

All eyes on Clause 135

Human Capital in conversation with Sudheesh Venkatesh, Chief People Officer, Azim Premji Foundation on how organizations can ensure that these numbers are put to use in right direction and spirit.

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W *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, has to mandatorily spend at least 2 per cent of its average net profit for the immediately preceding three financial years on corporate social responsibility activities. The Act mentions that the Corporate Social Responsibility (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. Around 8,000 companies would fall under the said sections ambit and this mandate would translate into an estimated CSR spending of Rs 12,000-15,000 crore annually.*

HC: Do you think the introduction of Clause 135 in the Companies Bill 2011, which has made it a mandatory exercise for certain companies to contribute at least 2 per cent of their net profits from the preceding three years towards the cause of CSR, will bring in a sea change in the way CSR is approached in India Inc.?

SV: CSR as a concept is still evolving in India and worldwide,

and very naturally it is going to take time to change. Before Clause 135 was inserted in the Companies Act, CSR spending was not mandatory. So for example, while many public sector giants did spend on CSR, such spending had remained less than 2 per cent of net profit. The new Act is an attempt at making CSR an organized effort across the country. It aims to provide an enabling environment to corporates and bring in

collaborations that can help the government in its development agenda. It shouldn't be seen as yet another attempt by the state at 'tax extraction', but needs to be understood in spirit. It provides an opportunity for companies to collaborate their efforts, and it has also outlined areas in which they can contribute. In the first few years, till a corporation identifies its areas of focus, contributions can be made to the Prime Minister's Relief Fund as well. Being said that, there is still a long way to go before we can expect a sea change in the way the potential of CSR is understood and approached in India, because we are just about starting to engage with it as a concept.

HC: In your opinion, will the new Act inspire India Inc. to open up new channels of effective development in the country?

SV: 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. While schedule VII of the Act has outlined very broad spectrum of activities, corporates usually invest their funds and efforts in what will further their business interests so it will be interesting to see the lines of development that eventually open up. For example, at times a corporation might spend a whopping amount under the name of CSR for 'green washing', while the actual operations might be resulting in severe abuse of human rights and environmental pollution - the refusal of corporations to own up liabilities caused by oil slicks, gas leaks. The new government at the Centre is proactively seeking the help of individuals and corporates towards some big ticket areas such as sanitation, so some corporates may even want to align with government imperatives, which may be immediately unrelated to their business but has its own potential for positive return in terms of concessions, etc.

HC: With the new rules in place, will there be any major change in the way CSR is perceived in your company?

SV: No, I do not there will be any major change in the way CSR is perceived at Azim Premji Foundation. There is no change to our way of work or how we perceive CSR. The work that we are doing in the social space is not separate from our core set of activities. It is in fact,

our core set of activities, our entire reason for existence. So what we are doing cannot be perceived as corporate social responsibility. In addition, we are registered as a Section 25 company where all our income is already earmarked for philanthropic purposes and the new rules have no additional bearing on us. We are already doing more than what the new rule exhorts companies to do and our *raison d'être* is 'to

TOP CSR ACTIVITIES

Microsoft: Microsoft has always encouraged its workforce to give back to the society through Employee Giving Campaigns. Employees raise fund for

Microsoft any non- profits organization they are associated with. Through Microsoft's global initiative YouthSpark, it is educating, generating employment and encouraging entrepreneurship among the youth. In India, Microsoft has trained 7, 41,000 government school teachers in IT through Project Shiksha. Each year, Microsoft Learning certifies around 1,00,000 people.

Google: Google is known for its philanthropic initiatives, Under Google.org, it launched a project called Renewable Energy Cheaper than Coal, that aimed at producing energy from renewable sources-wind and solar. The other notable social initiatives by Google include- Google Crisis Response, Google for non-profits and Google Flu and Dengue Trends. Google Crisis Response ..



Walt Disney Company: Disney has spent \$23.5 million since 2009 in forest conservation, reforestation and forest management. Disney has formed the Disney VoluntEARS with its employees and cast members. It has spent 6 million hours in giving back to the society. In 2011, The Walt Disney Company launched the Disney Its A Small World product collection to support UNICEF.

