Part 1

The Big Picture

Chapter 1:
Analysing Disclosures: Are Businesses Paying Lip Service to Human Rights?

Corporate Responsibility Watch Team[i]

A. Setting the Context for Corporate Responsibility in India[ii]

There have been some critical shifts in the business disclosure environment since the year 2011 when the Ministry of Corporate Affairs, Government of India, sharpened its focus on encouraging businesses to play a proactive role in ensuring sustainable and inclusive growth. The Ministry of Corporate Affairs launched the National Voluntary Guidelines on Social, Economic and Environmental Responsibilities of Business (NVGs) in 2011. The NVGs, comprising nine principles, were developed based on India's socio-cultural context and priorities as well as global best practices, and finalised after extensive consultations with business, academia, civil society organisations and the government. This was a significant step towards mainstreaming the concept of business responsibility as these guidelines set the ground for shaping responsible business practices in the Indian setting.

While the Ministry of Company Affairs launched the guidelines as voluntary, the Securities and Exchange Board of India (SEBI) made disclosure on the nine principles compulsory for the top 100 companies listed on the stock exchange at the end of the previous financial year. By 2016, SEBI[iii] extended the Business Responsibility Reporting (BRR) mandate from top 100 to the top 500 companies listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) to improve disclosure standards and help shareholders make informed decisions. This would essentially include information about the company's business and non-business activities so that there is more clarity in the public about the company's dealings. BSE recognises that "sustainable business practices are critical to the creation of long-term shareholder value in an increasingly resource-constrained world".[iv]

While the SEBI directive took effect, another noteworthy move was the Ministry of Corporate Affairs' addition to the Companies Bill, proposing that companies with a turnover of Rs. 1,000 crore or net profit of Rs. 5 crore or more earmark 2 per cent of their net profit for the preceding three years on corporate social responsibility. The Act was passed in August 2013.

The table[v] below details the chronology of significant milestones in the evolution of responsible business conduct in India:

2009	• Corporate Voluntary Guidelines released to encourage corporates to voluntarily achieve high standards of Corporate Governance
2011	• Endorsement of United Nations Guiding Principles on Business & Human Rights by India • National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released to mainstream the concept of business responsibility
2012	• Securities and Exchange Board of India (SEBI) mandates top 100 listed companies by market capitalisation to file Business Responsibility Reports (BRR) based on NVGs
2013	• Enactment of Companies Act, 2013
2014	• Section 135 of Companies Act, 2013 on Corporate Social Responsibility (CSR) comes into force

2015	• High Level Committee on CSR (HLC-2015) under the chairmanship of Shri. Anil Baijal makes recommendations on the CSR framework and stakeholder concerns • SEBI extends BRR reporting to top 500 companies by market capitalisation
2016	• Companies Law Committee reviews the recommendations of HLC-2015 for adoption.
2018	• The second High Level Committee on CSR constituted under the Chairmanship of Shri. Injeti Srinivas, Secretary, Corporate Affairs to review the CSR framework • Committee on Business Responsibility Reporting constituted under the chairmanship of Shri. Gyaneshwar Kumar Singh, Joint Secretary, Corporate Affairs • Zero Draft of National Action Plan on Business and Human Rights released by Ministry of Corporate Affairs
2019	• National Guidelines on Responsible Business Conduct released

Disclosure Analysis: With a vast range of data now available in the public domain, and in the absence of a known monitoring mechanism by SEBI or the Ministry for the 100 listed companies and their BRR compliance; Corporate Responsibility Watch[vi] is seizing the opportunity to bring the NVGs back to the centre of discussions. Corporate Responsibility Watch (CRW) is a voluntary network of 14 organisations and prominent independent consultants that has come together to attempt to unpack and track corporate responsibility. To this end, CRW has conceived the Disclosure Matters series which included an analysis of the level of disclosure of the top 100 listed companies and the analysis of the inclusive policies, disclosures and mechanisms of the top 100 companies using the India Responsible Business Index (IRBI)[vii].

Source of Data: This report is based on BRRs for the last three financial years; annual reports and sustainability reports since 2015-16 and CSR reports since 2016-17. This report is based exclusively on company disclosed information available in the public domain. The self-reported information is taken at face value and has not been validated through independent assessments nor has any related information in the public domain been factored into the assessment.

Sample Companies in this Study: The study analyses the Business Responsibility Reports of 300 randomly selected private and public sector companies from the top 500 BSE listed companies.

- The sample comprises 253 private companies and 47 public sector companies.
- The companies are spread across 16 sectors[viii] with the highest representation from banking and finance (55), construction and infrastructure (43), pharmaceuticals and healthcare (36), FMCG, retail and packaging (38) and automobiles and auto parts (31).
- They together employ approximately 5.5 million (55 lakh) workers.

