



India's CSR reporting survey 2018

December 2018

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Foreword

The combination of a forward thinking corporate sector and the propulsion generated by Section 135 of the Companies Act, 2013 (Act), companies in India are at the forefront of deploying financial and technical expertise to improve the lives of millions throughout the country.

Now, with the fourth edition of the India Corporate Social Responsibility (CSR) report titled, 'India's CSR reporting Survey 2018' KPMG in India has once again provided crucial and detailed evidence that the visionary strategy of India's Companies Act is gaining extraordinary traction and creating meaningful impact.

In the four short years since the implementation of this groundbreaking legislation, Indian companies have moved swiftly up the learning curve. This report shows that compliance has become near universal with 99 per cent of the N100 companies putting their CSR policy up in action from 55 per cent during 2014-15, an increase of over 73 per cent.

While these reporting statistics are impressive, the real story lies in the governance, programmatic and financial commitments made. More than 90 per cent of companies have stand-alone CSR committees, elevating the prominence of these efforts to the highest rungs of the company. Independent directors are serving on these committees and 64 per cent include at least one woman.

Education and health continue to receive great attention with 65 per cent of the projects and 61 per cent of the expenditure. As expertise evolves,

there is clear evidence of companies making more strategic and impactful CSR decisions increasingly aligned with the SDGs (Sustainable Development Goals).

The report shows that during this past year, companies have spent INR7536.3 crore which is 47 per cent higher as compared to 2014-15, a highly laudatory increase.

KPMG's important contribution through this report does more than inform that CSR activities in India are going from strength to strength, it showcases for the rest of the world the potential and reality of the constructive role companies can play in addressing our shared societal challenges. With India's example and the realisation of the need for partnerships and hybrid solutions, governments and companies throughout Asia and indeed globally are looking to emulate India's leadership.

Ruth A. Shapiro, Ph.D.

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Hong Kong



Contents

About the survey	2
CSR policy	4
CSR committee	9
Disclosure on CSR in the Director's report	15
CSR spends	22
CSR project management	30
CSR at PSU and non-PSU companies	37
CSR at Indian origin and non-Indian origin companies	47
CSR expenditure by type of company	56
CSR by turnover of India Inc.	64
CSR and SDGs	69
CSR compliance	73
Terminology	76
Acknowledgements	78

01

About the survey

The Companies Act, 2013, in addition to the Corporate Social Responsibility (policy) Rules (Act), has been a forward-looking move by the Government of India, calling on companies to partner in contributing to the country's development challenges by unleashing creativity and innovation. While it provides the overall guidance framework for the corporates to create their CSR initiatives, it also provides ample autonomy and flexibility to design and implement programmes. The mandatory CSR reporting has its unique advantages. It allows corporates to demonstrate their commitment towards organisational transparency and can act as a communication tool to engage with different stakeholders, including shareholders, regulators, communities, customers and society at large.

Introduction



As per the Act, which came into effect from 1 April 2014, companies with a net worth of INR500 crore or more, or a turnover of INR1,000 crore or more, or a net profit of INR5 crore or more during the immediately preceding 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 the Director's report in the prescribed format.



This (2017–18) is the fourth year of compliance to the Act. India's CSR reporting survey 2018 analyses and brings together findings from CSR reporting of the top 100 (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 2018. The report aims to bring out key insights for various stakeholders like corporates, the government, not for profit organisations, academic institutions and others. The findings of the survey is also a reflection of the evolution of the India's CSR journey.

Availability of information

As on 30 September 2018, of the N100 companies analysed for 'India's CSR reporting survey 2018', the relevant documents for the following were acquired from the public domain:



99

companies' CSR policy



100

companies' Annual report



89

companies' CSR disclosures in the prescribed format

Methodology

This publication analyses the aspects related to CSR, such as policy, committee, Director's report, annual disclosure and spends of N100 companies as on 30 September 2018. The main stages of research are presented below:

- 1 The CSR policy and annual report of N100 companies for 2017–18 were collated from the public domain.
- 2 The CSR policies of N100 companies were analysed for compliance with the Act.
- 3 The disclosures on CSR in the Director's reports by N100 companies were analysed for compliance with the Act.
- 4 The annual CSR disclosures and CSR spends of N100 companies were analysed.
- 5 A comparison with the previous years, wherever applicable, is presented in the report. It can aid in tracking emerging trends in India's CSR spending and reporting journey.
- 6 Quantitative and qualitative attributes inferred and analysed as part of this survey are represented on the right.



CSR policy



CSR committee



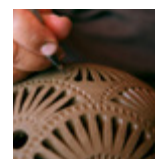
CSR disclosure in Director's report



CSR spends and reasons for the unspent amount



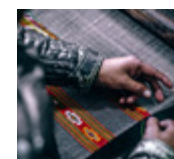
CSR project management



CSR of PSU and non-PSU companies



CSR of Indian-origin and non-Indian origin companies



CSR by type and nature of companies



CSR by turnover of companies



CSR and SDGs

02

CSR policy

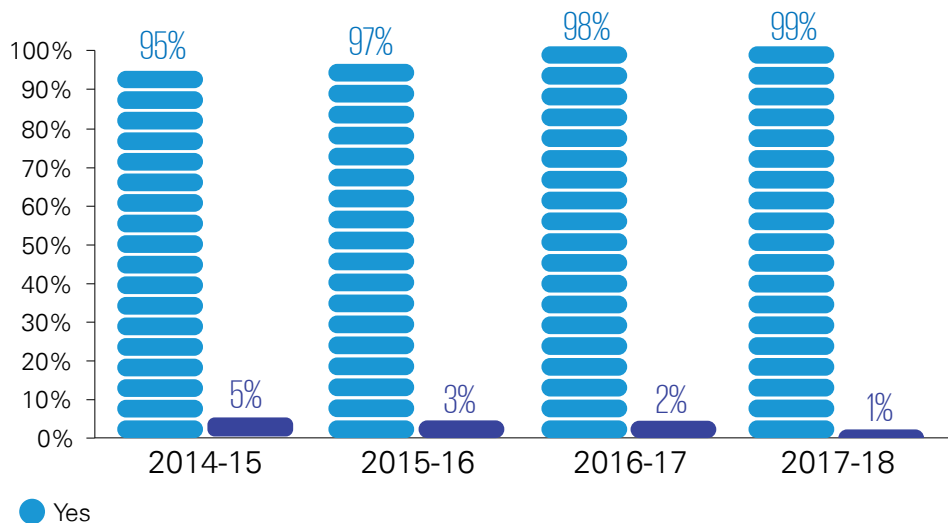
As per the Act, companies with a net worth of INR500 crore or more, or a turnover of INR1,000 crore or more, or a net profit of INR5 crore or more during the immediately preceding financial year must have a CSR policy. The policy should indicate the activities in areas or subject, specified in Schedule VII, and include the modalities of execution and monitoring of such projects or programmes. It is mandatory to disclose the content of the 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.

All N100 companies surveyed for 2018 fall within the ambit of this definition and therefore must have a CSR policy. The 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. These aspects of the CSR policy have been analysed here.



Availability of CSR policy in the public domain

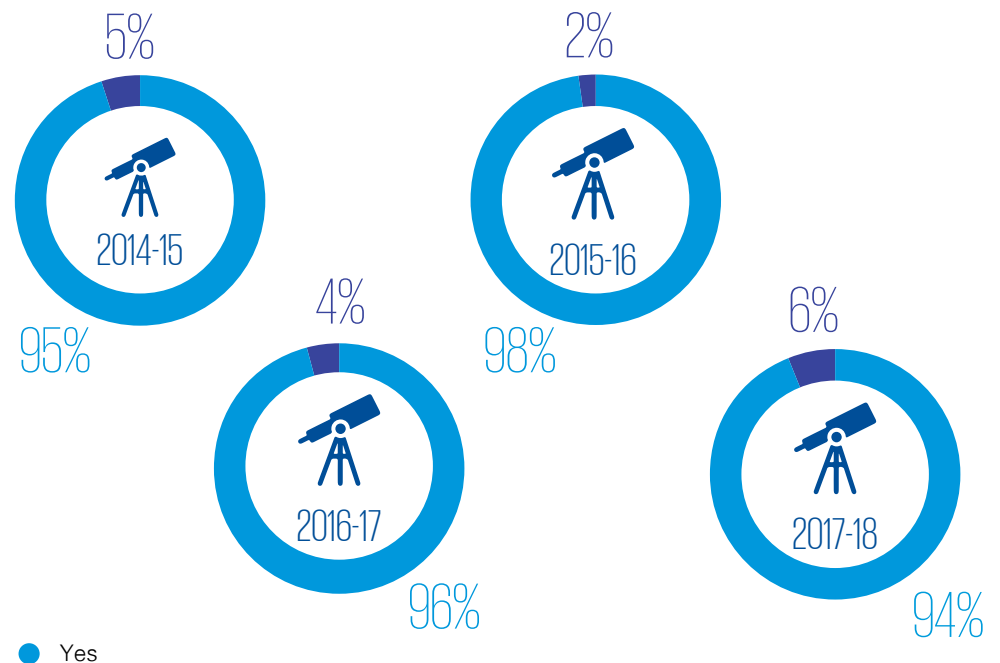
- 1 The Act mandates providing a summary of the CSR policy and its web-link.
- 2 As of 30 September 2018, 99 of the N100 companies had a CSR policy in the public domain - easily accessible to individuals outside the company.
- 3 There is one company that still does not have its CSR policy in the public domain and has failed to do so for the fourth consecutive year.



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Availability of vision/mission/philosophy in the CSR policy

- 4 Disclosing details regarding the CSR vision/mission/philosophy is not a mandatory requirement as per the Act. In the current year, 93 companies have disclosed these details as compared to the 90 companies in 2014-15. This indicates a marginal improvement in the current year compared to the base year 2014-15.



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Disclosure on the areas of intervention in the CSR policy

5

Disclosing details regarding the CSR areas of intervention is mandated in the Act. Of the 99 companies that have their CSR policies available in the public domain, 98 have disclosed details around the CSR intervention areas. One company has failed to provide these details for the fourth year in a row.

6

As compared to 92 companies in 2014–15, 97 in the current year specifically indicate their areas of intervention as opposed to stating that they will cover aspects as per Schedule VII. This is an indication of their clear strategic direction for CSR.



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Disclosure on the mode of implementation in the CSR policy

7

Disclosing details regarding the mode of implementation is a mandatory requirement of the Act. As compared to 88 in 2014–15, 93 companies this year have disclosed their mode of implementation in the CSR policy, an increase of 6 per cent. Two companies have consistently failed in this aspect for the last four years.

2014-15

93%

7%

2015-16

94%

6%

2016-17

94%

6%

2017-18

94%

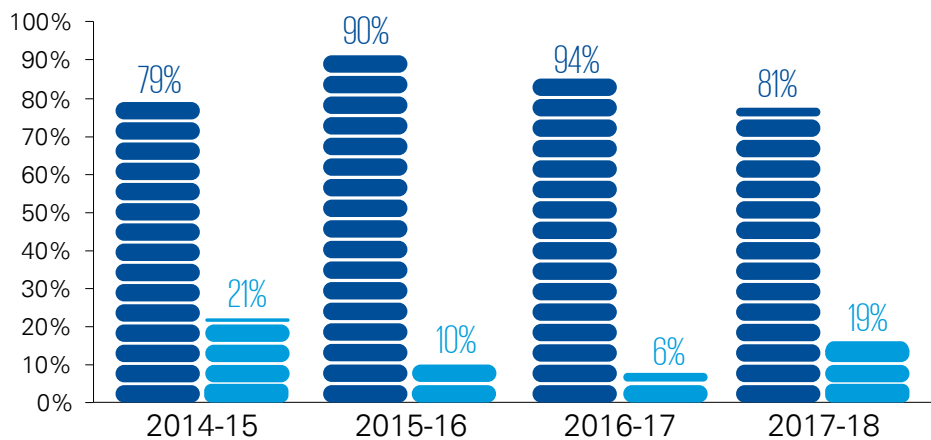
6%

● Yes

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Availability of governance structure in the CSR policy

Disclosing details regarding the CSR governance structure is not a mandatory requirement of the Act. However, a majority of the companies (80) have disclosed these details. In 2014-15, only 75 companies had disclosed this information.

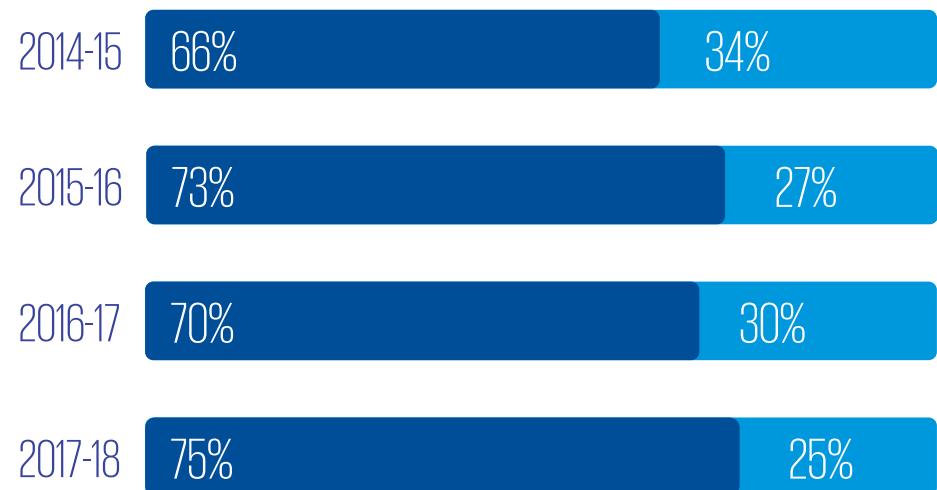


● Yes

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

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

9 The Act mandates that the surplus arising from the CSR projects or programmes or activities shall not form part of the company's business profit. Of the total, 25 per cent companies still do not disclose details around the treatment of surplus arising from CSR projects. Thirteen companies have failed to make this disclosure for the last four years.



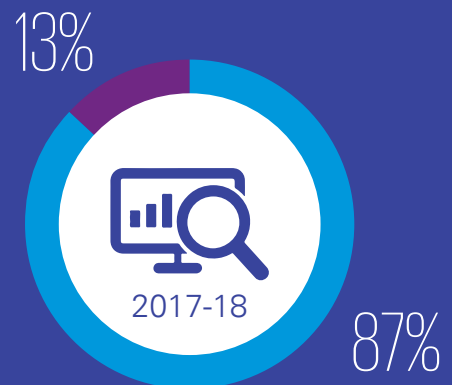
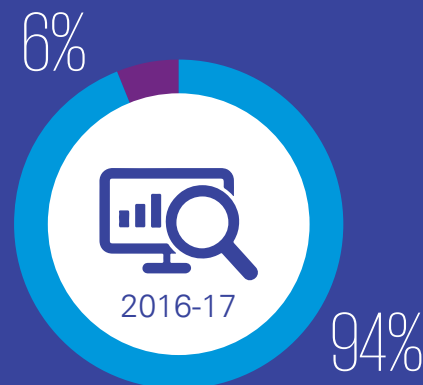
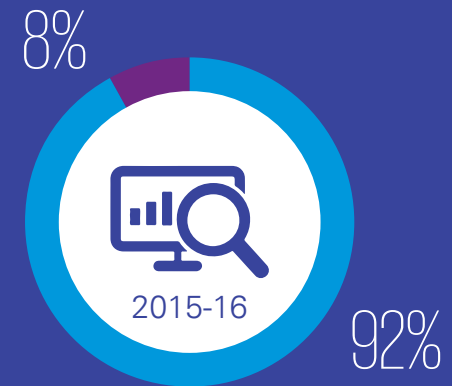
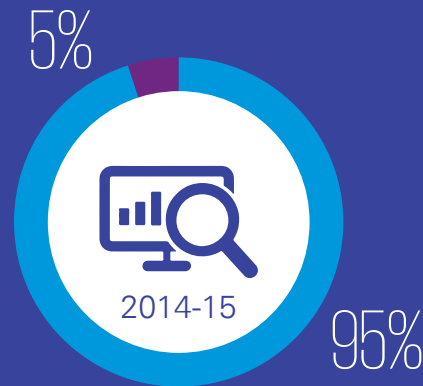
● Yes

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Disclosure on the monitoring framework in the CSR policy

10

Disclosing details regarding the approach towards monitoring of CSR intervention is a mandatory requirement of the Act — 86 companies have made this disclosure. However, 13 have failed to do so.



● Yes

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

03

CSR committee

As per the Act, companies with a net worth of INR500 crore or more, or a turnover of INR1,000 crore or more, or a net profit of INR5 crore or more in the immediately preceding financial year shall constitute a CSR committee. All N100 companies surveyed fall within the ambit of this definition. A company's CSR committee plays a critical role in driving the CSR agenda at the organisational level. It formulates and monitors the CSR policy, and ensures that the proposed projects are aligned to Schedule VII of the Act. The committee must set up a monitoring mechanism for CSR projects and propose a budget for them in each financial year. Based on the CSR committee's recommendations, the board makes decisions around CSR projects.

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

Composition of the CSR committee

As per the Act, eligible companies are mandated to form a CSR committee of the board consisting of three or more directors, of which at least one shall be an independent director. Where a company is not required to appoint an independent director under sub-section (4) of Section 149, it shall have in its CSR committee two or more directors.



An unlisted public company or a private company covered under sub-section (l) of Section 135, which is not required to appoint an independent director pursuant to sub-section (4) of Section 149 of the Act, shall have its CSR committee without such an independent director.

A private company having only two directors on its board shall constitute its CSR committee with two such directors.



Since we have considered only N100 companies, the committee should have three or more directors, out of which one should be an independent director.



With respect to a foreign company covered under the CSR rules, the CSR committee shall comprise at least two persons of which one shall be as specified under clause (d) of sub-section (1) of Section 380 of the Act and another shall be nominated by the foreign company.



Companies with a standalone CSR committee



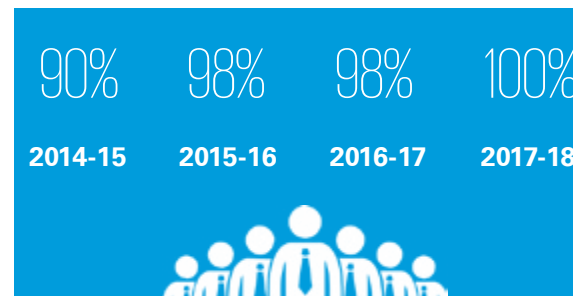
1

As per the Act, companies are mandated to have a board-level CSR committee. Companies having a separate CSR committee are likely to have an advantage, as it is likely to bring a more focused discussion on CSR.

2

All 100 companies currently have a CSR committee as opposed to 90 in 2014–15, an increase of 11 per cent.

Presence of CSR committee



Yes



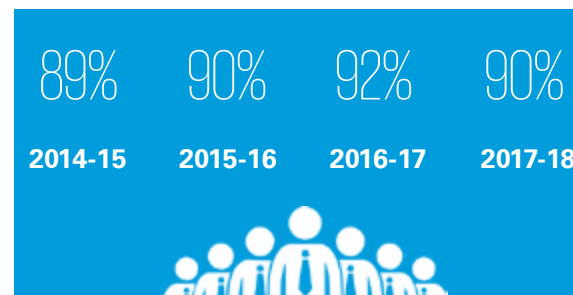
No

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

3

The number of companies that do not have a standalone CSR committee has remained the same (10 for last year as well as current year). Two companies have failed to disclose related details since 2014–15.

Formation of standalone CSR committee



Yes

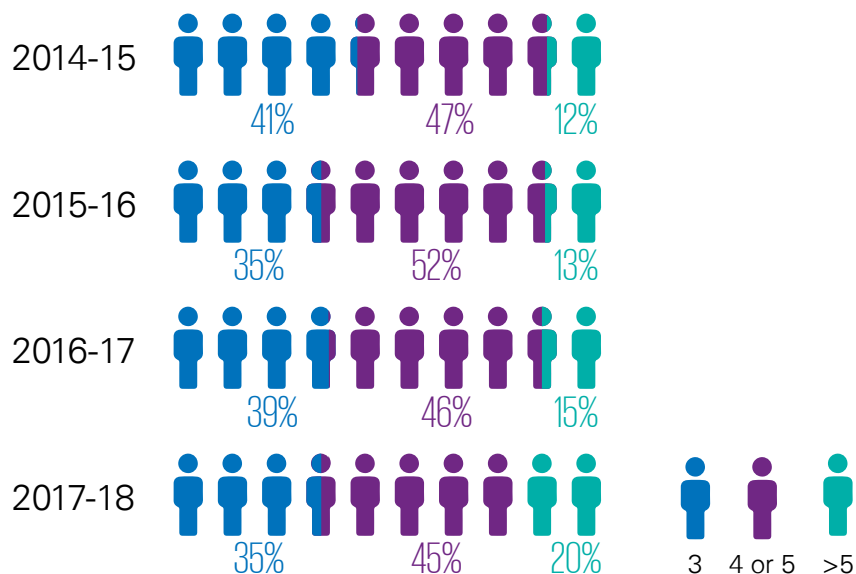


No

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Members in the CSR committee

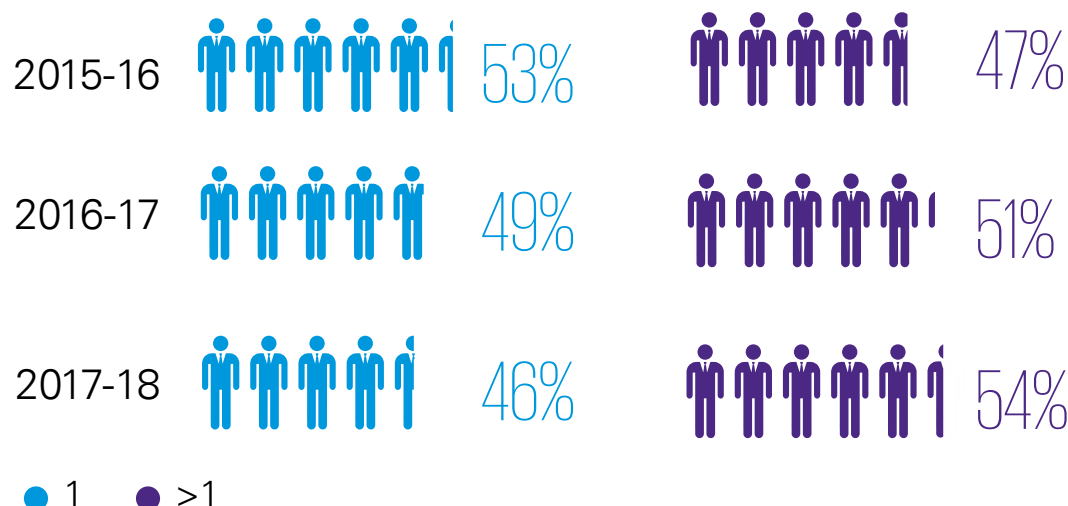
- 4 Of all the companies disclosing the composition of their CSR committees, 35 have three members (as mandated by the Act) and 65 have four or more. The maximum number of members in a CSR committee is nine, observed in case of one company (PSU).
- 5 Since 2014–15, the number of members in the committee has seen a 23 per cent increase (from 53 to 65) in the range of four, indicating an increase in the governance related to CSR.
- 6 There has been a 50 percent increase in the number of companies having more than one woman director in their CSR committee since 2015–16 (six companies in 2015–16 to nine in 2017–18).



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Independent directors in the CSR committee

- 7 All 100 companies have one or more Independent director in their CSR committee.
- 8 The number of companies having only one independent director on their CSR committee has decreased (53 per cent in 2015–16 to 46 per cent in 2017–18), indicating increased involvement of independent directors. Further, there has been an increase of 17 per cent (from 46 to 54 companies) in the number of independent directors present on the CSR committee in the range of two and above as compared to the number in 2015–16. In addition, one company has only independent directors in its CSR committee. The increase in the number of independent directors in the CSR committee also corresponds to the increase in CSR compliance.
- 9 In the current year, companies having two or more independent directors in their CSR committee have met, on an average, thrice a year against only twice a year for companies having less than two independent directors.



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

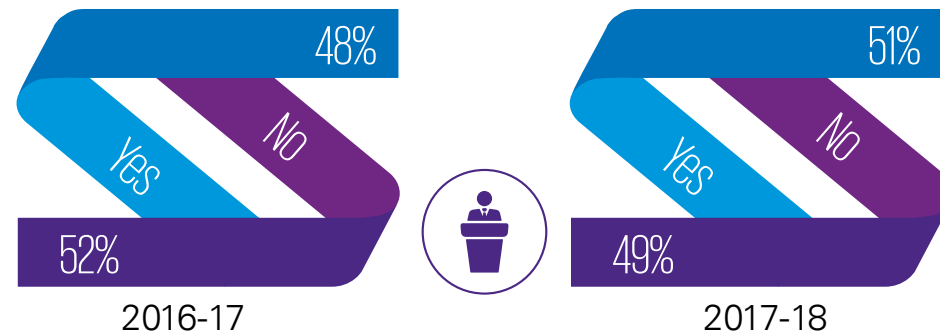
Chairman of the CSR committee



10

A total of 51 companies have their Chairman as a member of the CSR committee, of which 24 also head it.

Chairman as part of the CSR committee

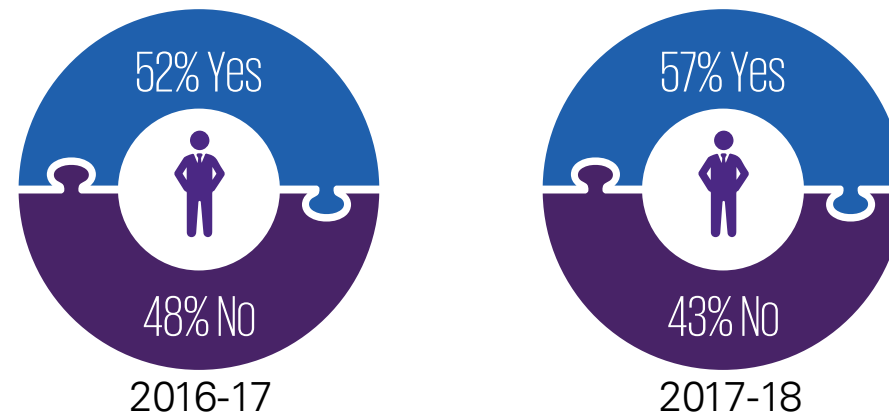


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

11

57 companies have their MD/CEO as a member of the CSR committee in the current year. Of these, eight have their MD/CEO heading the CSR committee, an upward trend of 33 per cent from the last year. This represents higher involvement of the top executives/management in CSR.

