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CSR Galaxy: Potential Opportunities

Consultation on CSR Investment pathway for Social Impact

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CSR Galaxy: Potential Opportunities for Social Impact & Research Institutions (SIRI)

- A. An orientation on CSR space
- B. Industries expectations in lieu of their funds
- C. Potential areas where SIRI can have an edge.



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THE TWO QUESTIONS:

CAN YOU TALK ABOUT ONE FAILURE YOU HAD AND YOUR LEARNINGS?

IF YOU WOULD WRITE A BOOK, WHAT WOULD BE THE TITLE OF THE BOOK?

”
“



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WHAT CSR MEANS?



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Key definitions

- The **European Commission** defines CSR as “the responsibility of enterprises for their impacts on society”. To completely meet their social responsibility, enterprises “should have in place a process to integrate **social, environmental, ethical human rights and consumer concerns into their business operations** and core strategy in close collaboration with their stakeholders”
- The **World Business Council for Sustainable Development** defines CSR as “the continuing commitment by business to contribute to **economic development while improving the QoL of the workforce and their families** as well as of the community and society at large.”
- The **United Nation Industrial Development Organization**, “CSR is a management concept whereby companies **integrate social and environmental concerns in their business operations** and interactions with their stakeholders.”

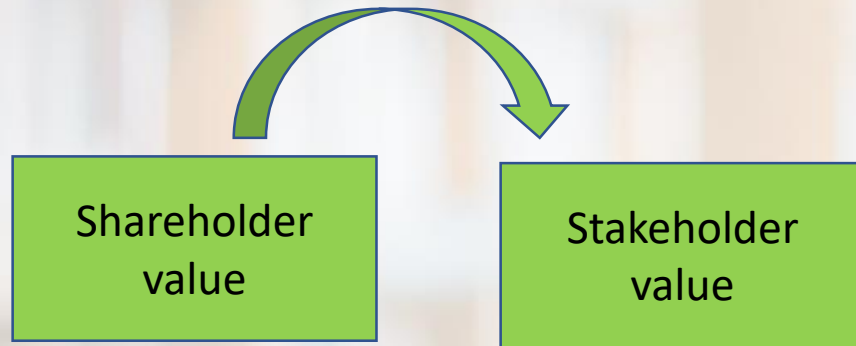
Key definitions

CONTD..

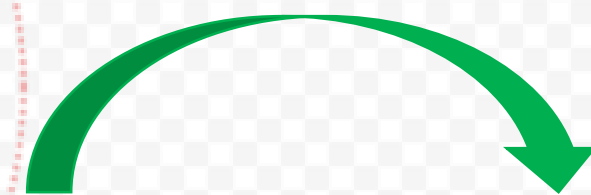


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- CSR is a **strategic business management concept**. Philanthropic activities are only a part of CSR.
- The CSR approach is holistic and integrated with the core business strategy for addressing Economic, Social and Environmental impacts of businesses (**Triple-Bottom-Line Model – ‘3BL / TBL’**).
- CSR needs to address the **well-being of all stakeholders** and not just the company’s shareholders.



TBL: Three bottom line
4BL: Quadruple bottom line
IPL: Integrated bottom line

Charitable Contributions

3P Model:

- Social
- Environment
- Economic



3P Model:

- People
- Planet
- Profit



4P Model:

- People
- Planet
- Profit
- Future - Sustainability



a set of **9-principles**, offer an understanding & approach to inculcate responsible business conduct.

- i. conduct and govern themselves with ethics, transparency and accountability.
- ii. provide goods and services that are safe and that contribute to sustainability throughout their life cycle.
- iii. promote the well-being of all employees.
- iv. respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
- v. respect and promote human rights.
- vi. protect and make efforts to restore the environment.
- vii. when engaged in influencing public and regulatory policy, they should do so in a responsible manner
- viii. **support inclusive growth and equitable development**
- ix. engage with and provide value to their customers and consumers in a responsible manner.

Focuses on encouraging business action on national development priorities, including community development initiatives and **strategic CSR based on the shared value concept**. This principle of NVG was subsequently translated into a **mandatory provision of CSR in Section 135 of the Companies Act 2013**.

Historical perspective of CSR Legislation in India



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YEAR 2014

- The amendment notified in the Companies Act, 2013 requires companies with an annual turnover of INR 1000 crore (US \$140 million) or more, or net profit of INR 5 crore (US \$699,125) or more, to spend 2 percent of their average net profits of 3-years on CSR.

