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Corporate Social Responsibility
Helping you manage the process

CSR Legal Requirements

The concept of Corporate Social Responsibility (CSR) is governed by section 135 of The Companies Act, 2013, which encourages companies to spend two percent of their average net profits in the previous three years on CSR activities. For CSR activities, the company should give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities.

To manage CSR activities, the Board of the Company is required to form a CSR committee. The composition of the committee will be disclosed in the board's report as per sub-section (3) of section 134. The CSR committee will also be required to ensure that all the income accrued to the company by way of CSR activities is credited back to the CSR corpus.

As per section 135(4) of the Companies Act, 2013, the board of the Company shall, after taking into account the recommendations made by the CSR committee, approve the CSR policy for the company and disclose contents of such policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and ensure that the activities as are included in the CSR policy of the company are undertaken by the company.

Applicability

Applicable to every company with a:
- Net worth of Rs. 500 crore or more; or
- Turnover of Rs. 1000 crore or more; or
- Net profit of Rs. 5 crore or more

Implication of non-compliance

The Board shall specify the reasons for not spending the amount in its report to be made as per Section 134(3)(o).

CSR Committee's responsibility

The CSR committee should comprise three or more directors with at least one independent director. It is their responsibility to:
- Formulate and recommend a CSR policy to the board
- Recommend activities and the amount of expenditure to be incurred
- Monitor the CSR policy from time to time

Board's responsibility

The Board's responsibility is to:
- Form a CSR Committee
- Approve a CSR policy
- Ensure implementation of the activities under CSR
- Ensure 2% spend
- Disclose reasons for not spending the amount (if applicable)
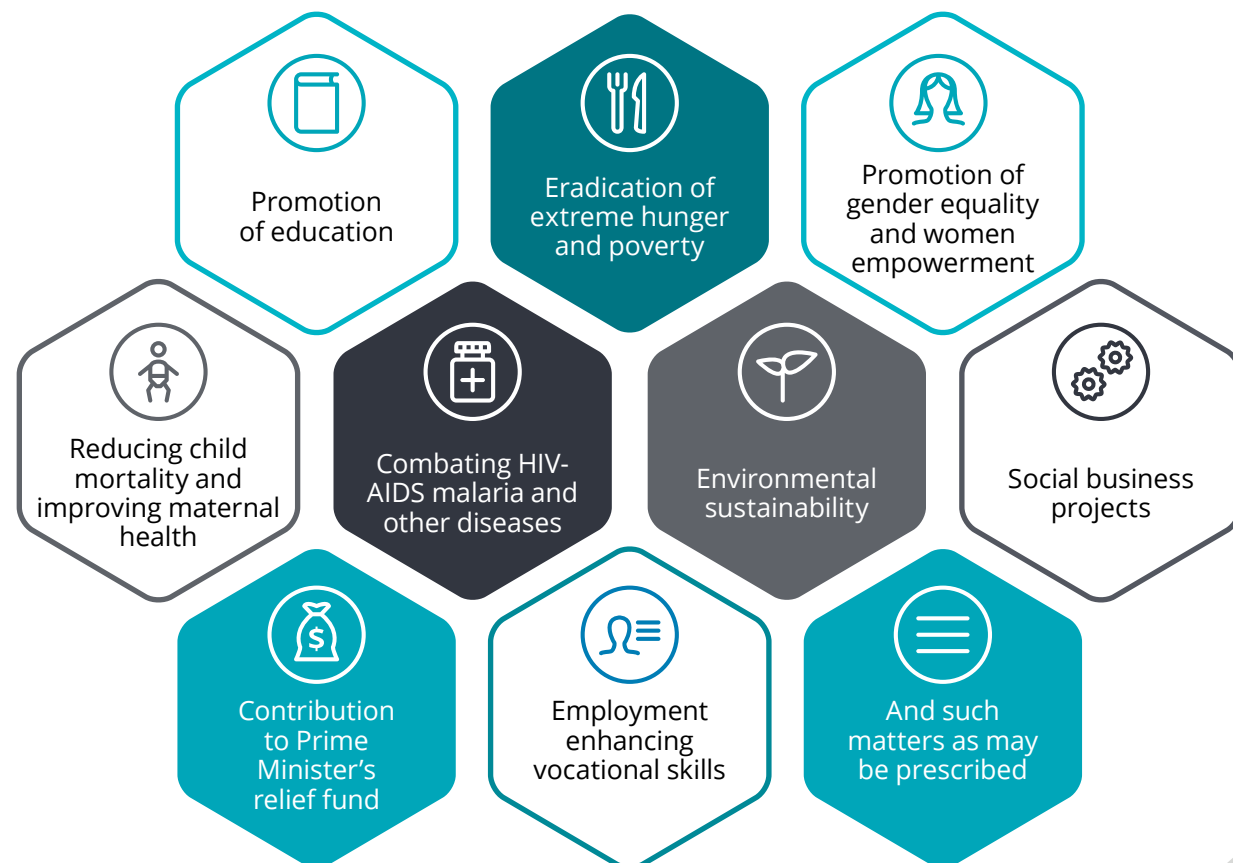- Business responsibility reporting (BRR) as part of annual report

