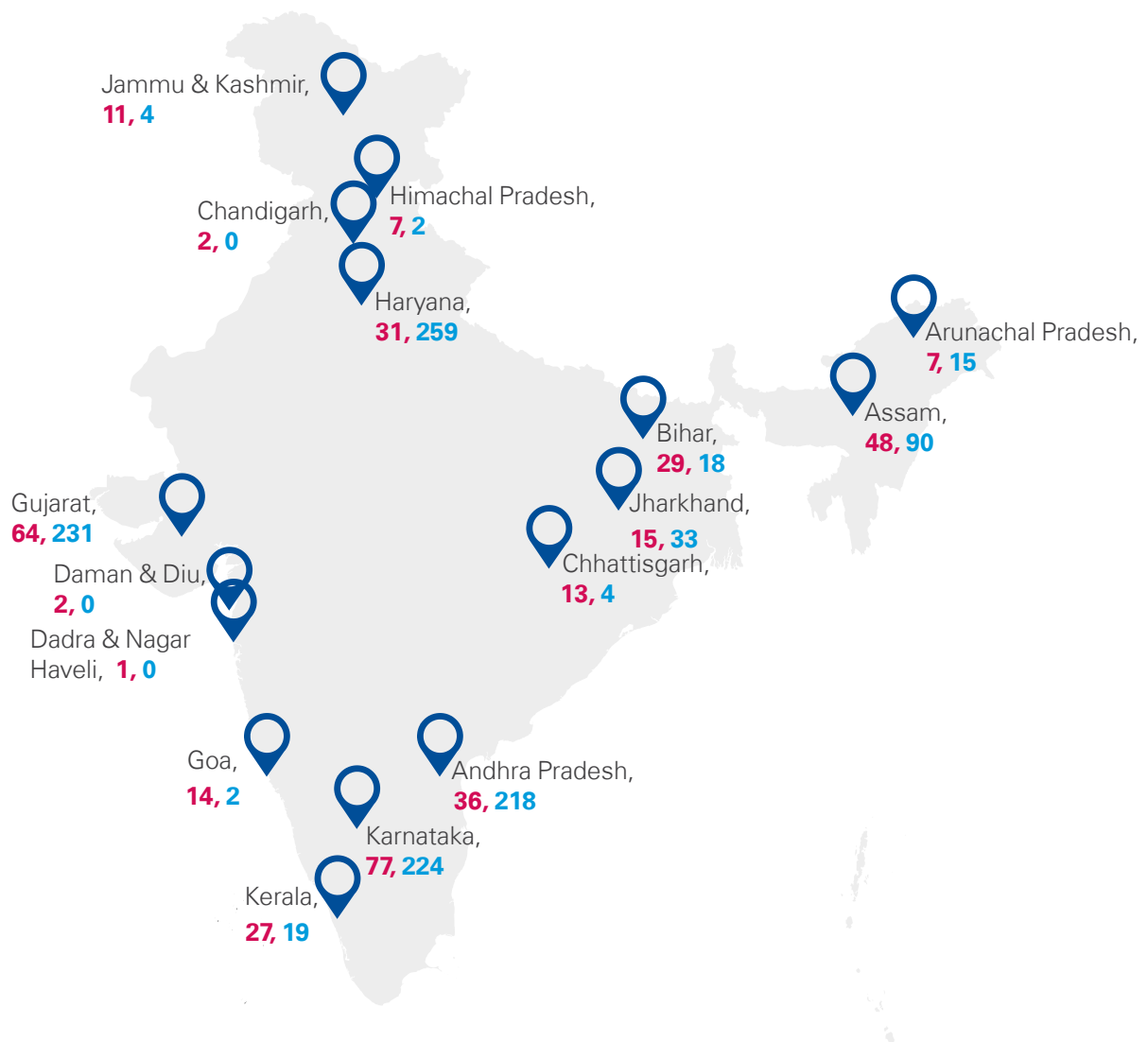
**Total expenditure (INR in Cr.)**

**Number of activities**

Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## State-wise focus of companies

- During the current year Maharashtra, Uttar Pradesh, Tamil Nadu, Karnataka and Odisha have the highest number of CSR projects to the tune of 32 per cent (629). Maharashtra continues to top the list for three years in a row.
- Andaman and Nicobar Islands, Lakshadweep, Manipur, Tripura, Chandigarh, Daman and Diu, Dadra and Nagar Haveli continues to receive least attention with less than 10 projects combined.
- While we look at Top 10 states in 2014-15, 1249 projects were implemented by N100 companies which reduced to 838 during 2015-16, which was considered a positive indicator wherein the corporates had started more focused projects rather than spreading too thin. However, during the current year (2016-17) over 907 projects were implemented by N100 companies in Top 10 states, an increase of over 8 per cent as compared to the previous year. The increased number can be directly attributed to the increase in CSR expenditure during current year.

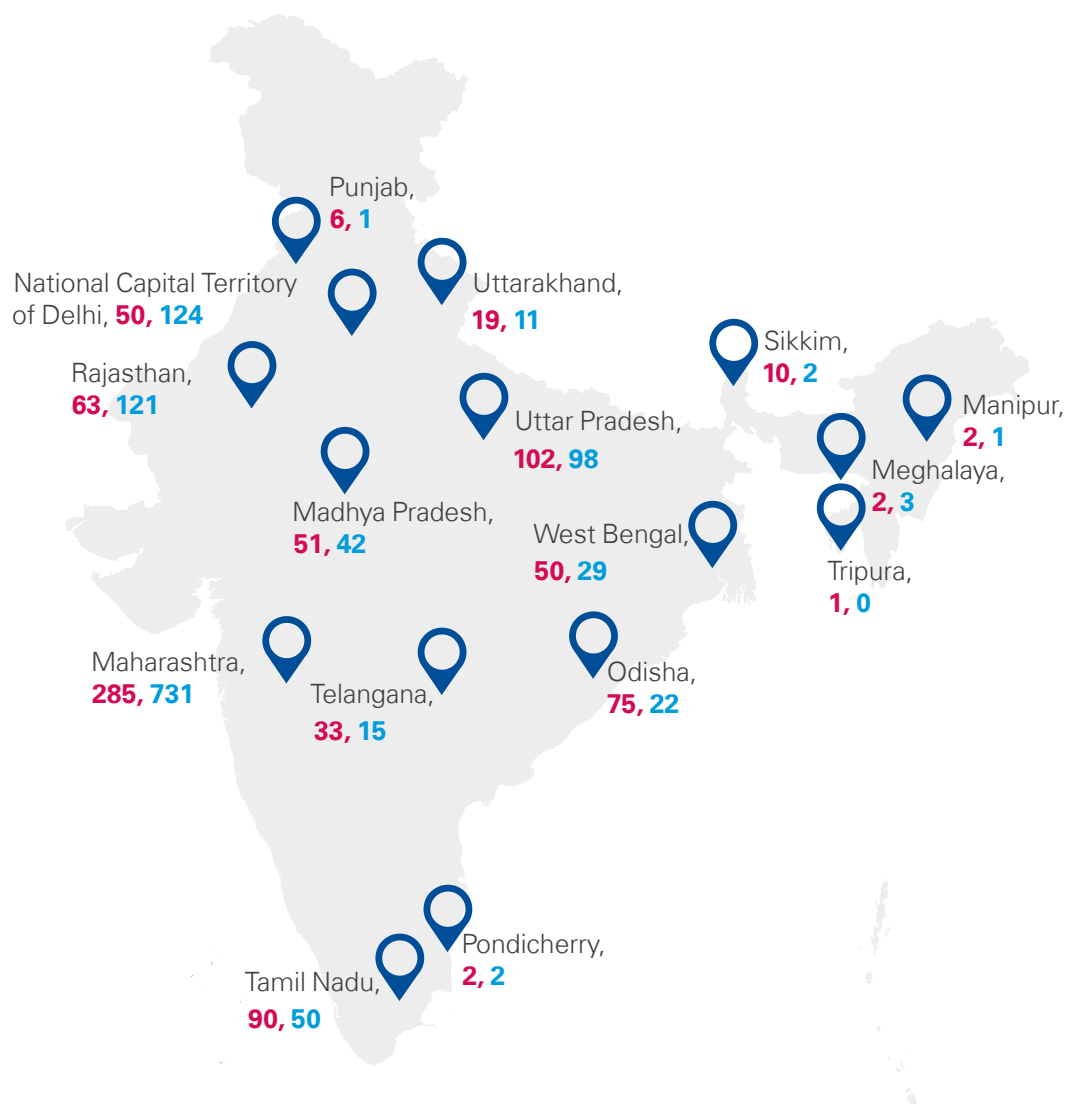


■ Number of programmes  
■ Total expenditure (INR in Cr.)

Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## State wise focus of companies continued

- North-eastern states have received traction during current year with over 70 projects which is 51 per cent higher as compared to 2014-15.
- Maharashtra has the highest number of projects followed by, Uttar Pradesh and Tamil Nadu.
- Maharashtra, Haryana and Gujarat have received the highest funding from CSR.
- It is interesting to note that the average project cost is highest in Haryana (INR8.4 cr.) followed by Andhra Pradesh (INR6 cr.) and Gujarat (INR3.6 cr.).
- During the current year 33 per cent CSR expenditure was clearly tagged to State/UT, as compared to only 5 per cent CSR expenditure during 2015-16.

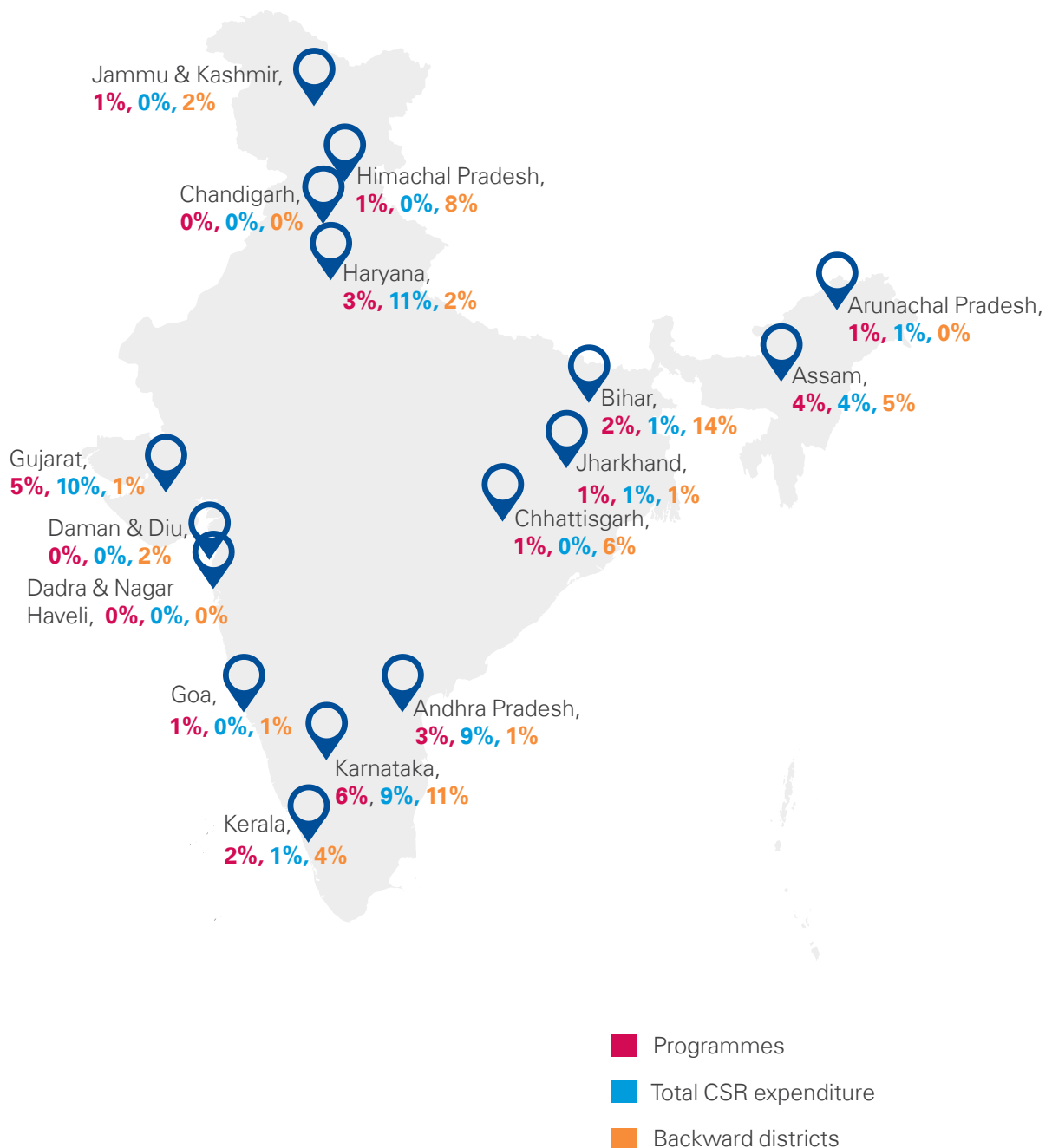


- Number of programmes
- Total expenditure (INR in Cr.)

Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## CSR expenditure in the backward districts of India

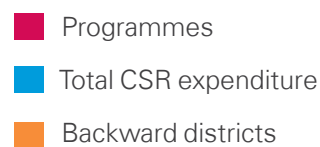
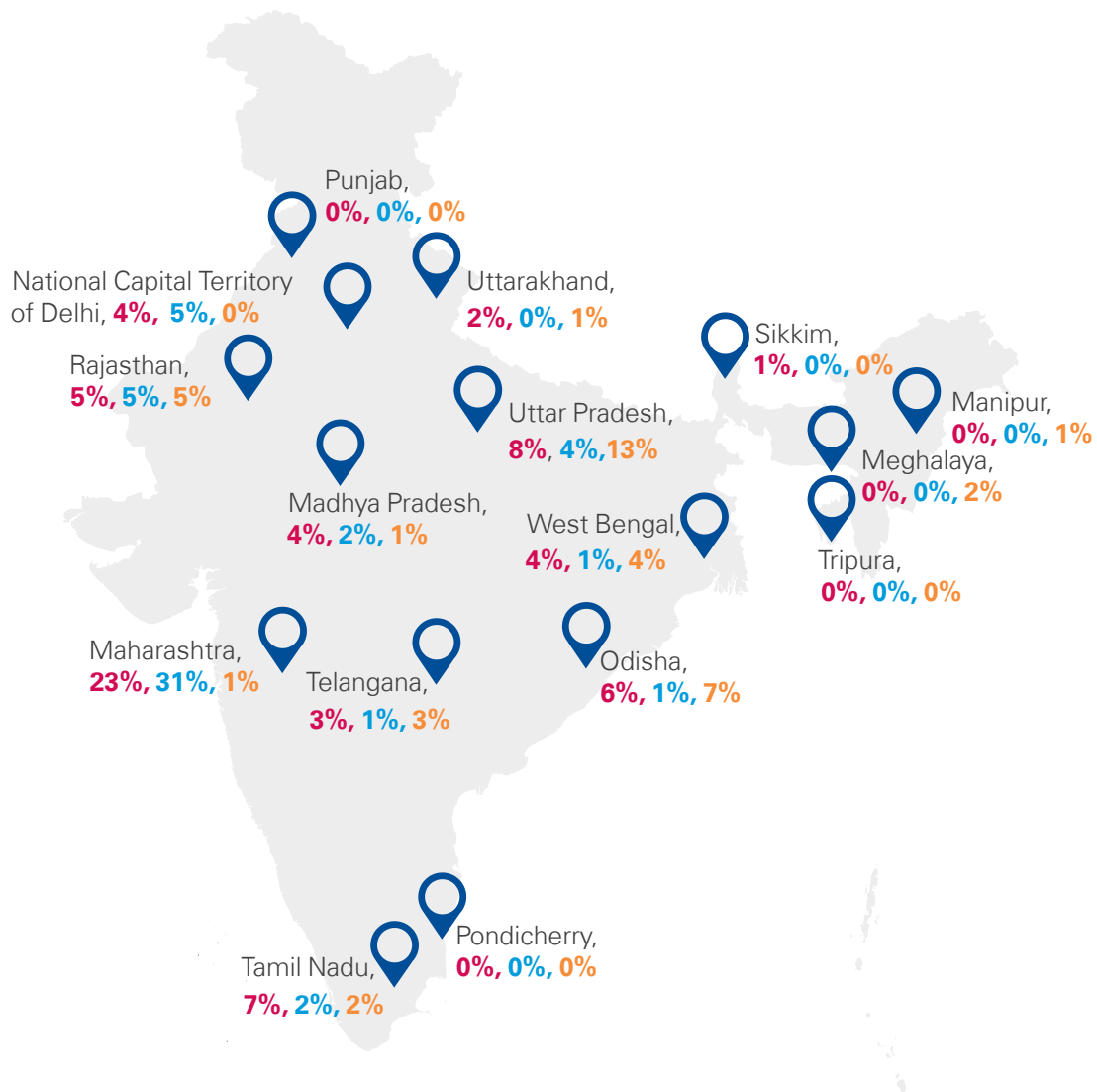
- As per census 2011 (Source: <http://censusindia.gov.in> - Census of India 2011), India has a total of 640 districts of which 43 per cent (272) are backward districts as per Ministry of Rural Development, Government of India.
- Bihar (38), Uttar Pradesh (35), Karnataka (30), Himachal Pradesh (23), Odisha (20) and Chhattisgarh (15) account for more than 60 per cent of the backward district concentration across India. However, it is critical to note that it accounts for only 15 per cent of CSR projects and 15 per cent of expenditure towards CSR during current year.
- Maharashtra, Haryana, Gujarat, Karnataka and Andhra Pradesh account for more than 70 per cent of the CSR expenditure during current year. However, it has only 15 per cent backward district concentration.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## CSR expenditure in backward districts of India continued

- Maharashtra, Haryana, Gujarat, Karnataka and Andhra Pradesh account for more than 70 per cent of the CSR expenditure during current year. However, it has only 15 per cent backward district concentration.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

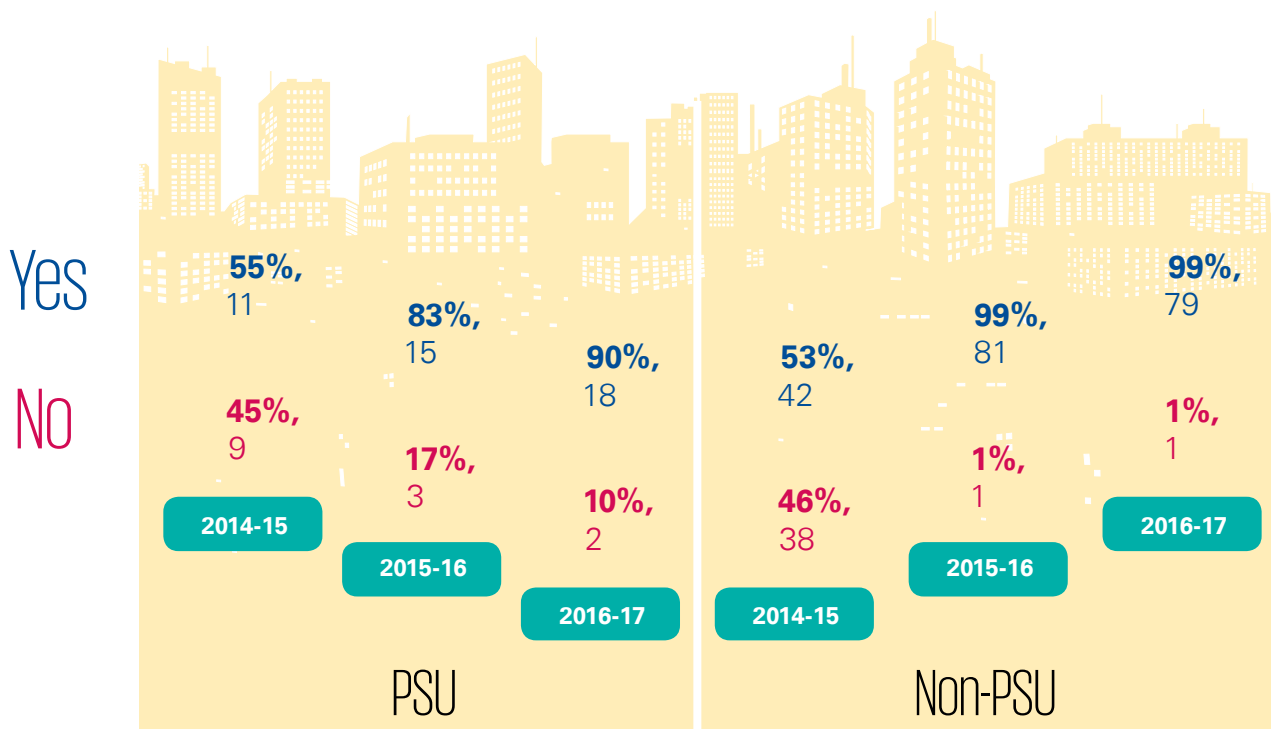
# CSR at PSU and non-PSU companies



This section analyses CSR related aspects such as governance, spends and project management of Indian origin and non-Indian origin companies. 20 of the N100 companies are of PSU and remaining 80 are non-PSU companies.

## CSR policy

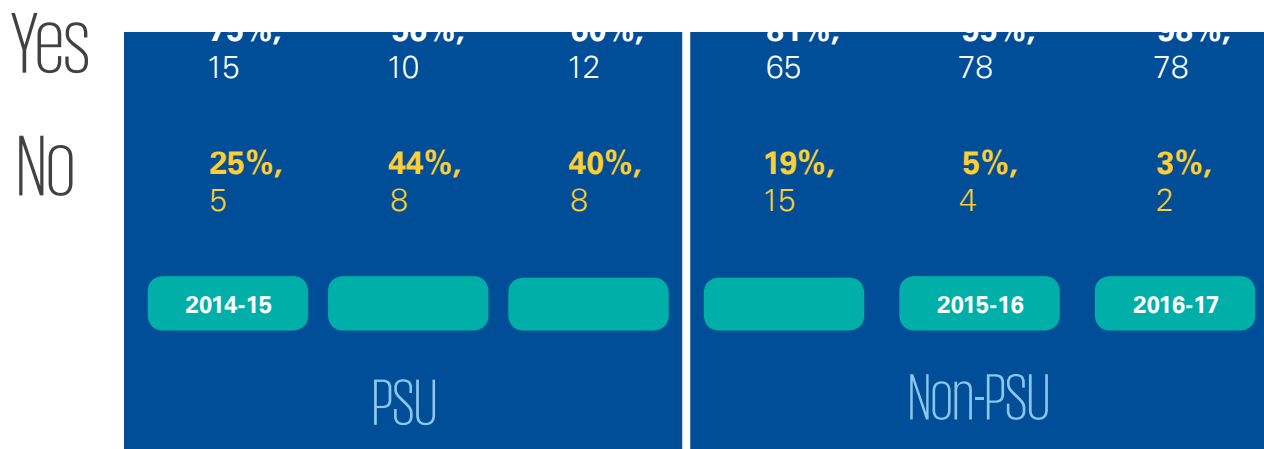
- The Act mandates companies to include areas of intervention in their CSR policy. 90 per cent PSUs have included the same in their CSR policy during current year compared to only 55 per cent during 2014-15, up by over 64 per cent. Almost all (99 per cent) non-PSU companies have disclosed these details compared to only 53 per cent during 2014-15, up by over 87 per cent.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

