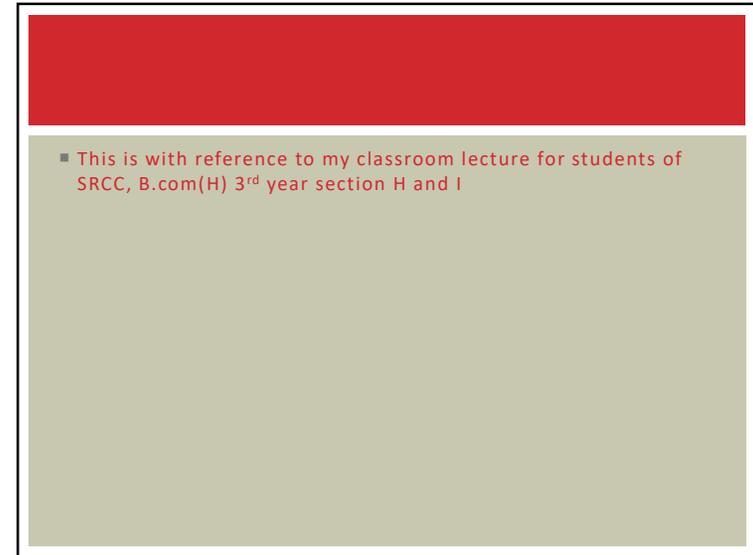
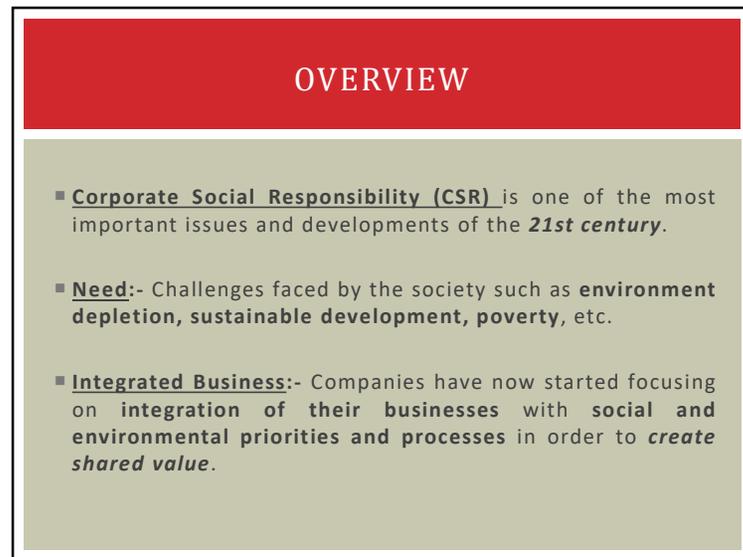




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CORPORATE PHILANTHROPY

- It is the act of corporations donating some of their profits or their resources to charitable causes.
- Forms of corporate philanthropy:
 - Cash donations
 - In kind donations

5

INTRODUCTION-CORPORATE SUSTAINABILITY

- Concept of CSR has been now widened from **Corporate Philanthropy to Corporate Sustainability** and includes alternate notions of **Corporate Responsibility, Business Ethics etc.**
- The idea behind **CS** is:-
 - To ensure the **longevity of company** by incorporating *economic, social and environmental aspects* into corporate values, governance, policy formulation, operations and reporting.
- **3 pillars of CS** referred to as '**Triple Bottom Line**' (TBL) are:-
 - Economic
 - Social
 - Environmental

6

CSR IN INDIA

- Concept of CSR not new to India
- **Indian scriptures and several religions** reflect CSR by way of religious laws prescribing a **part of the wealth for charity, doing sacrifice and discharging debt.**
 - Hindu merchants follow "**Dhramada**".
 - Islam popularized "**Zakaat**".
 - Jainism also asked its followers to do charity.
 - In Sikhism also the principle is well acclaimed under the "**Daashaant**".
- **Indian business houses** notably among them **Tatas, Birlas, Bajajs, Shriram, Mahindras** and others have put the Indian culture and religion into action by setting up charitable trusts, hospitals, and schools for community development.