Activities eligible under CSR

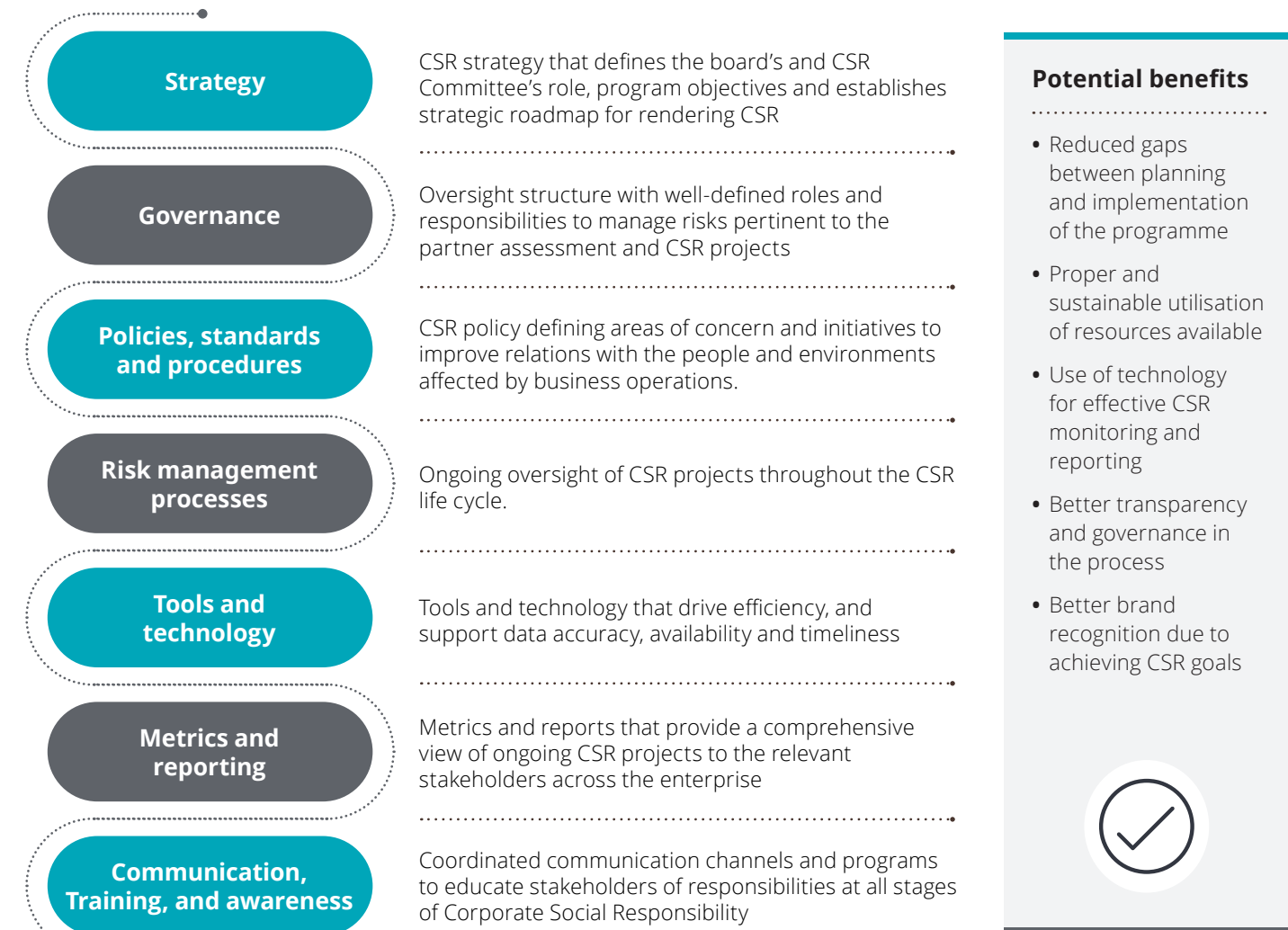A company may plan to perform CSR activities in the following ways:
- Self execution
- Execution with implementation partners