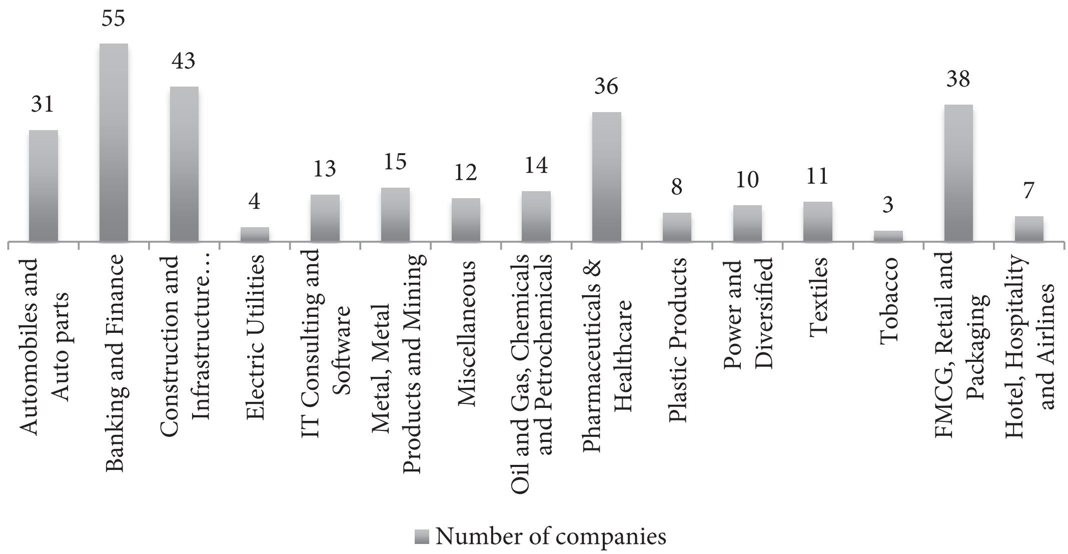


Figure 1: Disaggregation of top 300 companies as per business sectors (n=300)

B. Findings

1. Policy Commitment to the Nine Principles of National Voluntary Guidelines[ix]

Mapping of policy related disclosures of 150 cohort companies, which CRW has been analysing over the last three years, shows that a majority of the companies have responded in the affirmative for having policies related to aspects such as ethics and transparency, product life cycle sustainability, environment and employees well being. But still there are weak links, particularly when it comes to carrying out independent evaluations of the working of these policies. Some of the key themes such as public advocacy, customer value, stakeholder engagement and human rights show a relatively less number of companies claiming to have carried out independent evaluations. **It is important to note here that 93 per cent of the companies claim that they have policies on business and human rights and 71 per cent even claim that they do organise independent evaluation of the functioning of their policy on human rights.**

Table 1: Percentage of companies reporting in affirmative about the status of implementation mechanisms related to National Voluntary Guideline Principles 2017-18[x] (n=150)

S.No	Indicator	Ethics, Transparency & Accountability	Product Lifecycle Sustainability	Employee Well Being	Stakeholder Engagement	Human Rights	Environment	Public Advocacy	Inclusive Growth	Customer Value
1	Existence of Policy	98	94	97	96	93	95	74	98	93
2	Formulation in consultation with Stakeholders	98	93	97	95	93	94	73	98	93

S.No	Indicator	Ethics, Transparency & Accountability	Product Lifecycle Sustainability	Employee Well Being	Stakeholder Engagement	Human Rights	Environment	Public Advocacy	Inclusive Growth	Customer Value
3	Conforms to international standards	95	91	94	94	91	95	69	96	87
4	Policy approved by Board	97	86	91	93	85	91	70	95	86
5	Systems to oversee the implementation	98	92	97	96	91	94	75	98	90
6	Link provided to view policy online	96	91	92	94	90	91	75	96	89
7	Communicated to all relevant stakeholders	97	91	96	95	91	93	73	97	90
8	In-house structure to implement the policy	98	93	97	97	91	95	74	98	93
9	Existence of grievance redressal system	97	91	96	95	91	91	73	95	92
10	Carried out independent evaluation of the working of the policy	75	73	77	71	71	79	58	75	71

Source: Business Responsibility Reports

Each of these nine NVG principles has a number of elements or components. It seems that even if the company has policies on any of those sub-components, they state in the affirmative in terms of the presence of policies for the entire principle. As we delve further into the actual details of the policy, it is evident that all the aspects related to any theme may not be covered by the policy while the companies as per their disclosures claim having policies in place. Table 2 provides a comparison of top 100 listed companies as per market capiltalisation, wherein the corporate policies of these companies were reviewed to decipher whether they actually mention these elements of NVG principles. Mapping of eight key themes has been summarised below.

Table 2: Number of companies recognising specific policy aspects in their policies

S.No	Policy Domain	Companies recognising particular aspect in their policies disclosed in the public domain		
		2015-16 (n=100)	2016-17 (n=99)	2017-18 (n=99)
1	Equal opportunity in recruitment	77	75	78
2	Disabled friendly workspace	18	19	19
3	Mentioning sexual minorities in recruitment policy	36	32	32
4	Freedom of association	66	68	70
5	Ensuring health and safety of workers	90	91	93
6	Identifying specific vulnerable groups in CSR policy	81	86	86

S.No	Policy Domain	Companies recognising particular aspect in their policies disclosed in the public domain		
		2015-16 (n=100)	2016-17 (n=99)	2017-18 (n=99)
7	Priority to local suppliers	50	57	59
8	Supplier code prohibits child labour	31	29	31

Source: IRBI 2017 & 2018 and Company policies from website (2017-18)

One may see that out of 100, only 31 companies have disclosed that their supplier code explicitly prohibits child labour in the supply chain; only 19 explicitly mention creating disabled-friendly workspaces; and only 32 mention sexual minorities in their recruitment policies. There are still 30 per cent of the top 100 companies that have not disclosed policies or any commitment towards extending freedom of association for their workers.

2. Nature of Employment

These 300 companies among the top 500 listed companies employ a total of 39 lakh permanent employees and 16 lakh contractual employees. The total aggregate workforce of these companies amounts to 55 lakh workers. The overall workforce has grown by 3.35 per cent over one year.

Similarly, while the overall workforce is growing, when this is compared to the previous year (2016-17), it is revealed that, in 2017-18, about 50 per cent companies (149) have reported a reduction in the total number of employees.

Thus, one in every two companies reported a reduction in their workforce.