YEAR 2019

- The new law prescribes for a monetary penalty as well as imprisonment in case of non-compliance. The penalty ranges from INR 50,000 (US \$700) to INR 25 lakh (US \$35,000) whereas the defaulting officer of the company may be liable to imprisonment for up to three years, or a fine up to INR 5 lakh (US \$7,023), or both.
- On March 13th, 2019 (9 years after a global launch), India adopted ISO 26000.

RECENT CSR AMENDMENT IN INDIA



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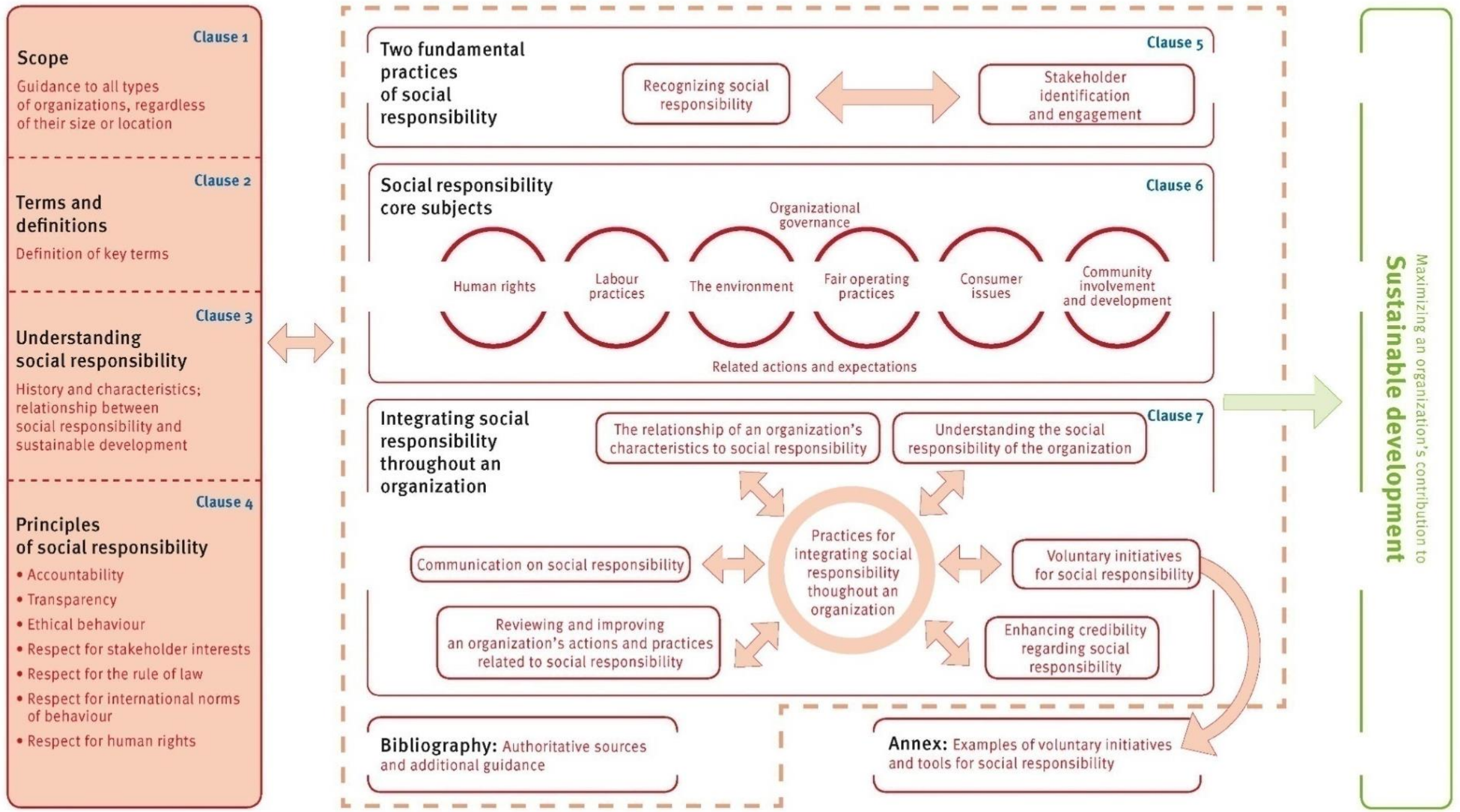


Contributing to the United Nations Sustainable Development Goals with **ISO 26000**



- **ISO 26000** is defined as the international standard developed to help organizations effectively assess and address social responsibilities that are relevant and significant to their mission and vision; operations and processes; customers, employees, communities, and other stakeholders; and environmental impact.