The following is a list of all the activities that an organisation can undertake while conducting a CSR activity.*
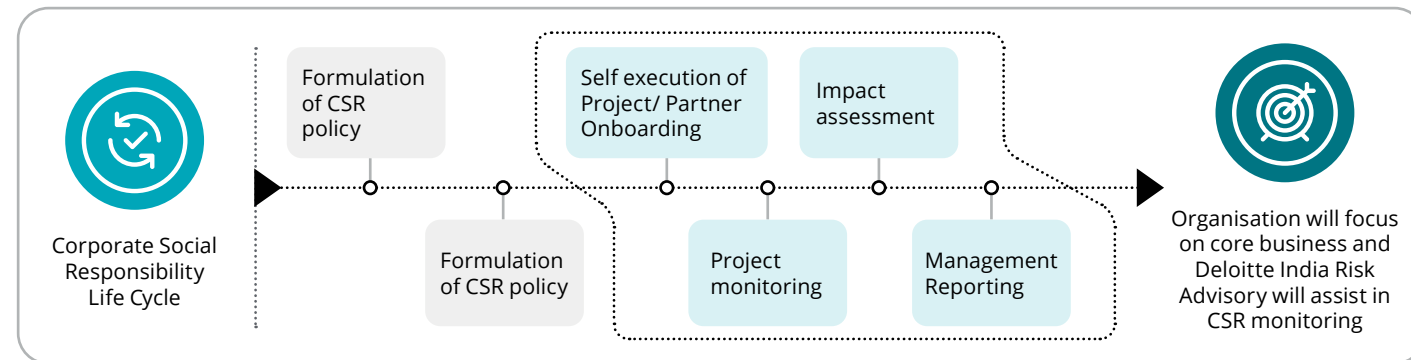

Promotion of education

Eradication of extreme hunger and poverty

Promotion of gender equality and women empowerment

Reducing child mortality and improving maternal health

Combating HIV-AIDS malaria and other diseases

Environmental sustainability

Social business projects

Contribution to Prime Minister's relief fund

Employment enhancing vocational skills

And such matters as may be prescribed

*This is not an exhaustive list

Our CSR governance framework is key to a successful and impactful implementation of Corporate Social Responsibility, which is an obligation of the Board of Directors and organisation's management team. A well-laid down governance framework improves transparency and near real time visibility of social impact.

Strategy — CSR strategy that defines the board's and CSR Committee's role, program objectives and establishes strategic roadmap for rendering CSR

Governance — Oversight structure with well-defined roles and responsibilities to manage risks pertinent to the partner assessment and CSR projects

Policies, standards and procedures — CSR policy defining areas of concern and initiatives to improve relations with the people and environments affected by business operations.

Risk management processes — Ongoing oversight of CSR projects throughout the CSR life cycle.

Tools and technology — Tools and technology that drive efficiency, and support data accuracy, availability and timeliness

Metrics and reporting — Metrics and reports that provide a comprehensive view of ongoing CSR projects to the relevant stakeholders across the enterprise

Communication, Training, and awareness — Coordinated communication channels and programs to educate stakeholders of responsibilities at all stages of Corporate Social Responsibility

Potential benefits

- Reduced gaps between planning and implementation of the programme
- Proper and sustainable utilisation of resources available
- Use of technology for effective CSR monitoring and reporting
- Better transparency and governance in the process
- Better brand recognition due to achieving CSR goals

Our end-to-end delivery framework

Our framework depicts the stages of Corporate Social Responsibility life cycle where Deloitte India Risk Advisory can support organisations in meeting their objectives with respect to Corporate Social Responsibility.