Table 3: Distribution of workforce over two years (n=300)

S.No	Category	Year 2 (2017-18)	Year 1 (2016-17)	Difference	Difference (%)
1	Total workforce	54,92,748	53,14,423	1,78,325	3.35%
2	Permanent Employees	38,94,130	38,02,473	91,657[xi]	2.41%
3	Contractual Employees	15,98,618	15,119,50	86,668	5.73%

Source: Business Responsibility Reports 2016-17 & 2017-18

Table 4: Number of Companies reporting increase or decrease of workforce in the year 2017-18 compared to the year 2016-17 (n=300)

S.No	Category	Ownership (Private= 253, PSUs= 47)	No. of companies that reported increase	No. of companies that reported decrease	No. of companies that reported stagnant	Not reported
1	Total Workforce	Total	111	149	3	37
		PSU	19	23	0	5
		Private	92	126	3	32
2	Permanent Workforce	Total	120	164	4	12
		PSU	16	31	0	0
		Private	104	133	4	12

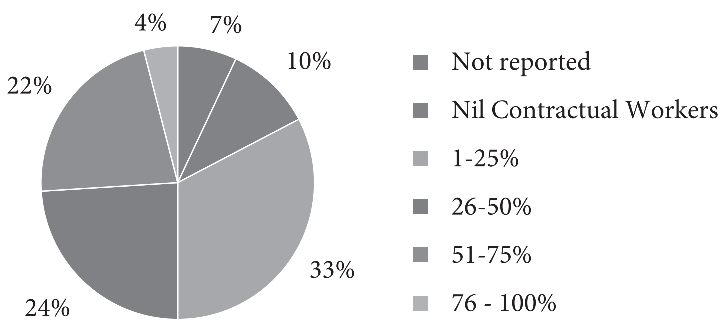
S.No	Category	Ownership (Private= 253, PSUs= 47)	No. of companies that reported increase	No. of companies that reported decrease	No. of companies that reported stagnant	Not reported
3	Contractual Workforce	Total	130	103	34	33
		PSU	15	14	13	5
		Private	115	89	21	28

3. Trend towards Contractualisation[xi]

The contractualisation of the formal workforce has been an impediment to the provision of 'decent employment' as defined by ILO. The contractual workers are mostly denied job security, social security and the right to organise, including collective bargaining. The Annual Survey of Industries (2015-16), reports that the total employment in the organised manufacturing sector increased from 7.7 million in 2000-01 to 13.7 million in 2015-16. The share of contractual workers in total employment has also increased sharply from 15.5 per cent in 2000-01 to 27.9 per cent in 2015-16, while the share of directly hired workers fell from 61.2 per cent to 50.4 per cent in the same period. More than half of the increase is accounted for by an increased use of contractual workers.[xii] At a micro-level a similar trend is also observed in the comparison of data collected for this study from 2015-16 and 2017-18.

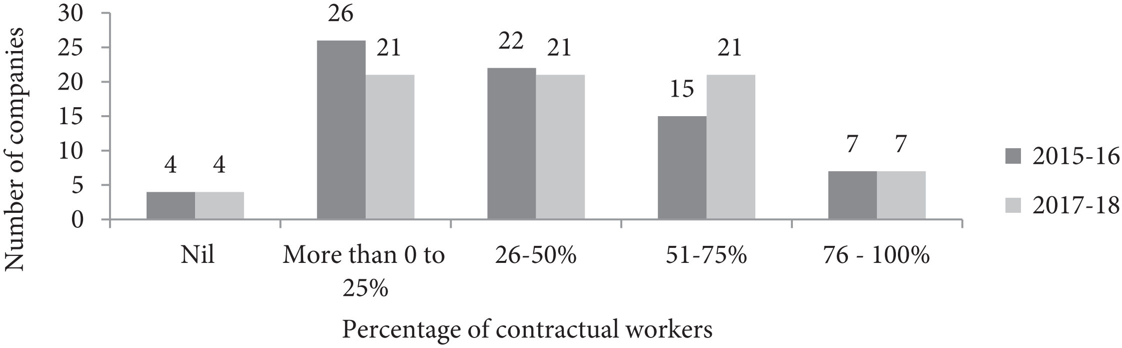
From Table 3, what emerges clearly is that during the year, 2017-18, the contractual workforce (5.73 per cent) in the Sample companies has grown by a rate more than the double that of the permanent workforce (2.41 per cent). A closer look at the distribution of contractual workers in 2017-18 shows that out of the 300 companies, 50 per cent of the companies have 26 per cent or more contractual workers and about 4 per cent have a contractual workforce, which constitutes 76 per cent or more of the total workforce.

Figure 2: Distribution of companies across categories of percentage of contractual workers in the total workforce (n=300)



In the year 2017-18, there were 21 companies that employed more than 50 per cent of their workforce as contractual workers. Six were from the construction sector, four FMCG companies and three automobile companies. The remaining eight companies were spread across a range of sectors including oil and gas and metal and mining and power.

Figure 3: Number of companies as per percentage distribution of contractual workers across years (n=74)



Though it is not clear whether there is any direct relationship of increasing contractualisation with the fact that the economy is facing a slowdown in recent years[xiii], many companies might choose to employ a larger contractual workforce in order to reduce their labour costs. Contractual workers are often paid lower wages and cannot avail of the benefits that full-time employees have.[xiv] In many cases, companies are able to by-pass various labour laws due to the contractual nature of the workforce.[xv] Our analysis next year would probably give more insights on what is happening.

A look at contractual labour data from an ownership lens shows the differences between private sector and public sector companies. Clearly, the private sector has shown a higher incidence of contractualisation with 58 per cent companies having more than 25 per cent contractual workers. This percentage is at 30 per cent for the PSUs.