MD/CEO as part of the CSR committee

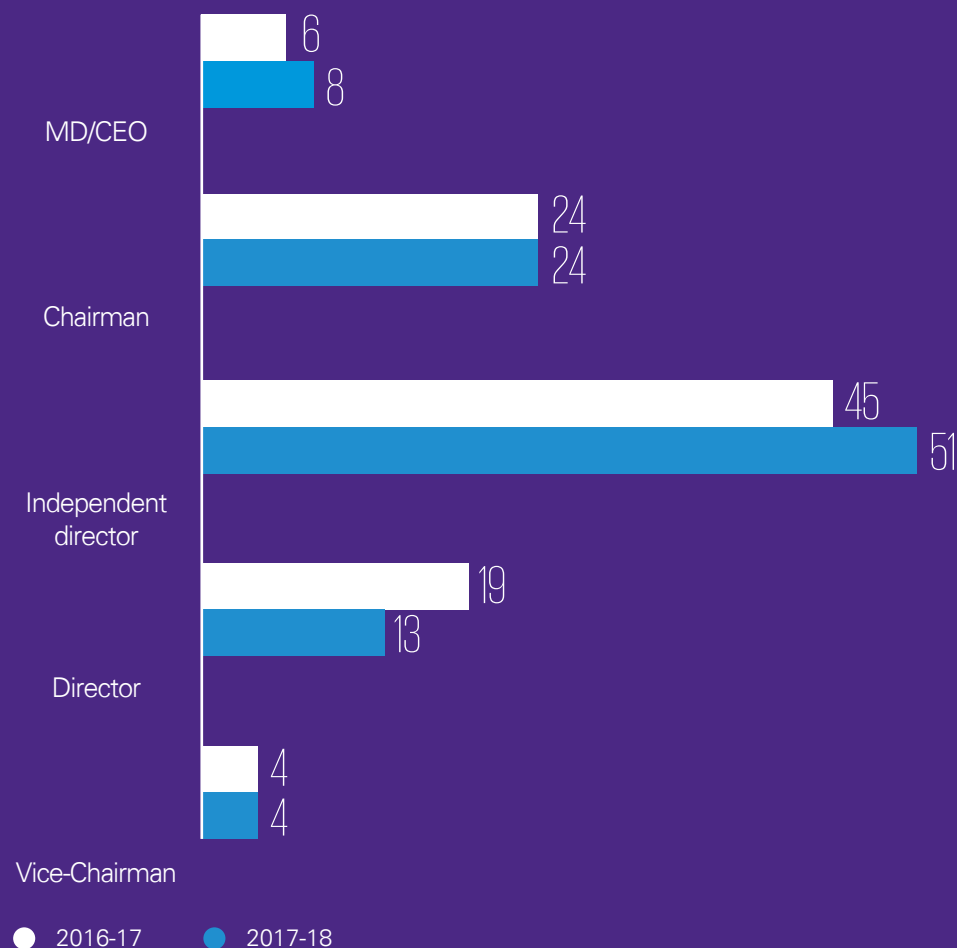


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

12

All 100 companies have independent directors as members of the CSR committee. Of these, 51 have an independent director heading the committee. This is an increase of 13 per cent from last year, when only 45 companies had independent directors as Chairmen of CSR committees.

Chairman of the CSR committee

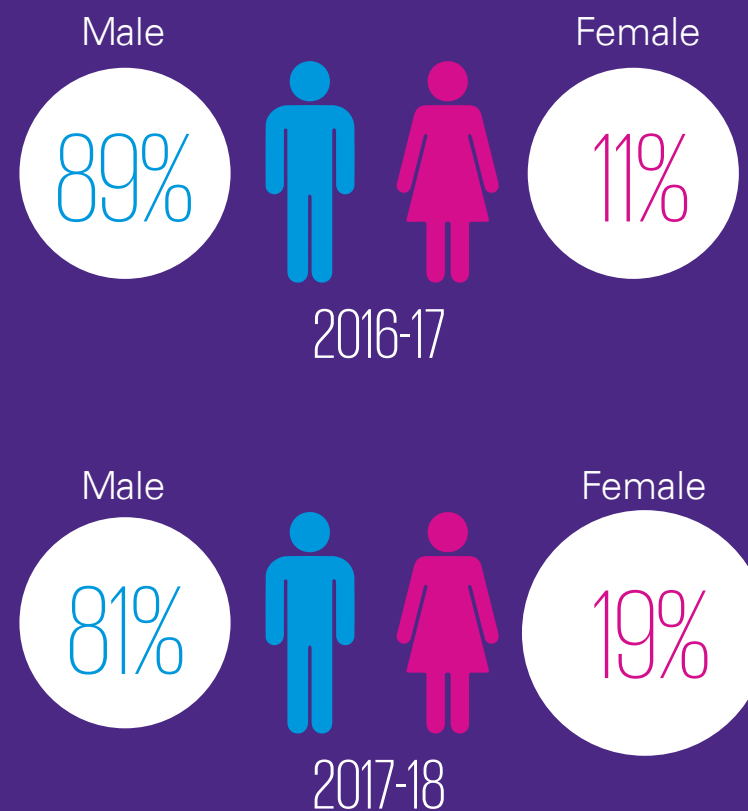


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

13

64 companies have one or more women members in the CSR committee in the current year. Of these, 19 have a woman heading the CSR committee, same as last year.

Gender of the Chairman of the CSR committee



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

CSR committee meetings

14

As part of the corporate governance section, companies have to mandatorily disclose details regarding board-level committees, including the CSR committee.

15

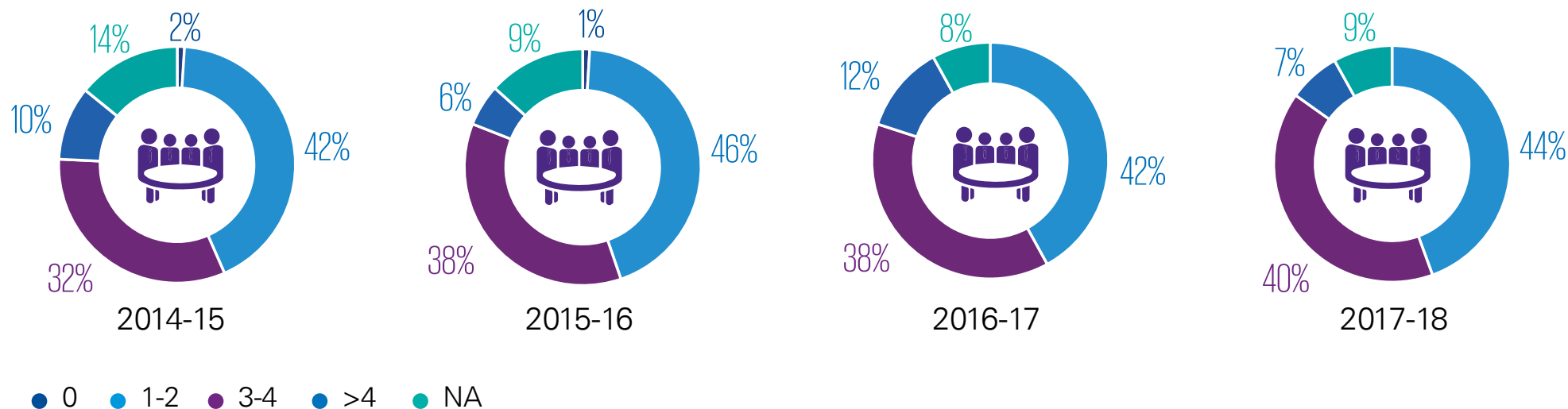
91 companies have disclosed these details regarding CSR committee meetings in their corporate governance section as compared to 77 companies during the first year of reporting (2014–15), indicating an upward trend of 18 per cent.

16

All 91 companies have had one or more CSR committee meetings, and the average attendance was about 92 per cent. Further, almost 50 per cent of the companies have met more than twice a year.

17

It is interesting to note that seven companies that have had five or more CSR committee meetings during 2017–18, a welcome trend as it is not mandated by the Act.



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

04

Disclosure on CSR in the Director's report

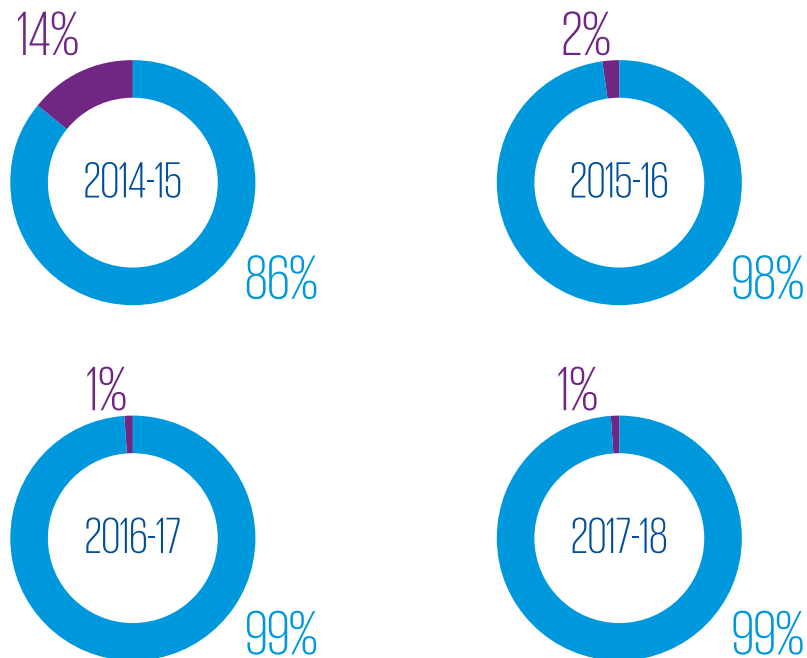
As per the Act, companies with a net worth of INR500 crore or more, or a turnover of INR1,000 crore or more, or a net profit of INR5 crore or more in the immediately preceding financial year must disclose CSR-related details in their Director's reports in the format as prescribed in the Act. This shall include details such as composition of the CSR committee, policy, implementation of projects, reason for failure to spend, etc. This section analyses the details around the quality of the CSR disclosure in the Director's report (excluding the annexure to Director's report).



Disclosure on CSR in the Director's report

1

As per the Act, the Director's report of a company should include details on CSR. During the current year, 99 companies have met this requirement as compared to 86 companies in 2014-15. Regular high levels of disclosure reflect the management's focus on CSR at the board level and aids in communication with larger stakeholders.



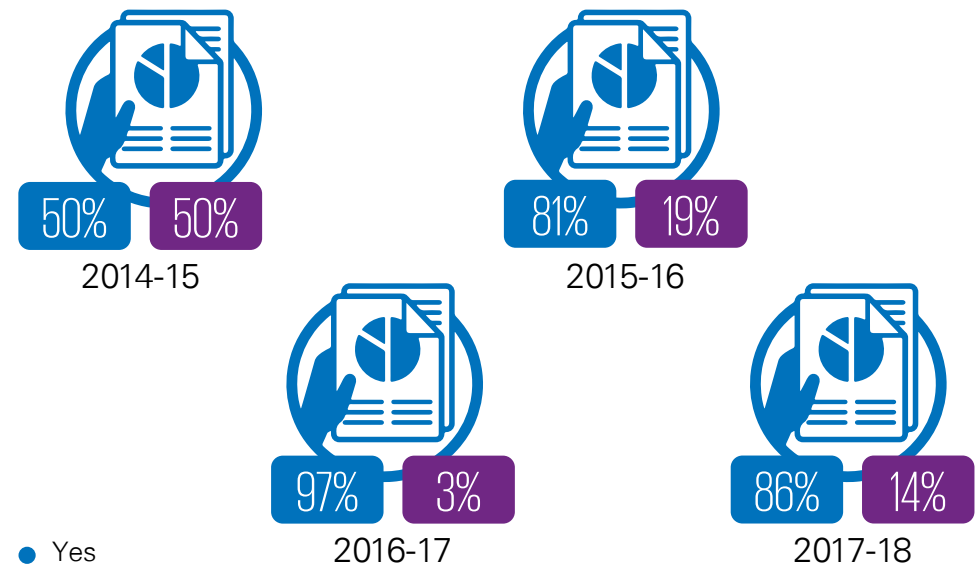
● Yes

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Reference to the CSR policy and its web-link in the annual report

2

In the current year, 85 companies have referenced the CSR policy and its web-link in their Annual report, a mandatory requirement as per the Act, as against only 43 companies in 2014-15. Increase (almost 100%) since the base year (2014-15) indicated improved CSR related disclosures at the board level.



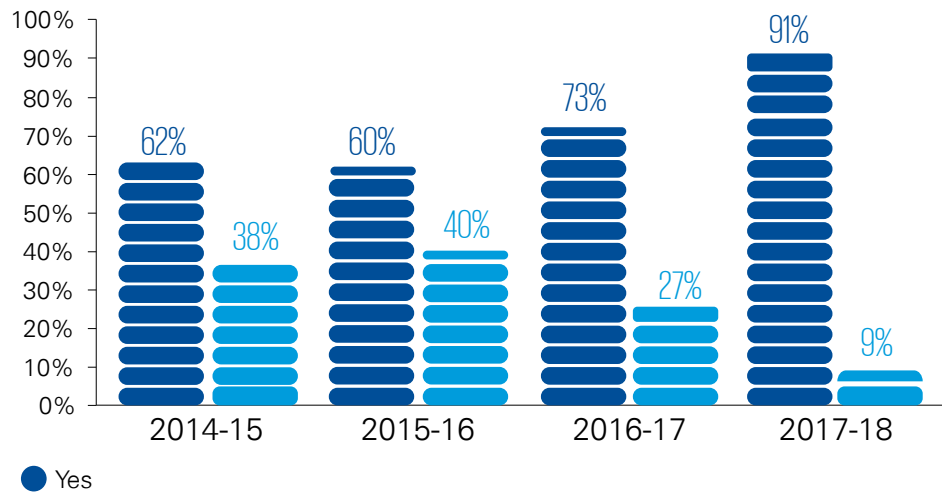
● Yes

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Disclosure on the focus areas of CSR

3

In the current year, 91 companies have disclosed their focus areas in the Director's report, up by over 53 per cent as compared to the number in 2014–15. This increase is a good sign, highlighting companies' willingness to move beyond reporting only what is mandatory.

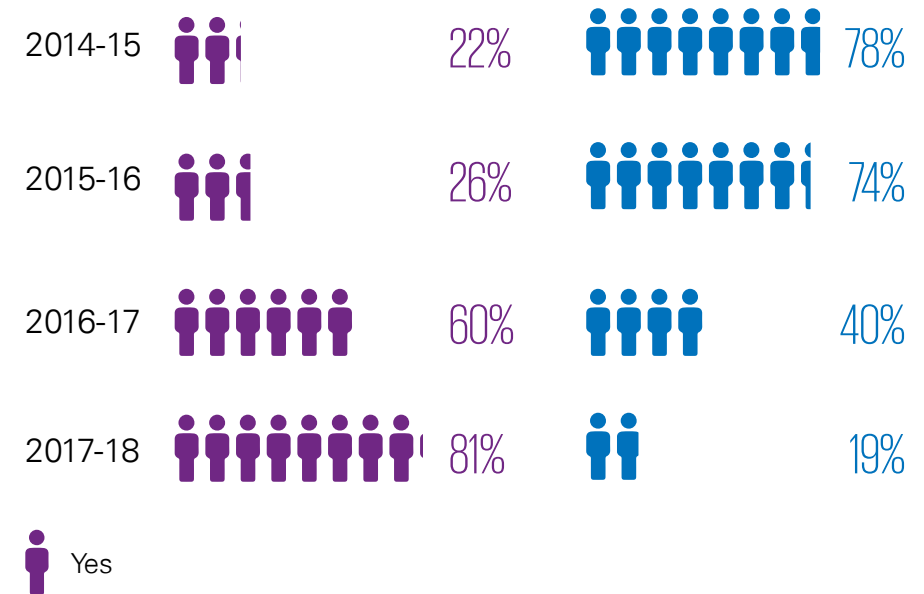


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Disclosure on outreach/ people impacted

4

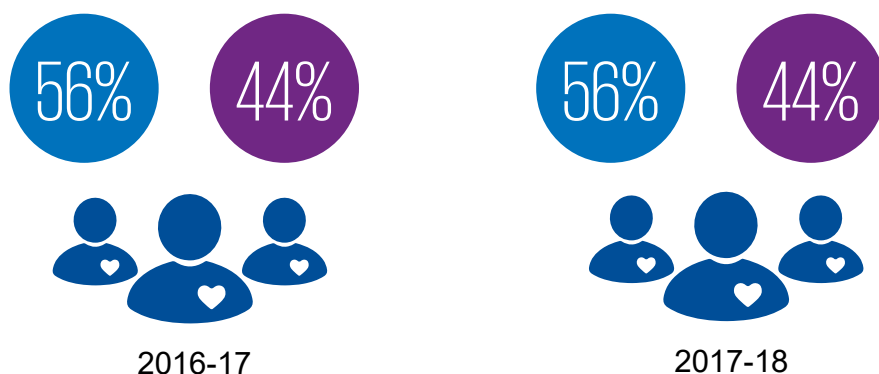
In the current year, 80 companies have reported details of the outreach/people impacted, an almost four-fold increase from 19 in 2014–15. This increase indicates companies' active monitoring of CSR projects.



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Employee volunteering

- 5** 55 companies have disclosed the involvement of employees as 'volunteers' for the implementation of CSR projects during the 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. This omission has not impacted more than half of the companies who have disclosed employee involvement as volunteers.

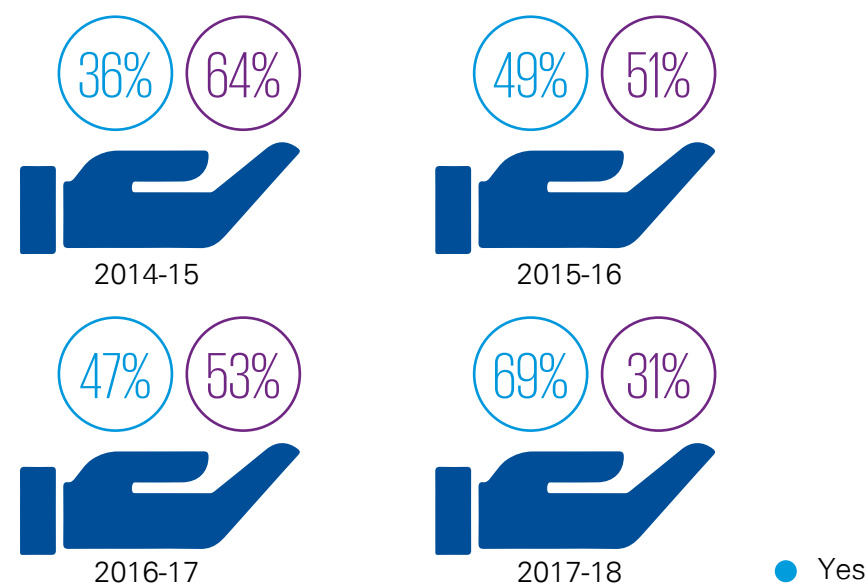


● Yes

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Disclosure of the amount spent on CSR

- 6** Disclosure of the expenditure made on CSR in the Director's report indicates the board-level ownership and accountability for CSR-related spend on projects.
- 7** 69 per cent companies have disclosed details regarding CSR expenditure in the Director's report. This is an over two-fold increase from 2014-15 (31 companies).
- (Note: This is different from the annual CSR spends disclosed by companies in the format prescribed by the Act, which is covered separately.)*



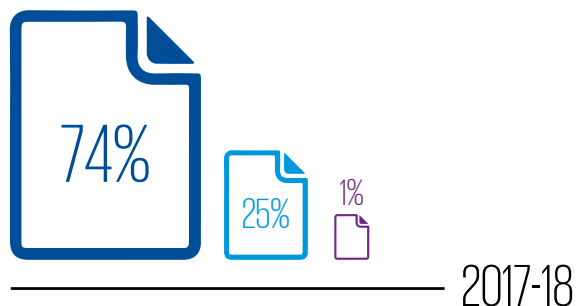
● Yes

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

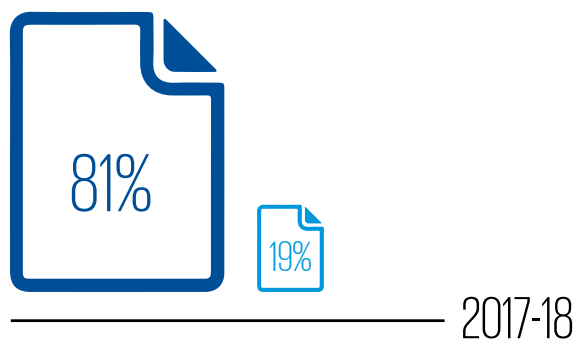
Ministry of Corporate Affairs issued a notification in May 2018, directing companies to focus their CSR funding on the area they operate in. While 74 per cent have indicated a preference for locations where they are present (as defined in their CSR policy), 81 per cent companies have implemented projects in the locality of their presence (neighbourhood). Additionally, 19 per cent have gone beyond local presence. Of these, 60 per cent are service sector companies for whom defining local areas might be challenging.

CSR and community alignment

CSR Policy



Annual Report



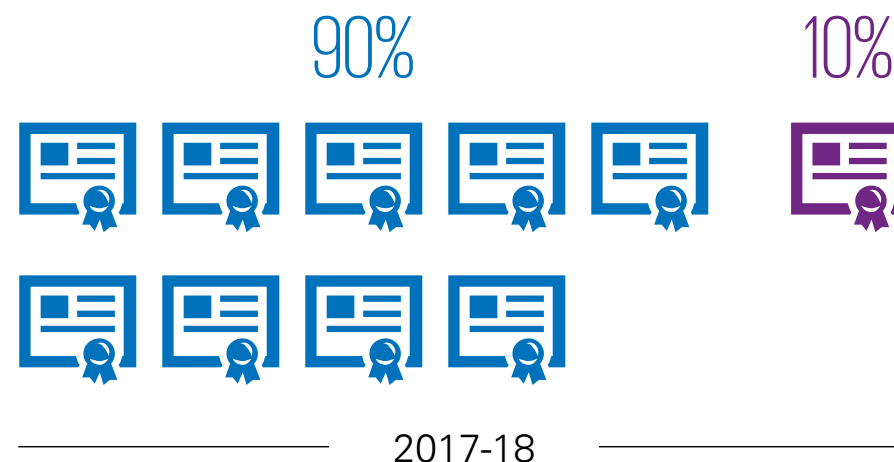
● Yes ● No ● NA

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Disclosure on CSR in the format prescribed by the Act

9 As per the Act, companies are required to disclose details around CSR spends (annually) in the prescribed format.

10 During the current year, 89 companies have used the format, a dip when compared to 97 companies in the previous year. It is important to follow a standardised reporting format, as apart from complying with regulatory expectations, this also supports in efficient analysis and comparison of CSR performance by different companies.



● Yes

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

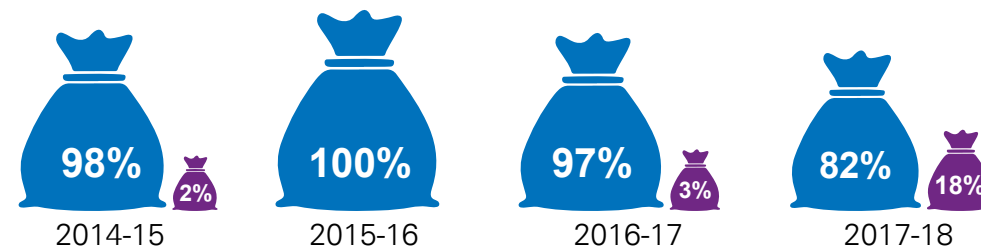
Disclosure on the reasons for unspent amount

11

As per the Act, companies that fail to spend the mandatory 2 per cent towards CSR during a year are required to provide an explanation for the same.

In the current year, 33 companies have spent less than this prescribed amount, and thus, were mandated to provide an explanation/reason this. Of these, 27 have provided the reason/explanation statement. Of the remaining three, one has consistently not reported this for last four years, and one company has failed to do so for two years in a row.

Reasons for unspent amount given



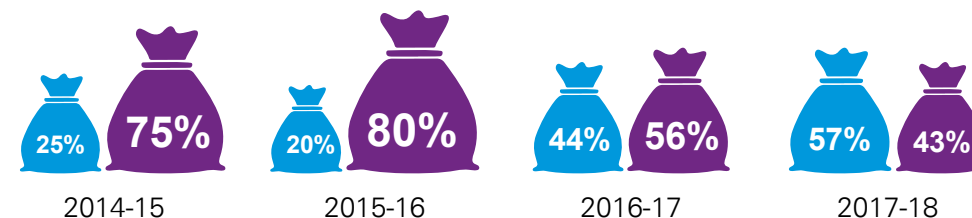
● Given ● Not given

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

13

More than 50 per cent of these companies (17) have committed to carrying forward the unspent CSR amount to the next year, up by over 80 per cent as compared to 2015–16, which indicates commitment towards society by these companies.