Corporate Social Responsibility Life Cycle → Formulation of CSR policy → Formulation of CSR policy → Self execution of Project/ Partner Onboarding → Project monitoring → Impact assessment → Management Reporting → Organisation will focus on core business and Deloitte India Risk Advisory will assist in CSR monitoring

Partner Selection

The process of partner selection aims to identify the risks, as well as the benefits, of working with a potential implementation partner. The objective is that the organisation's implementation partners have the reputation, competence and integrity to deliver effective programmes.
- We perform assessments of potential implementation partners
- Provide assistance in selection and onboarding of credible implementation partners

Factors to be considered during partner selection:
- Financial capability
- Management
- Identification
- Competency
- Transparency

Compliance Monitoring

This refers to the process of regular monitoring of CSR projects to identify areas where any corrective steps are needed, and to have a bird's eye view of CSR projects to ensure its success. With the use of our tools there will be multiple reports which can be accessed and extracted for the purpose of management reporting:
- Define monitoring schedule
- Review progress reports
- Visit the CSR Partner
- Verify records
- Comply with legal requirements with respect to the minimum amount to be spent on CSR
- Transfer the unspent amount to 'Unspent Corporate Social Responsibility Account'

Tech-enabled management reporting

With the use of our tool, there will be multiple reports that can be accessed and extracted for the purpose of management reporting, which will give the organisation an idea of CSR projects and enable them to take necessary action, wherever required, to achieve their CSR goals.

Technology-enabled monitoring of CSR projects through:
- Bulk upload of data related to CSR projects
- Workflow system for issue flagging/ management
- Centralised monitoring
- Classification and reporting
- Automated assessment report generation
- Compliance monitoring

Impact Assessment

We provide the following services with regard to impact assessment:
- Review management process of conducting periodic impact assessment
- Implementation of recommendation identified

Partner and project assessments

For most organisations, CSR is inherently a non-core activity. Therefore, both Partner and project assessments are necessary on an ongoing basis. Our experience tells us that many pitfalls continue to exist during execution, some of which are set out through the illustrations below. Our CSR Governance Framework provides the necessary support at onboarding, selection and execution phases.

Illustrative factors to be considered for assessment of CSR implementation Partner

Financial capability
- Financial statements: Whether audited financial statements are available
- Adequacy of reserves: Whether there is a process of keeping reserves for future use and emergency
- Section 12 A registration: Whether registration under Section 12A of the Income Tax Act, 1961 was obtained to ensure that the CSR partner enjoys the exemption from paying taxes
- Section 80 G registration: Whether registration under section 80G was obtained by the CSR implementation partner to ensure that donors have benefit with respect to exemption under income tax act 1961 for funding them.
- FCRA registration: Whether FCRA registration obtained under Foreign Contribution Regulation Act 2010 to ensure compliance in case of receiving contribution from foreigners.
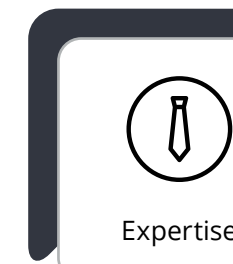
Expertise
- Geography: Country of incorporation and geography which is being served by implementation Partner
- Sector: Sectors being served by implementation partner
- Current and past partners: Existing and previous partners of implementation partner in similar CSR project
- Skills and competencies of the Partner

Management and Governance
- Profile of board/ key management members: To check whether the management of the implementation partner have expertise in the field of the CSR project
- Clear vision, mission and strategy: To check whether the vision and mission of the CSR partner are in line with that of the company, in order to ensure that the objectives of the organisation are achievable with the CSR partner support
- Governance structure
- Policies and procedures
- Conflicts of interest: To check if there is any conflict of interest between the board members, the advisors or the management personnel with the company and there is no conflict of interest with the local governments.