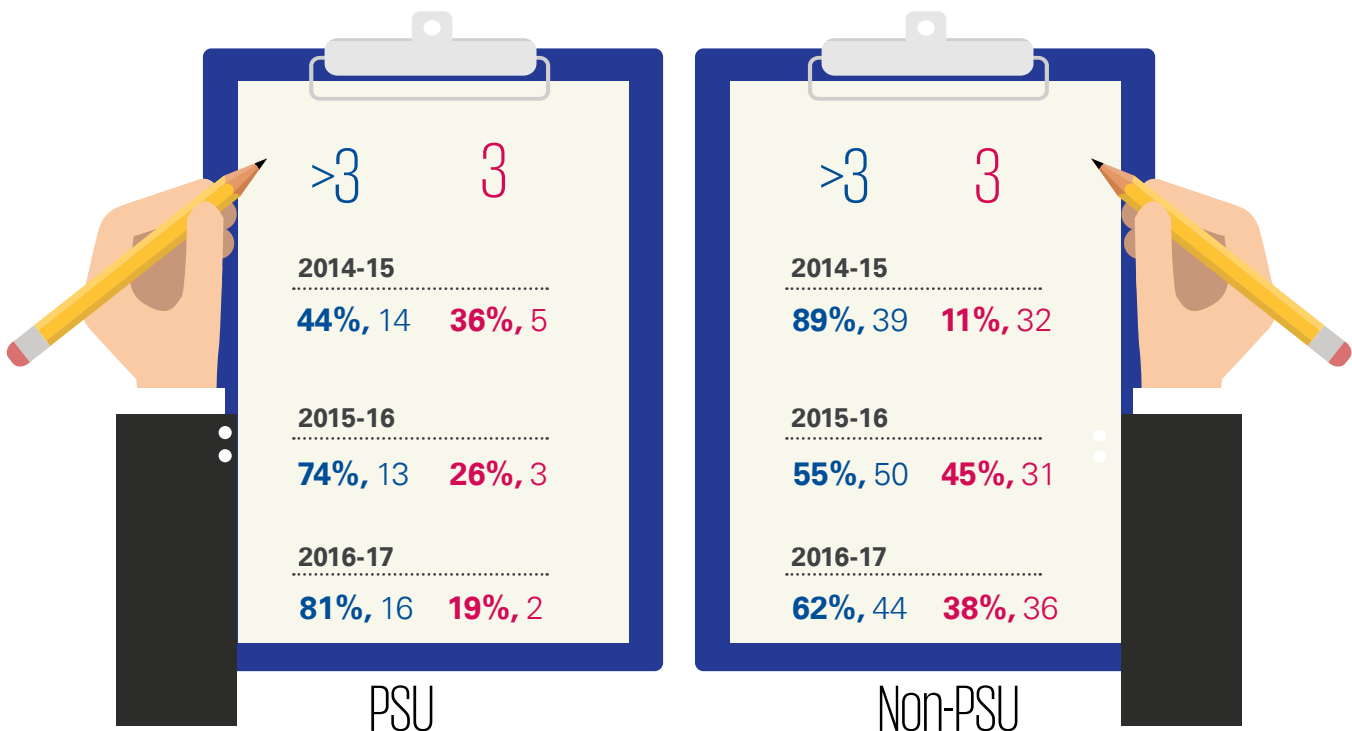
## CSR committee

- 60 per cent PSU companies have a stand-alone CSR committee during current year, compared to 75 per cent during 2014-15. At the same time it is worth mentioning that almost all non-PSU companies (98 per cent) have a stand-alone CSR committee.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

- 89 per cent PSU companies have more than 3 members on the CSR committee as compared to 55 per cent in the case of non-PSU companies. This indicates that more number of PSU companies have chosen to go beyond the compliance requirement by appointing greater than three members on the CSR committee. Though, the number of members in CSR committee at PSU companies is higher, the representation of women members is significantly lesser to that of non-PSU companies.



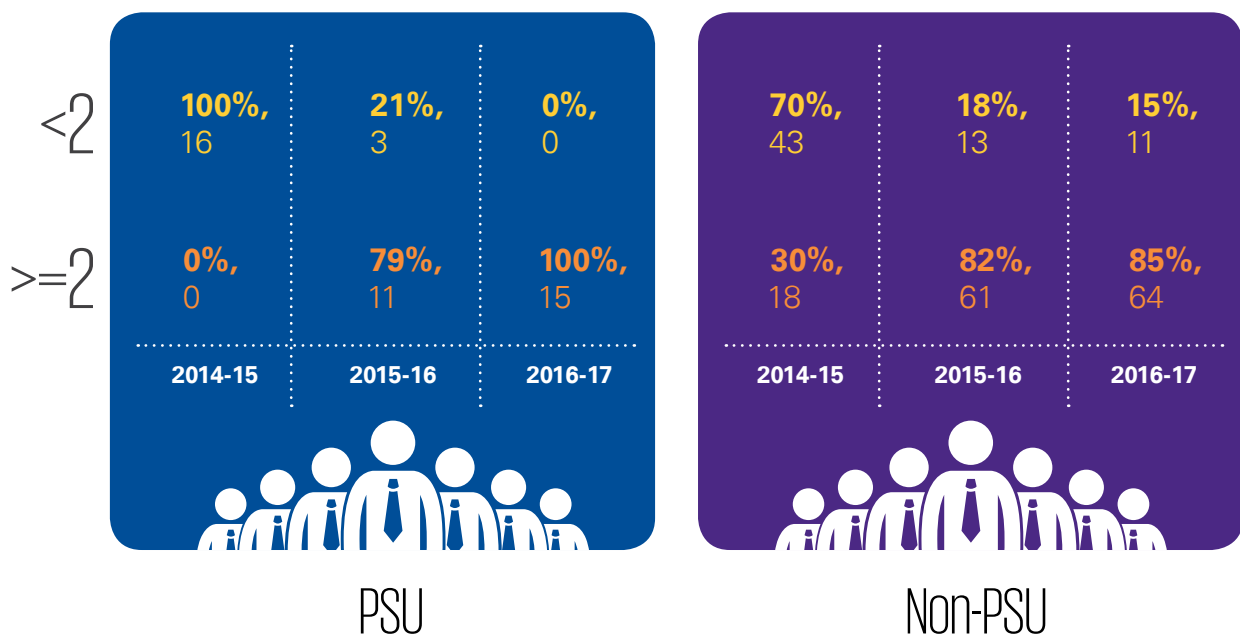
Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

- Though, the number of members in CSR committee at PSU companies is higher, the representation of women members is significantly lesser to that of non-PSU companies.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

- 100 per cent of PSU companies have held two or more CSR committee meetings, from nil compared 2014-15. 85 per cent non-PSU companies have held 2 or more meetings, an increasing trend of over 255 per cent compared to 2014-15.

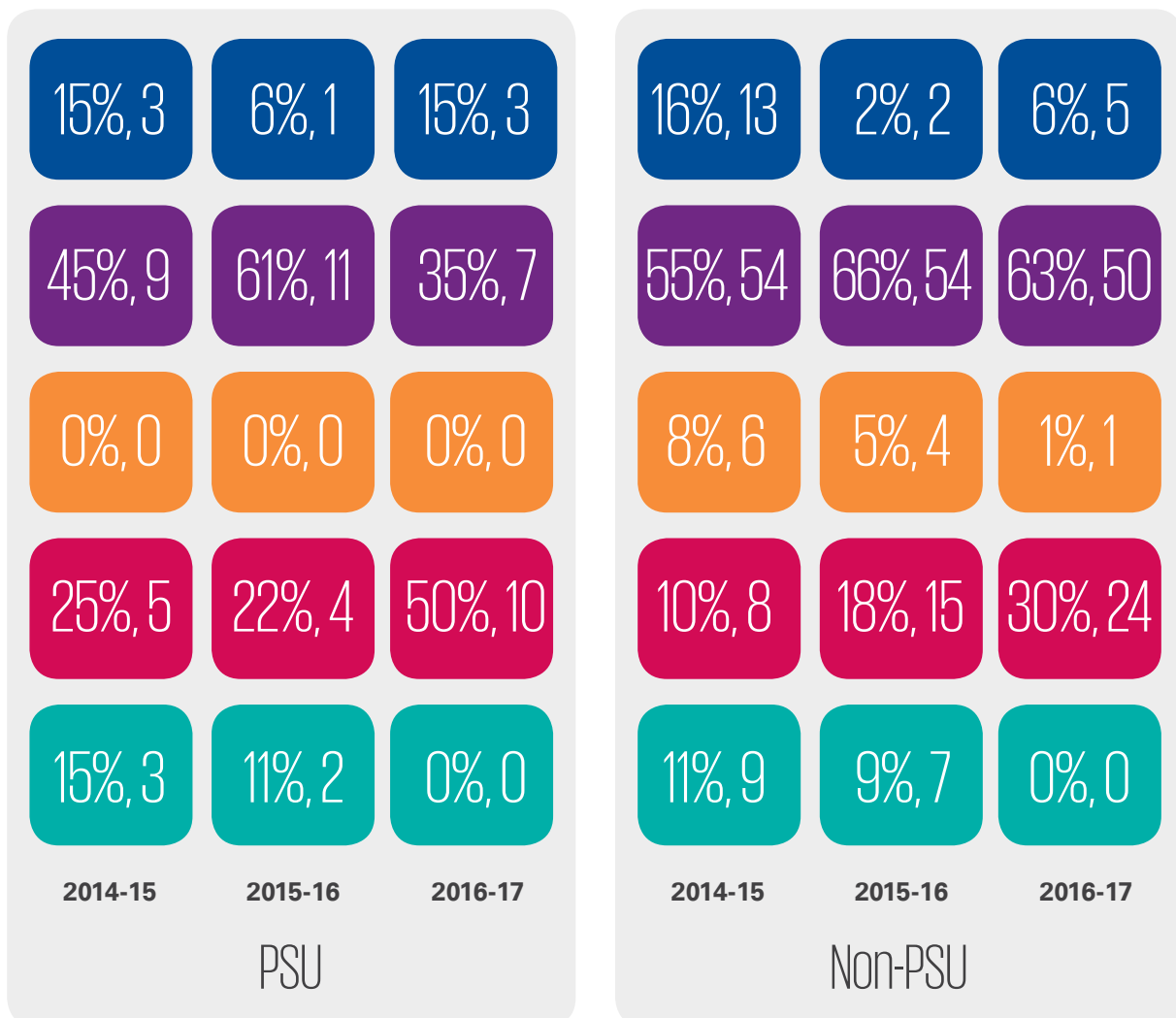


Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## Mode of implementation

- During the current year, a trend in a preference for executing projects exclusively through implementing partners is seen in case of both PSU and non-PSU companies. However, preference for this option is sharper in case of PSU companies with 50 per cent companies choosing the same in year 2016-17 compared 25 per cent in 2014-15.
- 35 per cent PSU companies have reported to have implemented CSR projects through

a combination of directly through their own foundations and implementing agencies, against 61 per cent during the year 2015-16. During the current year, 63 per cent non-PSU companies have implemented projects through a combination of these options as compared to 55 per cent in 2014-15. However, the presence of a foundation and expenditure through it seems to be primarily missing in case of PSU companies.

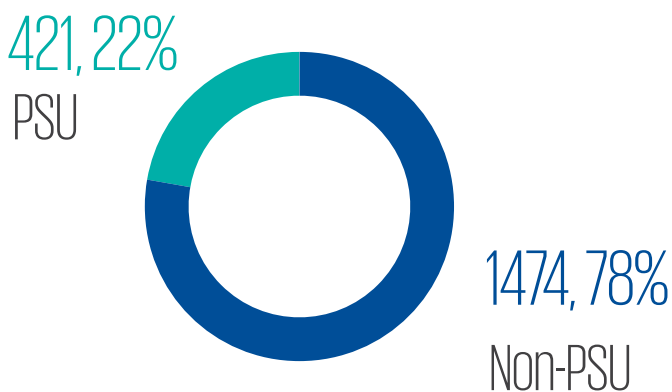


■ NA ■ Combination ■ Own foundation ■ Implementation agency ■ Direct

Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

- 421 projects (22 per cent) were executed by PSU which account for 31 per cent of the total CSR expenditure during the current year. In case of non-PSU companies, 1474 projects (78 per cent) were executed with an expenditure to the tune of 69 per cent. It is interesting to know that the average project cost is higher in case of PSU (INR5.1 cr.) against INR3.2 cr. for non-PSU companies.