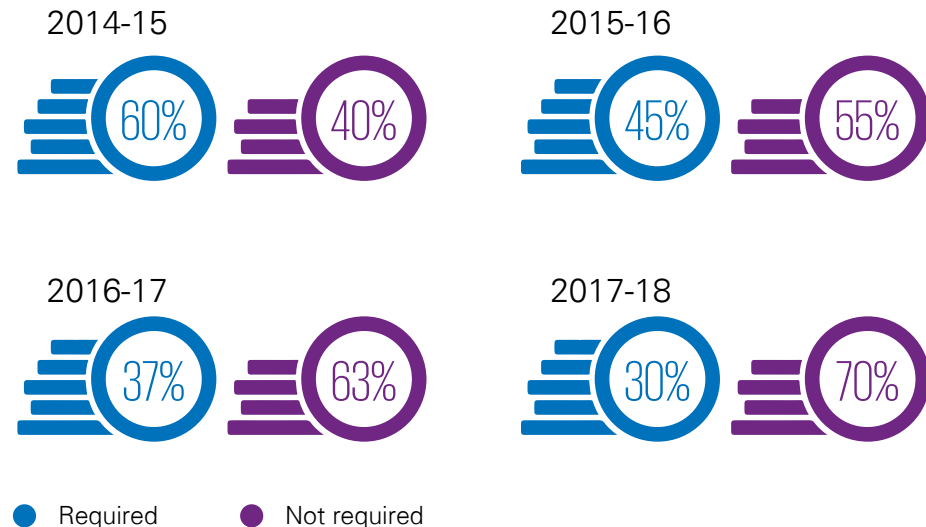
Unspent amounts carried forward



● Yes

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Reasons for unspent amount required



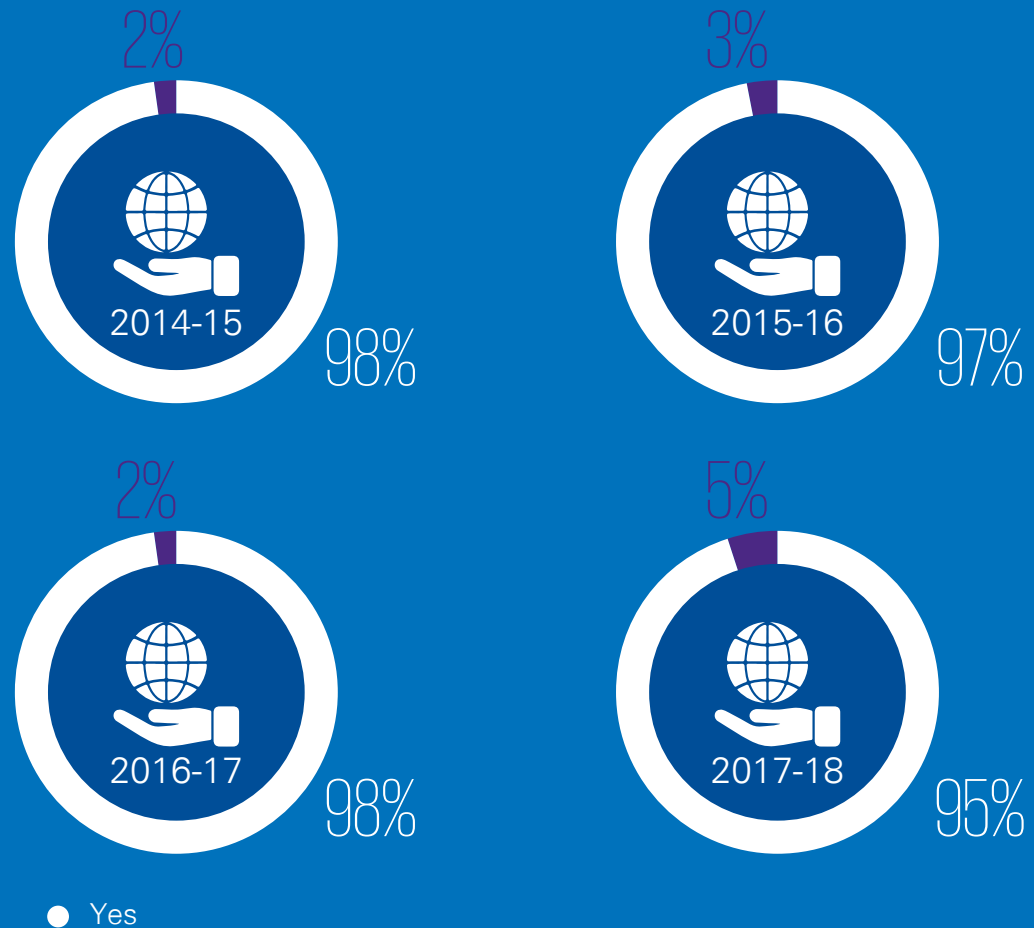
● Required ● Not required

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Responsibility statement in the annual CSR disclosure

14

All N100 companies need to provide a responsibility statement of the CSR committee confirming that the implementation and monitoring of CSR projects is in compliance with the company's CSR objectives and policy. During the current year, 94 companies have done this. Incidentally, three companies that have failed to provide the responsibility statement have also not provided a reason/explanation statement, of which two have failed to provide these details for the fourth consecutive year.



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

05

CSR spends

As per the Act, companies with a net worth of INR500 crore or more, or a turnover of INR1,000 crore or more, or a net profit of INR5 crore or more in the immediately preceding financial year are required to spend 2 per cent of their average net profit of the preceding three years on CSR.

Of the N100 companies analysed, 95 companies were required to spend the prescribed 2 per cent CSR amount. It is noteworthy to mention that five companies that are not required to spend, have still spent towards CSR, of which four are doing so for the last three successive years.

This section analyses the CSR expenditure by India Inc. and its comparison with the previous years' disclosures.



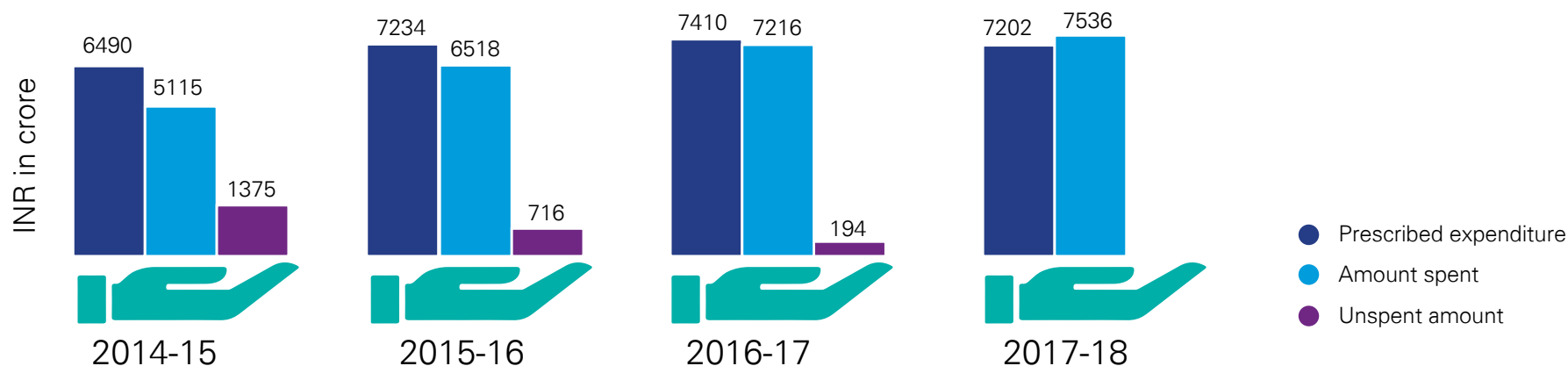
Amount to be spent (CSR budget outlay) against the prescribed 2 per cent CSR amount

1 As per the Act, N100 companies are required to spend a minimum of INR2.35 crore to a maximum of INR703.1 crore (calculated as per Section 198 of Act), higher by 11 per cent as compared to the amount in 2014–15.

2 Against the prescribed CSR amount, companies have committed to spending INR8,099 crore during 2017–18, up 22 per cent as compared to that in 2014–15. It is 12 per cent higher than the prescribed 2 per cent CSR amount.

3 The average amount committed to be spent during 2017–18 per company is INR81 crore, up by over 9 per cent as compared to that in 2015–16. Similarly, the maximum amount committed to be spent during 2017–18 (INR703 crore) has gone up by 18 per cent as compared to that in 2015–16 (INR593.7 crore).

4 During the current year, it is interesting to note that 56 companies have committed higher CSR budget outlays as compared to 10 companies during 2014–15, up over five fold.



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

5 Interestingly, as compared to three companies in 2014–15, over 33 in the current year have committed less than the prescribed 2 per cent, up over 10 times. This is something that needs deeper study.

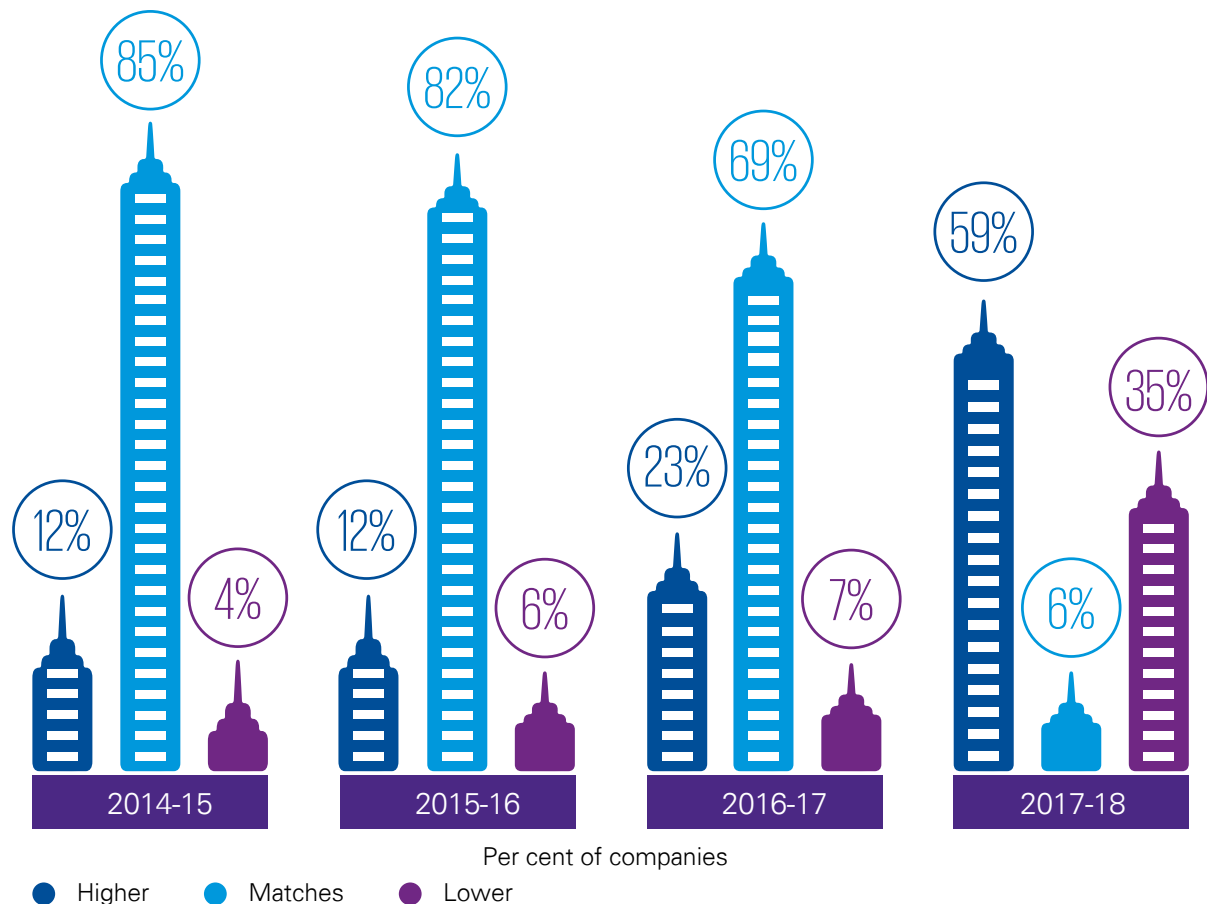
Amount spent against the prescribed 2 per cent CSR amount

6 During the current year, companies have spent INR7,536.3 crore, 47 per cent higher as compared to the amount in 2014–15. This is a significant rise, clearly demonstrating higher expenditure towards CSR activities from the mandated year, 2014. The cumulative expenditure by N100 companies from 2014–15 to 2017–18 is about INR26,385 crore.

7 The amount spent during the current year ranges from a minimum of INR0.9 crore to a maximum of INR745 crore. It is noteworthy to mention that the average amount spent per company has gone up to INR76.1 crore as compared to INR58.8 crore during 2014–15, up 29 per cent. It is also remarkable to note that the total amount unspent has reduced by INR749 crore (from INR1,738 crore in 2014–15 to INR989 crore during 2017–18).

8 64 companies have spent 2 per cent or more during the current year as compared to only 32 during the first year of requirement (2014–15), which is again a striking improvement of 94 per cent over the last four years.

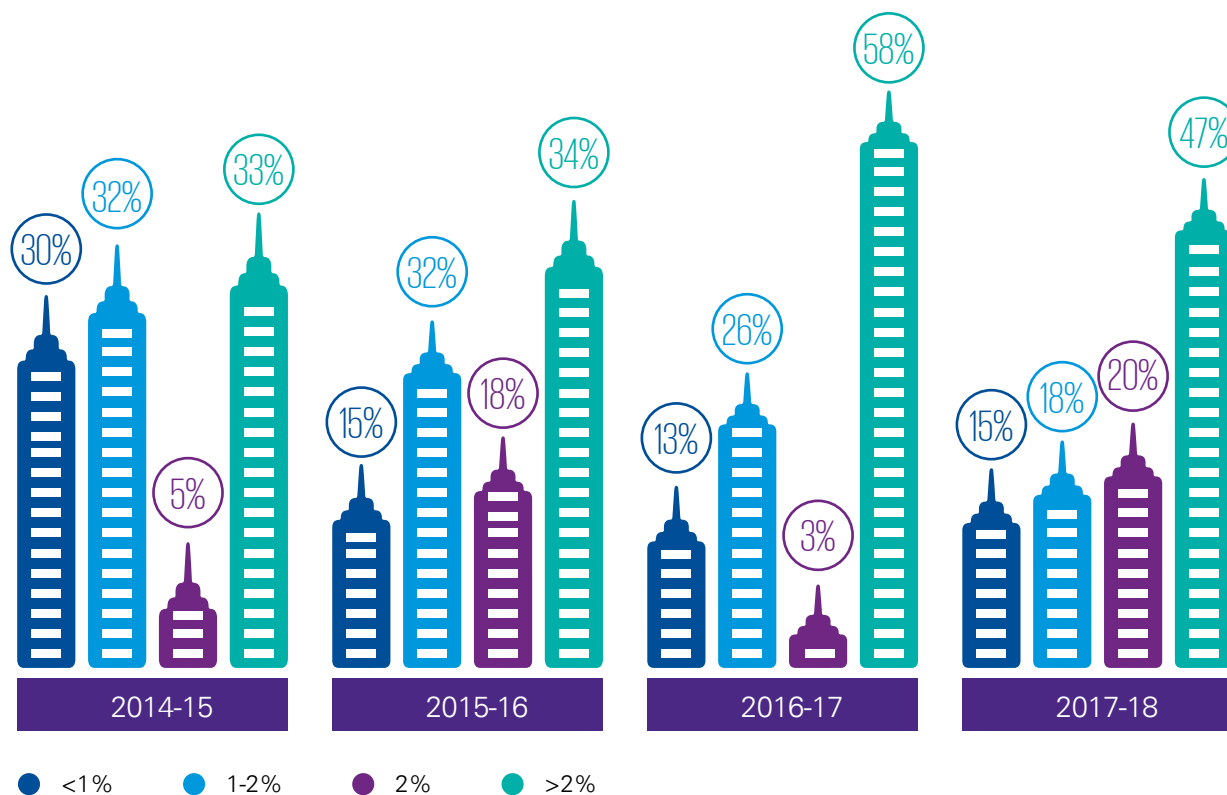
Amount to spend vs. prescribed



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

- 9 The number of companies that have spent less than 2 per cent has also substantially reduced, from 52 companies in 2014–15 to 33 companies during 2017–18 (37 per cent reduction).
- 10 Against 25 companies that had spent less than 1 per cent of the prescribed CSR amount during 2014–15, only 14 have spent less than 1 per cent during 2017–18, a 44 per cent improvement.
- 11 There is a clear indication of the N100 companies getting familiar with the requirements of the Act and setting the internal controls in place, a major reason (as reported by companies in their annual disclosures) why they have not been able to spend the amount.

Amount spent vs. prescribed



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.



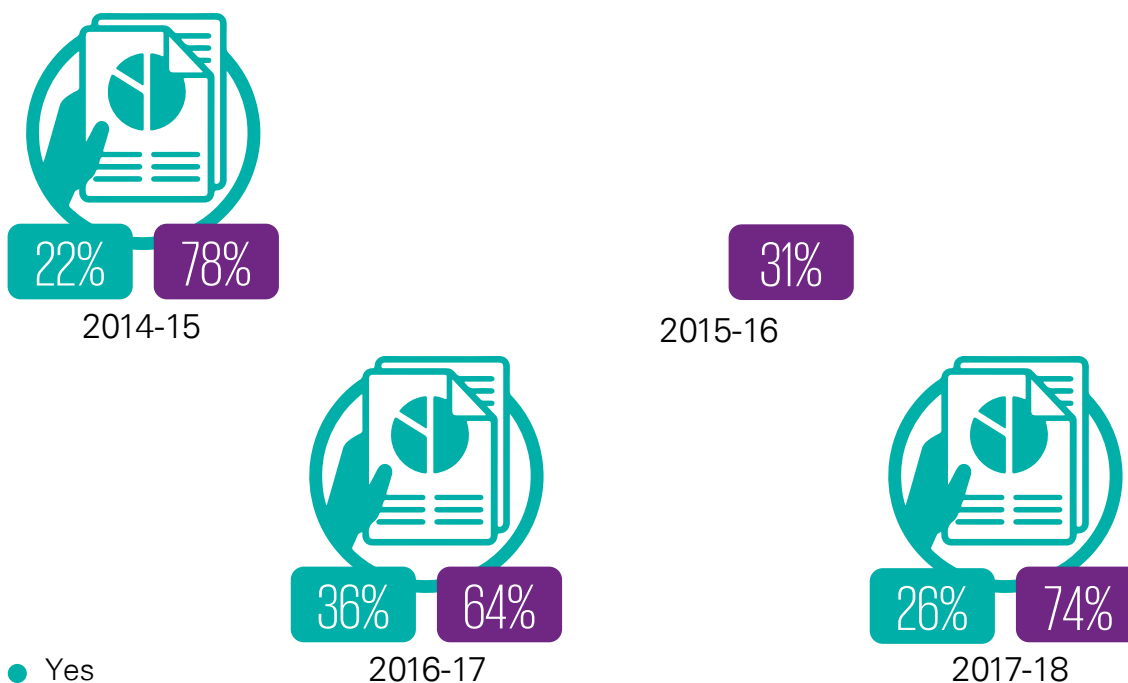
Separate reporting on direct and overhead expenses on projects

12

Disclosing project-related direct and overhead expenses in the prescribed format is a mandatory requirement as per the Act.

13

During the current year, 26 companies have disclosed their expenses towards CSR projects as against 19 companies in 2014–15. While an increase was seen, this is still critical considering failure to disclose the expenses is a case of non-compliance to the mandate of the Act.



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

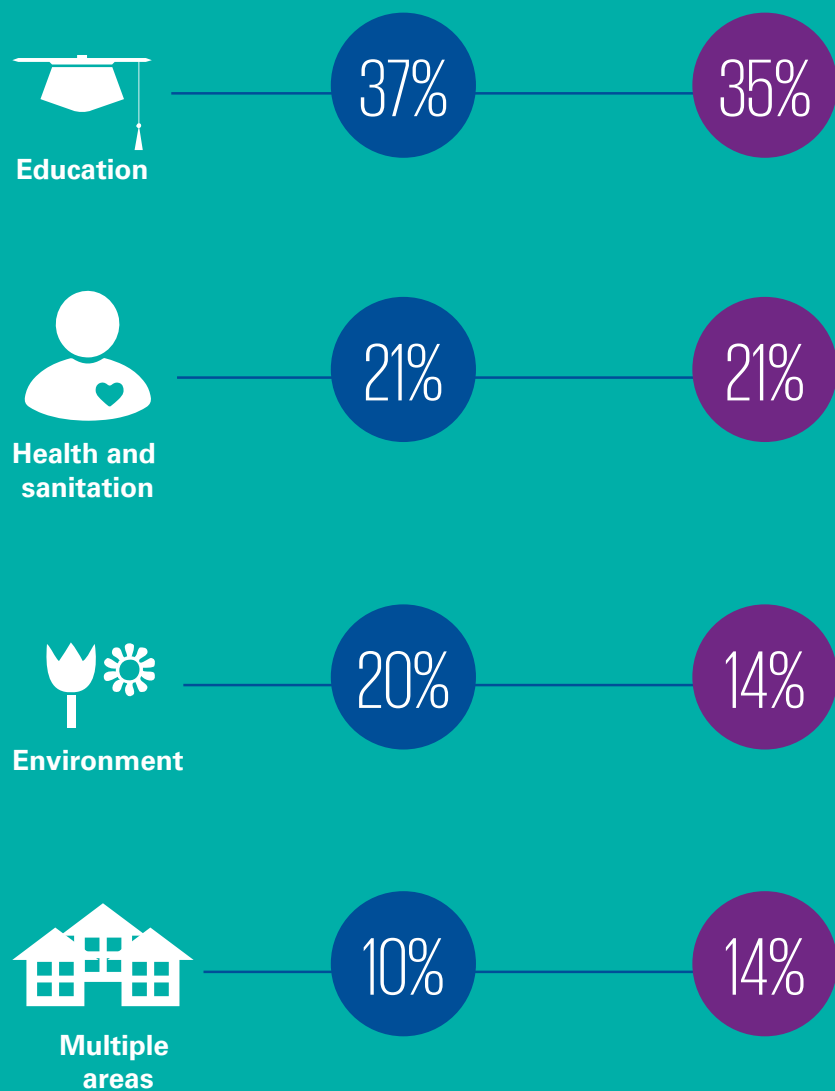
14

It is interesting to note that the overhead expenditure towards health and sanitation, education, reducing inequality and environment-related CSR activities have increased as compared to the previous year. It will be difficult to judge if this is a reflection of improved project management skills or transparency in reporting by India Inc.

15

Overhead expenditure towards education continues to be the highest at 35 per cent and has increased by over 250 per cent as compared to the previous year, which needs a further deep dive to understand better.

Schedule VII wise CSR overhead expenditure

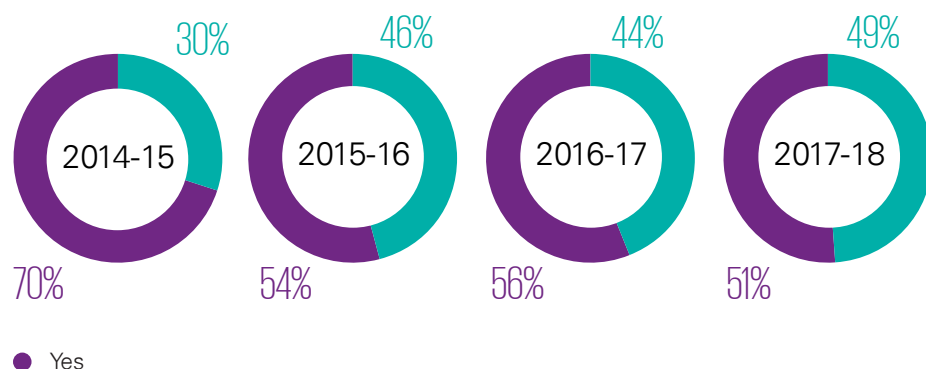


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Separate reporting on admin expenses

16 The Act allows companies to spend a maximum of 5 per cent as admin expenses, against their annual expenditure on CSR.

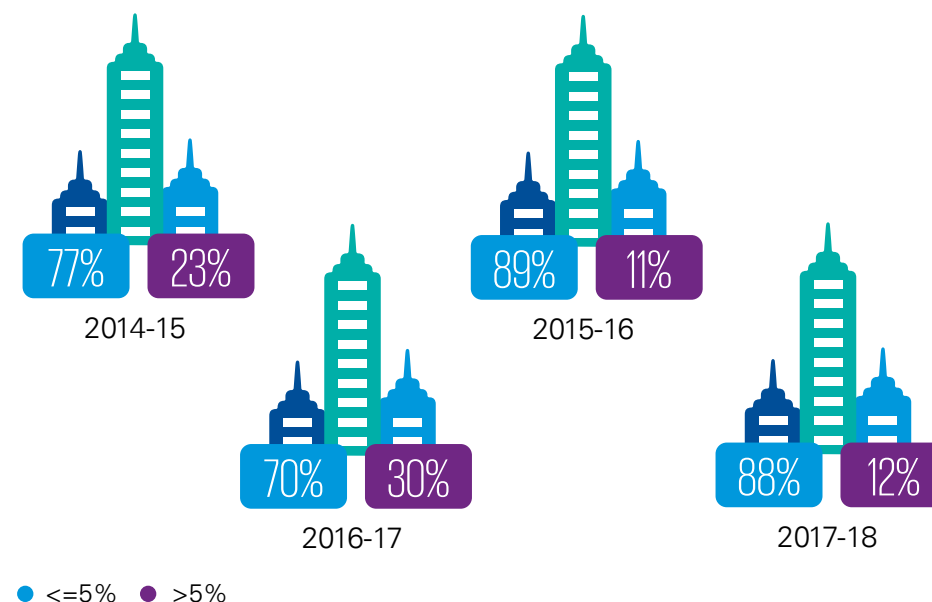
49 companies as opposed to 26 in 2014–15, have provided details regarding administrative expenses during the current year. While this is an increase, this still remains a concern wherein more than half the companies (51) still do not disclose details around admin expenses.



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

18 Of the companies that have disclosed details around admin expenses, 12 per cent have spent more than the permissible 5 per cent towards admin expenses as against 30 per cent last year (53 per cent lower), which is a good indication considering a decrease in non-compliance to the requirement as stipulated within the Act.

Admin expenses



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

19 Of the N100 companies, four have incurred admin expenses but have decided not to calculate them under CSR expenditure but under normal expenses, indicating a higher commitment towards CSR.

Reasons for not spending the 2 per cent CSR amount

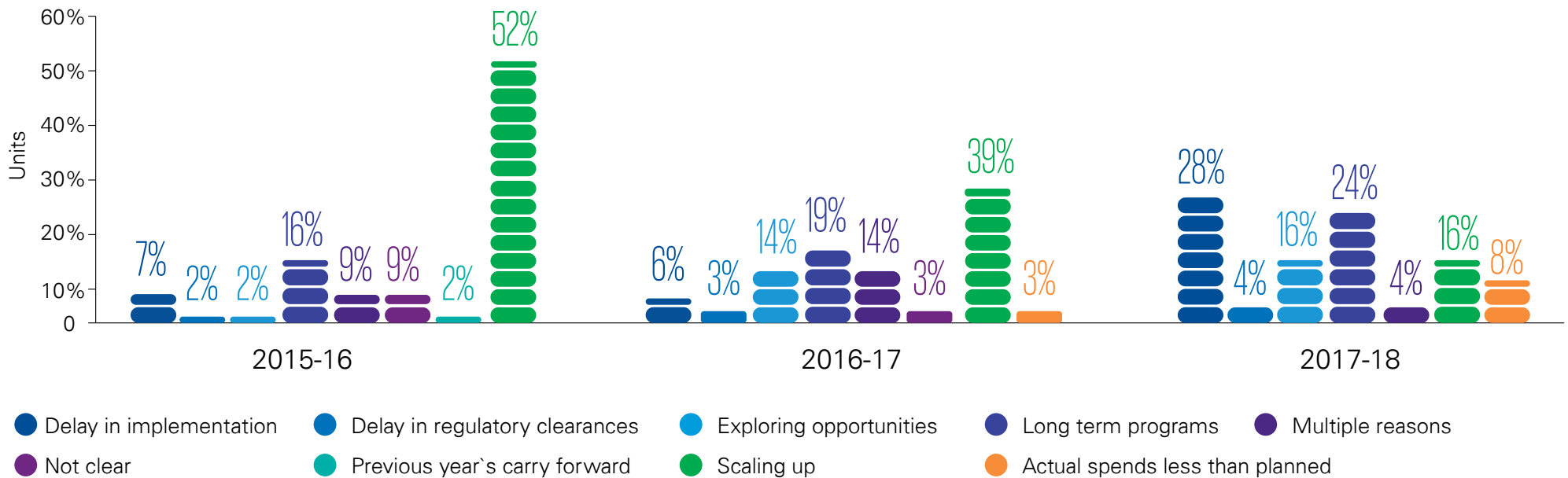
20

During the current year, 33 companies have spent less than the prescribed CSR amount towards CSR, and thus, were required to provide explanation / reason for not being able to spend the amount. 27 companies have provided the reason / explanation statement.