Schematic overview of iso 26000





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How much an organization contributes to sustainable development and its impacts on society and the environment is known as “Social Responsibility” and is becoming a critical measure of performance.

OPPORTUNITY

- Understanding
- Measure



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Companies CSR activities are typically divided amongst 3-Theaters of practice

THEATER 1: Philanthropy (50%)

- donations of money or equipment
- support for employee volunteering
- engagement with community initiatives

THEATER 2: Operational Improvements (40%)

- Efficiency
 - Effectiveness
- Production
Retention
Reputation

THEATER 3: Business-model Transformation (10%)

BENEFITS

Percent of respondents who identified the following as top benefits of their firms' CSR initiatives:

THEATER 1

PHILANTHROPY

Improves company's social standing: **84%**

Supports company's philanthropic priorities: **77%**

Increases employee motivation: **67%**

THEATER 2

OPERATIONAL IMPROVEMENTS

Improves company's social standing: **94%**

Improves company's environmental impact: **62%**

Protects resources on which the company depends: **58%**

THEATER 3

BUSINESS-MODEL TRANSFORMATION

Creates an important solution to a social/environmental problem: **89%**

Promises long-term gains: **82%**

Addresses senior management's social/environmental mission: **82%**

BUSINESS IMPACTS

Percent of respondents who identified the following as impacts (THEATER 1 and THEATER 2) or anticipated impacts (THEATER 3) of their firms' CSR initiatives:

Increased revenue: **13%**

Increased costs: **41%**

Increased revenue: **32%**

Reduced costs: **32%**

Increased costs: **35%**

Increased revenue: **31%**

Reduced costs: **35%**

Increased costs: **36%**



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Source: Kasturi Rangan, Lisa Chase and Sohel Karim. HBR.ORG

N=1072 CSR programs across manufacturing, telecommunications, goods & services financial services and others

Among the listed companies in India

27% - spent directly on CSR-related activities

25% - used only external implementing agencies

38% - used a combination of the two

Rest – no specific route chosen



Examples – theatre practices

Hindustan Unilever's Project Shakti ("empowerment")

- Wholesaler to retailer distribution model to reach remote villages
- Company recruits village women, provides them with access to microfinance loans and train them in selling soaps, detergents and other products door-to-door
- >65000 women entrepreneurs now participate, nearly doubling their HH incomes contributing to public health
- As project – Unilever achieved >\$100 million sales.

