

**CS PREETI GROVER**  
(Company Secretaries)



## **REPORT OF THE HIGH LEVEL COMMITTEE ON CORPORATE SOCIAL RESPONSIBILITY(CSR) - PART 1**

In year 2018 a High Level Committee (HLC) was set up under the chairmanship of Mr. Injeti Srinivas, Secretary, Ministry of Corporate Affairs. The HLC submitted its final report to the Honourable Union Minister of Finance and Corporate Affairs in **August 2019**. The objective of the committee was to review the existing CSR framework and formulate the roadmap for future implementation to unlock the full potential of CSR.

### **The terms of reference of this Committee included-**

- To review the CSR framework as per Act, Rules, Circulars issued from time to time;
- To recommend guidelines for enforcement of CSR provisions;
- To suggest measures for adequate monitoring and evaluation of CSR by Companies;
- To examine and recommend Audit (financial, performance, social) for CSR as well as, analyse outcome of CSR activities/ programme/ project;
- Any other matter incidental or connected thereto.

**The report of the committee consists of four chapters-**

**Chapter 1- BACKGROUND AND HISTORY OF CSR IN INDIA**- Quick review of history and changing landscape of responsible business conduct and sustainable development goals with the role of businesses into framework followed by the principles embraced by the committee in its deliberations

**Chapter 2- CSR DATA ANALYSIS**-Analysis of data based on company filing

### **Chapter 3- KEY CSR ISSUES AND RECOMMENDATIONS -**

Comprehensive recommendations on the supportive CSR ecosystem needed to strengthen the sustainable development agenda.

### **Chapter 4- WAY FORWARD**

#### **CHAPTER-1 : BACKGROUND AND HISTORY OF CSR IN INDIA**

In 2018, India was recorded as fastest growing economy with GDP of \$2.73 trillion, as per data from World Bank. It was poised to become a 3 trillion dollar economy in 2019-20. However, lot of issues/challenges in education and health come in way of this. Efforts made in this regard can be viewed in two key ideas:

a) The idea that corporations act as partners in social development process of the country

In the 19<sup>th</sup> century, industrialists had the practice of giving via trusts, controlled by members of business families. In 1970s and 1980s the Ranking of India on social and economic indicator remained poor leading the government to co-ax the industry to consider the larger good of India. From 1980s onwards Indian economy saw a large increase in corporate activities.

This led to Indian businesses becoming more exposed to both domestic and foreign competition. Around the mid-1990s, as the liberalisation of the Indian economy began to intensify, several competing large industry associations in India started forming a separate division focused on **Social Development**. By 2000, many Indian Companies established their global presence and several MNCs had set up their subsidiaries in India. The global discourse of CSR was gradually moving from charity to strategic CSR and shared values. During this period with the enactment of Companies Act 2013, CSR became mandatory.

**b) Strengthening the social responsibility of the business.**

From the perspective of social responsibility of business, there have been periodic calls for business to be responsible in their actions beyond philanthropy. In 2009, MCA launched the Corporate Governance Voluntary Guidelines, to encourage Corporates to aim for high standards of Corporate Governance. In 2011, MCA launched The National Voluntary Guidelines (NVG) on Social, Environment and Economic responsibilities of Business. NVGs were developed based on India's socio-cultural context and priorities as well as global best practices.

In 2019, the same was revised to formulate the National Guidelines for Responsible Business Conduct to take into account wider global changes in the business environment and policy. SEBI prescribed a Business Responsibility Reporting Framework based on NVGs for the top 500 listed Companies by market capitalisation.

**In the overall context spelt out above, the Committee adopted the following broad principles while making its recommendations.**

- a. Improving the CSR framework and ecosystem while placing it in the larger context of responsible business conduct by companies as manifested in UNGPs, NGRBCs and India's commitment to developing a NAP. All recommendations aim towards achieving Sustainable Development Goals (SDGs).
- b. Easing the burden of compliance for businesses.
- c. Focusing on accomplishment of impacts for every rupee invested.
- d. Retaining the thrust of CSR as driven by Boards of Companies.
- e. Nurturing a culture of compliance through enhanced disclosures wherein penalties deter rather than punish.
- f. Encouraging innovations and carrying out pilot studies for CSR to enable meeting SDGs.

**NOTE: Recommendations made by the HLC and the way forward will be covered in second part in the next issue of NAVCHETNA.**