
UNIT 1 STRUCTURAL AND FUNCTIONAL SETUP

Structure

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- 1.2 Policy Formulation and Organizational Setup
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1.1 INTRODUCTION

The practice of CSR is not new to companies in India. However, what the Companies Act 2013 has done is bring more companies into the fold of CSR. Also, it is likely that the total CSR spends will increase. What is clear to many Companies is that if this increased spending is to achieve results on the ground, which is one of the core intents of the Act, then it is needed to be done strategically, systematically and thoughtfully. It is in this context that the present unit envisages equipping you for this shift towards structured engagement with communities. It suggests steps to develop a CSR strategy and policy, and identifies the key building blocks for initiating and developing the CSR programmes. It takes the CSR practitioner through some of the key choices that may be required to be made while pursuing CSR objectives and help develop internal capabilities in an organization that is socially sensitive and responsible. A major part of the unit focuses on the ‘what’ and ‘how’ of strategizing, planning, executing, and monitoring the CSR activities of companies.

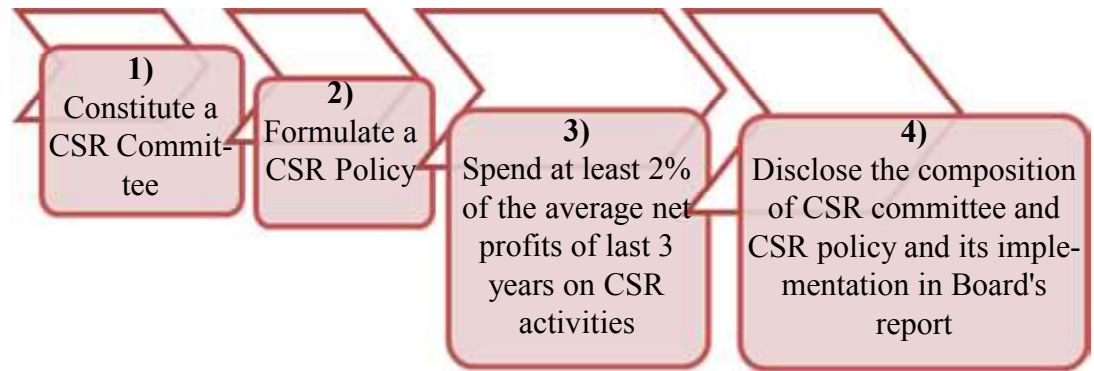
After studying this unit, you will be able to:

- Explain the policy formulation of CSR and organizational set up
- Discuss the formation of CSR Committee of the Board of Directors, its roles and responsibilities
- Identify the thematic areas
- Describe strategic project management

1.2 POLICY FORMULATION AND ORGANIZATIONAL SETUP

Once a company is covered under the ambit of the CSR, it is required to comply with the provisions of the CSR. The companies covered under Sub Section 1 of Section 135 are required to do the following activities (Fig. 1.1 and Box 1):

Fig. 1.1: Responsibilities of the CSR Committee



Box 1: List of Responsibilities of the CSR Committee

- 1) As provided under Section 135(1), companies are required to constitute a Corporate Social Responsibility Committee of the Board “hereinafter CSR Committee”. The CSR Committee shall comprise of three or more directors, out of which at least one director shall be an independent director.
- 2) All such companies should formulate CSR Policy.
- 3) All such companies shall spend, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. It has been clarified that the average net profits shall be calculated in accordance with the provisions of Section 198 of the Companies Act, 2013. Also, provision to the Rule 3(1) of the CSR Rules that the net worth, turnover or net profit of a foreign company of the Act shall be computed in accordance with the balance sheet and profit and loss account of such company prepared in accordance with the provisions of clause (a) of sub-section (1) of section 381 and section 198 of the Companies Act, 2013.
- 4) The Board’s report shall disclose the compositions of the CSR Committee.

(Source: <http://finance.bih.nic.in/Documents/CSR-Policy.pdf> 0N 12/12/19)

1.2.1 The Objectives of CSR Policy

CSR Policy of a company is laid down with the following objectives:

- Establishing a guideline for compliance with the provisions of regulations to dedicate the recommended percentage of company’s profits for social projects.
- Ensuring the implementation of CSR initiatives in letter and spirit through appropriate procedures and reporting.
- Creating opportunities for employees to participate in socially responsible initiatives.

Many PSUs and conglomerates do have written policies being government undertakings whereas, private companies of repute like Tata Steel, Reliance, Ambuja, Aditya Birla also have developed detailed CSR policies. The CSR policy reflects vision and mission statement, beneficiaries to be covered, thematic areas undertaken, place of implementation, etc.

1.2.2 CSR Committee and Board

The composition of the CSR committee varies based on the type of company.

Composition of CSR Committee

Type of Company	Composition
Listed	Three or more Directors including atleast one Independent Director
Unlisted and Private	Three or more Directors, an Independent Director is mandatory
Private	Two Directors
Foreign	At least two persons, one of which must be company’s representative in India

Clause 135 of the Act lays down the guidelines to be followed by companies while developing their CSR programmes. The CSR committee remains responsible for preparing a detailed plan on CSR activities, including the expenditure, the type of activities, roles and responsibilities of various stakeholders and a monitoring mechanism for such activities.

