



# India's CSR reporting survey 2019

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# Foreword

With Section 135 of the Companies Act of 2013, India embarked on a bold experiment in mandating Corporate Social Responsibility (CSR) for large companies. While a key requirement is that these companies spend at least 2 per cent of profits on CSR, this is a soft mandate, in that they can choose to report why they might have fallen short on that amount. Nonetheless, the Act also requires that these companies have a Board level CSR committee that formulates and monitors a CSR policy and recommends CSR spending. The Board must also approve and publicly disclose the CSR policy as well as report what the company has spent on CSR in a prescribed format in the annual report.

In this way, large companies in India (including 17 PSUs and eight non-Indian origin companies in 2019) are roped into a commitment to contribute to addressing the pressing development challenges of the country. The monetary amount might be small compared to government social sector expenditure, but company involvement

can bring much more besides money—the methods and the innovative and creative potential of business can be unleashed on social problems.

Companies have now been reporting under the act for five years and, for each year, KPMG has reported on the disclosures under the Act by the 100 largest listed Indian origin companies by market capitalisation (the N100). As in previous years, India's CSR Reporting Survey 2019, reports on companies' compliance with the Act in all its respects, from reporting on CSR policy and CSR committees, to amounts spent and on what and where.

This bold experiment has now reached the five-year milestone and it is encouraging to see the progress made, at least among the N100. As the CSR compliance summary table indicates, compliance is at 92 per cent or higher on 17 of the 23 compliance parameters. The biggest shortfalls relate to treatment of administrative or overhead expenses.

On CSR expenditure, 76 per cent of companies report spending at least 2 per cent of profits, up from 38 per cent in 2014-15, with a notably stronger performance by the non-PSU companies in 2018-19 (as is generally the case across the compliance parameters). The amount reported as spent was INR8691 crore (approx. USD1.22 bn.) in 2018-19, up from INR5115 crore in 2014-15. Disclosure of the amount spent has increased from 30 per cent in 2014-15 to 99 per cent in 2018-19, so only one company in the N100 is failing to disclose. Education and health are receiving the most attention, with 60 per cent of the CSR expenditure.

This high level of compliance is promising because it is indicative of company engagement with CSR at Board level which can be key to effective CSR action—and 65 per cent of CSR committees include the CEO—and an indication of what companies are doing on CSR voluntarily, beyond the demands of the Act. Moreover, there are also encouraging trends in the evidence reported of beyond compliance activity with,

for example, almost all companies reporting the vision/mission/philosophy of the CSR policy, and in growing company alignment with the UN Sustainable Development Goals. As the United Nations' Sustainable Development Goals (SDGs) increasingly gain traction in business globally, India Inc. (N100 companies) is no exception, with 41 companies aligning their activities with SDGs, compared to 20 companies in 2016-17.

Looking ahead to the next five years, the hope must be that companies will be doing much more beyond compliance with the Act. CSR expenditures and having the various trappings of CSR do not automatically translate into impact on the ground. There are signs of progress on this most fundamental element of effective action on CSR, with 93 per cent of companies reporting on impact, a more than three-fold increase since 2014-15. It is critical that the necessary metrics are in place to guide CSR policy and programs and to report more fully on CSR performance. Hopefully, this will come in future years.

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# Table of contents

1. About the survey	1
2. CSR policy	5
3. CSR committee	11
4. Disclosures on CSR in the annual report	19
5. CSR expenditure	27
6. CSR project management	35
7. CSR at PSU and non-PSU companies	47
8. CSR at Indian origin and non-Indian origin companies	59
9. CSR by nature and types of companies	69
10. CSR by turnover of India Inc.	79
11. CSR and SDGs	87
12. CSR compliance	91
13. Terminology	93
14. Acknowledgements	95





# Key highlights

**Five years**

**of Section 135 of the Companies Act, 2013**

**More companies complying to requirements of Section 135 of the Companies Act, 2013**

1

**30% Companies have had more than three CSR committee meetings**

3

**325% Increase in the number of companies that have disclosed details of outreach in annual report**

2

**76% Companies that have spent 2 per cent or more during the current year**

4



**41% Companies have aligned CSR projects to SDGs in their annual report**

5



**INR35077 crore**  
The cumulative expenditure by N100 companies over the last five years (2014-19)

7

**75% CSR projects implemented through partnerships-a demonstration of SDG 17**



9



**150% Increase in the number of companies that have committed to carry forward 2 per cent of unspent amount**

6

**220% Increase in expenditure towards Schedule VII (3)-'reducing inequality' at companies with 'women as Chairpersons of CSR committee'.**



8

**18% Companies have a CSR Foundation**



10



# Five years of Section 135 of the Companies Act, 2013

## Introduction of Sec 135 and impact of notices and notifications

Compliance to requirements of Section 135 by India Inc. has seen a significant increase over the last five years. More and more companies comply to majority of the requirements as specified in the Companies Act, 2013 with regards to Corporate Social Responsibility (CSR) policy, committee, annual disclosure on CSR, to name a few.

India Inc.'s trend on CSR expenditure clearly indicates their willingness to contribute towards nation building. 76 per cent companies have spent 2 per cent or more during the current year, which is a striking 100 per cent increase over the last five years. The cumulative expenditure by N100 companies from 2014-15 to 2018-19 is INR35077 crore.

In recent past, notices were also issued by the Ministry of Corporate Affairs (MCA) seeking explanation from companies that had failed spending 2 per cent, including application of penalty and penal provisions. While the Act (as on 31 March 2019) states, 'either spend, or explain the reason for not spending 2 per cent prescribed CSR budget', more than 60 per cent companies that have not spent 2 per cent amount have expressed intent to carry forward the unspent amount.

## Governance

The composition of CSR committee has changed and strengthened over the years. Number of companies having more than six members in CSR committee has increased by 200 per cent. 62 per cent of the N100 companies have women in the CSR committee, of which, one third have women as Chairperson of CSR committee. 60 per cent of N100 companies have more than one independent director on CSR committee, almost similar per cent of companies have independent director as Chairperson of CSR committee, and the average number of CSR committee meeting in such companies is four, as against two in case where the independent director is not the Chairperson of CSR committee.

During 2018-19, 15 per cent companies have had five or more CSR committee meetings during 2018-19 and three companies (PSU) have had eight CSR committee meetings. Majority of these companies (including the ones where there are more than six members in CSR committee, and having independent director as Chairperson of CSR committee), have complied to almost all compliance requirements of the Act. This clearly indicates that CSR has traction at Board level and is a Board level agenda. Further, it is also evident that Board has a clear mandate and expectation from CSR committee, which demands meeting more frequently (where there is no mandate from the Act).

## SDG and communication

In the CSR policy, 12 per cent companies have gone ahead and aligned their CSR activities to 'Global Goals for Good – SDGs'. Contrasting to the increasing trend of setting up CSR foundation by India Inc., preference is given to work in partnership and collaboration with multiple stakeholders, truly advancing SDG Goal 17.

SDG India Index published by National Institution for Transforming India (NITI) Aayog, a premiere policy think-tank of the Government of India, in December 2018 has identified health and education as the low performing SDGs. NITI Aayog's Aspirational District Programme focuses heavily on health and education (60 per cent weightage), among others, and thus demands innovation to address the concerns in these sectors. Annually, India Inc. (N100) spends approximately 60 per cent of its CSR budget on health and education.

One in every three company has already aligned their annual disclosure on CSR to SDGs. With India Inc. (N100) having reached its peak (fulfilling disclosure on CSR in prescribed format), it will be interesting to observe if MCA relooks at the current 'Annual Disclosure on CSR beyond mere expenditure. Illustratively, evaluation of expenditure incurred by the company on CSR projects on parameters of inclusiveness, relevance, effectiveness, convergence and sustainability.

## Local area, brand recall and goodwill

Over the years, expenditure in 'local is the preference'. 80 per cent companies have indicated a preference for location where they are present (as defined in their CSR policy), 88 per cent companies have implemented projects in the locality of their presence (neighborhood).

This truly indicates India Inc. (N100)'s willingness to contribute for wellbeing of stakeholders (largely communities) around its operations, which indirectly may also result in enhanced brand recall among such stakeholder groups.



## Partnerships and collaboration

The number of companies having CSR Foundations' have gone up from the base year (6 in 2014-15 to 18 in 2018-19). Against 21 per cent companies that implemented their CSR projects directly or exclusive through their own foundations in 2014-15, only seven per cent have reported to have chosen this mode of implementation during 2018-19, indicating an increased partnership with implementing agencies. The trend of increasing partnership is on a welcoming trend and a clear sign of recognising the strength of collaboration and partnerships, advancing SDG Goal 17- 'Partnerships for the Goals'.

## Impact management

While the Act mandates stating, 'mechanism to monitor CSR activities' in CSR policy, companies have gone beyond the mandate, and have specified carrying out impact assessment/social audit for its CSR projects at regular intervals. As a first step towards same (monitoring activities and outputs), it is evidenced that disclosure on outreach / people impacted has improved by over 325 per cent from the base year.

This clearly demonstrates India Inc. (N100) building momentum and intent to look beyond mere donations and grant making; outcomes being one of the key CSR drivers. While there is a shift to monitor and report the output level information, it is only in the years to come, we will be able to analyse, if companies start 'monitoring to manage outcome level Key Performance Indicators (KPIs).

## Engendering CSR

Of the N100 companies, 62 per cent have women in the CSR committee, as against only 53 per cent in 2016-17. All non-Indian origin companies have at least one women member on CSR committee. During the current year, India Inc has clearly demonstrated an 'engendering process' as part of its CSR initiatives. Of the companies that have women as member of CSR committee, 38 per cent have women as Chairperson of the CSR committee.

It is interesting to note that, the expenditure of these companies (where Women is the Chairperson of CSR committee), towards Schedule VII (3) 'reducing inequality' has increased from 14 per cent in 2016-17 to 42 per cent in 2018-19, a whopping 200 per cent increase. This truly is an illustration/ case study of 'gender budgeting' being core to such company's philosophy on CSR.

## Efficiency and effectiveness

India Inc. (N100) has been largely successful in identifying the areas that they intend to create an impact/contribute to (e.g. health, education, reducing inequality, sports, etc.) clearly mentioned in CSR policy, as against mention of all Schedule VII activities during 2014-15.

More and more companies have started monitoring and reporting project wise direct and overhead, as well as admin expenses. The average project cost and or the number of high value CSR projects in top three States, Schedule VII activities and type of companies (expenditure wise) have seen a reasonable increase, clearly demonstrating the choices made by India Inc. (N100) to have mid-to-large scale multi-year impact driven projects.

It will be critical for India Inc. (N100) to identify innovative ways of deploying CSR funds towards these SDGs (product, solution, services, partnership, approach, financing, monitoring, impact, or others), which if successful (sees the light of impact), can be replicated and or scaled by varied stakeholders. Additionally, India Inc. (N100) should also focus on other low performing SDGs as well.



# About the survey

The Companies Act 2013, in addition to the Companies (Corporate Social Responsibility Policy) Rules, 2014 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 Corporate Social Responsibility (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- regulators, communities, customers and society at large.

2018-19 is the fifth year of compliance to the Act. 'India's CSR Reporting Survey 2019' analyses and brings together findings from CSR reporting of the top 100 (N100) listed companies as per market capital. There are 12 new companies that have entered the N100 list, and thus 'India's CSR reporting survey 2019' covers N100 which has 12 new companies out of the total 100 companies basis the turnover criteria. 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 2019. 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 chronicle the evolution of India's CSR journey.

## Introduction

The potential of Corporate Social Responsibility (CSR) has found greater acknowledgement by those who see social good as linked to a company's long-term business results as well as those who see it as important in its own right aligning with business ethics and Corporate citizenship.

Wealth inequality across the world, coupled with an economic slow down and the existing fractures of caste, religion, region and gender may lead to growing disparity that more thoughtful CSR could help mitigate.

The UN Sustainable Development Goals 2030 have brought more avenues for private sector participation through the wide spectrum of targets and encouraging partnerships.

Although India's mandatory CSR provision has gone a step further through the recent proposed amendments around penalties, examples of innovations enabled by CSR continue to strengthen the modern corporate sustainability movement everyday.

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 INR100 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 annual report in the format prescribed by the Act.

## Availability of Information

As on 31 March 2019, list of N100 companies was pulled out basis market capital of companies. There are 12 new companies that have entered the N100 list, and thus 'India's CSR reporting survey 2019' covers N100 which has 12 new companies out of the total 100 companies basis the market capital criteria.

As of 30 September 2019, of the N100 companies analysed for 'India's CSR Reporting Survey 2019', the relevant documents for the following were acquired from the public domain:

**100** Companies' annual reports available in public domain

**98** Companies' CSR policies available in public domain

**95** Companies' annual CSR disclosures in the format prescribed by the Act.

Annual report of all 100 companies were available in public domain as on 30 September 2019; whereas, CSR policy of 98 companies and annual disclosure on CSR of 95 companies (in the format as prescribed by the Act) were available in public domain and were utilised for analysis as part of India's CSR reporting survey 2019.

# Methodology

The year 2018-19 is a landmark year, as we complete five years since the introduction of Section 135 to the Companies Act, 2013, and gives us an opportunity to identify the trends and present the analysis on the performance of India Inc. (N100) on CSR.

While during the previous year(s), we had analysed aspects related to CSR such as CSR policy, committee, annual disclosure and spends of N100 companies as

on 31 March 2019; this year, we have additionally looked at the trends of India Inc. (N100) on compliance, governance, efficiency, impact management, SDG and communication, impact of subsequent notification/circulars/notices by Ministry of Corporate Affairs (MCA), among others.

Qualitative and quantitative attributes of sections inferred and analysed as part of this survey are represented below:



## The main stages of research are presented below:

- List of N100 companies as on 31 March 2019, were identified
- CSR policy and annual report of these N100 companies were collated from public domain
- CSR policy, CSR committee, disclosure on CSR in the annual report, and prescribed format on CSR were analysed on both – compliance (mandatory) and beyond compliance (good practices) parameters
- CSR expenditure of N100 companies along with the States/Union Territory wise, Schedule VII wise and mode of implementation wise trends were analysed
- Further, sub-parameters under each of the key sections- CSR policy, CSR committee, disclosure on CSR in annual report, prescribed format on CSR, expenditure of N100 companies – were evaluated by type of companies:

Public Sector Undertaking (PSU) v/s

non-PSU companies

Indian origin v/s non-Indian origin companies

Sector of companies (e.g. Automotive, Banking, Financial services, and Insurance (BFSI), Consumer products, Energy and power, etc.)

Turnover wise top 25, 26–50, 51–75, and 76–100 quadrant of companies

- An analysis of above, along with year on year trends (wherever information is available), as well as inferences are presented in India's CSR reporting survey 2019.



# CSR policy

As per the Act, companies with a net worth of INR500 crore or more, or a turnover of INR1000 crore or more, or a net profit of INR5 crore or more during the immediately preceding financial year must have a CSR policy. All India Inc. (N100) companies surveyed for 2018-19 fall within the ambit of this definition and therefore must have a CSR policy.

Companies shall indicate as part of their CSR policy - the activities in areas or subjects, specified in Schedule VII, include the modalities of execution, monitoring of such projects or programmes, and treatment of surplus arising out of CSR. It is also mandatory to disclose the content of the CSR policy in the annual report and it needs to be placed on the company's website, if any.

These mandatory compliance requirements as part of CSR policy, along with other beyond compliance requirements have been analysed here.

## Summary

CSR policy is one such instrument which shall guide the company to direct energies in concentrated manner. CSR policy is an essential component of any organisation, designed to influence and determine major decisions and actions- consistent. It helps set boundaries, with general plan of action used to guide desired outcomes. It also acts as a tool to communicate to varied stakeholders (both internal and external) the desired outcomes as result of CSR activities, including its commitment towards nation building.

The Act also intends to provide only direction to India Inc. (N100), rather than prescribing the manner or activities in which the expenditure should be incurred as part of CSR, giving enough flexibility to India Inc. (N100) to not just choose from wide variety of Schedule VII activities or multiple modes of implementation, but also permits companies to identify and set-up their own mechanism(s) to track the progress of CSR policy and report the same (annually) to its stakeholders as part annual report.

CSR policy is one such requirement of the Act, where India Inc. (N100) has shown positive trend on all parameters over the years. Not just is there an improvement at parameter level, but the quality of information disclosed in CSR policy has seen significant improvement.

Illustratively, one of the mandatory requirement of the Act is to 'disclose areas of intervention' aligned to Schedule VII in CSR policy. When Section 135 was newly introduced as part of the Companies Act, 2013, the first version of CSR policies available in public domain (2014-15) largely had a mention of all Schedule VII activities. However, with CSR implementation during first few years of CSR implementation (discovery phase), India Inc. (N100)

has been largely successful in identifying the areas that they intend to create an impact/ contribute to (e.g. health, education, reducing inequality, sports, etc.) and thus, revision of CSR policy with more focused CSR activities is evidenced as part of India's CSR reporting survey 2019. Of N100, 12 per cent companies have gone ahead and aligned their CSR activities to 'Global Goals for Good – SDGs'.

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 annual report in the format prescribed by the Act.

Similarly, N100 have raised the bar by going beyond the mandate, and have indicated-

1. Roles and responsibilities of CSR committee in CSR policy
2. Carrying out Impact Assessment/Social Audit for CSR projects
3. Expressed intent to carry-forward unspent CSR budget, against the requirement of 'either spend or explain' as on 31 March 2019.

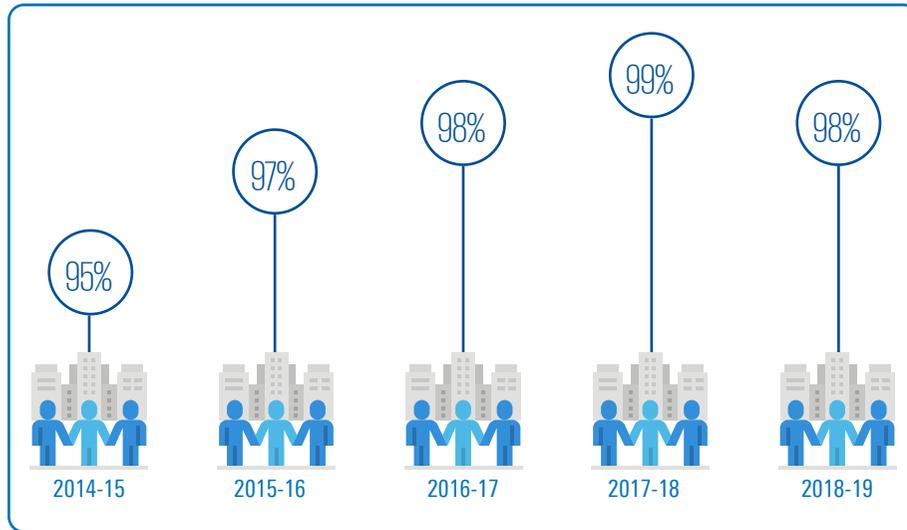


↓ Less than previous year/base year 
 ↑ More than previous year/base year 
 ▬ Same as previous year

## Summary – Trends in CSR policy

Sr. No.	CSR policy	2018-19	Trend (as compared to 2014-15)
<b>Compliance</b>			
1	Availability of CSR policy in public domain	98%	
2	Disclosure on below parameters in CSR policy		
	Areas of intervention	99%	
	Mode of implementation	94%	
	Monitoring framework	99%	
	Treatment of surplus	77%	
<b>Beyond Compliance</b>			
3	<b>Disclosure on below parameters in CSR policy</b>		
	Vision/mission/philosophy	94%	
	Governance structure	12%	
	Alignment to SDGs	12%	
	Availability of CSR Foundation	18%	
	Preference to implement project's in partnership with Implementation agency	90%	
	Intent to carry forward unspent amount	16%	
	Roles and responsibilities of CSR committee	88%	

## Availability of CSR policy in the public domain



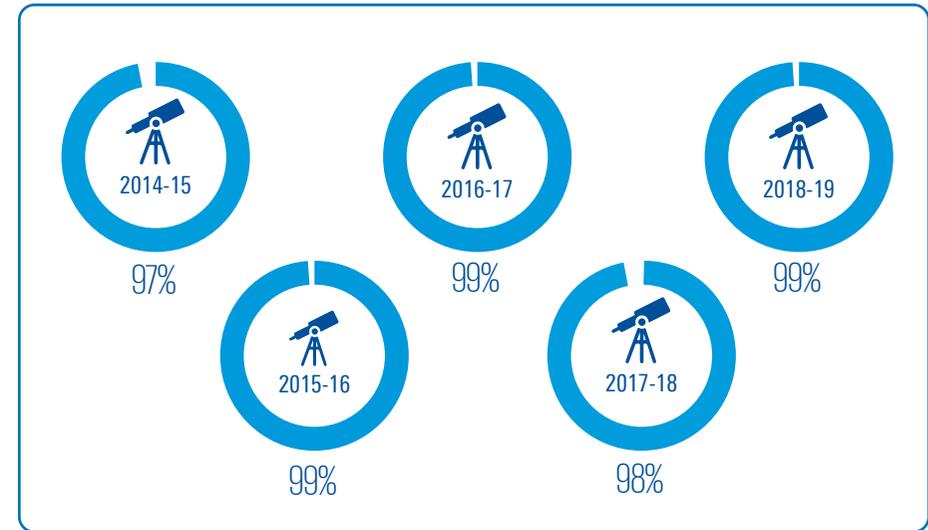
**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

The Act mandates providing a summary of the CSR policy and its web-link in the annual report.

As of 30 September 2019, 98 per cent of the N100 companies had their CSR policy in the public domain, easily accessible to

individuals outside the company. Two companies (PSU) do not have a CSR policy accessible in public domain, of which one is a new entrant to N100 list and one has defaulted for the fifth consecutive year.

## Disclosure on areas of intervention in the CSR policy



**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

Disclosing details regarding the thematic areas of CSR intervention is mandated in the Act. Of N100, 99 per cent companies that have CSR policy available in the public domain have disclosed details around the CSR intervention areas. One company (PSU) has failed to provide these details for fifth time in a row.

Further, the quality of information provided in CSR policy with regards to 'areas of intervention has improved'. During the first year of CSR mandate (2014-15), companies had largely mentioned all Schedule VII activities as 'areas of intervention'. With CSR

implementation during first few years of CSR implementation (discovery phase), India Inc. (N100) has been largely successful in identifying (narrowing down) the areas that they intend to create an impact/contribute to (e.g. health, education, reducing inequality, sports, etc.) and thus, revision of CSR policy with more focused CSR activities is evidenced as part of India's CSR reporting survey 2019.

Of N100, 12 per cent companies have gone ahead and aligned their CSR activities to 'Global Goals for Good – SDGs'.

## Disclosure on mode of implementation in the CSR policy



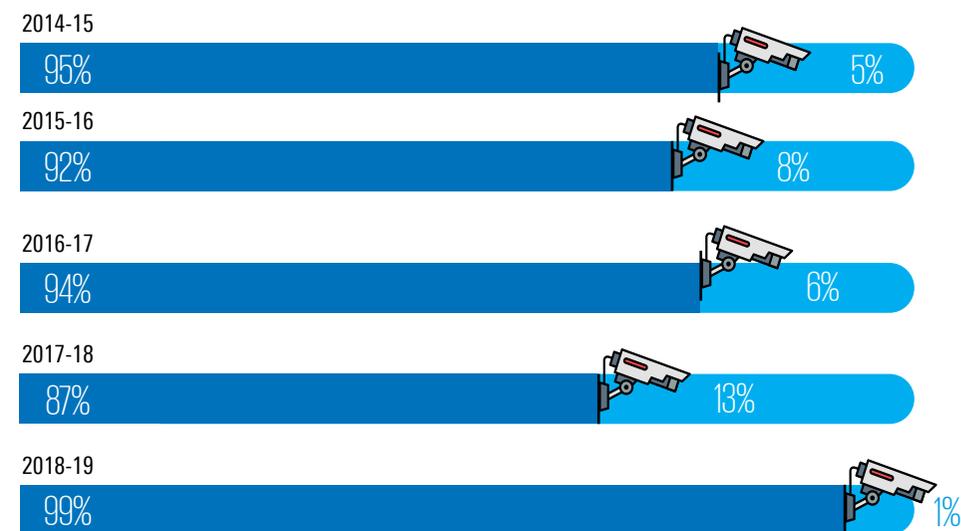
**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

Disclosing the mode of implementation of CSR activities is a mandatory requirement of the Act. Of N100, 94 per cent companies have disclosed details on mode of implementation in CSR policy.

Similar to areas of intervention, there is a trend wherein, companies have given more specific preference on mode of implementation. Illustratively, while 18 companies

as compared to six in 2014-15 have a CSR Foundation, almost 90 per cent have still indicated/given preference to work in partnerships with implementation agencies, a welcoming trend and a clear sign of recognising the strength of collaboration and partnerships, advancing SDG Goal 17-'Partnerships for the Goals'.

## Disclosure on monitoring framework in CSR policy



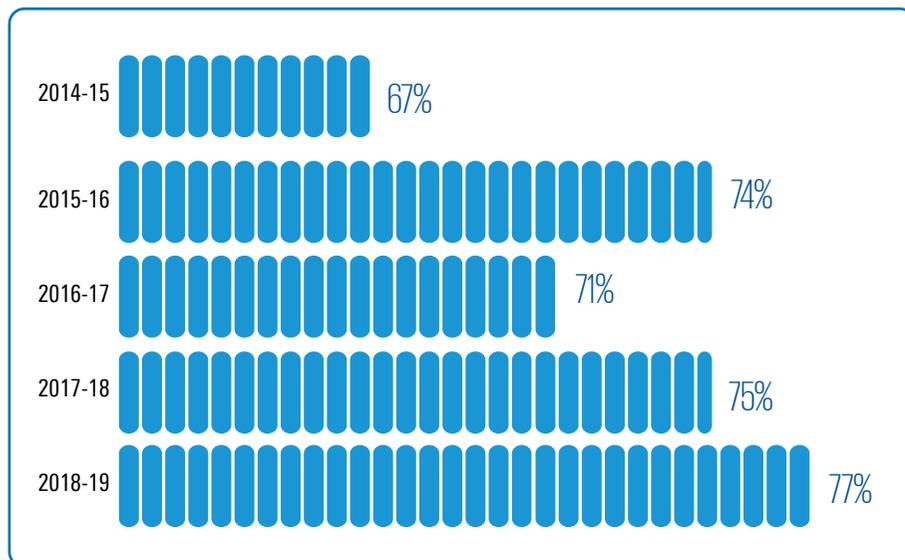
**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

Disclosing details regarding the approach towards monitoring of CSR activities is a mandatory requirement of the Act. Of N100, 99 per cent companies have made disclosure of details with regards to monitoring of CSR activities.

While the Act restricts by stating, 'monitoring of CSR activities',

companies have gone beyond the mandate, and have specified carrying out impact assessment/social audit for its CSR projects at regular intervals. This clearly demonstrates India Inc. (N100) building momentum and intent to look beyond mere donations and grant making, and outcomes as one of the key CSR drivers, in years to come.

## Disclosure on treatment of surplus in the CSR policy



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

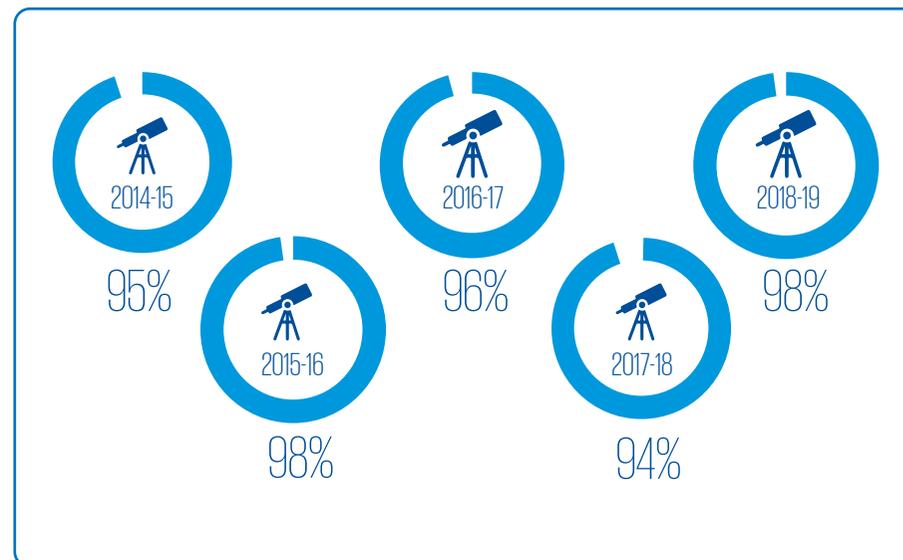
The Act mandates that the revenues arising out of CSR projects shall not form part of the company's profit and shall be deployed back for CSR activities.

While there is an improvement in the disclosure of this requirement by 15 per cent from the base year, still 33 per cent companies fail to disclose details on treatment of surplus arising from CSR projects in their policy.

It is also interesting to note that while the Act (as on 31 March 2019) states, 'either spend, or explain

the reason for not spending 2 per cent prescribed CSR budget', there are over 16 per cent companies (all Indian origin companies, 38 per cent PSU and 62 per cent non-PSU companies) that have indicated and expressed intent in their CSR policy to carry-forward CSR budget. Notices issued by MCA seeking explanation from companies that had failed spending 2 per cent in recent past, appears as the major trigger for companies to carry forward unspent amount.

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



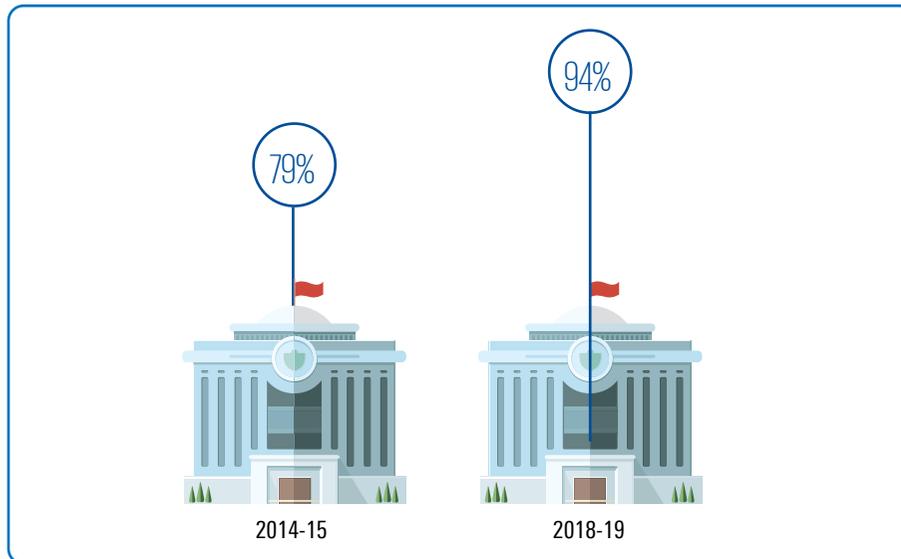
Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

Disclosing details regarding the vision, mission or philosophy is not a mandatory requirement as per the Act.

Just as there is an incremental grown in the quality of disclosure as part of CSR policy (focused areas of intervention, alignment to SDGs, requirement to carry out

impact assessment/social audit for CSR projects), aligned to same, is the disclosure of vision/mission/philosophy Statement in the CSR policy. This clearly indicates companies intend to carry out CSR activities through their vision, mission or philosophy- a direction for the CSR team.

## Availability of governance structure in the CSR policy



**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

Disclosing details regarding the CSR governance structure is not a mandatory requirement of the Act.

