



# CORPORATE SOCIAL RESPONSIBILITY

**“Every company harms the environment and people!”**

Corporate Social Responsibility is thus just about two aspects:

The steps taken by a company to neutralise, minimise or offset the harmful effects caused by its processes and product-usage.

The further steps a company takes using its resources, core competence, skills, location and funds for the benefit of people and the environment.

## Introduction

Corporate Social Responsibility thus helps to define the contribution of a company beyond economic value and creating employment, and weighs this contribution against the damage done by the company through its products and processes.

This is the basic premise for Karmayog undertaking a rating of the Corporate Social Responsibility activities of India's 500 largest companies (by sales).

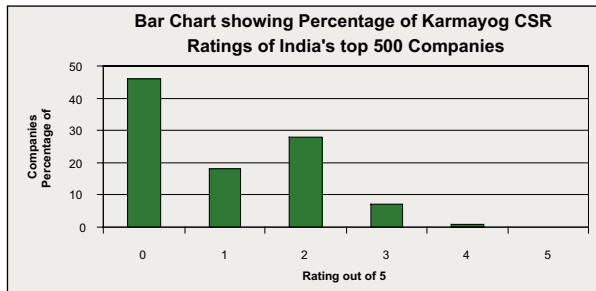
This is the first time that such an exercise has been done in any country.

The results of the Karmayog CSR Rating are extremely disappointing. They are as follows:

Karmayog CSR Rating	No. of Companies	% of Companies
0	229 *	46 %
1	90	18 %
2	139	28 %
3	38	7 %
4	4 **	1 %
5 (highest)	0	0 %

\*Companies not doing CSR as per information from their websites and annual reports

\*\* The 4 companies with a 4 out of 5 rating are HDFC, Infosys Technologies, Tata Steel, and Titan Industries



### Observations from the Karmayog CSR Ratings

Observations from the Karmayog CSR Rating of India's 500 largest companies:

- ▶ Most companies are not doing any CSR.
- ▶ Many companies are only making token gestures towards CSR in tangential ways such as donations to charitable trusts or NGOs, sponsorship of events, etc.
- ▶ Most companies believe that charity and philanthropy equals to CSR; very few companies are using their core competence to benefit the community.
- ▶ Most companies use CSR as a marketing tool to further spread the word about their business. For instance, donation of a token amount to some cause on purchase of a particular product. The fact that companies are hiring advertising agencies for their CSR further highlights this.
- ▶ Only 5 Indian companies (from this study) publish a Corporate Sustainability Report to measure and assess the impact of their business on the environment.
- ▶ Very few companies openly state the processes followed by them, the damage caused by these processes, and the steps taken to minimise this damage.
- ▶ Very few companies state how much they spend on CSR. There is no mention of the amount spent in any of their balance sheets or annual reports. Most companies just list and describe their CSR

activities and seem to be spending minimal amounts on CSR.

- ▶ Very few companies are engaged in CSR activities in the local communities where they are based.
- ▶ Very few companies have a clearly defined CSR philosophy. Most implement their CSR in an ad-hoc manner, unconnected with their business process.
- ▶ Most companies spread their CSR funds thinly across many activities, thus somewhere losing the purpose of undertaking that activity.
- ▶ Most companies appear reluctant to themselves fulfil their CSR unless it is mandatory by law.

Generally speaking, most companies seem either unaware or don't care about CSR. However, all companies can be considered to be an upward learning curve with respect to CSR and it is expected that the situation will improve.

### About the Karmayog CSR Ratings

- ▶ The Karmayog CSR Ratings are from 0 to 5 (5 being the highest).
- ▶ The CSR rating and reach of every individual company is given in [www.karmayog.org/redirect/stred.asp?docId=9041](http://www.karmayog.org/redirect/stred.asp?docId=9041) along with the CSR focus areas, specific CSR activities, sales, profit, and recommended amount to be spent on CSR. See Annexure 1 for an extract from the table of the Karmayog CSR rating of India's top 500 companies.
- ▶ A note on the parameters for the Karmayog CSR Rating of India's top 500 companies is available at [www.karmayog.org/CSR/CSR\\_9860.htm](http://www.karmayog.org/CSR/CSR_9860.htm)
- ▶ The list of 500 companies is taken from Dun & Bradstreet's 2006 edition of 'India's Top 500 companies'.
- ▶ Ratings are based on information from the company's website and latest annual report.
- ▶ All companies were emailed about their CSR activities and their rating as posted on Karmayog & invited to respond.
- ▶ We know that some ratings may be incorrect due to insufficient information available at the sources of our research. The need, value and learnings from the rating exercise remain unaffected by this.
- ▶ The Karmayog CSR Rating of an individual company will be reviewed whenever new information

Sector-wise analysis of CSR (such as automobiles, banking, cement, etc) has also been done for the top 500 companies that have been rated. This shows examples of companies in each sector which are doing effective CSR activities.

will be available from the company or other sources.