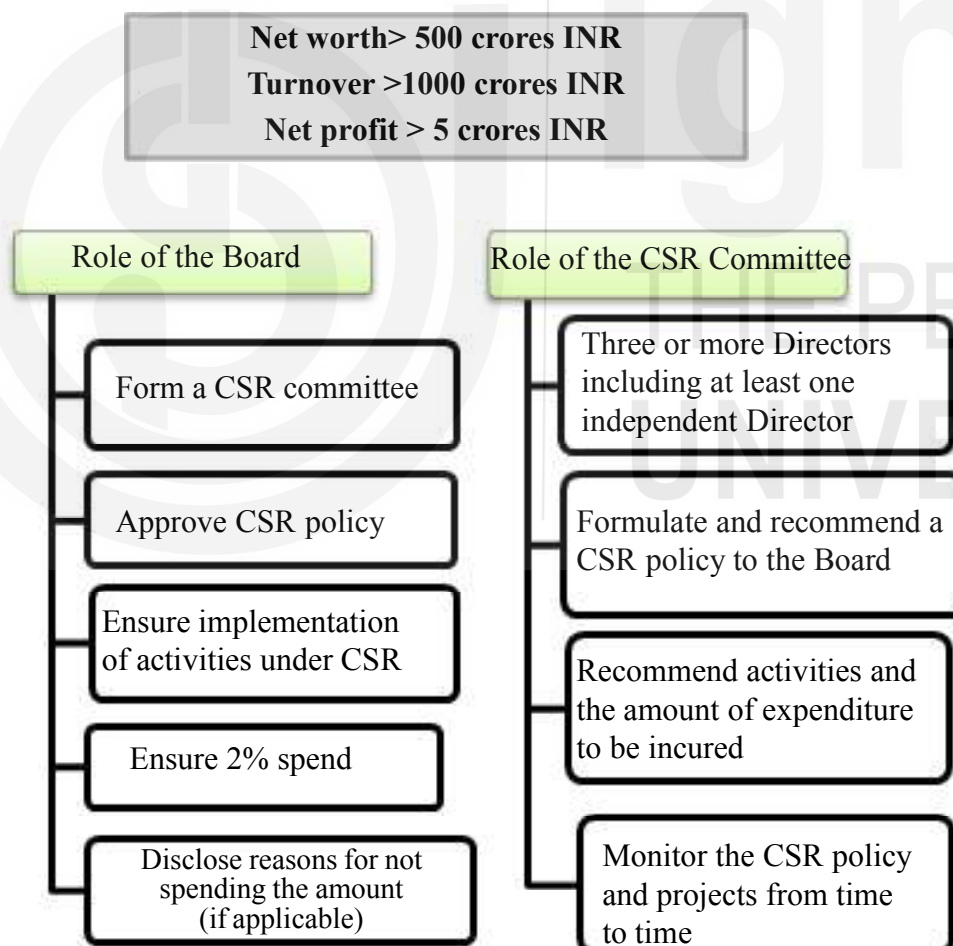


Fig 1.2: Role of the Board and the CSR Committee

The CSR committee can also ensure that all the kinds of income accrued to the company by way of CSR activities should be credited back to the community or CSR corpus. The Act requires that the board of the company shall, after taking into account the recommendations made by the CSR committee, approve the CSR policy of the company and disclose its contents in their report and also

publish the details on the company’s official website, if any, in such manner as may be prescribed. If the company fails to spend the prescribed amount, the board, in its report, shall specify the reasons.

Formulating a policy document and the selection of the board and the committee is an excellent starting point for any company new to CSR. In case a company already practices CSR, this committee should be set up at the earliest so that it can guide the alignment of the company’s activities with the requirements of the Act.

For effective implementation, the CSR Committee must also oversee the systematic development of a set of processes and guidelines for CSR to deliver its proposed value to the company, including:

- Processes such as developing CSR strategy and operationalizing the institutional mechanism.
- Repetitive processes such as the annual CSR Policy, due diligence of the implementation partners, project development, project approval, contracting, budgeting and payments, monitoring, impact measurement and reporting and communication.

A set of such enabling processes, their inter-relationships and the sequence in which they need to be developed have been identified in Fig. 1.3. While developing these processes, no standard set of recommendations exist for all companies. However, an overview of the required details, the activities required to be completed for each of these processes along with some additional guidance on critical issues have been provided below:

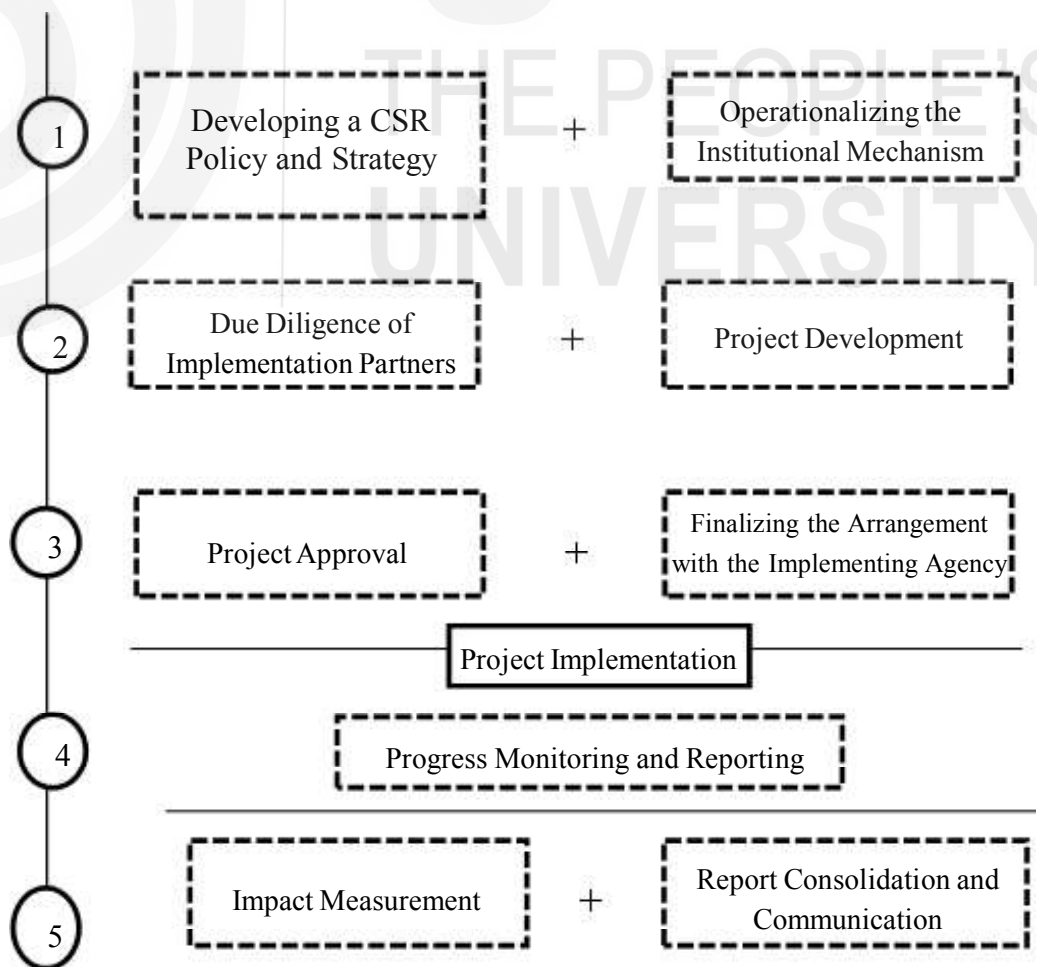


Fig. 1.3: Role of Committee in CSR Processes

1.3 METHODOLOGY OF CSR

CSR is the procedure for assessing an organization's impact on society and evaluating its responsibilities. It begins with an assessment of the following aspects of each business:

- Customers
- Suppliers
- Environment
- Communities, and
- Employees

The most effective CSR plan ensures that while organizations comply with the legislation, their investments also respect the growth and development of marginalized communities and the environment. CSR should also be sustainable, involving activities that an organization can uphold without negatively affecting its business goals.

Organizations in India have been quite sensible in taking up CSR initiatives and integrating them into their business processes. It has been progressively projected in the Indian corporate setting because organizations have recognized that besides growing their businesses, it is also important to shape responsible and agile relationships with the community at large. Companies now have specific departments and teams that develop specific policies, strategies, and goals for their CSR programmes and set separate budgets to support them. Most of the time, these programmes are based on well-defined social beliefs or are carefully aligned with the company's business domain.

1.3.1 CSR Trends in India

Since the applicability of mandatory CSR provision in 2014, CSR spending by corporate India has increased significantly. In 2018, companies spent 47 percent higher as compared to the amount in 2014-15, contributing INR 7,536 crores (US \$1 billion) to CSR initiatives, according to KPMG India CSR Reporting Survey, 2018. Listed companies in India spent INR 10,000 crore (US\$1.4 billion) in various programmes ranging from educational programmes, skill development, social welfare, healthcare, and environment conservation, while the Prime Minister's Relief Fund saw an increase of 139 percent in CSR contribution over last one year.

The education sector received the maximum funding (38 per cent of the total) followed by hunger, poverty, and healthcare (25 per cent), environmental sustainability (12 per cent) and rural development (11 per cent). Programmes such as technology incubators, sports, armed forces, reducing inequalities saw negligible spends. Taking into account the recent amendments to CSR provisions, industry research estimates CSR compliance to improve and range between 97 to 98 per cent.

1.3.2 Examples in CSR (India)

Tata Group - The Tata Group conglomerate in India carries out various CSR projects, most of which are community improvement and poverty alleviation programmes. Through self-help groups, it has engaged in women's empowerment activities, income generation, rural community development, and other social welfare programmes. In the field of education, the Tata Group provides scholarships and endowments to numerous institutions. The group also engages in healthcare projects, such as the facilitation of child education, immunization, and creation of awareness of AIDS. Other areas include economic empowerment through agriculture programmes, environment protection, providing sports scholarships, and infrastructure development, such as hospitals, research centers, educational institutions, sports academy, and cultural centers.

Ultratech Cement - Ultratech Cement, India's biggest cement company is involved in social work across 407 villages in the country aiming to create sustainability and self-reliance. Its CSR activities focus on healthcare and family welfare programmes, education, infrastructure, environment, social welfare, and sustainable livelihoods. The company has organized medical camps, immunization programmes, sanitation programmes, school enrollment, plantation drives, water conservation programmes, industrial training, and organic farming programmes.