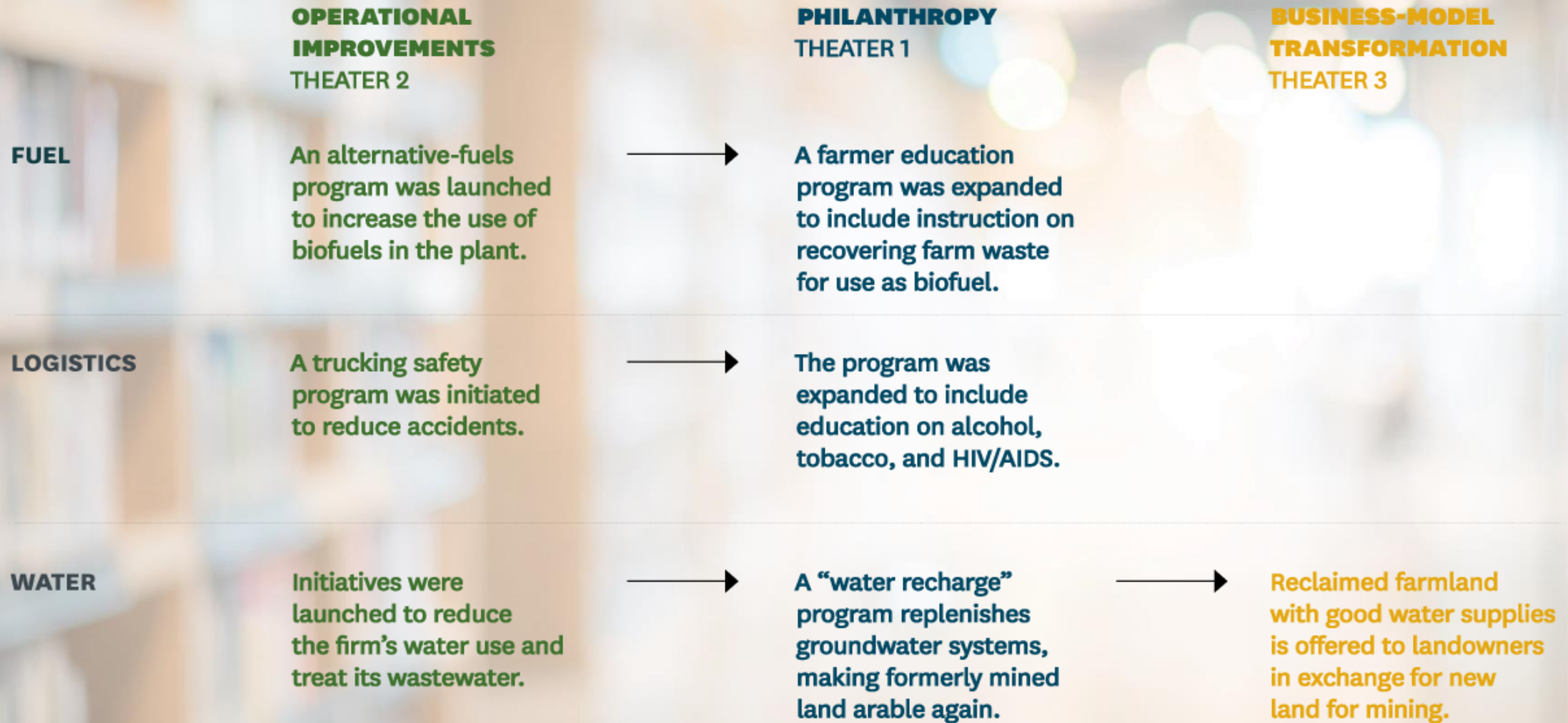
Another example – IKEA – company

People & Planet initiative calls for its entire supply chain to be 100% sustainable by 2020, and also aims to double sales by the same year.

- Post-consumer recycling loop model

Harmonizing CSR at Ambuja

Ambuja Cements, an Indian subsidiary of Holcim, has built a coherent portfolio that coordinates activities across theaters. In the examples below, initiatives originating in theater two have led to activities in one or both of the other theaters.



BUSINESS CASE MATRIX (BCM)



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BUSINESS BENEFITS					<p style="text-align: center;">CORE BUSINESS PRINCIPLES (Source: The National Guidelines Businesss Conduct, Ministry of Corporate Affairs, Government of India, 2018)</p>	SUSTAINABLE DEVELOPMENT GOALS																
A	B	C	D	E		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Revenue growth & market access	Cost savings & productivity Access to capital	Risk management/ license to operate	Human capital	Brand value/ reputation		No Poverty	Zero Hunger	Good Health & Wellbeing	Quality Education	Gender Equality	Clean water & Sanitation	Affordable & Clean Energy	Decent Work & Economic Growth	Industry Innovation & Infrastructure	Reduced Inequality	Sustainable Cities & Communities	Responsible Consumption & Production	Climate Action	Life Action	Life on Land	Peace & Justice Strong Institutions	Partnerships to achieve the Goal
					P1. Integrity, Ethics, transparency, accountability																	
					P2. Safe and sustainable goods and services		+			+	+	+		+		+	+	+				
					P3. Well-being of employees	+		+	+	+		+	+		+						+	
					P4. Respect and responsiveness to all stakeholder	+			+				+		+						+	
					P5. Respect and promote Human rights				+			+									+	
					P6. Respect, protect and restore the Environment		+	+		+	+			+		+	+	+	+	+		+
					P7. Responsible and transparent policy advocacy		+				+	+		+	+		+	+	+	+		+
					P8. Promote inclusive growth and equitable development	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
					P9. Provide value to consumer responsibly		+		+								+		+	+		

