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SUPPLEMENT

PROFESSIONAL PROGRAMME

CSR

&

Social Governance

(FOR DECEMBER 2024 EXAMINATION)

GROUP 1

PAPER 4.1

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Lesson 1

CORPORATE SOCIAL RESPONSIBILITY

1. CSR in the pre-mandated period

- i. The tradition of 'giving' has been deeply entrenched in the culture of India for community, religious and spiritual causes. The concept daana (giving), karma (fate) and seva (service) in Hinduism; zakat (almsgiving) and sadaqat (voluntary offerings) in Islam; and of bhiksha (food given as alms) in Buddhism emphasize giving.
- ii. Institution-based voluntary donations have been existent since the medieval era, with more organized forms of philanthropy emerging with the advent of industrialization in the 19th century.
- iii. The growth of CSR in India can be seen in four distinct phases. They are as follow:
 - **1st phase (1850-1914):**
CSR, seen primarily in the form of donations by big industrialists and not for strategic purposes. In 1860, India legally recognized the existence of non-profit groups through the Societies Registration Act leading to the emergence of numerous non-profit organizations and philanthropic foundations.
 - **2nd phase (1914-1960):**
CSR assumed the shape of support towards social and cultural causes associated with the nationalist movement. Focus on tackling widespread poverty especially at the village level gained traction at the beginning of the 20th century. Mahatma' Gandhi's model of trusteeship inspired numerous wealthy individuals and industrialists to contribute to society in a larger capacity.
 - **3rd phase (1960-80):**
As the environment of mistrust grew especially as companies engaged in questionable business practices, the contribution of the sector declined. Post-independence evidenced the government assuming a larger role in development efforts and social welfare, with the participation of corporate sector slowing down.
 - **4th phase (1980 onwards):**
The liberalization of the Indian economy in 1991 and emergence of strong civil society saw the emergence of CSR as a strategic undertaking by companies going beyond the traditional form of donations, with numerous domestic and foreign charities and foundations also being setup.

Significant Milestones in Evolution of Responsible Business

Year	Event
2009	Corporate Voluntary Guidelines released to encourage corporates to voluntarily achieve high standards of Corporate Governance
2011	Endorsement of United Nations Guiding Principles on Business & Human Rights by India
2011	National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released to mainstream the concept of business responsibility
2012	Securities and Exchange Board of India (SEBI) mandates top 100 listed companies by market capitalization to file <i>Business Responsibility Reports (BRR)</i> based on NVGs.
2013	Enactment of the Companies Act, 2013
2014	Section 135 of the Companies Act, 2013 on Corporate Social Responsibility (CSR) comes in to force.
2015	High Level Committee on CSR (HLC-2015) under the chairmanship of Shri. Anil Bajjal makes recommendations on the CSR framework and stakeholder concerns.
2015	SEBI extends BRR reporting to top 500 companies by market capitalization.
2016	Companies Law Committee reviews the recommendations of HLC-2015 for adoption.
2018	The Second High-Level Committee on CSR constituted under the Chairmanship of Shri. Injeti Srinivas, Secretary, Corporate Affairs to review the CSR framework
2018	Committee on Business Responsibility reporting constituted under the chairmanship of Shri. Gyaneshwar Kumar Singh, Joint Secretary, Corporate Affairs
2018	Zero Draft of National Action Plan on Business and Human Rights released by Ministry of Corporate Affairs
2019	National Guidelines on Responsible Business Conduct released.
2019	SEBI extends BRR reporting to top 1000 companies by market capitalization.

Source: Social Impact Assessment of Corporate Social Responsibility in India, (Evaluation Period: FY14-15 to FY19-20) NITI Aayog

2. CSR in the European Union

- The European Union, in its Green Paper on Corporate Social Responsibility, defined CSR as ‘the voluntary integration of companies’ social and environmental concerns in their business operations and in their interaction with their stakeholders.’
- However, there are no defined CSR performance standards in European countries. For example, despite the fact that some government regulations are being developed and implemented, as was the case with the fossil fuels tax in France, there are no global CSR laws. Similarly, there is no such policy that requires companies to reduce their greenhouse gas emissions or that forces them to implement a waste reduction strategy.
- Although, big and public interest companies are expected to communicate extra financial information with regards to how they are handling with their environmental and social challenges.