ITC Group - ITC Group, a conglomerate with business interests across hotels, FMCG, agriculture, IT, and packaging sectors has been focusing on creating sustainable livelihoods and environment protection programmes. The company has been able to generate sustainable livelihoods opportunities for six million people through its CSR activities. Its e-Choupal programme, which aims to connect rural farmers through the internet for procuring agriculture products, covers 40,000 villages and over four million farmers. Its social and farm forestry programme assists farmers in converting wasteland to pulpwood plantations. Social empowerment programmes through micro-enterprises or loans have created sustainable livelihoods for over 40,000 rural women.

The above examples show that companies adapt thematic areas of interventions and accordingly plan their strategy to implement the same. In next part of the unit, you will get to know the areas given under law to be adapted by companies.

Source: <https://www.india-briefing.com/news/corporate-social-responsibility-india-5511.html/>

Activity 1

Visit a CSR project being implemented in the city of your residence. Enquire about the project coverage and its impact and write about them in your own words.

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1.4 CSR THEMATIC AREAS / ACTIVITIES

The policy recognizes that corporate social responsibility is not merely compliance; it is a commitment to support initiatives that measurably improve the lives of underprivileged by one or more of the following focus areas as notified under Section 135 of the Companies Act, 2013, and Companies (Corporate Social Responsibility Policy) Rules 2014:

- i) Eradicating hunger, poverty and malnutrition; promoting preventive health care and sanitation and making safe drinking water available;
- ii) Promoting education, including special education and employment enhancing vocation skills, especially among children, women, elderly and the differently-abled; and livelihood enhancement projects;
- iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens; and measures for reducing inequalities faced by socially and economically backward groups;
- iv) Reducing child mortality and improving maternal health by providing good hospital facilities and low cost medicines;
- v) Providing hospital and dispensary facilities with more focus on clean and good sanitation so as to combat human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- vi) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining quality of soil, air and water;
- vii) Employment enhancing vocational skills;
- viii) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries;
- ix) Promotion and development of traditional arts and handicrafts;
- x) Measures for the benefit of armed forces veterans, war widows and their dependents;
- xi) Training to promote rural sports, nationally recognized sports, sports and Olympic sports;
- xii) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities & women;
- xiii) Contributions or funds provided to technology incubators located within academic institutions, which are approved by the Central Government;
- xiv) Rural development projects, etc.

- xv) Slum area development. Explanation — for the purposes of this item, the term, slum area, shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.

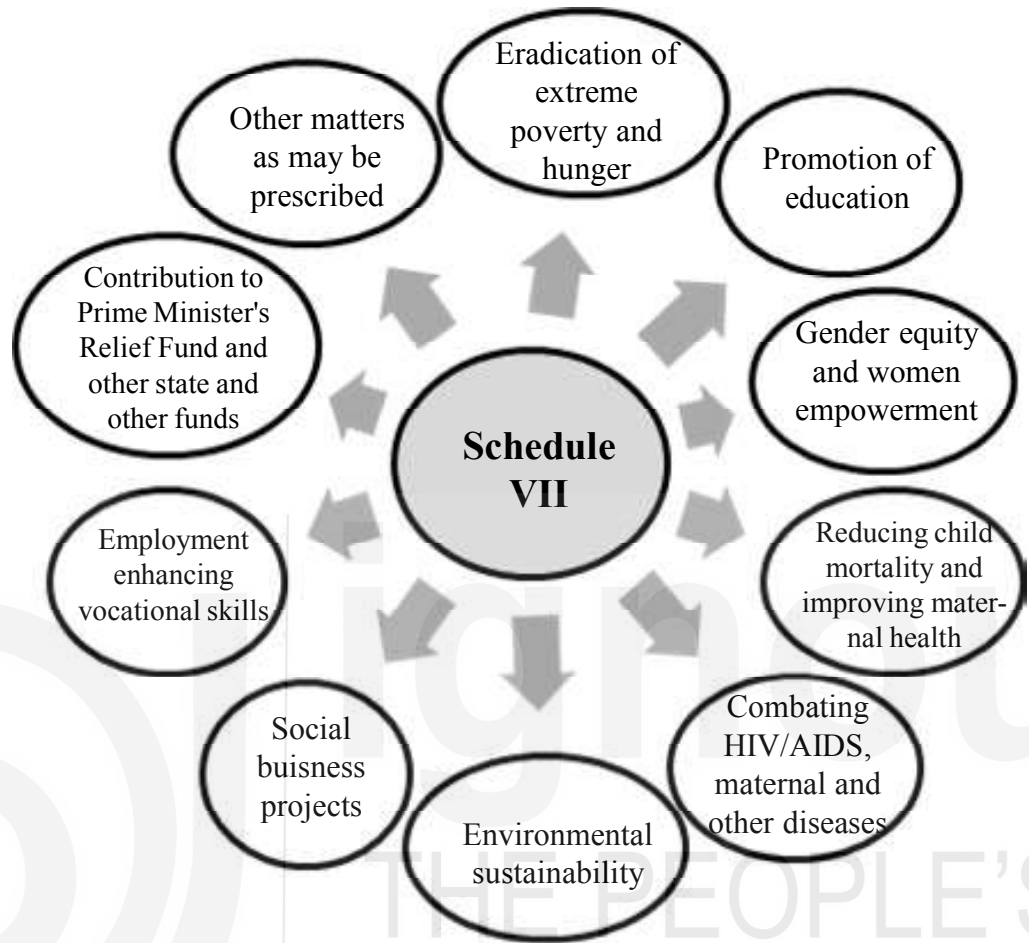


Fig. 1.4: Indicative activities under CSR specified under Schedule VII of the Act