### Number of projects



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

### CSR spend by PSU companies

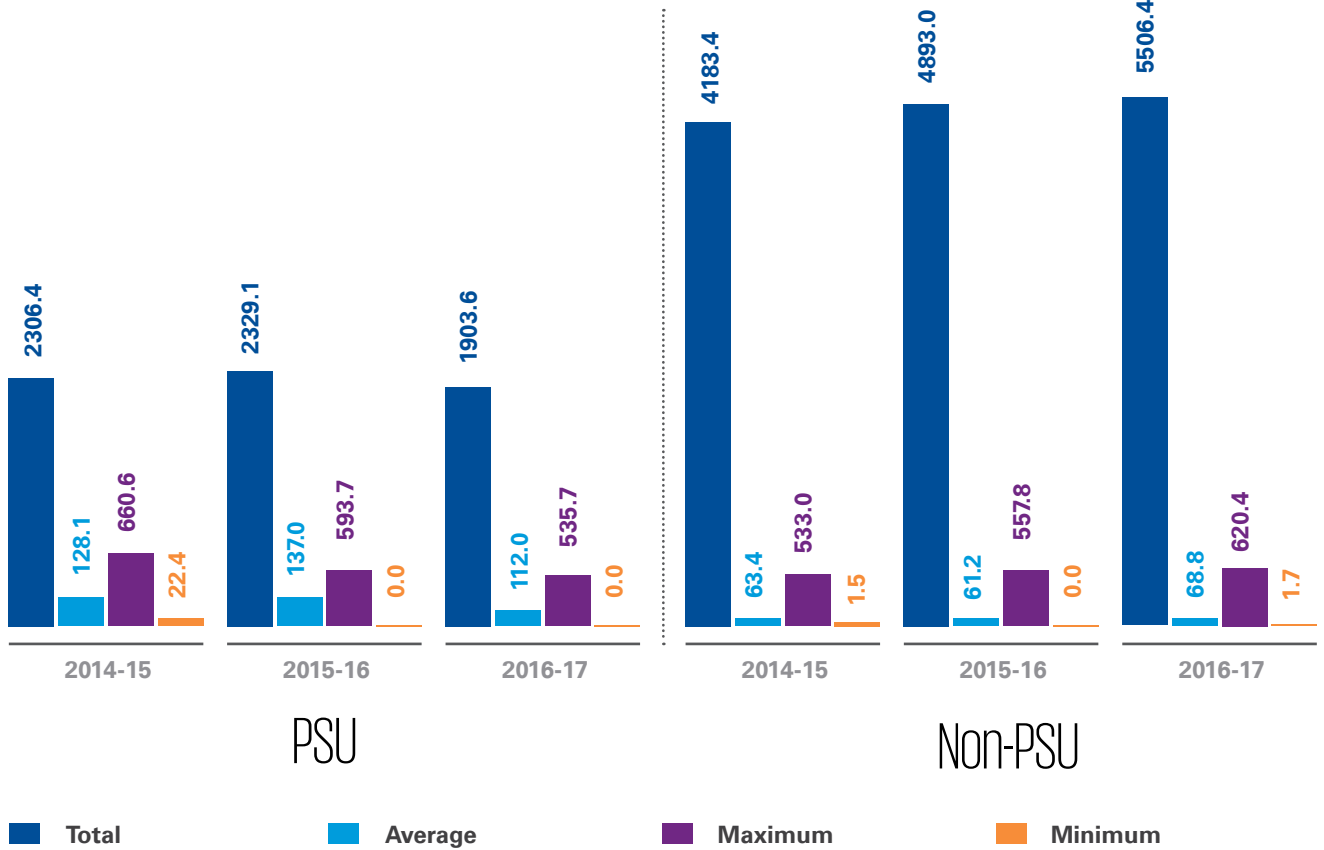
- Against the average prescribed CSR expenditure, PSU companies had spent only 71 per cent during 2014-15 which has increased to 100 per cent during current year.
- During 2014-15, PSUs had committed 105 per cent towards CSR expenditure (budget outlay) which has increased to 117 per cent during current year. This can be largely due to requirement for PSUs to carry forward the unspent amount to the subsequent year, which is not the case for non-PSU companies.
- Although the number of PSU companies has not reduced, the prescribed CSR expenditure of PSU companies during current year has decreased by 17 per cent from INR2306.4 cr. in 2014-15 to INR1903.6 cr. in 2016-17.
- It is interesting to note that against the prescribed CSR expenditure, PSU had spent only 71 per cent during 2014-15. However, there is a significant increase during current year with a spent to the tune of 112 per cent (against the requirement to spend INR1903 cr. they have spent INR2127 cr.).

### CSR spend by non-PSU companies

- The prescribed CSR expenditure of non-PSU companies during current year has increased by 32 per cent from INR4183.4 cr. in 2014-15 to INR5506.4 cr. in 2016-17.
- Although, the total CSR expenditure during the current year by non-PSU companies has increased by 46 per cent from INR3486 cr. in 2014-15 to INR5088.1 cr. in 2016-17, they have spent 92 per cent of their prescribed CSR requirement.
- Against the prescribed CSR expenditure, non-PSU companies had spent 83 per cent during 2014-15 which has increased to 92 per cent during current year.
- The average prescribed CSR expenditure by PSU companies has decreased from INR128.1 cr. to INR112 cr. (13 per cent), and the average prescribed CSR expenditure by non-PSU companies during current year has increased by 9 per cent from INR63.4 cr. in 2014-15 to INR68.8 cr. in 2016-17.

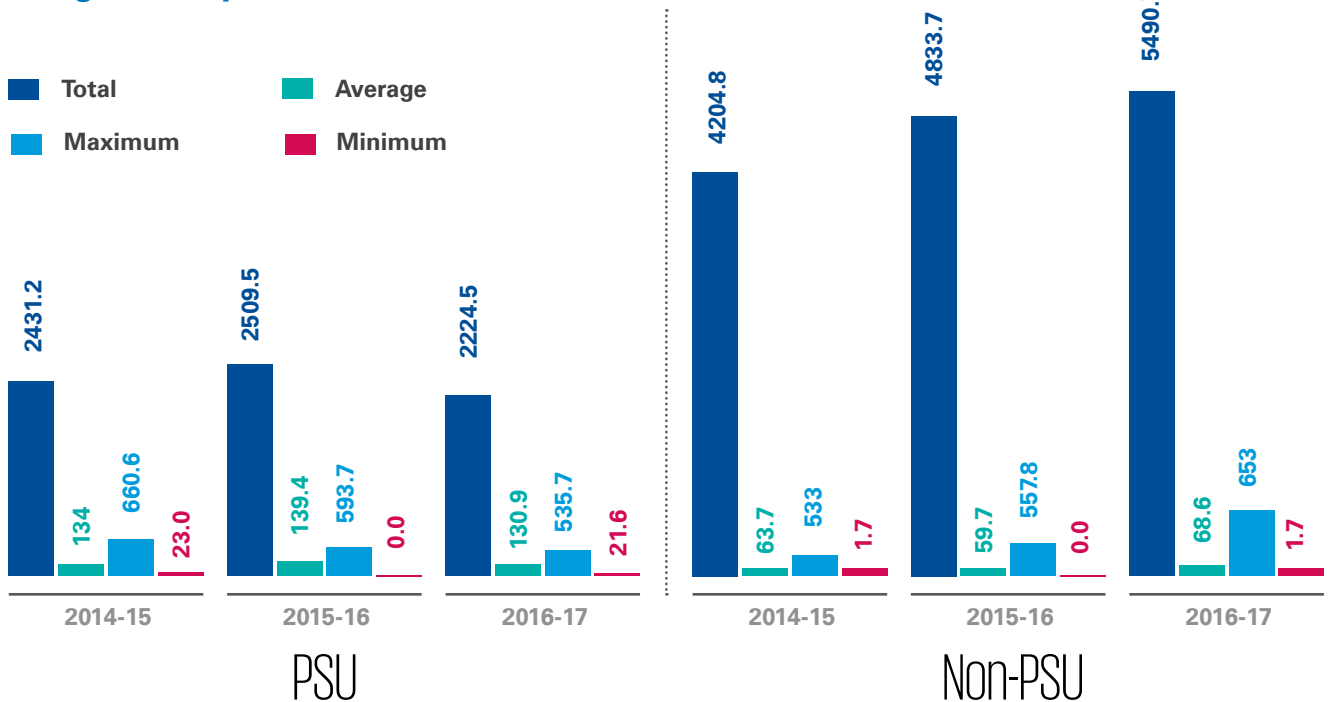


## Prescribed expenditure (INR in cr.)



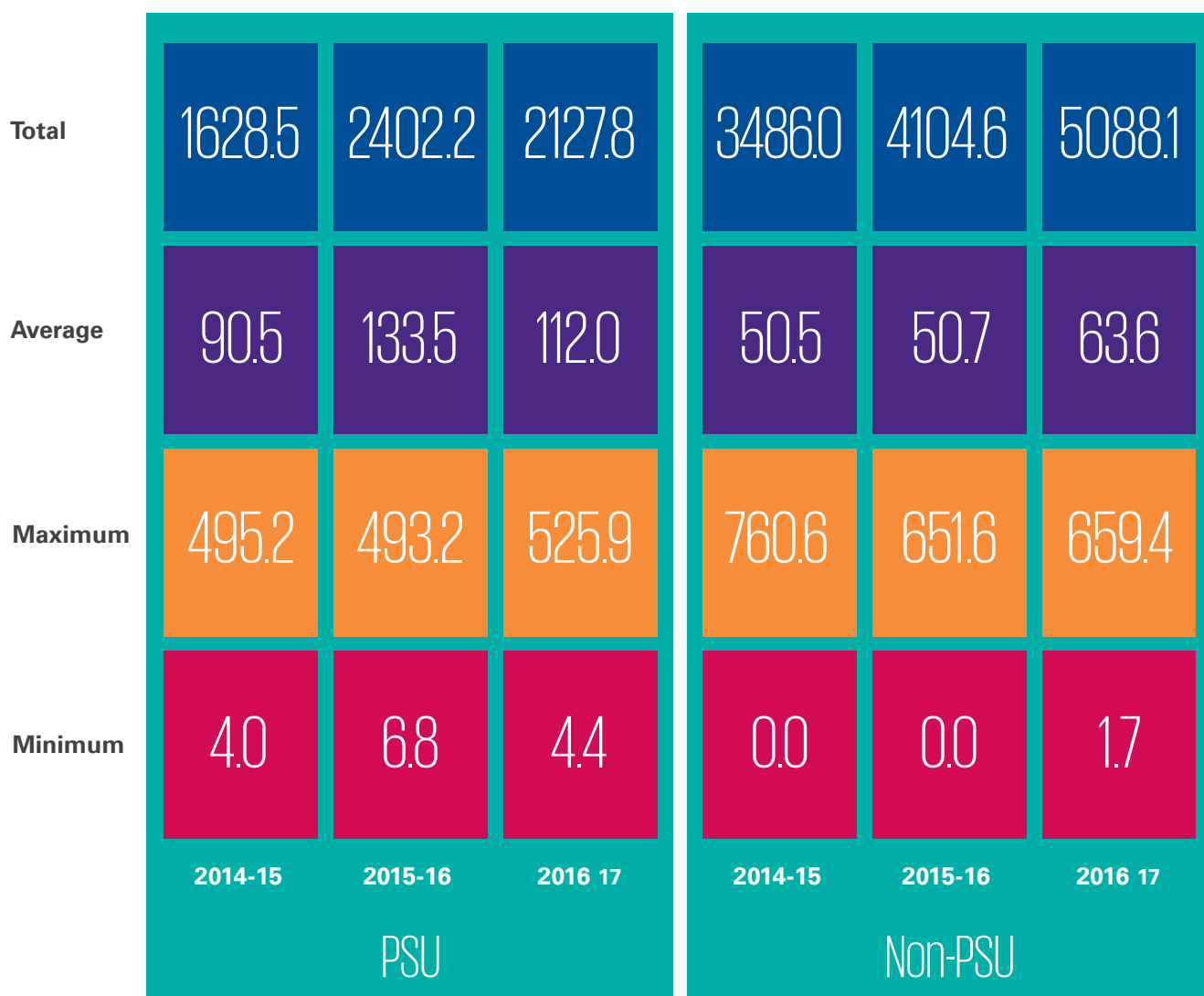
Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## Budget outlay (INR in cr.)



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## Amount spent (INR in cr.)



