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## The 10 Companies with Best CSR Reputations

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### Abstract

#### *Philanthropy has to be spontaneous, can't be forced: Azim Premji*

Indian companies are now expected to discharge their stakeholder responsibilities and societal obligations, along with their shareholder-welath maximization goal. Nearly all leading corporates in India are involved in corporate social responsibility (CSR) programmes in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society. Notable efforts have come from the Tata Group, Infosys, Bharti Enterprises, ITC Welcome group. Indian Oil Corporation among others. The new Companies Act has asked Corporate India to step in with the provision that companies invest 2 per cent of their net profits in CSR. Global Reporting Initiative (GRI) that forms the basis for this paper has several parameters that are far in excess of what the Indian Companies Act prescribes. It covers sustainability and CSR issues while at the same time also looking at employee standards, health and safety issues and much more. We have attempted in our study to examine GRI reports and publicly disclosed information online and via annual reports under the CSR lens. We believe that it is not sufficient for companies to merely invest in CSR projects and meet the 2 per cent norm, but we need to understand whether CSR is looked at strategically. Do companies have a CSR policy? Is there board oversight? Is CSR information reported? And more than this, entire do CSR activities cover all stakeholders? The study therefore examines and ranks companies on the basis of four ranking. These criteria are assigned weights of 20 percent, 10 percent, 50 percent and 20 percent respectively and form the basis of our ranking. We rank companies on their focus on CSR and sustainability by creating a combined score that weighs each of the four parameters. For example, if the company's website provided sustainability/GRI report on the website, and then it received a score of 1 on that dimension else the score is 0. After the analysis has completed the review if

there are differences of opinion on a score, they are resolved through mutual agreement or reference to the authors. Where sustainability/GRI reports were not available data was sourced through annual reports and websites. The study looked at top 115 companies to arrive at the ranking. It covers industries as varied as automobiles FMCG, infrastructure, information technology, metals and mining, oil, power, steel, pharmaceuticals, telecommunications and others. This paper never compares and contrasts the Global best and Indian best companies rather it portrays the best CSR practices of top 10 companies across the globe.

**Keywords:** *Stakeholder responsibilities and societal obligations; Corporate Social Responsibility (CSR) programmes; The new Companies Act; 2 per cent; Global Reporting Initiative (GRI); Publicly disclosed information; the CSR lens.*

## 1. Introduction

Corporate social responsibility (CSR, also called corporate conscience, corporate citizenship or sustainable responsible business/ Responsible Business) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and international norms. With some models, a firm's implementation of CSR goes beyond compliance and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law." CSR aims to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others.

## 2. Definition

Business dictionary defines CSR as "A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship (1) through their waste and pollution reduction processes. (2) by contributing educational and social programs and (3) by earning adequate returns on the employed resources.

" A broader definition expands from a focus on stakeholders to include philanthropy and volunteering.

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## 2.1 Seven Reasons why Sustainability Programs are good for Industry Associations

**1. Help attract and retain members:** Sustainability and CSR programming increases the value and relevance of the association to current and prospective members. It reduces the risk that members will have their CSR and sustainability needs met by other organizations or initiatives.

**2. Enhance innovation in the sector:** Cost-effective pre-competitive CSR and sustainability collaborations can result in industry innovation, enabling the industry to improve its collective CSR impacts while driving business and operational benefits.

**3. Build positive government and NGO relations:** Associations that increase their CSR or sustainability expertise are better positioned to contribute positively to regulatory initiatives by government and other agencies and to engage constructively with NGOs and other stakeholders. Associations with voluntary industry CSR and sustainability standards that exceed compliance requirements are able to forestall government regulation. **4. Help identify industry priorities:** Many generic global CSR and sustainability initiatives and standards are now available, and this in turn can make priority-setting for members difficult. An industry approach can assist member companies to develop an industry-relevant model tailored to the sector's most material risks and opportunities.

**5. Fulfill association goals:** Typically association goals include assisting members to be competitive and profitable. CSR and sustainability is one tool to enhance member profitability and competitiveness.

