

BLENDING CSR WITH RESPONSIBLE GROWTH

Top Companies for Sustainability and CSR, a study of 217 companies, reveals that only a third of these firms are taking a long-term view of responsible business and the total CSR spend is less than the government mandate

Can a company that allocates sumptuous amounts for social initiatives be hailed a good company when its business operations cause long-term systemic damages to the environment or economy? CSR is largely about spending monies as a small portion of the profits made. What is germane today is 'how' a company makes its profits in an era of climate and sustainable development challenges. Responsible growth and an adherence to the tenets of sustainability, therefore, is critical for the good of communities, national economies and the world. CSR alone is not good enough.

India's 'Top companies for Sustainability and CSR', in its third year, attempts to examine companies, 217 of them, through the CSR microcosm and also on larger issues of sustainability. The study — a partnership between IIM Udaipur, Futurescape and The Economic Times — authored by Utkarsh Majumdar, Namrata Rana and Neeti Sanan, is an unbiased, quantitative and analytical examination of this blend.

The Top 10 Companies

Rank	Company (2015)	Rank	Company (2014)
1	Tata Steel Ltd	1	Mahindra & Mahindra
2	Tata Power Company	2	Tata Power Company
3	UltraTech Cement	3	Tata Steel
4	Mahindra & Mahindra	4	Larsen & Toubro
5	Tata Motors	5	Tata Chemicals
6	Tata Chemicals	6	Tata Motors
7	ITC	7	GAIL (India)
8	Shree Cements	8	BPCL
9	BPCL	9	Infosys
10	Larsen & Toubro	10	Jubilant Life Sciences

Highlights from the Top 10

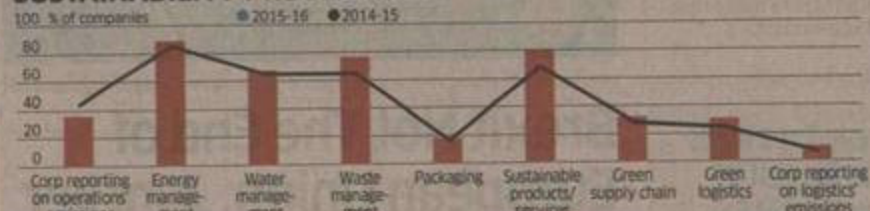
Tata Steel leads the pack. Compared to the previous study, it has jumped two places. **Tata Power retains its position.** There are four Tata group companies in the top 10 list.

Mahindra & Mahindra, the top-ranked company, in 2014 drops three ranks to be placed fourth.

Ultratech Cement and Shree Cements are the surprise entrants in the top 10.

No foreign player make it to the top 10 list — a trend that follows from 2014.

SUSTAINABILITY PROGRAMMES



KEY FINDINGS

- Only the **Top 33% firms** believe in taking a long-term view on responsible business.
- Governance for business responsibility sees improvement. The average governance score is the highest of the four factors. This year **more than 54% companies** have scored more than half the marks on governance vs. 47% last year.
- Disclosures are poor** as sustainability reporting is inadequate.
- Sustainability is **at the heart** of high performing companies (see Sustainability...).
- Total CSR spend of 173 firms** for which data was available in 2014-15 was **₹5752 crore** with an average spend of ₹33.25 crore per company. This translated into an average CSR spend as a percentage of average PAT of 1.4%, which is lower than the government mandate of 2% and more.
- Government push makes corporate India step up. Over **39%** of companies focused on Swachh Bharat. 59% of the companies surveyed work in the areas of solar energy.
- Emissions disclosure needs more focus. Only **36%** (38% in the previous year) of India's top **200 companies** disclosed data on GHG emissions while 54% participated in carbon specific initiatives such as Carbon Disclosure Project (CDP).
- Energy and Materials**, given the inherent nature of their business, try to mitigate the impact on the external world through a business responsibility focus (see *Toppers in Business*...).
- Education and healthcare** attracted the largest CSR spends, accounting for 45% of the total spends. Empowering women, support for senior citizens and armed forces veterans saw no takers. (see *Education & Health*...)

Toppers in Business Responsibility Focus

Sector/Industry	Avg score	Top performer
Energy	59.1	BPCL
Materials	55.2	Tata Steel
Telecommunication Services	53.8	Idea Cellular
Information Technology	50.1	Infosys
Healthcare	48.7	Jubilant Life Sciences
Other Industrials	48.6	Cummins India
Utilities	47.6	Tata Power Company
Consumer Staples	44.2	Coca-Cola India
Capital Goods	42.9	Larsen & Toubro
Consumer Discretionary	37.6	Mahindra & Mahindra
Diversified	34.0	ITC
Financials	30.7	YES Bank
Other Financials	30.7	M&M Financial Services

Education & Health Draw Maximum Funds



Innovating for CSR and Sustainability: Some Best Practices

INFOSYS

Infosys, through two of its newly created foundations, has been endeavouring to support and evangelise the study of math and science, within India and also outside the country. All along the company steered its CSR programmes through the Infosys Foundation, created in 1996, with a focus on education, healthcare, art & culture, destitute care and rural development, executed in the traditional way. In recent years, the focus on science and math is creating an ecosystem for the spread of STEM (science, technology, engineering and mathematics).