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

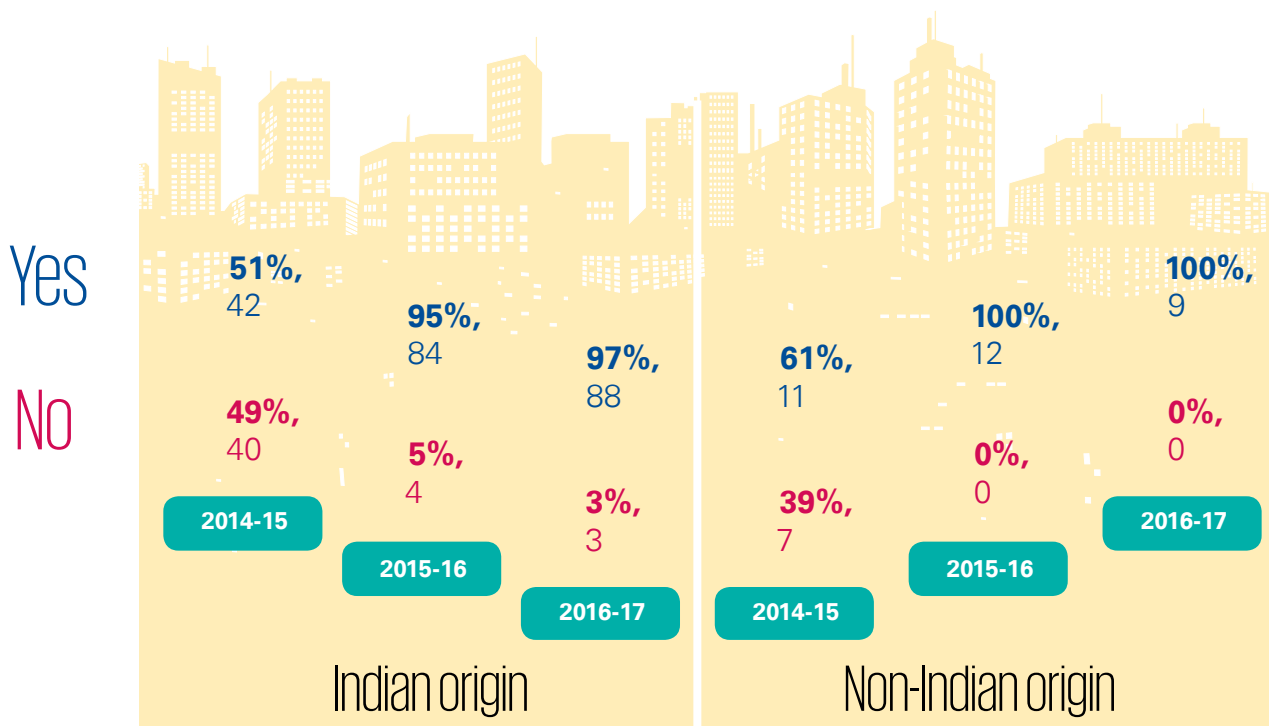
# CSR by Indian origin and non-Indian origin companies



This section analyses CSR related aspects such as governance, spends and project management of Indian origin and non-Indian origin companies. 91 of the N100 companies are of Indian origin and remaining 9 are non-Indian origin companies.

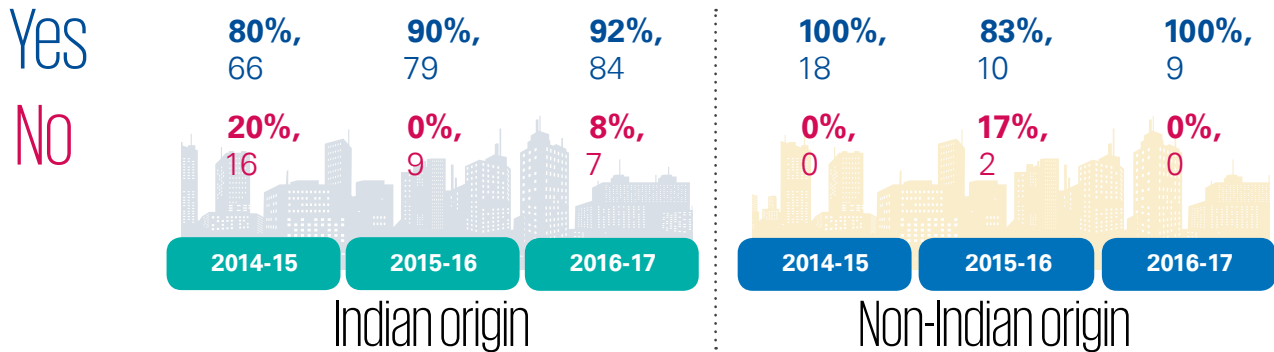
## CSR policy

- The Act mandates that companies must include areas of intervention in their CSR policy. 97 per cent Indian origin companies have included the same in their CSR policy during current year. 100 per cent non-Indian origin companies have disclosed these details during the current year.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

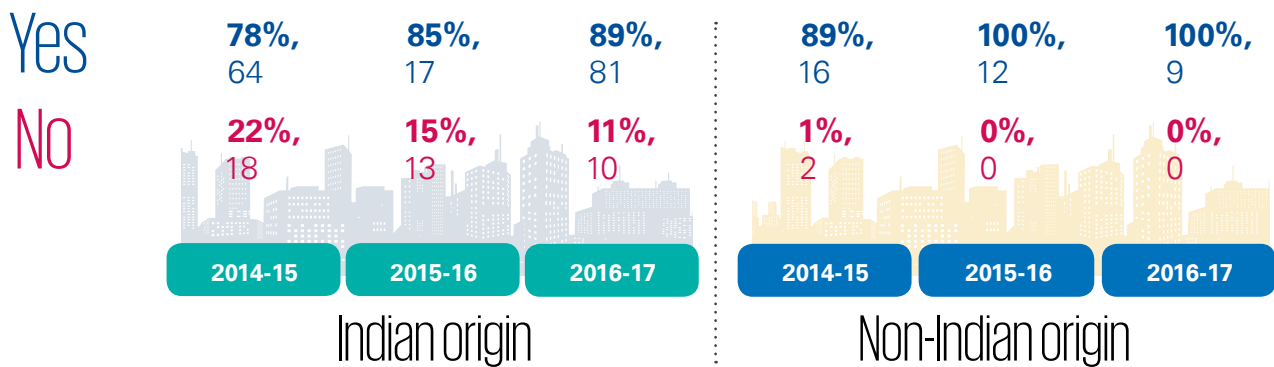
- 92 per cent of Indian origin companies have disclosed details regarding mode of implementation during current year, which is 100 per cent in case of non-Indian origin companies.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

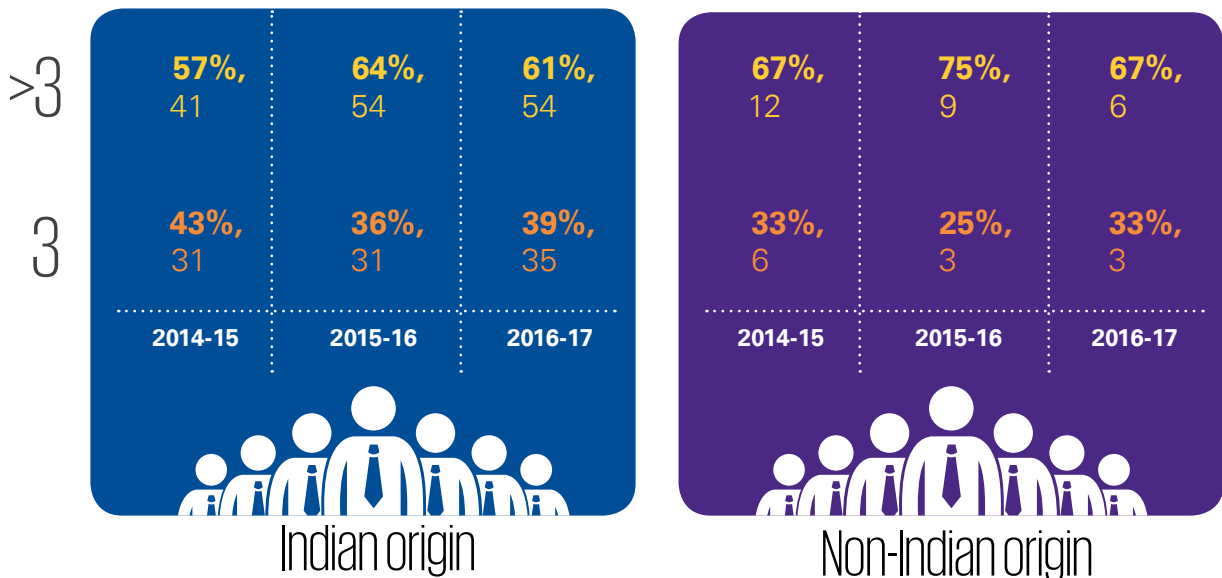
### CSR Committee

- As per the requirement of the Act, a company needs to have a board level CSR committee. 89 per cent Indian origin companies and 100 per cent non-Indian origin companies have a stand-alone CSR committee.



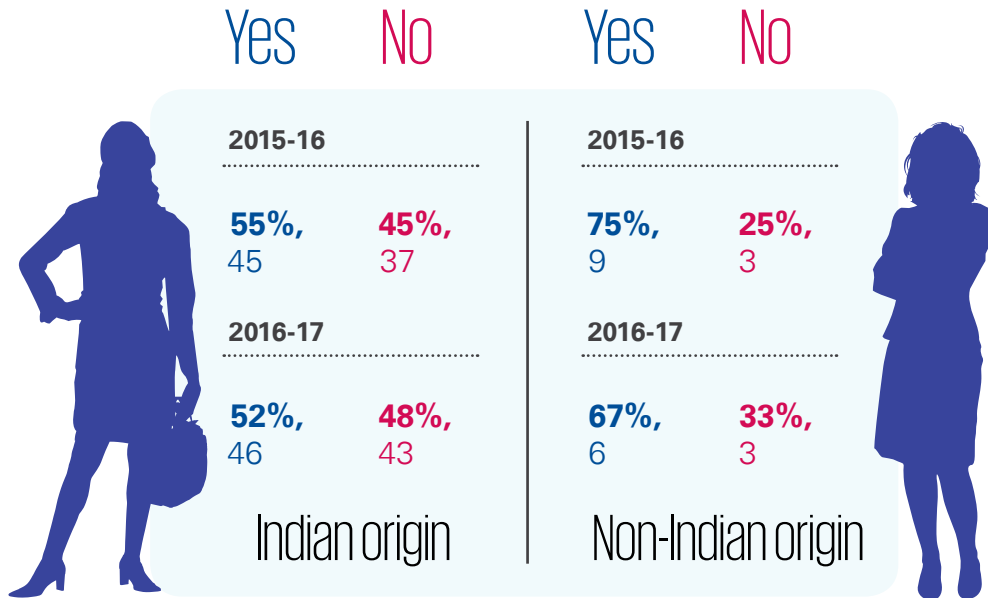
Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

- 39 per cent Indian origin companies and 67 per cent non-Indian origin companies have more than three members in CSR committee.