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CSR IN INDIA

- In recent years, CSR is gaining **momentum and importance** in India.
- The CSR programs in India focus on:
 - Education, particularly primary education
 - Health-women and child care
 - Physically challenged group
 - Environment protection
 - Safeguarding from hazards of pollution-noise, water and air
 - Empowerment of women
 - Sustainable development

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CSR IN INDIA-STATUTORY REQUIREMENTS

- **The Indian Companies Act, 2013** passed in **August 2013** contains **provisions on CSR** which are mandatory for certain category of companies.
- By mandating CSR, **India has become the first country in the world to legislate it.**
- **WHO MUST COMPLY?**
Every registered company with:
 - Net worth Rs. 500cr or
 - Turnover Rs. 1,000cr or
 - Net profit Rs. 5cr; during any financial year
- **WHO WILL BE ACCOUNTABLE?**
 - Company to constitute a **CSR Committee** of the board members consisting of **at least 3 directors**
 - At least 1 committee member to be an independent director

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CSR IN INDIA-STATUTORY REQUIREMENTS

- **WHAT WILL THE CSR COMMITTEE DO?**
 - Formulate and recommend to Board, a **CSR Policy** which shall indicate the activities to be undertaken.
 - Recommend **amount of expenditure** to be incurred on activities.
 - **Monitor CSR Policy** of the company from time to time.
- **WHAT WILL BE THE ROLE OF THE BOARD OF DIRECTORS?**
 - **Review recommendations** made by the CSR Committee.
 - **Approve CSR Policy** for the company.
 - **Disclose contents** of the Policy in company's report/website.
 - Ensure that company **spends at least 2%** of its average profits during previous 3 financial years.

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- **Corporate Social Responsibility has undergone four stages of evolution in India.**
-
- **Ethical model (1930-1950)** - based on the trusteeship principle in which organizations act as fiduciaries of stakeholders
- **Statist model (1950-1970)** - includes statutory requirements under which organizations works effectively
- **Liberal model (1970- 1990)** - focuses on economic objective ie to maximize wealth and profitability
- **Stakeholder model 1990- present-** the focus is on the triple bottom line effect ie taking care for people, planet and profit

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DRIVERS OF CSR

- **Increase in brand reputation and economic value:** apart from just increasing profits, companies shall contribute towards the social and environmental objectives by integrating CSR into their business strategy , this will lead to increase in their reputation with the public and government by adopting
- **Statutory norms:** Another key driver of CSR is the role statutory norms prepared by the government, in ensuring that companies should not create any harm to social welfare and responsibly conduct business.
- **Emerging trends in labour markets:** today the employees are looking beyond pay-checks & benefits and they look for organisations which focus more on employee retention, their growth and development and even better working conditions.

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THEORIES OF CSR

- **Philanthropy:** It is amongst the traditional philosophy that focuses on welfare of society through the huge amount of contribution made by the big corporate house.
- **Rise in ethical Consumerism:** the rising need of ethical consideration pressurizes the companies to consider business ethics in implementing their business operations and responsibilities.
- **Relationship with suppliers :** the prominent stakeholders are interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner.

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THEORIES OF CSR

- **Agency theory** by Friedman in 1970 points out that CSR is related to self-serving behavior of the organisations in order to maximize the shareholders wealth and maximize firms profits, it focuses on firm's engagement in open and free market and there should be no indulgence in fraud and other activities
- **Stakeholders theory** by Freeman in 1984 explains that managers of an organisation should tailor their policies not only to satisfy the shareholders rather multiple stakeholders such as customers, employees, government and community organizations.

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THEORIES OF CSR

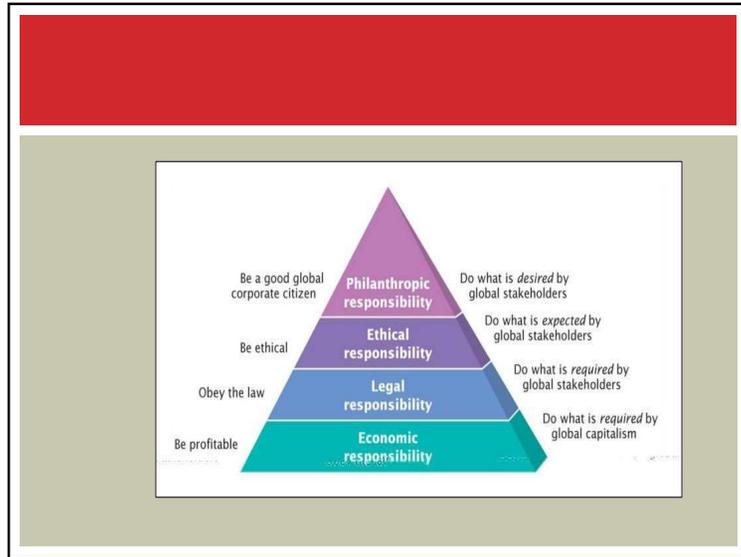
- **Stewardship theory** by Donaldson David in 1991, this theory explain the moral obligations to be fulfilled on part of managers to act as true stewards for the organisation. They have to act as selfless agents without thinking for only profitable needs and should focus non effective decision making
- **Further (Donaldson & Preston ,1995)** pinpoints the ethical parameter that shall be considered while fulfilling the responsibility towards the stakeholders while engaging in CSR. Also, by considering ethical dimension for the stakeholders theory the firms getting multiple benefits in terms of maximizing its wealth, market etc.
- As per **Resource Based theory**(Hart, 1995) the firms gains sustained competitive advantage by fulfilling its environmental responsibility. Further it was highlighted that institutions plays a vital role inmaking an organisation ecologically sustainable.