21

Majority (44%) companies have stated 'delay in implementation' or 'exploring opportunities' followed by 24% companies stating 'long term projects' as the reason for not being able to spend the prescribed 2 per cent CSR amount. 16% companies provide the reason on scaling the projects, while 4% of the companies attributes to delay in regulatory environment.

Reasons stated for the unspent amount



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

06

CSR project management

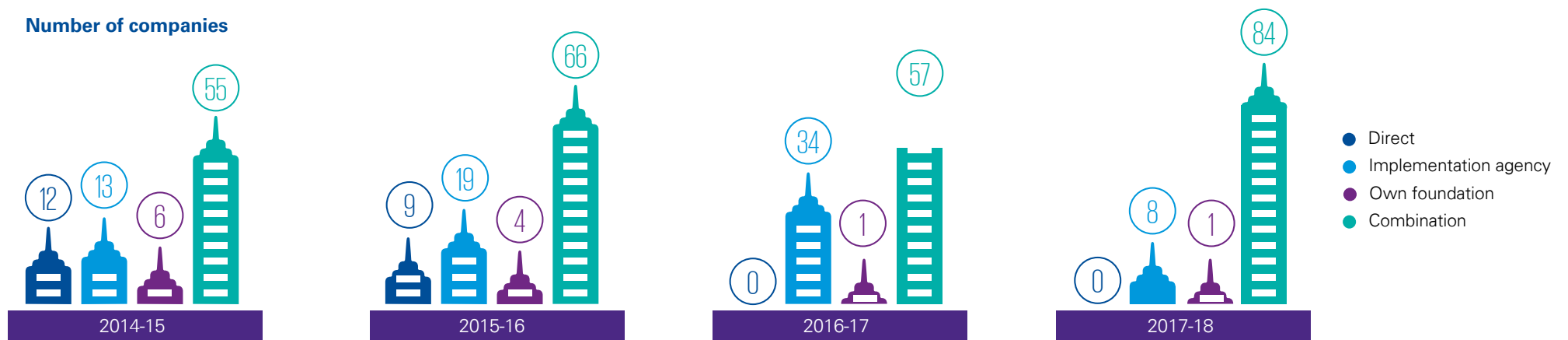
The Act mandates that companies must implement the activities in project mode in areas or subject, specified in Schedule VII. It provides flexibility to implement the project directly, through their own foundation, implementing partner or through a combination of all. This section analyses the project management aspects, such as the mode of implementation, geographical area of intervention and alignment with thematic areas prescribed by Schedule VII.



Choice of implementation modalities by companies

- 1 Of the N100 companies, 93 have clearly provided details of their mode of implementation in their CSR policy. The remaining that have not disclosed details include five companies that have failed to make the disclosure for the second year. Four companies have failed to disclose details regarding implementation modalities in their annual CSR disclosure.
- 2 84 companies implemented their CSR projects through a combination of direct implementation, own foundation or implementing partners against only 57 during 2016–17, an upward trend of 47 per cent.
- 3 During the current year, exclusive implementation with support of external implementing agencies was reported by eight companies against 34 during the previous year, a downward trend of 76 per cent. It indicates a positive shift with companies preferring multiple implementation modalities that offer flexibility in designing programmes and opportunities for collaborating with multiple stakeholders for effective leveraging of resources.
- 4 Against 18 companies that implemented their CSR projects directly or exclusive through their own foundations in 2014–15, only one has reported to have chosen this mode of implementation during 2017–18, indicating an increased partnerships with implementing agencies. There is an upward trend of working with not-for-profit entities by the companies compared to the last three years.
- 5 The trend of increasing partnerships is a welcoming note and is a clear sign of recognising the strength of collaboration and partnerships as recognised by the SDG 17.

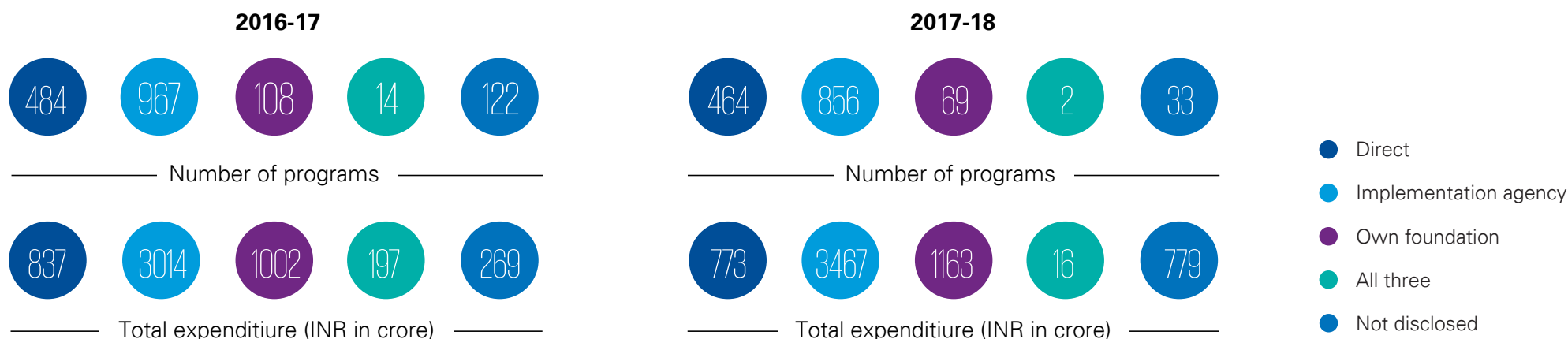
Number of companies



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Mode of program implementation and CSR expenditure

- 6 A total of 1,517 projects were implemented by India Inc. during the current year as compared to 1897 projects in 2016–17, a reduction of 20 per cent. This indicates corporates have started more focused projects rather than spreading too thin through multiple projects, which can, in the long run, assist towards achieving measurable outcomes.
- 7 Projects executed through the direct mode of implementation were 464 with an expenditure of about INR773.2 crore, and an average cost of INR1.7 crore/project. Projects executed through own foundations were 69 with an expenditure of about INR1,162.6 crore, and an average cost of INR16.8 crore. Projects executed through implementing agencies were 856 with an expenditure of INR3,467.1 crore, and an average cost of INR4.05 crore. Projects executed through a combination of all three modes of implementation were only two with an expenditure of INR16 crore, and an average cost of INR8 crore.
- 8 The number of projects executed through direct mode has decreased from last year (484 projects in 2016–17 to 464 in 2017–18). The number of projects executed through own foundations and through a combination of own foundation and direct mode also decreased over the last year (133 projects in 2016–17 to 82 projects in 2017–18).
- 9 Contrary to the previous trend, the expenditure for the projects executed through implementing agencies has significantly increased over the last year (INR3,014.1 crore in 2016–17 to INR3,467.1 in 2017–18). This showcases increasing partnerships and increased trust among India Inc. (N100 companies) for implementing agencies.
- 10 The average cost per project when implemented through own foundation is about INR16.8 crore per project. This average cost is nine times the cost when the project is directly implemented by company. Similarly, it is four times the cost when the project is implemented through an implementing partner. Substantial difference between average cost per project between projects implemented by foundation and other two implementation modalities merits a more detailed assessment.



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

State-wise focus of companies

11 Of the total number of projects in the current year (1,512), 36 per cent (545) are executed across multiple states with an expenditure of INR6,017.3 crore (80 per cent of total expenditure). Additionally, 4 per cent (57) of the projects did not disclose details regarding location of implementation, which accounts for an expenditure of INR343.7 crore (5 per cent of total expenditure). The same demands for improvement in disclosure by India Inc.

12 Maharashtra, Odisha, Uttar Pradesh, Kerala and Karnataka have the highest number of CSR projects (461), whereas Pondicherry, Meghalaya, Nagaland, Dadra and Nagar Haveli and Mizoram have only seven projects in total.

13 Tripura, Daman and Diu and Chandigarh have no projects, as reported by N100 companies.



● Number of programs 2016-2017 ● Number of programs 2017-2018
Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

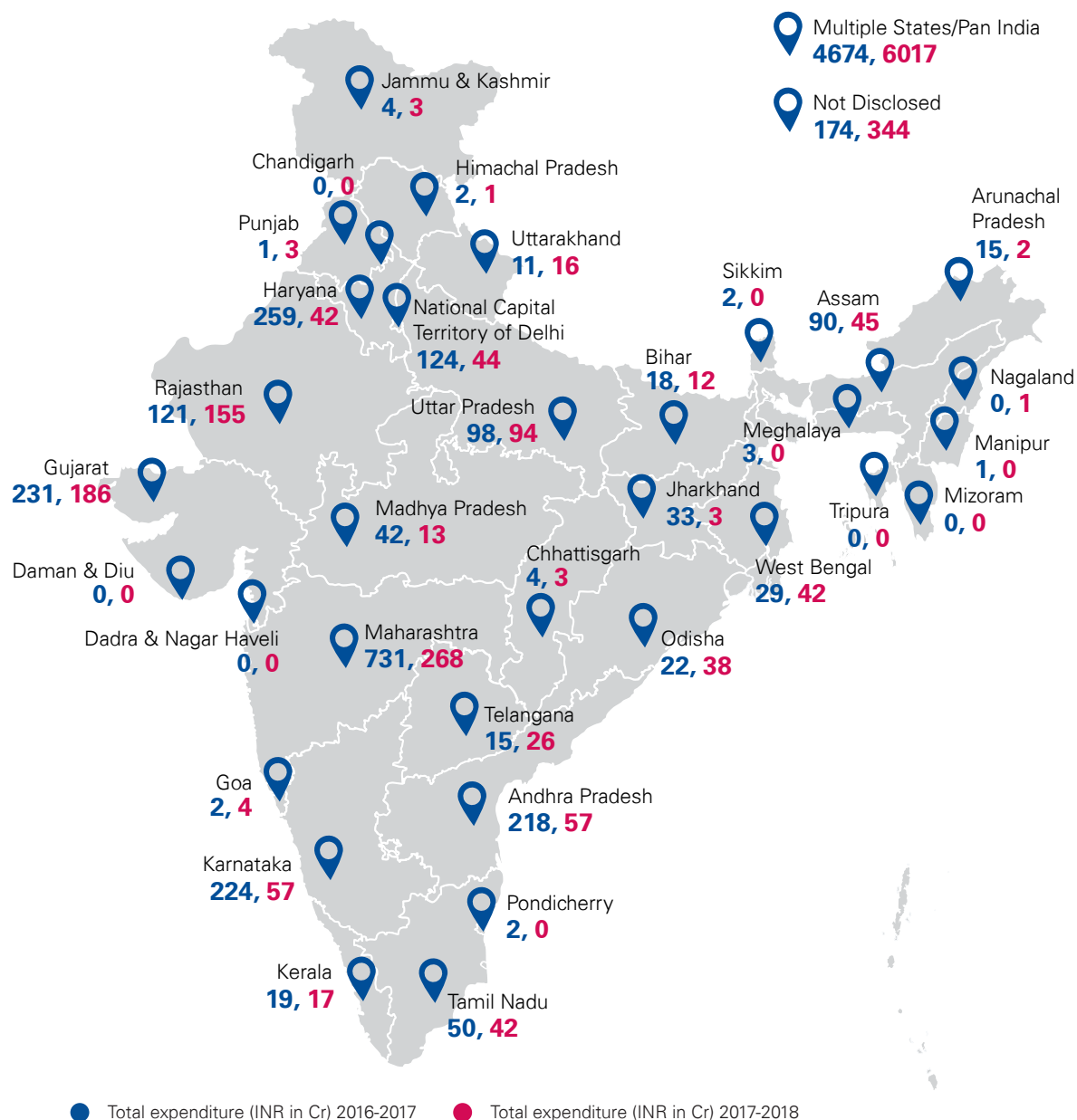
14 Maharashtra (INR268.5 crore), Gujarat (INR185.9 crore), Rajasthan (INR154.9 crore), Uttar Pradesh (INR94.3 crore) and Karnataka (INR57.1 crore) are the top five states from an expenditure perspective, contributing of INR760.6 crore (10 per cent of the total expenditure by N100 companies).

15 Pondicherry (INR0.1 crore), Meghalaya (INR0.1 crore), Manipur (INR0.3 crore), Sikkim (INR0.3 crore) and Mizoram (INR0.4 crore) are the bottom five states contributing only INR1.2 crore (0.02 per cent of the total expenditure by N100 companies).

16 Gujarat (INR4.1 crore), Rajasthan (INR2.9 crore), Uttarakhand (INR2.2 crore), Delhi National Capital Region (NCR) (INR2.1 crore) and Assam (INR1.9 crore) are the top five states from a cost per project perspective. Sikkim, Pondicherry, Meghalaya, Manipur and Mizoram (all of them having INR0.1 crore) are the bottom five states for the same.

17 While we look at the top 10 states in 2014–15, 1,249 projects were implemented by India Inc., which reduced to only 687 projects (during 2017–18), a decrease of 45 per cent. This is a strong indicator that corporates have consolidated their programmes and have started focusing on scale.

18 The north eastern states, Chandigarh, Daman and Diu, Dadra and Nagar Haveli continue to receive the least attention with less than 20 projects in total.



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Alignment of projects and spends with thematic areas prescribed by Schedule VI



19

During the current year, education has received the highest traction, which is consistent over the last three years and continues for the current year. Expenditure towards education has increased by over 75 per cent over the last four years, from INR1,249 crore (2014–15) to INR2,202 crore (2017–18).

20

Education and healthcare account for 51 per cent of the total CSR expenditure (INR3,893 crore), a decrease of 5 per cent over the previous year (decrease of 152 crore). Education, healthcare and rural area alone account for over 65 per cent (INR4,922 crore) of the total spend towards CSR (INR7,536.3 crore). It is worth to note that CSR expenditure in rural areas has increased by over 135 per cent in the last four years, from INR430.21 crore (2014–15) to INR1,029 crore (2017–18).

21

N100 companies have increased their CSR expenditure by over three-fold towards arts and culture, from INR49 crore in 2014–15 to INR279 crore in 2017–18, and for sports from INR48 crore in 2014–15 to INR120 crore in 2017–18.

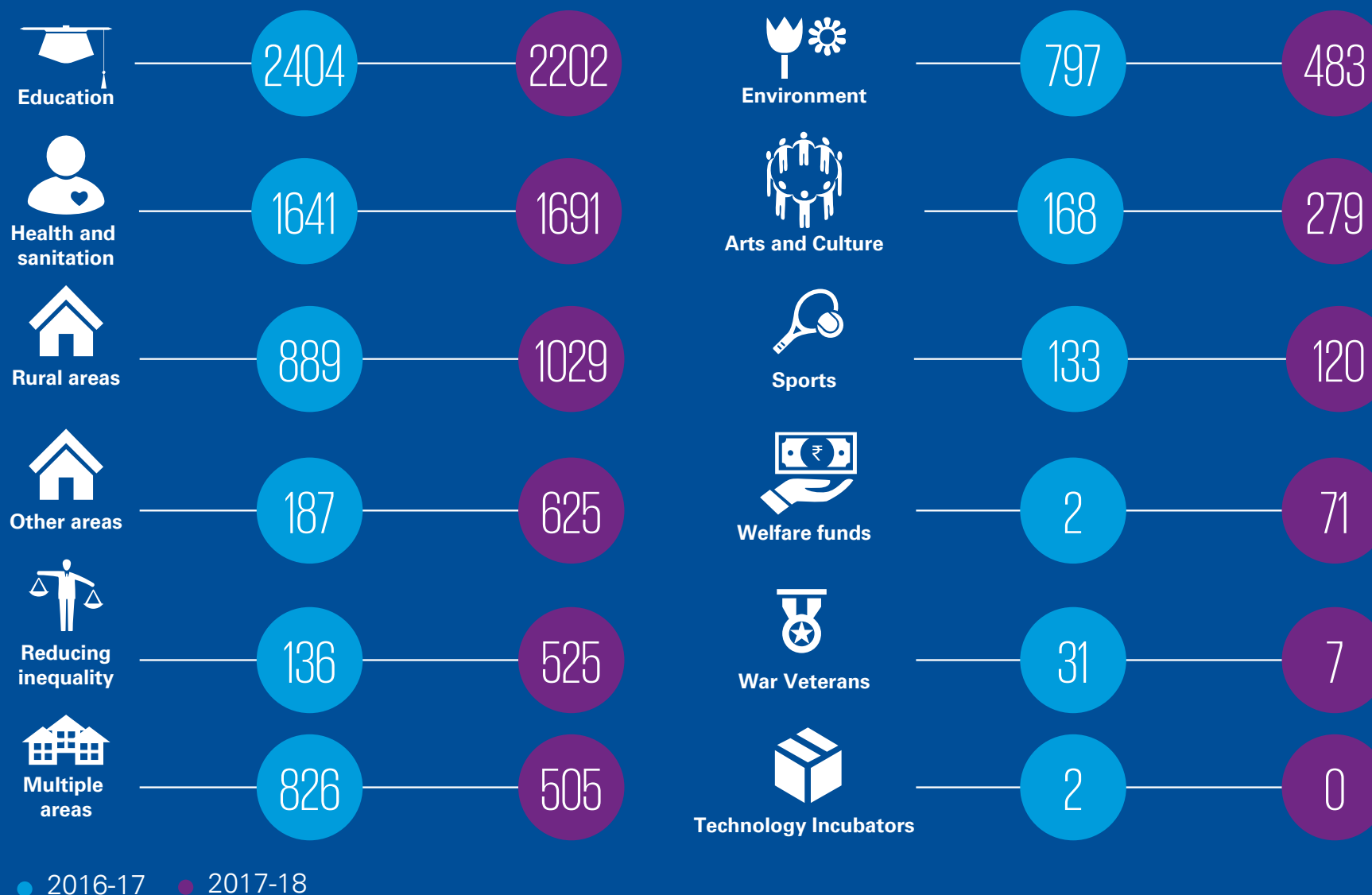
22

They have also substantially increased their 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 welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women, from only INR2 crore during 2016–17 to INR71 crore in 2017–18 (over 30 times increase).

23

A slum area, as defined by Government of India, is an urban area where multiple people live but lacks basic amenities. Although slum area development was added to the list of Schedule VII activities after the amendment in August 2014, CSR projects for slum development were at the bottom of the list with no funding for the last four years. According to Census 2011 undertaken by the Government of India, 6 per cent of the nation's population resides in slums, amounting to more than 7 crore people, which is a significant number. People living in slum areas face multiple challenges, ranging from insufficient living area to lack of access to drinking water, and require assistance through corporate CSR funding. A miniscule amount of India Inc. companies (N100) have their CSR activities present in the area of slum development but a higher involvement is required. Moreover, these companies have disclosed those activities in different Schedule VII activities. Thus, India Inc. (N100 companies) could improve upon their presence in the Schedule VII activity of slum development and report those under relevant Schedule VII activity.

CSR expenditure by Schedule VII activities (INR in Cr.)



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

07

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. Of the N100 companies, 20 are PSU and remaining 80 are non-PSU companies.



CSR policy

1

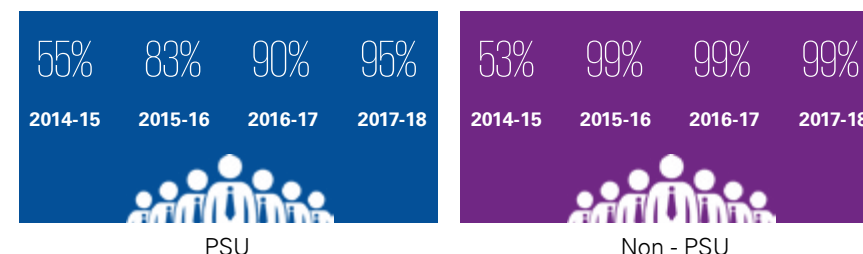
Providing a brief on CSR policy and its web-link is mandatory as per the Act. 99 companies have disclosed their CSR policy. The remaining one company has not disclosed its CSR policy and web-link for the last four years. The Act mandates companies to include areas of intervention in their CSR policy. Of the PSUs, 95 per cent have included this in their CSR policy during the current year as compared to only 55 per cent during 2014–15, up by over 73 per cent. Almost all (99 per cent) non-PSU companies have disclosed these details as compared to only 53 per cent during 2014–15, up by over 88 per cent. Of the PSUs, 5 per cent have consistently failed to include areas of intervention in their CSR policy.

3

The Act mandates companies to include areas of intervention in their CSR policy. Of the PSUs, 95 per cent have included this in their CSR policy during the current year compared to 99 per cent non-PSUs. Both PSUs and non-PSUs have shown substantial improvement on this aspect. Of PSUs, 55 per cent and 53 per cent of non-PSUs had disclosed areas of intervention in the base year (2014–15).

Disclosing details regarding CSR vision/mission/philosophy is not a mandatory requirement as per the Act. In the current year, 85 per cent of PSUs and 95 per cent of non-PSUs have made the disclosure. There has been an improvement in terms of disclosure by PSUs, with only 70 per cent making the disclosure in the base year (2014–15).

Disclosure on areas of intervention in the CSR policy

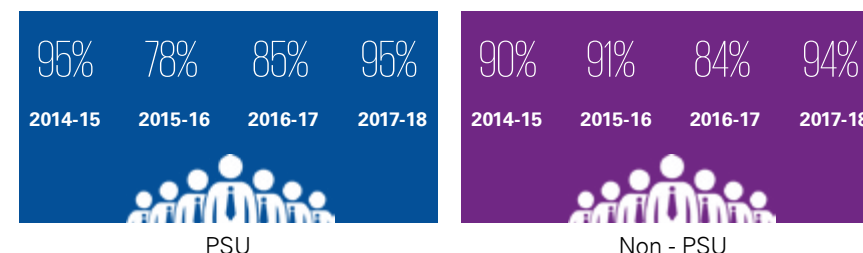


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

4

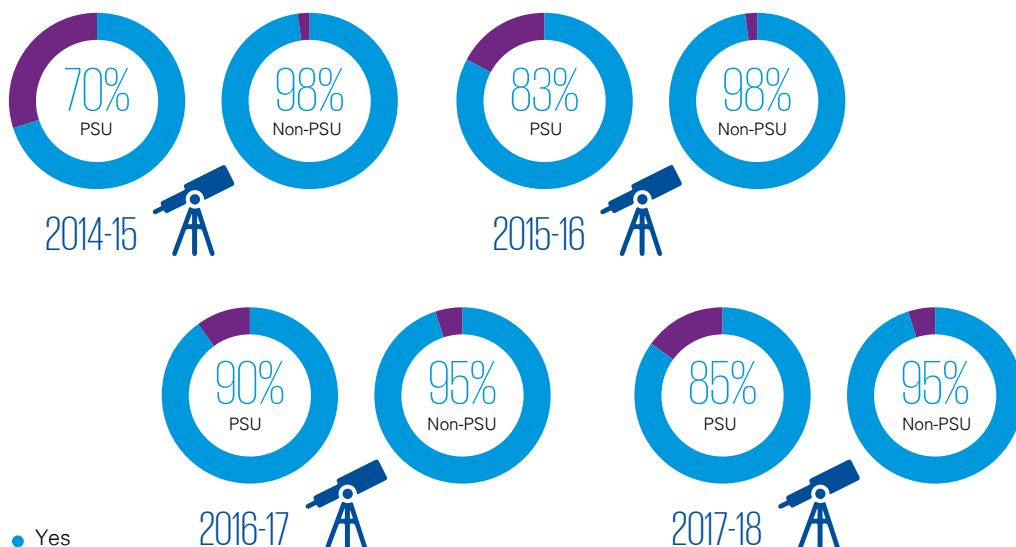
Disclosure of mode of implementation in CSR policy is a mandatory requirement as per the Act. Of the PSUs, 95 per cent and 94 per cent non-PSUs have disclosed mode of implementation in the current year. Disclosure has not been able to reach 100 per cent in any of the four years.

Disclosure on the mode of implementation in the CSR policy



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Availability of vision/mission/philosophy in the CSR policy

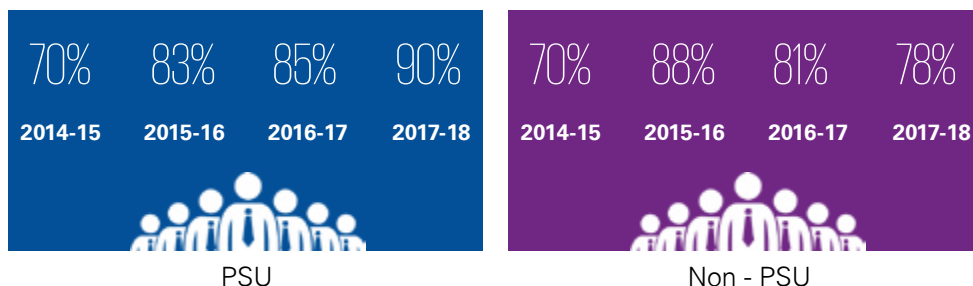


● Yes

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Disclosure of governance structure in the CSR policy is not a mandatory requirement as per the Act. 90 per cent of PSUs have disclosed their CSR governance structure and 78 per cent of non-PSUs have disclosed the same. PSUs have fared better when compared to base year wherein 70 per cent of PSUs reported on their governance structure.