Infrastructure
- Technical infrastructure: To check if the CSR partner has the necessary technical infrastructure which is required for the smooth functioning of the CSR project
- People infrastructure: To check if the CSR partner has the necessary people base which is required for the smooth functioning of the CSR project
- Reporting methods: To check whether the reporting structure is in place (manual / through system) to ensure better control and monitoring of projects

Common pitfalls during project execution

In case of inadequate monitoring of CSR projects, the organisation may face difficulties in achieving their CSR objectives as planned. A few challenges (pitfalls) are described below for sample CSR projects categories:

Health and sanitation

- Gaps between project concept note and actual execution
- Project concept note not converted to 'Ways of Working'
- Medicine stock out
- High equipment downtime
- Poor maintenance process
- Equipment bought and not used
- No/ poor attendance at health camps
- Incorrect reporting of beneficiaries
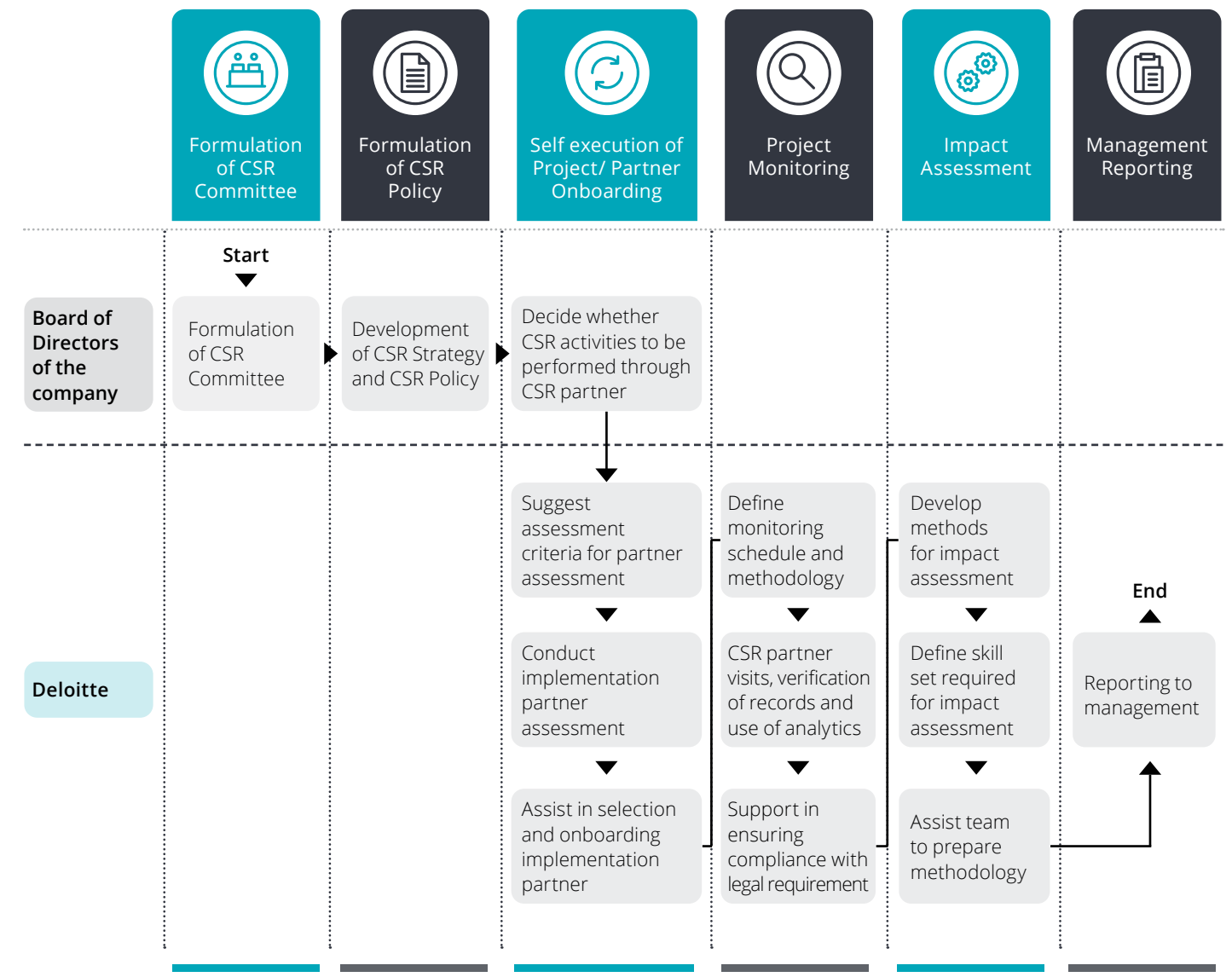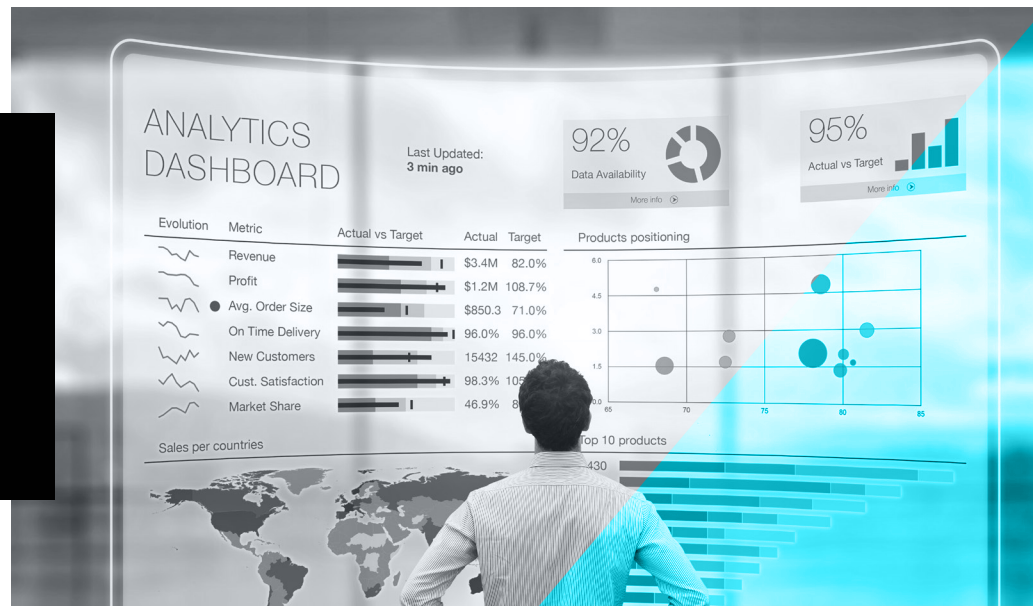- Incorrect reporting of completed projects