Development Sector wise CSR Spent in India

SN	DEVELOPMENT SECTORS	AMOUNT SPENT (INR Cr)				PROPORTION				RANK
		2014-15	2015-16	2016-17	2017-18	2014-15	2015-16	2016-17	2017-18	
1	Clean Ganga Fund	5.47	32.82	24.37	2.11	0.1%	0.2%	0.2%	0.0%	
2	Education, Differently Abled, Livelihood	3,188.09	4,942.55	5,511.29	3,486.76	31.7%	34.0%	38.5%	25.6%	I
3	Encouraging Sports	57.61	138.92	178.52	121.94	0.6%	1.0%	1.2%	0.9%	
4	Environment, Animal Welfare, Conservation Of Resources	853.99	972.34	1,311.15	1,006.36	8.5%	6.7%	9.1%	7.4%	
5	Gender Equality , Women Empowerment , Old Age Homes , Reducing Inequalities	189.92	342.46	463.49	274.79	1.9%	2.4%	3.2%	2.0%	
6	Health, Eradicating Hunger, Poverty, Malnutrition, Safe Drinking Water, Sanitation	2,525.92	4,607.51	3,640.19	1,773.53	25.1%	31.7%	25.4%	13.0%	II
	Health Care	1,847.74	2,569.48	2,484.10	2,192.91					
	Safe Drinking Water	103.95	180.15	147.77	180.19					
	Sanitation	299.54	631.81	421.73	291.78					
7	Heritage Art And Culture	117.37	119.08	304.42	212.42	1.2%	0.8%	2.1%	1.6%	
8	Other Sectors (Technology Incubator & Benefits to Armed Forces & Admin Overheads)	9.5	37.91	60.17	21.44	0.1%	0.3%	0.4%	0.2%	
9	Prime Minister's National Relief Fund	228.18	217.23	157.58	60.4	2.3%	1.5%	1.1%	0.4%	
10	Rural Development	1,059.34	1,379.08	1,548.94	1,066.51	10.5%	9.5%	10.8%	7.8%	III
11	Slum Area Development	101.14	14.3	51.46	4.7	1.0%	0.1%	0.4%	0.0%	
12	Swachh Bharat Kosh	113.86	325.19	183.83	118.69	1.1%	2.2%	1.3%	0.9%	
13	Any Other Fund	277.09	332.91	417.98	215.66	2.8%	2.3%	2.9%	1.6%	
14	NEC/ Not Mentioned	1,338.39	1,065.22	388.95	0	13.3%	7.3%	2.7%	0.0%	
GRAND TOTAL		10,066	14,517	14,330	13,624	100%	100%	100%	100%	
Of the total CSR expense, proportion of money spent on Healthcare in India						18%	18%	17%	16%	
Of the total CSR expense on Point-6, proportion of money spent on Healthcare in India						73%	56%	68%	82%	

POINT 6: Health, Eradicating Hunger, Poverty, Malnutrition, Safe Drinking Water, Sanitation

	2014-15	2015-16	2016-17	2017-18
# of companies that have spent on Point 6	2216	4041	4700	4541
# of companies that have spent on Healthcare	1914	3556	4148	4059
Average INR spent on Point 6 by listed companies (Cr)	1.14	1.14	0.77	0.39
Average INR spent on Healthcare by listed companies (Cr)	0.97	0.72	0.60	0.54
Company Name (TOP 10 RANK)				
1	<u>Reliance Industries Limited</u>	<u>Reliance Industries Limited</u>	<u>Reliance Industries Limited</u>	<u>Oil & Natural Gas Corporation Limited</u>
2	<u>Indian Oil Corpn. Limited</u>	<u>Eastern Coalfields Ltd</u>	<u>ITC Limited</u>	<u>Reliance Industries Limited</u>
3	<u>Infosys Limited</u>	<u>Oil & Natural Gas Corporation Limited</u>	<u>Oil & Natural Gas Corporation Limited</u>	<u>NTPC Limited</u>
4	<u>Mmtc Limited</u>	<u>Tata Steel Limited</u>	<u>TATA Consultancy Services Limited</u>	<u>Housing Development Finance Corporation</u>
5	<u>Bharat Heavy Electricals Limited</u>	<u>Bses Yamuna Power Limited</u>	<u>Rural Electrification Corporation Limited</u>	<u>Indian Oil Corporation Limited</u>
6	<u>Tata Steel Limited</u>	<u>NTPC Limited</u>	<u>Larsen and Toubro Limited</u>	<u>SAMSUNG India Electronics Private Limited</u>
7	<u>Oil & Natural Gas Corporation Limited</u>	<u>Indian Oil Corpn. Limited</u>	<u>Infosys Limited</u>	<u>Indiabulls Housing Finance Limited</u>
8	<u>Central Coalfields Limited</u>	<u>Tvs Motor Company Limited</u>	<u>Power Grid Corporation of India Limited</u>	<u>NESTLE India Limited</u>
9	<u>Mahindra And Mahindra Limited</u>	<u>Nhpc Limited</u>	<u>Bharat Aluminium Co Limited</u>	<u>Reckitt Benckiser (INDIA) Private Limited</u>
10	<u>Nhpc Limited</u>	<u>Infosys Limited</u>	<u>Indiabulls Housing Finance Limited</u>	<u>CADILA Healthcare Limited</u>