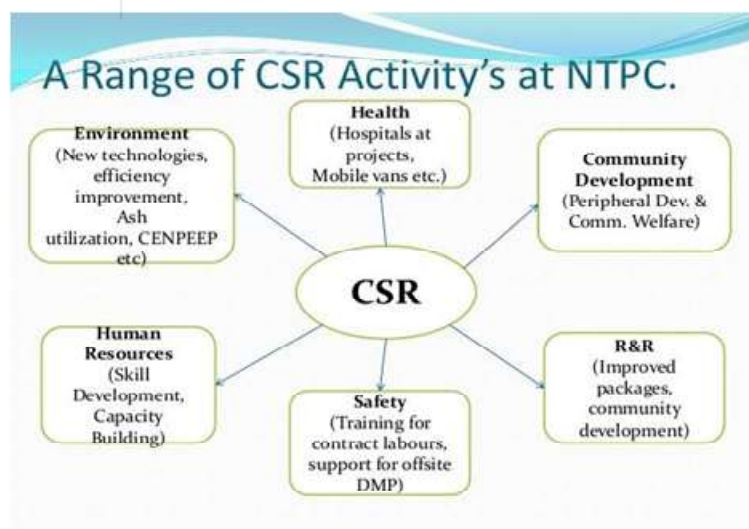


Fig. 1.5: CSR Activities at NTPC

The above list is illustrative not exhaustive. All activities under the CSR domain should be environment friendly and socially acceptable to the local people and society (Fig. 1.5, activities at NTPC under CSR). Contribution towards the Chief Minister’s Relief Fund shall be a part of CSR activities over and above 2% of net profit other than the activities mentioned above. Further the Ministry of Corporate Affairs *vide* Notification dated 24.10.2014 increased the scope of contribution made towards Corporate Social Responsibility Activities namely: contribution to the Swatch Bharat Kosha setup by the Central Government for the promotion of sanitation and contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of the River Ganga.

Check Your Progress - 1

- Notes:** a) Write your answers in about 50 words.
 b) Check your answer with possible answers given at the end of the unit.

1) Name the indicative activities which can be undertaken by a Company under CSR.

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2) Describe the composition of the CSR Committee.

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1.5 CSR: STRATEGIC PLANNING

For effective implementation, the CSR committee must also oversee systematic development of a set of processes and guidelines for CSR to deliver its proposed value to the company, as discussed in Section 1.2.2. Now this section discusses an identified set of enabling processes, their inter-relationships and the sequence in which they need to be developed as shown in Fig 1.3. While developing these processes, no standard set of recommendations exist for all companies. Following are suggested steps involved in strategic planning while developing the programme.

1.5.1 Steps in Strategic Planning in CSR

Each step is described generally under three major heads. The first head deals with the purpose of that step. The second head deals with the process which

covers the objectives of that step, the owners of that particular step, the inputs required and the outputs generated as a result of fulfillment of that step. The third head describes the various activities that will form a part of that particular step.

Step I: Developing a CSR Strategy and Policy

a) **Purpose:** CSR strategy refers to what the company expects to achieve in the next three to five years and incorporates the vision, mission and goals on a broader level. It also outlines how it plans to achieve these in terms of organization and approach.

b) **Framework:** An effective CSR strategy should articulate its (i) target group; (ii) area of operation (iii) sectors or issues it wishes to address.

c) **Process:**

Objective: Developing the CSR strategy and policy.

Process owners: The CSR committee is the owner of the process.

Inputs: Guidance from the Board, requirements of the Companies Act, business strategy and plan of corporate, the involvement of the supply chain are needed; both, national and other interests of the company would be included in development priorities.

Output(s): The CSR Policy document, identification of sectors and issues, and actual benefit of people are the output.

d) **Activities:** The first part of activities would be reviewing the past and monitoring the current CSR activities to match Schedule VII of the Companies Act, 2013; Second part will define the company's activities under CSR strategies for next 3 to 5 years.

e) **Vision and Mission:** The CSR thrust is on community development. A CSR vision statement is a vivid, compelling description of its future CSR position.

i) *Sectors and issues:* CSR covers a broad spectrum of issues that must be taken into account in business conduct. This includes working conditions, human rights, and the environment, preventing corruption, corporate governance, gender equality, occupational integration, consumer interests and taxes.

ii) *Area of operation:* States and districts; underperforming states not a priority for CSR fund. Policy anomaly tilts CSR scales in favour of states.

iii) *Beneficiaries:* The target beneficiaries have every right to know if there is any social auditing and certification process in place for the money taken out (in their name) by the corporate world to check the impact of CSR.

iv) *KPIs (Key Performance Indicators):* Global Reporting Initiative's (GRI) reporting guidelines, specifically its performance indicators, can be used to help a company create ethical Corporate Social Responsibility

(CSR) strategies and to also help stakeholder groups evaluate how much of a company's CSR initiative truly means the stakeholder definition of CSR and how much is merely philanthropy or marketing.

v) *Determining the implementation mechanism:*

- i) Grant-making or direct implementation;
- ii) Institutional mechanism: in-house department, corporate foundation, partnerships with other NGOs; implementation of CSR means that enterprises abide by laws, regulations, social norms and business ethics, effectively manage the influence of the corporate operation upon the stakeholders and the natural environment, and maximize the comprehensive value in economic, social and environmental aspects.

vi) *Establish methods for monitoring and reporting:* CSR project monitoring, evaluation and reporting are management requirements for the successful implementation of any CSR project to ensure that the said project achieves the required objectives.