**6. Build industry reputation and brand:** An association's CSR and sustainability program demonstrates the sector's commitment to sustainable practices and leadership. It can build positive stakeholder relationships with customers, communities, NGOs, suppliers and others. In doing so, it enhances the sector's social license to operate and grow.

**7. Enhance employee recruitment and retention:** Associations with CSR programs are able to attract and retain the best and brightest employees who prefer to work for organizations aligned with their values.

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## 2.2 Corporate social responsibility in India

Indian companies are now expected to discharge their stakeholder responsibilities and societal obligations, along with their shareholder-wealth maximization goal. Nearly all leading corporate in India are involved in corporate social responsibility (CSR) programmes in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society. Notable efforts have come from the Tata Group, Infosys, Bharti Enterprises, ITC Welcome group, Indian Oil Corporation among others.

The 2010 list of Forbes Asia's '48 Heroes of Philanthropy' contains four Indians. The 2009 list also featured four Indians. India has been named among the top ten Asian countries paying increasing importance towards corporate social responsibility (CSR) disclosure norms. India was ranked fourth in the list, according to social enterprise CSR Asia's Asian Sustainability Ranking (ASR), released in October 2009. According to a study undertaken by an industry body in June 2009, which studied the CSR activities of 300 corporate houses, corporate India has spread its CSR activities across 20 states and Union territories, with Maharashtra gaining the most from them. About 36 per cent of the CSR activities are concentrated in the state, followed by about 12 per cent in Gujarat, 10 per cent in Delhi and 9 per cent in Tamil Nadu.

The companies have on an aggregate, identified 26 different themes for their CSR initiatives. Of these 26 schemes, community welfare tops the list, followed by education, the environment, health, as well as rural development. Further, according to a study by financial paper, The Economic Times, donations by listed companies grew 8 per cent during the fiscal ended March 2009. The study of disclosures made by companies showed that 760 companies donated US\$ 170 million in FY09, up from US\$ 156 million in the year-ago period. As many as 108 companies donated over US\$ 216,199, up 20 per cent over the previous year.

Although corporate India is involved in CSR activities, the central government is working on a framework for quantifying the CSR initiatives of companies to promote them further. According to Minister for Corporate Affairs, Mr. Salman Khurshid, one of the ways to attract companies towards CSR work is to develop a system of CSR credits, similar to the system of carbon credits which are given to companies for green initiatives. Moreover, in 2009, the

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government made it mandatory for all public sector oil companies to spend 2 per cent of their net profits on corporate social responsibility. Besides the private sector, the government is also ensuring that the public sector companies participate actively in CSR initiatives. The Department of Public Enterprises (DPE) has prepared guidelines for central public sector enterprises to take up important corporate social responsibility projects to be funded by 2-5 per cent of the company's net profits.

As per the guidelines, companies with net profit of less than US\$ 22.5 million will earmark 3-5 per cent of profit for CSR, companies with net profit of between US\$ 22.5 million - US\$ 112.5 million, will utilise 2-3 per cent for CSR activities and companies with net profit of over US\$ 112.5 million will spend 0.5-2 per cent of net profits for CSR.

### 2.3 CSR Initiatives and Green Measures

India Inc has joined hands to fine-tune all its activities falling under CSR. For this, it has set up a global platform to showcase all the work done by Indian firms. Confederation of Indian Industry (CII) and the TVS Group collaborated to form the CII-TVS Centre of Excellence for Responsive Corporate Citizenship in 2007. It provides consultancy services and technical assistance on social development and CSR.

According to a National Geographic survey which studied 17,000 consumers in 17 countries, Indians are the most eco-friendly consumers in the world. India topped the Consumer Greendex, where consumers were asked about energy use and conservation, transportation choices, food sources, the relative use of green products versus traditional products, attitudes towards the environment and sustainability and knowledge of environmental issues.

1. Reliance Industries and two Tata Group firms—Tata Motors and Tata Steel—are the country's most admired companies for their corporate social responsibility initiatives, according to a Nielsen survey released in May 2009.
2. As part of its Corporate Service Corps (CSC) programme, IBM has joined hands with the Tribal Development Department of Gujarat for a development project aimed at upliftment of tribals in the Sasan area of Gir forest.

