



CSR REPORTING BY INDIAN TOP COMPANIES

Management

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ABSTRACT

The concept of Corporate Social Responsibility Reporting is almost as flexible as the concept of CSR itself. Just like every company can define to itself what CSR means, it can also choose how to communicate its CSR progress in whatever way it finds suitable. On the other hand, this level of flexibility enables companies to be creative and come up with a report that has some sort of personality, reflecting the vision, values and personality of the company. The timing of the report, closer to the fiscal year, is very apt as most of the companies are striving to report CSR initiatives on a high note. The report helps CSR professionals, more so committee members, with an opportunity to evaluate in-house projects vis-à-vis the larger CSR landscape and directs in funding projects of larger interest in the new fiscal year.

India has witnessed high economic growth in the last two decades. India continues to be one of the fastest growing economies in the world. Despite progress, challenges persist. India continues to face several challenges in health and sanitation, education, water, unemployment, environment and others. The passage of Companies Act 2013, notification of CSR rules and further notifications (henceforth referred as the Act) can be seen as a move by the Government of India to strengthen the relation of the business with communities and also better transparency and governance around CSR. The present paper attempts to study the N100 companies CSR Reporting in India for the year 2021-22 with a focus after the new Company Act – 2013 came into force.

KEYWORDS

CSR, Reporting, Regulation

The concept of Corporate Social Responsibility Reporting is almost as flexible as the concept of CSR itself. Just like every company can define to itself what CSR means, it can also choose how to communicate its CSR progress in whatever way it finds suitable. On one hand this lack of uniformity can be pretty exhausting and sometimes even irritating – just think what would have happened if every company decided independently how to report its financial results. On the other hand, this level of flexibility enables companies to be creative and come up with a report that reflects the vision, values and personality of the company. It is even more important for CSR professionals in India with the due date of meeting the compliance looming large. The timing of the report, closer to the fiscal year, is very apt as most of the companies are striving to report CSR initiatives on a high note. The report helps CSR professionals, more so committee members, with an opportunity to evaluate in-house projects vis-à-vis the larger CSR landscape and directs in funding projects of larger interest in the new fiscal year.

Businesses across the world are operating under highly complex and competitive environments. They can no longer afford to insulate themselves from the rapid and transformational changes happening in the society. Similar trends are observable in the Indian business scenario. Businesses are being monitored and evaluated like never before on new dimensions. India has witnessed high economic growth in the last two decades since 1995. India continues to be one of the fastest growing economies in the world and has made progress on several development indicators-including recent 100th rank by World Bank. Despite progress, challenges persist. India continues to face several challenges in health and sanitation, education, water, unemployment, environment and others. The passage of Companies Act 2013, notification of CSR rules and further notifications (henceforth referred as the Act) can be seen as a move by the Government of India to strengthen the relation of the business with communities and also better transparency and governance around CSR. While the Act provides the overall guidance framework for the corporates to lead their CSR initiatives, it also provides ample autonomy and flexibility to design and implement programs. Furthermore, India is one of the first few countries in the world which has mandated CSR spending as well as its reporting. Internationally, disclosures on CSR have been in place for quite a few years now. Sector specific, mandatory CSR has also been in place. The mandatory CSR reporting has its unique advantages. Governance frameworks that focus on the social, environmental and ethical responsibilities of businesses help in ensuring long-term success, competitiveness and sustainability. This further helps to endorse the view that business is an integral part of the society and is essential for the development and sustenance of the society at large. There has been an influx of funding by the corporate in India to aid and uplift the Indian society for many decades.

The Ministry of Corporate Affairs enforced the Act and the CSR Rules from 1 April 2014. The provision of Section 135 for CSR in the Act was introduced in order to enable companies to build social capital through a regulatory structure. As per the Act, companies with a net worth of INR 500 Cr. or more, or a turnover of INR 1,000 Cr. or more, or a net profit of INR 5 Cr. in a given fiscal year must have a CSR committee. Additionally, companies are required to adhere to a set of criteria including: Formulating a well-defined CSR policy Undertaking project in alignment with Schedule VII of the Act and the CSR Rules Monitoring CSR policy and projects Reporting details of the CSR activities in the Annual Report in accordance with the prescribed format. The focus of India's CSR reporting survey report 2022, is to analyse the compliance and practices of N100 companies with respect to the CSR policy and the reporting in the Directors' Report / Annual Report of the companies.

The findings can serve as a reference line for the new era of the nation's CSR landscape. The findings can act as a good indicator to track India's progress on its CSR reporting journey. India's CSR reporting survey 2022 analyses and brings together findings from CSR reporting of top hundred (N100) listed companies as per market capital. These companies are required to comply with the requirements of the Act. Various studies conducted on N100 companies were reviewed on the basis of their availability in the public domain as on 31 August, 2022.