Table 5: Distribution of companies across percentage range of contractual employees across workforce (Disaggregated in terms of public and private ownership of companies)

		Percentage of Contractual workforce to the Total workforce			
S. No.	Ownership	Nil	<25%	26-50%	Above 50%
1	Private Companies (n=236)	9.7%	32.2%	28.4%	29.6%
2	Public Companies (n=43)	34.9%	34.9%	9.3%	20.9%
17 private sector companies and 4 public sector companies have not reported information on contractual employees present in their companies.					

Source: Business Responsibility Reports 2017-18

The distribution of percentage of contractual employees across sectors reveals that the automobiles sector is engaging the largest number of contractual workers (above 50 per cent contractual). A close second was the FMCG, retail and packaging sector with 35 per cent companies having more than 50 per cent contractual workforce. The automobiles industry in particular, has been facing one of the biggest slump in sales this year (2019). This slump has caused a vast number of companies to lay-off large chunks of their permanent workforce – initial estimates suggest that close to 3,50,000 workers were laid off since April 2019,[xvi] which will be seen in the analysis next year.

Table 6: Percentage distribution of contractual workers across sectors

S. No.	Percentage of Employees	Not reported	Nil	Less than 25%	26-50%	51-75%	76 - 100%	More than 25%
1	Banking and Finance (n=55)	11%	31%	55%	4%	0%	0%	4%
2	Automobiles and Auto parts (n=31)	6%	6%	6%	26%	48%	6%	80%
3	Pharmaceuticals and Healthcare (n=36)	6%	3%	47%	42%	3%	0%	45%
4	FMCG, Retail & Packaging (n=38)	5%	3%	13%	42%	34%	3%	79%
5	Textiles (n=11)	0%	18%	45%	36%	0%	0%	36%
6	Construction and related (n=43)	5%	9%	35%	16%	28%	7%	51%

Source: Business Responsibility Reports 2017-18

4. Workers' Union

Data shows that the presence of a large number of contractual workers helps diminish the bargaining power and wage demands of the directly hired workers.[xvii]

The freedom to associate is a constitutional right of all workers, however, it was found that out of the 300 companies, 109 companies did not recognise employee associations and 21 did not report whether they had an association. Only 170 companies recognise employee associations, but within that 21 did not report the percentage of permanent employees who were part of the associations. **Thus, only 50 per cent of the sample companies seem to have any kind of workers' associations.**

Disaggregated data for private and public companies shows that 129 private companies and 41 PSUs recognise employee associations. Of these 129 private companies, one third (35 per cent) have less than 25 per cent of their workforce as part of associations. On the other hand, 59 per cent of the PSUs that recognise employee associations have more than 76 per cent of their permanent workforce as part of the association.

Firgure 4: Percentage of companies recognising permanent employee associations

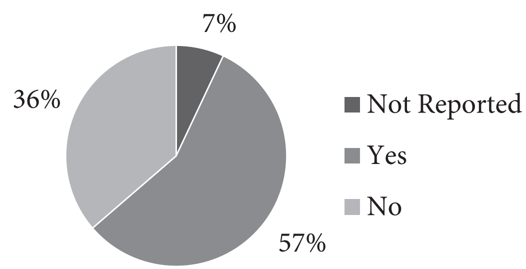


Table 7: Distribution of percentage representation of permanent employees in associations in PSUs and non-PSUs (n=300)

		Private		PSU	
S. No.	Percentage of Employees	Number of companies	Percentage of companies	Number of companies	Percentage of companies
1	Companies that have recognised employee associations	129		41	
2	Recognise but not reported	14	11%	7	17%

	Less than 25% workers in association	45	35%	2	5%
	26-50% workers in association	20	16%	1	2%
	51-75% workers in association	20	16%	7	17%
	76% and above workers in association	30	23%	24	59%

Source: Business Responsibility Reports 2017-18

In terms of sectors, the list is topped by automobile and auto parts where 29 per cent of the companies that recognise associations have representation of 76 per cent or more of their employees as part of associations.[xviii] Following automobiles and auto parts, banking and finance (31per cent) and textiles (18 per cent) have the highest percentage of workers as part of associations. A particularly low level of participation in associations can be seen in the pharmaceutical and healthcare sector.

Table 8: Percentage representation of permanent employees in associations across sectors

S. No.	Percentage of Employees	Not reported	Do not recognise	Recognise but not reported	Less than 25%	26-50%	51-75%	76% and above
1	Banking and Finance (n=55)	5%	40%	7%	7%	2%	7%	31%
2	Automobiles and Auto parts (n=31)	3%	6%	39%	0%	6%	16%	29%
3	Pharmaceuticals and Healthcare (n=36)	6%	31%	25%	33%	0%	3%	3%
4	FMCG, Retail & Packaging (n=38)	11%	39%	13%	13%	5%	13%	5%
5	Textiles (n=11)	0%	55%	9%	0%	9%	9%	18%
6	Construction and related (n=43)	7%	47%	26%	5%	7%	2%	7%

Source: Business Responsibility Reports 2017-18

5. Diversity in Businesses: Women and PWDs still under-represented

Over 70 per cent of the businesses have either zero or less than one per cent of disabled employees. The reporting has increased marginally ('not reported' has reduced from 43 companies to 36 companies). The Rights of Persons With Disabilities Act, 2016 states that every government establishment shall appoint not less than four per cent of persons with disability. **However, only three out of the 47 PSUs that were part of this study had three or more per cent of employees with disability. Despite the presence of the Act, the increase in the number of PWDs among the workforce in the sample company over one year is negligible (0.006 per cent).**

Figure 4: Distribution of companies as per percentage representation of employees with disabilities in permanent workforce (n=300)