3. CSR in the United States of America

- CSR in the United States of America is characterized by voluntary societal engagements by businesses since they are not obliged to undertake any social and environmental responsibility practices.
- The Corporate Social Responsibility (CSR) team in the Bureau of Economic and Business Affairs is given the responsibility of engaging with U.S. businesses for the promotion of responsible and ethical business practices.
- In spite of no CSR mandate, the United States of America is by far the largest and most active philanthropic sector in the world. In 2019, Americans donated USD 450 billion for philanthropic purposes i.e., ~2% of the US GDP, of which high net worth individuals/families contributed ~69%, foundations contributed 17% and corporates contributed 5% i.e., USD 21 billion.

4. CSR in South America

- In Brazil, CSR disclosure is not mandatory and there is no formal report form or measures for CSR disclosures. However, there are few initiatives that make CSR announcements compulsory.
- In Peru, all companies listed on Lima's Stock Exchange are mandated under law to report on sustainability practices. The law follows the "comply or explain" principle; In other words, Peruvian companies are required to disclose information, but they can also decide not to disclose information and explain the reasons for it.

5. CSR in Asia

- Philanthropy has been deeply rooted in the history and culture of Asian economies. **India** and **Nepal** have mandated spends on CSR by corporates. Indian companies with a net worth of INR 500 cr + or a turnover of INR 1000 cr +, or a net profit of INR 5 cr + must donate at least 2% of their net profit to CSR activities. On the other hand, Nepalese corporations with revenues above US\$1.3 million are mandated to spend 1% of their profits to CSR. Unlike India where companies exercise control over their CSR spending, the Nepalese government collects the CSR funds and directs them to charitable organizations.
- **China's** Company Law merely requires all companies to "undertake social responsibility." The Government of the Republic of China has issued directives for state-owned companies and export companies to encourage CSR as a way to create a "harmonious society" and improve the international image of the country. Government procurement from the social sector is one of the most significant reforms, adopted by China in 2004 when the government began outsourcing social service delivery to social organizations. According to the Doing Good Index

2020, China procures more services from SDOs than any other economy: 63% of Chinese respondents have government contracts compared to the Asian average of 26%.

- **Indonesia** requires corporations operating in the oil, gas and mining sectors to invest 2% of their profits in CSR programs. However, due to the vague language and lack of enforcement mechanisms, these laws are effectively voluntary. In 2018, the government also implemented an amendment to the Government Procurement Regulation to facilitate the procurement of SDO services in research, capacity building, social mobilization and community-based construction.
- **Japan** has turned funds in dormant accounts into more resources for the social sector. The Japan Dormant Deposits Utilization Act, which came into effect in 2018, allows funds in dormant bank accounts to be directed towards meeting social needs. The law is estimated to have allocated approximately US\$28 million (~INR 200 cr) to social issues in 2019.
- Corporate funding and support have traditionally played an important role in the social sector in **Korea**. Of surveyed SDOs, 55% receive corporate funding, higher than the Asian average. **Korea** has been the first Asian country to introduce a legal framework for the certification of social enterprises, which grants them access to various kinds of benefits such as preferential procurement, subsidies and loans has seen a decrease in push from government to corporate sector to donate; rather the government has been focusing more on sustainable management practices. Corporations are moving beyond charitable giving to corporate social responsibility and creating shared value.

Lesson 2

CSR POLICY

CORPORATE SOCIAL RESPONSIBILITY POLICY OF INFOSYS LIMITED

Amended and effective April 18, 2024

1. CONTEXT

Infosys Limited (“**Infosys**” or “**Company**”) has been an early adopter of corporate social responsibility (“**CSR**”) initiatives. Along with sustained economic performance, environmental and social stewardship is also a key factor for holistic business growth. The Company has established the Infosys Foundation and it may establish/ partner with other eligible entity / organization to fulfil its CSR commitments (“**CSR Implementing Agencies**) The Company’s focus has always been to contribute to the sustainable development of society and the environment, and to make our planet more liveable for future generations.