FACTS ON CSR REPORTING:

1. CSR Reporting is standard practice for large and mid-cap companies around the globe.
2. Most of the world's biggest companies now integrate financial and non-financial data in their annual financial reports. About 78 percent, suggesting they believe CR information is relevant for investors.
3. All industry sectors show a healthy rate of CR reporting. About 60% of each sector companies are reporting in the 2021-22 year.
4. Global Reporting Initiative (GRI) remains the most popular framework for CSR reporting.
5. The underlying reporting rate for N100 companies has risen by 5 percentage points since 2015: up from 73 to 78 percent.

METHODOLOGY:

This paper analyses the aspects related to CSR such as Directors' Report, annual disclosure of N100 companies. N100 companies are top hundred (N100) listed companies as per market capital as on 31 March 2022. The main stages of paper were: The CSR policy and Annual Report of N100 companies for the year 2021-22 were taken from the report available in public domain. The disclosures on CSR in the Directors' Report by N100 companies were analysed for compliance with the Act. The number represents the number of companies whereas, percentage indicates the figure per hundred in the discussion.

CSRSURPLUS REPORTING:

Disclosure on treatment of surplus arising from CSR programs / projects in CSR policy. The Act mandatorily requires that surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company. Disclosure regarding the same shall be mandatorily made in the CSR policy. 73 per cent companies have disclosed details regarding the treatment of surplus / revenue, an upward trend of over 7 per cent. Additionally, 4 percent out of these 73 companies have gone ahead and committed to carry forward the surplus arising out of the CSR projects as part of their CSR budgets next year. Disclosure of details of the monitoring framework in the CSR policy. Disclosing details regarding the approach towards monitoring of CSR interventions is a mandatory requirement of the Act. 92 per cent companies have disclosed details regarding monitoring framework / approach, less by 3 per cent as compared to previous year, as a result of change in their CSR policy in the case of a few companies and new companies have made up to the N100 list this year.

CSR COMMITTEE-ANNUAL REPORT:

Companies disclosing the composition of their CSR committee in Directors' Annual Report Disclosing details regarding composition of CSR committees in Annual Report is a mandatory requirement of the Act. 98 per cent companies have disclosed details regarding composition of the CSR committee in their Annual Report, up by 5 per cent as compared to last year. The higher number of companies having a separate CSR committee can bode well as it is likely to bring a more focused discussion on CSR. Ten percent of companies have clubbed their CSR committees with their other board level committees.

CSR DISCLOSURE – DIRECTORS' REPORT:

Disclosure on CSR in the Directors' Report As per the Act, companies with a net worth of INR 500 Cr. or more, or a turnover of INR 1,000 Cr. or more, or a net profit of INR 5 Cr. or more in a given fiscal year must disclose CSR related details in their Directors' Report. This shall include details such as composition of the CSR committee, details about the policy developed and implemented by the company on CSR initiatives taken during the year as Annual Report on CSR containing particulars as specified by the Act, and in case of failure to spend 2 per cent towards CSR shall specify the reasons for same. A mandatory requirement as part of Act reflects the priority given to CSR at the board level. During the 2021-22 year, 98 companies have disclosed about CSR in their Directors' Report. Increased disclosure on CSR in the Directors Report reflects the seriousness of CSR at board level decision making and management, and also aids in communication to broader stakeholders. Disclosure on CSR in the format as prescribed by the Act As per the Act, companies are required to disclose details regarding CSR spends (annually) in the format prescribed by the Act. During the current year, 96 companies have disclosed CSR in the prescribed format, up by over 9 per cent. However, it is important to note that three companies have not disclosed details regarding CSR in the prescribed format for the last two years in a row.

CSR SPENDING – DIRECTORS' REPORT:

Disclosure on reason for unspent amount in Directors' Report. All 44 companies that have failed to spend 2 per cent towards CSR during the current year have provided a reason for the unspent amount, a mandatory requirement as per the Act. Few reasons given by companies for not being able to spend 2 per cent towards CSR include scaling up of activities, multi-year and long term projects, difficulty in the identification of appropriate partners, exploring new opportunities and areas of intervention, and delay in planned spends.

CONCLUSION:

From the above study it is understood that the top hundred companies in India are not upto the mark as far as reporting of Corporate Social Responsibility. Mere mentioning in the act and allocating the budget is not enough to see the implementation and the effect of implementation. Directors' must mention the amount allocated and utilised in a financial year and its effect on society over a period of time. This reporting practice not only from the point of view of regulatory but also from the point of view of stakeholders of the company. Reporting the present and past year data in the directors' report enables the stakeholders to view the companies' CSR in an appropriate way. CSR reporting in India must reach the Global 250 (G250) companies reporting i.e, 95% in the next 2-3 years. All these enable to show the face of Indian Corporate to the world as best business practices and global leader in ease of doing business.

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