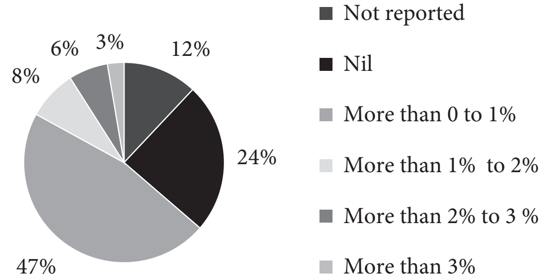


Table 9: Distribution of workforce across categories over two years (n=300)

S.No	Category	Year 2 (2017-18)	Year 1 (2016-17)	Difference	Difference (%)
1	Permanent Employees	38,94,130	38,02,473	91,657	2.41%
2	Permanent Women Workforce	8,59,483	7,91,253	68,230[xix]	8.62%
3	Permanent PWD Workforce	26,328	26,168	160	0.006%

Source: Business Responsibility Reports 2016-17 & 2017-18

About 53 per cent of the businesses had a male to female ratio of 10:1 or worse. 12 per cent of the companies had a workforce of women that was more than 30 per cent. Out of 276 companies, which provide comparable data, 103 companies have actually reported a reduction in the number of women employees.

In terms of representation of women in different sectors, it was found that a comparatively higher percentage of women were present in the workforce of sectors such as banking and finance, FMCG, retail and packaging and textile and comprise more than 30 per cent of the permanent workforce in companies. However, it is important to note that while these sectors have a large share of women workers – women are often overrepresented in blue collar jobs and in textiles, the presence of women in informal labour is huge, thus they have lower chances of securing social benefits as compared to their male counterparts.[xx]

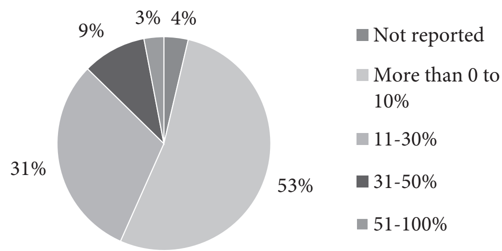


Figure 5: Distribution of companies as per percentage representation of women in permanent workforce (n=300)

This has been elaborated further in a chapter of this report that focuses on the condition of migrant women labourers in the garment sector. In the automobile and construction sectors, a majority of the companies have a higher concentration in the 'less than 10 per cent' band, revealing a strikingly low representation of women in the formal workforce of these two sectors.

Table 10: Percentage distribution of Permanent Women Employees across key Sectors

S. No.	Percentage of Employees	Not reported	More than 0 to 10%	11-30%	31-50%	51-100%
1	Banking and Finance (n=55)	0%	13%	71%	13%	4%
2	Automobiles and Auto parts (n=31)	10%	74%	6%	3%	6%
3	Pharmaceuticals and Healthcare (n=36)	6%	53%	31%	6%	6%
4	FMCG, Retail & Packaging (n=38)	8%	61%	16%	11%	5%
5	Textiles (n=11)	0%	36%	36%	27%	0%
6	Construction and related (n=43)	2%	74%	19%	5%	0%

Source: Business Responsibility Reports 2017-18

In senior management, it was found that overall, in the top 200 companies women form 14 per cent of the Board of Directors, which in most cases amounts to having one mandatory woman member in a Board of 6 to 7 members. 135 companies have only one female board director.

Caste: Private sector still far from acknowledgement

In addition to gender and PWD, caste plays a significant role in business in terms of employment – where it is found that most low-skilled occupations with lower wages have a very high representation of scheduled castes.[xxi] Data from 300 companies reveals that only 39 companies out of the top 300 have proactively disclosed having employees from Scheduled Caste (SC), Scheduled Tribe (ST) or Other Backward Classes (OBC) groups as part of their workforce. Only 35 companies have provided data substantiating the same. Out of 47 PSUs, 32 have provided figures while only 3 private sectors companies – Tata Steel (17.29 per cent), Bajaj Finance (4 per cent) and Bajaj Auto (9.34 per cent) have provided these numbers. Bajaj provided these figures only for the new recruits. Interestingly, 3 PSUs have provided figures related to representation of minority communities. It is evident that disclosures related to representation of marginalised and weaker sections in quite dismal and needs particular attention. This is particularly important in the case of formal sector employment, where entry even at the business ownership level is not easy for marginalised groups.

As part of the study, we have started analysisng the caste composition of the Boards of the companies. An analysis of caste categories of Board members of the top 10 listed private companies reveals a predictable analysis. Out of 108 Board members, the surnames and other searches revealed the castes of 83 members. Of these 83, 77 belonged to Brahmin, Kshatriya, Parsi communities. None were from Dalit or Adivasi groups.

In this context, there have been interesting studies this year. A recent study by Raj and Anand (2019)[xxii] highlighted that beyond socioeconomic disadvantage, the historically marginalised communities faced an additional disadvantage, as "their occupation (as business owners) is incongruent to their perceived historical role and status". It was found that Dalit business owners earn 35 per cent less as compared to non-Dalit owners of similar socioeconomic background. The business incomes for sections that are socioeconomically disadvantaged, but not historically stigmatised, did not show a similar discrimination. Similarly, a study of a 1,000 business merger and acquisition deals between 2000 and 2017 revealed that nearly 50 per cent of the deals were made between boards that had members of the same caste.[xxiii]

A worrying trend has been noticed in the area of sanitation and sewerage work. Large numbers of deaths were reported last year where private companies were involved.[xxiv][xxv] In the construction sector it has been particularly noted that even new infrastructure is not being built keeping mechanised handling of sewerage in mind as part of the design. Now deaths are not being reported only from house based, or government settings but also from new infrastructure spaces.[xxvi] Demonstrating apathy is the fact that none of the 43 construction and infrastructure sector companies that are part of the sample have recognised the issue or challenges of the manual handling of sewage.