3. The financial services sector is going green in a steady manner. With an eye on preserving energy, companies have started easing the carbon footprint in their offices. The year 2009 witnessed initiatives including application of renewable energy technologies, moving to paperless operations and recognition of environmental standards. Efforts by companies such as HSBC India, Max New York Life and Standard Chartered Bank have ensured that the green movement has kept its momentum by asking their customers to shift to e-statements and e-receipts.
4. State-owned Navratna company, Coal India Ltd (CIL) will invest US\$ 67.5 million in 2010-11 on social and environmental causes.
5. Public sector aluminum company NALCO has contributed US\$ 3.23 million for development work in Orissa's Koraput district as part of its Corporate Social Responsibility (CSR).

#### 2.4 CSR Rules under Companies Act, 2013

The Ministry of Corporate Affairs has notified Section 135 and Schedule VII of the Companies Act 2013 as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 to come into effect from April 1, 2014.

With effect from April 1, 2014, every company, private limited or public limited, which either has a net worth of Rs 500 crore or a turnover of Rs 1,000 crore or net profit of Rs 5 crore, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility activities. The CSR activities should not be undertaken in the normal course of business and must be with respect to any of the activities mentioned in Schedule VII of the 2013 Act. Contribution to any political party is not considered to be a CSR activity and only activities in India would be considered for computing CSR expenditure.

The net worth, turnover and net profits are to be computed in terms of Section 198 of the 2013 Act as per the profit and loss statement prepared by the company in terms of Section 381 (1) (a) and Section 198 of the 2013 Act. While these provisions have not yet been notified, it has been clarified that if net profits are computed under the Companies Act, 1956 they needn't be recomputed under the 2013 Act. Profits from any overseas branch of the company, including those branches that are operated as a separate company would not be included in the computation of net profits of a company. Besides, dividends received from other companies in India which need to

comply with the CSR obligations would not be included in the computation of net profits of a company.

The CSR Rules appear to widen the ambit for compliance obligations to include the holding and subsidiary companies as well as foreign companies whose branches or project offices in India fulfill the specified criteria. There is a need for clarity with respect to the compliance obligations of a company as well as its holding and subsidiary companies.

The activities that can be undertaken by a company to fulfill its CSR obligations include eradicating hunger, poverty and malnutrition, promoting preventive healthcare, promoting education and promoting gender equality, setting up homes for women, orphans and the senior citizens, measures for reducing inequalities faced by socially and economically backward groups, ensuring environmental sustainability and ecological balance, animal welfare, protection of national heritage and art and culture, measures for the benefit of armed forces veterans, war widows and their dependents, training to promote rural, nationally recognized, Paralympics or Olympic sports, contribution to the prime minister's national relief fund or any other fund set up by the Central Government for socio economic development and relief and welfare of SC, ST, OBCs, minorities and women, contributions or funds provided to technology incubators located within academic institutions approved by the Central Government and rural development projects. However, in determining CSR activities to be undertaken, preference would need to be given to local areas and the areas around where the company operates.

To formulate and monitor the CSR policy of a company, a CSR Committee of the Board needs to be constituted. Section 135 of the 2013 Act requires the CSR Committee to consist of at least three directors, including an independent director. However, CSR Rules exempts unlisted public companies and private companies that are not required to appoint an independent director from having an independent director as a part of their CSR Committee and stipulates that the Committee for a private company and a foreign company need have a minimum of only 2 members.

A company can undertake its CSR activities through a registered trust or society, a company established by its holding, subsidiary or associate company or otherwise, provided that the company has specified the activities to be undertaken, the modalities for utilization of funds as

well as the reporting and monitoring mechanism. If the entity through which the CSR activities are being undertaken is not established by the company or its holding, subsidiary or associate company, such entity would need to have an established track record of three years undertaking similar activities.