2. FOCUS AREAS

While the Company may undertake CSR activities which the Corporate Social Responsibility Committee of the Board (“**CSR Committee**”) may decide from time to time, in any areas or subjects in accordance with the requirements under the Companies Act, 2013 (the “**Act**”) and the rules / regulations framed thereunder and circulars / Clarifications issued thereunder (collectively, “**Applicable Law**”), Infosys’ CSR activities, amongst others, will focus on:

- (a) Hunger, Poverty, Malnutrition and Health
- (b) Education
- (c) Rural Development Projects
- (d) Gender Equality and Empowerment of Women
- (e) Environmental Sustainability
- (f) National Heritage, Art and Culture
- (g) Disaster Management

3. UNDERTAKING CSR ACTIVITIES

Infosys will undertake its CSR activities (being projects / programs / other permitted activities) either directly by itself or through CSR Implementing Agencies or in collaboration with other companies, as approved by the CSR Committee, in accordance with the requirements of Applicable Law.

Identification and implementation of multi-year CSR projects / programs (ongoing projects) will be monitored by the CSR Committee and the Board of Directors of the Company (“Board”), as required under Applicable Law.

4. CSR ANNUAL ACTION PLAN AND LOCATION OF CSR EFFORTS

The CSR Committee shall decide on the locations for CSR activities and formulate and recommend to the Board for approval a CSR annual action plan, which shall contain all matters which are required under Applicable Law and any other matters as the CSR Committee may deem fit from time to time. The Board may modify the annual action plan as per the recommendations of the CSR Committee at any time during the financial year, based on reasonable justification.

5. IMPACT ASSESSMENT

Impact assessment shall be undertaken by the Company or by recipient or by implementing agency as required by and in the manner set out under Applicable Law, and the impact assessment report(s) shall be placed before the CSR Committee and the Board, and shall be disclosed as legally required.

6. COMPOSITION OF CSR COMMITTEE AND DISCLOSURES

The CSR Committee shall be comprised in accordance with the requirements of Applicable Law. This Policy, details of the composition of the CSR Committee and projects approved by the Board shall be hosted on the Company's website at www.infosys.com.

7. FUNDING, SELECTION AND MONITORING PROCESS

Infosys' CSR Committee will evaluate proposals received for CSR projects from the Infosys Foundations or other eligible implementing entities *inter alia* based on Company's focus areas, assessment of potential impact of such proposals and any other criteria as may be determined by the CSR Committee and approve funding for any proposals for implementation at its discretion.

Infosys Foundation or other implementing / collaborating entity will work closely with and support the Board and the CSR Committee in carrying out the CSR activities of the Company. Infosys Foundation or such other implementing / collaborating entity will assist the CSR Committee in identifying the areas of CSR activities and execution of initiatives in such manner as may be mutually agreed. Infosys Foundation or such other entity will also assist the Board and the CSR Committee in reporting the progress of deployed initiatives and in making appropriate disclosures (internal / external) on a periodic basis.

Infosys' representatives will collaborate with the relevant implementing entity (Infosys Foundation or others) to monitor the status and utilization of funds for each project and will report its findings to the CSR Committee, the Board and the chief financial officer (CFO) of the Company periodically to enable them to meet their reporting, monitoring and other legal obligations.

In any year, where the Company has spent in excess of its CSR obligation, such excess spending shall be available for set off against the Company's CSR obligations for up to the next three financial years in accordance with Applicable Law, and the Board shall be competent to pass a resolution in this regard.

8. LIMITATION, REVIEW AND AMENDMENT

In the event of any conflict between the provisions of this Policy and of the Applicable Law, the provisions of Applicable Law shall prevail over this Policy. Any subsequent amendment / modification to the Applicable Law shall automatically apply to this Policy.

The CSR Committee may review this Policy periodically and recommend amendments for the Board's approval from time to time, as may be deemed necessary.