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SDG & Pharmaceutical industry

- The SDGs include a target to reduce premature mortality from NCDs by a third by 2030.
- The UN has recognized private sector engagement as crucial to achieving the SDGs, following on from the explicit mention of the **role of pharmaceutical companies in making essential medicines more affordable in developing countries.**
- **Industry-led Access to Medicine Programme**
 - Medicine donation
 - Price reduction
 - Other value-added interventions, e.g. emotional support, access to financial support

A case study

Novartis Access programme

Novartis International AG, a Swiss multinational pharmaceutical company based in Basel, Switzerland, is one of the largest pharmaceutical companies by both market capitalization and sales.

Revenue: US\$53 B in 2018

Source: Effect of Novartis Access on availability and price of non-communicable disease medicines in Kenya: a cluster-randomized controlled trial.
<https://www.thelancet.com/action/showPdf?pii=S2214-109X%2818%2930563-1>

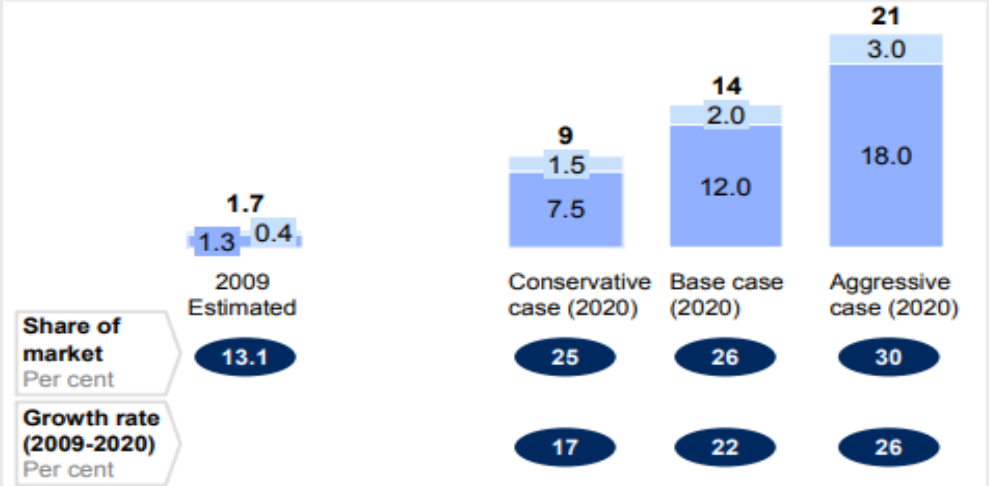
- Novartis Access is a Novartis programme that offers a portfolio of NCDs (Hypertension, Diabetes-2, Asthma, Breast Cancer) medicines at a wholesale price of US\$1 per treatment per month in low-income and middle-income countries.
- Access programmes operate within complex health systems and reducing the wholesale price of medicines might not always or immediately translate to improved patient access.