Companies can also collaborate with each other' for jointly undertaking CSR activities, provided that each of the companies is able individually report on such projects. A company can build CSR capabilities of its personnel or implementation agencies through institutions with established track records of at least three years, provided that the expenditure for such activities does not exceed 5% of the total CSR expenditure of the company in a single financial year.

The CSR Rules specify that a company which does not satisfy the specified criteria for a consecutive period of three financial years is not required to comply with the CSR obligations, implying that a company not satisfying any of the specified criteria in a subsequent financial year would still need to undertake CSR activities unless it ceases to satisfy the specified criteria for a continuous period of three years. This could increase the burden on small companies which do not continue to make significant profits. The report of the Board of Directors attached to the financial statements of the Company would also need to include an annual report on the CSR activities of the company in the format prescribed in the CSR Rules setting out inter alia a brief outline of the CSR policy, the composition of the CSR Committee, the average net profit for the last three financial years and the prescribed CSR expenditure. If the company has been unable to spend the minimum required on its CSR initiatives, the reasons for not doing so are to be specified in the Board Report.

Where a company has a website, the CSR policy of the company would need to be disclosed on such website.

Corporate India has seen in the last decade that the path towards growth is not linear. Expansion means a constant hunt for resources that go into manufacturing and invariably a conflict between man and nature.

The western world has simplified much of this debate into the climate change challenge which rests on this simple logic. The Indian challenge and that of any developing country like ours



is much more complex. We need food for our teeming millions, education for our children and women empowerment.

### 3. India's Best Companies for CSR 2014: How the 100 firms were selected

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With this the conversation in corporate circles has moved beyond 'should CSR be mandatory' to 'what should we do and how'? Indian companies are now new to sustainability reporting. In fact, there are companies that have been generating sustainability reports for ten years or more.

Global Reporting Initiative (GRI) that forms the basis for this reporting has several parameters that are far in excess of what the Indian Companies Act prescribes. It covers sustainability and CSR issues while at the same time also looking at employee standards, health and safety issues and much more. Attempt is made to examine GRI reports and publicly disclosed information online and via annual reports under the CSR lens. I believe that it is not sufficient for companies to merely invest in CSR projects and meet the 2 per cent norm, but we need to understand whether CSR is looked at strategically. The 2 percent norm is not the only criterion looked for but beyond this percent the paper looks for the spontaneous contributions by the corporates.

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**Top 10 Companies for CSR**


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| Ranking | Indian Company | Best practice   | Global Company | Best practice  |
|---------|----------------|---|----------------|--|
| 1       | Tata Steel     | The CSR programme is managed by three organisations — Tata Steel Rural Development Society (TSRDS), Tata Steel Family Initiatives Foundation (TSFIF) and the Tribal Culture Society (TCS). The Company uses Human Development Index to keep track of CSR in villages. | Microsoft      | Microsoft Youth Spark is committed to helping young people capture opportunity. Use programs to learn skills, to prepare for the jobs of the future, even to start your own business. Youth Spark is created for you.  |
| 2       | Tata Chemicals | Conservation of whale shark-a rare species. The Company spends Rs 12 cr on CSR every year & wildlife conservation tops priority.  | Google         | Tech giant Google is donating \$11.5 million to several coalitions fighting to end the modern-day slavery of some 27 million people around the world. The largest ever corporate grant devoted to the advocacy, intervention and rescue of people being held, forced to work or provide sex against their will, Google said it chose organizations with proven records in combating slavery. |

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| 3 | Mahindra Group | 'Nanhi Kali' -focuses on educating the girl child. CSR is a mix of strategic philanthropy, shared values & sustainability.  | Disney  | Disney encourages environmental education. Earth, Oceans, and African Cats – have planted three million trees in Brazil's threatened Atlantic Forest, protected 40,000 acres of coral reef in the Bahamas, and conserved 50,000 acres of savanna wildlife corridors in Africa. |
| 4 | Maruti Suzuki  | 'Making it Matter'- Community development and road safety. propel Maruti's CSR in the fast lane. The village development will include construction of household toilets, upgrading Government schools,, separate toilets for girl students. | BMW     | <b>BMW Warm-Heart Fund</b> BMW Warm-Heart Family, including firms, employees, dealers, customers and warm-hearted people to provide from financial assistance and spiritual support to people in need.   |
| 5 | Tata Motors    | A deep concern for the environment drives Tata Motors undertake green projects that preserve and regenerate local ecologies.  | Apple   | Building environmental responsibility into products and processes.   |
| 6 | Simens         | Raising health awareness in India. Fitness, in general, is still not a high priority for most people in   | Daimler | Promote climate protection, conserve valuable resources, and contribute to the   |