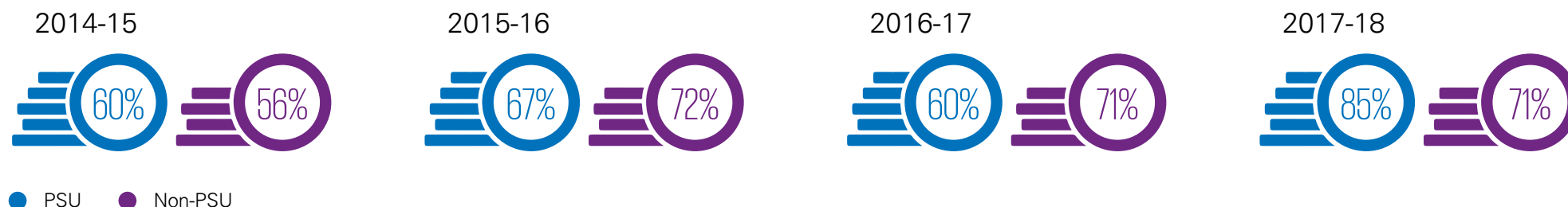
Disclosure of governance structure in the CSR policy



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

The Act mandatorily requires that surplus arising out of CSR projects or programmes or activities shall not form part of the business profit of a company. In the current year, 85 per cent of PSUs have provided a declaration on surplus arising out of CSR activities, up by 42 per cent from last year. Of non-PSU companies, 71 per cent have disclosed these details, up by 27 per cent from 2014–15. Despite being mandatory, both PSUs and non-PSUs have consistently struggled to fully comply for the last four years.

Disclosure on the treatment of surplus in the CSR policy

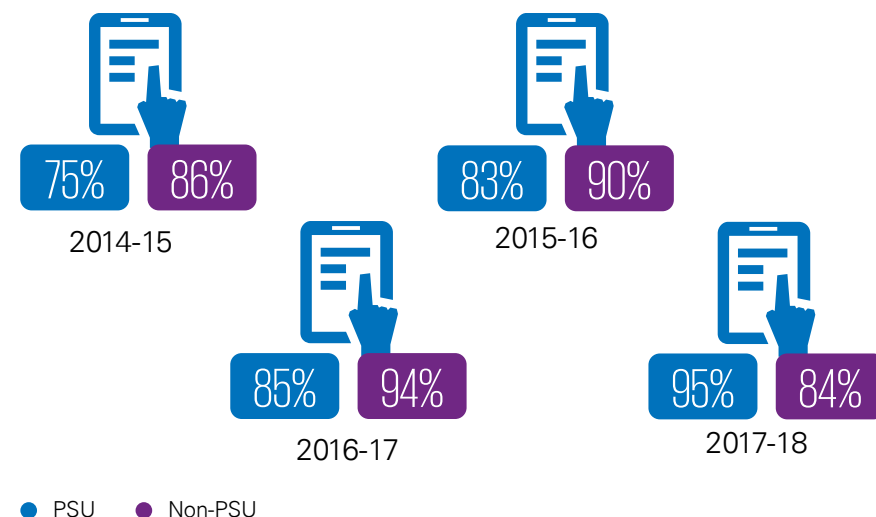


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

7

Disclosing details regarding the approach towards monitoring of CSR interventions is a mandatory requirement of the Act. Of the PSUs, 95 per cent and 84 per cent of non-PSUs have disclosed details of their mode of implementation in their CSR policy, a significant increase from 85 per cent for PSUs over the last year.

Disclosure on the monitoring framework in the CSR policy

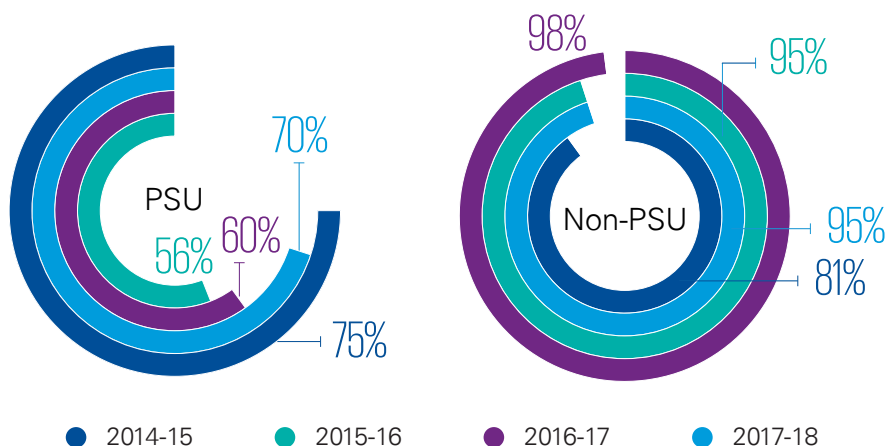


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

CSR committee

As per the requirement of the Act, a company needs to have a standalone CSR committee. Of the PSU companies, 70 per cent had a standalone CSR committee during the current year. At the same time, almost all non-PSU companies (95 per cent) have a standalone CSR committee, up from 81 per cent in 2014–15.

Standalone CSR committee

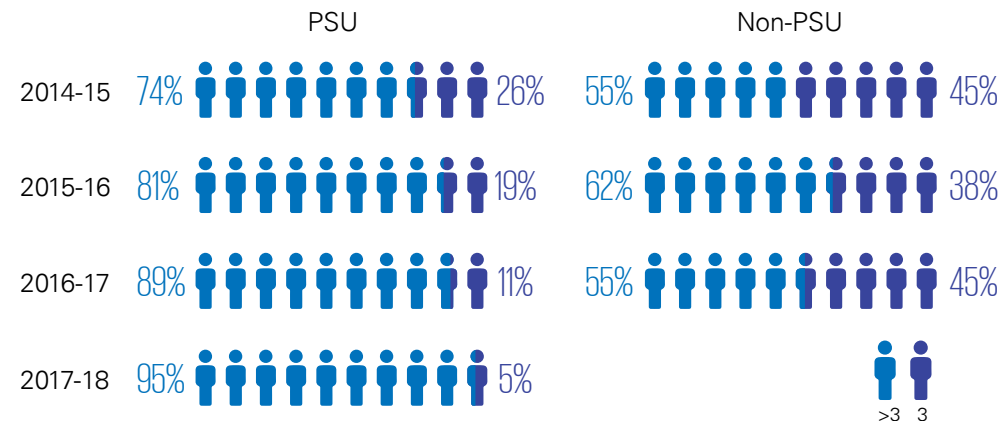


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

9

As per the Act, companies are mandated to have a board-level CSR committee consisting of three or more directors, out of which at least one must be an independent director. Of the PSU companies, 95 per cent have more than three members on the CSR committee as compared to 56 per cent in the case of non-PSU companies. This indicates that more PSU companies have chosen to go beyond the compliance requirement by appointing more than three members on their CSR committee. Though the number of members in the CSR committee at PSU companies is higher, the representation of women members is less than that of non-PSU companies in the current year.

Members in the CSR committee

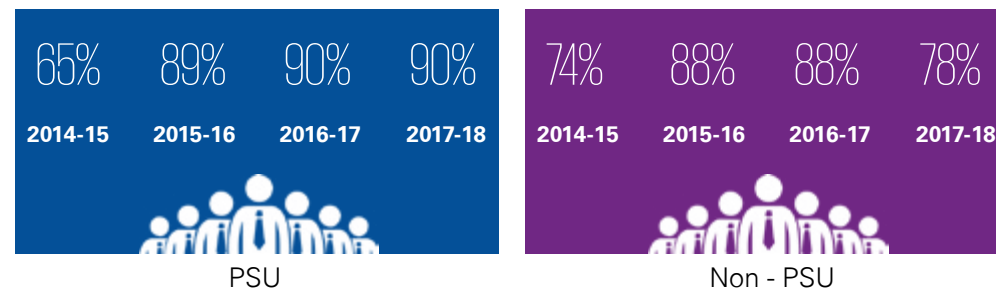


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

10

Disclosing roles and responsibilities of the CSR committee is not a mandatory requirement of the Act. However, 90 per cent of the PSUs (as opposed to 65 per cent in 2014–15) have done this in the current year as opposed to 78 per cent of non-PSUs.

Role of the CSR committee



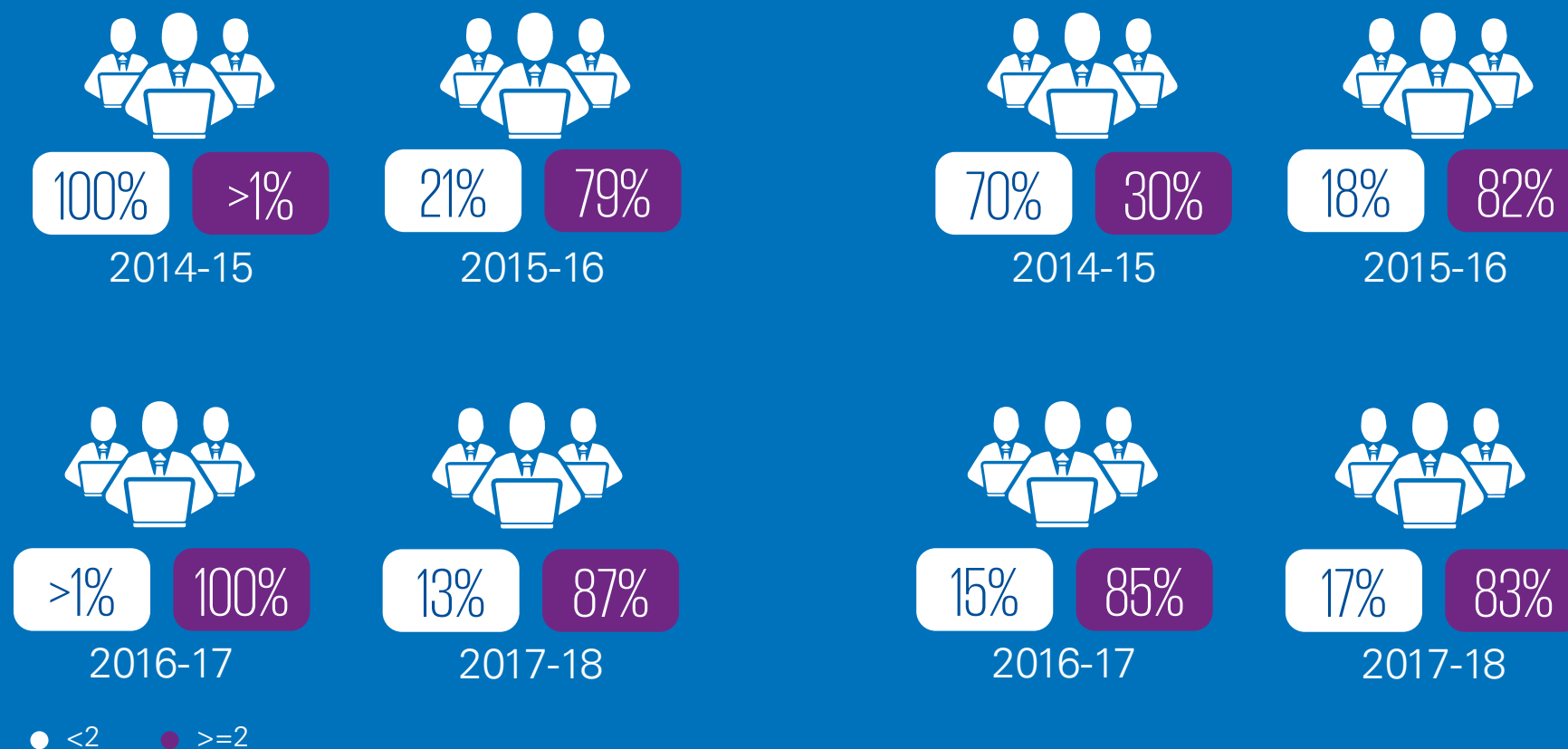
Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

In case of PSU companies disclosing details on the number of CSR committee meetings, 87 per cent have held two or more CSR committee meetings as compared to no disclosure in 2014–15. Of the non-PSU companies, 83 per cent have held two or more meetings, a two-fold increase as compared to 2014–15. The maximum number of members in a CSR committee is nine, observed in case of only one company (PSU).

CSR committee meetings

PSU

Non-PSU



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

CSR disclosure in the Director's report

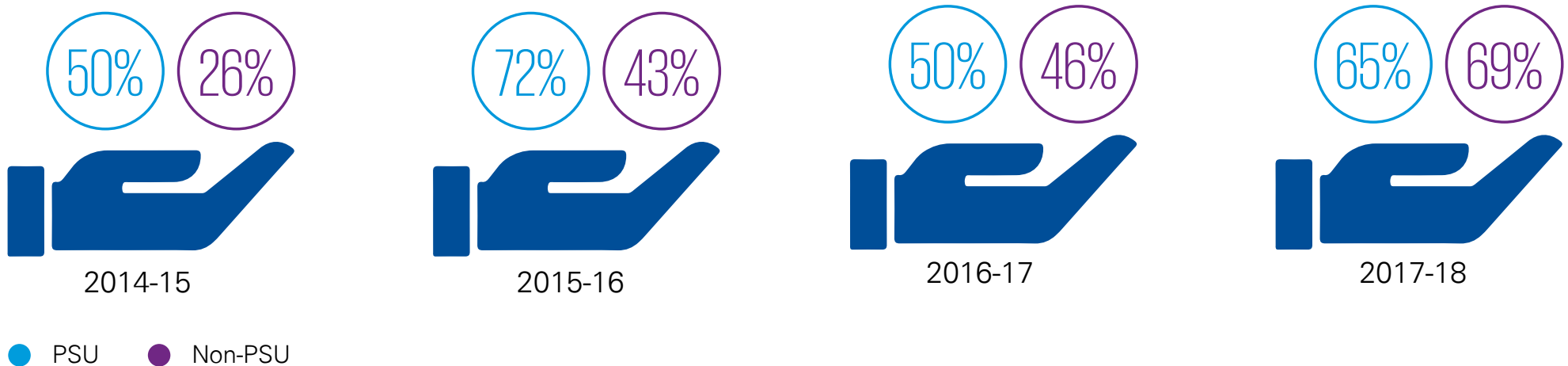
12

Inclusion of CSR details in the board's report is a requirement of the Act. Disclosure of CSR details such as amount spent, focus areas and details of outreach in the Director's report indicates board-level ownership and accountability for CSR-related projects.

13

In the current year, 65 per cent of PSUs and 69 per cent of non-PSUs have disclosed CSR amount spends. Non-PSUs have made considerable improvement when compared with base year wherein only 26 per cent companies made disclosures pertaining to CSR spends.

Disclosure on the amount spent on CSR



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

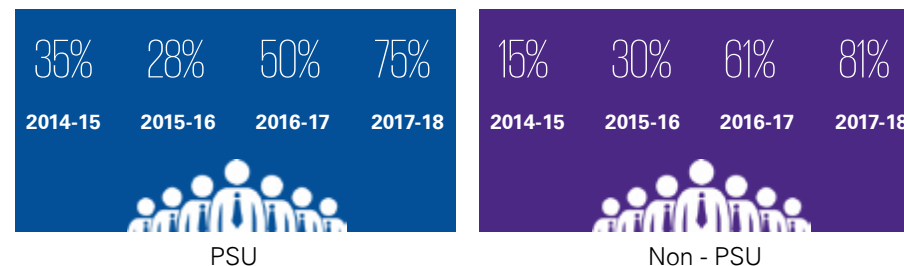
14 Of the PSUs, 75 per cent and 81 per cent of non-PSUs disclosed details of the outreach/people impacted as against 35 per cent and 15 per cent in 2014–15, respectively, which is a significant increase.

15 Disclosing admin expenses in the prescribed format is a mandatory requirement as per the Act. Of the PSUs, 85 per cent have disclosed CSR details in the prescribed format, same as last year, while 90 per cent of the non-PSU companies have disclosed the same in 2017–18, a drop of 10 per cent from last year, which is a concern.

16 Of PSUs, 60 per cent and 70 per cent of the non-PSUs have disclosed CSR committee details in the Director's report as against only 15 per cent and 30 per cent, respectively, last year.

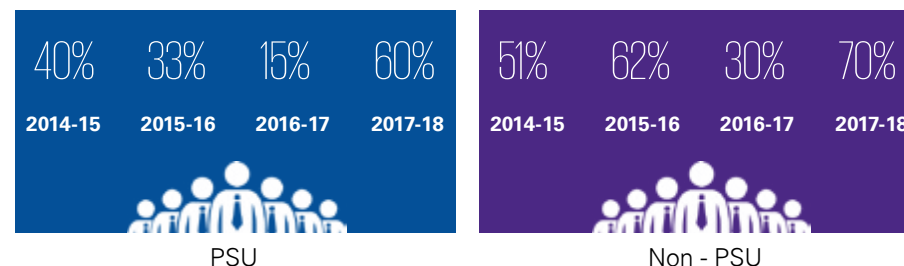
17 Disclosing admin and overhead expenses in the prescribed format is mandated by the Act. The reporting of admin expenses has increased from 15 per cent in 2014–15 to 50 per cent for PSU companies, and that of overhead expenses for PSU companies has increased from 10 per cent in 2014–15 to 30 per cent in the current year. The reporting of admin expenses has increased from 29 per cent in 2014–15 to 49 per cent in the current year for non-PSU companies.

Disclosure on outreach/people impacted

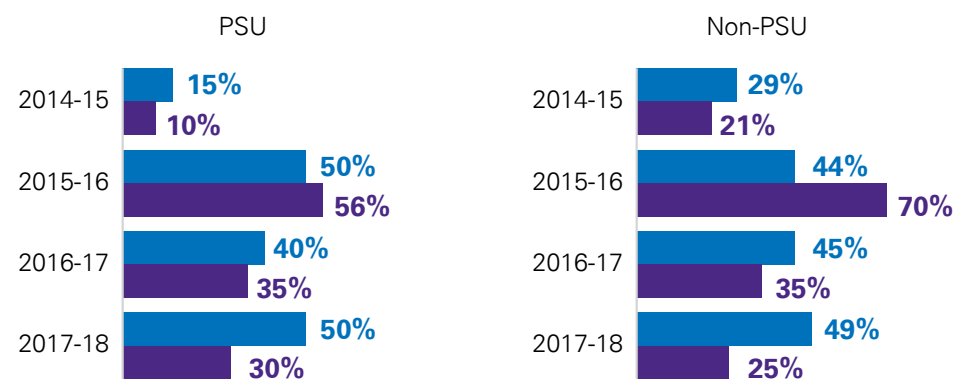


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Disclosure on details of CSR committee



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.



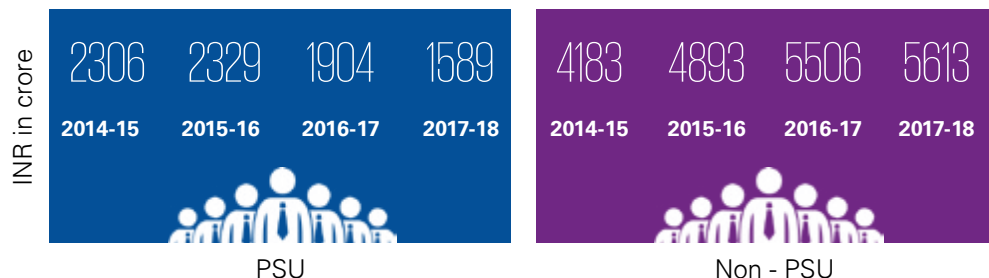
● Separate reporting on admin expenses ● Separate reporting on admin expenses

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

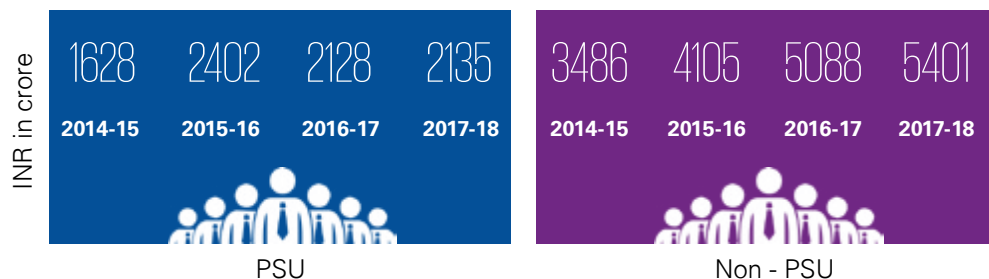
CSR spend by PSUs

- 18 During 2014–15, PSUs had committed 105 per cent towards CSR expenditure (budget outlay), which has increased to 141 per cent during the current year. This can be largely due to the requirement for PSUs to carry forward the unspent amount to the subsequent year, which is not the case for non-PSU companies.
- 19 Although the number of PSU companies has not reduced, the prescribed CSR expenditure of them during the current year has decreased by 16 per cent, from INR1,903.6 crore in 2016–17 to INR1,588.9 crore in 2017–18.
- 20 It is interesting to note that against the prescribed CSR expenditure, PSUs had spend only 71 per cent during 2014–15. However, there has been a significant increase during the current year with a spent of 134 per cent (against the requirement to spend INR1,589 crore they have spent INR2,135 crore).

Prescribed expenditure



Amount spent



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

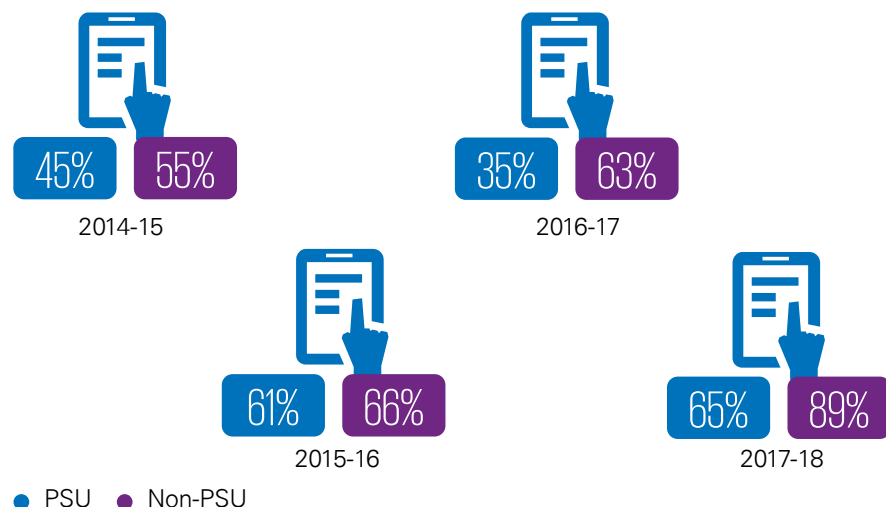
CSR spend by non-PSU companies

- 21 The prescribed CSR expenditure of non-PSU companies during the current year has increased by 34 per cent from INR4,183.4 crore in 2014–15 to INR5,613 crore in 2017–18.
- 22 Although, the total CSR expenditure by non-PSU companies during the current year has increased by 55 per cent, from INR3,486 crore in 2014–15 to INR5,401.4 crore in 2017–18, they still fall short of the requirement of INR5,613 crore.

CSR project management

Disclosing the mode of implementation is a mandatory requirement as per the Act. During the current year, an increase in preference for executing projects through a combination of direct, own foundations and implementing agencies is seen in case of both PSU and non-PSU companies. The preference for this option by PSU companies increased from 35 per cent in 2016–17 to 65 per cent, and from 63 per cent to 89 per cent in case of non-PSU companies.

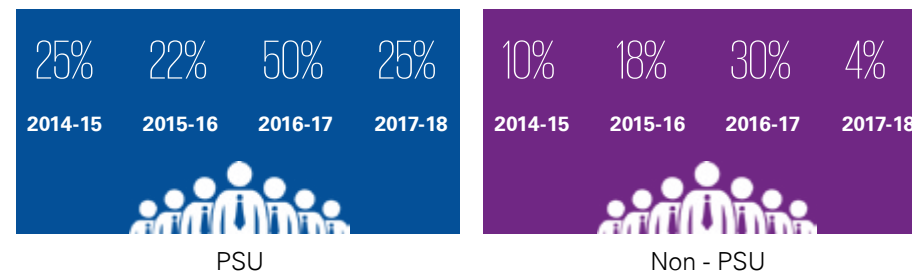
Mode of implementation — Combination



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

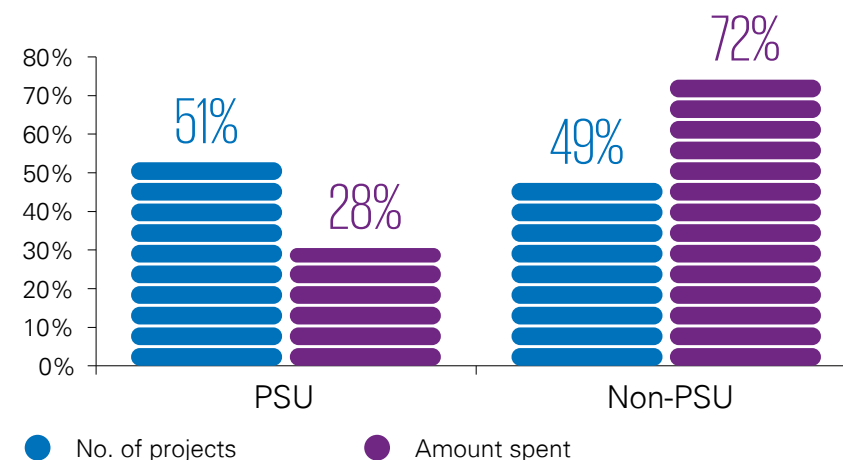
24 Of the PSU companies, 25 per cent have reported to have implemented CSR projects through implementing agencies as compared to only 4 per cent non-PSU companies. For both PSU and non-PSU companies, this mode of implementation has seen a decline over the last year. Non-PSU companies have seen a sharper decline wherein 30 per cent had chosen this implementation approach.

Mode of implementation — Implementation agency



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

25 773 projects (51%) were executed by PSU which account for 28% of the total CSR expenditure during the current year. In case of non-PSU companies, 739 projects (49%) were executed with an expenditure to the tune of 72%. However, it is interesting to know that the average cost per project is significantly lower in case of PSU (INR 2.8 crore) against INR 7.3 crore for non-PSU companies.



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Schedule VII wise CSR expenditure

26

Out of the total expenditure incurred by N100 companies in the Schedule VII area of Arts and Culture, 70 per cent of the expenditure has been done by PSU companies. Similarly, in the Schedule VII area of Welfare Funds, 96 per cent of the total expenditure has been done by PSU companies. This indicates the government's intervention in the implementation of CSR by PSU companies.



08

CSR at 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. Of the N100 companies, 95 are of Indian origin and remaining five are non-Indian origin.