Hospital market will grow to ~USD 14 billion by 2020

Public
Private

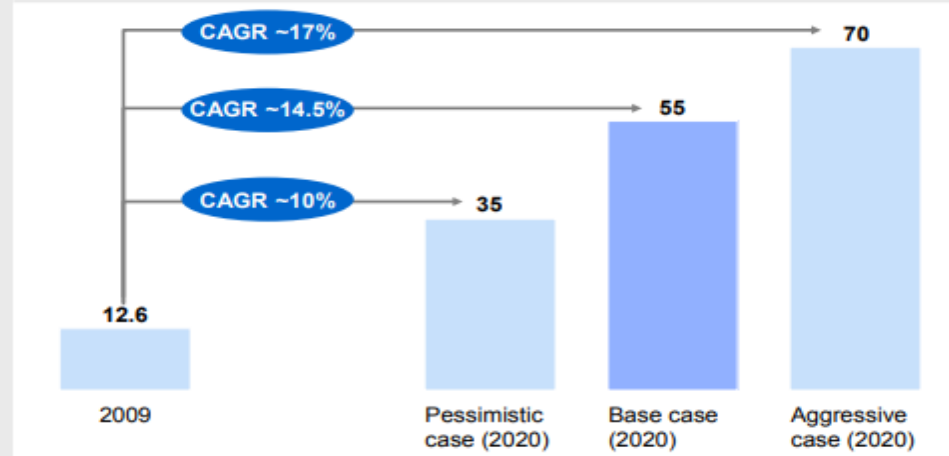
Projected size of hospitals market
USD billion



SOURCE: Organization of Pharmaceutical Producers of India; Reserve Bank of India state finances; McKinsey analysis; secondary research

Indian pharma market will grow to USD 55 billion by 2020

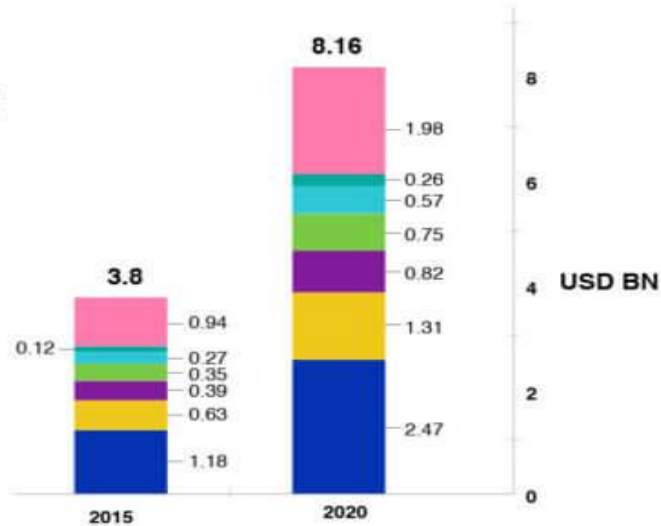
Projected size of Indian pharma market
USD billion



SOURCE: McKinsey analysis; secondary research

SEGMENT WISE MARKET SHARE OF MEDICAL DEVICES

■ Diagnostic Imaging
■ Consumables
■ IV Diagnostics
■ Patient Aids
■ Orthos and Prosthetics
■ Dental Products
■ Others (Patient Monitor, ECG, Oxygenators etc.)



Three Primary Drivers for growth

- Acceptability
- Accessibility
- Affordability

Health Industry Growth Projections: Hospital, Pharmaceutical, Medical Device



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- I. CSR Research
 - Social impact / development sector impact
 - Business impact
- II. CSR Strategy Formation align with the SDGs
- III. CSR Reporting Regimes and Data quality
- IV. Technical excellence: 4As MODEL: Acceptability, Accessibility, Affordability, Affability
- V. Capacity building across stakeholders
- VI. Research for Entrepreneurship – ‘Business for Development’
- VII. Evidence-based research models align with Triple Bottom Approach
 - Company portfolio wise
 - State-wise / local context based
- VIII. Think Tank / Task Force / Centre of Excellence – act as ‘Solution Aggregator’
 - +Development sector
 - + Business/Corporate world
 - + Technology/Digital world
 - + Government

OPPORUNITIES FOR INSTITUTIONS

Bring New Generation / Young Mind for Bold Strategy Implementation

CSR catalyst:

3-Affordable
healthcare models

- Model-1: **Capacity of Primary Healthcare Services** to provide high-quality early screening, timely referral, and care management of specialty services, especially for behavior-based health problems;
- Model-2: **Health Promotion and Disease Prevention** across **Continuum of Care**;
- Model-3: **Health service needs of 'at-risk' or 'vulnerable' population.**