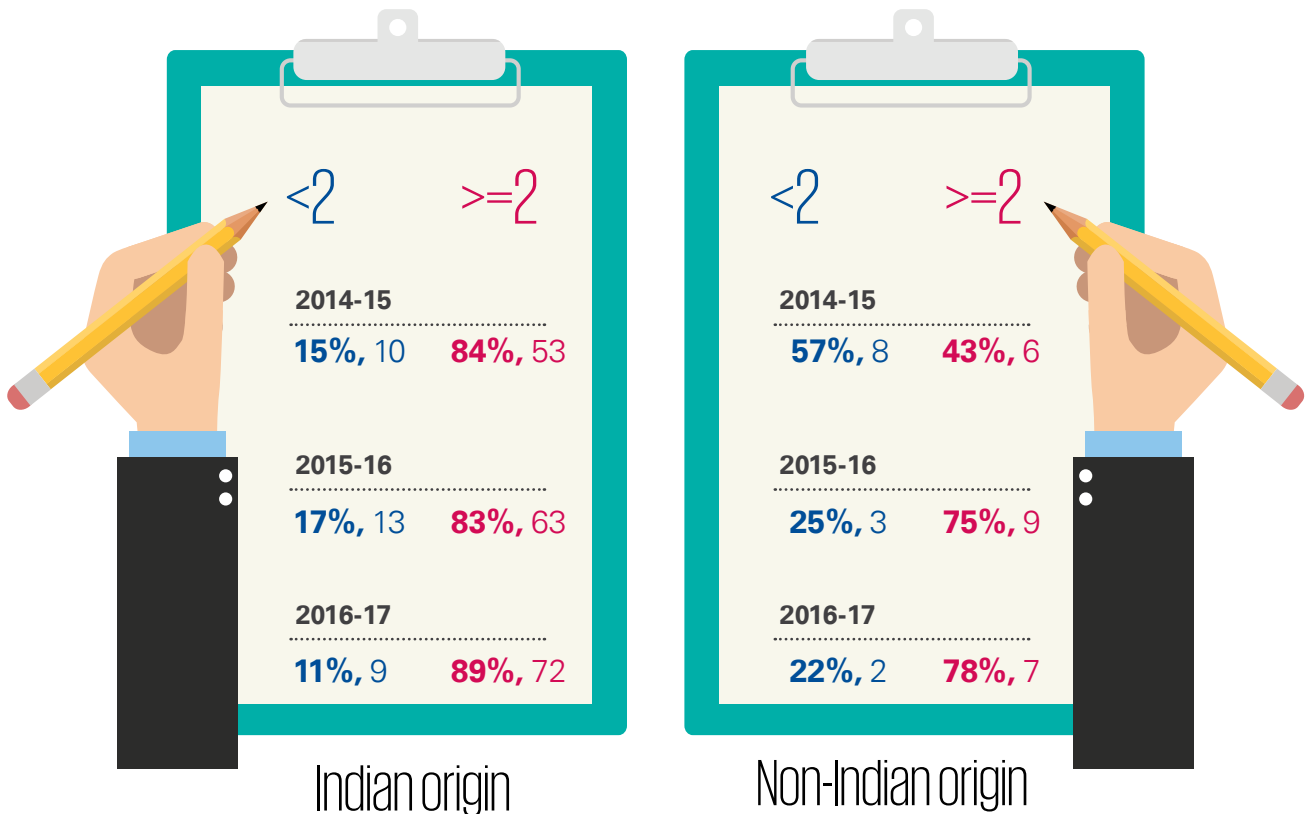
Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

- 52 per cent Indian origin companies and 67 per cent non-Indian origin companies have women members in their CSR Committee.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

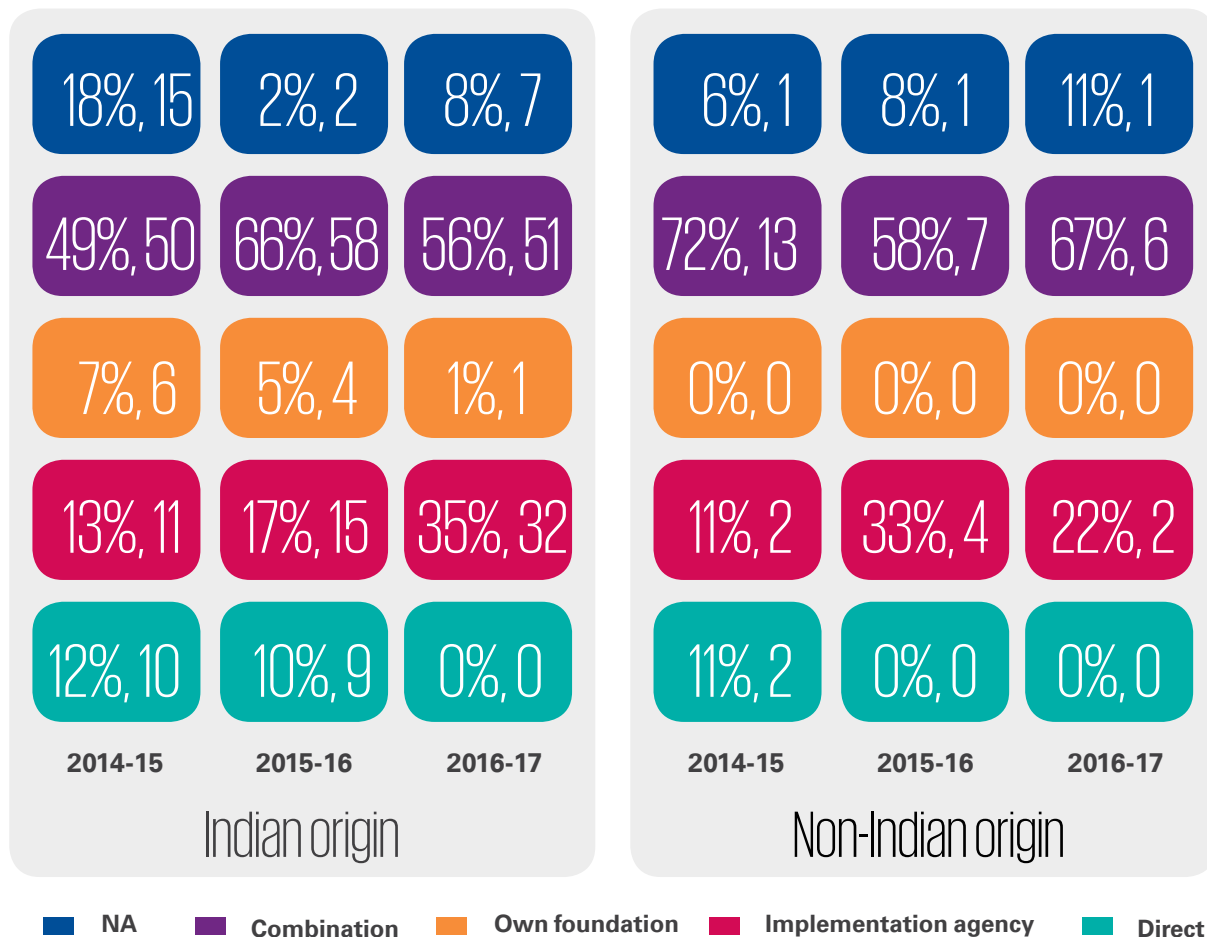
- The number of CSR committee meeting have seen a positive trend wherein almost 80 per cent of Indian origin companies and non-Indian origin companies have had two or more meetings during current year.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## Mode of implementation

- 35 per cent Indian origin and 22 per cent non-Indian origin companies are executing CSR projects exclusively through implementing agencies.



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## Number of programmes

- 1800 projects (95 per cent) were executed by Indian origin companies which account for 97 per cent of the total CSR expenditure during the current year. In case of non-India origin companies, only 95 projects (5 per cent) were executed with an expenditure to the tune of only 3 per cent. The average project cost is higher in case of Indian origin companies (INR3.7 cr.) against INR2.1 cr. for non-India origin companies.

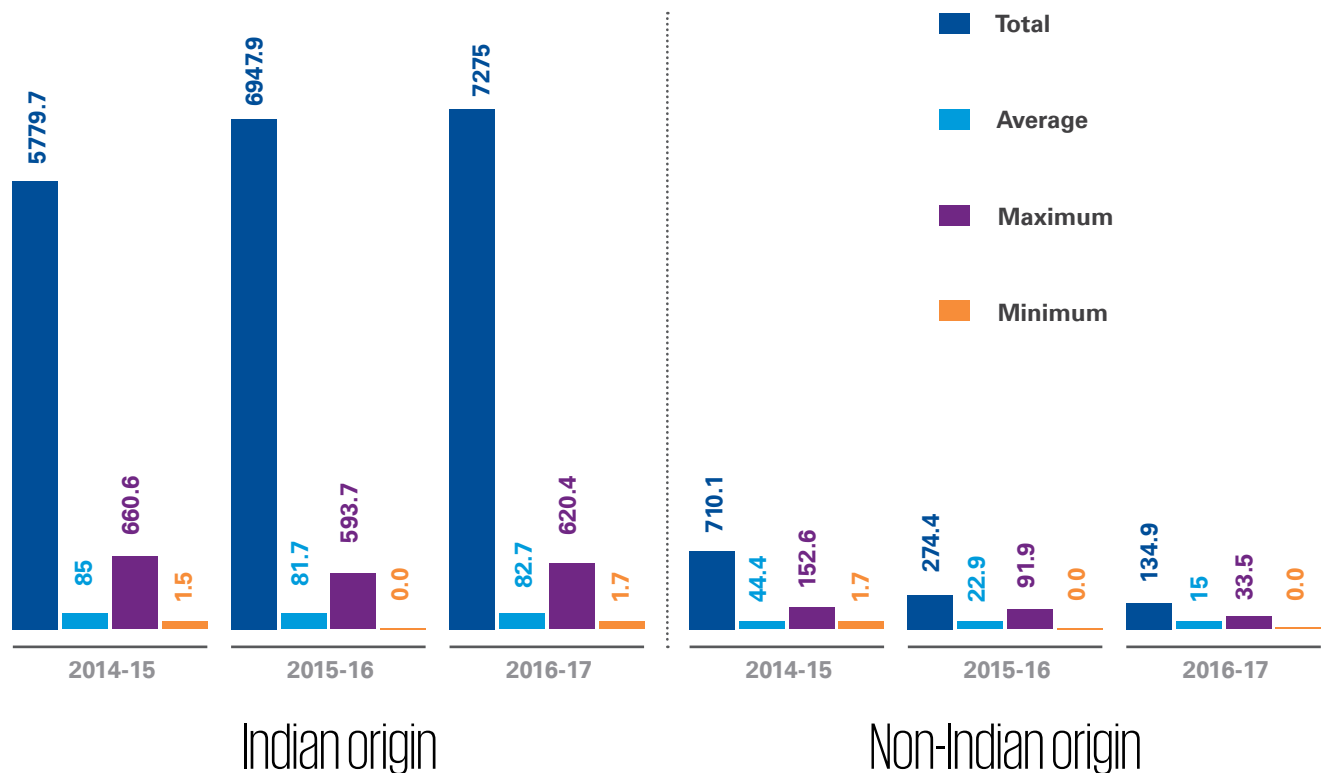


Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## CSR spends

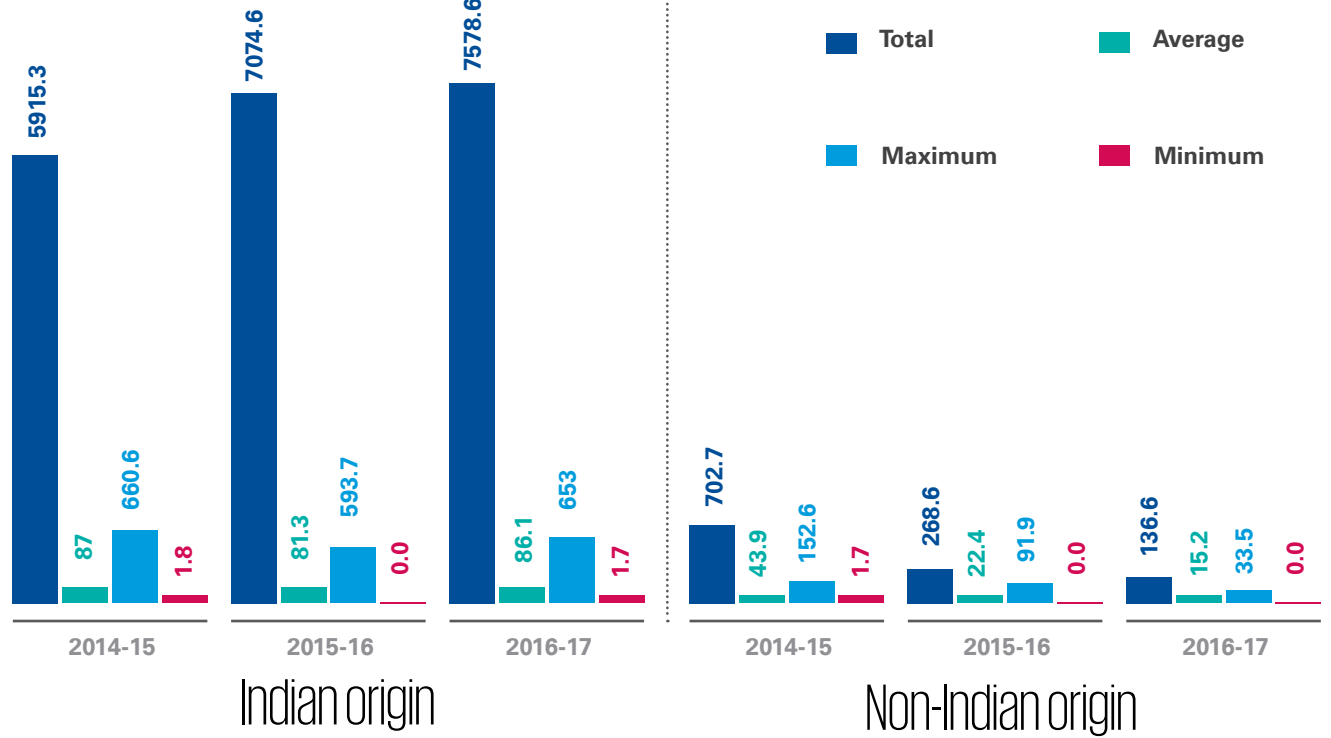
- The prescribed CSR expenditure of Indian origin companies during current year is INR7275 cr. and for non-Indian origin companies is 134.9 cr.
- The total CSR expenditure during the current year by Indian origin companies is INR7019.7 cr. and for non-Indian origin companies is 196.2 cr.
- Against the prescribed CSR expenditure, Indian origin companies had spent 96 per cent while non-Indian origin companies spent 145 per cent.
- Average prescribed CSR expenditure per company for Indian origin companies is INR82.7 cr. while for non-Indian origin companies it is INR15 cr.
- 36 per cent Indian origin companies have disclosed details regarding overheads during current year compared to 100 per cent non-Indian origin companies.
- 58 per cent Indian origin companies have disclosed details regarding outreach of CSR activities in director's report during current year compared to 67 per cent non-Indian origin companies.