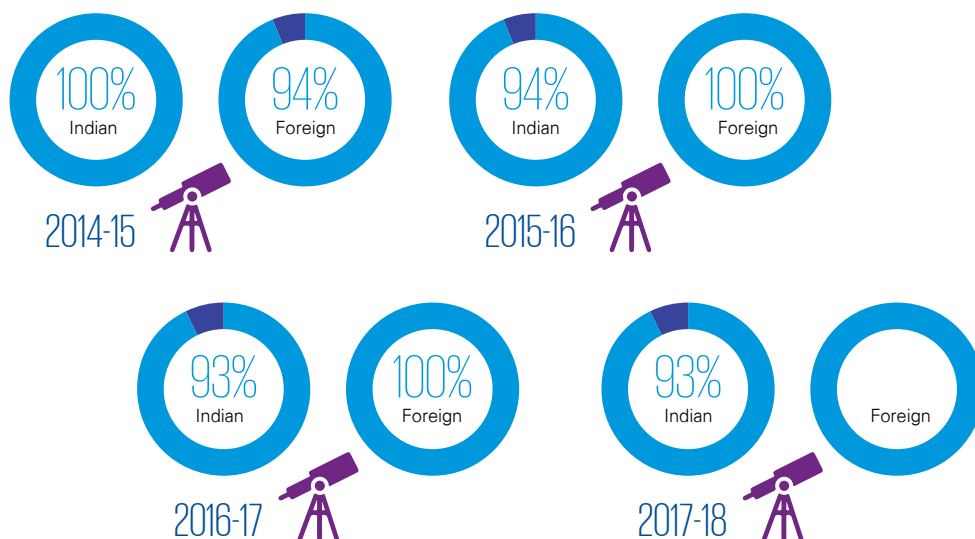
CSR policy

1

Providing a summary of the CSR policy and its web-link is a mandatory requirement as per the Act. In the current year, 95 per cent of Indian origin and 100 per cent of non-Indian origin companies have disclosed their CSR policy and provided their web-links. One Indian origin company has not done this for the last four years. However, 100 per cent of non-Indian origin companies have disclosed CSR policy and web-links consistently for the last three years.

In the current year, 94 per cent of Indian origin and 100 per cent of non-Indian origin companies have disclosed details regarding their CSR vision/mission/philosophy. While Indian origin companies have struggled to achieve 100 per cent reporting on this particular aspect in all the four years, non-Indian origin companies have succeeded in maintaining 100 per cent adherence.

Availability of vision/mission/philosophy in the CSR policy

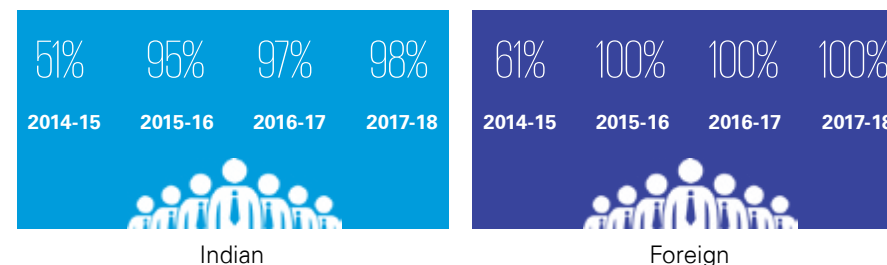


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

3

The Act mandates companies to include areas of intervention in their CSR policy. Of the Indian origin companies, 98 per cent have included them in their CSR policy during the current year whereas 100 per cent non-Indian origin companies have disclosed these details. Non-Indian origin companies have performed better in maintaining 100 per cent adherence on this particular aspect for the last three years.

Disclosure on areas of intervention in the CSR policy

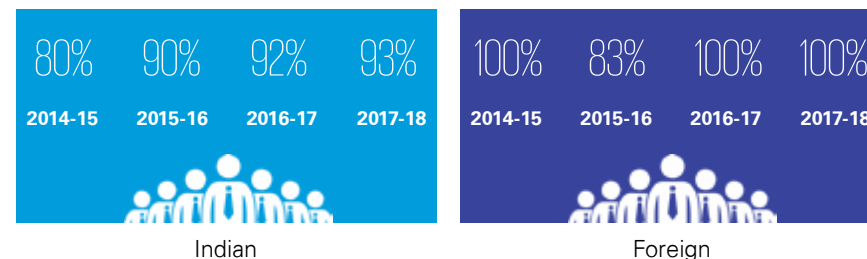


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

4

Disclosure of mode of implementation in CSR policy is a mandatory requirement as per the Act. Against 80 per cent Indian origin companies that had made this disclosure in the CSR policy in 2014-15, 97 per cent companies did this in the current year. Of the non-Indian origin companies, 100 per cent have consistently disclosed these details in their CSR policy.

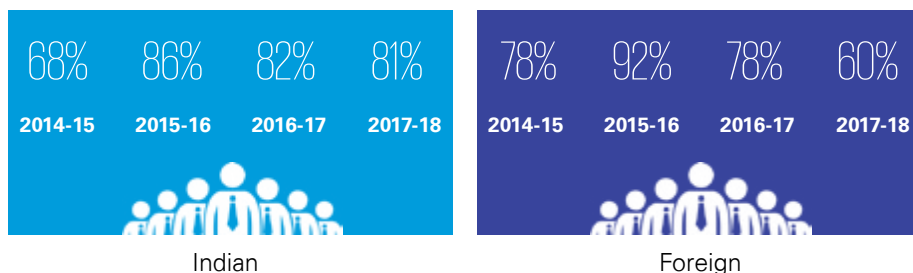
Disclosure on the mode of implementation in the CSR policy



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

It is interesting to note that against 68 per cent Indian origin companies that had disclosed their governance structure in their CSR policy in 2014–15, 81 per cent have disclosed it during the current year. Only 60 per cent non-Indian origin companies have disclosed their governance structure in their CSR policy in the current year.

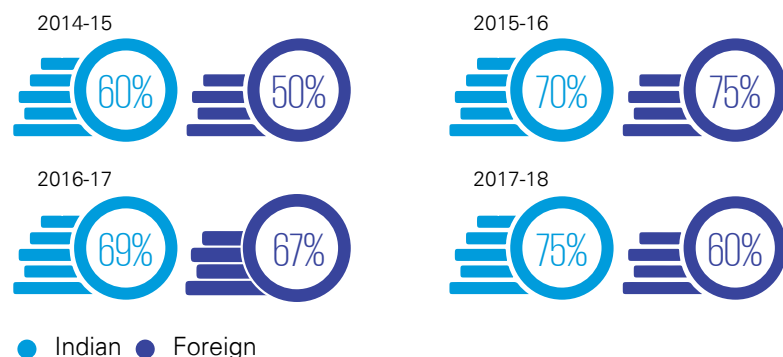
Disclosure of governance structure in the CSR policy



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

The Act mandatorily requires that surplus arising out of CSR projects or programmes or activities shall not form part of the business profit of a company. In the current year, 75 per cent of Indian origin companies have provided a declaration on surplus arising out of CSR activities, up by 45 per cent from 2014–15. Of the non-Indian companies, 60 per cent have declared surplus arising out of CSR activities in the current year. Non-Indian companies have consistently struggled to fully comply on this particular aspect in the last four years.

Disclosure on the treatment of surplus in the CSR policy

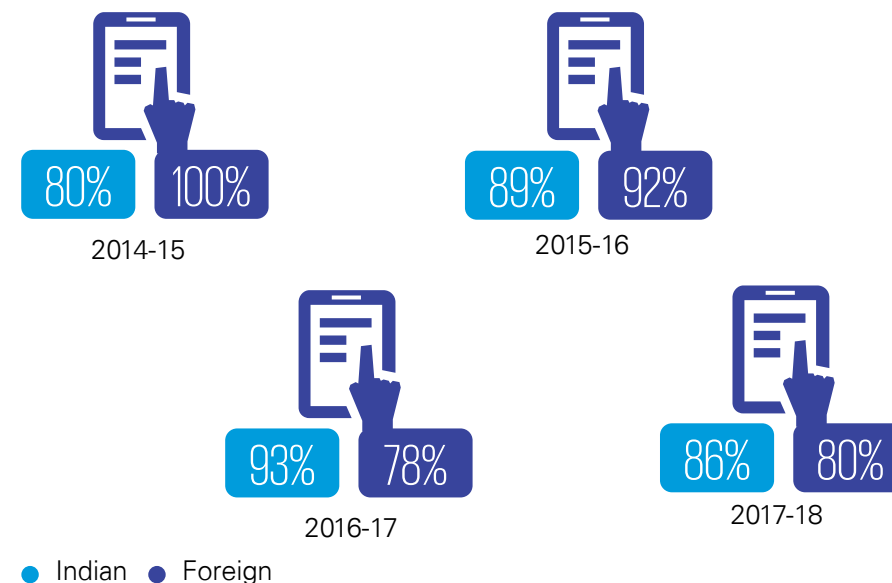


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

7

Disclosing details regarding the approach towards monitoring of CSR interventions is a mandatory requirement of the Act. Of the Indian companies, 86 per cent have disclosed the same during the current year. Disclosure by Indian origin companies has improved when compared to base year 2014–15, when 80 per cent had disclosed details on this aspect. Of the non-Indian origin companies, 80 per cent have disclosed these details in the current year as compared to 100 per cent in 2014–15.

Disclosure on the monitoring framework in the CSR policy

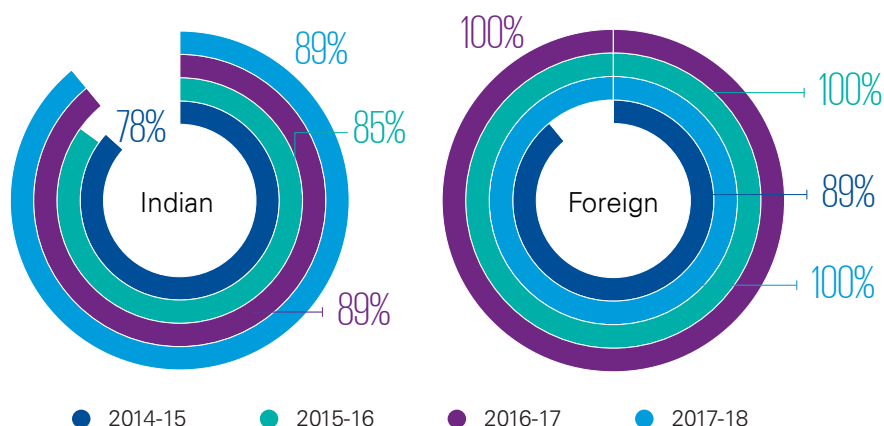


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

CSR committee

As per the requirement of the Act, a company needs to have a standalone CSR committee — 89 per cent Indian origin companies had a standalone CSR committee during the current year as compared to 79 per cent during 2014–15. Of the non-Indian origin companies, 100 per cent have a standalone CSR committee during the current year as compared to 89 per cent during 2014–15. While Indian origin companies have struggled to achieve 100 per cent reporting on this particular aspect in the past four years, non-Indian origin companies have succeeded in maintaining 100 per cent adherence on this for three years in a row.

Standalone CSR committee



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

9 Of Indian as well as non-Indian origin companies, 80 per cent have disclosed roles and responsibilities of the CSR committee. Both sets of companies have shown a progressive trend when compared to base year 2014–15, wherein 70 per cent of Indian origin and 72 per cent of non-Indian origin companies had made this disclosure.

Role of the CSR committee

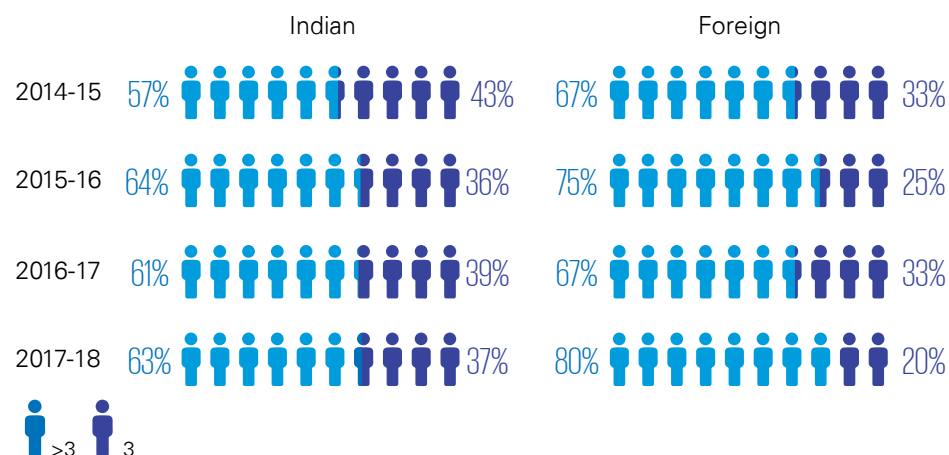


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

10

The Act has prescribed the minimum number of members necessary for the formation of a CSR committee. While both Indian and non-Indian companies have the requisite number of committee members, the presence of additional committee members has reduced. Of the Indian origin companies, 64 per cent had more than three committee members in 2015–16, only 39 per cent have it in the current year. Similarly, only 17 per cent non-Indian origin companies have more than the committee members in the current year, compared to 75 per cent during 2015–16.

Members in the CSR committee

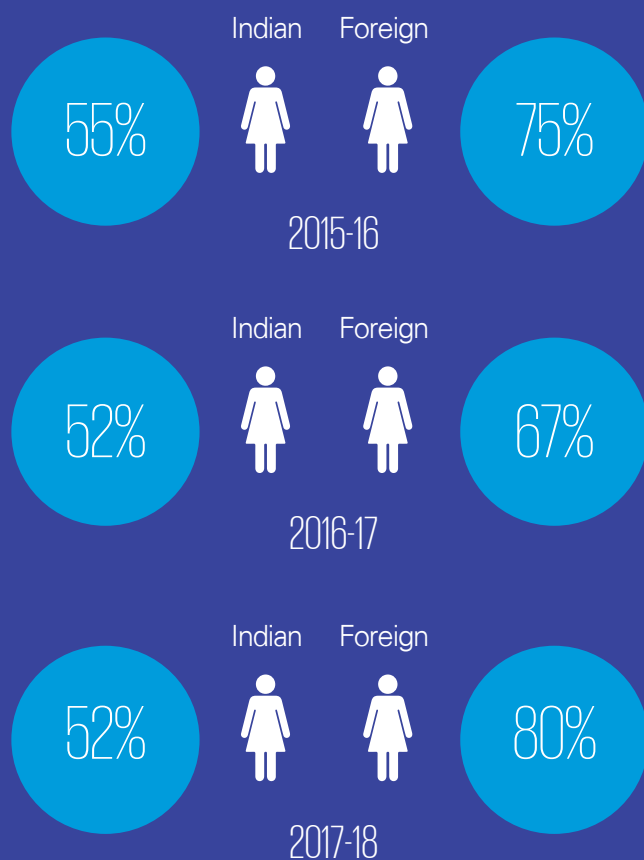


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

11

Presence of women members in the CSR committee is not a mandatory requirement as per the Act. Number of women members in the CSR committee have relatively remained the same as compared to last year in case of Indian origin companies. However, the same have reduced by 11 per cent as compared to previous year in case of non-Indian origin companies (from 75 per cent in 2015–16 to only 67 per cent in the current year).

Women members in the CSR committee

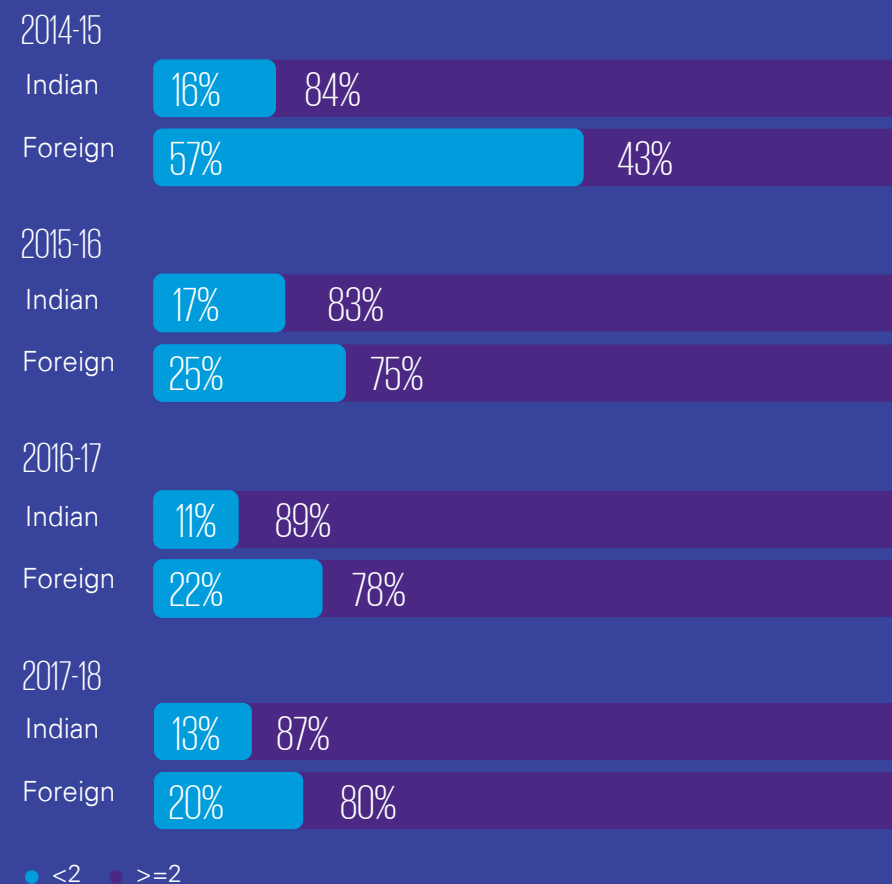


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

12

In a positive trend, 87 per cent of Indian origin companies and 80 per cent of non-Indian origin companies have had two or more meetings during the current year (an increase from 43 per cent in 2014–15 to 80 per cent during current year in case of non-Indian origin companies).

CSR committee meetings



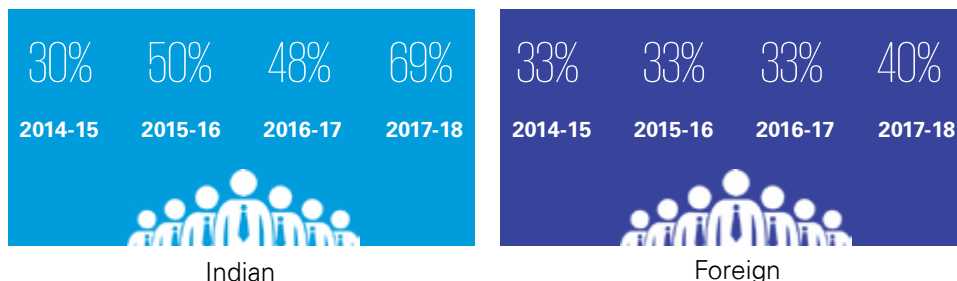
Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

CSR Disclosure in the Director's report

13 Inclusion of CSR details in the Director's report is a mandatory requirement of the Act. Disclosure of CSR details such as amount spent, focus areas and details of outreach in the Director's report indicates board-level ownership and accountability for CSR-related projects.

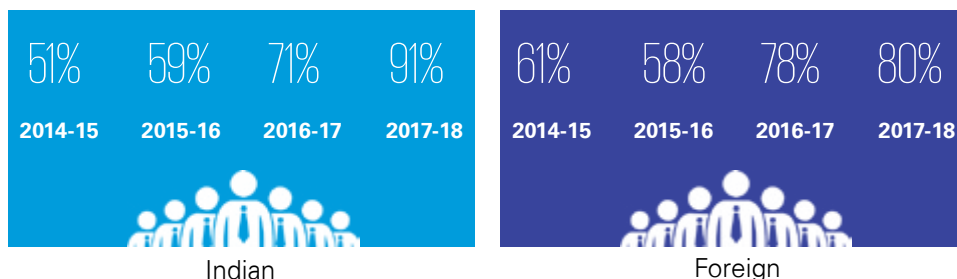
During the current year, 69 per cent of the Indian origin companies have disclosed details of the amount spent in their annual report as against only 30 per cent in 2014–15. Of the non-Indian origin companies, 40 per cent have disclosed this as against 33 per cent last year. Of the Indian origin companies, 91 per cent, and 80 per cent non-Indian origin companies disclosed details of the focus areas as against 51 per cent and 61 per cent, respectively, in 2014–15, which is a significant increase.

Disclosure on amount spent in Director's report



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

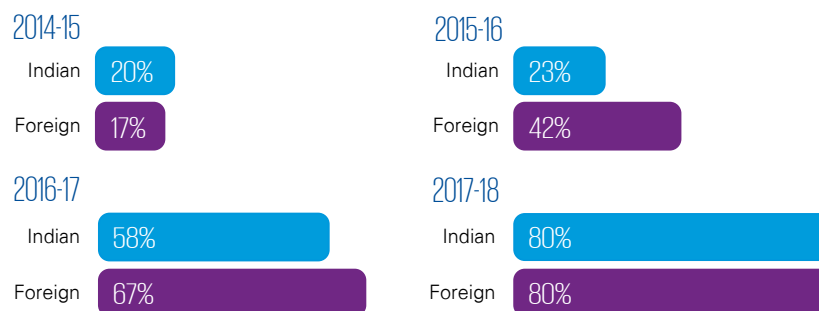
Disclosure on the focus areas of CSR



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

15 Of the Indian origin and non-Indian origin companies, 80 per cent disclosed details of the outreach/people impacted as against 20 per cent and 17 per cent, respectively, in 2014–15, which is a significant increase. Such disclosure, although not mandated by the Act, is a good practice.

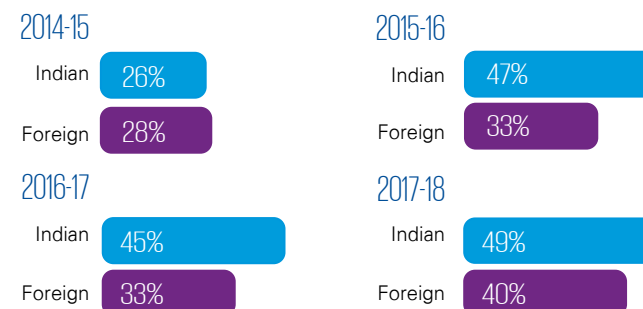
Disclosure on outreach/people impacted



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

16 Disclosing admin expenses in the prescribed format is a mandatory requirement as per the Act. 49 per cent Indian origin companies and 40 per cent non-Indian origin companies have disclosed admin details in their annual report as against only 26 per cent and 28 per cent respectively in 2014–15.

Disclosure of admin expenses

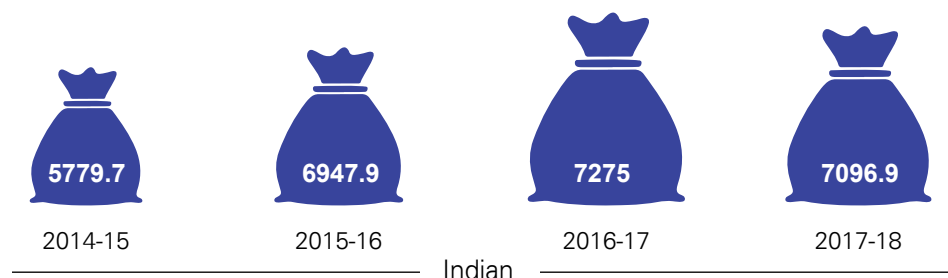


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

CSR spend by Indian origin companies

17 The prescribed CSR expenditure of Indian origin companies during the current year has increased by 23 per cent from INR5779.7 crore in 2014–15 to INR7096.9 crore in 2017–18.

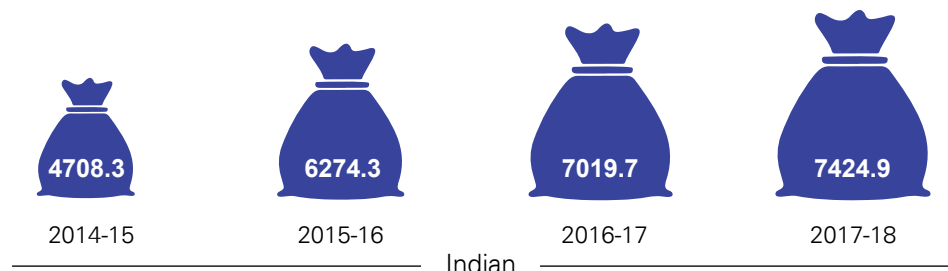
Prescribed expenditure (INR in crore)



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

The total CSR expenditure during the current year by Indian origin companies has increased 58 per cent from INR4708 crore in 2014–15 to INR7424.9 crore in 2017–18.

Amount spent (INR in crore)



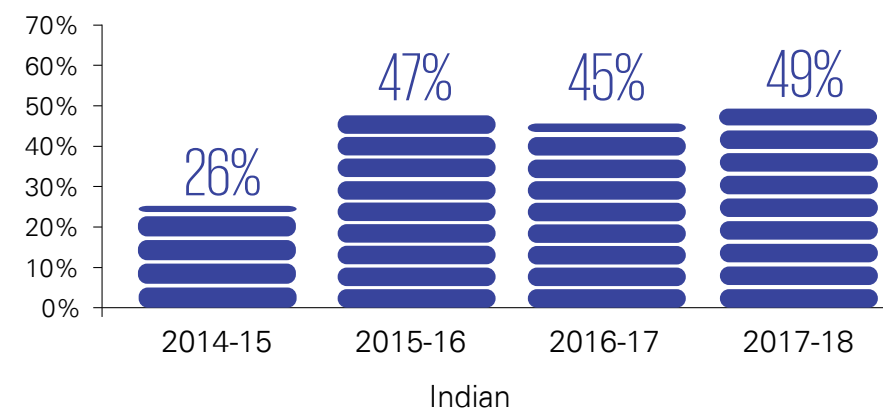
Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

19 Against the prescribed CSR expenditure, Indian origin companies had spent 81 per cent amount during 2014–15, which has increased to 104 per cent during the current year.

20 Although the average prescribed CSR expenditure per company has decreased from INR85 crore to INR89.6 crore (5 per cent), the average amount spent by Indian origin companies during the current year has increased by 17 per cent from INR67.3 crore in 2014–15 to INR79 crore in 2017–18.

21 Separate disclosure on admin expenses has increased by over 20 per cent from 2014–15. However, only 50 per cent Indian origin companies have disclosed details regarding overheads during the current year compared to 68 per cent during 2015–16.