Of N100, 94 per cent companies have disclosed this information, which is a jump of 19 per cent from the base year. Additionally, the quality of information disclosed under governance structure has also strengthened over the last couple of years for over 50 per cent of the companies. Illustratively, 92 per cent companies have disclosed details of

CSR committee in the CSR policy (including sub-committees wherever formed by respective companies) and 88 per cent of them have gone ahead and clearly articulated the roles and responsibilities of such committee(s). Improved governance structure, shall assist not just towards monitoring funds and outputs, but also measuring and managing outcomes (in years to come).



# CSR committee

As per the Act, companies with a net worth of INR500 crore or more, or a turnover of INR1000 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 in the ambit of this definition.

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

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 CSR committee, its meetings and others.

## Summary

With the advent of globalisation and the blurring of geographical borders have created tremendous demands on the Boards of Directors, in terms of their time, commitment and required skill sets. The regulatory requirements are complex and the onus on the Boards is immense and therefore, it is imperative to delegate certain matters to specialist Board committees. These committees with formally established terms of reference, criteria for appointment, life span, role and functions, constitute an important element of the governance process. Members of the committee are expected to have expertise in the specified field. Committees are usually formed as a means of improving Board effectiveness and efficiency, in areas where more focused, specialised and technical discussions are required. Committees are a sub-set of the board, deriving their authority from the powers delegated to them by the board. However, the Board of Directors are ultimately responsible for the acts of the committee. With the raising of the benchmark of corporate governance, the Companies Act, 2013 prescribes the constitution of certain additional committees. One such requirement as mandated by the Act is setting up 'CSR committee' of the Board with introduction of Section 135.

The Act prescribes Board of companies under the preview of Section 135 to have a stand-alone CSR committee consisting of three members. The CSR committee shall have at least one independent director (not applicable in case of companies with only two directors/private

unlisted companies), and are required to disclose details of CSR committee meetings in their annual report.

CSR committee is one such requirement of the Act, where India Inc. (N100) has shown positive trend on all parameters over the years. The overall corporate governance for CSR function has seen enormous growth. Illustratively, the composition of CSR committee has changed over years. 60 per cent companies have more than one independent director on CSR committee, almost similar per cent of companies have independent director as Chairperson of CSR committee, and the average number of CSR committee meetings in such companies is four, as against two in case where the independent director is not the Chairperson of CSR committee.

Additionally, just as the Act demands presence of women director on board, CSR committee too has seen presence and active involvement of women members. More than half of the companies have presence of women member on CSR committee, and in 60 per cent of such companies, women is the Chairperson of CSR committee. This clearly indicates that CSR has traction at Board level and is a Board level agenda. Further, it is also evident that Board has a clear mandate and expectation from CSR committee, which demands meeting more frequently (where there is no mandate from the Act).



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 ▬ Same as previous year

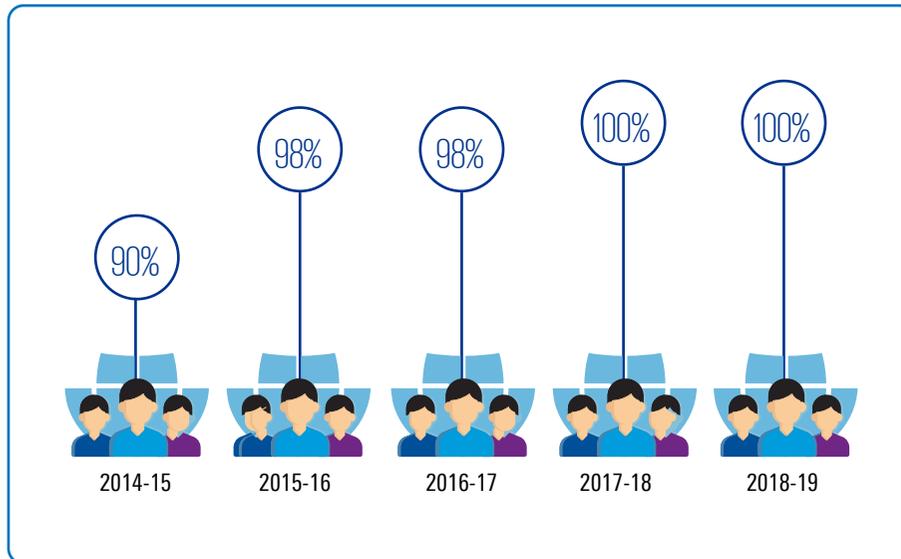
## Summary – Trends in CSR committee

Sr. No.	CSR policy	2018-19	Trend (as compared to 2014-15)
<b>Compliance</b>			
1	Presence of CSR committee	100%	
2	Stand-alone CSR committee	92%	
3	Three or more members in CSR committee	99%	
4	One or more independent director in CSR committee	99%	
5	CSR committee meeting details in annual report	91%	
<b>Beyond Compliance</b>			
1	CEO as member of CSR committee*	65%	
2	Women as members of CSR committee*	62%	
3	Women as Chairperson of CSR committee*	38%	
4	Independent director as Chairperson of CSR committee*	54%	
5	Multiple independent directors in CSR committee*	60%	
6	Expenditure towards Schedule VII (3) activity 'reducing inequality' (where women is Chairperson of CSR committee)*	42%	

\* Indicates trends against 2016-17

# Companies with a stand-alone CSR committee

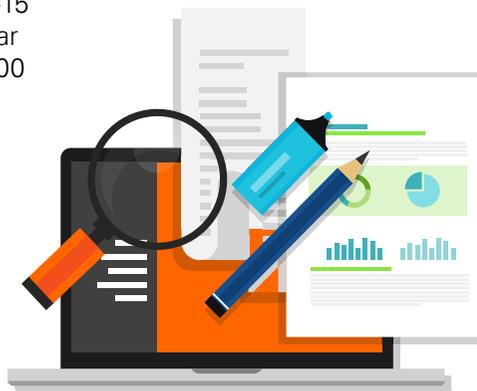
## Presence of CSR Committee



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

As per the Act, companies are mandated to have a Board-level CSR committee.

The unanimous compliance to this provision with an increase of ten per cent from the base year 2014-15 and maintained for the second year in a row, with new entrants to N100 companies, is a clear indication of 'Board-level governance' on CSR.



## Formation of stand-alone CSR Committee



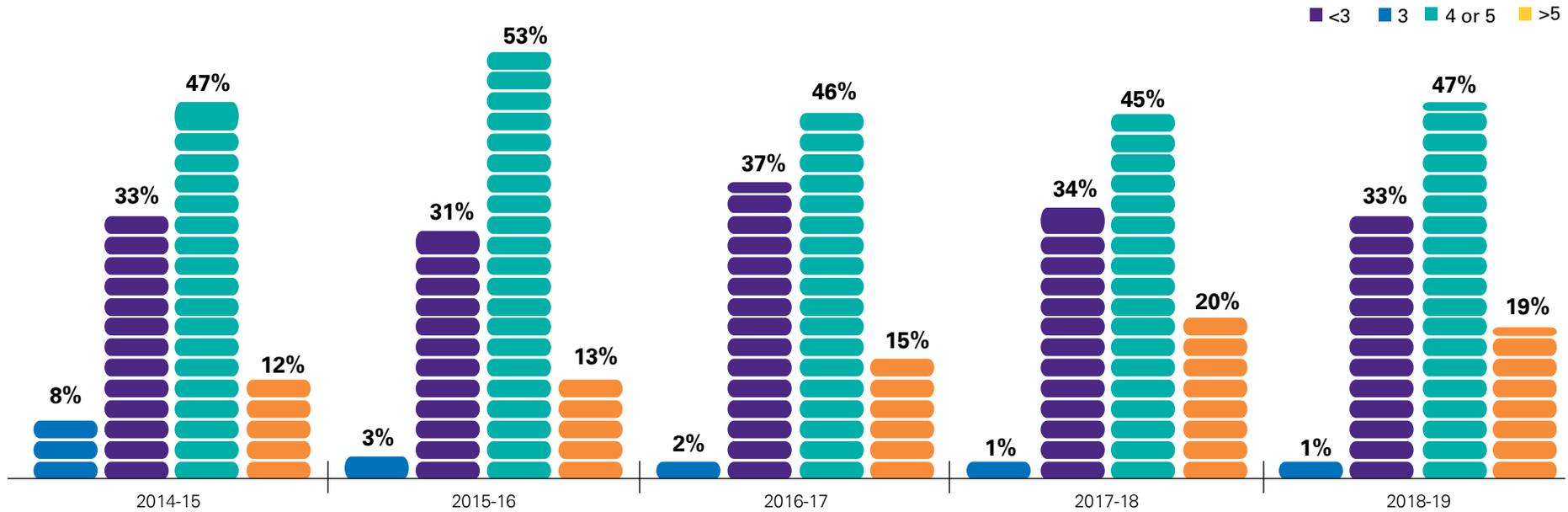
Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

Companies are mandated to have a stand-alone CSR committee. The number of companies having a stand-alone CSR committee has increased from the base year, however, 8 per cent companies still do not have a stand-alone CSR committee. Companies having a separate CSR committee are likely to have an advantage, as it is likely to bring a more focussed discussion on CSR.

It is insightful to note that in case of companies that do not have a stand alone CSR committee, the number

of members on committee and the meetings are higher (average five meetings) as compared to companies that have a stand-alone CSR committee. Further, none of them disclose a. alignment to SDG (either in CSR policy or annual report); b. overhead expenses. This clearly indicates that the interactions by CSR committee in case of stand-alone CSR committee meetings are more focused, and they monitor the overhead expense, which eventually will lead to more efficient deployment on funds.

# Members in the CSR committee



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

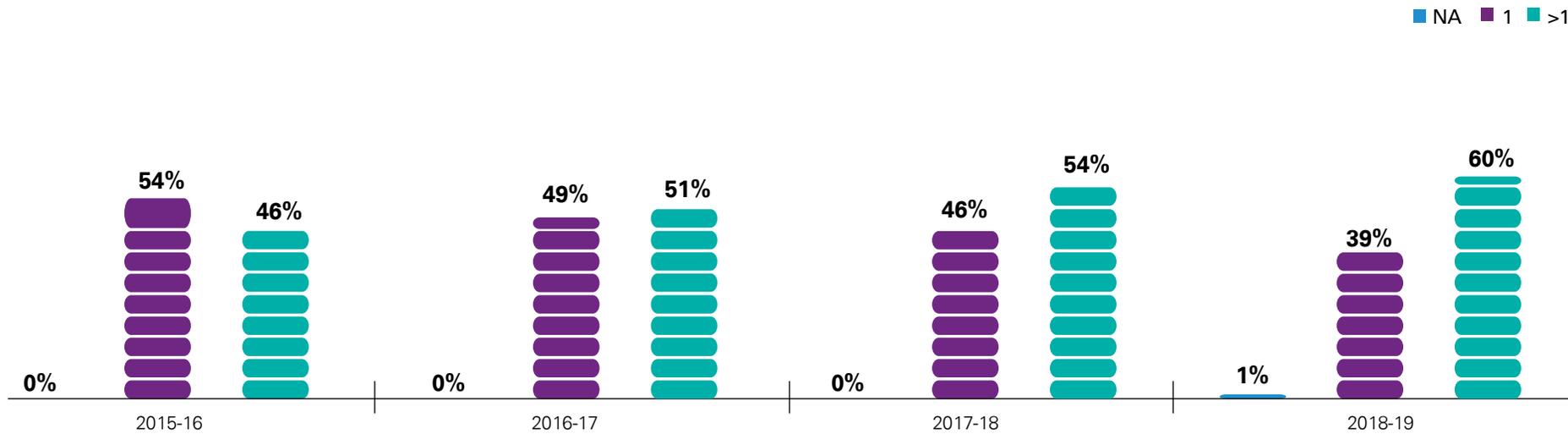
Of all N100 companies, 33 per cent have three members on CSR committee (as mandated by the Act). Over 99 per cent companies have greater than or equal to three members in CSR committee (nine members observed as highest among one of the PSU), against 92 per cent in the base year, clearly indicating an increase in the 'Board-level governance' for CSR. Although the number of companies having less than three members in CSR committee as mandated by the

Act has dropped by 7 per cent in the base year, still one company (PSU) does not have three members in CSR committee- a new entrant to N100 list.

The role clarity, and the strength of members provides them opportunity to ensure highest standards of governance and internal controls. Number of companies having more than six members in CSR committee has increased by 200

per cent from four to 12 companies in the current year. Majority of these companies (where there are more than six members in CSR committee), have complied to almost all compliance requirements of the Act. This indicates that companies with higher number of CSR committee members have better role clarity, and the strength of members provides them opportunity to ensure highest standards of Governance and internal control.

# Independent directors in the CSR committee



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

Publicly listed companies are mandated to have at least one independent director as part of its CSR committee. All N100 companies, thus, need to have at least one independent director on Board as CSR committee member.

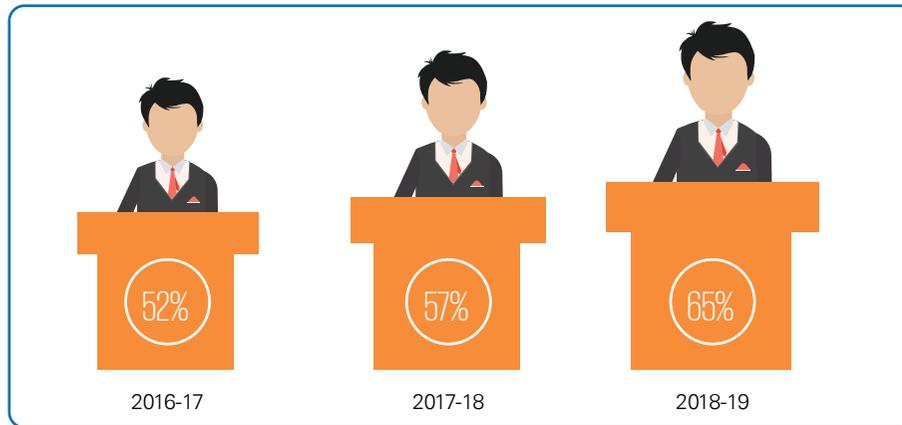
While there is an increasing trend wherein more and more companies are preferring to have more than one independent director as part of CSR committee (60 per cent against 46 per cent in

2015-16), this is the first year where one of the N100 companies do not have an independent director as part of CSR committee (new entrant to N100 companies list), which is alarming.

The composition of CSR committee has changed over years. 60 per cent companies have more than one independent director on CSR committee, almost similar per cent of companies have independent director as Chairperson of CSR

committee, and the average number of CSR committee meetings in such companies is four, as against two in case where the independent director is not the Chairperson of CSR committee. This clearly indicates that CSR has traction at Board level and is a Board level agenda. Further, it is also evident that Board has a clear mandate and expectation from CSR committee, which demands meeting more frequently (where there is no mandate from the Act).

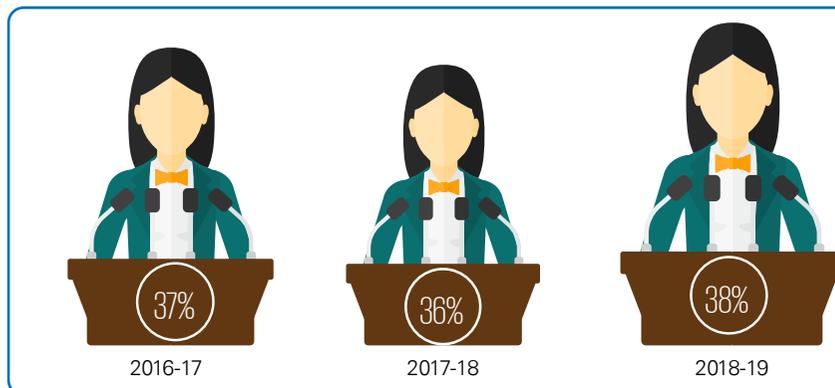
## CEO as member of CSR committee



**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

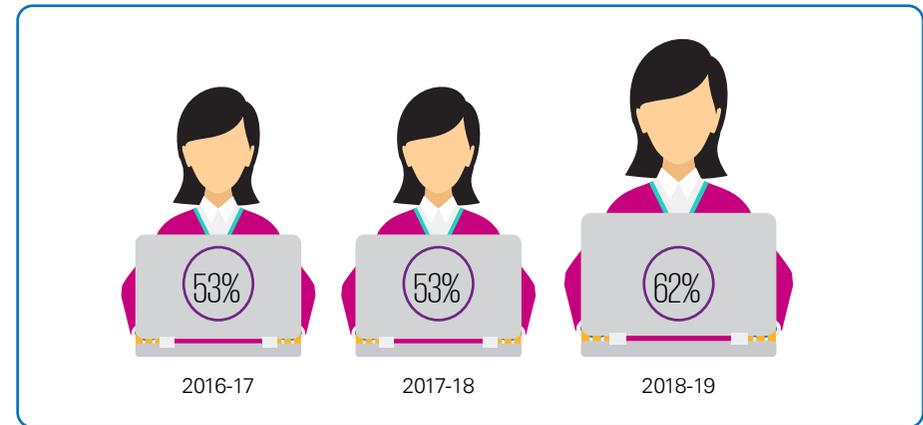
Of N100 companies, 65 per cent have the CEO as part of the CSR committee. The involvement of top executives/management in CSR has increased by 13 per cent from 2016-17.

## Women as Chairperson of CSR committee



**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

## Women as members of CSR committee



**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

Just as the Companies Act, 2013 demands presence of women director on board, CSR committee too has seen presence and active involvement of women members. More than half of the companies have presence of women member on CSR committee, and in 38 per cent per cent of such companies,

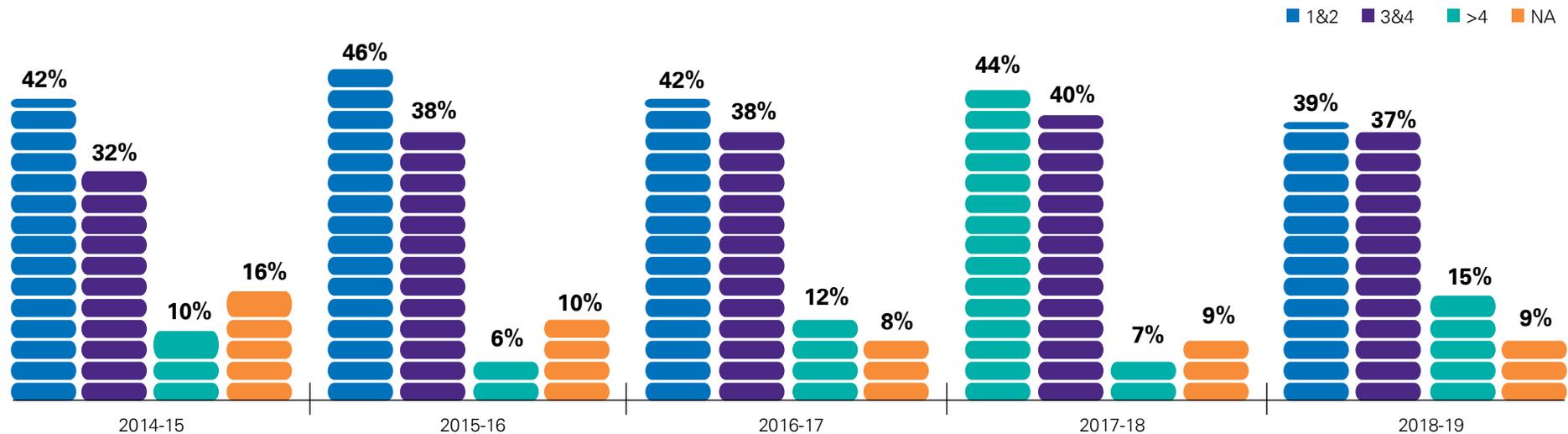
a woman is the Chairperson of CSR committee.

Of the N100 companies, 62 per cent have a women in the CSR committee, as against only 53 per cent in 2016-17. All non-Indian origin companies have at least one woman member on CSR committee.

During the current year, India Inc has clearly demonstrated an 'engendering process' as part of its CSR initiatives. Of the companies that have women as members of CSR committee, 38 per cent have women as Chairpersons of CSR committee. It is interesting to note that, the expenditure of these companies (where a woman

is the Chairperson of the CSR committee), towards Schedule VII (3) 'reducing inequality' has increased from 14 per cent in 2016-17 to 42 per cent in 2018-19, a whopping 200 per cent increase. This truly is an illustration/ case study of 'gender budgeting' being core to such companies' philosophy on CSR.

## CSR committee meetings



**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

As part of the corporate governance provision, companies have to mandatorily disclose details regarding Board level committees, including CSR committee meetings. Of N100, 91 per cent companies have had one or more CSR committee meetings compared to 84 per cent in the base year, and the average attendance was 90 per cent. 52 per cent of the companies have met more than twice a year, an increase of 10 per cent from the base year.

It is interesting to note that 15 per cent companies have had five or more CSR committee meetings during 2018-19 (50 per cent increase since 2014-15), and three companies (PSU) have had eight CSR committee meetings during 2018-19. Further, 30 per cent companies that have had more than three CSR committee meetings are all Indian origin companies, of which 60 per cent are non-PSU companies, 67 per cent had more than one independent director on CSR committee, and 63 per cent had independent director as Chairperson of CSR committee.

Further, companies that do not have a stand alone CSR committee, the number of members on committee and the meetings are higher (average five meetings) as compared to companies that have a stand-alone CSR committee. Of N100, 60 per cent companies have more than one independent director on CSR committee. The average number of CSR committee meeting is four in case of companies where there are more than one independent director, as against two average meetings in case where the independent director is not the Chairperson of CSR committee. This clearly indicates that CSR has traction at Board level and is a Board level agenda. Further, it is also evident that Board has a clear mandate and expectation from CSR committee, which demands meeting more frequently (where there is no mandate from the Act).

# Disclosures on CSR in the annual report

As per the Act, companies with a net worth of INR500 crore or more, or a turnover of INR1000 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 annual reports in the format prescribed in the Act.

The annual report 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 annual report (excluding the annexure to annual Report).

## Summary

The Board's report is an important means of communication by the Board of Directors of a company with its stakeholders. The Board's report provides the stakeholders with both financial and non-financial information, including the performance and prospects of the company, relevant changes in the management and capital structure, recommendations as to the distribution of profits, future and on-going programmes of expansion, modernisation and diversification, capitalisation of reserves, further issue of capital and other relevant information.

Section 134 of the Companies Act, 2013, mandates certain disclosures to be made in the Board's Report. To promote uniformity of disclosures in the Board's report, the 'Secretarial Standard on Report of the Board of Directors', was issued by the Institute of Company Secretaries of India (ICSI), effective from 1 October 2018. Section 134(3) (o) and Rule 8 of Companies (CSR Policy) Rules, 2014 lays down requirement for companies to disclose details pertaining to CSR. The Report shall disclose:

1. Details of CSR policy of the company and the CSR initiatives taken during the year
2. Annual report on the CSR activities containing particulars specified in the annexure of Companies (CSR Policy) Rules, 2014
3. In case of a non-Indian origin companies company, the balance sheet filed under sub-clause (b) of sub-section (l) of section 381 shall contain an annexure regarding report on CSR

The quality of disclosure of India Inc. (N100) on CSR in annual report is overwhelming. Illustratively, as part of CSR policy, couple of companies have gone ahead and specified to carry out assessment/social audit for its CSR projects at regular intervals. As a first step towards same (monitoring activities and outputs), it is evidenced that disclosure on outreach/people impacted has improved by over 325 per cent from the base year. This clearly demonstrates India Inc. (N100) building momentum and intent to look beyond mere donations and grant making; outcomes being one of the key CSR drivers. Further, this also clearly articulates that companies intend to create goodwill amount its stakeholders, by disclosing such details.



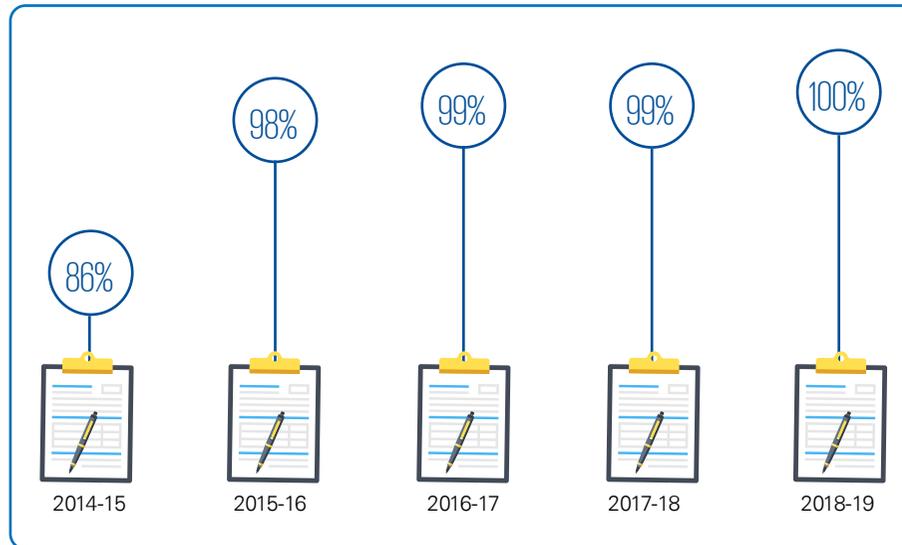
↓ Less than previous year/base year 
 ↑ More than previous year/base year 
 ▬ Same as previous year

## Summary – Trends in disclosure on CSR in the annual report

Sr. No.	CSR Disclosure	2018-19	Trend (as compared to 2014-15)
<b>Compliance</b>			
1	Disclosure on CSR in the annual report	100%	
2	Reference to CSR policy in annual report	98%	
3	CSR policy web-link shared in annual report	96%	
4	Community alignment in policy/annual report	85%/93%	
5	Disclosures on CSR in the format prescribed	97%	
6	Reason for unspent amount given	100%	
7	Responsibility statement	94%	
<b>Beyond Compliance</b>			
1	Disclosure on focus areas	100%	
2	Disclosure on outreach/people impacted	93%	
3	Employee volunteering*	59%	
4	Disclosure on amount spent	99%	
5	Unspent amount carried forward	62%	
6	Companies spending less than prescribed CSR budget	22%	
7	Disclosure on unspent amount carried forward in annual report	63%	

\* Indicates trends against 2016-17

## Disclosure on CSR in annual report



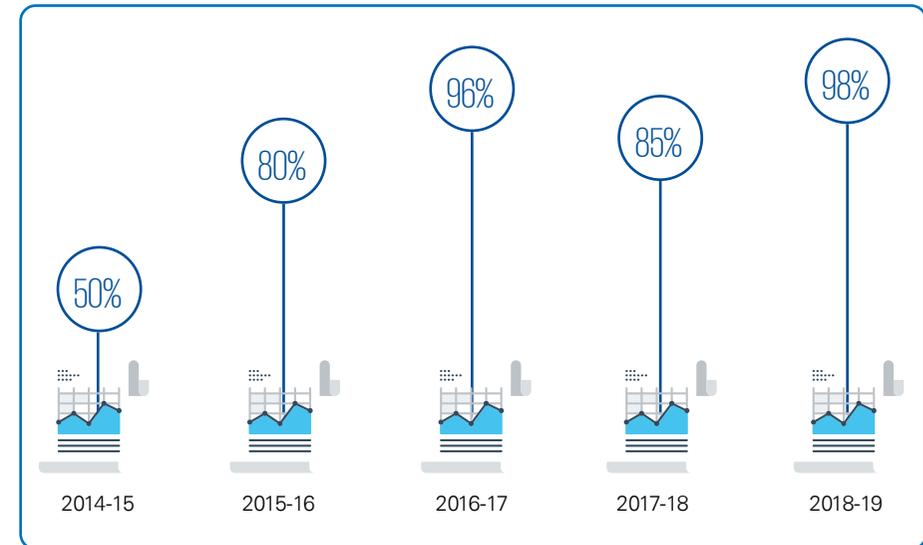
**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

As per the Act, the annual report of a company should include details on CSR. During the current year, all N100 companies have met this requirement compared to 86 per cent in 2014-15.

Regular high levels of disclosure reflect the management's focus on

CSR at the Board level, and aids in communication of the company's social mission with a wider range of stakeholders. This also clearly indicates that India Inc. (N100) has started realising the importance of communicating CSR to stakeholders.

## Reference to CSR policy in annual report

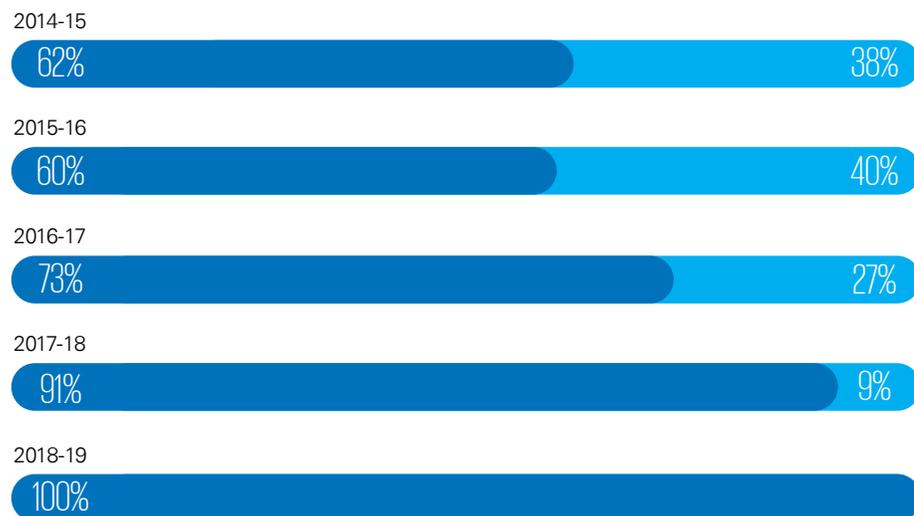


**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

In the current year, 98 per cent companies have referenced the CSR policy and 96 per cent have web-link in their annual report, a mandatory requirement as per the Act, as against only 50 per cent companies in 2014-15.

Increase of almost 96 per cent since the base year indicates improved CSR related disclosures at the Board level.

## Disclosure on focus areas of CSR



**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

In the current year, 100 per cent companies have disclosed their focus areas in the annual report, up by almost 61 per cent as compared to the base year. This increase is a good sign, highlighting companies' willingness to move beyond reporting only what is mandatory, and transparently communicating to stakeholders.

MCA issued a notification in May 2018, directing companies to focus their CSR expenditure in local areas.

While 80 per cent have indicated a preference for location where they are present (as defined in their CSR policy), 88 per cent companies have implemented projects in the locality of their presence (neighbourhood). Of the 12 per cent companies that have gone beyond local presence, all are Indian origin (BFSI) companies.