- ▶ Sector-wise analysis of CSR (such as automobiles, banking, cement, etc) has also been done for the top 500 companies that have been rated. This shows examples of companies in each sector which are doing effective CSR activities. See [www.karmayog.org/sectortablesocsr/](http://www.karmayog.org/sectortablesocsr/)
- ▶ Details of the CSR activities of more than 200 other Indian companies (outside the top 500) have also been collated to show that companies of any size can do considerable and effective CSR activities. See [www.karmayog.org/csrothercompanies/](http://www.karmayog.org/csrothercompanies/)

### Karmayog's Demands from Corporates and Government for CSR

The insights and learnings gained from the rating exercise have resulted in the following recommendations. It is important for all stakeholders to introspect and adopt these recommendations.

- ▶ Corporates to begin adopting industry guidelines.
- ▶ Sustainability reporting to be mandatory.
- ▶ CSR philosophy to be defined and articulated by corporates.
- ▶ Minimum annual CSR expenditure to be fixed.
- ▶ Protection and restoration of the environment to be a priority.
- ▶ Employment for marginalised groups.
- ▶ Local community development first.
- ▶ Use of company's core competence in CSR activities.
- ▶ Extending profile and area of businesses beyond profit.

- ▶ Corporates to developing internal CSR implementation systems.

- ▶ Corporates to focused CSR activities for greater impact.

See [www.karmayog.org/redirect/stred.asp?docId=11691](http://www.karmayog.org/redirect/stred.asp?docId=11691) for more details about each of the above demands

### Importance of the Karmayog CSR Ratings for industry associations such as IEEMA

Every stakeholder has a role to play to make CSR effective and sustaining.

Enlightened businesses worldwide, small and large, have begun to realise that responsible practices enhance profitability & ensure long-term survival. For those that disrespect the environment or living beings, we, as responsible citizens, need to individually and collectively, reward or penalise them through our voices and our wallets.

Industry and Trade associations such as IEEMA have an important role to play to make CSR effective and sustaining. Through this rating exercise, we hope to achieve the following objectives vis-à-vis industry and trade associations:

- ▶ To get a snapshot of the state of CSR in India.
- ▶ To set benchmarks of CSR for companies to follow.
- ▶ To prepare case studies and highlight best practices of CSR.
- ▶ To provide consultation on CSR.

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▶ To work with Government and NGOs and international organisations to upgrade and improve CSR activities in India and to set milestones for companies.

▶ To recognise companies doing good CSR activities by instituting awards based on these parameters.

▶ To understand the huge scale and magnitude of the benefits that are possible if an entire sector spends at least the recommended minimum amount on CSR. See [www.karmayog.org/sectortablesocsr/](http://www.karmayog.org/sectortablesocsr/) for comparison between income and recommended CSR spend.

See : [www.karmayog.org/redirect/stred.asp?docId=11691](http://www.karmayog.org/redirect/stred.asp?docId=11691) to know the importance of the Karmayog CSR ratings for other stakeholders such as corporates, government, NGOs, media, consultants, etc.

### Analysis of CSR of the Power sector

See Annexure 1 for sector analysis of the Power Sector where 16 companies working in the power sector are profiled and rated for their CSR activities.

The sector-wise analysis is useful for the following reasons:

▶ It presents a picture of an entire sector, their common processes and products, their CSR, including examples of companies doing good CSR.

▶ It presents figures of the income (from sales) of the entire sector, the net profit being made by that entire sector, and the amount that a sector should spend on CSR. (Karmayog recommends that companies spend a minimum of 0.2% of income on CSR annually).

▶ Where available, sector-specific guidelines to be adopted by each sector as specified by the International Finance Corporation are included with the sector tables.

The following guidelines, researched and framed by the International Finance Corporation, are available for companies in the Power sector, under the following sub-divisions: (These are technical reference documents with industry-specific examples of Good International Industry Practice).

▶ Geothermal Power Generation - <http://www.karmayog.org/redirect/stred.asp?docId=10065>.

▶ Thermal Power for New Plants - <http://www.karmayog.org/redirect/stred.asp?docId=10068>.

▶ Thermal Power for Rehabilitation - <http://www.karmayog.org/redirect/stred.asp?docId=10069>.

▶ Wind Energy - <http://www.karmayog.org/redirect/stred.asp?docId=10070>.

▶ Electric Power Transmission and Distribution - [http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/gui\\_EHSGuidelines2007\\_ElectricTransmission/\\$FILE/Final+-+Electric+Transmission+and+Distribution.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/gui_EHSGuidelines2007_ElectricTransmission/$FILE/Final+-+Electric+Transmission+and+Distribution.pdf).