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THEORIES OF CSR

- According to Caroll's (1979), "corporate social responsibility involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent". And the different layers in the pyramid help managers see the different types of obligations that society expects of businesses.
- Caroll's contribution would be marked as the beginning of CSR research since it provided framework for effective classification of responsibilities of a business.

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- ISO 14001 for Environment (1996): ISO 14001 specifies the requirements for an environmental management system that an organization can use to enhance its environmental performance.
- GRI Sustainability Guidelines (1997): The GRI Standards are the first global standards for sustainability reporting. They feature a modular, interrelated structure, and represent the global best practice for reporting on a range of economic, environmental and social impacts.
- Social Accountability International (SAI): SA 8000 Standard (1998)
 - This is one of the world's first auditable social certification standard. It is based on ILO, UN and national law conventions, and adopts a management system approach in order to ensure that companies that adopt this approach also comply with it. This standard ensures the protection of basic human rights of workers.

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- social accounting AA 1000-This is a series of standards which enable organisations to become accountable, responsible and sustainable. It consists of the (i) AA1000 accountability principles (AP) standard (ii) AA1000 assurance standard (AS) (iii) AA1000 stakeholder engagement (SE) standard. Since these standards have been formulated through a multi-stakeholder consultation process, they ensure that those impacted (that is, enterprises, governments and civil societies) stand to gain
- United Nations Global Compact (UNGC): it consists of 10 principles regarding human rights, labour, environment, and anticorruption. The core areas it includes:
 - i) Environment ii) Human rights iii) Corruption fighting iv) Consumer issues v) Labour practices vi) Community involvement and development

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- OECD: it is a tool used by multinational companies in weak governance zones focuses on the risks and ethical issues that corporations doing business in such areas right encounter. These include a higher level of care when managing investments and speaking out regarding wrong doings. It covers: Multinationals firms, professionals associations, trade unions, civil society institutions, and international financial institutions

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- ISO 26000:2010 is intended to assist organizations in contributing to sustainable development. It is intended to encourage them to go beyond legal compliance, recognizing that compliance with law is a fundamental duty of any organization and an essential part of their social responsibility. It is intended to promote common understanding in the field of social responsibility, and to complement other instruments and initiatives for social responsibility, not to replace them.
- In applying ISO 26000:2010, it is advisable that an organization take into consideration societal, environmental, legal, cultural, political and organizational diversity, as well as differences in economic conditions, while being consistent with international norms of behaviour.

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CASE STUDIES ON CSR

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ITC LIMITED- OVERVIEW



- ITC is one of India's foremost private sector companies with a market capitalization of US \$ 45 billion and a turnover of US \$7 billion.
- With a diversified presence in Fast Moving Consumer Goods (FMCG), Hotels, Paperboards and Packaging, Agri Business and Information Technology businesses, ITC is widely acknowledged as one of India's most valuable business corporations.
- ITC also ranks among Asia's 50 best performing companies compiled by Business Week & '10 Most Valuable (Company) Brands', in a study conducted by Brand Finance and published by the Economic Times.



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ITC'S CSR STRATEGY

- ITC has crafted innovative business models to create larger societal capital while simultaneously delivering long term shareholder value.
- ITC is an exemplar in Triple Bottom Line Performance-
 - Environment- Carbon Water positive for more than 7 years
 - Economic- Turnover of USD 7 billion
 - Social- Creating 6 million sustainable livelihoods
- It consciously designs and implement Social Investments/CSR programmes in the context of ITC's businesses, by enriching value chains that encompass the most disadvantaged sections of society, especially those residing in rural India.