## Disclosure on outreach/people impacted



**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

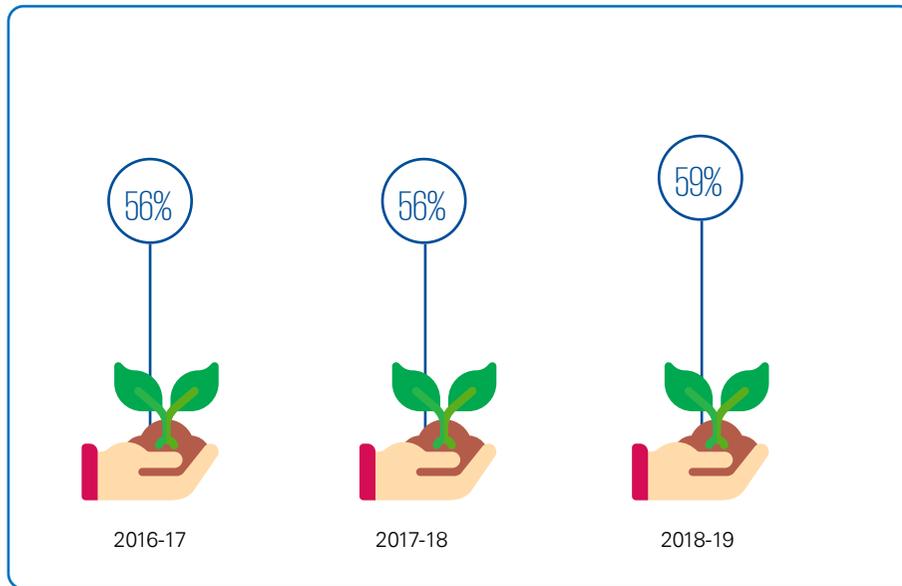
In the current year, 93 per cent companies have reported details of the outreach or people impacted, over 300 per cent increase from 2014-15.

This increase indicates companies' actively monitoring their CSR projects at least at the output level. While there is a shift to monitor and report

the output level information, it is only in the years to come, we will be able to analyse, if companies start monitoring outcome level Key Performance Indicators (KPIs).

Almost all PSU and non-Indian origin companies are disclosing details regarding outreach/people impacted.

## Employee volunteering



**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

Of N100, 59 per cent companies have disclosed the involvement of employees as volunteers for the implementation of CSR projects during the current year.

The provision for 'salary paid by the companies to regular CSR staff as well as to volunteers of the companies (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

vide General Circular No. 36/2014. It will be interesting to understand if companies account for salaries for employees as well as that of volunteers, to CSR, which post this amendment was withdrawn, and is not permissible. With the increasing trend of employee volunteering, it is important for MCA to seek disclosure from companies to confirm compliance of companies to this omission.

## Disclosure on amount spent



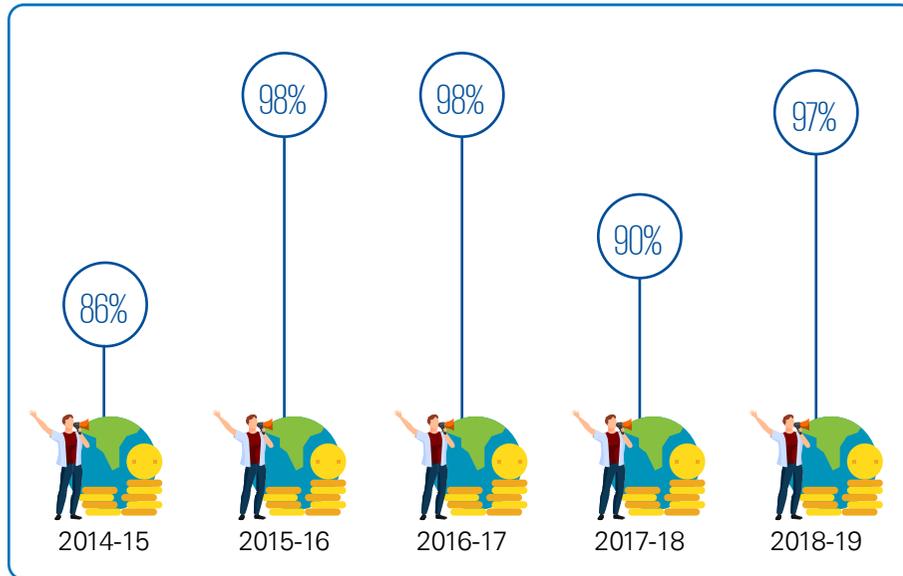
**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

Disclosure of the expenditure made on CSR in the annual report indicates Board-level ownership and accountability for CSR-related spend on projects.

Of N100, 99 per cent companies have disclosed details regarding CSR expenditure in the annual report, 175 per cent increase from 2014-15.

*(Note: This is different from the annual CSR spends disclosed by companies in the format prescribed by the Act, which is covered separately.)*

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



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

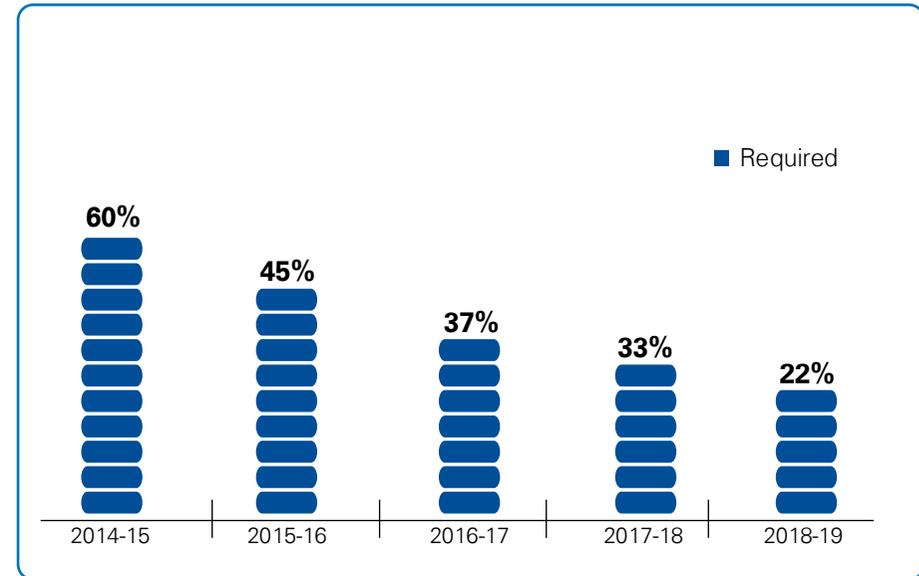
As per the Act, companies are required to disclose details around CSR spend (annually) in the prescribed format.

During the current year, 97 per cent companies have used the format, an increase of more than ten per cent when compared to 86 per cent companies in the base 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 of different companies. In the years to come it will be interesting to observe as the number of companies complying to the standard format has almost reached its peak, should MCA relook at the current 'annual disclosure on CSR' beyond mere expenditure. Illustratively, evaluation of expenditure incurred by the company on CSR projects on parameters of inclusiveness, relevance, effectiveness, convergence and sustainability.

## Reason for unspent amount required



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

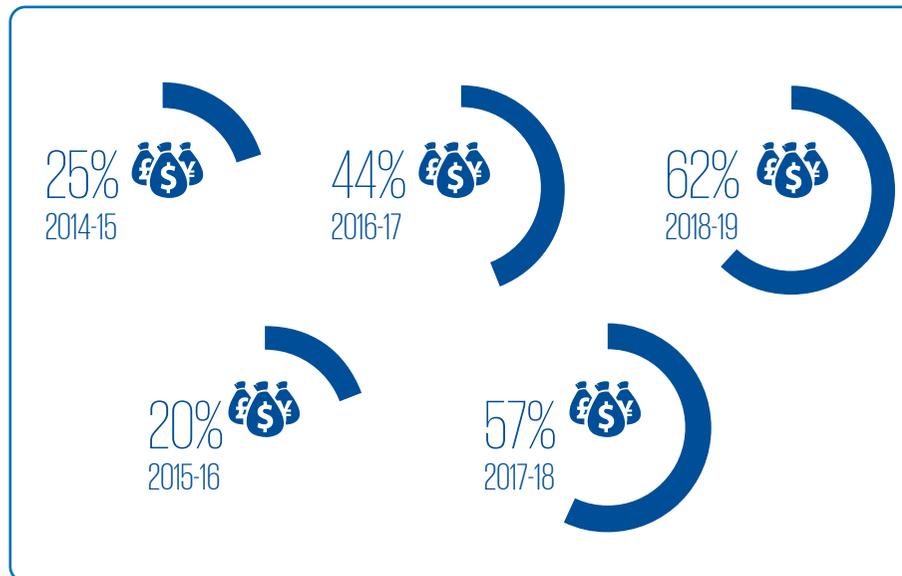
As per the Act, companies that fail to spend the mandatory 2 per cent towards CSR during a year are required to provide an explanation for the same.

In the current year, 22 per cent companies have spent less than this prescribed amount compared

to 60 per cent in the base year, an improvement of over 60 per cent.

These 22 per cent companies are mandated to provide an explanation or reason and all have provided these details.

## Unspent amount carried forward



**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

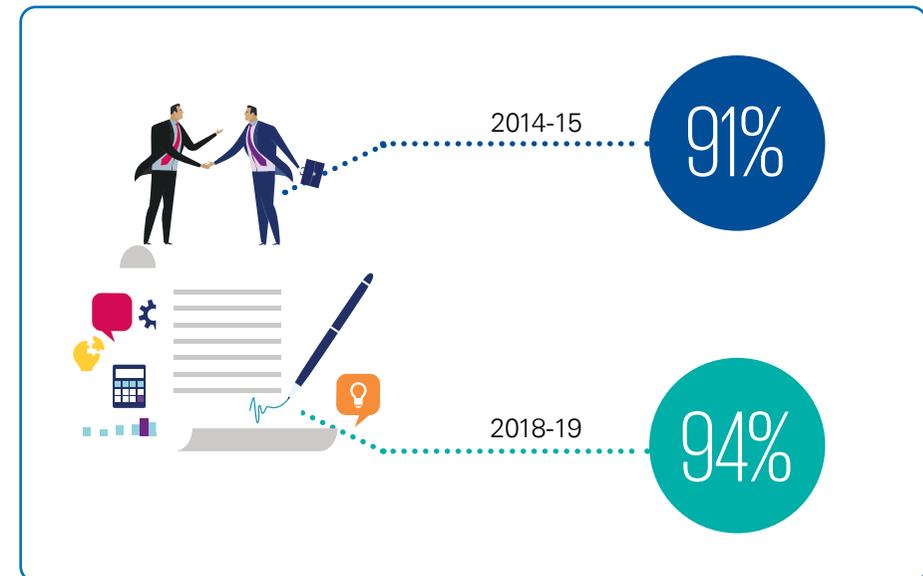
Of the companies that have failed to spend 2 per cent prescribed budget during the current year, 62 per cent, have committed to carry-forward the unspent CSR amount to the next year, an increase of almost 150 per cent as compared to 2014-15. All these companies are Indian-origin companies, 40 per cent are PSU and 60 per cent are non-PSU.

Of the companies that have not spent 2 per cent prescribed CSR budget and do not have a mention of carry forward in CSR policy, 63 per cent have gone ahead and committed in their annual report to carry forward the unspent CSR budget to next year.

Of N100, 13 companies had failed spending 2 per cent even last year, and had committed to carry forward the unspent amount. Four companies have shown a higher spend than the prescribed 2 per cent CSR expenditure this year (expenditure of carry forward amount in the current year), whereas in case of nine companies higher CSR expenditure against prescribed 2 per cent CSR budget could not be evidenced.

It will be interesting to evaluate the commitment and the implementation of the commitment in the coming years.

## Responsibility statement



**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

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 per cent of the companies that have annual report have disclosed the responsibility statement (two companies were not required as they had no obligation to spend 2 per cent prescribed CSR budget), as against 91 per cent companies in the base year.

Four companies have failed to provide the responsibility statement,

of which two have failed to disclose details for the fifth consecutive year.

Currently, there is no uniformity with regards to disclosure on details of admin expenses as well unspent amount carried forward, and the way in which the unspent amount of previous year(s) is utilised and spent. MCA should provide guidance and direction to companies for clearly providing details with regards to admin expenses and how unspent amount carried forward from pervious year(s) is deployed and spent in the responsibility statement of CSR committee.



# CSR expenditure

As per the Act, companies with a net worth of INR500 crore or more, or a turnover of INR1000 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 of the five companies that were not required to spend, two companies have spent towards CSR.

This section analyses the CSR expenditure by India Inc. (N100) and its comparison with the previous years' disclosures along with the reporting on direct and overhead expenses, admin expenses, and reason for not spending 2 per cent are analysed and presented in this section.

## Summary

One of the purpose for introduction of Section 135 was to increase the trust among corporates, communities and other relevant stakeholders.

SDG India Index published by NITI Aayog in December 2018 has identified health and education as the low performing Sustainable Development Goals (SDG). NITI Aayog's Aspirational District Programme focuses heavily on health and education (60 per cent weightage), among others, and thus demands innovation to address the concerns in these sectors.

The total 2 per cent CSR expenditure of the companies that fall within the ambit of Section 135 of the Companies Act, 2013 put together is less than 1 per cent of total social sector expenditure of government. While India Inc. (N100) too is spending largely (almost 60 per cent of CSR expenditure) on these SDGs, (not necessarily on innovation), one needs a more deeper dive to understand if the funds deployed are to compliment/aid existing government programmes, as currently the CSR reporting is limited to only expenditure related reporting. India Inc. (N100) needs to expand its horizon and MCA needs to expand the ambit of CSR disclosure by companies. It will be critical for India Inc. (N100) to identify innovative ways of deploying CSR funds towards these SDGs (product, solution, services, partnership, approach, financing, monitoring, impact, or others), which if successful (sees the light of impact), can be replicated and or scaled by varied stakeholders.

India Inc. (N100) trend on CSR expenditure clearly indicates their willingness to contribute towards nation building. Against, 38 per cent in the base year, 76 per cent companies have spent 2 per cent or more during the current year (almost 50 per cent have spent more than 2 per cent during the current year), which is a striking 100 per cent increase over the last five years.

The number of companies that have spent less than 2 per cent has also substantially reduced by over 63 per cent; and that spending less than 1 per cent has reduced by over 87 per cent from the base year.

This also indicates India Inc. (N100) willingness to contribute for wellbeing of stakeholders (largely communities) around its operations, which indirectly may also result in enhanced brand recall among such stakeholder groups.

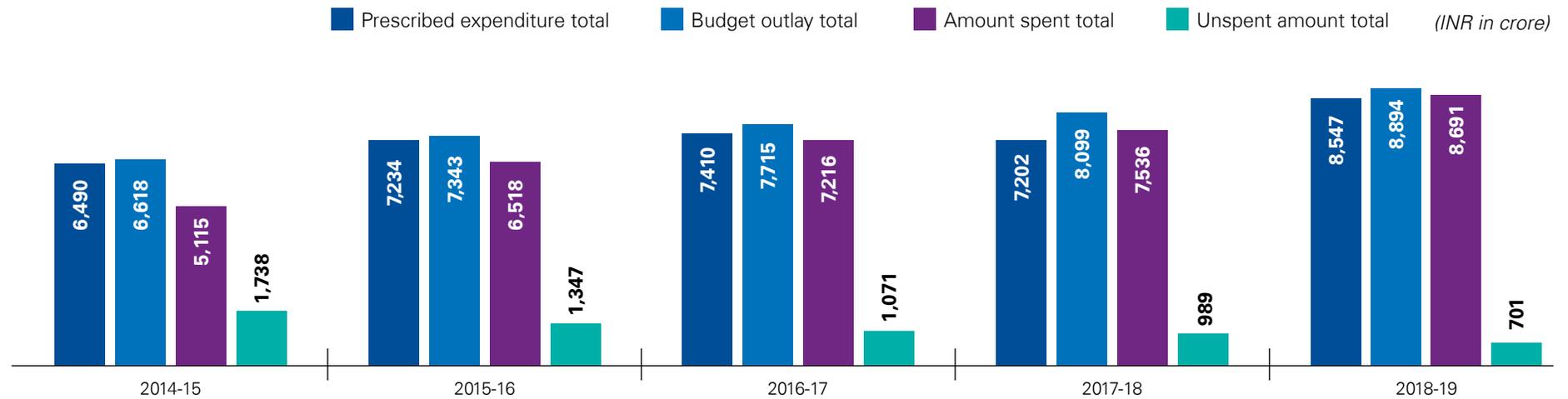


↓ Less than previous year/base year 
 ↑ More than previous year/base year 
 ▬ Same as previous year

## Summary – Trends in CSR expenditure

Sr.No.	CSR expenditure	2018-19	Trend (as compared to 2014-15)
<b>Compliance</b>			
1	Reporting separately on direct and overhead expenses on projects	26%	
2	Companies that have disclosed details regarding admin expenses	54%	
3	Admin expenses within the limit of 5 per cent of the total expenditure on CSR	89%	
4	Companies that have spent the prescribed 2 per cent	76%	
5	Explanation given by companies that have failed to spend 2 per cent	100%	
<b>Beyond Compliance</b>			
1	Amount to be spent matches and/or higher against prescribed 2 per cent	99%	
2	Prescribed Amount (absolute)	INR8547 crore	
3	Prescribed Budget Outlay (absolute)	INR8894 crore	
4	Amount Spent (absolute)	INR8691 crore	
5	Average Prescribed Amount (absolute)	INR92 crore	
6	Average Budget Outlay (absolute)	INR96 crore	
7	Average Amount Spent (absolute)	INR88 crore	

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



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

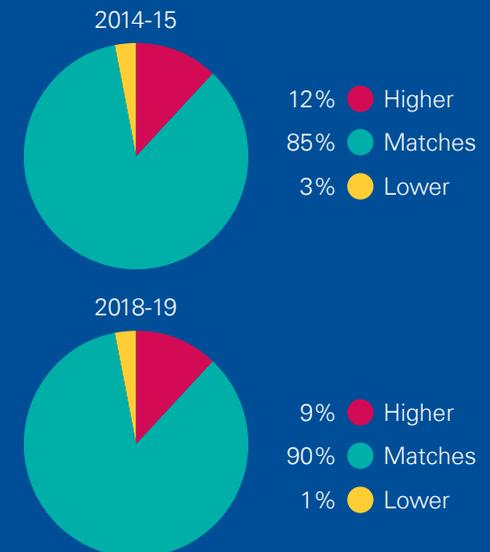
As per the Act, N100 companies are required to spend 2 per cent of their average net profit of last three financial years, calculated as per Section 198 of the Companies Act, 2013. During this year, the prescribed 2 per cent for N100 companies is INR8547 crore (ranging from INR4 crore to INR811.2 crore), higher by 32 per cent as compared to the base year.

Against the prescribed CSR amount, companies have committed to spend INR8894 crore during the current year, up more than 34 per cent as compared to the base year (2014-15). Part of this amount is attributable to unspent amount carried forward from previous year by couple of companies.

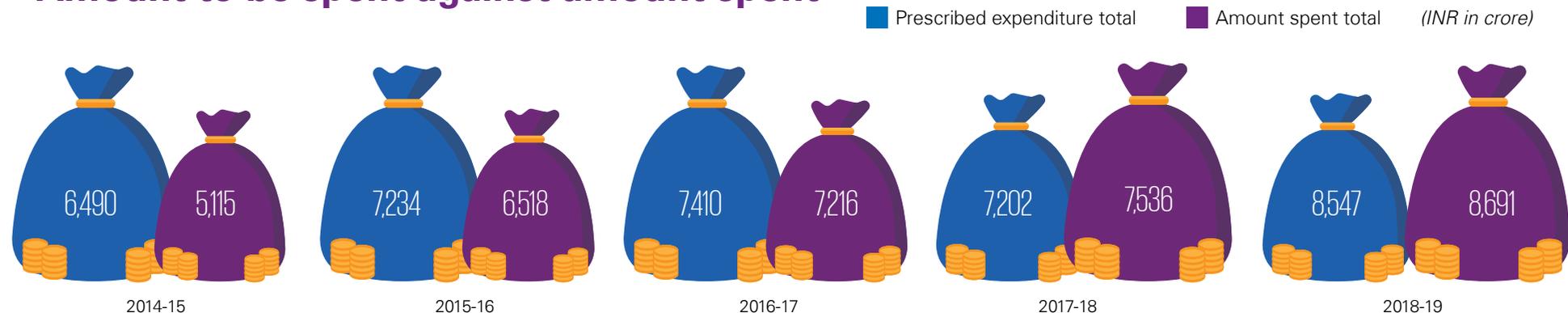
During the current year, it is interesting to note that 99 per cent companies have committed higher or matching 2 per cent CSR budget outlays as compared to 97 per cent companies during 2014-15. The same is also a reflection of commitment by companies that have committed to carry forward unspent amount of previous year.

Interestingly, as compared to three per cent companies in 2014-15, one company (Indian, non-PSU) still committed less than the prescribed 2 per cent CSR budget.

### Amount to be spent against Prescribed expenditure



## Amount to be spent against amount spent



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

The cumulative expenditure by N100 companies from 2014-15 to 2018-19 is INR35077 crore.

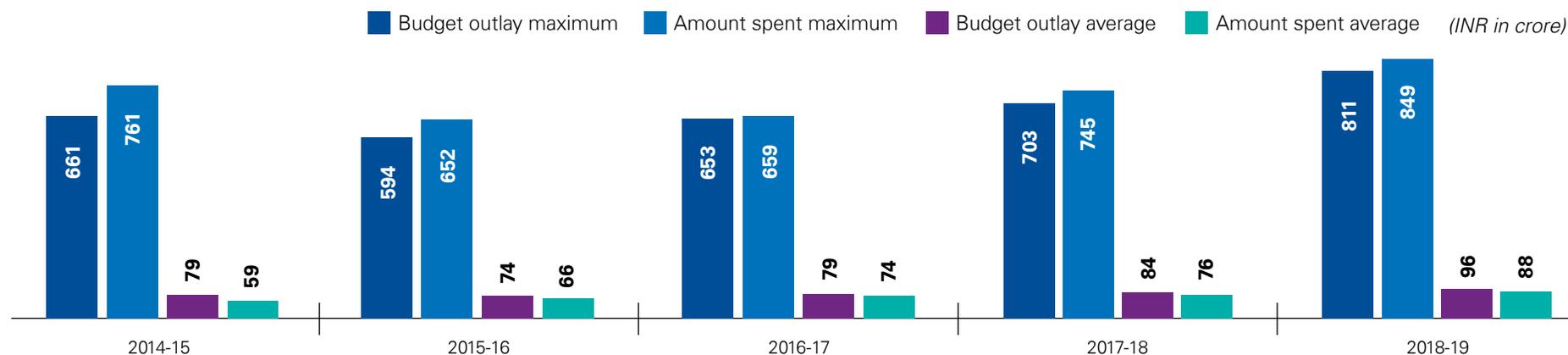
During the current year, companies have spent INR8691 crore, 70 per cent higher as compared to the amount in 2014-15. This is a significant rise, clearly demonstrating higher expenditure towards CSR activities from the mandated year, 2014-15. This is also a reflection of the commitment by companies to carry forward unspent amount of the previous year.

It is remarkable to note that the total amount unspent has reduced by INR1037.4 crore from INR1738.1 crore in 2014-15 to INR700.7 crore in 2018-19.

The average amount committed to be spent during 2018-19 per company was INR95.6 crore, up by over 21 per cent as compared to that in 2014-15. Similarly the maximum amount committed to be spent during 2018-19 (INR811.2

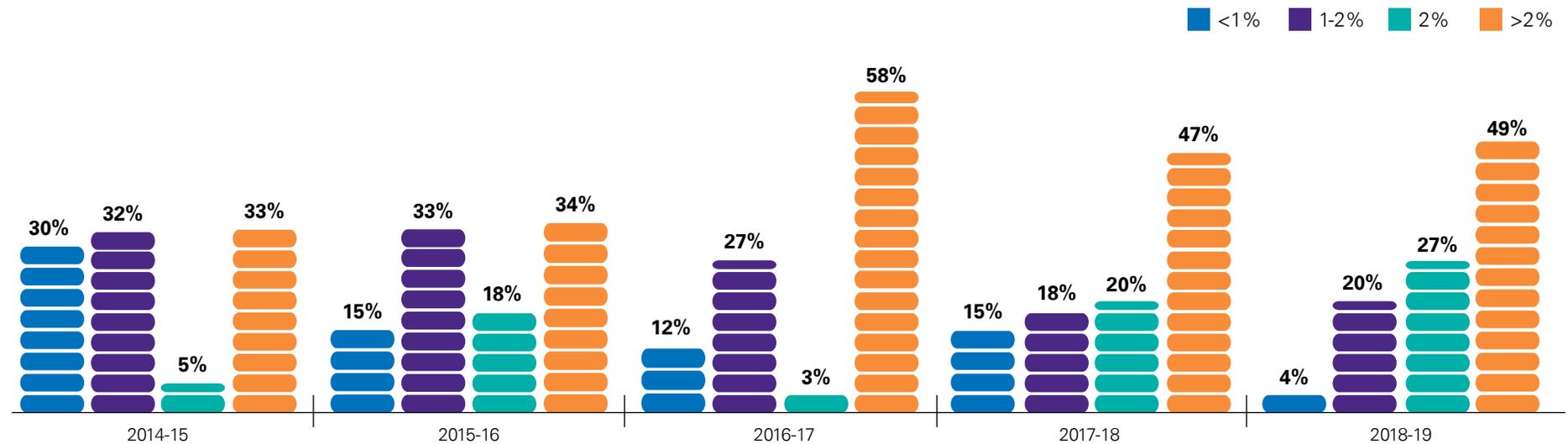
crore) has gone up by more than 23 per cent as compared to that in 2014-15 (INR660.6 crore).

The amount spent during the current year ranges from a minimum of INR0.3 crore to a maximum of INR849.3 crore. It is noteworthy to mention that the average amount spent per company has gone up to INR87.8 crore as compared to INR58.8 crore during 2014-15, up more than 49 per cent.



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

## Amount spent against prescribed 2 per cent



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

Of N100 companies, 76 per cent have spent 2 per cent or more during the current year as compared to only 38 per cent during the first year of requirement (2014-15), which is a striking 100 per cent increase over the last five years.

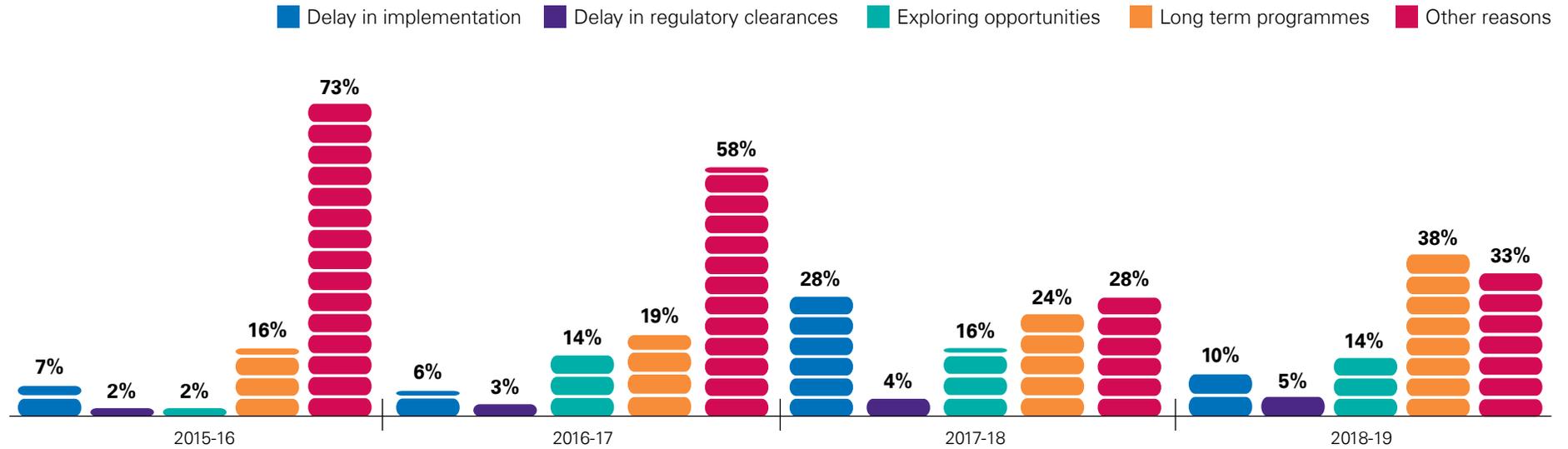
The number of companies that have spent less than 2 per cent has also substantially reduced from 62 per cent companies in 2014-15 to 24 per cent companies during 2018-19, a 63 per cent reduction. Against 30 per cent companies that had

spent less than 1 per cent of the prescribed CSR amount during 2014-15, only four per cent have spent less than one per cent during 2018-19, an improvement of 87 per cent.

There has been an increase in number of companies spending 2 per cent or more over the years, which is a clear indicator of N100 companies getting familiar with the requirements of the Act and setting the internal controls in place.



# Reasons for not spending the 2 per cent CSR amount



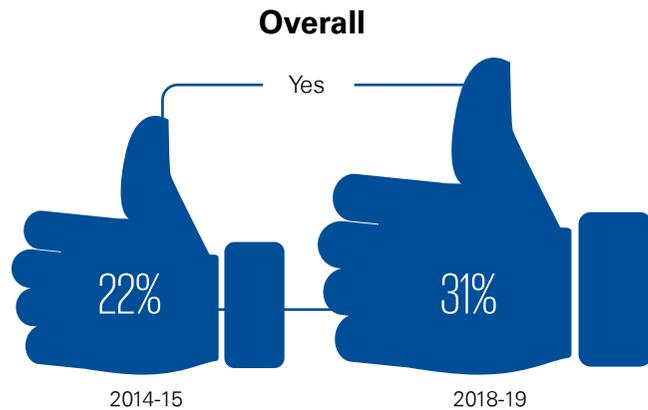
Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

Of N100 companies, 24 per cent have spent less than the prescribed CSR amount towards CSR and thus, were required to provide explanation or reason for not being able to spend the amount, of which 91 per cent companies have provided the reason or explanation statement.

More than half of the companies have stated 'long term programs' or 'exploring opportunities' as the reason for not being able to spend the prescribed 2 per cent CSR amount. Other reasons for delay as indicated by companies are 'multiple reasons'-24 per cent and 'scaling up'-9 per cent.



## Separate reporting on direct and overhead expenses on projects



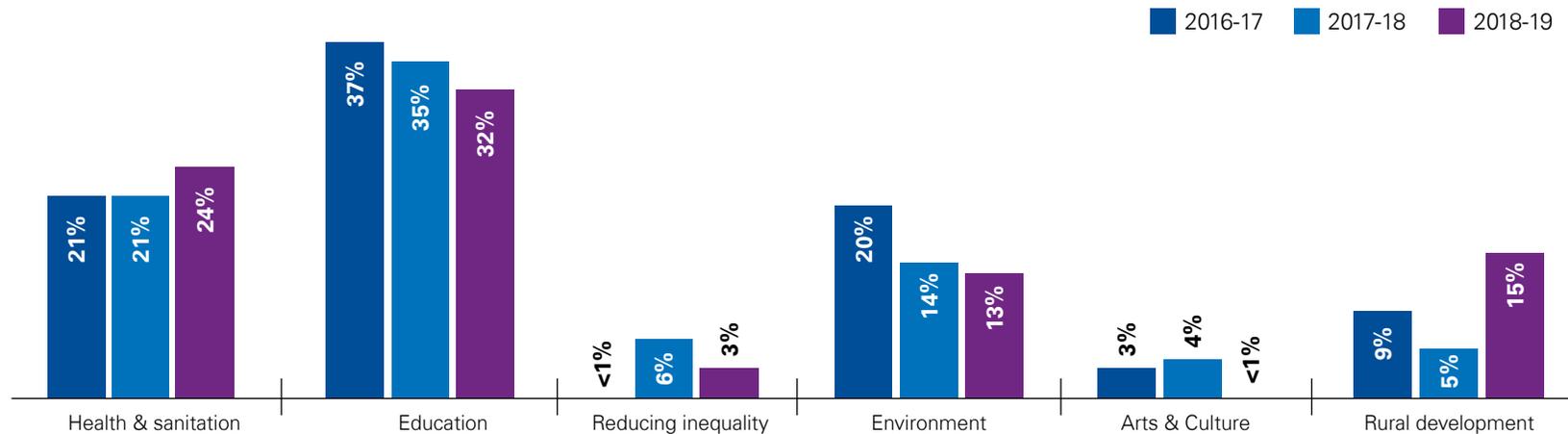
**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

Disclosing project-related direct and overhead expenses in the prescribed format is a mandatory requirement as per the Act. During the current year, 31 per cent companies have disclosed their expenses towards CSR projects as against 22 per cent in 2014-15. While an increase of 40 per cent is seen, this is still critical considering failure to disclose the expenses (direct and overhead expenses on project) is a case of non-compliance to the mandate of the Act.