6. Grievance Redressal System

All the companies, except one (UCO bank), have reported on sexual harassment complaints. A very large percentage of the companies (72 per cent) revealed 'nil' complaints being reported.

Reporting on child labour, forced labour and discriminatory employment revealed that while 264 companies reported on complaints received, all were reported as 'nil', except in the case of

Tech Mahindra and Motherson Sumi Systems that reported that they received one complaint of discriminatory employment. The number of 'nil' complaints is high across grievance categories.

It is pertinent that companies in their own claims have disclosed relatively less presence of external evaluation of the policies.

7. Mandatory CSR spending

The introduction of section 135 of the Companies Act 2013 has been instrumental in shaping discussions around responsible businesses in India. To some extent, it has also shifted focus away from core business, some elements of which were discussed in previous editions of the report. After four years of implementation, Ministry of Corporate Affairs in 2018 setup a High Level Committee to look into the CSR regulatory framework and come up with guidelines. Before this, the committee was formed in 2015 to delve into the CSR framework. In its report, the committee has analysed four years of data and provided interesting insights to understand the expenditure patterns.

In contrast to the mainstream understanding, the Committee has clearly stated that the primary notion behind introducing CSR provision was not to fill in resource gaps for the government to meet the Sustainable Development Goals but it was brought in to influence the business philosophy promoting sustainable businesses and provide space for companies to have innovative ideas to address social and environmental concerns in the local as well as needy areas.[xxvii]

Another interesting observation has been in the area of earmarking of CSR funds for central government schemes. The table below summarises allocation of funds to various central government schemes over four years:

Table 11: Funds allocated to Central Government Funds from 2 per cent CSR spending

S.No	Contribution to funds set up by Central Government	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Grand Total
1	Any Other Fund	277.10	334.35	418.29	250.52	1,280.27
2	Clean Ganga Fund	5.47	32.82	24.37	4.44	67.10
3	Swachh Bharat Kosh	113.86	325.52	184.06	211.57	835.02
4	Prime Minister's National Relief Fund	228.18	218.04	158.80	152.26	757.29
5	Total contribution to Funds	624.61	910.74	785.53	618.80	2,939.67

Source: Report of the High Level Committee on CSR 2018

Representations made to the committees have raised concerns about allocating funds for central government schemes. The report stated that approximate allocation to such funds have been around 5.6 per cent of the total CSR expenditures for the years 2014-15 to 2017-18. This is greater than the contribution in areas such as heritage, art and culture, slum area development, gender equality and women empowerment.[xxviii] The committee observed that such expenditures go against the philosophy of CSR, which seeks to engage businesses as partners in social development and bring in innovative solutions.[xxix]

The skewed allocation of funds in terms of geographies has been reiterated by the HLC 2018. State level variations have been consistent over the years. The table below depicts the top 20 CSR fund recipient states for the year 2017-18.

Table 12: Top 20 states receiving highest amount of CSR funds in 2017-18

Ranking	State	Amount spent FY 2017-18 (INR Cr.)	Ranking	State	Amount spent FY 2017-18 (INR Cr.)
1	Maharashtra	2,482.75	11	Rajasthan	256.63
2	Karnataka	940.26	12	Haryana	254.15
3	Gujarat	764.27	13	Kerala	145.37
4	Tamil Nadu	606.75	14	Madhya Pradesh	144.71
5	Delhi	522.80	15	Punjab	86.40
6	Odisha	467.30	16	Assam	83.89
7	Uttar Pradesh	287.39	17	Uttarakhand	81.81
8	Telangana	286.74	18	Chhattisgarh	65.49
9	West Bengal	277.66	19	Himachal Pradesh	60.53
10	Andhra Pradesh	265.70	20	Goa	51.50

Source: Report of the High Level Committee on CSR 2018

In line with the last year's findings, the data clearly shows that there is a concentration of funds in certain states. Maharashtra is leading in terms of fund receipts with Rs 2,482.75 crore while the entire North-Eastern region received around Rs 29.55 crore. This raises doubts about the way CSR expenditures are being planned and implemented and the kind of priorities that are being set. In an interesting contrast, the HLC report pointed that of the 117 aspirational districts; around 55 per cent fell in states of Jharkhand, Bihar, Chhattisgarh, Madhya Pradesh and Uttar Pradesh while in terms of concentration of funds these states altogether received only 9 per cent of the total CSR expenditure for the year 2014-15 to 2017-18.[xxx]

This variation is also evident in the development sectors where the spending is being done which have been consistent over the period of four years. In 2017-18 as per the filings received as on 31st March 2019, 21,337 companies have spent a total of Rs 13,326.69 crore. The total prescribed amount to be spent by these companies was around Rs 23,247.90 crore while they spent 57 per cent of the prescribed amount. The sector-wise disaggregation of the amount spent for top and bottom seven spending sectors has been given below.

Table 13: Top seven and bottom seven development sectors in terms of spending of funds in 2017-18

Sectors with highest spending			Sectors with lowest spending		
S.No	Sector	FY 2017-18 Amount (In Cr.)	S.No	Sector	FY 2017-18 Amount (In Cr.)
1	Education	4,478.9	1	Clean Ganga Fund	4.4
2	Health Care	2,127.1	2	Agro Forestry	12.2
3	Rural Development Projects	1,455.6	3	Technology Incubators	14.6
4	Environmental Sustainability	1,062.6	4	Gender Equality	20.2
5	Livelihood Enhancement Projects	654.0	5	Armed Forces, Veterans, War Widows/ Dependents	26.8

Sectors with highest spending			Sectors with lowest spending		
S.No	**Sector**	**FY 2017-18 Amount (In Cr.)**	**S.No**	**Sector**	**FY 2017-18 Amount (In Cr.)**
6	Poverty, Eradicating Hunger, Malnutrition	618.8	6	Slum Area Development	30.8
7	Vocational Skills	388.7	7	Senior Citizens Welfare	31.3

Source: Report of the High Level Committee on CSR 2018

Another striking revelation is in terms of percentage of funds being utilised by companies at the top and bottom of the profit/ turnover ladder. The data from 2017-18 shows that around 7,970 companies with prescribed CSR amounts of less than Rs 10 lakh, spend 4 times of their prescribed amount collectively while companies with the liability of more than 10 crore utilised only half of what they were supposed to do. [xxxi] This trend has been consistent over the years and raises a question of whether smaller companies are more forthcoming at spending CSR amount than big companies. This requires more research.