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- **Focus on aspirational districts**
- **CSR funds to cross 50,000 crores**
- **Top recipient: Education**
 - Digital/smart-classrooms
 - App-based learning modules both for teachers and students
 - Scholarships and fellowships for students
 - Career counselling and mentoring of students
 - Beyond-classroom activities
 - Teacher-training and capacity building
 - Setting up science labs
- **Supporting tech-based enterprises, Incubation and start-ups**
- **Government collaboration for large scale partnerships**
- **Annual CSR compliance will increase**
- **No carry forward of unspent fund**
- **No corpus fund**

GOVERNMENT EXPECTATIONS on CSR

CSR & developing countries: Variables for a future research agenda

Classification	Variable (indicative)	Interactions
Political	<ul style="list-style-type: none"> Political system Ideaology Hegemony/leadership/dominance State Ownership Propaganda level 	Some political variables could be considered sociocultural as, for example, political ideology impacts national identity and values
Sociocultural	<ul style="list-style-type: none"> Level of urbanisation Educational development Secularism Freedom of the press Access to information Homogeneity of values and attitudes National Identity 	Sociocultural factors are related to economic development, for example, education level is highly correlated with industrialisation and technological advancement
Economic	<ul style="list-style-type: none"> Human Development Index (HDI) Foreign Direct Investment (FDI) Access to markets Industrialisation level Technology 	Economic variable impact on, and are impacted by, politics

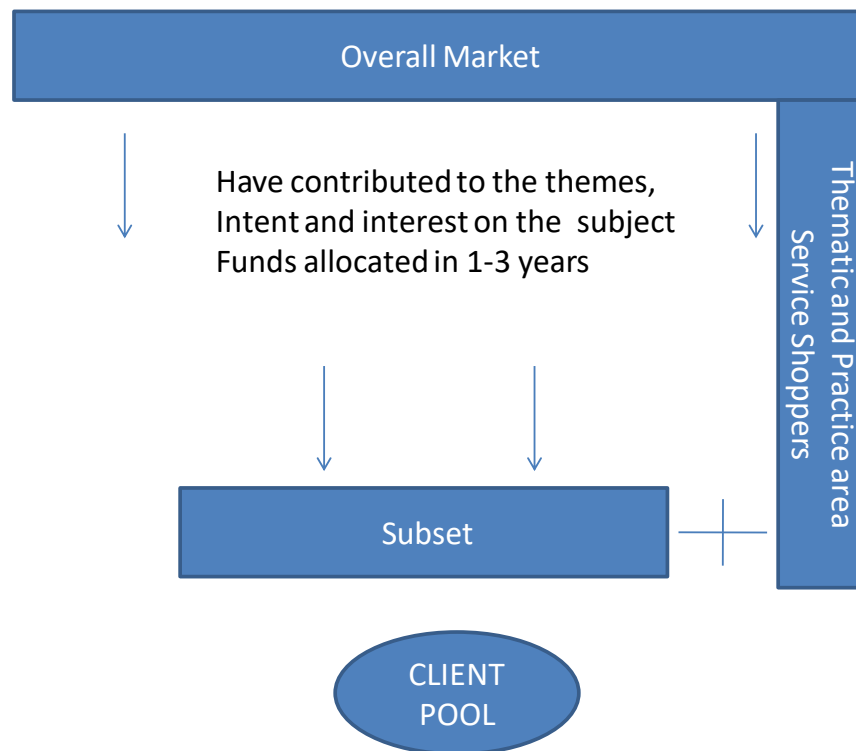
1. What is the need?
2. What gap(s) you can fill in & how?
3. Future clients (primary, secondary, emerging)
4. Services /Solutions to address needs outlined by clients?
5. What you can offer?
6. Future expertise needed? – Technical, Managerial & Leadership
7. Future organisational capability (internal & external)
8. Collaboration and Strategic Alignment?
9. What is your unique value add to address needs identified by clients?
10. Structure to drive the growth? - maximise efficiencies
11. Describe what success will look like in terms of market, leadership, and income streams?
12. How will you demonstrate your success and value add? Metrics & Milestones

FRAMEWORK

- Shared mindset
- Entrepreneurial skills
- Management practices
- Highly engaged team



Framework (Stratification)



'PROGRESSIVE POOL'

'PROMISING POOL'

'PROSPECTIVE POOL'

What is the need?



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Take away message

- Social Impact and Research Institutions have a strategic role as **evidence-based solution aggregator** aligning with social and business stakeholders. However, transformation of the **strategic case, capabilities, and operating model** is needed to “Build, Grow & Lead” in the CSR space.

Contact us



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