Example-The Aditya Birla group has a vision “To actively contribute to the social and economic development of the communities in which it operates. In doing so, build a better, sustainable way of life for the weaker sections of society and raise the country's human development index”.

Aditya Birla CSR Achievements

- Runs 5,000 medical camps and 20 hospitals
- Immunized 70 million children against polio
- Operates 56 schools for 46,500 school children
- Skill training for 95,000 people
- Mid-day meal every day for 63,000 children in 268 schools
- Provide solar lamps for 450,000 school children

Step II: The Institutional Mechanism

- a) **Purpose:** In order for a corporate to gain the greatest leverage and a strategic advantage through the investment of intellectual and financial resources, they are required to select their implementation mechanism. In terms of implementation mechanism, a company has several options, which are permitted under the CSR draft rules:
 - i) The grants can be made directly by an in-house CSR Department or through the company's grantmaking foundation.
 - ii) Making grants to an independent implementation partner (which has a track record of at least three years), e.g., NGOs of state or national repute.

b) Process:

Objective: A company’s objective is to establish a legal entity and aligning the accounting, tax, finance, administration, HR and IT systems to deliver the commitments made in the CSR policy.

Process owners: The CSR committee is the process owner.

Inputs: The CSR strategy

Output(s): (i) Creation of a separate legal entity or a CSR Department for CSR activities; (ii) Other institutional mechanisms to align the accounting, finance, administration, HR and IT systems with CSR activities.

- c) Activities:** For the CSR implementation the company should have an in house CSR department or it can collaborate with a trust, society, foundation (Not for profit Section 8 Company) for example Aditya Birla Centre for Community Initiatives and Rural Development works with WHO, Australia India Council, Bill and Melinda Gates Foundation, Habitat for Humanity, CII, European Union (EU), Global Compact Network, International Rotary Club, National Skills Development Council, FICCI, NABARD, NACO, CARE, IGNOU, Aide et Action, SEWA, BAIF, MYRADA, Basix, CARD, Art of Living Foundation, Smile Foundation, Maya Foundation, ChildLine India Foundation and local NGOs.

The next step would be to identify the implementation model (grant making, direct project execution, etc.). A funding source needs to be finalized; for CSR work, employees’ job descriptions, their roles and responsibilities should be clearly stated and a proper reporting system to the CSR team should be defined. The existing finance, administration and IT systems should have a clear picture of the total CSR fund received, its expenditure and balance. The CSR team should be intimated well in advance about the allocation for the expenses (or assets created) so that the work of running the project should not be hampered.

Activity 2

Visit a CSR project being implemented in the city of your residence. Enquire about and record the names of the project partners involved in the implementation of that project.

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Step III: Due Diligence of the Implementation Partner

- a) Purpose:** Due diligence refers to the process a company undertakes to determine the risks as well as the benefits of working with a potential implementation partner. This process has to be sufficiently effective to ensure that a company’s implementation partners have the reputation,

competence and integrity to deliver effective programmes on the ground. The due diligence process consists of five primary areas for investigation: competence of the implementation partner; identity; management; accountability; transparency and financial capability.

b) Process:

Objective: Selecting the implementation partner.

Process owners: The CSR department or company foundation.

Inputs:

- i) The CSR Strategy and Policy.
- ii) Discussions with communities, management, staff, other funders, local government officials, local leaders or influencers, auditors studying the books of accounts and the auditor's report.

Output(s): A due diligence report.

- c) Activities:** Establishing a due diligence criteria to evaluate the implementation, permits and licenses, systems, processes, public image, management, team strength, track record, financial capacity, competence level, presence in desired geography, compatibility with company CSR policy. Establishing due diligence criteria for evaluation and empanelment of private funders for partnership and joint projects is also required. Evaluating partnership opportunities for its risks and benefits and any conflicts of interest between the stakeholders need to be identified.

Step IV: Project Development

- a) Purpose:** The CSR strategy of a company will be implemented through a series of projects with clearly identified starting to end cycle. It has to have synergy between input and output i.e., funds, other resources, and total expenditure. These projects could be of any length, short duration (a few months) or multi-year.

b) Process:

Objective: Developing a feasible project proposal.

Process owners: The implementation agency (the CSR department, company foundation or the NGO partner).

Inputs: (i) The CSR Policy (ii) Institutional mechanisms (iii) Information from the government sources, previous studies done in the area, etc. (iv) Information on programmes targeting similar geographies and beneficiary groups or strategies (v) Monitoring impact, measurement reports from any earlier Projects.