## Prescribed expenditure (INR in cr.)



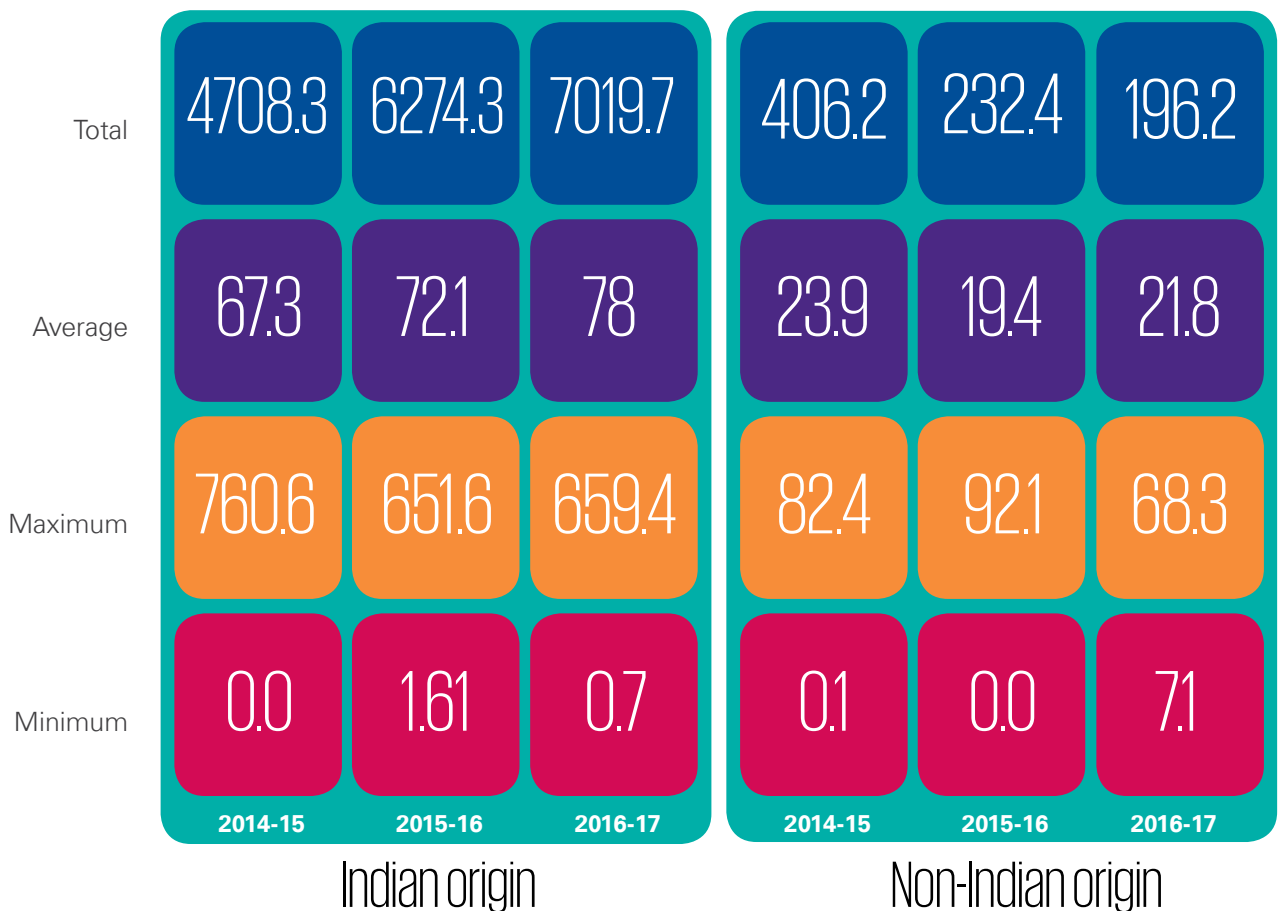
Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

### Budget outlay (INR in cr.)



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

### Amount spent (INR in cr.)



Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

# CSR expenditure by the type of company



## Prescribed CSR expenditure

- The Energy and Power sector followed by Banking and Financial Services & IT consulting and software sectors have the highest prescribed CSR expenditure during the current year.
- Service sector companies have seen the highest increase (168 per cent) in their prescribed 2 per cent amount during current year, followed by Telecom (164 per cent), Pharmaceuticals (158 per cent) and IT Consulting & Software (153 per cent).

## CSR expenditure

- In terms of percentage of spends, the cement and Cement Product sector industry tops the list of spending at 125 per cent against the prescribed two percent amount, followed by Mining and Metal (111 per cent), Consumer Products (110 per cent), Automobile (107 per cent) and Energy & Power (106 per cent). These companies have spent more than 2 per cent prescribed CSR amount.
- Telecom, IT Consulting and Software, Pharmaceuticals and Industrial Manufacturing bottoms the list with spending less than the prescribed 2 per cent amount towards CSR.
- In absolute numbers, the Energy and Power sector has spent the highest amount towards CSR (INR2524.9 cr.) followed by BFSI (INR1281 cr.), Customer Products (INR586.8 cr.), IT Consulting and Software (INR959 cr.) and Mining & Metal (INR566 cr.).
- It is interesting to note that the total amount spent by telecom sector companies has increased in the current year by 400 per cent from 2014-15, followed by Pharmaceuticals (234 per cent) and Automobile (230 per cent).

	Type of company/industries (Number of companies)	2016-17			2015-16	2014-15
		Prescribed CSR expenditure (INR Cr)	Amount spent (INR Cr)	Amount spent (per cent)	Amount spent (per cent)	Amount spent (per cent)
	Chemicals (1)	5	24	487	119	101
	Construction and cement industry (5)	124	155	125	102	90
	Mining and metals (7)	509	566	111	107	83
	Consumer products (17)	535	587	110	97	87
	Automobile and allied products (9)	423	452	107	105	65
	Energy and power (14)	2379	2525	106	101	89
	Services (3)	118	108	92	108	94
	Banking and financial services (19)	1407	1281	91	80	61
	Media and entertainment (2)	48	42	87	103	87
	Industrial manufacturing (6)	193	158	82	62	69
	Pharmaceuticals (9)	255	202	79	76	53
	IT Consulting and software (5)	1100	959	87	78	91
	Telecom (3)	314	157	50	31	21

Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

# CSR by turnover of the N100 companies



This section analyses the CSR related aspects such as governance, spends and project management by N100 companies. The same are categorised into four quartiles, each of 25 companies. The top 25 companies refer to the companies with the highest turnover from the first to twenty fifth company, and the bottom 25 companies refer to the ones from the 76th to the 100th company.

- The prescribed CSR expenditure for the top 25 companies account for 56 per cent of the total amount to be spent by N100 companies of which 96 per cent was spent during current year. The prescribed CSR expenditure for the bottom 25 companies account for 6 per cent of the total amount to be spent by N100 companies. It is interesting to note that they have spent INR455.3 cr. against the requirement to spend INR451.3 cr., higher than the prescribed CSR amount.
- Top 50 companies based on turnover criteria account for 84 per cent of the total amount to be spent by N100 companies of which only 91 per cent was spent during the current year, with an unspent amount to the tune of INR961 cr. However, at the same time it is important to note that the bottom 50 companies which account for only 9 per cent of the total amount, they have spent more than the prescribed CSR amount to the tune of 111 per cent.
- The average prescribed CSR expenditure ranged from INR18.1 cr. in case of bottom 25 companies to INR190 cr. for top 25 companies.

Turnover wise CSR amount		2016-17			
		Top 25	25-50	50-75	Bottom 25
Prescribed expenditure (INR in Cr.)	Total	4176	2023	760	451
	Average	190	81	30	18
Budget outlay (INR in Cr.)	Total	4371	2093	806	445
	Average	199	84	32	18
Amount spent (INR in Cr.)	Total	4397	1469	894	455
	Average	183	59	36	18

Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

- Separate disclosure on admin expenses is done by more than 50 per cent of the top 50 companies, whereas the same has remained low in case of bottom 50 companies.
- Almost 70 per cent of the top 50 companies have disclosed details regarding outreach of CSR activities in director's report during current year compared to only 50 per cent in case of bottom 50 companies.