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ITC'S CSR SPENDINGS

PARTICULARS	Rs. Crores 2010-11	Rs. Crores 2011-12	Rs. Crores 2012-13
Corporate Social Responsibility spends	45	62	82
Average Profit After Taxes for three immediately preceding Financial Years(FYs)	3,482	4,104	5,070
CSR spends as a % of Average Profit (After Taxes for three immediately preceding FYs)	1.29%	1.51%	1.62%

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SOME OF ITC'S INITIATIVES

Economic

- Outstanding performance and results
- 19% CAGR for PBDIT

Environmental

- Integrated Watershed Development
- Energy conservation- LEED Platinum rating to all ITC luxury hotels
- Air emissions- Carbon positive for more than 7 years

Social

- Women's Empowerment
- Providing Supplementary Education

Projects spread across **10 states** covering **60 districts** in Andhra Pradesh, Bihar, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal.

The interventions reach out to more than **6 lakh households** in more than 6,500 villages.

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ITC- AWARDS IN CSR

- ITC is the first from India and among the first 10 companies in the world to publish its Sustainability Report in compliance (at the highest A+ level) with the latest G3 guidelines
- ITC is the first Indian company and the second in the world to win the prestigious Development Gateway Award (for e-choupal)
- ITC has won the Golden Peacock Awards for 'Corporate Social Responsibility (Asia)' in 2007, the Award for 'CSR in Emerging Economies 2005' and 'Excellence in Corporate Governance' in the same year.
- ITC Hotel Gardenia, Bengaluru is the first Indian Hotel and world's largest, to get the LEED Platinum rating - the highest green building certification globally

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E-CHOUPAL - BACKGROUND

- Initiative of the International Business Division (IBD) of the ITC Ltd.
- In year 2000, ITC set up a network of ICT (Information & Communication Technology) kiosks around the country, called e-Choupal (an open meeting place in a village).
- **Aim** was to 'build an intelligent first mile and a low cost last mile for agricultural products and services'.



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E-CHOUPAL - BACKGROUND

- E-Choupal's services reach out to over **4 million farmers** growing a range of crops – **soybean, coffee, wheat, rice, pulses, shrimp** – through **6,500 kiosks across ten states** – Madhya Pradesh, Haryana, Uttarakhand, Karnataka, Andhra Pradesh, Uttar Pradesh, Rajasthan, Maharashtra, Kerala and Tamil Nadu.
- E-Choupal model acts as **an alternative to traditional modes** of procurement where farmers travel to the government market (**Mandi**) to sell their produce.
- E-choupal centres form part of **IBD's re-engineered sourcing network, assuring supply** for the company while **cutting costs** through improving the efficiency of the procurement value chain, which also results in **better margins for the farmer**.

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E-CHOUPAL – IMPLEMENTATION

- Each E-Choupal services **4-5 villages** around it.
- Every E-Choupal centre is :-
 - Equipped with a **computer, Internet connectivity** through satellite technology and **solar power**.
 - Requires investment of **Rs.40,000** is needed to establish an e-choupal with **dial-up connectivity**.
 - Investment moves up to **Rs.1,00,000** if **VSAT (Very Small Aperture Terminal)** has to be mounted.
- It provides **access to a web portal** with:-
 - **current market rates** from a wide range of procurement centres, including *mandis* and ITC procurement hubs.
 - supports best practices in farming through **training sessions**.
 - provides information **on weather conditions**.
 - and supplies quality **agricultural inputs** like seeds and fertilisers.

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E-CHOUPAL – IMPLEMENTATION

- An ITC procurement hub is set up for every **20-30 km radius**, servicing about **30-40 centres**.
- Farmers use the services of the **Centre Operator (Sanchalak)** to find the price their produce can fetch at different places, via the computer.
- **Informed decision making** helps them gain **maximum profits**. The farmers save about **Rs.250–500 per ton**, depending on their location relative to the collection centre.
- ITC gains in terms of **assured supply** and savings of more than **Rs. 200 per ton** by avoiding the transportation of the crop from the *mandi* to the collection center and other intermediary costs in the supply chain.
- The *sanchalak* gets a **fixed commission of 0.5 percent per ton** of processed product from his village that is realised through the ITC procurement hub.