The above facts related to CSR spending depict that any discussion around CSR needs to move beyond the approach of utilisation of funds and needs to look at the mechanism and principles that shape the spending of CSR funds at company level. It is pertinent that CSR, though very miniscule in comparison to the government spending, becomes more accountable and inclusive, and does not become a mere marketing gimmick for the companies.

Conclusion

Since the year 2003, India has had a Gross Domestic Product (GDP) growth rate higher than 6 per cent consistently, except for one year, with growth rate exceeding 9 per cent in at least four years. Similarly, the SENSEX touched 7,000 points in the year 2005. 15 years hence, it has peaked at 40,000 points. There is no doubt that businesses have been growing at an exponential rate in terms of their wealth and also spearheading the GDP growth of the country. In recent times, the term '5 trillion dollar economy' has become a goal post and the Ease of Doing Business Index has become the instrument to attract investors.

On the other hand, the total number of workers in the economy fell to 457 million in 2017-18 from 472.5 million in 2011-12. The absolute number of workers declined by 15.5 million over six years. Since demonetisation, the Indian growth narrative in the public domain is no longer the same. India's GDP growth fell to a seven-year low of 5 per cent in the April-June quarter of 2019-20. India's economic growth stood at 8 per cent in the same quarter of 2018-19[xxxii]. In spite of a slowdown and the effectively quasi recessionist[xxxiii] status that India has entered, stories around wealth creation are not hard to find. The top 10 per cent of India's population holds 77.4 per cent of the total national wealth. The contrast is even sharper for the top 1 per cent that holds 51.53 per cent of the national wealth[xxxiv] and wealth is not getting distributed to benefit the most needy. Surely, the top one per cent would include all or most of the top 500 companies listed in BSE, which submit the Business Responsibility Reports. A sample of 300 companies among the top 500 listed companies together employ directly 5.5 million workers.

The 2 per cent CSR mandate is playing its role in ensuring that the narratives about business even in civil society spaces are that of contributing to national development. A number of corporates are receiving awards on almost a monthly basis for their contribution towards social development. It is in this context that it has become important to redefine CSR as a company's efforts to make their core operations socially, economically and environmentally responsible.

The analysis of BRRs of 300 companies among top 500 listed companies, based on market capitalisation reveal:

1. Companies have started adopting the word, 'Human Rights' in their corporate policies. It was unheard of a couple of decades ago. However, it may be seen that they have not necessarily taken responsibility of human rights violations in their supply chain, even in policy commitments. Only 31 per cent of companies explicitly disclose their commitment to prevent child labour in their supply chain.
2. 56 per cent of the 300 companies have reported a reduction in the number of permanent employees, compared to the previous year. The overall workforce in these 300 companies has grown by 3.35 per cent over one year.
3. The concern is that the contractual workforce (5.73 per cent) is growing by a rate more than double that of the permanent workforce (2.41 per cent). The private sector is depicting a higher incidence of contractualisation with 58 per cent companies having more than 25 per cent contractual workers. This percentage is at 30 per cent for the PSUs.
4. Over 70 per cent of the businesses have either zero or less than one per cent disabled employees. About 53 per cent of the businesses had a male to female ratio of just 10:1 or worse. 103 companies have actually reported reduction in number of women employees.
5. Only 39 companies out of top 300 have proactively disclosed caste composition of their employees. Only 3 private sector companies have provided these numbers. Appreciably, 3 companies have provided figures related to representation of minority communities. None of the construction and infrastructure sector companies, which are about 43 among the top 300 have recognised any issues related to the manual handling of sewerage.
6. An analysis of caste categories of Board members of the top 10 listed private companies reveals a predictable analysis. Out of 108 Board members, the surnames and other searches revealed the castes of 83 members. Of these 83, 77 belonged to Brahmin, Kshatriya, Kayastha, Jain or Parsi communities. None seem to be from dalit or adivasi groups.
7. Out of the 300 companies, 109 companies did not recognise employee associations. While only 170 companies recognised employee associations, within that 21 did not report the percentage of permanent employees who were part of the associations. Thus, only 50 per cent of the sample companies seem to have any kind of workers' associations.