# CSR and SDGs

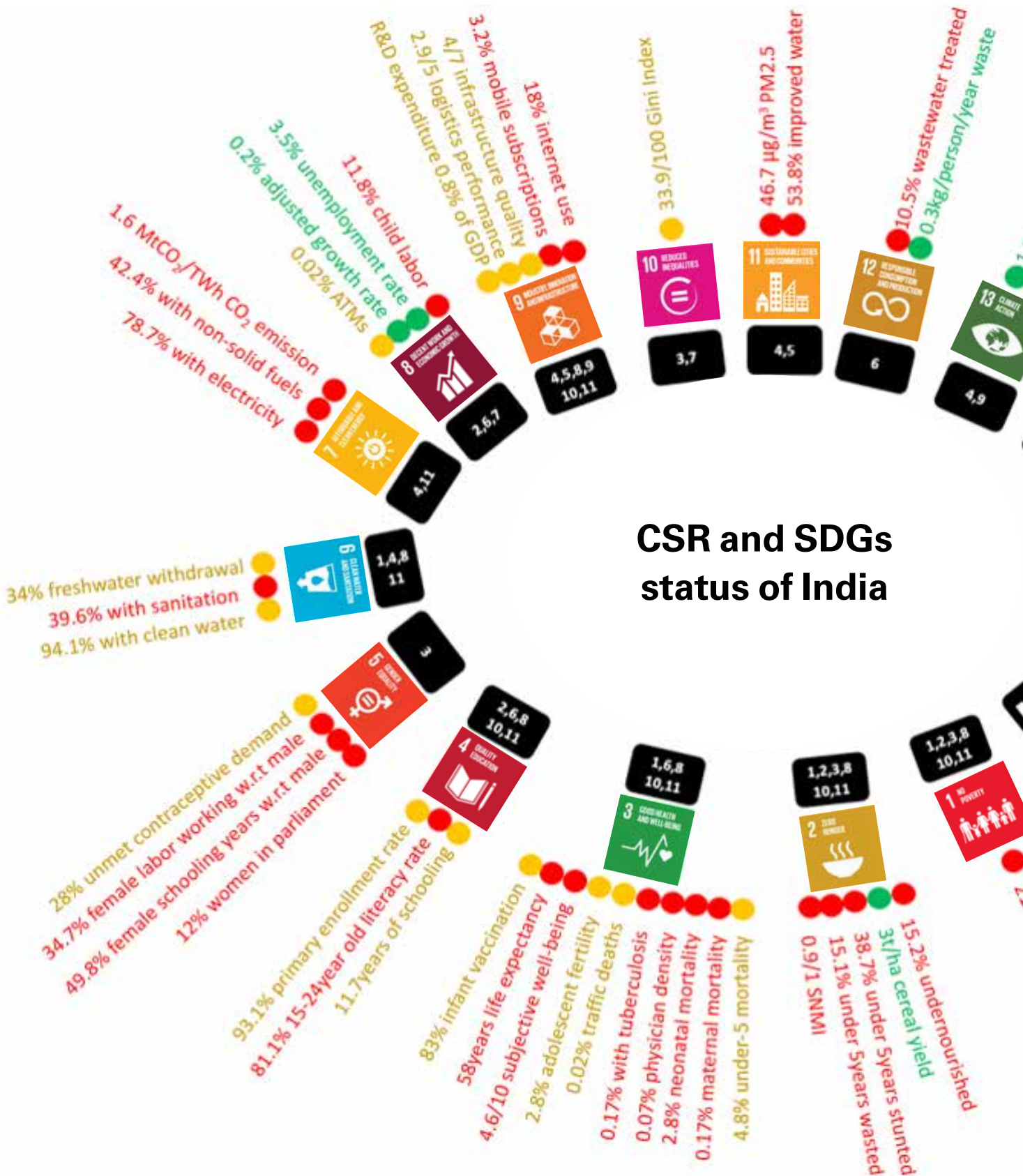


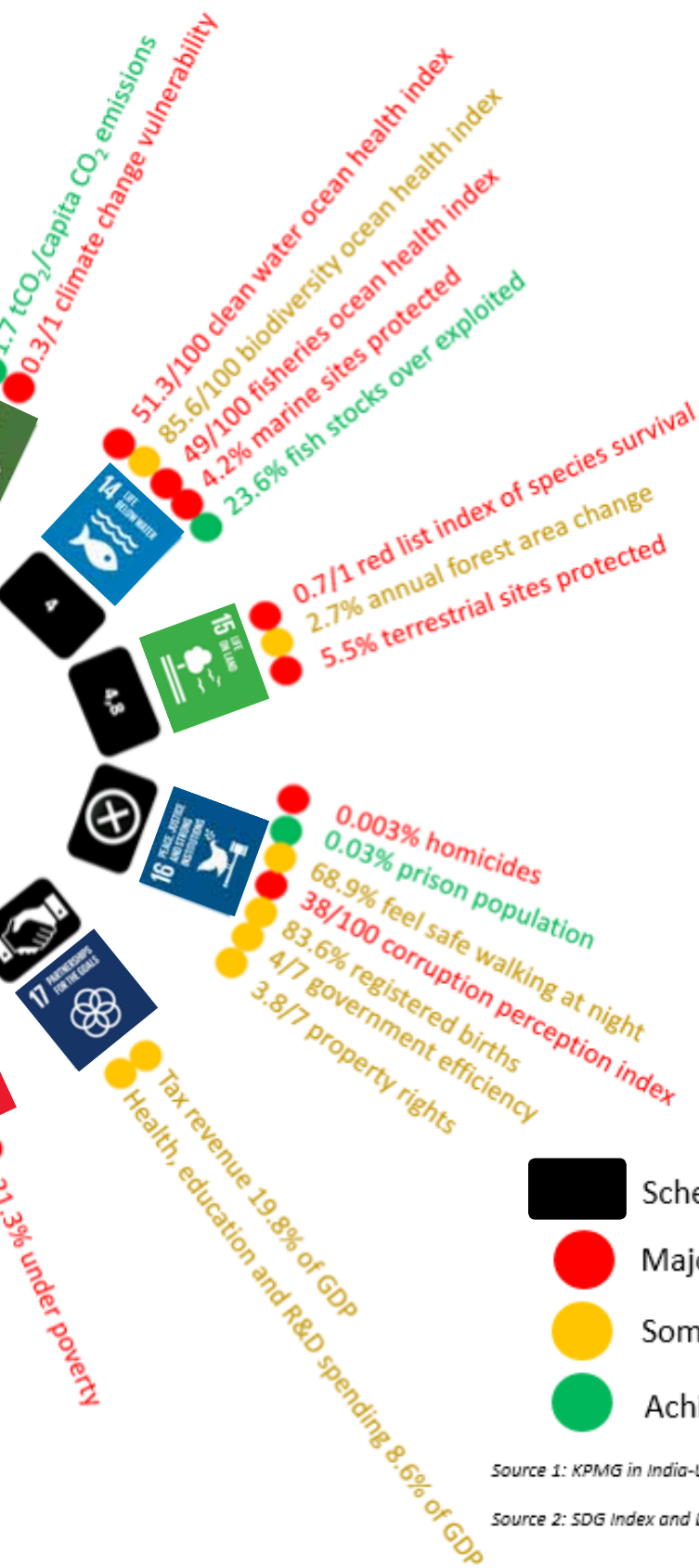
Sustainable Development Goals (SDGs) were adopted on 25 September 2015 by 193 countries to end poverty, protect the planet, and ensure prosperity for all as part of a new sustainable development agenda (Source: UNDP – 2018 undpi.org). These goals range from ending poverty to looking at climate action. The 17 goals come with 169 targets to be achieved by 2030. India along with other countries signed the declaration on 2030 agenda for sustainable development.

SDGs and CSR activities share a lot of overlap in terms of their thematic areas. The Companies Act, 2013 sets a broad framework and gives direction for better sustainable future and SDGs set tangible well defined targets to measure the outcome of activities. India ranks at 116 of 157 countries on the SDG Index (Source: SDG Index – SDG Index and Dashboards Report 2017). Therefore, it is good to evaluate CSR in the light of SDGs, which is presented in this section.

- Focus areas: Health and Education continue to receive more traction from companies with 56 per cent of the projects and expenditure, which is linked to 5 SDG Goals.
- Disclosure: Only 20 per cent companies have aligned their CSR projects towards SDGs and have made disclosure regarding same in their Annual Report. However, strategic integration of same in CSR Policy is observed only with two companies.
- Partnerships: Over 1300 projects to the tune of almost INR5000 cr. (more than 70 per cent of the CSR spends during current year) were spent through a combination of direct, own foundation and partner organisation. This is a significant alignment to SDG Goal 17 i.e. Partnerships for the Goals.
- Spread of expenditure: SDGs cover a broad range of social and economic development issues including poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, environment and social justice. Similarly, backward districts in India are identified on the

basis of health, education and economic issues which are holding back the development of the country. Both have inter-linked thematic areas that that need attention and action. Bihar (38), Uttar Pradesh (35), Karnataka (30), Himachal Pradesh (23), Odisha (20) and Chhattisgarh (15) account for more than 60 per cent of the backward district concentration across India. However, it is critical to note that these states account for only 15 per cent of CSR projects and 15 per cent of total expenditure towards CSR during current year. Maharashtra, Haryana, Gujarat, Karnataka and Andhra Pradesh account for more than 70 per cent of the CSR expenditure during current year. However, they have over 15 per cent backward district concentration. The North East states have the least focus with less than 2 per cent CSR expenditure during current year against 25 per cent concentration of backward districts.





# SUSTAINABLE DEVELOPMENT GOALS

- Schedule VII activities mapped to SDG Goals
- Major challenges with SDG indicator in India
- Some challenges with SDG indicator in India
- Achievement of SDG indicator in India

Source 1: KPMG in India-UNGC NI's Sustainable Development Goals, Leveraging CSR to achieve SDGs, 2017

Source 2: SDG Index and Dashboards Report, 2013

# CSR compliance



The below table summarises the level of compliance against the requirements of Act-

Mandatory requirements of the act	Number of compliant companies
<b>Aspects related to CSR policy (98 companies have CSR policy available in public domain)</b>	
Availability of CSR policy in the public domain	98
CSR policy web link in the annual report	96
Disclosure on areas of intervention in CSR policy	97
Disclosure on mode of implementation in CSR policy	92
Disclosing details regarding the treatment of surplus arising from CSR activities	69
Details of the monitoring framework	92
<b>Aspects related to CSR committee (98 companies have disclosed details regarding their CSR committee)</b>	
Disclosing CSR committee composition in director's annual report	98
Stand-alone CSR committee	90
Members in CSR committee (at least 3, of which one should be independent directors)	98
Independent director in CSR committee	98
<b>Aspects related to CSR disclosure (99 companies have provided CSR disclosure in their annual report)</b>	
CSR disclosure in prescribed format	97
Details of average net profit or loss of the company for last 3 financial years	97
Details of prescribed CSR amount	97
Details of total amount to be spent	97
Details of total amount spent	99
Reporting separately on project direct and overhead expenses	36
Mode of implementation mentioned	92
Companies that have disclosed details regarding admin expenses	44
Admin expenses within the limit of 5 per cent of total expenditure on CSR	31
Companies that have spent the prescribed 2 per cent	58
Explanation given by companies that have failed to spend 2 per cent	36
Responsibility statement given	97

Source: KPMG in India's analysis based on our India's CSR reporting survey, 2017.

## Terminology

- The Act refers to the Section 135 of the Companies Act, 2013 and the Corporate Social responsibility (Policy) Rules (the Act) including subsequent notifications.
- CSR committee refers to the committee set up by the board of the company as referred to in Section 135 of the Act.
- CSR policy relates to the activities to be undertaken by the company as specified in Schedule VII of the Act and the expenditure thereon, excluding activities undertaken in pursuance of the normal course of business of a company.
- Mode of implementation means the implementation carried out either directly, or through its own Foundation or through an implementing agency, as defined in the CSR Rules. Implementing agency refers to any Trust, Society or Section 8 company (other than their own Foundation) that has a proven track record of three or more years in undertaking activities as defined in Schedule VII of the Act; or a company established under Section 8 of the Act or a registered trust or a registered society, established by the central government or state government or any entity established under an Act of Parliament or a State legislature
- Average net profit refers to the net profit of the company for immediately preceding financial years calculated in line with Section 198 of the Act
- Prescribed CSR expenditure refers to 2 per cent of average net profit described in the preceding point.
- Administrative overheads are expenses that are not attributable to any one specific project but are incurred to establish and strengthen a company's CSR governance structure for meeting regulatory compliance, including capacity building, etc. These expenses are capped at 5 per cent of a company's total CSR spend.
- Annual CSR disclosures refers to company's reporting on CSR policy, committee, spends, project details, responsibility statement and others.
- Average Project Cost is calculated by dividing total CSR spends in 2016-17 by the total number of CSR projects in 2016-17. It may include some multi-year projects, but their cost has been considered only for the year 2016-17.
- The scope of CSR in this publication is limited to projects or programmes relating to activities undertaken by the company in pursuance of recommendations of the CSR committee of the board, as per the declared CSR policy of the company, subject to the condition that such a policy will cover subjects enumerated in Schedule VII of the Act.
- N100 companies means the top hundred listed companies on the National Stock Exchange (NSE) as per market capital on 31 March 2017.
- Schedule VII refers to the activities which may be included by companies in their CSR activities related to -
  - Eradicating hunger, poverty and malnutrition, promoting healthcare, including preventive healthcare and sanitation, contributing to the 'Swachh Bharat Kosh' set-up by the central government for the promotion of sanitation and making safe drinking water available
  - Promoting education, including special education, and employment enhancing vocation skills, especially among children, women, elderly and the differently abled, along with livelihood enhancement projects
  - 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
  - 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 including contribution to the Clean Ganga Fund set-up by the central government for rejuvenation of the river Ganga
  - 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
  - Measures for the benefit of armed forces veterans, war widows and their dependents
  - Training to promote rural sports, nationally recognized sports and Olympics sports
  - 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 and welfare of the scheduled castes, scheduled tribes, other backward classes, minorities and women
  - Contributions or funds provided to technology incubators located within academic institutions which are approved by the central government
  - Rural development projects
  - Slum development.



# Sustainable Development Goals (SDGs): Leveraging CSR to achieve SDGs





# Acknowledgements

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