



**CORPORATE SOCIAL RESPONSIBILITY PERFORMANCES OF INDIAN
FORTUNE GLOBAL 500 COMPANIES.**

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ABSTRACT

Indian Corporates have been successfully performing and marking their presence in the 2015 Fortune Global 500 list of world's biggest corporations. Seven Indian companies have been successful in making their entry into the 62nd Annual Fortune Global 500 Companies list based on 2015 rankings. This paper critically analyses the performances of these seven Indian companies in the areas of CSR - corporate social responsibility, which is mandatory in India for certain companies under the Indian Companies Act 2013, which replaces the erstwhile companies act 1956. With the insertion of section 135, revisions in section 198 and with the introduction of schedule VII of the Indian companies' act 2013, there has been a significant shift in the focus of Indian Corporates towards the performance of their CSR – Corporate Social Responsibility in India. Every such qualifying company are required to mandatorily spend at least 2% of their annual average net profit of the immediately preceding three financial years on such CSR corporate social responsibility activities as specified under schedule VII of the Companies act 2013. Companies are required to constitute a committee (CSR Committee) of the Board of Directors consisting of 3 or more directors. The corporate social responsibility Committee shall formulate and recommend to the Board, a policy which shall indicate the activities that they are going to undertake (CSR Policy); it shall then recommend to the board the amount of expenditure to be incurred on the selected activities with reference to schedule VII of the Companies act 2013. The Board shall take into account the recommendations made by the corporate social responsibility Committee and approve the corporate social responsibility CSR Policy of the company for its execution, which shall be appropriately monitored by the corporate social responsibility CSR Committee of the company. Key Words: CSR – Corporate Social Responsibility, Sustainable Development, Society, Indian Companies Act 2013, (CSR Policy) Rules 2014, 62nd Annual Fortune Global 500 Companies based on 2015 rankings.



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INTRODUCTION & DEFINITIONS:

United Nations Industrial Development Organization (UNIDO) defines ‘Corporate Social Responsibility’:

“Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (“Triple-Bottom-Line-Approach”), while at the same time addressing the expectations of shareholders and stakeholders.”

[<http://www.unido.org/en/what-we-do/trade/csr/what-is-csr.html>]

Thus, CSR is a responsibility voluntarily assumed by a company in its enlightened self-interest. It is not something imposed by law. Rather, it is something which a business does beyond what is required by law.

Mandatory CSR obligation on the Companies in India.

According to section 135(1), mandatory CSR obligations under section 135 of the 2013 Act apply to every company having:

a net worth of Rs. 500 crores or more or

a turnover of Rs. 1000 crores or more during any financial year or

a net profit of Rs.5 crores or more during any financial year

“Any financial year” referred under sub-section (1) of section 135 of the Act read with rule 3(2) of Companies CSR Rules, 2014, implies ‘any of the three preceding financial years’. - *Circular No. 21/2014, dated 18-6-2014.*

Criteria for applicability of CSR u/s 135(1):

Either of the following 3 criteria:

Turnover criterion:	Net Profit criterion:	Net Worth criterion:
Turnover during financial year is Rs. 1000 crores or more	Net profit during financial year is Rs. 5 crores or more	Net worth is Rs. 500 crores or more

If either of the three above criteria mentioned in section 135(1) apply, company will have to comply with CSR obligations. CSR obligations shall apply to companies covered by section 135(1) irrespective of their listing status and whether they are public or private and are required to

Form a CSR Committee of directors.

Formulate a CSR Policy based on CSR Committee’s recommendations.

Undertake activities included in CSR Policy.



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Mandatorily spend minimum of 2% of average net profit of preceding three financial years towards CSR in accordance with schedule VII of the companies act 2013.

GOVERNANCE OF CSR:

Companies are required to constitute a committee (CSR Committee) of the Board of Directors consisting of 3 or more directors. The corporate social responsibility Committee shall formulate and recommend to the Board, a policy which shall indicate the activities that they are going to undertake (CSR Policy); it shall then recommend to the board the amount of expenditure to be incurred on the selected activities with reference to schedule VII of the Companies act 2013.

The Board shall take into account the recommendations made by the corporate social responsibility Committee and approve the corporate social responsibility CSR Policy of the company for its execution, which shall be appropriately monitored by the corporate social responsibility CSR Committee of the company.

Allowable activities for discharging CSR as per schedule VII of the Companies act 2013.

Ministry of Corporate Affairs vide its Notification dated 27th February, 2014 (*which shall come into force with effect from 1st April, 2014*) has come up with the modified Schedule VII which covers wide range of activities which can be undertaken by the Companies as a part of their CSR initiatives.