Set against this stark reality of the way in which corporate responsibility continues to develop and the Government continues to promise a series of steps to bring the economy back on track, there is a challenge posed to the growing emphasis on integrating social and environmental risks in businesses. The larger business ecosystem often looks at the costs of doing responsible business as a burden and with the current economic slowdown, any discussions for bringing in social clauses in company policies poses a challenge. It is important that more evidences are gathered to present the real situation of workers, marginalised communities and those affected by the operations of businesses. Or else, the violations by businesses would remain hidden under the cloaks of their CSR.

i. Amita Joseph (Business and Community Foundation), Amita Puri (National Foundation for India), Dheeraj (Praxis Institute for Participatory Practices), Pradeep Narayanan (Partners in Change), Rijit Sengupta (Center for Responsible Business), Subhash Mittal (Socio Research and Reform Foundation), Shireen Kurian (Praxis Institute for Participatory Practices), Tom Thomas (Convenor, Corporate Responsibility Watch), Viraf Mehta (Partners in Change)

ii. The introduction is based on information from a range of sources including Report of the high level committee on corporate social responsibility 2018, http://www.mca.gov.in/Ministry/pdf/CSRHLC_13092019.pdf; Making Growth Inclusive 2017 and 2018 ,http://www.corporatewatch.in/images/Making_Growth_Inclusive_2018.pdf and http://www.corporatewatch.in/images/Making_Growth_Inclusive_2016_Web_version.pdf

iii. http://www.sebi.gov.in/cms/sebi_data/boardmeeting/1449642399967-a.pdf

iv. http://www.livemint.com/Companies/TNq1HX1YBMN1xW4yvAjvsI/BSE-extends-business-responsibility-reporting-to-top-500-fir.html

v. Source: Report of the high level committee on corporate social responsibility 2018, http://www.mca.gov.in/Ministry/pdf/CSRHLC_13092019.pdf

vi. The main objective of CRW is to facilitate the transparency of economic activities and accountability of corporates not only to their shareholders but also to wider society. Working within a human rights framework, the role of the core group is to think through home grown-solutions and monitoring mechanisms for the Responsible Business practice space, with the understanding that voluntary codes will not work unless there is a vigilant regulatory environment, media attention, civil society scrutiny and activism. For more details visit www.corporatewatch.in

vii. IRBI is a a collaborative effort by Corporate Responsibility Watch, Oxfam, Change Alliance, Praxis Institute For Participatory Practices and Partners in Change. Details are available at www.corporatewatch.in

viii. Some of the sectors have been merged for simplified representation based on the proximity in the nature of business activity

ix. The version 2.0 of NVG has now been adopted as National Guidelines on Responsible Business Conduct. The companies have however reported on the earlier version.

x. Analysis was done for the companies that provided data as per the BRR format from 300 randomly selected companies

xi. Instances of large lump sum workforce increase affect these figures. For examples, State Bank of India increased their permanent workforce by about 60,000 employees due to a merger with five banks.

xii. Kapoor, R. Krishnapriya P. P. (2019) Explaining the contractualisation of India's workforce. Working Paper, Indian Council for Research on International Economic Relations.

xiii. Kapoor A.(2019) The dynamics of India's growth slowdown, The Economic Times. Available at: //economictimes.indiatimes.com/articleshow/71020942.cms?from=mdr&utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

xiv. Abraham V. and Sasikumar S.K. (2017) Declining wage share in India's organized manufacturing sector: Trends, patterns and determinants, ILO Asia- Pacific Working Paper Series. https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-new_delhi/documents/publication/wcms_614777.pdf

xv. Paliath, S.(2019) Contract Workers Lower-Paid, More Insecure As Companies Reduce Permanent Hiring, India Spend. Available at: https://www.indiaspend.com/contract-workers-lower-paid-more-insecure-as-companies-reduce-permanent-hiring/

xvi. https://in.reuters.com/article/mahindra-results/mahindra-warns-of-job-losses-in-auto-sector-seeks-government-help-idINKCN1UX10H

xvii. Kapoor, R. Krishnapriya P. P. (2019) Explaining the contractualisation of India's workforce. Working Paper, Indian Council for Research on International Economic Relations.

xviii. It is important to note however, that the data analysed only accounts for permanent employees, if other categories of the workforce (particularly contractual workers) are to be considered the levels of participation would be far lower.

xix. Instances of large lump sum workforce increase affect these figures. For instance, Motherson Sumi Systems had an increase of close to 10,000 women employees.

xx. International Labour Organization (2018) India Wage Report Wage policies for decent work and inclusive growth, Page 35. Available at: https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-new_delhi/documents/publication/wcms_638305.pdf

xxi. Das, M.B.; Dutta, P. (2007) Does caste matter for wages in the Indian labour market? Working Paper (Washington, DC, Social and Human Development Unit, World Bank).

xxii. Raj, P. and Anand, P. (2019), Stigma in Business: Attributes and Ties that (Do Not) Work. Available at SSRN: https://ssrn.com/abstract=3371792 or http://dx.doi.org/10.2139/ssrn.3371792

xxiii. Bhalla M.,Goel M., Konduri VSK T., Zemel M. (2018) Firms of a Feather Merge Together: Information Flows, Familiarity Bias and M&A Outcomes, Indian Institute of Management, Bangalore and Pomona College.

xxiv. https://timesofindia.indiatimes.com/city/gurgaon/9-deaths-in-2-yrs-manual-scavenging-still-thrives-as-companies-flout-norms/articleshow/68897066.cms

xxv. https://www.thehindu.com/news/cities/Delhi/dlf-sewer-deaths-two-more-arrested/article25017999.ece

xxvi. https://theprint.in/opinion/between-swachh-bharat-deaths-where-is-the-sanitation-policy-for-manual-scavengers/252294/

xxvii. Report of the High Level Committee on Corporate Social Responsibility, 2018, Government of India Ministry of Corporate Affairs August, 2019, Page 21

xxviii. ibid, p 42

xxix. ibid, p 71

xxx. ibid, p 45

xxxi. ibid, p 43

xxxii. https://www.business-standard.com/article/economy-policy/india-s-economic-growth-slows-to-5-in-april-june-from-8-a-year-ago-119083001071_1.html

xxxiii. https://www.business-standard.com/article/economy-policy/india-s-economic-growth-slows-to-5-in-april-june-from-8-a-year-ago-119083001071_1.html

xxxiv. https://www.oxfamindia.org/sites/default/files/2019-02/Davos%20India%20Supplement.pdf