It is interesting to note that the overheads expenditure towards health, rural area development and other areas related CSR activities have increased compared to the base year. It will be difficult to judge if this is a reflection of project management skills or improved transparency in reporting by India Inc. (N100).

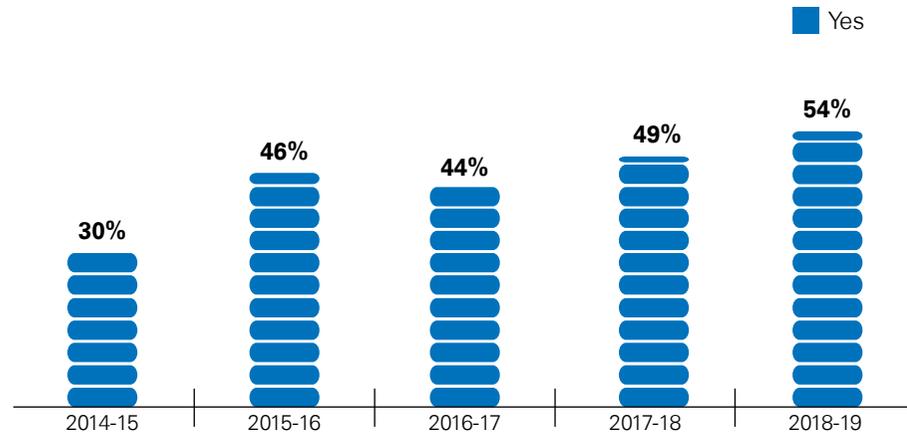
Overheads expenditure continues to be highest for Education at 32 per cent, but has decreased by 13 per cent as compared to the base year, which needs a further deep dive to understand better.

### Across Schedule VII activities

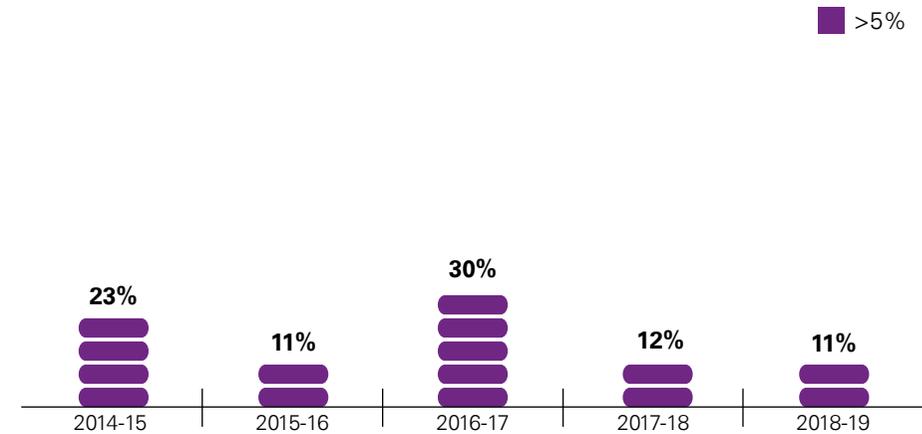


**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

## Separate reporting on admin expenses and spends within the permissible 5 per cent



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

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

During the current year, 54 per cent companies as against 30 per cent in 2014-15 have provided details regarding administrative expenses.

However, 46 per cent companies still do not disclose details about admin expenses, which still

remains a concern, as there is an increasing trend in setting up CSR foundations, and the average project cost for projects implemented through foundation is highest among other modes.

Of the companies that have disclosed details around administrative expenses, as against 23 per cent companies that had spent more than the permissible 5 per cent towards admin in the base year, 11 per cent have spent more than the

permissible five per cent towards administrative expenses during the current year, however, is still a concern, considering it being a non-compliance to the requirement as stipulated within the Act.

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

# CSR project management

As per the Act, companies with a net worth of INR500 crore or more, or a turnover of INR1000 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 of the five companies that were not required to spend, two companies have spent towards CSR.

This section analyses the CSR expenditure by India Inc. (N100) and its comparison with the previous years' disclosures. CSR expenditure of N100 companies along with the reporting on direct and overhead expenses, admin expenses, and reason for not spending 2 per cent are analysed and presented in this section.

↓ Less than previous year/base year    ↑ More than previous year/base year    = Same as previous year

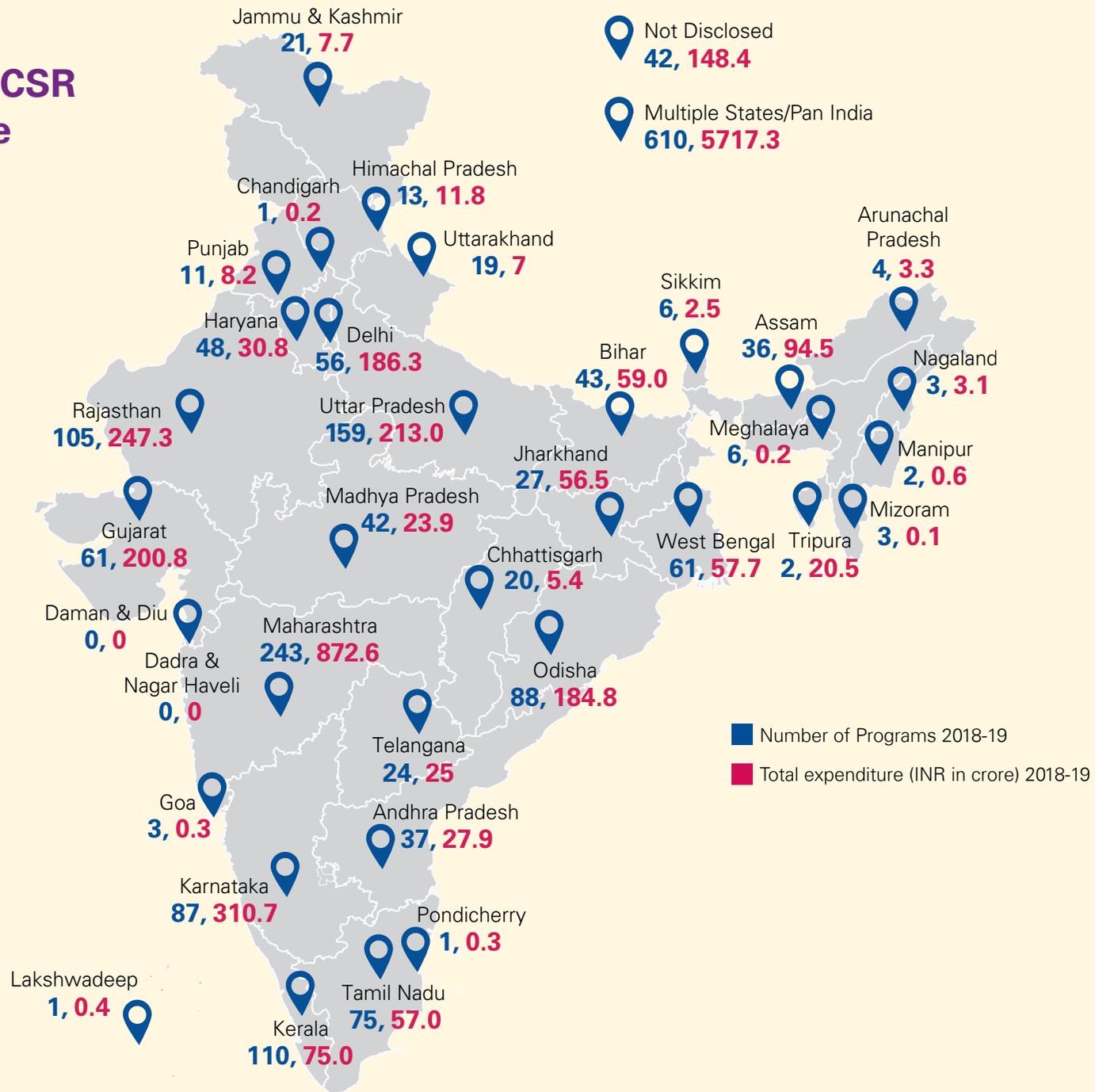
## Summary – Trends on project management

Sr.No.	Project management	2018-19	Trend (as compared to 2014-15)
1	Companies implementing projects through combination of options (direct, own foundation and implementing agencies)	75%	
2	Companies implementing projects through implementing agencies	19%	
3	Projects implemented by India Inc. (N100) in 2018-19 (absolute)*	2070	
4	Projects implemented through implementing agencies (absolute)*	1231	
5	Projects implemented through corporate foundations (absolute)*	148	

\* Indicates trends against 2016-17



# State-wise CSR expenditure



## State-wise CSR expenditure

Location of the Program	Number of Programs 2018-19	Total expenditure (INR in crore) 2018-19	Per cent of Programs 2018-19	Per cent of Total expenditure (INR in crore) 2018-19	Average project cost (INR in crore)
Multiple States/ Pan India	610	5717.3	29.50%	65.80%	9.37
Maharashtra	243	872.6	11.70%	10.00%	3.56
Uttar Pradesh	159	213	7.70%	2.50%	1.34
Kerala	110	75	5.30%	0.90%	0.68
Rajasthan	105	247.3	5.10%	2.80%	2.36
Odisha	88	184.8	4.30%	2.10%	2.1
Karnataka	87	310.7	4.20%	3.60%	3.57
Tamil Nadu	75	57	3.60%	0.70%	0.76
Gujarat	61	200.8	2.90%	2.30%	3.29
West Bengal	61	57.7	2.90%	0.70%	0.95
Delhi	56	186.3	2.70%	2.10%	3.33
Haryana	48	30.8	2.30%	0.40%	0.64
Bihar	43	59	2.10%	0.70%	1.37
Madhya Pradesh	42	23.9	2.00%	0.30%	0.57
Not Disclosed	42	148.4	2.00%	1.70%	3.53
Andhra Pradesh	37	27.9	1.80%	0.30%	0.75
Assam	36	94.5	1.70%	1.10%	2.62
Jharkhand	27	56.5	1.30%	0.60%	2.09
Telangana	24	25	1.20%	0.30%	1.04
<b>Sub-Total</b>	<b>1954</b>	<b>8582</b>			

29 per cent (610) of the total projects (2070) implemented by India Inc. (N100) during the current year, are executed across multiple States with an expenditure of INR5717 crore (66 per cent of total expenditure). Additionally, for over 2 per cent of the projects (42) details regarding location of implementation is missing, which accounts for an expenditure of INR148 crore (2 per cent of total expenditure). The same demands for improvement in disclosure by India Inc. (N100).

Maharashtra, Uttar Pradesh, Kerala, Rajasthan and Odisha are the top five States with highest number of CSR projects (703).

Maharashtra (INR872.62 crore), Karnataka (INR310.7 crore), Rajasthan (INR281.9 crore), Uttar Pradesh (INR213 crore), and Gujarat (INR200.8 crore) are the top five States with over 20 per cent of the total CSR expenditure.

It is also interesting to observe that for the last three years Maharashtra, Karnataka and Uttar Pradesh have always featured in the top five States list basis the CSR expenditure.

Tripura (INR10.25 crore), Punjab (INR4.84 crore), Karnataka (INR3.61 crore), Maharashtra (INR3.60 crore), Gujarat (INR3.29 crore) are the top five States from a cost per project perspective.

As on date, basis the information available in public domain, seven States have a dedicated CSR cell. It will be interesting to know and compare the trend of CSR expenditure's of these States (are they able to pull more funds and/or are they directing their CSR expenditures towards a specific Schedule VII activity and/or it is driven basis the SDG India Index Baseline report released by NITI Aayog in December 2018).

## State-wise CSR expenditure

Location of the Program	Number of Programs 2018-19	Total expenditure (INR in crore) 2018-19	Per cent of Programs 2018-19	Per cent of Total expenditure (INR in crore) 2018-19	Average project cost (INR in crore)
Jammu and Kashmir	21	7.7	1.00%	0.10%	0.37
Chhattisgarh	20	5.4	1.00%	0.10%	0.27
Uttarakhand	19	45.6	0.90%	0.50%	2.4
Himachal Pradesh	13	11.8	0.60%	0.10%	0.9
Punjab	11	8.2	0.50%	0.10%	0.75
Meghalaya	6	0.2	0.30%	0.00%	0.03
Sikkim	6	2.5	0.30%	0.00%	0.42
Arunachal Pradesh	4	3.3	0.20%	0.00%	0.83
Goa	3	0.3	0.10%	0.00%	0.09
Mizoram	3	0.1	0.10%	0.00%	0.03
Nagaland	3	3.1	0.10%	0.00%	1.02
Manipur	2	0.6	0.10%	0.00%	0.32
Tripura	2	20.5	0.10%	0.20%	10.25
Chandigarh	1	0.2	0.00%	0.00%	0.15
Lakshwadeep	1	0.4	0.00%	0.00%	0.4
Pondicherry	1	0.3	0.00%	0.00%	0.25
Dadra and Nagar Haveli	0	-	-	-	-
<b>Total</b>	<b>2070</b>	<b>8691</b>			

Pondicherry, Lakshadweep, Chandigarh, Manipur and Tripura have only seven projects in total. Dadra and Nagar Haveli and Daman and Diu have no projects, as reported by N100 companies.

Mizoram (INR0.1 crore), Chandigarh (INR0.15 crore), Meghalaya (INR0.17 crore), Pondicherry (INR0.25 crore) and Lakshadweep (INR0.4 crore) are the bottom five States contributing only INR1.07 crore (0.01 per cent of the total expenditure by N100 companies).

The north-eastern States, Chandigarh, Goa, Daman and Diu, Dadra and Nagar Haveli continue to receive the least attention with 21 projects in total.

Year on year increase has been observed for Odisha, Rajasthan, Bihar, Karnataka, Kerala and Uttarakhand; whereas Andhra Pradesh, Haryana, and Telangana have seen a decreasing trend.

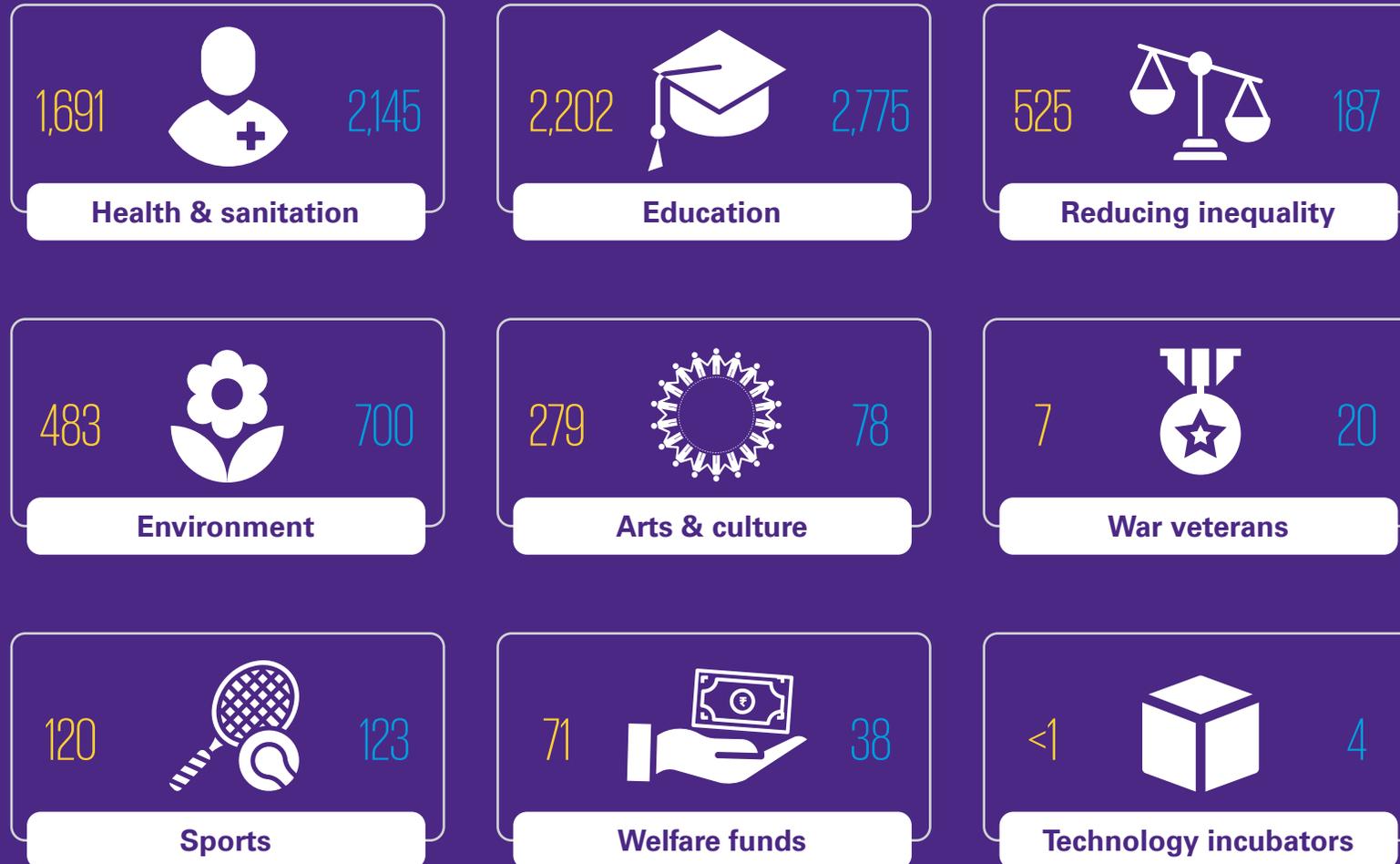
While we look at the top 10 States in 2014-15, 1249 projects were implemented by India Inc. (N100), which reduced to only 1037 projects in 2018-19, a decrease of about 17 per cent. This is a strong indicator that corporates have consolidated their programmes and have started focusing on scale.



# CSR expenditure by Schedule VII activities (INR in crore)

■ Total Expenditure (INR in crore) 2017-18

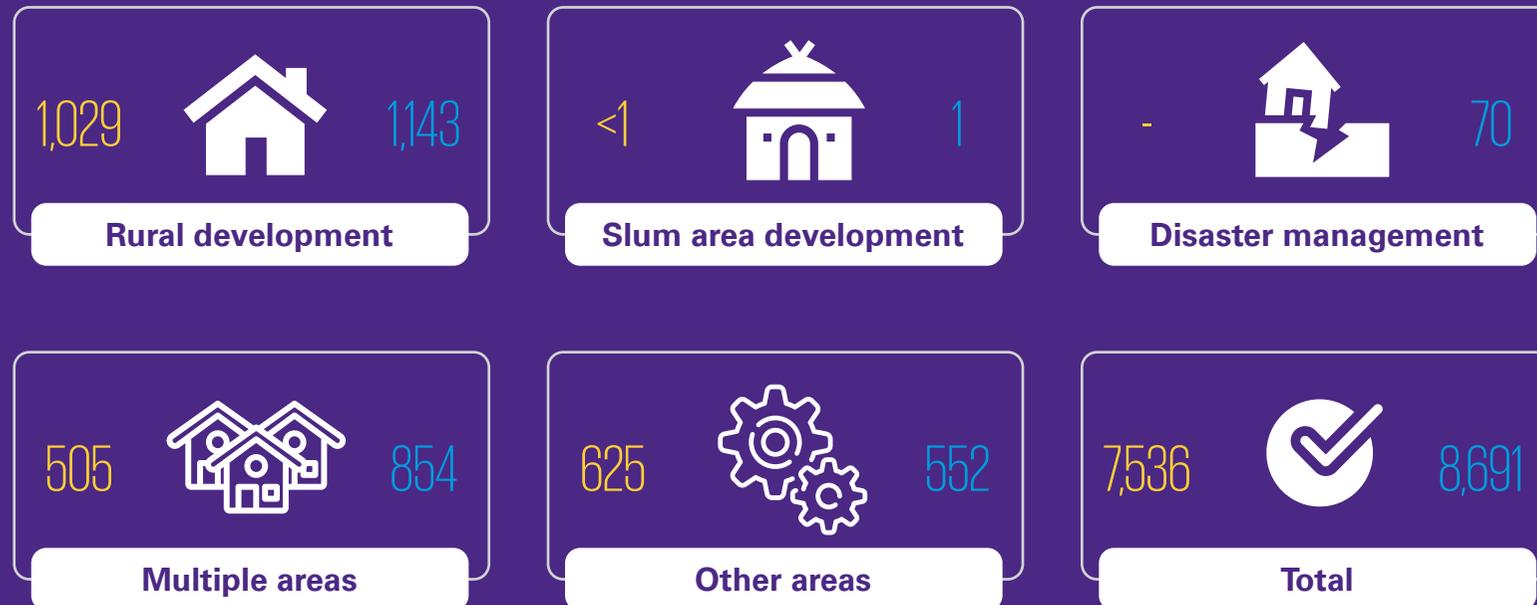
■ Total Expenditure (INR in crore) 2018-19



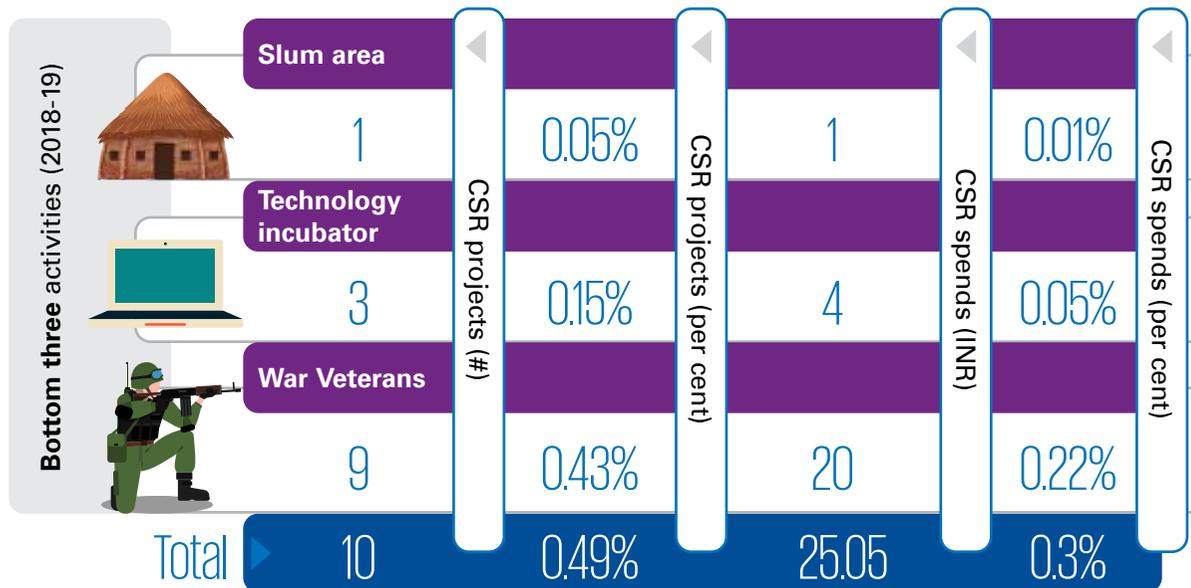
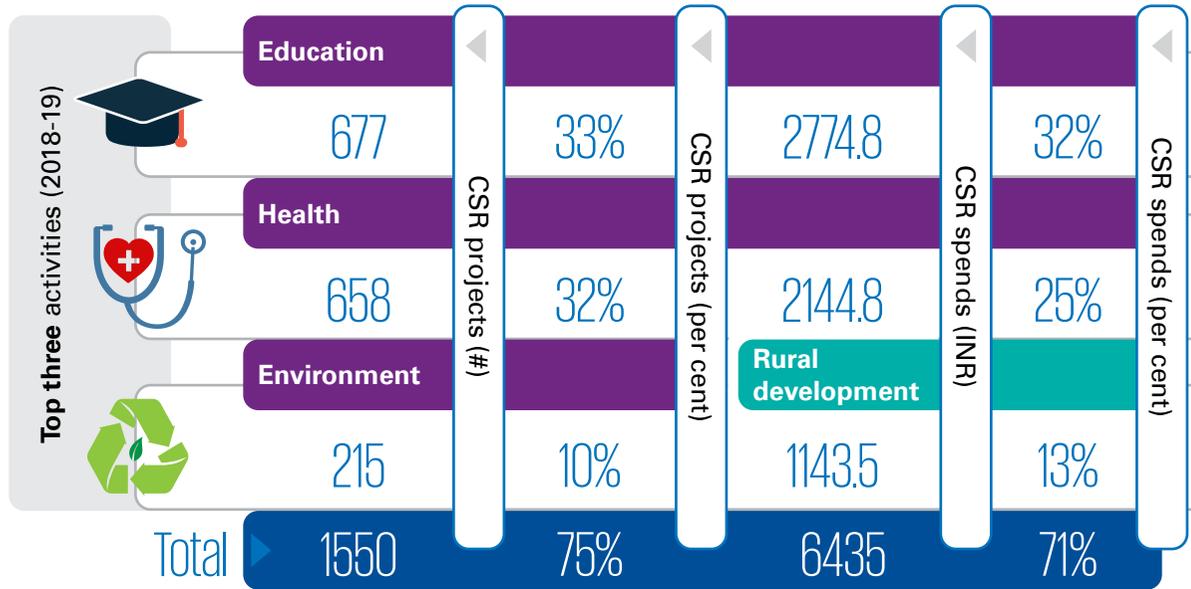
## CSR expenditure by Schedule VII activities (INR in crore)

■ Total Expenditure (INR in crore) 2017-18

■ Total Expenditure (INR in crore) 2018-19



## Schedule VII wise CSR expenditure



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 122 per cent over the last four years, from INR1249 crore (2014-15) to INR2774.8 crore (2018-19).

Education and health and sanitation account for more than 55 per cent of the total CSR expenditure (INR4919.6 crore), an increase of over 26 per cent over the previous year (increase of INR1026.9 crore).

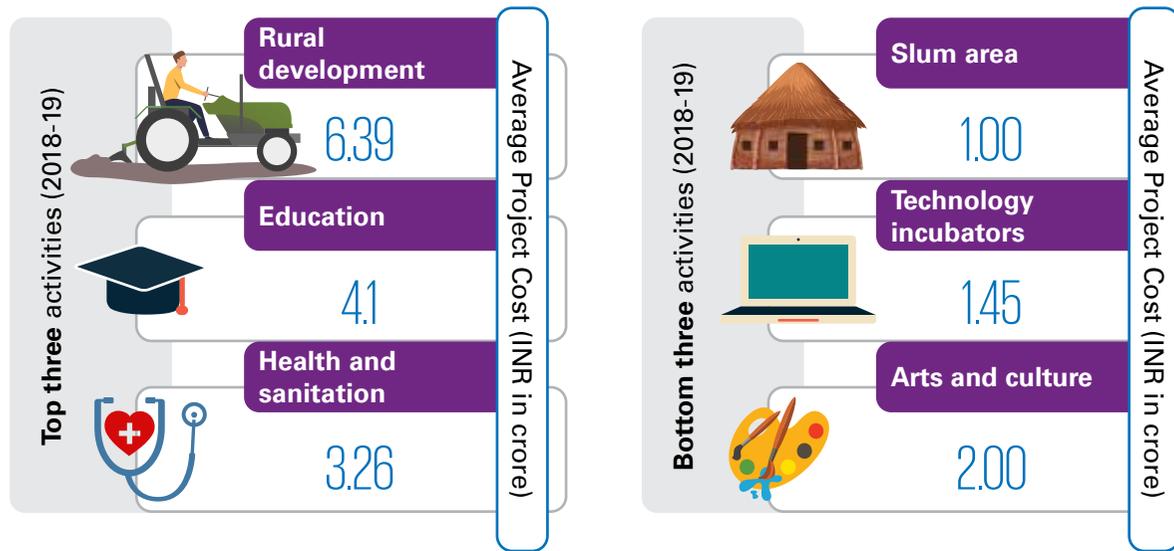
N100 companies have decreased their CSR expenditure by over three-fold towards arts and culture, from INR279 crore in 2017-18 to INR78.4 crore in 2018-19. Increase in spending for sports is also marginal from INR120 crore in 2017-18 to INR123 crore in 2018-19.

India Inc. (N100) have also substantially increased its 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 INR38 crore in 2018-19 (over 19 times increase).

Amount specified as multiple/other areas (INR854 crore) have increased significantly and need deeper study on the reasons for the same, to improve transparency in disclosure by India Inc. (N100)

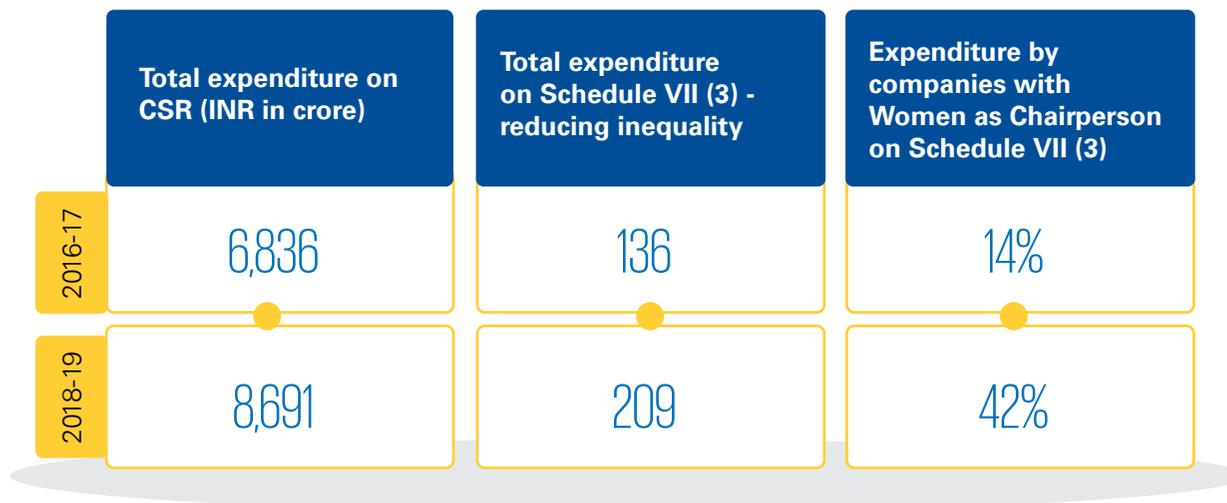
Of the 22 companies that have contributed to disaster relief, half have contributed through implementation agencies, which is permissible and the other half have contributed Directly, mostly to the Prime Minister's National Relief Fund, which is permissible. However, two companies have disclosed contributing to CM Relief Fund, which as per the current regulation is not an eligible CSR expenditure.

## Schedule VII wise CSR expenditure



The average project cost is higher in case of rural development (INR6.4 crore), education (INR4.5 crore) and health (INR3.26 crore). Disaster management, slum area and PM relief funds are the top three Schedule VII activities that have seen a substantial increase in the average project cost; whereas, arts and culture, war veterans and Environment have seen a negative trend both in terms of number of projects as well as average project cost.