The activities involve the following:

Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;

Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;

Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;

Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water;

Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts;

Measures for the benefit of armed forces veterans, war widows and their dependents;

Training to promote rural sports, nationally recognized sports, paraolympic sports and Olympic sports;

Contribution to the Prime Ministers' National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the



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Scheduled Tribes, other backward classes, minorities and women;

Contributions or funds provided to technology incubators located within academic institution which are approved by the Central Government;

Rural development projects.

2015 FORTUNE GLOBAL 500 RANKING.

This year (2015) Fortune Global 500 companies employed 65 million people worldwide in 36 nations. There are 128

companies from USA, around 100 companies from China and only 07 companies from India.

The top position has been bagged by Walmart Corpn., a united state retail giant, followed by Sinopec Group, a Chinese petroleum refining giant, at second position and Royal Dutch Shell, a Netherland based company, at third position.

Following Seven Indian companies have been listed in fortune global 500 companies, based on their total revenues (excluding excise taxes) of the year ended as on 31st March 2015.

TABLE NO. 1: RANKING OF INDIAN COMPANIES AS PER 2015 FORTUNE GLOBAL 500 LIST. (US \$)

Sr. No.	Indian Companies	Revenues (US \$)	Rankings
01	Indian Oil Corporation Ltd.	US \$ 74 billion	119
02	Reliance Industries Ltd.	US \$ 62 billion	158
03	Tata Motors Ltd.	US \$ 42 billion	254
04	State Bank of India	US \$ 42 billion	260
05	Bharat Petroleum Ltd.	US \$ 40 billion	280
06	Hindustan Petroleum Ltd.	US \$ 35 billion	327
07	Oil and Natural Gas Ltd.	US \$ 26 billion	449

TABLE NO. 2: PROMINENT CSR ACTIVITIES OF THE INDIAN COMPANIES DURING THE YEAR 2014-15



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Sr. No.	Indian Companies	CSR Missions /Activities
01	Indian Oil Corporation Ltd.	<p>Indian Oil's S&CSR mission is to:</p> <p>Meet stakeholders' aspirations for value creation and grow along with the society.</p> <p>Ensure a safe & healthy working environment.</p> <p>Incorporate environmental and social considerations in business decisions.</p> <p>Earn stakeholders' goodwill and build a reputation as a responsible corporate citizen.</p> <p>Conduct business with ethics and transparency & follow responsible business practices.</p> <p>Indian Oil shall pursue the following thrust areas under S&CSR:</p> <p>Efficiency in operations and processes.</p> <p>Safe and healthy environment in and around the workplaces.</p> <p>Basic livelihood needs & societal empowerment.</p> <p>Tourist friendly facilities at monuments of national importance.</p> <p>Environmentally sustainable practices within & beyond the organization's premises:</p> <p>Promotion of responsible business practices: Conduct business with transparency, integrity and accountability.</p>
02	Reliance Industries Ltd.	<p>RIL's six focus areas comprise:</p> <p>Rural Transformation</p>



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		<p>Healthcare</p> <p>Education</p> <p>Environment</p> <p>Protection of National Heritage, Art and Culture</p> <p>Disaster Response</p>
03	Tata Motors Ltd.	<p>Four focus areas of CSR Programs comprise of</p> <p>Health</p> <p>Education</p> <p>Employability (skilling)</p> <p>Environment</p>
04	State Bank of India	<p>Focus areas of CSR activities are:</p> <p>Supporting education.</p> <p>Supporting healthcare.</p> <p>Supporting sanitation.</p> <p>Livelihood creation.</p> <p>Assistance during natural calamities like floods/droughts etc.</p>
05	Bharat Petroleum Ltd.	<p>Focus areas of CSR Programs comprise of</p> <p>Building Sustainable Communities - to have a positive impact on the communities in which we operate</p>



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		<p>Health and Safety - to ensure the health and safety of our workforce and communities</p> <p>Environment - to minimize adverse impacts while taking steps to protect and enhance the natural environment</p> <p>Employees – train tomorrow’s leaders in teamwork skills and running socially responsible business.</p>
06	Hindustan Petroleum Ltd.	<p>All projects/programs/ activities will be in the areas of:</p> <p>Child Care</p> <p>Education</p> <p>Health Care</p> <p>Skill Development</p> <p>Sports</p> <p>Environment & Community Development.</p>
07	Oil and Natural Gas Ltd.	<p>ONGC CSR programs has following 12 focus areas –</p> <p>Education including vocational courses,</p> <p>Health Care,</p> <p>Entrepreneurship (self-help & livelihood generation) schemes,</p> <p>Infrastructure support near ONGC operational areas,</p> <p>Environment protection, ecological conservation, promotion,</p>