See [www.karmayog.org/sectortablesocsr/](http://www.karmayog.org/sectortablesocsr/) for analysis of 29 sectors.

### Conclusion

Enlightened businesses worldwide, small and large, have begun to realise that responsible practices enhance profitability & ensure long-term survival. For those which disrespect the environment or living beings, we, as responsible citizens, need to individually and collectively, reward or penalise them through our voices and our wallets.

Karmayog, on its part, has created a framework for comparing CSR across industries, & via the ratings has attempted to give a snapshot of the situation as it stands today. Karmayog has put together a comprehensive, one-of-it-kind resource section on CSR on the internet to enable companies and all stakeholders to understand and enhance CSR, thus improving the quality of life for all people.

### About Karmayog

[www.karmayog.org](http://www.karmayog.org) is a unique free platform for concerned citizens - for social and civic issues - since June 2004.

Karmayog provides a networking platform for ordinary citizens and NGOs to engage with government organisations and media, as it believes that citizen's viewpoints are necessary for holistic and doable solutions for social and civic problems.

See over 2000 pages of information on CSR at [www.karmayog.org/csr](http://www.karmayog.org/csr)

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## Corporate Social Responsibility

### Karmayog CSR Rating of Power Sector ( From largest 500 Indian Companies) 19th September 2007

Summary of Power Sector CSR Ratings		
Karmayog CSR Rating	No.of Cos.	%
0/5	4	25%
1/5	4	25%
2/5	7	44%
3/5	1	6%
4/5	0	0%
5/5	0	0%
<b>Total</b>	<b>16</b>	<b>100%</b>

Summary of Power Sector CSR Reach		
Karmayog CSR Reach	No.of.Cos.	%
None	5	31%
"a": CSR is for employees only	1	6%
"b": CSR is within the vicinity	4	25%
"c": CSR is for society at large	0	0%
"b"& "c" together	6	38%
<b>Total</b>	<b>16</b>	<b>100%</b>
Note : " y ": Yes the company conducts this CSR program		

#### Annexure 1: Karmayog CSR Rating of Largest 500 Indian Companies - Extract of Power Sector

Note : Karmayog recommends that Companies spend a minimum of 0.2 % of income on CSR activities annually .

No.	Company name	Income/ sales Rs. (cr)	Minimum CSR Spend- 0.2% of income (in Cr)	Net Profit Rs. (cr)	Kar- mayog CSR Rating	CSR Reach			CSR activities	Source of Information
						a	b	c		
1	Areva T&D Ltd.	800	1.6	20	0/5					www.areva-td.co.in
2	CESC Ltd.	2385	4.8	150	1/5	y			environment	www.cesc.co.in
3	Gujarat Industries Power CoLtd .	750	1.5	100	2/5		y		environment , community	www.gipcl.com
4	Neyveli Lignite Corporation Ltd.	3500	7.0	1200	2/5		y		medical,education,enviro nment &more	www.nlcindia.co.in
5	NTPC Ltd.	20000	40.0	6000	1/5		y	y	community dvlp, environ- ment, disability	www.ntpc.co.in
6	Nuclear Power Corporation of India Ltd.	4000	8.0	1700	1/5		y	y	awareness, education , infrastructure &more	www.npcil.nic.in
7	Power Grid Corporation of India Ltd.	3000	6.0	800	0/5					www.powergridindia. com
8	PTC India Ltd.	2000	4.0	25	0/5					www.ptcindia.com
9	Reliance Energy Ltd.	4500	9.0	500	2/5		y		health , education &more	www.relianceenergy. co.in
10	The Tata Power Company Ltd.	4300	8.6	550	3/5		y	y	lifeline Express , education,health	www.tatapower.com
11	Torrent Power AEC Ltd	1300	2.6	100	2/5		y	y	community,disaster&more	www.torrentpower. com
12	Torrent Power SEC Ltd	950	1.9	40	2/5		y	y	community,disaster&more	www.torrentpower. com
13	ABB Ltd.	2300	4.6	155	2/5		y	y	disability , environment	www.abb.com
14	Kalpataru Power Transmission Ltd.	550	1.1	30	0/5					www.kalpatarupow- er.com
15	KEC International Ltd.	1200	2.4	45	2/5		y	y	community , health , education , training	www.kecprg.com
16	Wartsila India Ltd	250	0.5	25	1/5		y		environment	www.wartsila.com
	<b>Total</b>	<b>51785</b>	<b>103.6</b>	<b>11440</b>						

Do see the Standard Guidelines prescribed by International Finance Corporation - World bank group - For CSR of Power

<http://www.karmayog.org/redirect/stred.asp?docId=10065>