During the current year, India Inc has clearly demonstrated an 'engendering process' as part of its CSR initiatives. Of the companies that have women as member of CSR committee, 38 per cent have women as Chairperson of CSR committee. It is interesting to note that, the expenditure of these companies (where women are the Chairpersons of the CSR committee), towards Schedule VII (3) 'reducing inequality' has increased from 14 per cent in 2016-17 to 42 per cent in 2018-19, a whopping 200 per cent increase. This truly is an illustration/case study of 'gender budgeting' being core to such companies philosophy on CSR.



## State and Schedule VII wise CSR expenditure

Maharashtra, Karnataka and Rajasthan tops the list of total expenditure during the current year. Below provides insights on the Schedule VII activity wise expenditure trend in these three States.



Schedule VII activity	Expenditure (INR in crore)	
Education	540.18	
Health	218	
Rural development	27.91	
<b>Total</b>	<b>786.09</b>	<b>90%</b>

Maharashtra has a total expenditure of INR873 crore, of which education, health and rural development tops the list with an expenditure to the tune of INR786 crore. (90 per cent of the total expenditure on all Schedule VII activities expenditure in Maharashtra)



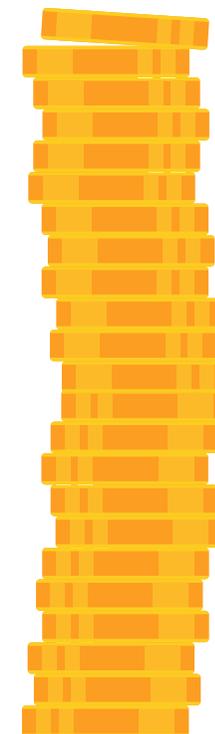
Schedule VII activity	Expenditure (INR in crore)	
Education	210.07	
Environment	47.35	
Health	29.19	
<b>Total</b>	<b>286.61</b>	<b>92%</b>

Karnataka has a total expenditure of INR311 crore, of which education, environment and health tops the list with an expenditure to the tune of INR287 crore (92 per cent of the total expenditure on all Schedule VII activities expenditure in Karnataka)



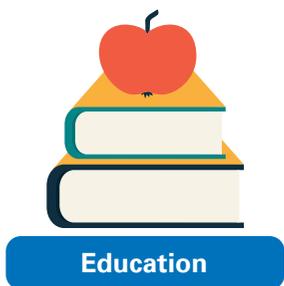
Schedule VII activity	Expenditure (INR in crore)	
Education	101	
Health	44.55	
Rural development	37.65	
<b>Total</b>	<b>183.2</b>	<b>74%</b>

Rajasthan has a total expenditure of INR247 crore, of education, health and rural development are the top three spending areas with an expenditure to the tune of INR183 crore (74 per cent of the total expenditure on all Schedule VII activities expenditure in Rajasthan).



## State and Schedule VII wise CSR expenditure

Education, health and rural development tops the list of total expenditure during the current year. Below provides insights on the expenditure towards top three projects and corresponding geographies:



State	Expenditure (INR in crore)
Maharashtra	477
Karnataka	108
Odisha	77
Karnataka	64
Odisha	55
<b>Total</b>	<b>780</b>

Education has a total expenditure of INR2775 crore, of which the top five projects (expenditure wise) are in the States of Maharashtra, Karnataka and Odisha to the tune of INR780 crore (28% of the total expenditure on Schedule VII activity-education)



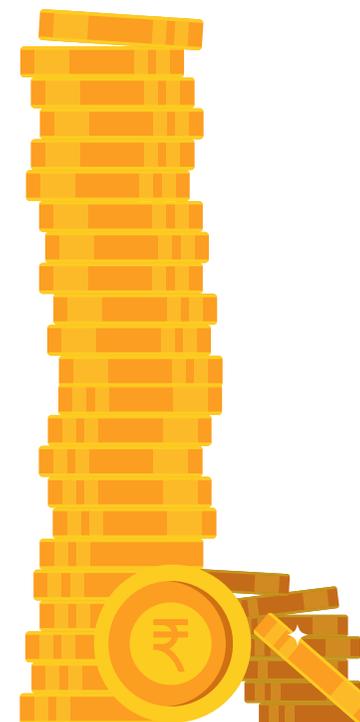
State	Expenditure (INR in crore)
Maharashtra	72
Assam	63
Uttar Pradesh	35
Uttarakhand	34
Gujarat	21
<b>Total</b>	<b>225</b>

Health has a total expenditure of INR2145 crore, of which the top five projects (expenditure wise) are in the States of Maharashtra, Assam, Uttar Pradesh, Uttarakhand and Gujarat to the tune of INR225 crore (11 per cent of the total expenditure on Schedule VII activity-health)

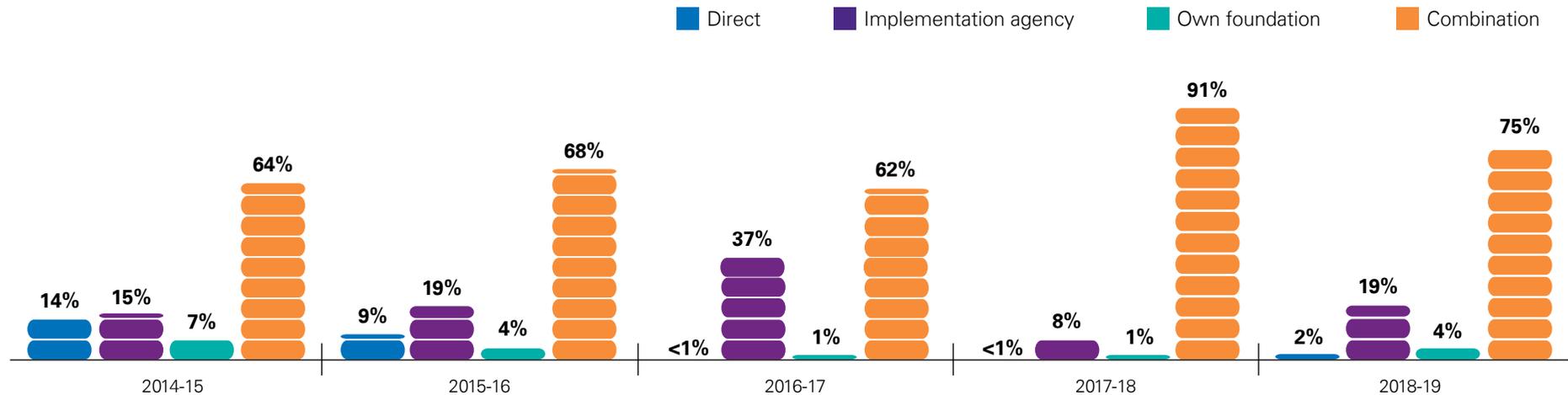


State	Expenditure (INR in crore)
Uttar Pradesh	66
Delhi	52
Gujarat	50
Jharkhand	42
Bihar	35
<b>Total</b>	<b>245</b>

Rural development has a total expenditure of INR1143.49 crore, of which the top five projects (expenditure wise) are in the States of Uttar Pradesh, Delhi, Gujarat, Jharkhand and Bihar to the tune of INR245 crore (21% of the total expenditure on Schedule VII activity-rural development)



## Choice of implementation modalities by companies



**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

Of N100, 75 per cent companies implemented their CSR projects through a combination of options (direct, own foundation, and implementation agencies) compared to 64 per cent in the base year, an increase of 17 per cent. During the current year, exclusive implementation with support of external implementing agencies was reported by 19 per cent companies against 15 per cent during the base year, an increase of 27 per cent. It indicates a positive shift with

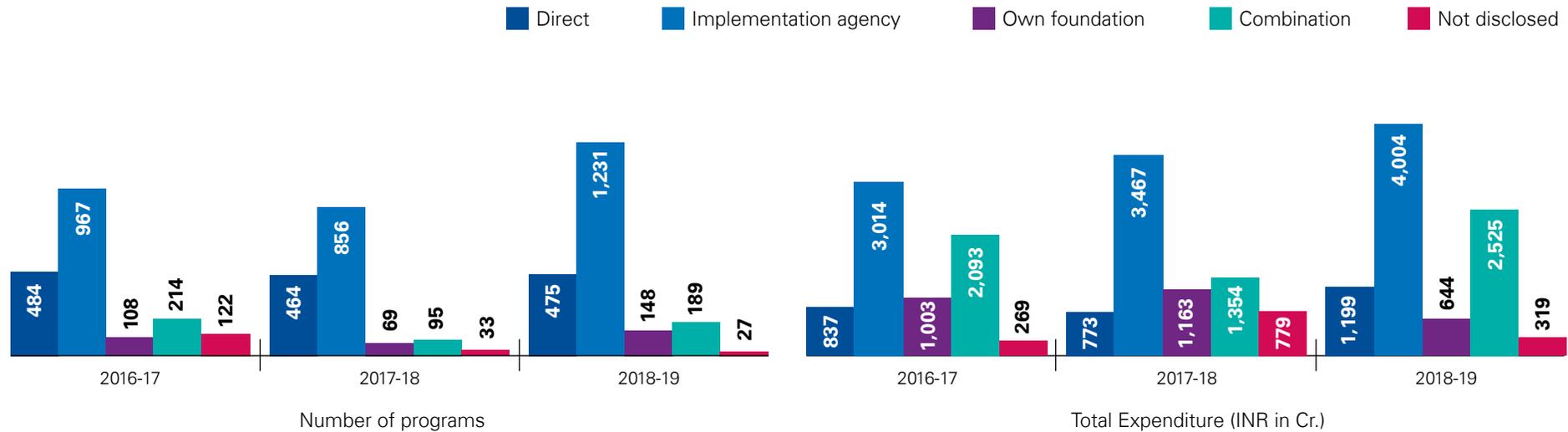
companies preferring multiple implementation modalities that offer flexibility in designing programmes and opportunities for collaborating with multiple stakeholders for effective leveraging of resources.

The number of companies having CSR Foundations' have gone up from the base year (six in 2014-15 to 18 in 2018-19). Against 21 per cent companies that implemented their CSR projects directly or exclusive through their own foundations

in 2014-15, only six per cent have reported to have chosen this mode of implementation during 2018-19, indicating an increased partnerships with implementing agencies.

The trend of increasing partnerships is on a welcome one and a clear sign of recognising the strength of collaboration and partnerships, advancing SDG Goal 17- 'Partnerships for the Goals'.

## Mode of programme implementation and CSR expenditure



**Source:** KPMG in India's analysis based on India's CSR reporting survey, 2019.

A total of 2070 projects were implemented by India Inc. (N100) during the current year as compared to 1517 projects in 2017-18, an increase of 36 per cent.

Direct mode of implementation accounted for 475 projects with an expenditure of about INR1199 crore and an average cost of INR2.52 crore per project (least among all modes of implementation). 148 projects were implemented by foundations of corporates (increasing trend

compared to last two years, least among all modes of implementation during the current year) with an expenditure of about INR644 crore and an average cost of INR4.35 crore per project, interestingly highest per capita project among all modes of implementation.

1231 projects were implemented with support of external implementing agencies (highest among all modes of implementation), with an expenditure of INR4004 crore, and accounts for

the least average project cost of INR3.25 crore. Projects implemented through combination of all three options accounted for 189 projects with an expenditure of INR2525 crore, and an average cost of INR13.35 crore per project (highest when carried out through combination of more than one mode of implementation).

# CSR at PSU and non-PSU companies

This section analyses CSR related aspects, such as governance, spends and project management, of PSU and non-PSU companies. Of the N100 companies, 83 are non-PSU companies and remaining 17 are PSU companies.



## CSR policy

Of all N100 PSU companies, 82 per cent have disclosed their CSR policy in the public domain. From the remaining 18 per cent failing to disclose, one company has not disclosed their CSR policy consecutively for the last five years. Additionally, 24 per cent PSU companies have failed to provide the CSR policy web-link in their annual report. All non-PSU companies have complied to both these parameters.

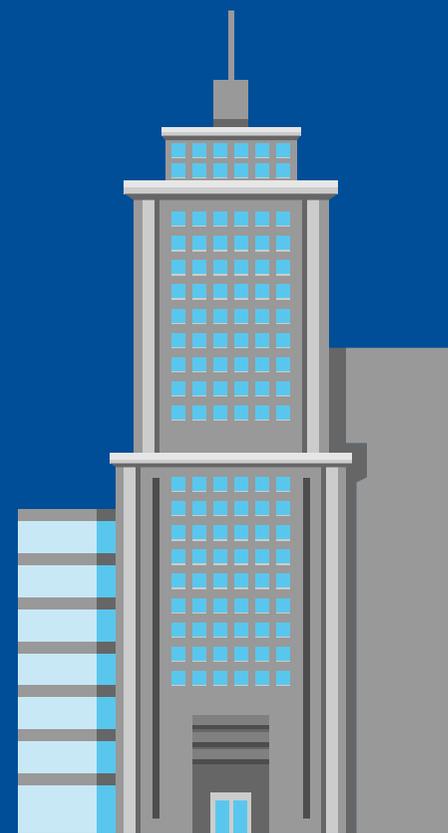
In the CSR policy, 18 per cent PSU companies and 6 per cent non-PSU companies still do not disclose mode of implementation. Further, 12 per cent PSU companies and 9 per cent non-PSU companies that have disclosed their mode of implementation in CSR policy, do not follow the same mode of implementation, as per disclosure in their annual reports.

Disclosure of monitoring framework has improved to 88 per cent in PSUs and to 100 per cent in non-PSU companies in the current year. This may be aligned to the growing preference of PSU and non-PSU companies towards implementing projects through implementing agencies and a combination of implementation mode rather than direct and own foundation, wherein monitoring and evaluation becomes the primary responsibility of the CSR teams along with support of third-party agencies.

Of PSU companies, 50 per cent and of non-PSU companies, 71 per cent that have not spent 2 per cent CSR budget and do not have a mention of carry forward in their respective CSR policy, have gone ahead and committed carry forward of their unspent CSR budget in their annual report. In case of both PSU as well as non-PSU companies, 24 per cent and 29 per cent companies respectively are yet to provide details with regards to treatment of surplus in CSR policy.

Areas of intervention have been disclosed by 88 per cent PSU companies and 99 per cent non-PSU companies in their CSR policy. Further, 13 per cent of these PSUs and 12 per cent of non-PSUs have stated alignment with the SDGs as well in their CSR policy.

Disclosure of non-mandatory parameters have showed a positive trend for both PSUs and non-PSUs. Stating vision, mission or philosophy and governance structures have improved by 17 per cent for PSUs and by 36 per cent for non-PSUs, a sign that both PSUs and non-PSUs are attempting to move beyond compliance in the articulation and planning of their social mission.



## CSR committee

All PSU companies, except one, have more than three members on the CSR committee, as compared to only 49 per cent in the case of non-PSU companies. This indicates that more PSUs have chosen to go beyond the compliance requirement by appointing more than three members on their CSR committee. The number of members in a CSR committee goes as high as nine, as observed in the case of one PSU.

The number of PSU companies that have a stand-alone CSR committee is 76 per cent, whereas the same is with 95 per cent of non-PSU companies. As compared to the base year, the PSUs have maintained the status quo, however, for non-PSUs there is an increase of 17 per cent. More companies complying to this mandatory requirement ensures more focused CSR related discussions and decisions.

Almost all PSU and 100 per cent of non-PSU companies have independent directors as part of their CSR committee. Out of these companies 75 per cent of PSUs and 55 per cent of non-PSUs have more than one independent director on board. Furthermore, 62 per cent PSUs and 55 per cent of non-PSUs have appointed independent directors as Chairperson of their CSR committees.

Involvement of top management adds to the overall composition of CSR committee. 50 per cent of PSUs and 67 per cent of non-PSUs

have CEO of their company as part of the CSR committee as well. There are seven companies which have CEO as Chairperson of CSR committee, all of which are non-PSU companies. Moreover, four companies have Chairperson of the company as Chairperson of the CSR committee, all of which are PSU companies.

Representation of women members in PSU companies is 69 per cent and in non-PSU companies is 62 per cent in the current year. Among these companies 33 per cent of PSUs and 38 per cent of non-PSUs have women as Chairperson of the CSR committee. Studies state that gender diversity on CSR committee may improve charitable giving, community engagement and employee recognition. Hence, an improvement in these figures since the base year signals a trend in the right direction for both PSUs and non-PSUs.

All PSUs have had more than three CSR committee meetings as compared to 69 per cent in 2014-15, an increase of 45 per cent. However, this number for non-PSU companies is 49 per cent, which is an increase of 11 per cent on the base year.



## CSR disclosure in the annual report

All PSU and non-PSU companies have indicated focus areas in the annual report in the current year as compared to 55 per cent and 53 per cent respectively in the base year, an increase of more than 80 per cent has been observed.

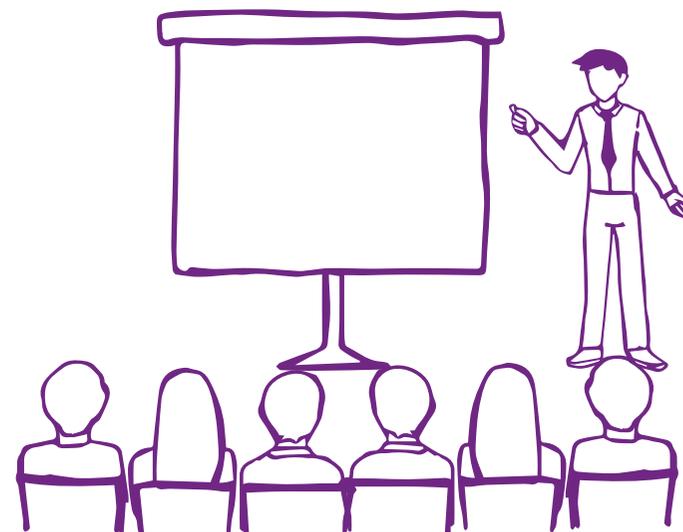
Further, as per the notification issued by the Ministry of Corporate Affairs in May 2018, companies have been directed to focus their CSR expenditure in local areas. While 88 per cent PSU and 87 per cent non-PSU companies have indicated a preference for location where they are present (as defined in their CSR policy), 100 per cent PSU and 91 per cent non-PSU companies have implemented projects in the locality of their presence or operations.

Details of the outreach or people impacted have been disclosed by 94 per cent PSU and 93 per cent of non-PSU companies as against 35 per cent and 15 per cent in the base year respectively, which is a significant increase for output driven KPIs. While there is a shift to monitor and report the output level information, it is only in the years to come, we will be able to analyse, if companies start monitoring outcome level KPIs.

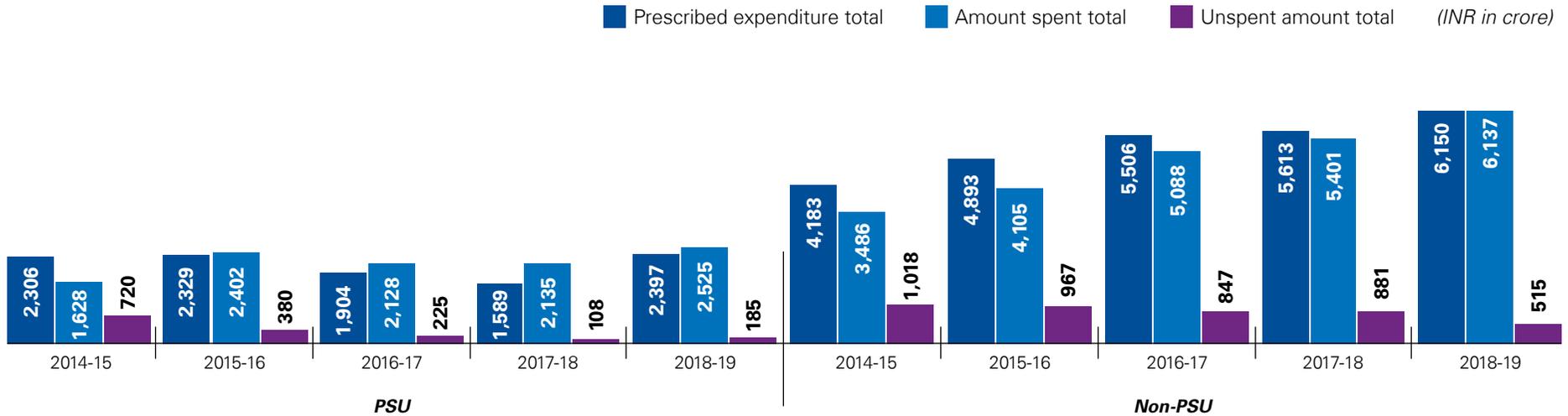
The involvement of employees as volunteers for the implementation of CSR projects during the current year has been disclosed by 8 per cent PSU and 51 per cent non-PSU companies. With amendments in the Act, 'salary paid by the company to volunteers of the company (in proportion to company's time or hours spent specifically on CSR) can be factored into CSR project cost as part of the CSR expenditure' was omitted. It will be interesting to understand if companies account for salaries for employees as volunteers, to CSR, which post this amendment was withdrawn, and is not permissible.

In the current year, 94 per cent of PSU and all non-PSUs have disclosed their CSR expenditure in the annual report. Non-PSU companies have made considerable improvement when compared with the base year (26 per cent). However, 18 per cent PSU companies still fail to report details on CSR in prescribed format and provide responsibility statement, as mandated by the act. Also, all PSU companies and 47 per cent non-PSUs that have unspent amount, have disclosed intent to carry forward the same in the annual report in the current financial year.

The reporting of administrative expenses has increased from 15 per cent and 29 per cent for PSU and non-PSU companies in the base year to 53 per cent for both PSU and non-PSU companies in the current year. Similarly, reporting of overhead expenses has increased from 10 per cent and 21 per cent for PSU and non-PSU companies in the base year to 28 per cent in the current year. However, transparent reporting of admin and overhead expenses still remains a concern even after five years post the introduction of Section 135.



# CSR spends



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

Although the number of PSU companies has reduced, the prescribed CSR expenditure of them during the current year has increased by almost 26 per cent, from INR1904 crore in 2016-17 to INR2397 crore in 2018-19.

The prescribed CSR expenditure of non-PSU companies during the current year has increased by 47 per cent from INR4183.4 crore in 2014-15 to INR6150 crore in 2018-19. While only half (47 per cent) PSU have spent 2 per cent or more, greater than two third (80 per cent) of non-PSU companies have spent 2 per cent or more of the prescribed CSR expenditure.

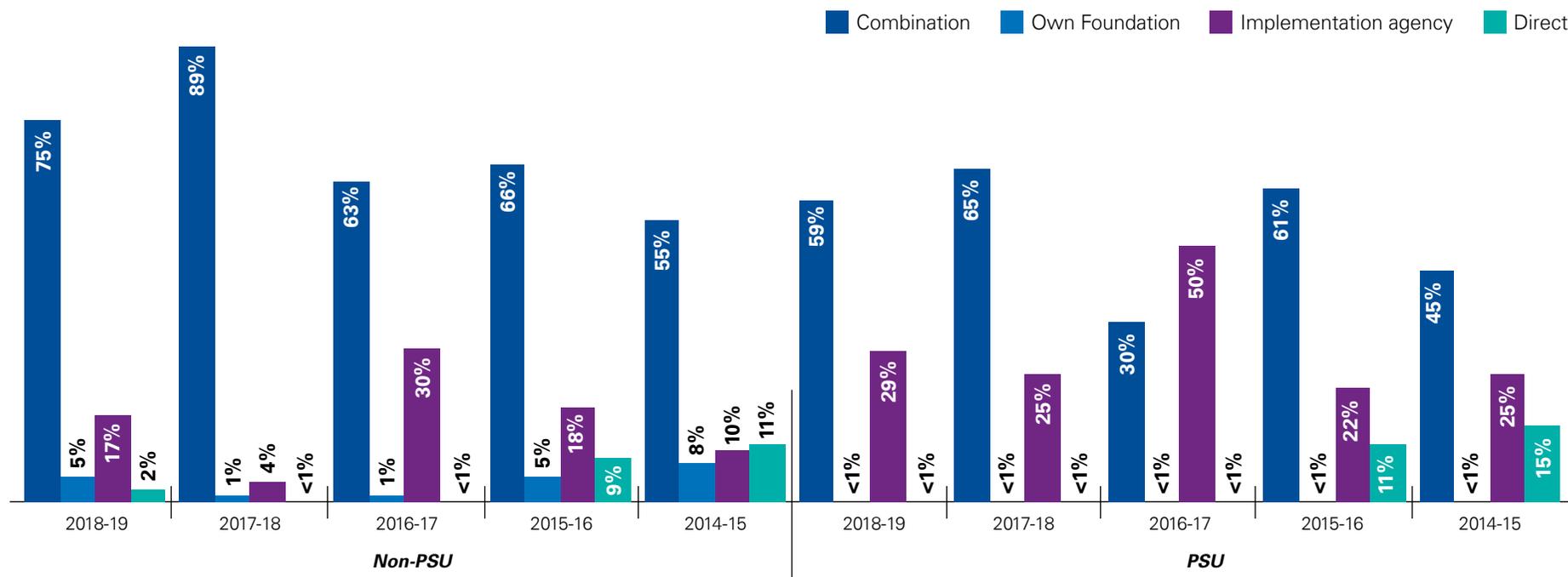
It is interesting to note that against the prescribed CSR expenditure, PSU had spent only 71 per cent during 2014-15. However, there has been a significant increase during the current year with a spend of 105 per cent (against the requirement to spend INR2397 crore, INR2525 crore has been spent).

Although, the total CSR expenditure by non-PSU companies during the current year has increased by more than 76 per cent, from INR3486 crore in 2014-15 to INR6137 crore in 2018-19, they still fall short of the requirement to spend prescribed INR6150 crore.

In the Schedule VII area of Welfare Funds, almost 84 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. In the area of technology incubators, 100 per cent of the expenditure has been made by non-PSUs.



## CSR project management-implementation modality



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

Two PSU companies and one non PSU company have not disclosed mode of implementation in annual report, a mandatory provision, in the current year.

During the current year, an increase in preference for executing projects through implementing agencies is seen in case of both PSU and non-PSU companies. The preference for this option by PSU companies increased from 25 per cent in the base year to 29 per cent in the current year,

and from 10 per cent in the base year to 17 per cent in the current year for the case of non-PSU companies.

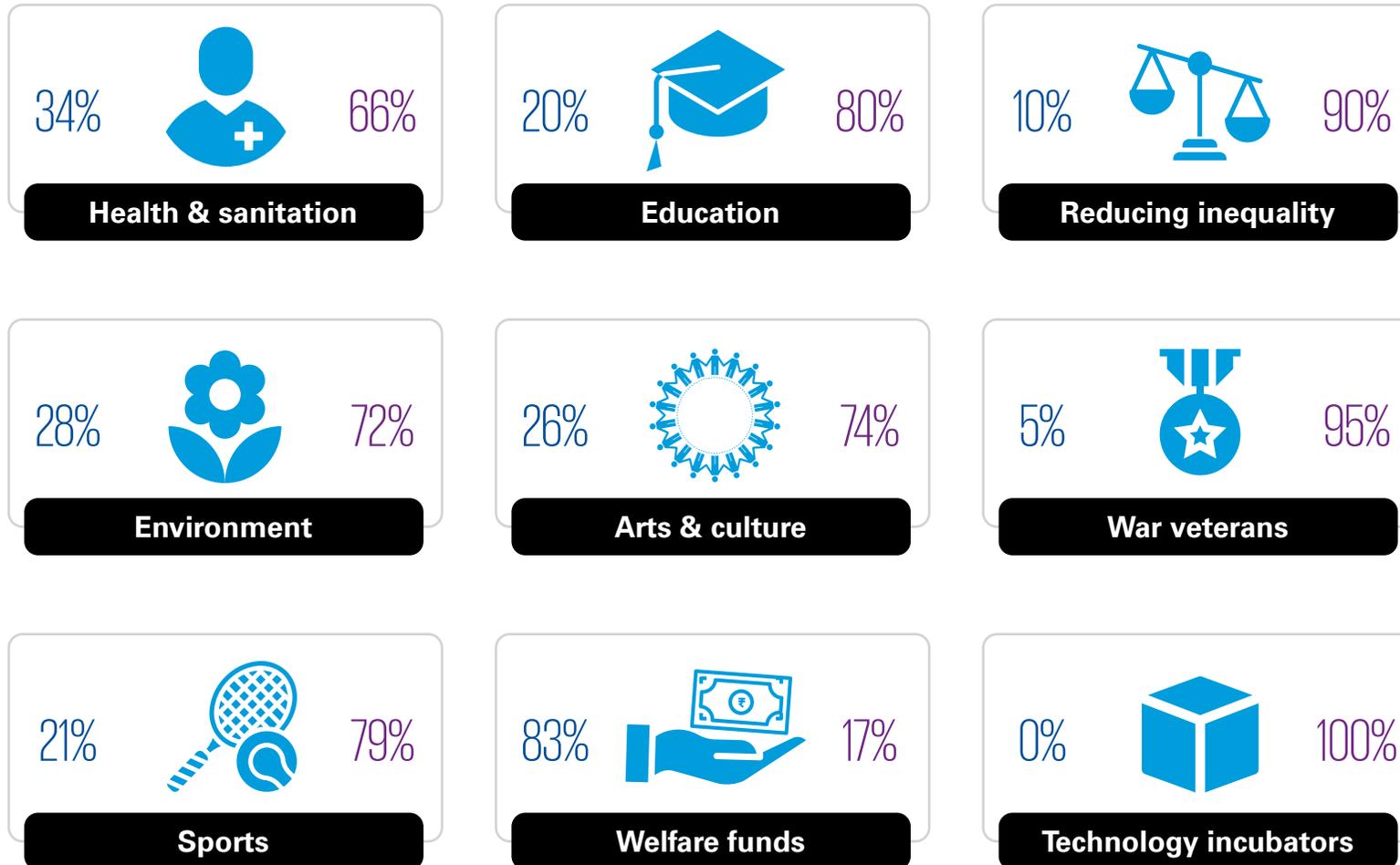
As compared to 75 per cent non-PSU companies, 59 per cent PSU companies have reported to have implemented CSR projects through combination mode. For both PSU and non-PSU companies this mode of implementation has seen a decline over the last year. Non-PSU companies have seen a sharper decline wherein almost 25 per cent have not chosen this implementation approach.

PSU companies executed 1011 projects (49 per cent) which account for 29 per cent of the total CSR expenditure during the current year. In case of non-PSU companies, 1069 projects (51 per cent) were executed with an expenditure to the tune of 71 per cent. However, it is interesting to know that the average cost per project is significantly lower in case of PSU (INR6.04 crore) against for non-PSU companies (INR6.2 crore).