Education

- No student attendance record
- No teacher attendance record
- MoU not adhered to
- Low hygiene
- Centre not operated on all planned days
- Inadequate number and type of teaching staff
- Geographical coverage different from planned
- No blackboards and other material

The management personnel responsible for the day-to-day activities have the necessary depth of experience and skill set to manage the current and future growth plans.

We have a deep Managed Services capability which can be leveraged to deliver CSR as a managed service. A high level program design is set out below:
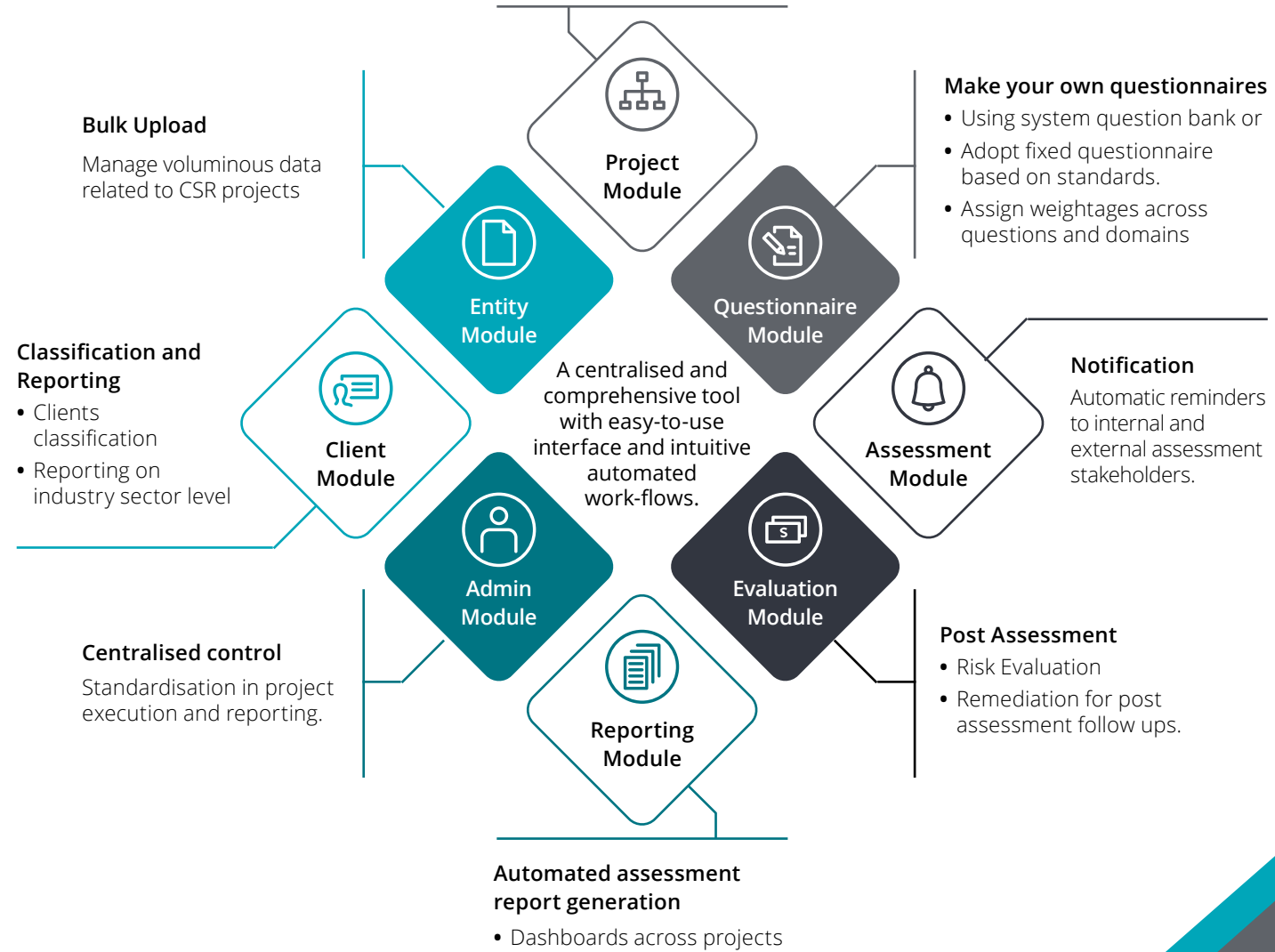

	Formulation of CSR Committee	Formulation of CSR Policy	Self execution of Project/ Partner Onboarding	Project Monitoring	Impact Assessment	Management Reporting
Board of Directors of the company	Start ▼ Formulation of CSR Committee	Development of CSR Strategy and CSR Policy	Decide whether CSR activities to be performed through CSR partner			
Deloitte			Suggest assessment criteria for partner assessment ▼ Conduct implementation partner assessment ▼ Assist in selection and onboarding implementation partner	Define monitoring schedule and methodology ▼ CSR partner visits, verification of records and use of analytics ▼ Support in ensuring compliance with legal requirement	Develop methods for impact assessment ▼ Define skill set required for impact assessment ▼ Assist team to prepare methodology	End ▲ Reporting to management

Technology-led enablers for CSR programme management

ANALYTICS DASHBOARD

Last Updated: 3 min ago

92% Data Availability

95% Actual vs Target

Evolution	Metric	Actual vs Target	Actual	Target
	Revenue		$3.4M	82.0%
	Profit		$1.2M	108.7%
	Avg. Order Size		$850.3	71.0%
	On Time Delivery		96.0%	96.0%
	New Customers		15432	145.0%
	Cust. Satisfaction		98.3%	105
	Market Share		46.9%	8

Sales per countries

Products positioning

Top 10 products

Customise your project for
- Workflows
- Automated notifications
- Risk Matrix

Make your own questionnaires
- Using system question bank or
- Adopt fixed questionnaire based on standards.
- Assign weightages across questions and domains

Bulk Upload

Manage voluminous data related to CSR projects

Project Module

Classification and Reporting
- Clients classification
- Reporting on industry sector level

Entity Module

Questionnaire Module

A centralised and comprehensive tool with easy-to-use interface and intuitive automated work-flows.

Notification

Automatic reminders to internal and external assessment stakeholders.

Client Module

Assessment Module

Centralised control

Standardisation in project execution and reporting.

Admin Module

Evaluation Module

Post Assessment
- Risk Evaluation
- Remediation for post assessment follow ups.

Reporting Module

Automated assessment report generation
- Dashboards across projects

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