BMW: BMW is strongly involved with the United Nations Environment Program, the UN Global Compact and the Cleaner Production Declaration. It is focusing on innovative designs and less polluting cars which are environment friendly. It is making efforts to develop environment friendly fuel for future vehicles such as-electric power, hybrid power.



Apple: Apple is a partner of the Product RED campaign which aims to reduce HIV transmission from mother to child. In 2012, Apple donated \$2.5 million to American Red Cross towards relief and rehabilitation of the victims of Hurricane Sandy. Apple declares its aim to equip all its facilities with 100 percent renewable energy. They have reportedly achieved 100 percent renewable energy at all the data centers, at facilities in Austin, Elk Grove, Cork, and Munich, and at the Infinite Loop campus in Cupertino.

Source: <http://www.siliconindia.com/>

INTERVIEW ▶▶

create a just, equitable, humane and sustainable society' by working on quality and equity of elementary education in India.

HC: How are employees motivated to become the key drivers of CSR within the organization?

SV: It can be very effectively driven through the talent engagement and talent management activities of organizations and their reward and recognition programs. It is a great way to motivate individuals to give back to the society, and encourages us all to be environmentally conscious and socially responsible citizens.

HC: While there is no denying that most Indian and international companies operating out of India have been doing their bit for the society even before these rules were enacted. How will the new rules

make the not-so-active in CSR practices to get their acts right, and thereby significantly increase CSR expenditure and involvement?

SV: Even before these rules were in place, corporates had voluntarily signed on to the UN's Global Compact program, which can be referred to in guiding their CSR practices. It has a set of 10 principles through which it asks companies "to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption." Industry observers say the focus should be less about 'how much' does an organization spend on CSR, and more about 'how well' does it spend on CSR.

HC: Do you think that the mandatory quota of 2 per cent spend on CSR activities will work

better if a forceful approach is adopted or will urging to participate voluntarily will have a better impact? Please elaborate.

SV: It is a start. Obviously if situations could be bettered entirely voluntarily or by appealing to the goodness of corporations, we wouldn't be where we are today. Having said that, the Act only stipulates that 2 per cent of net profits should be spent on CSR and elaborates on the reporting mechanisms. It is up to the companies to choose where and how they spend it. It will take some time before the various fragmented CSR activities can make any kind of coherent impact in the country. A voluntary, concerted effort at collaboration by corporates will of course make a very big difference in it.

HC: What are the key aspects according to you that have the capability to alter the way the entire activity is perceived, from a mere philanthropic work to a serious part of business?

SV: If organizations are serious about being socially responsible corporates, there is a huge potential for a positive impact of CSR for society and the environment. However, it can only happen when these form a core part of the business objectives and agenda for the corporates, as it would alter the way they plan, review, measure and back such activities with their financial and human resource commitments.

HC: How can HR contribute to make the activity all the more fruitful?

SV: As with enabling other business objectives, HR can support achievement of CSR objectives as well. However, it shouldn't be seen as something the HR function needs to manage to keep employees engaged. Like I said, the whole business should be aligned in its socially responsible activities for them to be really meaningful. Successful organizations such as GE, TATAs, Wipro, etc., have integrated these practices very effectively into their business agenda and organization culture, weaving it into their leadership priorities as well. **HC**

COMPANIES WITH STRONG CSR REPUTATION

This data reveals how much each company will have to invest out on CSR, now with the new law in place. This based on "India's top companies are ranked 1-10 based on Net Sales for the Financial Year 2012".

SR NO	COMPANY	REVENUE	AVG PAT	ACTUAL SPEND	2% OF PAT
1	Indian Oil Corporation	442,459	7,783	83	156
2	Reliance Industries	368,571	21,138	288	423
3	Bharat Petroleum Corporation	223,315	1,438	8	29
4	Hindustan Petroleum Corporation	195,891	1,118	27	22
5	Tata Motors	170,678	8,437	15	169
6	Oil & Natural Gas Corporation	151,121	23,660	121	473
7	State Bank of India	147,197	13,056	71	261
8	Tata Steel	135,976	3,895	146	78
9	PNB Gilts	104,628	29	NA	1
10	Hindalco Industries	82,549	3,597	28	72

This data is compiled by CSRidentity.com, together with Forbes India in 2013

Sources: *Forbesindia.com*