# CSR project management – alignment to Schedule VII

## Schedule VII wise CSR expenditure

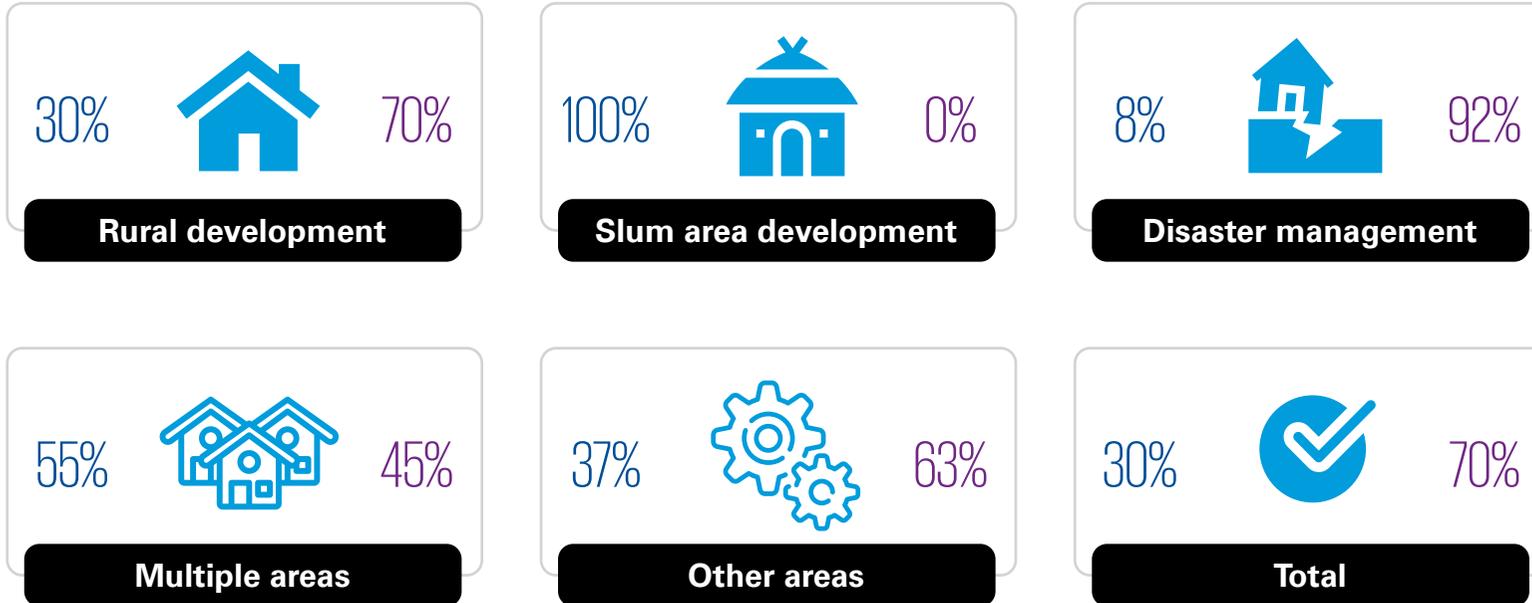
■ PSU ■ Non-PSU



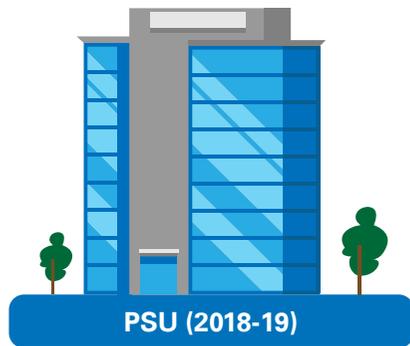
# CSR project management – alignment to Schedule VII

## Schedule VII wise CSR expenditure

■ PSU ■ Non-PSU

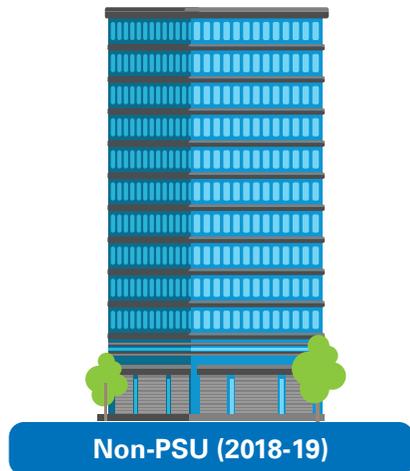


## CSR project management – alignment to Schedule VII



Schedule VII activity	Expenditure (INR in crore)
Health	732
Rural development	342
Education	547
Total	1621
<b>Total (per cent)</b>	<b>62%</b>

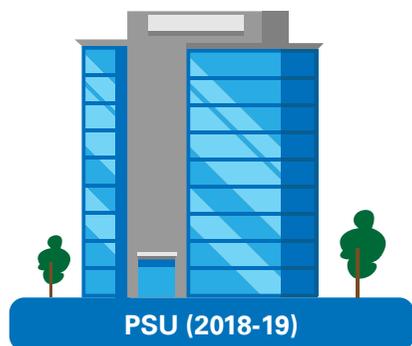
PSUs have a total expenditure of INR2600 crore, of which the top three activities (expenditure wise) are on health, rural development and education to the tune of INR1621 crore (62 per cent of the total expenditure on all Schedule VII activities for PSU).



Schedule VII activity	Expenditure (INR in crore)
Education	2227
Health	1412
Rural development	801
Total	4442
<b>Total (per cent)</b>	<b>73%</b>

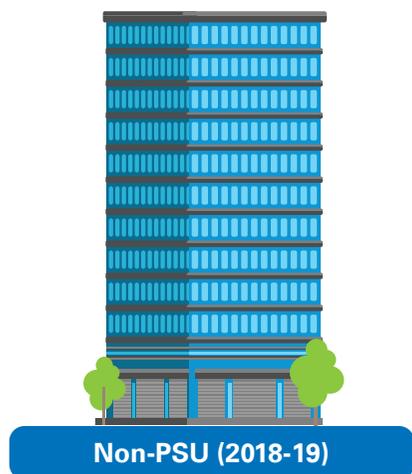
Non-PSU companies have a total expenditure of INR6091 crore, of which the top three activities (expenditure wise) are on education, health and rural development to the tune of INR4442 crore (73 per cent of the total expenditure on all Schedule VII activities for non-PSU).

## CSR project management – alignment to Schedule VII



State	Expenditure (INR in crore)
Odisha	131.8
Assam	63.47
Delhi	52
Total	247.27
<b>Total (per cent)</b>	<b>10%</b>

PSU's have a total expenditure of INR2600 crore, of which the top three projects (expenditure wise) are in the States of Odisha, Assam and Delhi to the tune of INR247 crore (10 per cent of the total expenditure by all PSU's)



State	Expenditure (INR in crore)
Maharashtra	549.09
Karnataka	107.58
Uttar Pradesh	66.41
Total	723.08
<b>Total (per cent)</b>	<b>12%</b>

Non-PSU companies have a total expenditure of INR6091 crore, of which the top three projects (expenditure wise) are in the States of Maharashtra, Karnataka and Uttar Pradesh to the tune of INR723 crore (12 per cent of the total expenditure by all non-PSU companies)

## CSR project management – key sectoral analysis PSU/non-PSU

### PSU

This year N100 has a total of 17 PSU's from four sectors i.e. BFSI (5), Energy and power (10), Mining and metals (1) and Services (1).

Nearly one third of expenditure by PSUs is towards health activities (INR732 crore) of which 85 per cent (INR620 crore) is contributed by Energy and power sector PSUs, the major activity in the same being components of the Government's Swachh Bharat Program. Energy and power sector PSUs are also contributing significantly towards education activities (93 per cent of the entire expenditure by PSU's towards education i.e. INR507 crore). Expenditure towards Rural Development is to the tune of INR342 crore by PSUs (13 per cent of overall PSU expenditure), of which BFSI PSUs contribute INR125 crore and Energy and power PSU's contribute INR167 crore (activities include investment towards infrastructure development, government schemes and developing alternate energy sources such as solar lightings).

Of all the projects executed by PSUs, 73 per cent are implemented by implementation agencies which in turn accounts for 58 per cent of the entire expenditure by PSU companies.

### Non-PSU

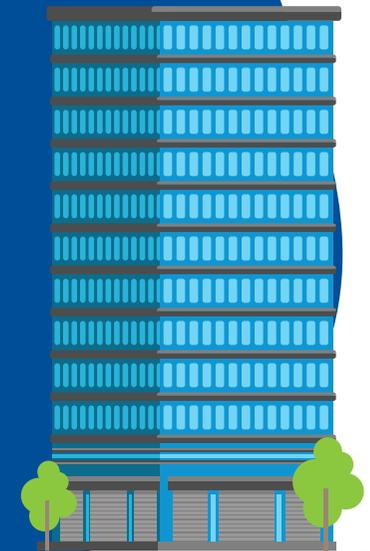
This year N100 has a total of 83 non-PSU companies of which except Services sector, remaining all the sectors have presence of non-PSU companies.

The total expenditure is to the tune of INR6091 crore, of which BFSI contributes 2 per cent (INR1318.6 crore) and IT consulting and software contributes 20 per cent (INR1197.6 crore). All the Schedule VII activities have received contribution from non-PSU companies, thus ensuring the diversity towards addressing the developmental challenges.

Education (INR2227.48 crore, 36.57 per cent) has received the highest expenditure from non-PSU companies followed by health (INR1413 crore, 23 per cent) and rural development (INR801 crore, 13 per cent).

Other Schedule VII activities such as reducing inequalities (90 per cent), war veterans (95 per cent), technology incubators (100 per cent) and responding to disasters (92 per cent) have received significant traction from non-PSU companies wherein the overall contribution has been more than 90 per cent of the expenditure towards these activities.

For non-PSU companies, 46 per cent of the projects are executed by implementation agencies, which accounts for 41 per cent of the entire expenditure by non-PSUs.



↓ Less than previous year/base year 
 ↑ More than previous year/base year 
 ■ Same as previous year

## Summary – PSU vs non-PSU (Trends)

Sl. No.	Mandatory	PSU	Trend (as compared to 2014-15)	Non-PSU	Trend (as compared to 2014-15)
1	CSR policy in public domain	88%		100%	
2	CSR disclosure availability in prescribed format	82%		100%	
3	Areas of intervention in CSR policy	88%		99%	
4	Mode of implementation in CSR policy	82%		94%	
5	Monitoring framework in CSR policy	88%		100%	
6	Treatment of surplus in CSR policy	71%		76%	
7	Stand-alone CSR committee	76%		95%	
8	Reference to CSR policy in annual report	88%		99%	
9	CSR policy web link	76%		100%	
10	Responsibility statement in annual report	82%		96%	
11	Separate Reporting of overhead expenses	18%		28%	
12	Separate Reporting of admin expenses	53%		53%	
13	Mode of implementation in annual report	82%		90%	
14	Direct mode of implementation in annual report	0%		2%	
15	Own Foundation mode of implementation in annual report	0%		5%	
16	Implementation agency mode of implementation in annual report	29%		17%	
17	Combination mode of implementation in annual report	59%		75%	
Sl. No.	Non-mandatory	PSU	Trend (as compared to 2014-15)	Non-PSU	Trend (as compared to 2014-15)
1	Vision/Mission/ Philosophy in CSR policy	82%		99%	
2	Governance structure in CSR policy	82%		95%	
3	Disclosure on outreach/people impacted in annual report	94%		93%	
4	Disclosure on amount spent in annual report	94%		100%	

# 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, 82 are of Indian origin and remaining 18 are of non-Indian origin companies.



## CSR policy

The Act mandates providing a summary of the CSR policy and its web-link in the annual report. As of 30 September, 2019, 2 per cent Indian origin companies have failed to disclose details regarding CSR policy and of these, one company has not disclosed the same for the last five years. 100 per cent of the non-Indian origin companies have disclosed these details. Availability of CSR policy in public domain for non-Indian origin companies has improved to 100 per cent from 94 per cent in the first year of disclosure. Disclosure of the CSR policy weblink in the annual reports for the non-Indian origin companies have changed to 100 per cent as compared to 94 per cent in the base year.

97 per cent Indian origin companies have included areas of intervention in their CSR policy as compared to 51 per cent in the base year. All non-Indian origin companies have disclosed these details and the improvement is 67 per cent over the base year which is a significant improvement in terms of disclosure. 10 per cent of the Indian origin companies and 38 per cent non-Indian origin companies have gone ahead and aligned their CSR activities to 'Global Goals for Good – SDG's.

Nine per cent Indian origin companies still fail to disclose details regarding mode of implementation in CSR policy, whereas all non-Indian origin companies meet this requirement. 9 per cent Indian origin companies and 13 per cent non-Indian origin companies of those that have disclosed the mode of implementation deviate in terms of the actual modes of implementation for CSR Projects as disclosed in the annual report.

Of Indian origin companies, 24 per cent and 37 per cent non-Indian origin companies still do not meet the mandatory requirement to disclose details regarding treatment of surplus, and remains a concern. 98 per cent of the Indian origin companies are disclosing details on monitoring framework in the current year as compared to 80 per cent in the base year, while all non-Indian origin companies meet this requirement.

While 63 per cent of the companies (all Indian origin companies) that have not spent 2 per cent prescribed CSR budget and do not have a mention of carry forward in CSR policy, have gone ahead and committed in their annual report to carry forward the unspent CSR budget to next year.

Of Indian origin companies, 93 per cent and 88 per cent of the non-Indian origin companies have disclosed information about CSR governance structure, which is not mandatory. 96 per cent of the Indian origin companies have disclosed details on the role of CSR committee in the CSR policy and 72 per cent companies have disclosed details on composition of CSR committee. 100 per cent of the non-Indian origin companies have disclosed details on the role of CSR committee in the CSR policy and only 75 per cent have disclosed details on the composition of CSR committee.





## CSR committee

Of N100, 90 per cent Indian origin companies have a stand-alone CSR committee as compared to 78 per cent in the base year. The same is 100 per cent for non-Indian origin companies as compared to 89 per cent in the base year. Out of the total Indian origin companies who have a stand-alone CSR committee, 65 per cent companies have more than four committee members. Further, 99 per cent of the Indian origin companies and 100 per cent of the non-Indian origin companies have greater than or equal to three members in the CSR committee (nine members observed as highest among one entity).

As a part of the CSR committee, 60 per cent of the Indian origin companies have more than one independent director against none in the base year 2014-15. The trend is 63 per cent for non-Indian origin companies as against none in the base year 2014-15. Of the Indian origin companies, 54 per cent and 75 per cent of the non-Indian origin companies have independent director as Chairperson of the CSR committee.

As compared to eight per cent in 2016-17, 62 per cent of the Indian origin companies have CEO/MD as the Chairperson of the CSR committee. This is an increase of over 600 per cent compared to the base year indicating the increased involvement of the top executives / management in CSR Governance. This trend is 88 per cent for non-Indian origin companies as compared to none in 2016-17.

Of the Indian origin companies, 59 per cent have women members in the CSR committee and 21 per cent companies have women as Chairperson of the CSR committee. In case of non-Indian origin companies, 88 per cent have women members in the CSR committee and 50 per cent have women as Chairperson of the CSR committee.

More than three CSR committee meetings have been conducted by 34 per cent of the Indian origin companies as compared to 28 per cent in the base year. Only 13 per cent of non-Indian origin companies have held three committee meetings in the current year as against five per cent in the base year.



## CSR disclosure in the annual report

CSR disclosure in annual report for both Indian origin and non-Indian origin companies is 100 per cent as compared to 84 per cent and 94 per cent respectively in the base year. The improved high levels of disclosure indicate increased management focus on CSR at the Board level.

Reference to CSR policy in the annual report 96 per cent of companies in the current year as compared to 41 per cent in the base year, for Indian origin companies it has increased by more than 100 per cent over the base year. 96 per cent companies have disclosed web link of the CSR policy. In case of non-Indian origin companies, both reference to CSR policy and web link is 100 per cent as compared to 50 per cent and 94 per cent respectively in the base year.

All Indian origin companies have provided details of focus areas in the annual report as compared to 51 per cent in the base year. The same is 88 per cent for non-Indian origin companies compared to 61 per cent in the base year. Increased disclosure indicates company's willingness towards bringing transparency in communication to stakeholders.

Of Indian origin companies, 87 per cent have indicated preference for spending in local areas as defined in their CSR policy, while 82 per cent of these companies have implemented projects locally. For non-Indian origin companies, 88 per cent companies have indicated spending in local areas as indicated in their CSR policy, while 100 per cent of these companies have implemented projects locally as disclosed in their annual report.

Of Indian origin companies, 93 per cent and 88 per cent non-Indian origin companies have disclosed details on the outreach of their CSR projects against the 20 per cent and 17 per cent respectively in the base year. This significant increase is a reflection of increasing shift towards monitoring

and reporting on the project outputs by the companies. Such disclosure, although not mandated by the Act, is a good practice.

Of Indian origin companies, 57 per cent and 88 per cent non-Indian origin companies have disclosed details around employee volunteering for implementation of CSR projects in their annual report.

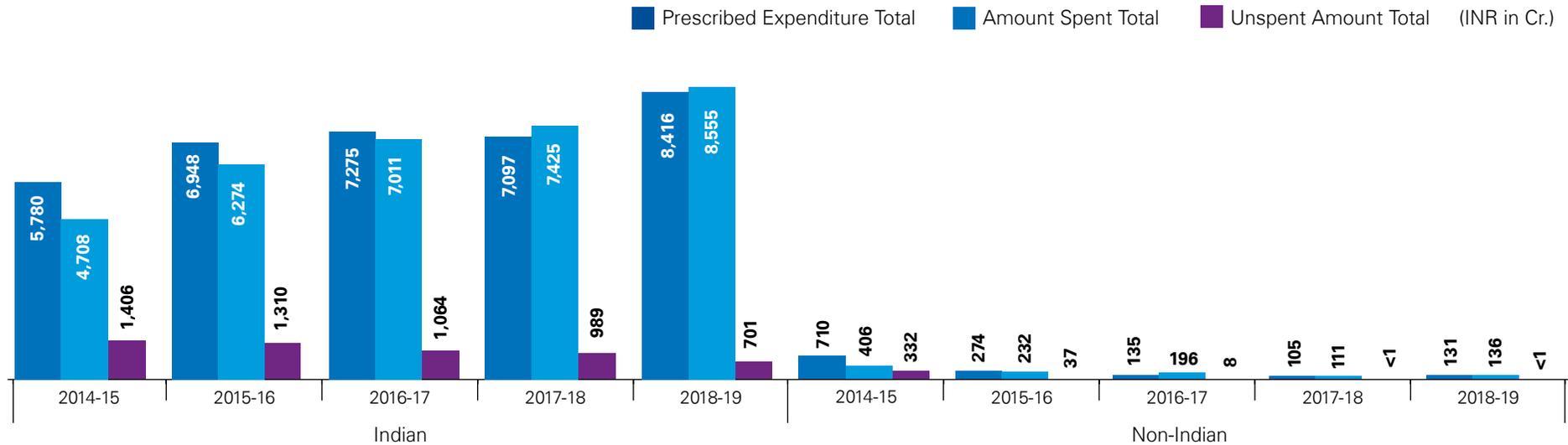
Of Indian origin companies, 99 per cent and 100 per cent non-Indian origin companies have disclosed details regarding CSR expenditure in the annual report as against 30 per cent and 33 per cent respectively for the base year.

CSR disclosure availability in the prescribed format is 97 per cent for Indian origin companies and 100 per cent for non-Indian origin companies. This is an increase as compared to 84 per cent and 94 per cent respectively in the base year.

Of all Indian origin companies, 73 per cent were required to provide reason for unspent amount as compared to 43 per cent in 2015-16. 100 per cent of these Indian origin companies have provided the reason for not spending 2 per cent as compared to 97 per cent in 2015-16. None of the non-Indian origin companies in the current year has unspent amount and hence were not required to provide an explanation for the same. While 63 per cent of the companies (all Indian origin companies) that have not spent the mandated 2 per cent prescribed CSR budget and do not have a disclosure of carrying forward the unspent amount in CSR policy, have gone ahead and committed in their annual report to carry forward the unspent CSR budget to next year.

During the current year 93 per cent of the Indian origin companies have disclosed the responsibility statement in their annual reports as compared to 91 per cent in the base year. The same is 100 per cent for non-Indian origin companies, as compared to the 94 per cent in the base year.

# CSR spends



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

The prescribed CSR expenditure of Indian-origin companies has increased by 45 per cent from INR5780 crore in the base year to INR8416 crore in the current year. The total CSR expenditure by Indian origin companies has increased by 81 per cent from INR4708 crore in the base year to INR8555 crore in the current year. Against the prescribed CSR expenditure, Indian origin companies had spent 81 per cent amount during the base year, which has increased to 102 per cent during the current year. The average prescribed CSR expenditure per company has increased from INR85 crore in the base year to INR98 crore in the current year, the average amount spent by Indian origin companies during the current year has increased by almost 40 per cent from INR67 crore in the base year to INR94 crore in the current year.

The prescribed CSR expenditure for non-Indian origin companies has decreased from INR710 crore to INR131 crore in the current year when compared to the base year. Similarly, the average prescribed CSR expenditure per non-Indian origin companies company has decreased from INR44 crore in the base year to INR19 crore (almost 58 per cent) in the current year. The average amount spent by non-Indian origin companies during the current year has decreased by 29 per cent from INR24 crore in the base year to INR17 crore during the current year.

The total CSR expenditure during the current year by non-Indian origin companies has also decreased by 42 per cent from INR406 crore in the base year to INR136 crore in the current year. 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 the base year, which increased to 104 per cent during the current year.

## CSR project management – implementation modality

Of N100, 89 per cent Indian origin companies and 88 per cent non-Indian origin companies have disclosed mode of implementation in the annual report in the current year.

One per cent Indian origin and 12 per cent non-Indian origin companies have executed projects exclusively through the direct mode of implementation in the current year compared to 12 per cent and 11 per cent in the base year.

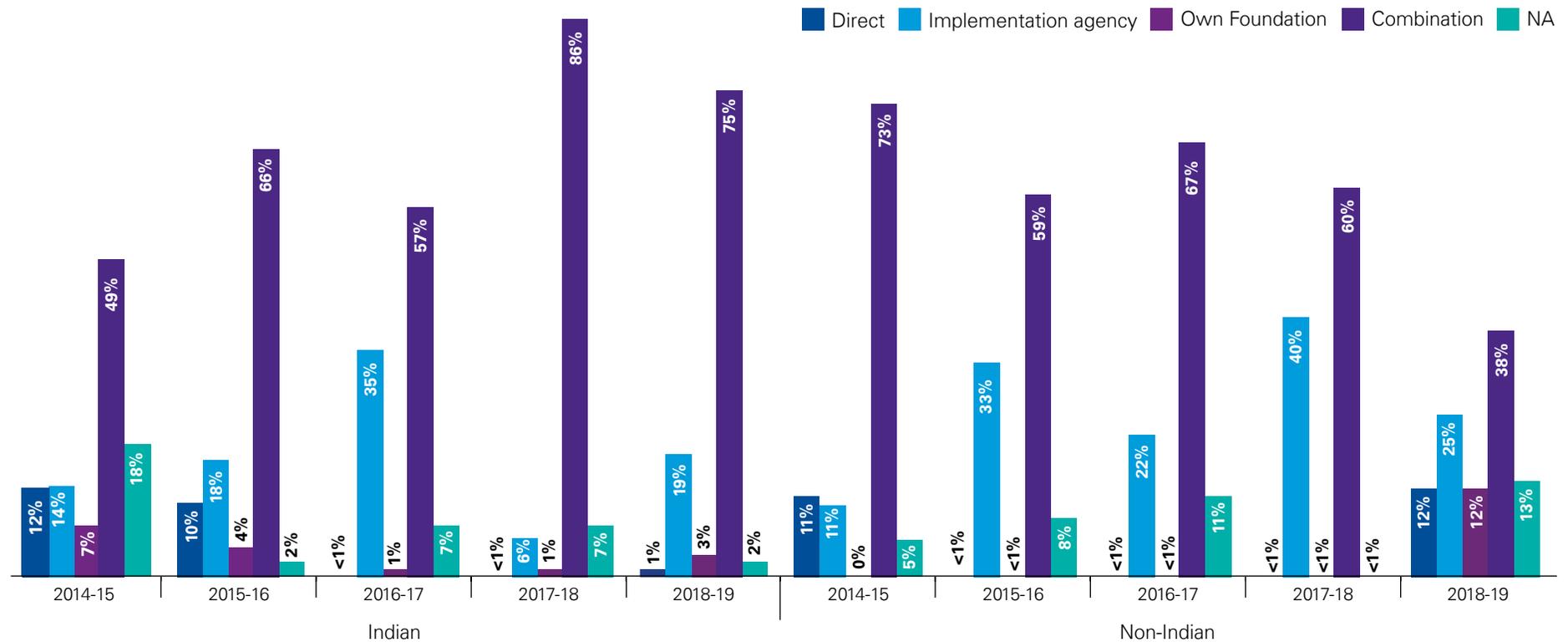
Mode of implementation exclusively through implementation agencies has increased marginally. Of the Indian origin companies, 14 per cent had opted for this mode of implementation in the base year compared to 19 per cent in the

current year. In the case of non-Indian origin companies, the percentage has increased from 11 per cent in the base year to 25 per cent in the current year.

Of the Indian origin companies, 75 per cent have chosen the mode of implementation through a combination of direct, own foundation and implementation agency in the current year, a significant increase of 49 per cent using this approach in the base year. However, the trend has reduced significantly for non-Indian origin companies that have only 38 per cent using this approach as compared to 73 per cent in the base year.

Indian origin companies executed 2004 projects (96 per cent), which account for more than 95 per cent of the total CSR expenditure during the current year. The average cost per project is higher in case of Indian origin companies (INR4.45 crore) against INR2.06 crore for non-Indian origin companies.

Of the Indian origin companies, 93 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 four years.

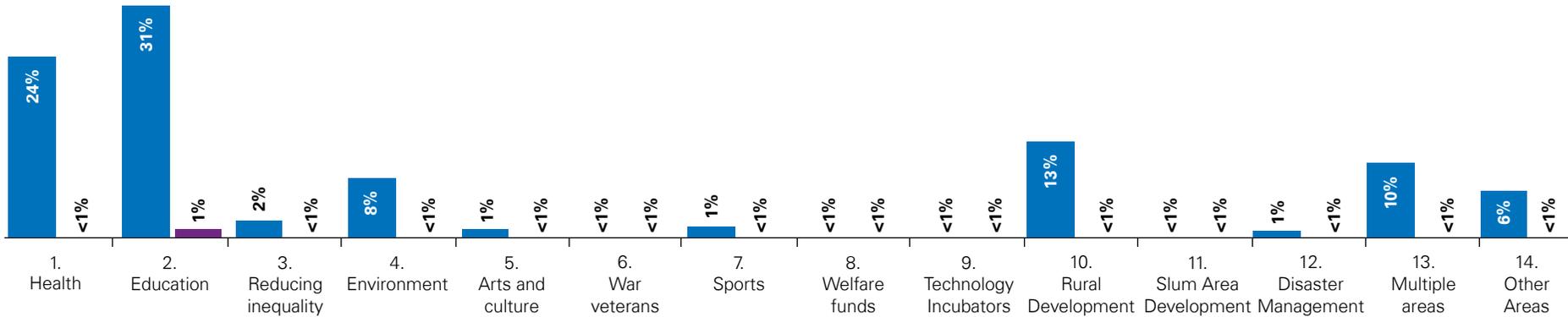


Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

# CSR project management – alignment to Schedule VII

Schedule VII wise expenditure percentage of total expenditure

Indian origin companies Non-Indian origin companies



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

**Indian Origin (2018-19)**

Schedule VII activity	Expenditure (INR in crore)
Education	2708
Health	2106
Rural development	1121
<b>Total</b>	<b>5936</b>
	<b>69%</b>

The total CSR expenditure by Indian origin companies is 98 per cent of the entire expenditure by N100 companies and thus trend of expenditure towards Schedule VII activities is similar to the overall trend by N100 companies wherein health, education and rural development were key focus areas attracting the expenditure of INR5936 crore (70 per cent of the overall expenditure by Indian origin companies). Schedule VII activities which had miniscule contribution from Indian origin companies are arts and culture, war veterans, welfare funds, technology incubators and slum area development and responding to natural disasters. 60 per cent of Indian origin companies prefer to collaborate with implementation agencies for executing their CSR activities, which in the tune of INR3945 crore.

**Non-Indian Origin (2018-19)**

Schedule VII activity	Expenditure (INR in crore)
Education	66
Health	38
Rural development	23
<b>Total</b>	<b>127</b>
	<b>89%</b>

50 per cent of the non-Indian origin companies are consumer product companies which contributes 40 per cent towards the entire expenditure (INR56 crore) by non-Indian origin companies. Majority of the expenditure by these companies is towards education which is approximately 66 crore (skilling and livelihood promotion are the major focus areas), wherein 55 per cent of the expenditure in education is from Consumer product companies (INR36 crore). 36 per cent of these companies prefer to collaborate with implementation agencies for executing their CSR activities. Schedule VII activities which did not attract any expenditure from non-Indian origin companies are arts and culture, war veterans, welfare funds, technology incubators and slum area development.

## CSR project management – State wise spends

### Indian Origin (2018-19)

State	Expenditure (INR in crore)
Maharashtra	477
Karnataka	108
Odisha	77
Total	662
	8%

Indian origin companies have a total expenditure of INR8555 crore, of which the top three projects (expenditure wise) are in the States of Maharashtra, Karnataka and Odisha to the tune of INR662 crore (8 per cent of the total expenditure by all Indian origin companies).

### Non-Indian Origin (2018-19)

State	Expenditure (INR in crore)
Karnataka	4.41
Maharashtra	3.65
Rajasthan	1.9
Total	9.96
	7%

Non-Indian origin companies have a total expenditure of INR136 crore, of which the top three projects (expenditure wise) are in the States of Karnataka, Maharashtra and Rajasthan to the tune of INR10 crore (7 per cent of the total expenditure by all non-Indian origin companies).



↓ Less than previous year/base year 
 ↑ More than previous year/base year 
 ■ Same as previous year

## Summary – Indian vs non-Indian origin companies (Trends)

Sr. No.	Mandatory	Indian	Trend (compared to 2014-15)	Non-Indian	Trend (compared to 2014-15)
1	CSR policy in public domain	98%		100%	
2	Areas of implementation in CSR policy	97%		100%	
3	Mode of implementation in CSR policy	97%		100%	
4	Monitoring framework in CSR policy	91%		100%	
5	Treatment of surplus in CSR policy	98%		100%	
6	Presence of CSR committee	76%		63%	
7	Stand-alone CSR committee	90%		100%	
8	Disclosure on CSR in the annual report	96%		100%	
9	Reference to CSR policy in annual report	96%		100%	
10	Disclosures on CSR in the format prescribed in annual report	93%		100%	
11	Responsibility statement in annual report	27%		13%	
12	Reporting separately on direct and overhead expenses on projects in annual report	54%		38%	
13	Companies that have disclosed details regarding admin expenses in annual report	89%		88%	
14	Mode of implementation in annual report	1%		12%	
15	Own Foundation mode of implementation in annual report	3%		12%	
16	Implementation agency mode of implementation in annual report	19%		25%	
17	Combination mode of implementation in annual report	75%		38%	
Sr. No.	Non-mandatory	PSU	Trend (compared to 2014-15)	Non-PSU	Trend (as compared to 2014-15)
1	Vision/mission/philosophy in CSR policy	98%		100%	
2	Governance structure in CSR policy	93%		88%	
3	Disclosure on outreach/people impacted in annual report	93%		88%	
4	Disclosure on amount spent in annual report	99%		100%	



# CSR by nature and types of companies

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 in to 13 sectors, which include Automobile and allied sector, BFSI, Cement, Construction industry, Information Technology (IT) consulting and software, Energy and power, Consumer products, Industrial manufacturing, Telecom, Mining and metals, Services, Pharmaceuticals, Media and entertainment and Chemicals.

## CSR policy

The Act mandates providing a summary of the CSR policy and its web-link in the annual report. Two companies from the BFSI sector have failed to disclose their CSR policy and web-link, one, consistently over the last five years.