Output(s): A project proposal that details:

- i) project context including the roles of other stakeholders;
- ii) key needs of target beneficiaries;
- iii) project goals, KPI (Key Performance Indicators), baselines and expected end lines;
- iv) project milestones for progress monitoring purposes;

- v) activities and timelines to achieve the stated project goals;
- vi) budgets along with the purpose of expenditure;
- vii) risks and mitigation strategies;
- viii) progress reporting: step by step narration from starting to end.

c) Activities:

- i) Developing a framework to identify key stakeholder groups including the local community, the local government or bodies, academia and research institutions, investors, etc.
- ii) Conducting a needs assessment (if required) to assess development priorities. The methodology for this can be participatory processes, surveys or a combination of the two.
- iii) Studying and adopting good practices to address similar challenges based on prior experiences or lessons available from other practitioners and develop the approach.
- iv) Detailing the project: objectives, beneficiaries and impact on the beneficiaries, assumptions, expected outputs and outcomes, detailed activities, potential to influence public policy and practice.
- v) Identifying indicators of success with the means of verification and establish baseline for each. This can be commissioned as a separate study or can even be included at the need assessment stage.
- vi) Estimating the budget and how it will be funded specifying community contributions, leveraging of government schemes and contributions from other donors.
- vii) Indicating monitoring and evaluation methodologies for impact measurement.

Step V: Project Approval

- a) **Purpose:** Every Project, whether developed by the in-house team or an external agency, must be formally examined and approved. This is to ensure that each project is in line with the CSR strategy and policy, that the monitoring indicators are clearly defined and relevant and that there is adequate budget available. The projects must be scrutinized carefully for their durations and resource demands.

The CSR committee is ultimately responsible for every project. It can, however, choose to delegate authority to a project approval committee consisting of company staff and outside experts with clearly defined roles and responsibilities.

- b) **Process:**

Objective: Approve projects based on the CSR policy objectives, principles and guidelines.

Process owners: The CSR committee or the delegated project approval committee.

Inputs: Project proposal; due diligence report. (Should be forwarded to the implementation unit)

Output(s): An approved project proposal including a monitoring process and reporting and clear-cut delegation of work, i.e., who will do what should be outlined.

c) Activities:

- i) Determining the delegation of power for project approval;
- ii) Establishing an evaluation framework for appraisal of the project concepts;
- iii) The project concept should align with CSR policy;
- iv) Establish theory of change. This requires need based tests which result in value for money and efficiency;
- v) Reviewing risks and mitigation measures;
- vi) Identifying resource availability and any specific organizational requirements and constraints;
- vii) Laying down organizational supervision and oversight requirements.

Step VI: Finalizing the Arrangement with Implementing Agency

a) Purpose: While working with an external agency, it is very important to enter into a formal arrangement which is referred to, here, as a Memorandum of Understanding or MoU. It defines the roles, responsibilities, deliverables, commitments and consequences in case of any breach. This is essentially a formal acknowledgement that all the partners have voluntarily consented to work together to achieve an agreed outcome that requires each one to play their respective roles.

b) Disbursement scheduling: For a project to deliver the desired results, it should have sufficient funds and resources to carry out the planned activities. At the same time, having excess funds in the bank account is not prudent financial management. Thus, the scheduling of disbursements is important both for the company (to plan its cash flows from the CSR budget) and the implementing agency, and hence needs to be detailed in the MOU.

A good practice suggests that the scheduling of disbursements should be linked with the activities planned for each period; this can be a quarter, six months or a year depending upon the administrative convenience and budget sizes. Thus, the project budget needs to be broken up accordingly and the funds required for the subsequent period should be made available in advance.

c) Process:

Objective: Agree upon and sign MoU with the partner.

Process owners: The CSR Department or Company Foundation.

Inputs: (i) An approved project proposal

(ii) A due diligence report

Output(s): MoU with the implementing agency including disbursement schedule.

d) Activities:

- i) Developing a template for the MoUs based on the context. Specify the outputs and outcomes, the approach and methodology, the KPIs, key parameters to be monitored and reported, the mode of communication, contract management team, scope of change in management procedures, dispute or conflict resolution mechanisms, inspection and audit requirements, contract close out requirements, timelines, milestones and deliverables, budgets, process of invoicing and release of payments, etc.
- ii) Establishing a process for negotiation (the MoU with the implementing Agency).
- iii) Finally, agreeing upon and signing the MoU.

Step VII: Progress Monitoring and Reporting**a) Purpose:** Routine progress monitoring serves the following three important purposes:

- i) It highlights any shortcomings and helps to determine corrective action that must be taken if need be
- ii) It provides an excellent opportunity for learning: what worked and what did not. This can then be immediately applied to other projects
- iii) This is an essential part of the Directors' Report as per the CSR clause of the Companies Act, 2013.

b) Process:

Objective: Monitoring progress, learning lessons and helping to prepare the reporting.

Process owners: The CSR committee

Inputs: (i) The approved project proposal

(ii) Previous monitoring reports.

Output(s): (i) Determining mid-course corrections

(ii) Recommendations for future project designs

(iii) Project monitoring reports to the CSR committee.

c) Activities: (i) Based on the approved project proposal, the need is to determine the monitoring schedule for each project;

ii) Obtaining all relevant progress reports from the project, studying them and making a note of the gaps;

iii) Holding discussions with the implementation team about shortcomings (if any) and to agree on corrective actions. This may be done through a field visit or remotely, based on what has been agreed in the MoU;

iv) Holding discussions with the implementation team regarding what lessons are emerging and how they can be applied within the project as well as outside.