		<p>Protection of heritage sites, UNESCO heritage monuments etc.</p> <p>Promotion of artisans, craftsman, musicians, artists etc. for preservation of heritage, Art & Culture,</p> <p>Women’s Empowerment, Girl Child Development, Gender sensitive projects,</p> <p>Water Management including ground water recharge,</p> <p>Initiatives for Physically and Mentally challenged,</p> <p>Sponsorship of seminars, conferences, workshops etc.</p> <p>Promoting Sports/sports persons; supporting agencies promoting sports / sports persons.</p>
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ACTUAL CSR SPENDING BY THE SELECTED COMPANIES:

The total amount of spending done on Corporate Social Responsibility (CSR) as percentage of net profit after tax, in accordance with the Companies Act, 2013 and the Companies (Corporate Social Responsibility policy) Rules, 2014, by the Indian 2015 fortune 500 listed companies are discussed below.

Two companies out of the seven selected companies could be incorporated in this research for the lack availability of clear data. Therefore this research is focusing on the remaining five 2015 fortune 500 listed companies.

2) Reliance Industries Ltd. (Ranking 158)

Reliance CSR Activities

Amount Rs in Crore (FY 2014-15)

1) Indian Oil Corporation Ltd. (Ranking 119)

IOCL spent a sum of Rs. 133.40 crore towards their CSR activities. The prominent areas in which the CSR expenditures were done by the company are as under –

Environment Sustainability

Sanitation

Health care

Education / Skill Development and Sports.

The detail breakup of the csr expenditures of the company could not be ascertained due to the lack of availability of the relevant data.



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Rural Transformation	126.33
Healthcare	608.25
Education	21.80
Environment (Greening activities)	0.42
Others	3.78
TOTAL	760.58

3) Tata Motors Ltd. (Ranking 254)

The details of amount of CSR expenditure done by the company could not be ascertained by the researcher.

4) State Bank of India Ltd. (Ranking 260)

SBI CSR Activities	Amount Rs in crores (FY 2014-15)
Supporting Healthcare	28.56
Supporting Education	41.20
Sanitation	13.64
Vocational training/Livelihood	24.24
Others	4.16
Natural calamities	4.00
Total	115.80

5) Bharat Petroleum Corporation Ltd. (Ranking 280)



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BPCL had earmarked 2% of our average net profit amounting to Rs. 76 crores during the financial year 2014-15, out of which BPCL has spent Rs. 33.95 crores. The balance amount Rs. 42.05 crores was earmarked for Swachh Bharat Abhiyan related projects. The prominent CSR related activities are mainly in the areas of:

Education

Skill Development

Water Conservation

Community Development

Health / Hygiene.

6) Hindustan Petroleum Ltd. (Ranking 327)

HPCL CSR Activities	Amount Rs in crores (FY 2014-15)
Education	19.69
Health Care	9.00
Empowerment of Social Economical backward group	1.44
Sports	0.85
Imparting Vocational skills	0.63
Skill Development	2-17
Capacity Building	0.29
Total	34.07

7) OIL & NATURAL GAS CORPORATION LTD. (RANKING 449)

The details of amount of CSR expenditure done by the company could not be ascertained by the researcher.

TABLE 3: AMOUNTS SPENT ON CSR BY THE SELECTED COMPANIES.

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Sr. No	Companies Name	2015 Fortune 500 Rankings	Amount spent Rs in Crore
01	IOL- Indian Oil Corpn.	119	133.40
02	RIL – Reliance Industries Ltd.	128	760.58
03	Tata Motors Ltd.	254	NA
04	SBI – State Bank of India.	260	115.80
05	BP – Bharat Petroleum	280	76.90
06	HP – Hindustan Petroleum	327	34.07
07	ONGC- Oil & Natural Gas Corpn.	449	NA
	Total		1119.85

CONCLUSIONS:

From the above facts and figures we can conclude that almost all the seven companies listed in the 2015 fortune 500 companies are actively engaged in the fulfillments of their social responsibilities.

They have been undertaking the CSR activities in their local or specific areas either with the help of partner agencies like NGO and other such similar organisation or they are conducting their CSR through their own resources.

The highest spending on the csr activities among the selected companies is done by Reliance Industries ltd amounting to Rs 760 Crore, while the lowest spending was found to be done by Hindustan Petroleum Corporation Ltd amounting to Rs 34.7 Crore.

Among the seven Indian companies, five are from the public sector and two are from the private sector. Under the public sector companies Indian Oil Corporation is the top leading Indian company followed by SBI, BP, HP & ONGC. While, Reliance Industries is the leading private sector company, followed by Tata Motors.

The cumulative expenditure done by all the companies under the study is found to be Rs. 1119.85 crore during the financial year 2014-15.



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Health, Education, Environment and Skill developments are the areas in which almost all the Indian Companies listed in 2015 fortune 500 have made significant contributions under their CSR programs.

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