Automobile, Pharmaceutical, Mining and metals and Cement and construction sectors are compliant to most of the mandatory requirements in CSR policy, whereas BFSI and Energy and power miss meeting the compliance requirements in majority of parameters.

Disclosure on monitoring framework is the most compliant parameter across the sectors, whereas disclosure with regards to treatment of surplus is least compliant parameter in CSR policy.

All Pharmaceuticals, Automobile and allied products, IT consulting and software have disclosed these details in the current year with regards to mode of implementation, as against 91 per cent of Energy and power, 86 per cent of Mining and metals and Industrial manufacturing sector and 85 per cent of BFSI companies.

From Mining and metals sector, 14 per cent and 40 per cent of BFSI sector companies have failed to disclose with regards to treatment of surplus in the CSR policy.

## CSR committee

As per the Act, companies are mandated to have a Board level CSR committee.

In the current year, all companies of Automobile and allied products, Pharmaceuticals and Mining and metals have a stand-alone CSR committee, as against 82 and 83 per cent of Energy and power and IT consulting and software companies respectively.

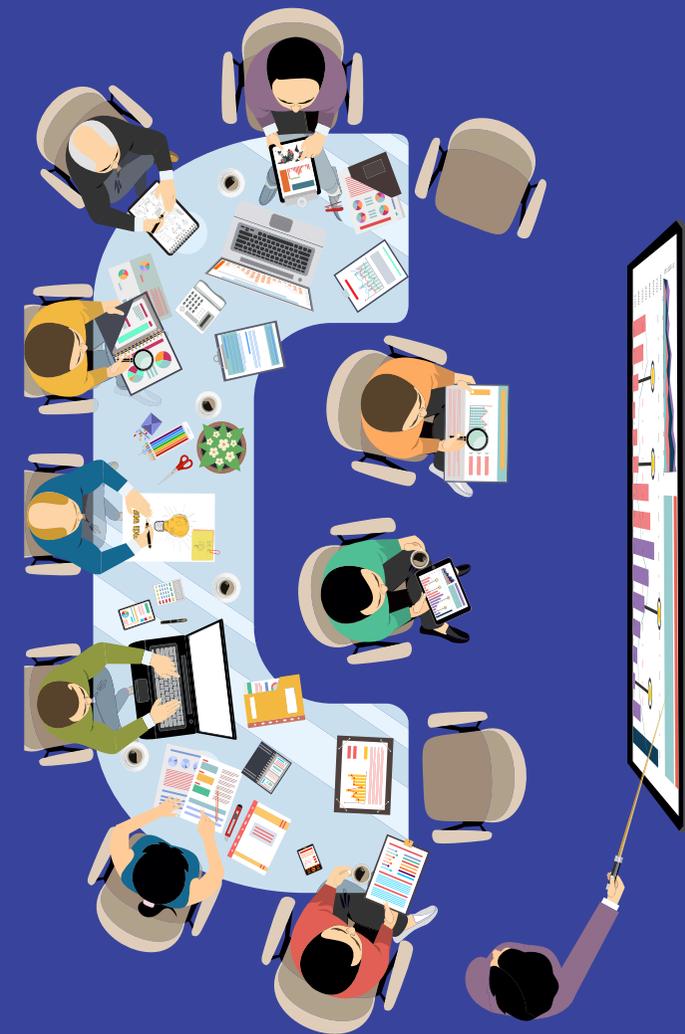
Energy and power sector have the highest number of CSR committee members. BFSI sector has the highest number of independent directors on CSR committee along with highest number of independent directors as Chairperson of CSR committee.

BFSI sector along with Consumer product sector have the highest number of women directors on CSR committee as well as the highest number of women directors as Chairperson of CSR committee.

Energy and power sector has the highest number of CSR committee meetings and the highest average CSR committee meetings.

Automobile, Pharmaceuticals and Cement and construction sectors are compliant to all the mandatory requirements of CSR committee, whereas BFSI sector along with Energy and power sectors miss meeting the compliance requirements.

It is insightful to observe that BFSI and Energy and power sector companies have highest number of CSR committee meetings and members in the CSR committee but still they underperform in compliance parameters such as separate reporting of admin expenses.



## CSR disclosure in the annual report

As per the Act, the annual report of a company should include details on CSR. During the current year, all N100 companies have met this requirement compared to 86 per cent in 2014-15.

In the current year, all companies of Automobile and allied products, Energy and power, Pharmaceuticals, Mining and metals, IT Consulting and software companies and Consumer products sectors have disclosed details of the CSR amount spent in the annual report as against 93 per cent of BFSI sectors.

In the current year, 100 per cent of companies in the Pharmaceuticals sector have shared details of outreach or people impacted in the annual report, compared to 82 per cent of Energy and power sector companies. Such disclosure, although not mandated by the Act, is a good practice.

In the current year, all companies in the Automobile and allied products, Energy and power, Pharmaceuticals, Mining and metals, IT Consulting and software companies have disclosed CSR details in the prescribed format, as against 89 per cent in the BFSI sector.

Disclosing the administrative expenses and overhead expenses in the prescribed format is a mandatory requirement as per the Act. 73 per cent pharmaceutical companies have disclosed details regarding admin expenses, whereas less than 50 per cent companies of Energy and power, BFSI and Consumer products sectors have disclosed details regarding the same. 35 per cent of Consumer products companies have disclosed details regarding overhead expenses, whereas less than 17 per cent companies of Cement and construction sector disclose details regarding overhead expenses. Transparent reporting of admin and overhead expenses still remains a concern even after five years post the introduction of Section 135 by the MCA.

BFSI sector companies have seen the maximum participation 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 or hours spent specifically on CSR) can be factored into CSR project cost as part of the CSR expenditure' was omitted. It will be interesting to understand if companies account for salaries for employees as volunteers, to CSR, which post this amendment was withdrawn, and is not permissible.

Ministry of Corporate Affairs issued a notification in May 2018 (General Circular No. 06/ 2018), directing companies to focus their CSR expenditure in local areas. All companies of Energy and power, Cement and construction, Pharmaceuticals and IT consulting and software sectors have implemented projects in the locality of their presence and stated community alignment in their CSR policy.

Automobile and Pharmaceutical sector companies are compliant to majority of the mandatory requirements of disclosures in annual report, whereas BFSI sector companies are yet to meet the compliance requirements.



## CSR spends

Parameter (INR in crore)	Energy and power	BFSI	IT Consulting and Software	Consumer products	Mining and metals	Automobile and allied products	Cement and construction	Pharmaceuticals	Telecom
No. of companies	11	27	6	17	7	8	6	11	3
Prescribed amount	2862.9	1743.6	1308.8	750.4	495.3	553.5	273.5	283.7	155.7
Budget outlay	3042.6	1859.8	1309.3	750.3	521.2	553.4	287.3	283.6	155.7
Amount spent	3025.32	1562.19	1197.64	786.25	765.5	581.72	310.14	288.58	94.02
Unspent amount	116	221.6	126.4	0	73.7	13.1	4.9	27.7	64.7
Budgeted Vs prescribed	106%	107%	100%	100%	105%	100%	105%	100%	100%
Spent Vs budgeted	99%	84%	91%	105%	147%	105%	108%	102%	60%
Spent Vs prescribed	106%	90%	92%	105%	155%	105%	113%	102%	60%

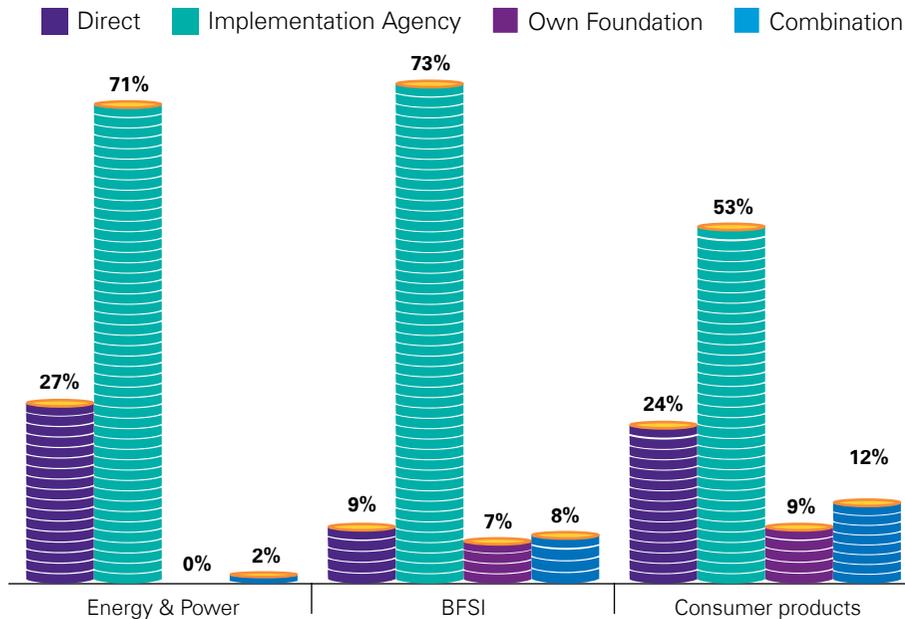
A total of four sectors have committed higher CSR budgets against the prescribed 2 per cent CSR expenditure, of which BFSI tops the list with a commitment of 107 per cent, followed by Energy and power (106 per cent), Mining and metals sector (105 per cent) and Cement and construction sector (105 per cent).

Automobile and allied products sector companies have seen the highest increase (183 per cent) in their prescribed 2 per cent amount (INR304 crore to INR553.45 crore), followed by IT Consulting and software (182 per cent), Pharmaceuticals (176 per cent), BFSI (157 per cent), Consumer products (146 per cent), Energy and power

(125 per cent) and Cement and construction companies (113 per cent). At the same time, Mining and metals sector industries have seen a reduction of 30 per cent in their prescribed CSR amount.

# CSR project management – implementation modality

Implementation modality by no. of projects



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

Energy and power (43 per cent), BFSI (14 per cent) and Consumer products (10 per cent) are the top three sectors in terms of number of projects implemented, which is two-thirds of the total projects implemented by India Inc. (N100).

Implementation by implementation agencies was observed as the preferred mode of project execution by these sectors as on an average more than 65 per cent of the projects were executed through them.

Energy and power, BFSI and IT Consulting sectors are the top three sectors in terms of absolute CSR expenditure during 2018-19.

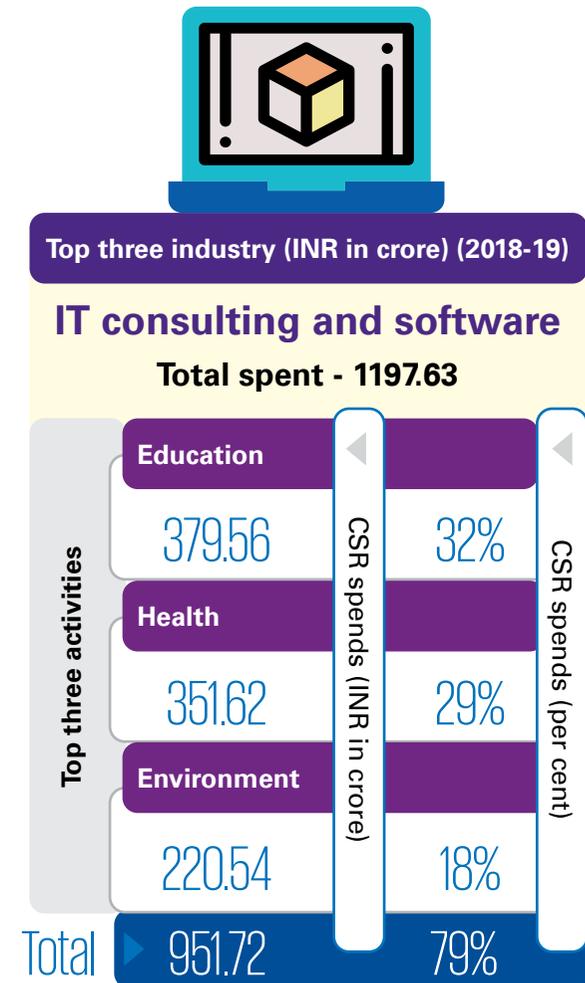
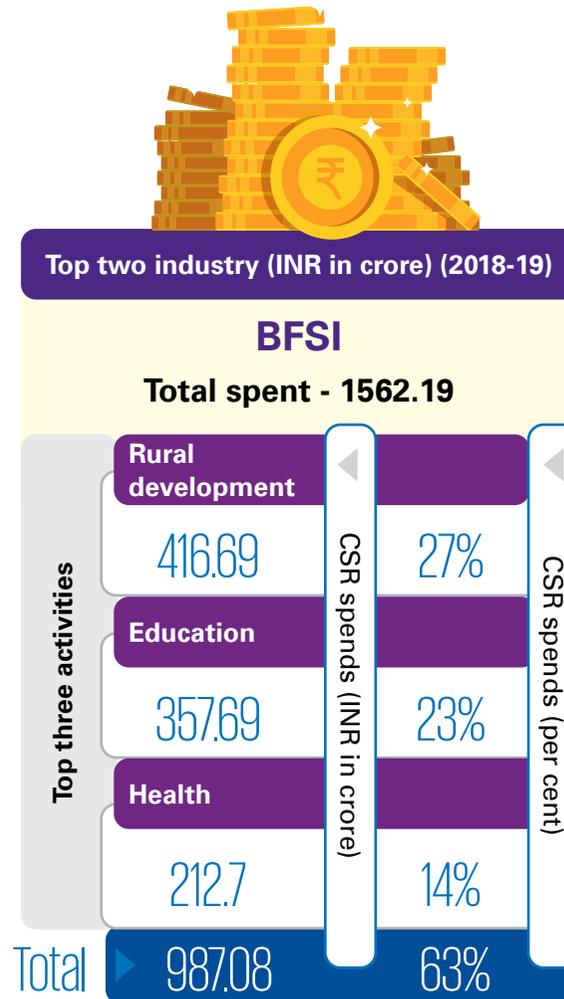
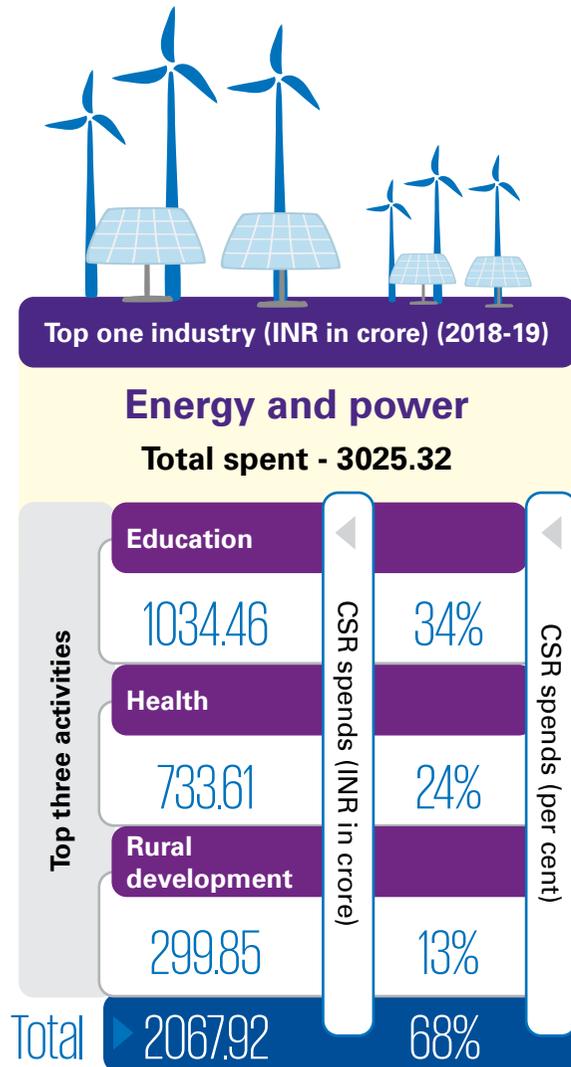
Energy and power sector accounts for INR3025 crore of which the top three activities (expenditure wise) are on education, health and rural development to the tune of INR2068 crore (68 per cent of the total expenditure on all Schedule VII activities by Energy and power sector companies).

BFSI sector accounts for INR1562 crore of which the top three activities (expenditure wise) are on rural development, education, health to the tune of INR987 crore (63 per cent of the total expenditure on all Schedule VII activities by BFSI sector companies).

IT consulting sector accounts for INR1198 crore of which the top three activities (expenditure wise) are on education, health and environment to the tune of INR951 crore (79 per cent of the total expenditure on all Schedule VII activities by BFSI sector companies).



# CSR project management – alignment to Schedule VII



# CSR project management – no. of projects, amount spent and average project cost

In absolute numbers, Energy and power sector has spent the highest towards CSR (INR3025.32 crore) followed by BFSI (INR1562.19 crore) and IT consulting and software (INR1197.63 crore) account for 66 per cent of total expenditure by India Inc. (N100). Services (INR13.51 crore), Industrial manufacturing (INR18.06 crore) and Media and entertainment (INR22.7 crore) are at the bottom in terms of their absolute CSR expenditure.

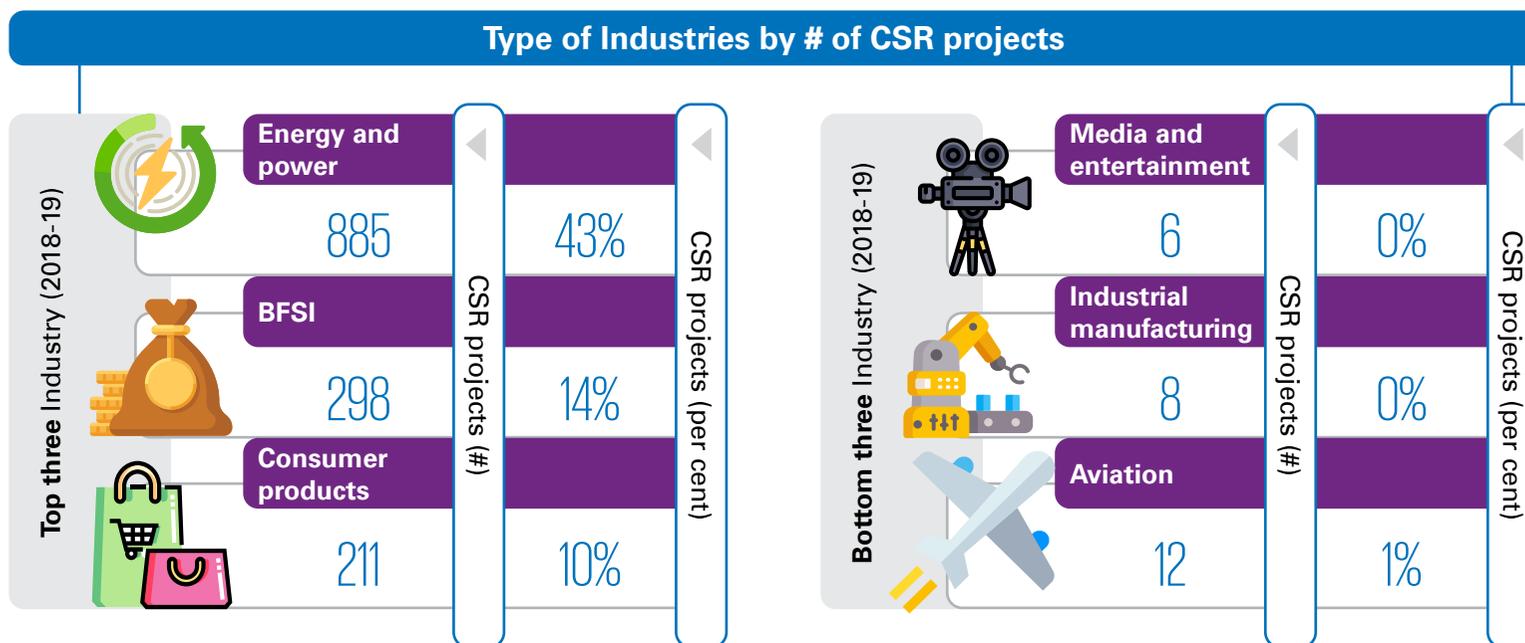
In terms of percentage of CSR expenditure, the Mining and metals sector tops the list of spending at almost 155 per cent against the prescribed 2 per cent amount, followed by Cement and construction (113 per cent), Energy and power (106 per cent), Consumer products (105 per cent)

and Automobile and allied products (105 per cent). These sector companies have spent more than 2 per cent of the prescribed CSR amount. BFSI, IT, Media and entertainment, Services, Aviation and Telecom are at bottom of the list, with spending less than prescribed 2 per cent amount towards CSR.

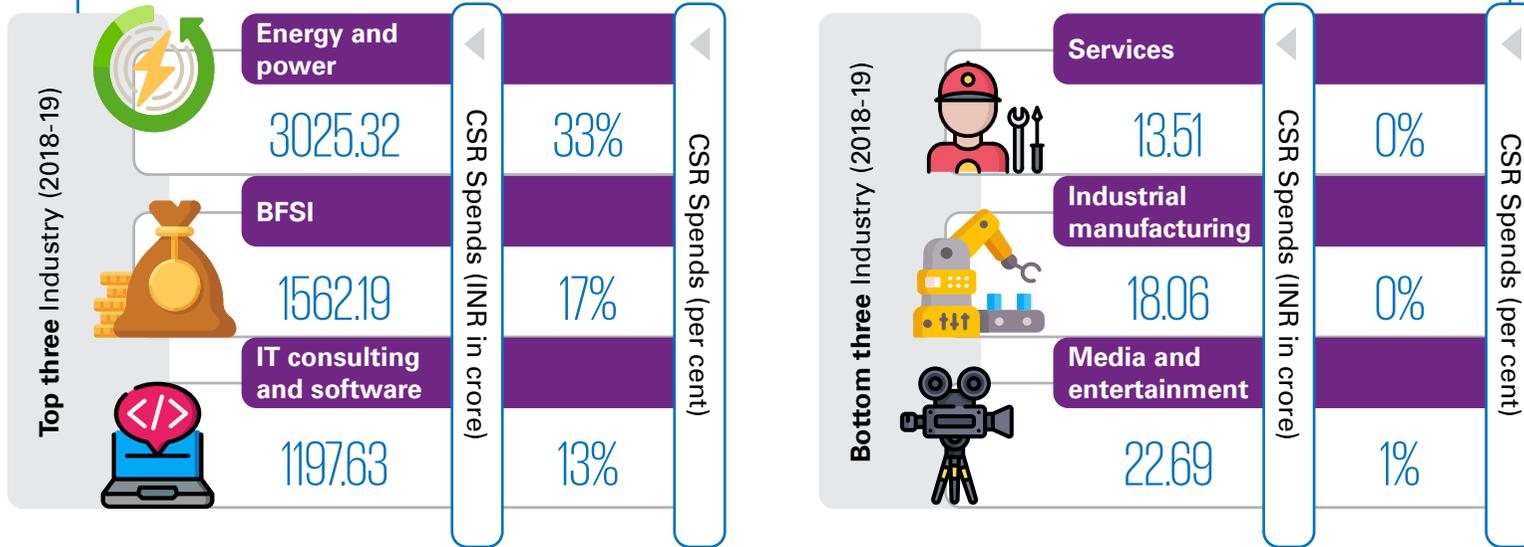
Energy and power, BFSI and Consumer products are the sectors with maximum number of CSR projects, to the tune of approximately 67 per cent of CSR projects of 2018-19.

The average project cost is highest in case of IT consulting sector (INR14.09 crore) followed by BFSI (INR5.24 crore) and Cement and construction (INR5.17 crore).

Out of the total expenditure, on Schedule VII activities by BFSI sector, rural area development accounts for a majority (35 per cent of their total expenditure). This indicates a strategic move by the sector to penetrate deeper into the rural areas. Pharmaceuticals sector companies have spent a majority of their CSR expenditure (41 per cent) on health. This is an indication of a strategic move to address the health needs of the sections of the society that have a weak socio-economic background.



## Type of Industries by CSR Spend



## Average Project Cost



## CSR project management – key sectoral analysis

IT sector has a total of six companies of N100. The total expenditure is to the tune of INR1197.64 crore, of which almost 35 per cent of it is towards education. In education, majority of expenditure is towards skilling related to IT skills and engineering trades. Contribution from Projects related to environment is close to 18 per cent of the overall expenditure by IT companies.

Automotive sector has a total of eight companies of N100. The total expenditure is to tune of INR581 crore, of which more than 60 per cent is spent towards education (INR250 crore) and environment (INR103 crore). Within education the expenditure is primarily towards two flagship activities i.e. majority of the companies have focus on road safety (~ INR64 crore), and all companies have focus on skilling related to automotive and allied sector trades (INR139 crore) and remaining is towards education related projects. Environment related project includes activities such as tree plantation, water conservation, etc.

Pharma sector has a total of 11 companies of N100. The total expenditure is to the tune of INR289 crore, of which majority of the expenditure is towards health.

Cement and construction sector has a total of six companies of N100. The total expenditure is

to the tune of INR310 crore of which majority of the expenditure is towards education. Within education, majority of the expenditure is towards construction sector skilling.

Energy and power sector has a total of 11 companies of N100. The total expenditure is to the tune of INR3025 crore (33 per cent of the total expenditure by N100). Of education, majority of the expenditure is towards skilling. Of health, maximum expenditure is towards Swachh Bharat Mission. All PSU companies within Energy and power sector have CSR project on alternative energy. Majority of them contribute/collaborate with local administration and aids towards government schemes.

BFSI sector has a total of 27 companies of N100. The total expenditure is to the tune of INR1562 crore (18 per cent of the total expenditure by N100). 27 per cent of the total expenditure by BFSI companies is towards rural development activities such as infrastructure development, Pradhan Mantri Sahaj Bijli Yojana and solar street lighting. The expenditure on education is to the tune of INR358 crore (23 per cent) with majority of companies having skilling and knowledge programs on financial literacy and credit knowledge.

A large field of solar panels is shown in the foreground, extending towards the horizon. The panels are dark and arranged in a grid pattern. The sky above is a vibrant orange and yellow, indicating a sunset or sunrise. The overall scene is bright and clear.

Mining and metals sector has a total of seven companies of N100. The total expenditure is to the tune of INR765.50 crore, of which almost 40 per cent of it is towards health. Of health, 57 per cent of expenditure has been made by one non-PSU company.

Consumer products has a total of 17 companies of N100. The total expenditure is to the tune of INR786 crore (9 per cent of the total expenditure by N100). Two-third of the CSR spending by consumer products companies is towards health (36 per cent) and Education (31 per cent). Of health, maximum expenditure is towards curative health (health clinics and camps) followed by the Swachh Bharat Mission and of education, majority of companies spend on skilling and entrepreneurship activities in strategically aligned areas.

# CSR by turnover of India Inc. (N100)

This section analyses the CSR-related aspects such as governance, spends and project management by India Inc. (N100). 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

The Act mandates providing a  
**summary of the  
CSR policy**

and its web-link in the annual report.

**Of the bottom 25  
companies, 88 per cent**

have disclosed their governance structure in their  
CSR policy.

Role of CSR  
committee has been  
disclosed by all

**bottom 25  
companies**

in their CSR policy.

**Of N100, 98 companies**

have disclosed their CSR policies and have  
mentioned their web-links. Two companies  
which belong to the top 50 companies (in  
order of turnover of companies) have failed to  
disclose the CSR policy and web-link.

In the current year, **68 per cent  
of the top 25 and  
72 per cent of the bottom  
25 companies**

have declared the surplus arising out of CSR  
activities.

It is interesting to observe that as against

**92 per cent of the top  
50 companies**

that have disclosed details regarding their CSR  
vision/ mission/ philosophy in their CSR policy,

**100 per cent of the  
bottom 50 companies**

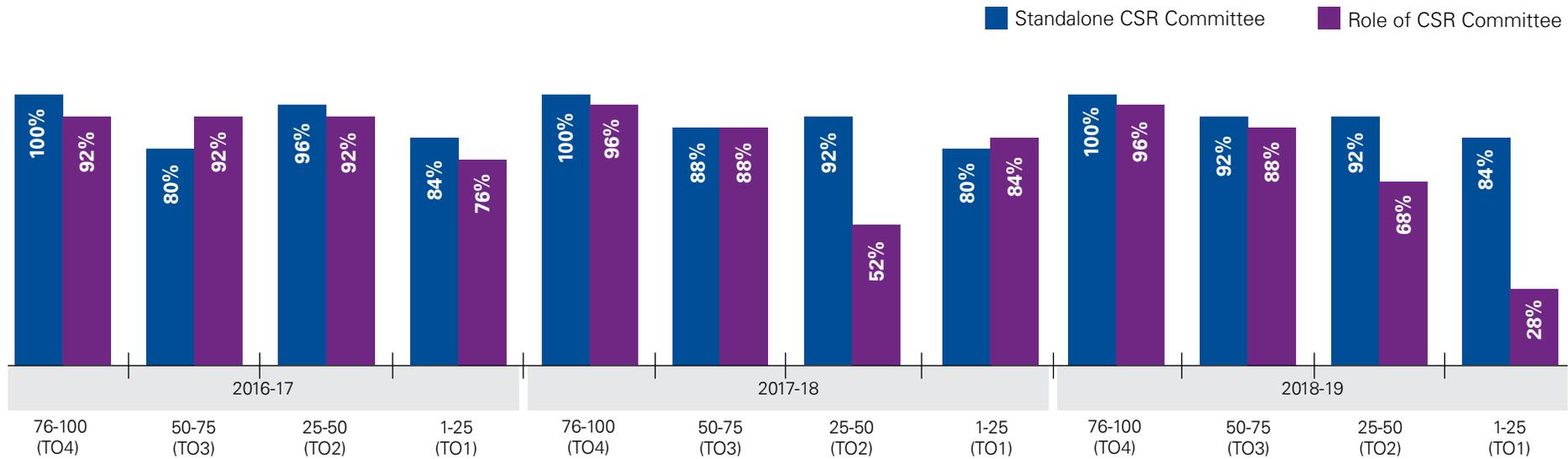
have disclosed the same.

**Of the top 25 companies,  
88 per cent and bottom  
25 companies, 92 per  
cent,**

have disclosed details regarding the approach  
towards monitoring CSR interventions.



# CSR committee



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

Of the top 25 and bottom 25 companies, 84 per cent and 100 per cent have formed stand-alone CSR committees, respectively. For the bottom 25 companies, 100 per cent companies have constituted a stand-alone CSR committee for the past three years.