Step VIII: Impact Measurement

a) Purpose:

The impact of CSR projects can be varied. For instance, a girl child education programme can show increased enrolment and retention of girls. Further impact such as improved learning levels, will take at least a year. So, impact measurement studies have different objectives from project monitoring and typically have to be undertaken after providing sufficient time for them to manifest.

b) Process:

Objective: Measuring outcomes and impact of projects.

Process owners: The CSR committee

Inputs: How resource planning is done and alignment with the project MoU.

Output(s): On the basis of the impact measurement report, recommendations for future project designs need to be taken care of.

c) Activities: (i) Identifying methods for conducting impact assessment and outcome measurement suited to the context and size of the project and budgets available.

ii) Defining the skills required for the impact measurement team and accordingly identifying, selecting and appointing the team.

iii) Assisting the team in sample selection, conducting surveys and 'Focus Group Discussions'.

iv) Making provisions for site visits by the team.

v) Undertaking the impact measurement exercise and preparing the report.

vi) Identifying lessons for future interventions.

Step IX: Report Consolidation and Communication

a) Purpose: Reporting and communication close the loop between intent and achievement and are hence crucial elements of the CSR process. In the context of the Companies Act, 2013 this is also a mandatory requirement as it provides crucial inputs to preparing the Directors' Report.

b) Process:

Objective: Reporting the CSR at an individual project level, consolidated at a programme level and aligned with the requirements under the Companies Act, 2013 and the CSR committee.

Process owners: The CSR department

Inputs: CSR strategy and policy. It needs to be ensured that monitoring reports are aligned with the project MoU,

Output(s): Finalization of CSR reports. The report should be disseminated to the Board of Directors, investors, government agencies, beneficiaries, etc.

- c) **Activities:** (i) Selecting the appropriate reporting framework that is aligned with requirements of the Companies Act, 2013 and global best practices;
- ii) Consolidating project reports into programme reports and an overall CSR report
- iii) The reporting format is a part of the CSR rules.

Check Your Progress - 2

Notes: a) Write your answers in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

- 1) Enumerate the Companies Act, 2013, Section 135: CSR Committee requirements.

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- 2) Enlist the nine steps of CSR Process.

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1.6 LET US SUM UP

Implementation of CSR within an organization is an important element for companies today. The unit explores different steps in the CSR implementation process, with the intention to create a dynamic CSR implementation model that could be utilized by organizations as guidelines when implementing CSR within their organization. CSR implementation is a complex process that needs to be integrated in every part of the organization and in the daily activities in order to be successful. CSR implementation process should also be seen as an ongoing and never ending process, rather than a strategy implementation with an evident beginning and ending.

1.7 KEYWORDS

UN Global Compact: The United Nations Global Compact is a non-binding United Nations pact to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The UN Global Compact is a principle-based framework for businesses, stating ten principles in the areas of human rights, labor, the environment and anti-corruption.

Key Performance Indicator: A Key Performance Indicator is a measurable value that demonstrates how effectively a company is achieving key business objectives. Organizations use KPIs at multiple levels to evaluate their success at reaching targets.

Memorandum of Understanding (MoU): A memorandum of understanding (MoU) is a type of agreement between two (bilateral) or more (multilateral) parties. It expresses a convergence of will between the parties, indicating an intended common line of action.

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1.9 CHECK YOUR PROGRESS - POSSIBLE ANSWERS

Check Your Progress - 1

- 1) The activities specified are:
 - Eradication of extreme poverty and hunger
 - Promotion of education
 - Gender equity and women’s empowerment
 - Reducing child mortality and improving maternal health
 - Combating HIV/AIDS, maternal and other diseases
 - Environmental sustainability
 - Social business projects
 - Employment enhancing vocational skills
 - Contribution to the Prime minister’s Relief Fund and other state and other funds
 - Other matters, as may be prescribed
- 2) The CSR committee has the following composition based on the type of company:
 - Listed Company: Three or more Directors including at least one Independent Director.
 - Unlisted and Private Company: Three or more Directors, Independent Director is mandatorily required to be appointed.
 - Private Company : Two Directors.
 - Foreign Company: At least two persons, one of which must be company’s representative in India.

Check Your Progress - 2

- 1) Companies Act, 2013, Clause 135: CSR committee requirements are:
 - A CSR Committee of the Board should be constituted. It should consist of at least three Directors out of whom at least one is an independent Director. This composition will be disclosed in the Board's Report, as per sub-section (3) of section 134.
 - The CSR Committee shall:
 - o Formulate and recommend a CSR Policy to the Board, indicating the activities as specified in Schedule VII of the Act
 - o Recommend the amount of expenditure to be incurred on the activities indicated in the Policy
 - o Monitor the CSR Policy regularly.
- 2) The nine steps of CSR process are:
 1. Developing a CSR Strategy and Policy
 2. Operationalizing the Institutional Mechanism
 3. Due Diligence of the Implementation Partner
 4. Project Development
 5. Project Approval
 6. Finalizing the Arrangement with the Implementing Agency
 7. Progress Monitoring and Reporting
 8. Impact Measurement
 9. Report Consolidation and Communication