Lesson V

GUIDELINES ON CSR

1. Key CSR Contributing Firms in India

- i. **Reliance Foundation (RF):** The Reliance Foundation, the CSR arm of Reliance Industries has had a massive impact on Indian society, impacting 36 million people across India in more than 37,000 villages and several urban locations across India. The foundation focuses on rural development, healthcare, education, sports, disaster response, urban development, and art, culture and heritage through its programs and initiatives, spending INR 1,271 crore in FY 2020-2023 towards supporting a number of needs based, impactful CSR initiatives. The foundation uses a direct engagement model and leverages technology and innovation to achieve its 3 core values: Scale, Impact and Sustainability. (<https://www.ril.com/sites/default/files/2023-08/CSR202223.pdf>)
- ii. **Oil and Natural Gas Corporation (ONGC):** ONGC through its CSR Projects has been reaching out to marginalized and deprived sections of its local communities and bridging developmental gaps primarily in the thrust areas of Healthcare, Education, Skill Development, Promoting Art and Culture, Environmental Conservation and other focus areas specified under Section 135 of the Schedule VII of the Companies Act, 2013. The developmental activities initiated by the company have been consciously directed towards betterment of the Human Developmental Indices of the country, thereby also fulfilling the objectives of the UN sustainability development goal. ONGC's CSR initiatives have resulted in spends of over Rs 4748.92 Cr. during FY 2022-23. Following the government direction, 33% of CSR funding has been on the Swachh Bharat projects. (https://ongcindia.com/documents/77751/2660534/CSR_AR_FY2022-23.pdf/210ce2c6-c63a-5997-d2e3-51e6d3cd05f5)
- iii. **Hindustan Unilever Foundation (HUF):** HUL's CSR policy follows its parent company, Unilever's Sustainable Living Plan (USLP) which aims to empower a billion people to take action to improve their health and wellbeing, reduce the environmental footprint of their products and enhance the livelihoods of people across the world. In addition, and specific to India - as India is a water-scarce region and water availability is expected to go down further, HUL has identified water as a key area of intervention by creating capacities in conserving water through significant investments in partnership with relevant stakeholders with the objective of water conservation which is carried out through HUF - the HUL foundation which operates the "Water for Good" program. While HUL actually spent Rs. 201.32 crore during FY 2022-23, the remaining Rs. 7 crore which the company was obligated to spend, was deposited in the unspent CSR Account as per Section 135(6) of the Companies Act. (<https://thecsrjournal.in/csr-report-hul-spent-116-crore-rupees-on-corporate-social-responsibility/>)

- iv. **Mahindra & Mahindra:** The M&M group, set up a CSR council in 2004 and committed 1% of profit after tax for CSR initiatives. The council kept 0.5% and the remaining was given to various group companies for spending on CSR Projects. [35] Post the Companies Act, 2013, the group increased its CSR spending to 2% profit before tax, where CSR council spends 1% and the other 1% is given to individual companies to spend on CSR. The group continues to create social impact through CSR in the areas of education, livelihoods, and skill development. 16 The M&M Group has now further streamlined their CSR operations and brought the CSR activities of their different companies under the unified umbrella of ‘Rise for Good’, allowing the group to act with greater efficiency, and managing and tracking the CSR activities better. Mahindra has demonstrated its commitment to corporate social responsibility (CSR) through a total CSR spending of Rs. 582.2 crore from FY19 to FY23. This significant investment showcases the company’s dedication to creating a positive impact on society. Tech Mahindra is a multi-dimensional digital transformation specialist with a focus on human-centric experience and ESG-focused digital solutions. (<https://indiacsr.in/csr-analysis-tech-mahindra-spends-rs-582-2-cr-in-5-years/>)
- v. **Tata Motors: In 2014**, we designed and adopted a comprehensive 4-pillar approach to harmonise our nationwide CSR initiatives with a clear mandate to address some of India’s most critical and social challenges across the domains of Health (Aarogya), Education (Vidyadhanam), Employability (Kaushalya) and Environment (Vasudhara). Capabilities, experience and expertise acquired by individual units and teams in each of these fields led to the creation and execution of focused interventions with clearly defined outcomes and remarkable results. In 2014, we synchronised our diverse and distinct locational, **Do-It-Yourself CSR** programmes to create Harmonised Programmes across all locations based on a Common Minimum Programme, with a focus on proximate communities. To complement this and as a response to the Sustainable Development Goals, we adopted a **Human Life Cycle** Approach, establishing linkages between programmes for the age continuum of beneficiaries. The “**More from Less for More**” philosophy replaced our dependence on allocations from the plant revenue budget and opened the doors to multi-stakeholder partnerships with the immense opportunity to tap Government Schemes and our ecosystem to expand the corpus, scale and impact of our CSR interventions. A key addition to our CSR Strategy was the concerted effort made in **2017** to adopt digital technologies into its various programmes to ensure replicability and scale. Five years later, in **2019**, the success of some of these programmes allowed us to consolidate with the use of digital technologies and convergence to achieve nation-wide scale and impact. Tata motors CSR initiatives have resulted in spends of over 20.81 Cr in FY 2020-2023. (<https://www.tatamotors.com/wp-content/uploads/2023/10/annual-csr-report-2022-23.pdf>)