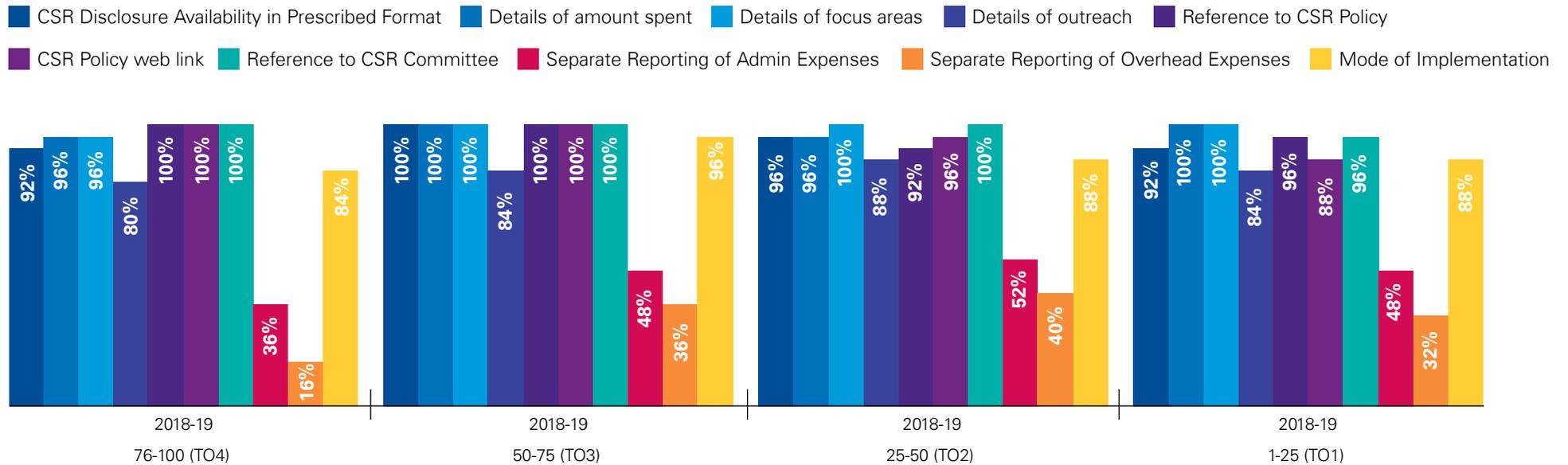
Of the top 25 and bottom 25 companies, 28 per cent and 96 per cent companies have respectively disclosed the roles and responsibilities of the CSR committee.

More than 95 per cent of top 25 companies by turnover, had three or more than three CSR committee meetings in the current year, an improvement of 126 per cent from 2016-17.

CSR committees of 60 per cent of the top 25 companies do not have any women as members of the CSR committee. Whereas the same is applicable for only 36 per cent of the bottom 25 companies.



# CSR disclosure in the annual report



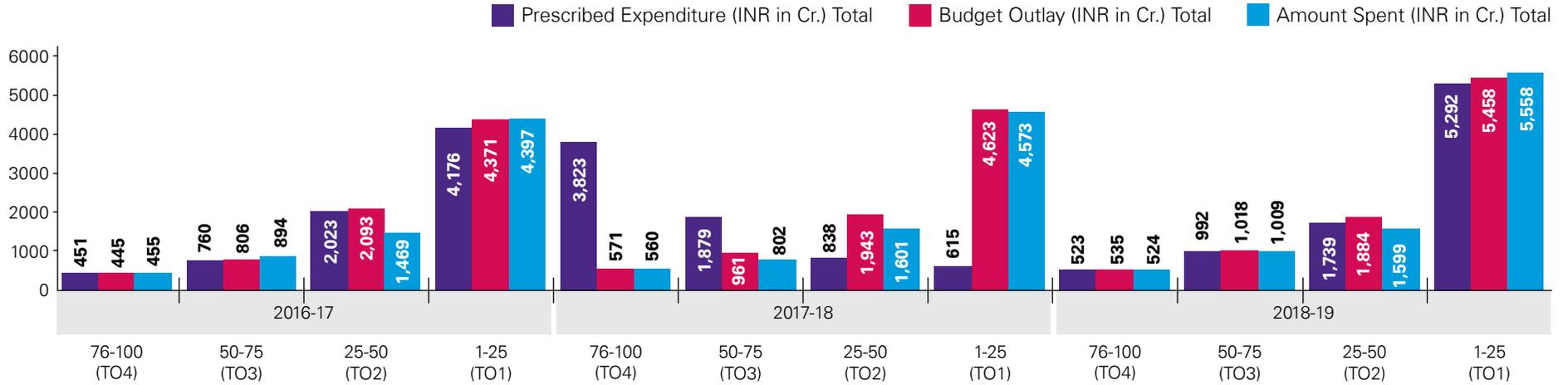
Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

Disclosure of details of the amount spent in the annual report by the bottom 50 companies increased significantly from 16 companies in 2016-17 to 49 companies in the current year (an increase of 212 per cent). A similar increase has been observed for the top 50 companies, wherein 49 companies reported details of the amount in the current year against 31 companies in 2016-17, an increase of 58 per cent.

Reference to the CSR policy in the annual report, is provided by all of the bottom 50 companies this year as against 27 companies in 2016-17 (85 per cent increase). Disclosure of details on outreach in the annual report has also increased from 25 in 2016-17 to 46 in the current year (an increase of 84 per cent) for the bottom 50 companies. Disclosure of details on the focus areas in the annual report has also increased from 33 in 2016-17 to 49 in the current year (an increase by 48 per cent) for the bottom 50 companies.

Reference to the CSR committee in the annual report is provided by all 50 of bottom 50 companies in the current year as against only 13 companies in 2016-17 (almost three-fold increase). More than 94 per cent of the top 50 companies have disclosed details regarding the outreach of CSR activities in the annual report during the current year, while more than 68 per cent had disclosed the same in 2016-17 (38 per cent increase).

# CSR spends



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.

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 42 companies this year have spent equal or higher than the prescribed CSR spends as against 27 companies in 2016-17 (55 per cent improvement).

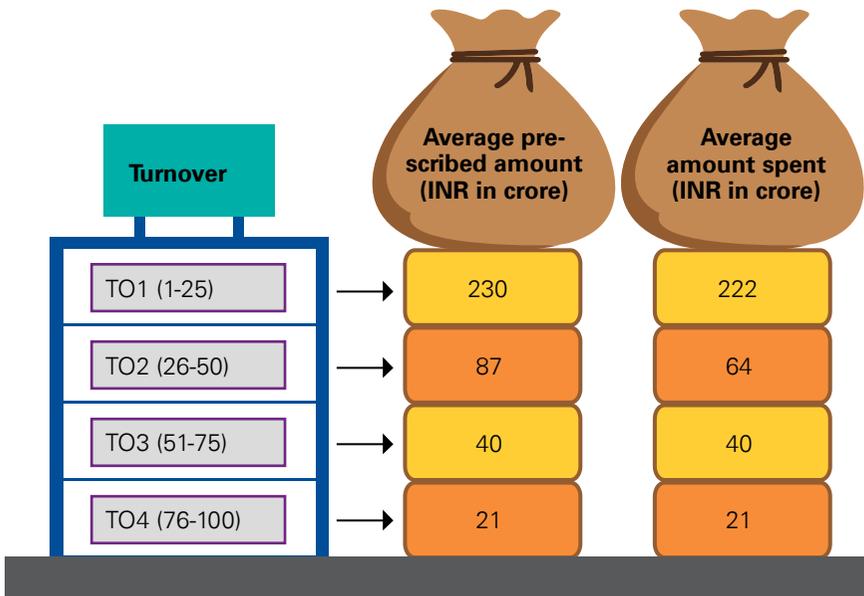
It is surprising to note that the prescribed CSR expenditure for the top 25 companies accounts for 64 per cent of the total amount to be spent by India Inc. (N100). It is even more surprising to note that the top 50 companies account for more than 82 per cent of the prescribed CSR expenditure for the current year.

The average prescribed CSR expenditure ranged from INR21 crore

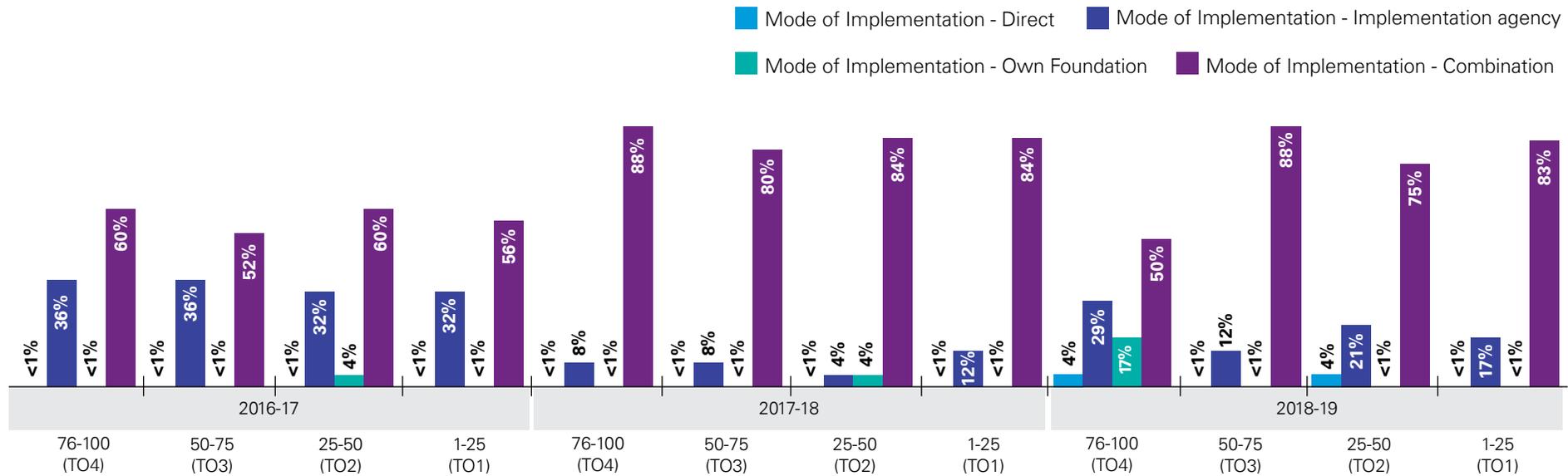
in case of the bottom 25 companies to INR230 crore for the top 25 companies. However, the average amount spent ranged from INR21 crore in case of the bottom 25 companies to INR222 crore for the top 25 companies.

Against the required CSR spending of INR7031.63 crore, the top 50 companies have spent INR7157.33 crore during the current year, i.e. 101 per cent of the prescribed 2 per cent CSR amount.

For the bottom 25 companies, against the required CSR spending of INR1516 crore, the bottom 50 companies have spent INR1534 crore during the current year, i.e. 101 per cent of the prescribed 2 per cent CSR amount, similar to that of top 50 companies, this is a clear indication that the N100 irrespective of their turnover are proactively spending their annual CSR expenditures.



# CSR project management – implementation modality



Source: KPMG in India's analysis based on India's CSR reporting survey, 2019.



Increased partnerships with implementing agencies have been observed as 13 companies of bottom 50 and 11 companies of top 50 companies have chosen to implement projects through implementing agencies in the current year as compared to four of each of the categories in 2017-18. Although the bottom 50 constitute only 21 per cent of the CSR spends, 90 per cent of the bottom 50 have disclosed the mode of implementation as against 88 per cent of the top 50. 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.

## CSR project management – alignment to Schedule VII

Of the India Inc. (N100), top 25 companies by turnover contributes around 60 per cent towards total CSR spending on education.

Health receives around 70 per cent of its total expenditure by top 25 companies. This is followed by rural development, which receives around 60 per cent of the total contribution by top 25 companies.

Top 25 companies accounts for INR5593 crore of which the top three activities (expenditure wise) are education, health and rural development to the tune of INR3820 crore (68 per cent of the total expenditure on all Schedule VII activities by top 25 companies).

Subsequent 25 companies accounts for INR1599 crore of which the top three activities (expenditure wise) are on education, rural development and health to the tune of INR1041 crore (63 per cent of the total expenditure on all Schedule VII activities by next 25 companies).

The next 25 companies accounts for INR952 crore of which the top three activities (expenditure wise) are on education, health, and rural development to the tune of INR712 crore (79 per cent of the total expenditure on all Schedule VII activities by next 25 companies).

Bottom 25 companies accounts for INR547 crore of which the top three activities (expenditure wise) are education, health and rural development to the tune of INR490 crore (79 per cent of the total expenditure on all Schedule VII activities by bottom 25 companies).

Turnover	Top three activities	CSR spends (INR in crore)	CSR spends ( per cent)
Top 25 Total Spent - 5593 (68 per cent of total CSR spends)	Education	1648.3	29%
	Health	1473.1	26%
	Rural development	698.4	12%
		3820	68%
26-50 Total Spent - 1599 (18 per cent of total CSR spends)	Education	564.4	35%
	Health	261.9	16%
	Rural development	215.0	13%
		1041.3	63%

Turnover	Top three activities	CSR spends (INR in crore)	CSR spends ( per cent)
51-75 Total Spent - 952 (11 per cent of total CSR spends)	Education	338.4	36%
	Health	253.4	27%
	Rural development	120.1	13%
		712.0	79%
Bottom 25 Total Spent - 547 (6 per cent of total CSR spends)	Education	223.7	41%
	Health	203.3	37%
	Rural development	63.1	12%
		490.0	79%

↓ Less than previous year/base year 
 ↑ More than previous year/base year 
 = Same as previous year

## Summary – Turnover-wise companies (Trends)

Sl. No.	Mandatory	Top 25	Trend (compared to 2016-17)	Bottom 25	Trend (compared to 2016-17)
1	CSR policy in public domain	96%		100%	
2	Areas of implementation in CSR policy	96%		100%	
3	Mode of implementation in CSR policy	92%		96%	
4	Monitoring framework in CSR policy	96%		100%	
5	Treatment of surplus in CSR policy	68%		72%	
6	Presence of CSR committee	100%		100%	
7	Stand-alone CSR committee	84%		100%	
8	Disclosure on CSR in the annual report	100%		100%	
9	Reference to CSR policy in annual report	96%		100%	
10	Disclosures on CSR in the format prescribed in annual report	92%		92%	
11	Responsibility statement in annual report	88%		96%	
12	Reporting separately on direct and overhead expenses on projects in annual report	32%		16%	
13	Companies that have disclosed details regarding admin expenses in annual report	56%		36%	
14	Mode of implementation in annual report	88%		84%	
Sl. No.	Non – Mandatory	Top 25	Trend (compared to 2016-17)	Bottom 25	Trend (compared to 2016-17)
1	Vision/mission/philosophy in CSR policy	92%		100%	
2	Governance structure in CSR policy	92%		96%	
3	Disclosure on focus areas in annual report	100%		96%	
4	Disclosure on outreach/people impacted in annual report	92%		96%	
5	Disclosure on amount spent in annual report	100%		100%	
6	Direct mode of implementation in annual report	0%		4%	
7	Own Foundation of mode of implementation in annual report	0%		16%	
8	Implementation agency of mode of implementation in annual report	17%		29%	
9	Combination mode of implementation in annual report	83%		50%	

# 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 of the most severe challenges faced by India. The problem of inequality is multi-dimensional in nature. High levels of inequality is present within different strata of society. Inequality has an important and critical element of spatial dimension as well.

The National Institution for Transforming India (NITI) Aayog is a policy think-tank established by the Government of India (GoI) 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 GoI.

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 States governments playing an important role for the welfare of citizens.

States 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 with 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 different pace. At the central level, the Government of India has entrusted NITI Aayog to coordinate the implementation of the SDGs.

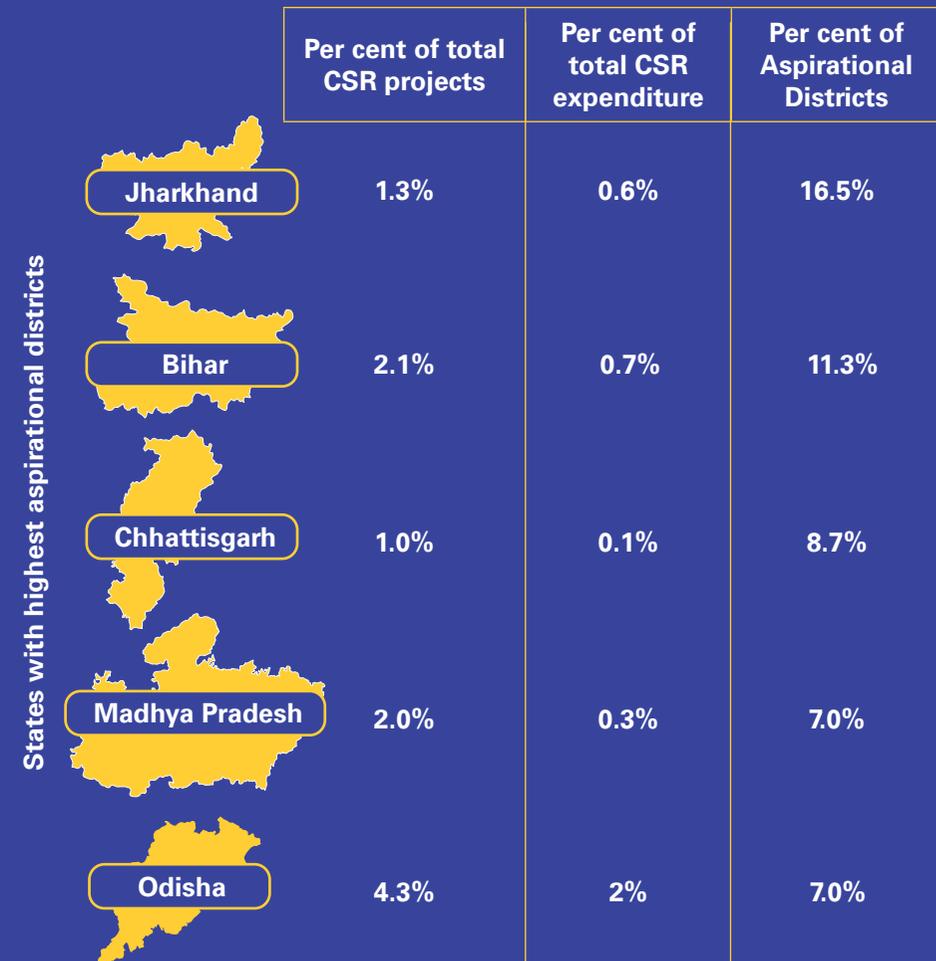
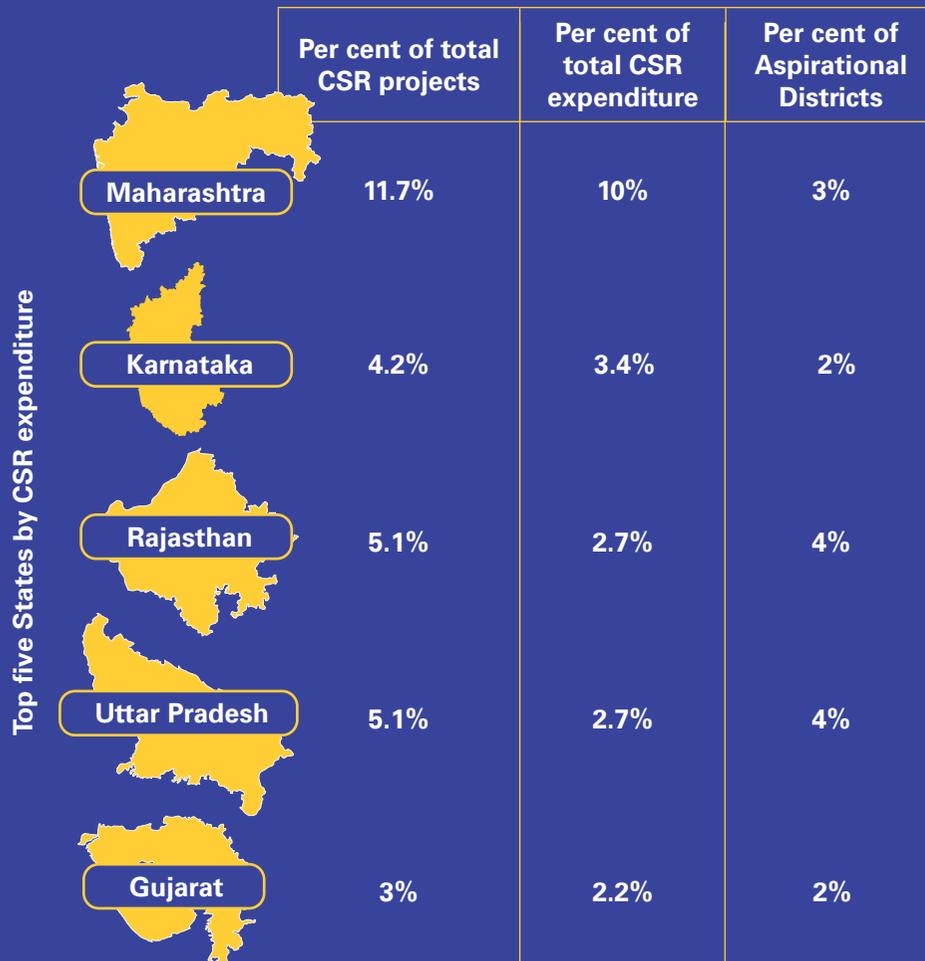
## CSR in aspirational districts

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.

Maharashtra (INR866 crore), Karnataka (INR311 crore), Rajasthan (INR247 crore), Uttar Pradesh (INR213 crore) and Gujarat (INR201 crore) account for more than 21 per cent of the CSR expenditure during the current year. These States constitute only 18 per cent aspirational districts.

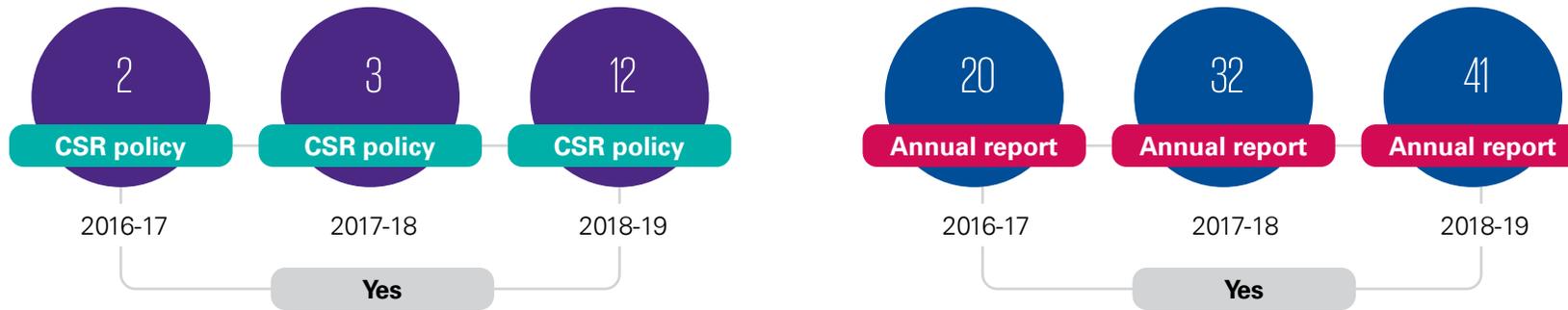
Jharkhand (19), Bihar (13), Chhattisgarh (10), Madhya Pradesh (8) and Odisha (8) account for more than 50 per cent of the aspirational district concentration across India. However, it is critical to note that these districts have only about 11 per cent of the CSR projects and receive only about 4 per cent of the total expenditure towards CSR during the current year.

It is interesting to note that the States with more than 57 per cent aspirational district concentration have received only 18 per cent of the fund, whereas States with 15 per cent concentration of the aspirational districts have received more than 21 per cent of the funds. It is suggested that India Inc.(N100) critically evaluates and selects the districts where it will incur CSR expenditure in the future.



# CSR and SDGs

## Alignment of CSR with SDGs



### Alignment to SDGs in CSR policy and disclosure in annual report

Against 20 companies from N100 companies in 2016-17, 41 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.

### Partnerships

Over 180 projects to the tune of almost INR7691 crore (almost 90 per cent of the CSR spent during the current year) were spent through a combination of direct, own foundation and partner organisation. This is a significant alignment to SDGs 17 i.e. Partnership for the Goals.

### Focus areas

Health and education continue to receive more traction from companies with almost 65 per cent of the projects and more than 61 per cent of the expenditure, which is linked to six of the 17 SDGs. Focus on the other goals is a concern.

### Community alignment

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.

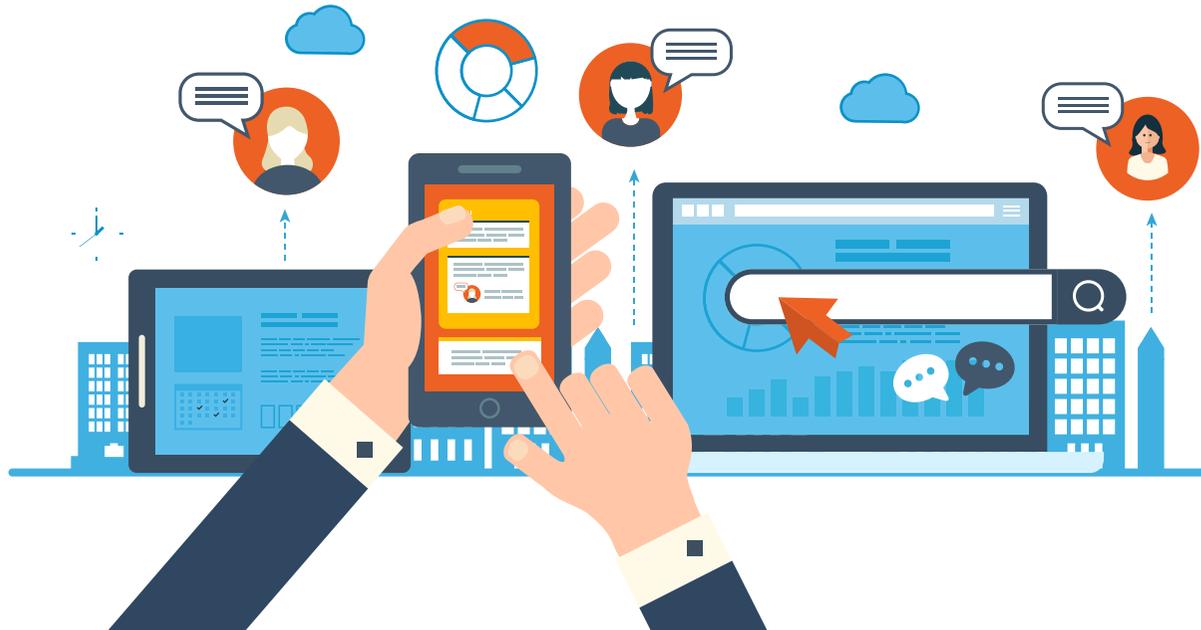
## Expenditure in aspirational districts

As suggested previously, Jharkhand, Bihar, Chhattisgarh and Odisha account for more than half of the Aspirational District concentration across India. However, it is critical to note that they account for only 11 per cent of CSR projects and 4 per cent of the total expenditure towards CSR during the current year. While Maharashtra, Rajasthan, Gujarat, Karnataka and Uttar Pradesh account for more than 20 per cent of the CSR expenditure during the current year, these have only 15 per cent Aspirational District concentration. North East has 12 per cent aspirational districts and close to only 1.35 per cent of CSR expenditure, which still reflects the lack of focus on these States during the current year.

*(\*The expenditure on Aspirational Districts may be higher than as represented above. This is primarily because disclosure on expenditure by India Inc. misses clearly disclosing States/UT wise details i.e. 29 per cent (599) of the total projects (2055) implemented by India Inc. during the current year, are executed across multiple States with an expenditure of INR6007 crore (66 per cent of total expenditure). Additionally, for over 2 per cent of the projects (46) details regarding location of implementation*

*is missing, which accounts for an expenditure of INR201 crore (2 per cent of total expenditure). The same demands for improvement in disclosure by India Inc.)*

Expenditure in Aspirational Districts by type of company: Out of the total expenditure in the aspirational districts spread across these States, it is noteworthy that 87 per cent of the expenditure is by PSU's only and almost 100 per cent of the companies working in the aspirational districts are of Indian origin. 67 per cent of the total investment in the aspirational districts is by Energy and power companies followed by BFSI companies who has made 17 per cent spending in these States. Majority of spending was towards Government schemes and developing infrastructural facilities in rural areas. This is also in lines with spending across Schedule VII activities, wherein education, rural development and health has attracted 91 per cent of the total expenditure in these States. On flip side, these States do not factor as focus geographies for Companies from the sectors such as Mining and metals, Consumer products and IT Consulting which includes 30 per cent of the companies in India Inc.



# CSR compliance

This section summarises the level of compliance against requirement of the Act.



Mandatory/Compliance Parameters		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
<b>I</b>	<b>CSR policy</b>							
1	Availability of CSR policy in public domain	98%	88%	100%	98%	97%	98%	100%
2	CSR policy weblink in annual report	96%	76%	100%	95%	97%	96%	100%
3	Disclosure on areas of intervention in CSR policy	99%	88%	99%	97%	97%	97%	100%
4	Disclosure on mode of implementation in CSR policy	94%	82%	94%	90%	95%	91%	100%
5	Disclosing details regarding the treatment of surplus arising from CSR activities	77%	71%	76%	79%	69%	76%	63%
6	Details of the monitoring framework	99%	88%	100%	98%	97%	98%	100%
<b>II</b>	<b>CSR committee</b>							
1	Disclosing CSR committee composition in the annual report	95%	82%	98%	95%	95%	95%	100%
2	Presence of stand-alone CSR committee	92%	76%	95%	93%	90%	90%	100%
3	Members in the CSR committee (at least three, of which one should be an independent director)	99%	94%	100%	100%	97%	95%	100%
4	Independent director in the CSR committee	99%	94%	100%	100%	97%	95%	100%
<b>III</b>	<b>CSR Disclosure</b>				55	38	88	
1	Disclosure on CSR in the annual report	100%	100%	100%	100%	100%	100%	100%
2	Disclosures on CSR in the prescribed format	97%	82%	100%	97%	100%	97%	100%
3	Details of average net profit or loss of the company for the last financial years	97%	88%	99%	97%	100%	98%	88%
4	Details of prescribed CSR amount	93%	82%	95%	96%	100%	93%	88%
5	Details of amount to be spent	93%	82%	95%	96%	100%	93%	88%
6	Details of total amount spent	99%	94%	100%	98%	100%	99%	100%
<b>IV</b>	<b>CSR Spends</b>							
1	Reporting separately on direct and overhead expenses on projects	26%	18%	28%	32%	21%	27%	13%
2	Mode of implementation mentioned	89%	82%	90%	95%	92%	89%	88%
3	Companies that have disclosed details regarding admin expenses	54%	53%	53%	61%	47%	54%	38%
4	Admin expenses within the limit of 5 per cent of the total expenditure on CSR	89%	88%	84%	95%	84%	90%	88%
5	Companies that have spent the prescribed 2 per cent	76%	47%	76%	70%	74%	74%	88%
6	Explanation given by companies that have failed to spend 2 per cent	100%	100%	100%	100%	100%	100%	Not required
7	Responsibility statement given	94%	82%	96%	93%	89%	93%	100%

# Terminology

1. The Act refers to the Section 135 of the Companies Act, 2013 and the Corporate Social Responsibility (Policy) Rules including subsequent notifications
2. CSR committee refers to the committee set up by the Board of 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 its own Foundation) that has proven 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 spend in 2018-19 by the total number of CSR projects in 2018-19. It may include some multi year projects, but their cost has been considered only for the year 2018-19
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 2019.
12. SDGs refer to 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development - adopted in September 2015 at UN Summit

## Terminology

13. Schedule VII refers to the activities which may be included in their CSR activities related to –

- Eradicating hunger, poverty and malnutrition, promoting health including preventive health and sanitation including contribution to the Swach 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 govt
- Rural development projects
- Slum area development; and
- Disaster management, including relief, rehabilitation and reconstruction activities.

14. Sources

- SDG India Index, Baseline Report 2018, NITI Aayog, December 2018
- Transformation of Aspirational Districts, NITI Aayog, Baseline Ranking and Real Time Monitoring Dashboard, March 2018
- Aspirational Districts: Unlocking Potentials, NITI Aayog, January 2018
- KPMG in India's analysis based on India's CSR reporting survey, 2019

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UNMOVED BY FEAR OR CONSTRAINT  
WE'RE DRIVEN BY JOSH AND IT  
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