Separate reporting of admin expenses

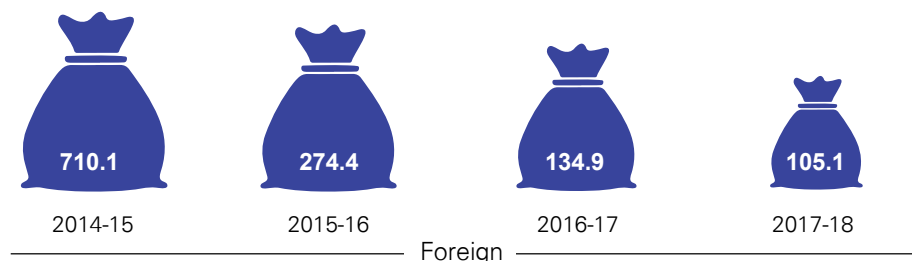


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

CSR spend by non-Indian origin companies

22 The number of non-Indian origin companies have reduced by 44 per cent from the previous year. The prescribed CSR expenditure has only reduced by 22 per cent from INR134.9 crore in 2016–17 to INR105.1 crore in 2017–18.

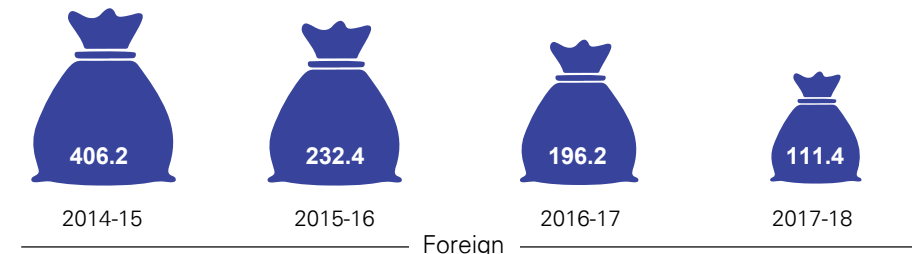
Prescribed expenditure (INR in crore)



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

23 Similarly, the average prescribed CSR expenditure per non-Indian origin company has decreased from INR44 crore in 2014–15 to INR21 crore (53 per cent) in 2017–18, but the average amount spent by non-Indian origin companies during the current year has reduced only by 9 per cent from INR23.9 crore in 2014–15 to INR22.3 crore during the current year.

Amount spent (INR in crore)

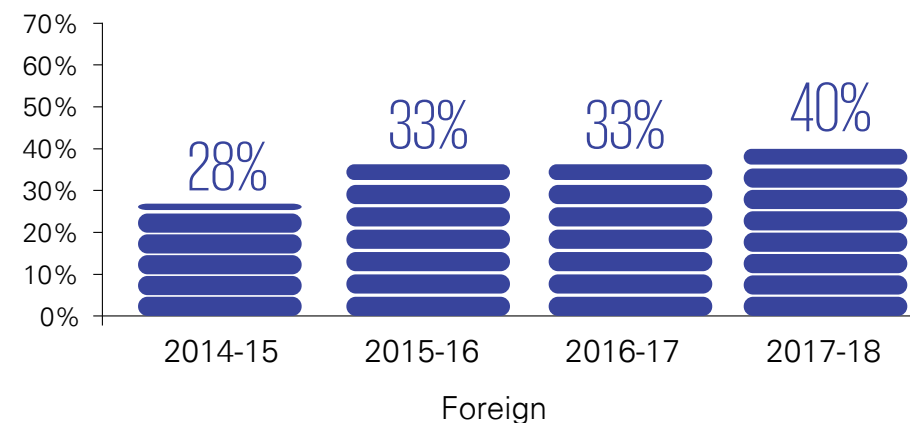


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

24 The total CSR expenditure during the current year by non-Indian origin companies has also decreased by 43 per cent from INR196 crore in 2016–17 to INR111.4 crore in 2017–18. However, it is interesting to note that against the prescribed CSR expenditure, non-Indian origin companies had spent only 57 per cent of the amount during 2014–15, which increased to 106 per cent during the current year.

25 Separate disclosure on admin expenses has relatively remained the same over the last two years. However, it is interesting to note that only 40 per cent non-Indian origin companies have disclosed details regarding overheads during the current year compared to 100 per cent in the previous year.

Separate reporting of admin expenses



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

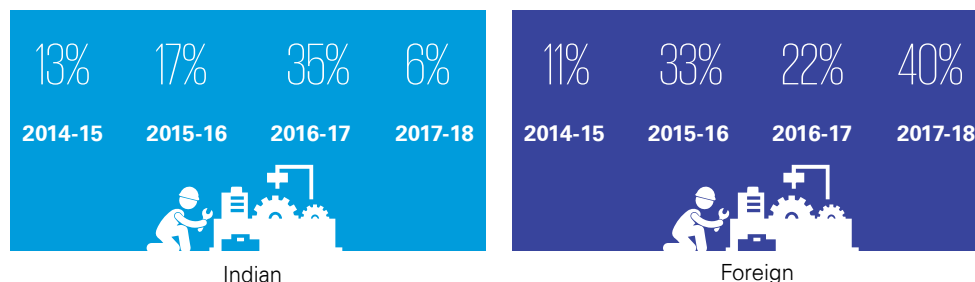
CSR project management

26 Against 80 per cent Indian origin companies that had disclosed the mode of implementation in 2014–15, 92 per cent companies have disclosed the same during the current year.

27 None of the Indian origin or non-Indian origin companies have executed projects exclusively through the direct mode.

28 Mode of implementation exclusively through implementation agencies has gone down for Indian origin companies. Of the Indian origin companies, 35 per cent had opted for this mode of implementation last year compared to only 6 per cent in the current year.

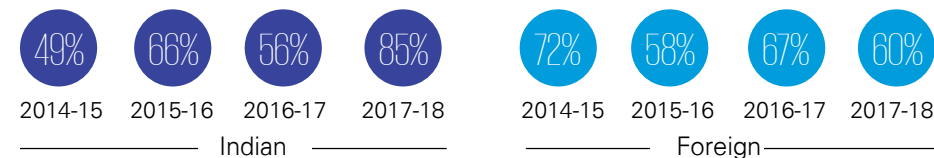
Mode of implementation — Implementation agency



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

29 Of the Indian companies, 85 per cent have chosen the mode of implementation through a combination of direct, own foundation and implementation agency in the current year. A significant rise has been seen, with only 56 per cent using this approach in the previous year.

Mode of implementation — Combination

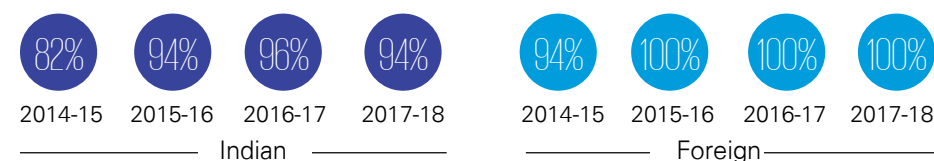


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

30 Indian origin companies executed 1469 projects (99 per cent), which account for almost 100 per cent of the total CSR expenditure during the current year. The average cost per project is higher in case of Indian origin companies (INR5.1 crore) against INR2.6 crore for non-Indian origin companies.

31 As per the Act, it is a mandatory requirement that 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 the CSR objectives and policy of the company. Of the Indian origin companies, 94 per cent have given a responsibility statement in the current year. Of the non-Indian origin companies, 100 per cent have given a responsibility statement consistently over the last three years.

Disclosure on responsibility statement



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

09

CSR expenditure by type of company

This section analyses CSR spends by the type of companies. The companies are segregated by the sector in which they provide services. Companies have been segregated into 13 sectors, which include the Automobile and allied sector, Banking and financial services, Cement and construction industry, IT consulting and software, Energy and power, Consumer products, Industrial manufacturing, Telecom, Mining and metals, Services, Pharmaceuticals, Media and entertainment and Chemicals.



CSR policy

1

Disclosing a brief about CSR policy and giving a web-link is a mandatory requirement as per the Act. A total of 99 companies have disclosed their CSR policy. One company from the Banking and financial sector has failed to disclose its CSR policy, consistently over the last four years.

2

All Pharmaceuticals, Mining and metals and Industrial manufacturing sector companies have provided details regarding their CSR vision/mission/philosophy, as against 83 per cent of IT consulting and software and 82 per cent of Energy and power companies.

3

The disclosure of the mode of implementation in the CSR policy is a mandatory requirement as per the Act. All Automotive and allied sector, IT consulting and software, Energy and power, Mining and metals and Pharmaceutical sector companies have disclosed details regarding the mode of implementation in the current year, as against 83 per cent of companies in the Banking and Financial Services and Industrial Manufacturing sector.

Banking and financial services



Industrial manufacturing



Consumer products



Energy and power



IT consulting and software



Automobile and allied products



Mining and metals



Pharmaceuticals



● Mode of implementation ● Vision/mission

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

4

Disclosure of the governance structure in the CSR policy is not a mandatory requirement as per the Act. In the Automobile sector, 100 per cent companies have succeeded in making disclosures related to their governance structures, as against 67 per cent companies in IT consulting and software and Industrial manufacturing sector.

5

The Act mandatorily requires that the surplus arising out of CSR projects or programmes or activities shall not form part of the business profit of a company. Of the companies in Consumer products, 92 per cent have provided a declaration on the surplus arising out of CSR activities, as against 50 per cent in IT consulting and software companies and 63 per cent of Banking and finance sector companies.

6

In the current year, all companies in the Energy and power sector have disclosed their monitoring framework, as against 69 per cent of Consumer products and 71 per cent of Mining and metal companies.



Banking and financial services

63%	Treatment of Surplus
92%	Monitoring Framework
83%	Governance Structure



Consumer products

92%	Treatment of Surplus
69%	Monitoring Framework
69%	Governance Structure



Automobile and allied products

73%	Treatment of Surplus
91%	Monitoring Framework
100%	Governance Structure



Energy and power

82%	Treatment of Surplus
100%	Monitoring Framework
91%	Governance Structure



Pharmaceuticals

88%	Treatment of Surplus
88%	Monitoring Framework
88%	Governance Structure



Mining and metals

86%	Treatment of Surplus
71%	Monitoring Framework
71%	Governance Structure



IT consulting and software

50%	Treatment of Surplus
83%	Monitoring Framework
67%	Governance Structure



Industrial manufacturing

83%	Treatment of Surplus
83%	Monitoring Framework
67%	Governance Structure

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

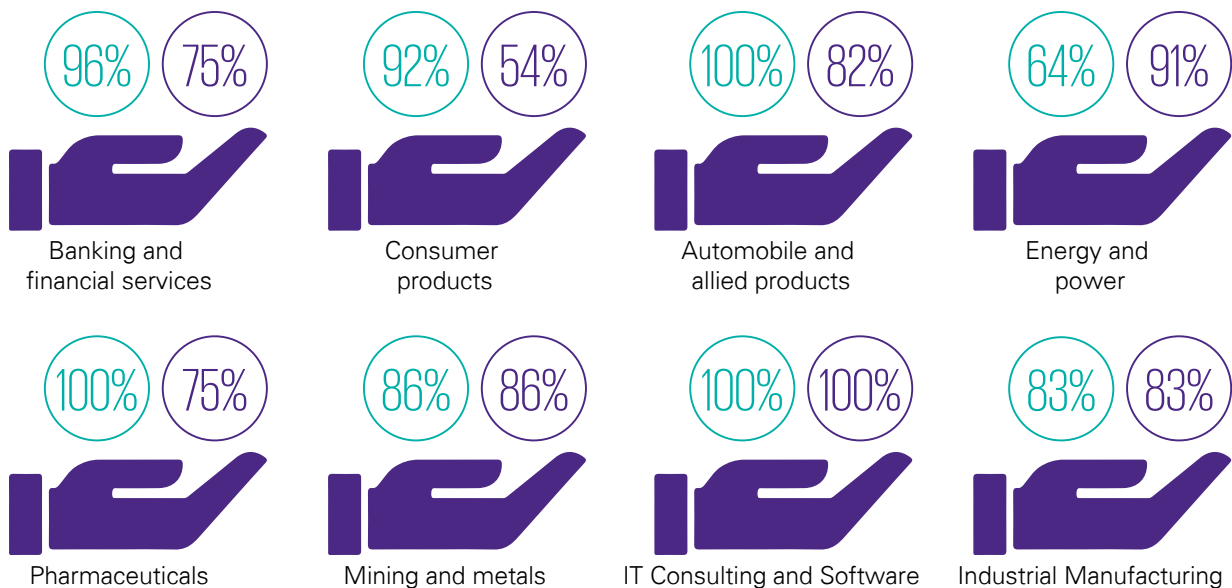
CSR committee

7

In the current year, all companies in Pharmaceuticals, Automobile and IT Consulting and Software sectors have a standalone CSR committee, as against 64 per cent companies in the Energy and Power sector.

8

In the current year, all companies in IT Consulting and Software have made disclosures on the role and responsibilities of the CSR committee in the annual disclosure, as against 54 per cent in Consumer Products sector companies.



● Standalone CSR committee ● Role of CSR committee

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.



Disclosure on CSR in Director's report

9

In the current year, 86 per cent of companies in the Mining and metals sector have disclosed details of the CSR amount spent in the Director's report, compared to 50 per cent of IT consulting and software and sector companies.

10

In the current year, all companies in the Mining and metals sector have disclosed details of outreach/people impacted in the Director's report, compared to 67 per cent of IT consulting and software and Industrial manufacturing sector companies.

11

In the current year, all companies in Consumer products, Automobile, Pharmaceuticals, Mining and metals sectors have disclosed CSR details in the prescribed format, as against 67 per cent in Industrial sector companies.

Banking and financial services

71%	Details of amount spent
75%	Details of outreach
88%	Responsibility statement

Consumer products

69%	Details of amount spent
92%	Details of outreach
100%	Responsibility statement

Automobile and allied products

73%	Details of amount spent
82%	Details of outreach
100%	Responsibility statement

Energy and power

82%	Details of amount spent
82%	Details of outreach
91%	Responsibility statement

Pharmaceuticals

50%	Details of amount spent
75%	Details of outreach
100%	Responsibility statement

Mining and metals

86%	Details of amount spent
100%	Details of outreach
100%	Responsibility statement

IT consulting and software

50%	Details of amount spent
67%	Details of outreach
100%	Responsibility statement

Industrial manufacturing

67%	Details of amount spent
67%	Details of outreach
67%	Responsibility statement

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

CSR spends

12

A total of nine sectors have committed higher CSR budgets against the prescribed 2 per cent CSR expenditure, of which Energy and Power tops the list with a commitment of 129 per cent, followed by Mining and metals (124 per cent), Industrial manufacturing (114 per cent), Banking and financial services (112 per cent), and Services sector (111 per cent).

13

Chemicals sector companies have seen the highest increase (5600 per cent) in their prescribed two per cent amount (INR11 crore in 2014–15 to INR645 crore during the current year), followed by Media and entertainment (185 per cent), Construction (82 per cent) and IT consulting and software (71 per cent).

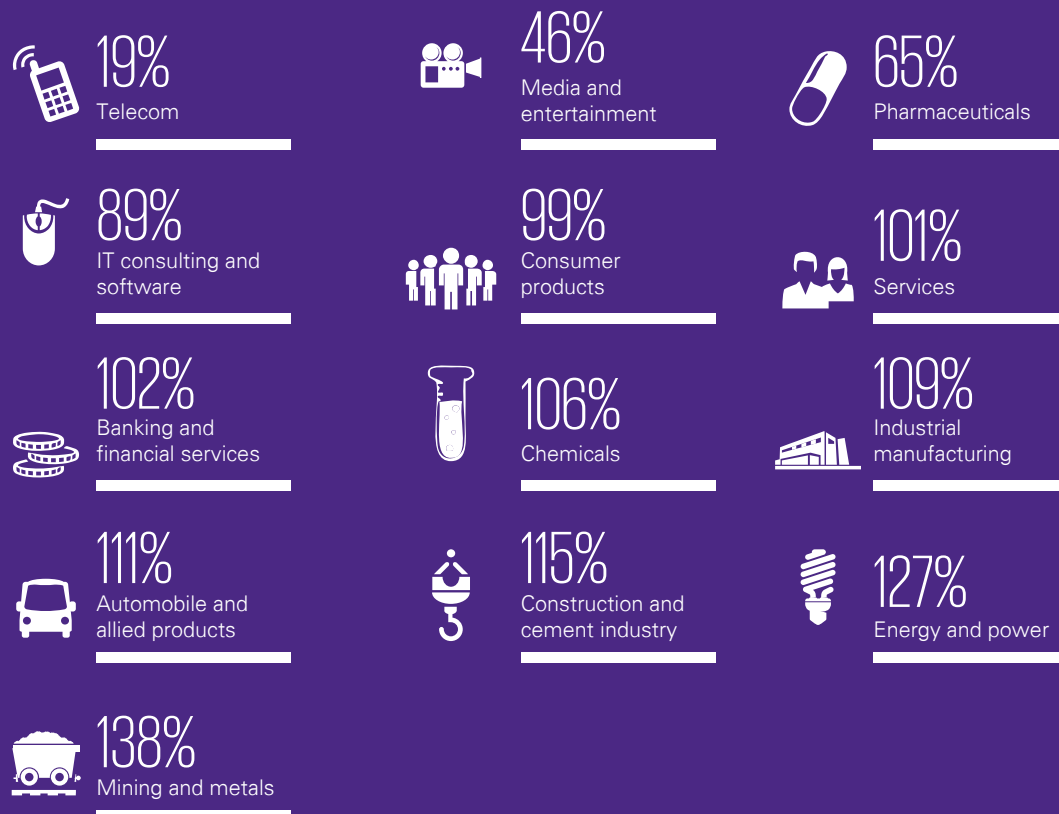
14

At the same time, Consumer products, Cement and cement products, Industrial manufacturing and Mining and metals sector industries have seen a reduction in their prescribed CSR amount in the range of 96 per cent to 10 per cent.

15

In terms of the percentage of spends, the Mining and Metals sector industry tops the list of spending at 138 per cent against the prescribed two per cent amount, followed by Energy and power (127 per cent), Construction (115 per cent), Services (115 per cent), Automobile (111 per cent), Consumer products (106 per cent) and Banking and financial services (102 per cent). These sector companies have spent more than 2 per cent of the prescribed CSR amount.

Amount spent vs prescribed amount



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

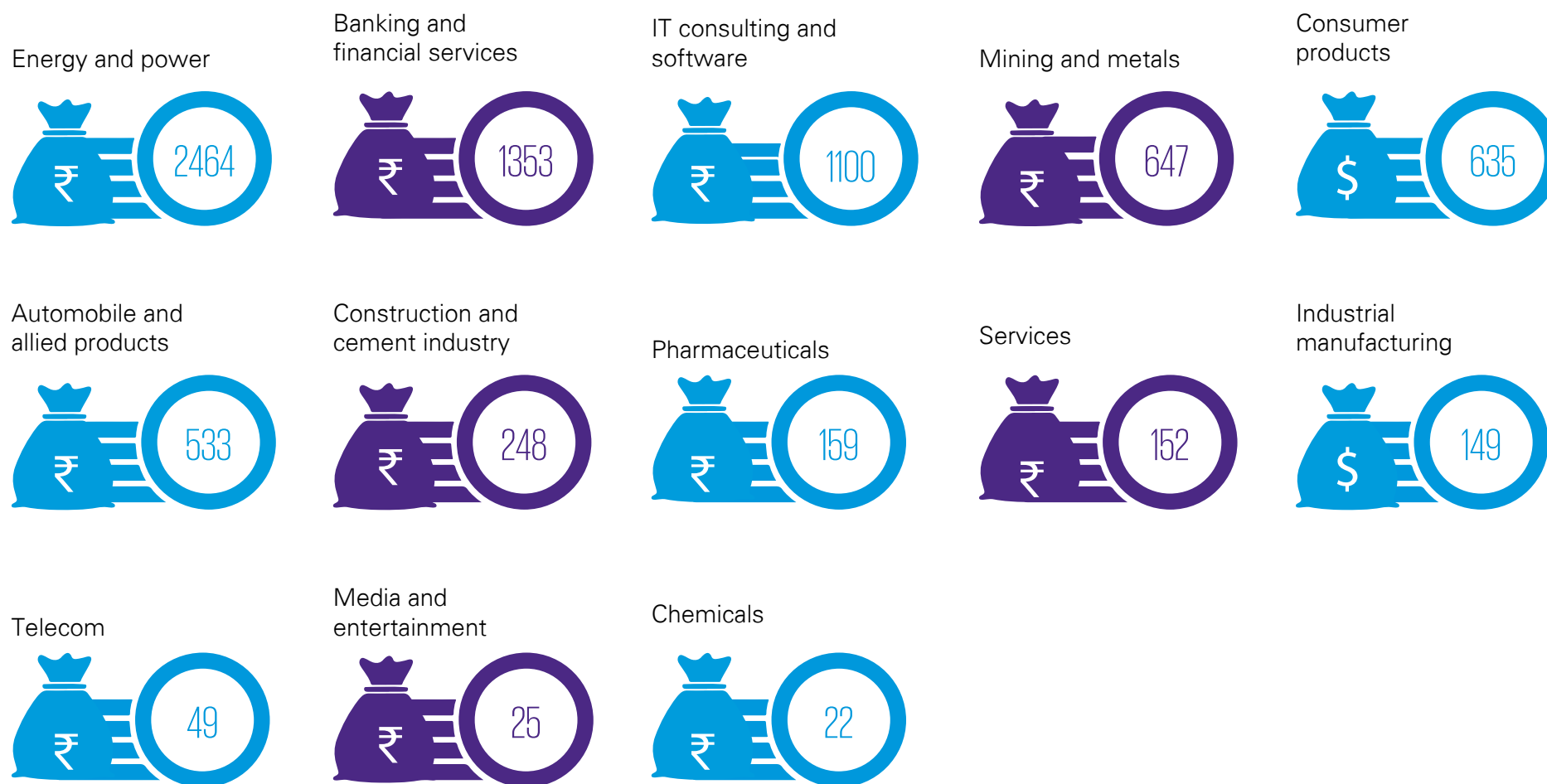
16

Telecom, IT consulting and software, Pharmaceuticals, Industrial manufacturing and Media and entertainment are at the bottom of the list, with spending less than the prescribed 2 per cent amount towards CSR.

17

In absolute numbers, the Energy and power sector has spent the highest amount towards CSR (INR2464.96 crore) followed by BFSI (INR1352.67 crore), Customer products (INR635.41 crore), IT consulting and software (INR1100 crore) and Mining and metal (INR647.12 crore). Chemicals (INR22.03 crore), Media and entertainment (INR25.4 crore), Services (INR152.5 crore), Construction and cement (INR248.81 crore) and Telecom (INR49.16 crore) are at the bottom in terms of their absolute CSR expenditure.

Amount spent (INR in crore)



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

18

It is interesting to note that the per cent of amount spent by the Telecom sector of the prescribed amount has significantly decreased from 50 per cent in 2016–17 to 19 per cent in 2017–18 (CSR spends of INR49.16 crore, while the prescribed amount is INR254.64 crore).

CSR project management

- 19** Disclosing the mode of implementation is a mandatory requirement as per the Act. In the current year, 100 per cent of Automobile and Mining and Metals companies preferred executing projects through a combination of direct, own foundations and implementing agencies.

Schedule VII wise CSR expenditure

- 20** Out of the total expenditure, on Schedule VII activities by Banking and Financial sector companies, rural area development accounts for a majority, 35 per cent of their total expenditure. This indicates a strategic move by the Banking and Financial Services sector to penetrate deeper into rural areas through financial inclusion.
- 21** Pharmaceuticals sector companies have spent a majority (41 per cent) of their CSR expenditure on Schedule VII activity, Health and Sanitation. This is an indication of a strategic move to address the healthcare needs of the sections of the society that have a weak socio-economic background.



10

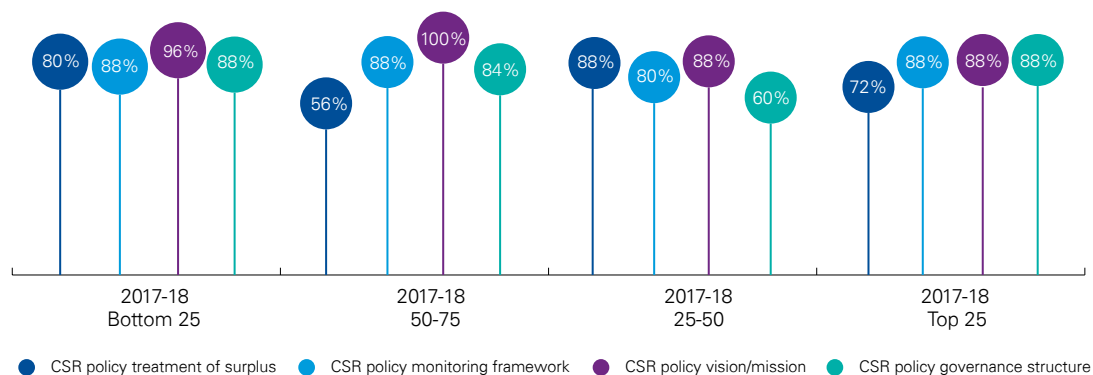
CSR by turnover of India Inc.

This section analyses the CSR-related aspects such as governance, spends and project management by India Inc. 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 the twenty-fifth company, and the bottom 25 companies rank from the seventy-sixth to the hundredth on the list.