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E-CHOUPAL – CHOUPAL PRADARSHAN KHET

- ITC also initiated the ***Choupal Demonstration Field (Choupal Pradarshan Kheth)*** programme to improve yields with a **demonstration plot of land** for every village cluster.
- Accepted **best practices** have been put into practice along with **high quality fertilisers and seeds**, and **comparisons made with yields** from control plots to encourage farmers to switch to improved farming inputs and methods.

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E CHOUPAL – CHOUPAL SAGAR

- **Choupal Sagar** provides the **third spoke** in ITC's procurement and productivity improvement strategy along with e-Choupal and the procurement hub.
- Modelled as a **one-stop retail supermarket** experience for rural customers.
- Set up in locations that lie within **30 kilometres** of any E-Choupal village.
- Doubles up as a hub with a purchase point for produce, fuel pumps, and a sale point for heavy duty consumer goods and FMCGs.
- CSs are beginning to branch into **banking, insurance and pharmacy related services** and are conceptualized as a part of ITC's strategy to build a collaborative '**Pan-Indian Network of Companies**' that service the untapped rural markets through the **single ITC channel**.

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E-CHOUPAL - SANCHALAK

- E-Choupal centres are managed by a **sanchalak** selected from the village.
- ITC stipulates for sanchalak selection :-
 - farmers with mid-sized (**about 25 acres**) land holdings.
 - they have a **proven record of community involvement**.
- Actual selection is managed by ITC through **consultations with the panchayat**, and is formalised through a **public oath-taking ceremony**.
- ITC covers the cost of equipment, the **sanchalak pays for day-to-day operational costs**, such as electricity and Internet charges. These costs vary from **Rs.3,000 to Rs.8,000 (US\$60 to US\$160) per year**.
- **Training** is given to the **sanchalak**, who also doubles as an ITC salesman. ITC spends an average of **Rs.5,000 (US\$100) annually** on the support and maintenance of each E-choupal.

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E-CHOUPAL SANCHALAK



Before ITC introduced us to e-Choupal, we were restricted to selling our produce in the local mandi. We had to go through middlemen and prices were low. ITC trained me to manage the Internet kiosk and I became the e-Choupal Sanchalak in my village. Today we are a community of e-farmers with access to daily prices of a variety of crops in India and abroad - this helps us to get the best price. We can also find out about many other important things - weather forecasts, the latest farming techniques, crop insurance, etc. e-Choupal has not only changed the quality of our lives, but our entire outlook.



ABHISHEK JAIN

Soya Farmer, & e-Choupal
Sanchalak Dahod Village,
Raisen District Madhya Pradesh

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E-CHOUPAL – UPSANCHALAK & SAMAYOJAK

- An **upsanchalak** serves as a **link** between the e-Choupal village and surrounding villages. The **upsanchalak** communicates daily prices received from the **sanchalak** to farmers in his village.
- The **sanchalaks** and **upsanchalaks** negotiate a **sharing of the ITC commission** amongst themselves.
- The intermediaries are not removed from the value chain. Their roles are redefined to **samayojaks (coordinators)**, who **assist ITC in setting up new e-choupals** by conducting village surveys and by identifying the best **sanchalaks**.

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E-CHOUPAL - EVALUATION

BENEFITS

- **Globally recognized** and the world's largest rural digital infrastructure benefiting over 4 million farmers
- **Improvement in productivity** and higher profit margins for the farmers
- **Poverty reduction** as a result for higher incomes for farmers covered under the initiative
- **Cutting costs for the company** through improving the efficiency of the procurement value chain and thus benefitting the FMCG and packaged food business

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LIMITATIONS

- ITC more or less **monopolizes** agricultural procurement in the areas that it operates in.
- In addition, such an approach **staves off alternative avenues**, such as freelance government *mandi* based procurement agents who are folding up their business in areas where ITC operates.
- The e-Choupal system is built around the needs and interests of rich farmers, with some spin-off benefits for those with some degree of purchasing power.
- On the other hand, increased reliance on commercial crops can decrease local food security both through reduced availability and increased prices.

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E-CHOUPAL - FUTURE

- Despite the few limitations, E-Choupal has majorly improved the lives of several farmers and plans are to increase the coverage under the project
- "The next stage of the project," in the words of Chief Executive of the IBD, S Sivakumar, "is to provide IT-enabled services to the villages, services like health advisories, education and e-governance."



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