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|   |                 | India. To change this, the Health Management team at Siemens India introduced the Fit4Life program.  |                | preservation of a livable environment—at their locations and beyond.  |
| 7 | Larsen Toubro   | L&T's participates in building a healthy community through continuing initiatives in several areas of healthcare, with a focus on mother & child care and HIV/AIDS awareness.  | Volkswage<br>n | Offering employees vocational qualifications and continuing professional development in vehicle and production technology. This represents one of Volkswagen India's contributions to sustainable regional development.   |
| 8 | Coca-Cola India | Coca-Cola India has supported community programmes with a focus on education, health and water conservation. The Company has commissioned 400 rainwater harvesting systems, provided clean drinking water to more than 100 schools, supported school projects and driven reform in sustainable packaging, disaster relief and rehabilitation". | Sony           | As an official FIFA partner, Sony launched "Dream Goal 2014," a special CSR program conducted in conjunction with the 2014 FIFA World Cup Brazil™. This program, made possible through collaboration across the Sony Group in partnership with participating NGOs worldwide, showcases a wide range of online and |



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|    |                          |   |                   | offline initiatives that are expected to benefit approximately 30,000 children in Latin America, Africa and Asia.                            |
| 9  | Steel Authority of India | SAIL has supported maintenance of monuments in Delhi's Lodhi Gardens, and Vedvyas, Saraswati kund in Rourkela. To take care of distinct features of tribal culture, a 5-day Chhattisgarh Lok Kala Mahotsav is celebrated every year in Bhilai and nearby places in which more than 600 artistes participate. To promote local culture and games, various Gramin Lokotsavs and Gramin athletics competitions are organized by SAIL at different locations throughout the year. | Colgate Palmolive | Free dental health care packs, including samples, are also distributed by the company to encourage good oral hygiene.                        |
| 10 | Infosys                  | Provide schools with computers it has also helped build 60,000 school libraries, Nirmala shouchalayas.  | Lego Group        | In 2013 the LEGO Group became the first and remains the only toy company to be named a World Wildlife Fund (WWF) Climate Savers Partner. One |

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|  |  |  |  | of the world's largest conservation organizations, WWF collaborates with leading global companies committed to setting ambitious targets to reduce greenhouse gas (GHG) emissions. Through its Climate Savers program, WWF encourages its partners to transform into low-carbon leaders, acting as change agents within their sphere of influence. |
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#### 4. Impact

- The ICC has tied up with McGrath Foundation, Cancer Society of New Zealand, Room to Read and Think Wise for its Corporate Social Responsibility (CSR) partnerships during the 2015 World Cup in Australia and New Zealand. The ICC will once again be working with Room to Read and will also partner with UNAIDS and UNICEF to deliver the global cricket AIDS awareness partnership THINK WISE.
- Corporate to Pump in Rs.14,000 Crore towards CSR in 2014-15: Arun Jaitley.
- Tata Group CSR Spend Crosses Rs.660 Crore in 2013-14.
- Infosys to Contribute Rs.240 Crore towards CSR.

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## 5. Conclusion

It can be concluded that Social corporate responsibility and the maintenance of high ethical standards is not an option but an obligation for all business. What can't be measured can't be improved. That was the spirit behind our effort to gather data on how much listed firms are concentrating on CSR currently. It turned out to be one of the most difficult exercise we have undertaken. Despite reaching out to them individually, we realized that there are many, even among the top 100 firms by revenue, who don't report their CSR spends or even declare the social causes they support. That's because they aren't required to do so by law.

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