CSR policy

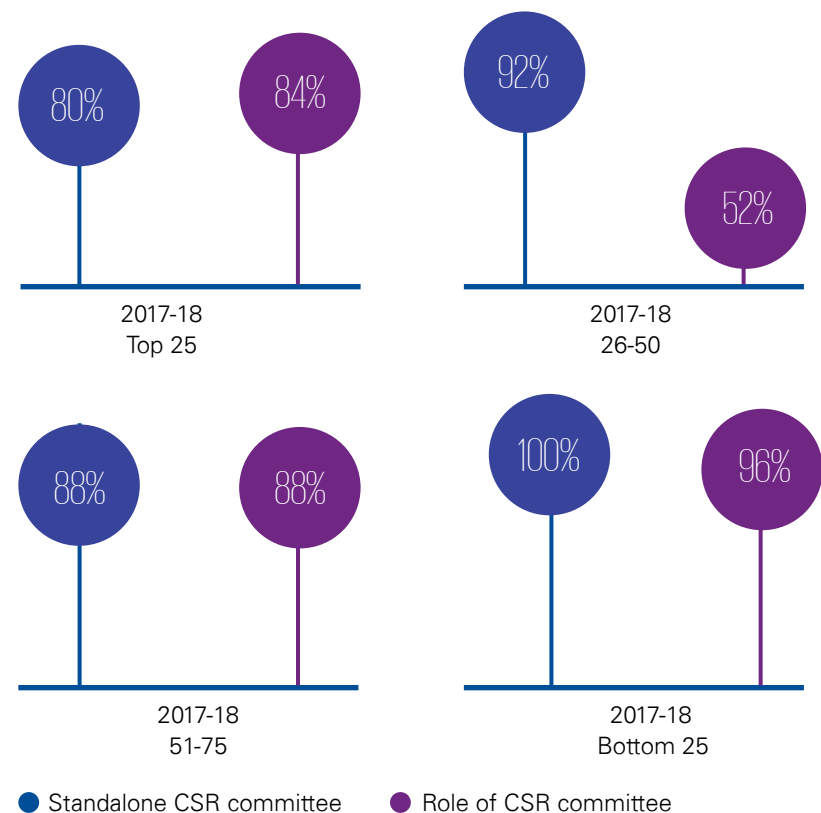
- 1 Disclosing a brief about the CSR policy and giving a web-link is a mandatory requirement as per the Act. 99 companies have disclosed their CSR policies and given their web-links. One company which belongs among the top 25 companies has failed to disclose the CSR policy and web-link.
- 2 It is interesting to observe that as against 88 per cent of the top 25 companies that have disclosed details regarding their CSR vision/mission/philosophy in their CSR policy, 96 per cent of the bottom 25 companies have disclosed the same.
- 3 Disclosure of governance structure in the CSR policy is not a mandatory requirement as per the Act. Of the top 25 and bottom 25 companies, 88 per cent have disclosed their governance structure in their CSR policy.
- 4 The Act mandatorily requires that surplus arising out of CSR projects or programmes or activities shall not form part of the business profit of a company. In the current year, 72 per cent of the top 25 and 80 per cent of the bottom 25 companies have declared the surplus arising out of CSR activities in the current year.
- 5 Disclosing details regarding the approach towards monitoring CSR interventions is a mandatory requirement of the Act. Of the top 25 and bottom 25 companies, 88 per cent have disclosed details with regards to this aspect.



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

CSR committee

- 6 As per the requirement of the Act, a company needs to have a standalone CSR committee. Of the top 25 and bottom 25 companies, 80 per cent and 100 per cent of these have formed stand-alone CSR committees, respectively.
- 7 Of the top 25 and bottom 25 companies, 84 per cent and 96 per cent have disclosed the roles and responsibilities of the CSR committee, respectively.

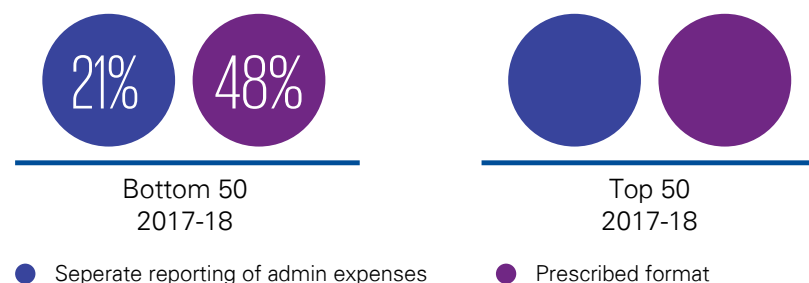


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

CSR disclosure in the Director's report

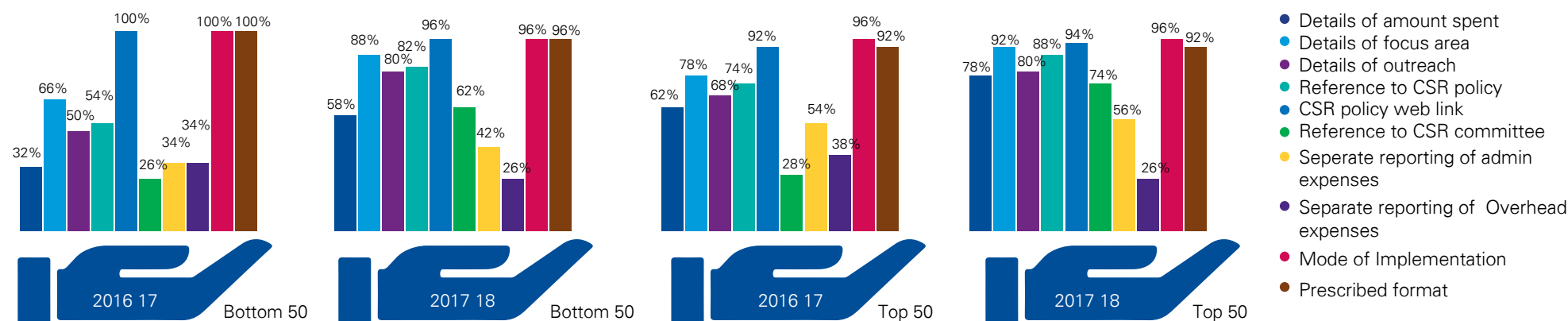
- 8** Disclosures related to the CSR amount spent is a mandatory requirement as per the Act. Disclosure of details of the amount spent on the Director's report by the bottom 50 companies has increased significantly from 16 companies in 2016–17 to 29 in the current year (an increase of 81 per cent). A similar increase is seen for the top 50 companies, wherein 39 companies reported the details of the amount spent in 2017–18 as against 31 last year (26 per cent increase).
- 9** Reference to the CSR policy in the Director's report is provided by 41 of the bottom 50 companies this year as against only 27 companies in 2016–17 (52 per cent increase).
- 10** Similarly, disclosure of details on outreach in the Director's report has also increased from 25 in 2016–17 to 40 in the current year (an increase of 60 per cent) for the bottom 50 companies.
- 11** Disclosure of details on the focus areas in the Director's report has also increased from 33 in 2016–17 to 44 in the current year (an increase by 33 per cent) for the bottom 50 companies.
- 12** Reference to the CSR committee in the Director's report is provided by 31 of the bottom 50 companies this year as against only 13 companies in 2016–17 (over two-fold increase).

- 13** Disclosing admin expenses in the prescribed format is a mandatory requirement as per the Act. Of the top 25 and bottom 25 companies, 52 per cent and 40 per cent have disclosed admin expenses in the prescribed format.
- 14** Separate disclosure on admin expenses is done by more than 50 per cent of the top 50 companies, whereas the same has remained below 50 per cent for the bottom 50 companies.



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Disclosure on CSR in Director's report

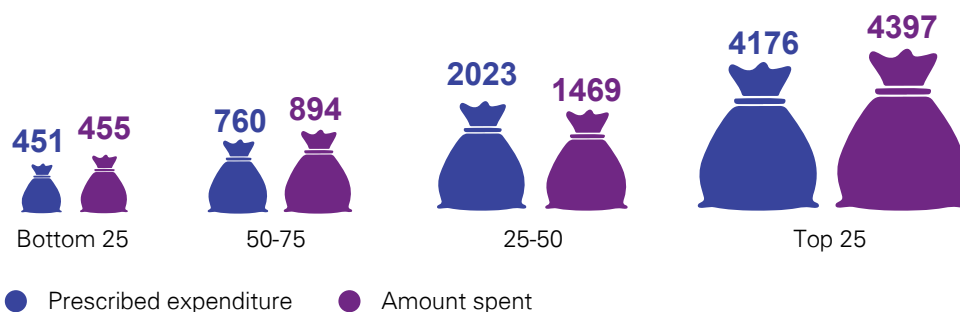


Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

CSR spends

- 15** As per the Act, companies are required to spend 2 per cent of their average net profit of preceding three years towards CSR. Improvement is seen in compliance of CSR spends by the bottom 50 companies as 37 companies this year have spent equal or higher than the prescribed CSR spends as against 27 companies in 2016–17 (37 per cent improvement).
- 16** It is surprising to note that the prescribed CSR expenditure for the top 25 companies account for 54 per cent of the total amount to be spent by India Inc. (N100 companies).
- 17** It is even more surprising to note that the top 50 companies (in order of turnover of companies) account for 80 per cent of the prescribed CSR expenditure for the current year.

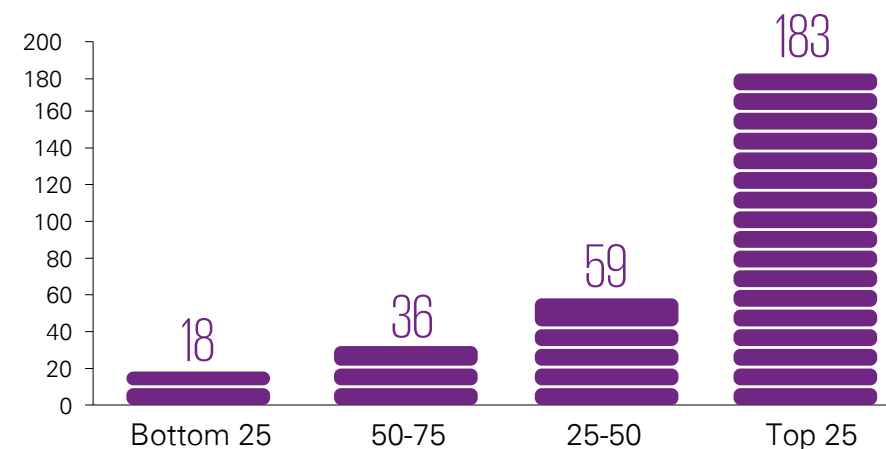
Prescribed expenditure (INR in crore)



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

- 18** Against the required CSR spending of INR5702 crore, the top 50 companies have spent INR6174 crore during the current year i.e. 108 per cent of the prescribed 2 per cent CSR amount.
- 19** The average prescribed CSR expenditure ranged from INR25 crore in case of the bottom 25 companies to INR174 crore for the top 25 companies.

Average amount spent (INR in crore)



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

CSR project management

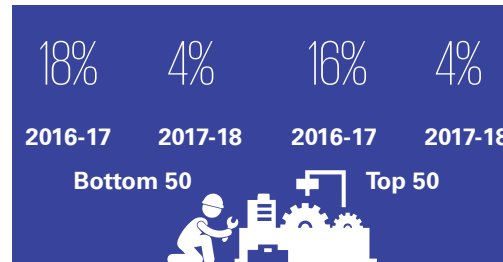
20 Increased partnerships with implementing agencies have been observed for the bottom 50 companies, as 42 companies have chosen to implement projects through a combination of implementing agencies and direct mode of implementation as against only 28 companies last year (increase of 50 per cent).

21 More than 60 per cent of the top 50 companies have disclosed details regarding the outreach of CSR activities in the Director's report during the current year, while more than 40 per cent have disclosed the same in case of the bottom 50 companies.

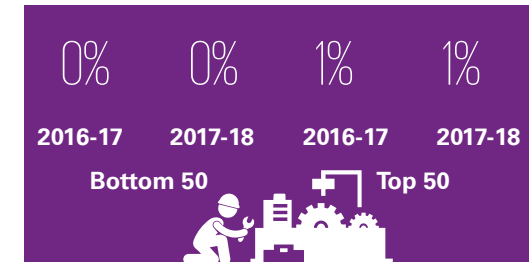
22 Disclosing the mode of implementation is a mandatory requirement as per the Act. Although the bottom 50 companies constitute only 20 per cent of the CSR spends, 96 per cent of the bottom 50 companies have disclosed the mode of implementation as against 92 per cent of the Top 50.

23 The above findings indicate enhanced compliance of the Act by the bottom 50 companies, which is a positive development. It also reflects upon the increased significance given to CSR by companies at the board level.

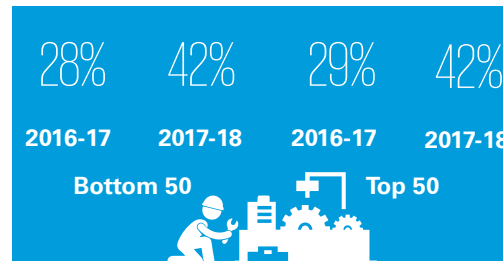
Mode of implementation



Mode of implementation -
implementation agency



Mode of implementation -
own foundation



Mode of implementation - combination

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.



11

CSR and SDGs

India has witnessed rapid economic growth in the last few decades and continues to be one of the fastest growing economies in the world. Economic growth has also helped India in taking rapid strides in its development journey. India today has a burgeoning middle class and the economic growth has helped in lifting millions of Indians out of poverty. While India has made progress, several development sector challenges persist. Rising inequality is one the most severe challenges India is facing. The problem of inequality is multi-dimensional in nature. High levels of inequality is present within different stratas of the society. Inequality has an important and critical element of spatial dimensional as well. The National Institution for Transforming India (NITI) Aayog is a policy think tank established by the government of India to guide and strategise India's development journey. In January 2018, NITI Aayog identified 115 districts as 'Aspirational Districts' with an aim to bring transformation in such districts that perform poorly on several socio-economic parameters. Prior to this, 'Backward Districts' with a different list of districts than 'Aspirational Districts' were utilised for benchmarking by the Government of India.

At the global level, Sustainable Development Goals (SDGs) were adopted on 25 September 2015 by 193 member states of the United Nations to end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda. These goals range from ending poverty to looking at climate action. The 17 goals come with 169 targets to be achieved by 2030. India has played an integral role in the formation and evolution of SDGs and is committed to its achievement. India has a federal structure with the central as well as state governments playing an important role for the welfare of citizens. State governments are entrusted with their critical share of contributions in progressing towards achievement of India's SDGs. It is observed that states have made progress in their SDG journey. A few states have come up with their vision 2030 documents, have formed SDG cells and carried out mapping of government schemes with SDGs. It has been observed that different states have progressed at a different pace. At the central level, the Government of India has entrusted NITI Aayog to coordinate the implementation of SDGs.

Sustainable development goals

1 No poverty	2 Zero hunger	3 Good health and well-being
4 Quality education	5 Gender equality	6 Clean water and sanitation
7 Affordable and clean energy	8 Decent work and economic growth	9 Industry, innovation and infrastructure
10 Reduced inequalities	11 Sustainable cities and communities	12 Responsible consumption and production
13 Climate action	14 Life below water	15 Life on land
16 Peace, justice and strong institution	17 Partnerships for the goals	

CSR in aspirational districts

1

In 2018, as per the Ministry of Rural Development, Government of India, India has a total of 718 districts, of which, 16 per cent (115) are aspirational districts as per NITI Aayog.

2

Jharkhand (19), Bihar (13), Chattisgarh (10), Madhya Pradesh (8), Odisha (8) and Uttar Pradesh (8) account for more than 55 per cent of the aspirational district concentration across India. However, it is critical to note that these districts have only 25 per cent of CSR projects and receive only 13 per cent of the total expenditure towards CSR during the current year.

States with highest aspirational districts



Jharkhand

1% Number of programmes
 <1% Total CSR expenditure
 17% Backwards districts



Bihar

2% Number of programmes
 1% Total CSR expenditure
 11% Backwards districts



Odisha

11% Number of programmes
 3% Total CSR expenditure
 7% Backwards districts



Chattisgarh

1% Number of programmes
 <1% Total CSR expenditure
 9% Backwards districts



Madhya Pradesh

3% Number of programmes
 1% Total CSR expenditure
 7% Backwards districts

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

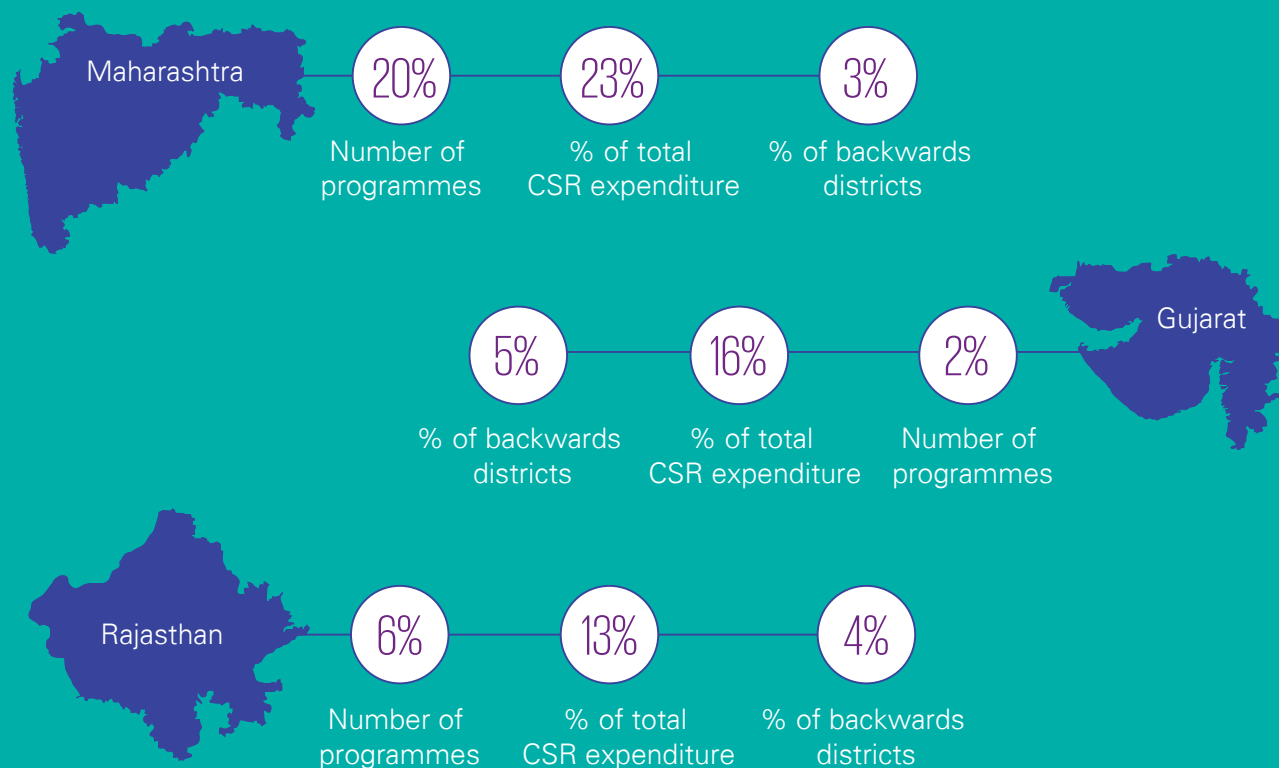
3

Maharashtra (INR268 crore), Rajasthan (INR155 crore), Gujarat (INR186 crore), Karnataka (INR223.5 crore) and Andhra Pradesh (INR57 crore) account for more than 60 per cent of the CSR expenditure during the current year. These states constitute only 15 per cent aspirational districts.

4

It is interesting to note that the states with more than 55 per cent aspirational district concentration have received only 13 per cent CSR fund, whereas states with 15 per cent concentration of aspirational districts have received more than 60 per cent CSR funds. It is suggestive that India Inc. critically evaluates and selects the district where it will incur CSR expenditure in the future.

States with highest expenditure



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

CSR in backward districts



In 2018, as per the Ministry of Rural Development, Government of India, the country has a total of 718 districts, of which 38 per cent (272) are backward districts.



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 the CSR projects and 15 per cent of the total expenditure towards CSR during 2016–17.



Maharashtra (INR730.5 crore), Haryana (INR259.3 crore), Gujarat (INR231 crore), Karnataka (INR223.5 crore) and Andhra Pradesh (INR217.5 crore) account for more than 70 per cent of the CSR expenditure during 2016–17. However, it has over 15 per cent backward district concentration.



It is interesting to note that the states with 60 per cent backwards district concentration have received only 15 per cent CSR fund, whereas states with 15 per cent concentration of backward districts have received more than 70 per cent CSR funds. It is suggestive that India Inc. critically evaluates and selects the district where it will incur CSR expenditure in the future.

CSR and SDGs

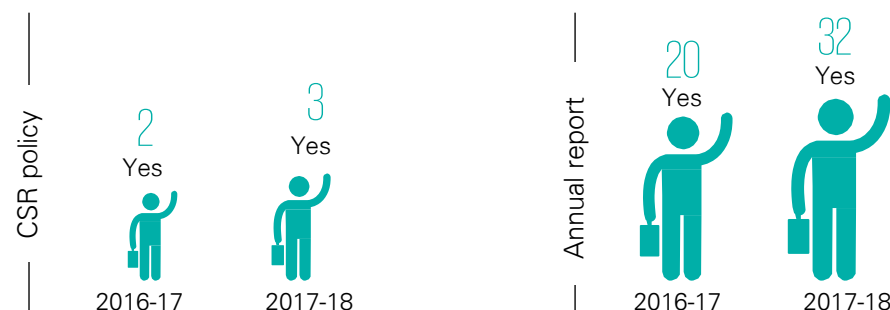
5

Focus areas: Health and Education continue to receive more traction from companies with 65 per cent of the projects and 61 per cent of the expenditure, which is linked to 6 of the 17 SDGs. Focus on the other goals is a concern.

6

Disclosure: Against 20 per cent in 2016–17, 32 per cent companies have aligned their CSR projects towards SDGs and have made disclosures regarding the same in their annual report. However, strategic integration of the same in the CSR policy is yet to reach the milestone.

CSR and SDG



Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

7

Partnerships: Over 1400 projects to the tune of almost INR6406 crore (more than 80 per cent of the CSR spent during the current year) were spend through a combination of direct, own foundation and partner organisation. This is a significant alignment to SDGs 17 i.e. Partnerships for the goals.

8

Spread of expenditure: As suggested previously, Jharkhand, Bihar, Chhattisgarh, Odisha and Uttar Pradesh account for more than half of the aspirational district concentration across India. However, it is critical to note that it accounts for only 25 per cent of CSR projects and 13 per cent of the total expenditure towards CSR during the current year. While Maharashtra, Gujarat, Rajasthan, Uttar Pradesh and Karnataka account for more than half of the CSR expenditure during the current year, these have only 15 per cent Aspirational district concentration. North-East has 12 per cent of aspirational districts and close to only 4 per cent CSR expenditure, which still reflects the least focus on these states during the current year.

9

As per the Act, companies shall give preference to the local area and areas around which they operate. The recent notification by the Ministry of Corporate Affairs (MCA) re-emphasises this. On the other hand, NITI Aayog is promoting increased role of corporates for the development of aspirational districts in India. There is a need for dialogue between diverse stakeholders to balance addressing local developments while contributing to the development of India's aspirational districts.

12

CSR compliance

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

Mandatory requirements of the Act	Per cent of compliant companies	Per cent of PSU companies	Per cent of non – PSU companies	Per cent of companies with women board members	Per cent of companies without women board members	Per cent of Indian origin companies	Per cent of non-Indian origin companies
Aspects related to CSR policy (99 companies have their CSR policy available in public domain)							
Availability of CSR policy in public domain	99%	95%	100%	100%	98%	99%	100%
CSR policy web link in annual report	95%	90%	96%	92%	98%	95%	100%
Disclosure on areas of intervention in the CSR policy	98%	95%	99%	89%	91%	98%	100%
Disclosure on mode of implementation in the CSR policy	93%	90%	94%	94%	91%	93%	100%
Disclosing details regarding the treatment of surplus arising from CSR activities	74%	85%	71%	74%	74%	75%	60%

Mandatory requirements of the Act	Per cent of compliant companies	Per cent of PSU companies	Per cent of non – PSU companies	Per cent of companies with women board members	Per cent of companies without women board members	Per cent of Indian origin companies	Per cent of non-Indian origin companies
Details of the monitoring framework	86%	95%	84%	83%	89%	86%	80%
Aspects related to CSR committee (100 companies have disclosed details regarding their CSR committee)							
Disclosing CSR committee composition in the Director's report	68%	60%	70%	70%	66%	68%	60%
CSR committee	90%	70%	95%	91%	89%	89%	100%
Members in the CSR committee (at least three, of which one should be an independent director)	100%	100%	100%	100%	100%	100%	100%
Independent director in the CSR committee	100%	100%	100%	100%	100%	100%	100%
Aspects related to CSR disclosure (99 companies have provided CSR disclosure in their annual report)							
CSR disclosure in the prescribed format	89%	85%	90%	91%	87%	89%	80%
Details of average net profit or loss of the company for the last financial years	95%	90%	96%	92%	98%	95%	100%
Details of prescribed CSR amount	95%	90%	96%	92%	98%	95%	100%
Details of total amount to be spent	95%	90%	96%	92%	98%	95%	100%
Details of total amount spent	95%	90%	96%	92%	98%	95%	100%

Mandatory requirements of the Act	Per cent of compliant companies	Per cent of PSU companies	Per cent of non – PSU companies	Per cent of companies with women board members	Per cent of companies without women board members	Per cent of Indian origin companies	Per cent of non-Indian origin companies
Reporting separately on project direct and overhead expenses	26%	30%	25%	26%	26%	25%	40%
Mode of implementation mentioned	93%	90%	94%	92%	94%	93%	100%
Companies that have disclosed details regarding admin expenses	49%	50%	49%	51%	34%	49%	40%
Admin expenses within the limit of 5 per cent of total expenditure on CSR	44%	35%	46%	51%	34%	44%	40%
Companies that have spent the prescribed 2 per cent	70%	60%	73%	72%	68%	68%	100%
Explanation given by companies that have failed to spend 2 per cent	27%	35%	25%	21%	34%	28%	0%
Responsibility statement given	94%	80%	98%	92%	96%	94%	0%

Source: KPMG in India's analysis based on India's CSR reporting survey, 2018.

Terminology

- 1 The Act refers to the Section 135 of the Companies Act, 2013 and the Corporate Social responsibility (Policy) Rules (the Act) including subsequent notifications.
- 2 CSR committee refers to the committee set up by the board of the company as referred to in Section 135 of the Act.
- 3 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.
- 4 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
- 5 Average net profit refers to the net profit of the company for immediately preceding financial year calculated in line with Section 198 of the Act
- 6 Prescribed CSR expenditure refers to 2 per cent of average net profit described in the preceding point.
- 7 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.
- 8 Annual CSR disclosures refers to company's reporting on CSR policy, committee, spends, project details, responsibility statement and others.
- 9 Average Project Cost is calculated by dividing total CSR spends in 2017-18 by the total number of CSR projects in 2017-18. It may include some multi-year projects, but their cost has been considered only for the year 2017-18.
- 10 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.
- 11 N100 companies means the top hundred listed companies on the National Stock Exchange (NSE) as per market capital on 31 March 2017.

SDGs refers to 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development — adopted in September 2015 at UN Summit

Schedule VII refers to the activities which may be included by companies in their CSR activities related to –

Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation [including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water;

Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and 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 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 art and handicrafts;

Measures for the benefit of armed forces veterans, war widows and their dependents;

Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports;

Contribution to the Prime Minister's national relief fund or any other fund set up by the central govt. for socio economic development and relief and welfare of the schedule caste, 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; and

Slum area development

Acknowledgements

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