Apart from supporting initiatives in academia and the institution of awards, the company has crafted several partnerships with the International Mathematics Union and the New York Academy of Sciences — to take the agenda ahead. Infosys was one of the first Indian companies to declare that all its operations will be driven by renewable energy.

THERMAX

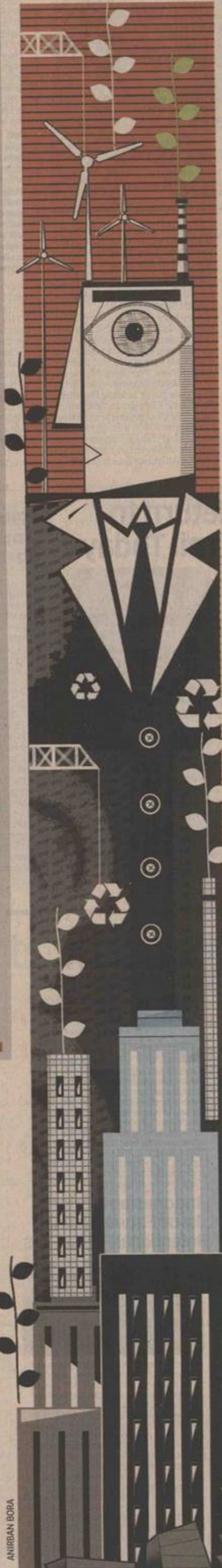
Thermax Social Initiative Foundation's (TSIF) municipal schools programme is conducted in collaboration with the NGO, Akanksha, and covers four municipal schools with a combined student strength of 1800. Students of the TSIF-sponsored KC Thakeray Vidya Niketan was the first batch from any PMC English-medium school to appear for the SSC board examinations in 2013; the pass rate was 100%, with 72% of the students receiving a first class, of which 22% received a distinction. Such result for municipal schools is a rarity.

Emboldened by its success in Pune schools, TSIF has been exploring educational opportunities in some of the most deprived communities, and in the most challenging situations, across the country. The Foundation engages with the Soshi Seva Sangh (SSS), an organisation striving to provide education to children of the Musahar community in Bihar.

MAHINDRA

M&M launched an ambitious programme — H2O to H2 Infinity — to change the water equation and with the larger goal of ensuring there is enough water for a growing India. Mahindra is a water positive company now. The programme brought about a massive change in the way the group consumed and conserved water. The effort was not limited to group companies alone but extended to communities, its supply chains and even customers.

Minimising the use of fresh water through recycling and reuse was key to the programme. Such was the enthusiasm with the group that the percentage of water recycled of total water consumption shot to a high of 41% by one of its divisions or sectors as they are called. The group's farm sector had taken up a Clean Development Mechanism (CDM) project in micro irrigation which proved to be a turning point. Drip and sprinkler irrigation systems sold to the farmers resulted in water savings of around 48%. The total water consumption of the group for the year it turned positive was 6.1 million m³ while the water saved was 8.4 million m³. In recent years, Mahindra has launched a slew of water conservation initiatives across the country.



Tata Firms Top Rankings

Four Tata companies have made it to the top 10 of the Futurescape rankings. The Tata Group was also ranked first in a recent sustainability leadership survey conducted across Asia for advancing the sustainable development agenda. The UN system's set of 17 sustainable development goals (SDGs) is now being woven into the development frameworks of countries, and also corporations. Why do the Tatas often make it to such lists and rankings?

The reasons are many. While the \$103 billion group has an enviable record in philanthropy, enabled through a unique shareholding pattern — Tata trusts hold 66% of Tata Sons — many of its companies are now emerging as sustainability innovators. Apparently, group companies haven't rested on its philanthropic or CSR laurels.

Although some group companies have had their fair share of controversies, they are pushing the envelope in the developmental space. Its companies are pioneering new-genre sustainability initiatives in circularity, life-cycle approaches, new mobility and materials, biodiversity conservation, and even affirmative action.

As a group, it has also begun tweaking and evangelising a natural capital protocol, an area where few companies would dare to tread. Natural Capital, in simple terms, and as defined by the newly-minted Natural Capital Coalition, is an economic metaphor for the limited stock of natural (non-renewable) resources and the limited capacity of ecosystems to generate benefits for human well-being. Valuing environmental externalities is integral to the concept.

The group, therefore, is emerging as a sustainability champion even as it endeavours to consolidate, restructure and renew traditional CSR to meet emerging needs — skilling, employability — and also address new challenges. Structures and process are undergoing an overhaul within the group. Look at the manner in which the Group's CSR approaches are changing.

It was felt that synergies and the expertise lying within individual companies in the sustainability and CSR spaces were not being drawn upon for better dissemination, spread and impact, across the Group. The old Tata Council for Community Initiatives (TCCI) was banished and the Tata Sustainability Group (TSG) came into being to function as a crucible for sustainability and CSR.

The TSG is also the executing arm for a new generation of initiatives that go by the name of Group CSR Programmes (GCPs) which are implemented by another new entity created in 2014, the Tata Community Initiatives Trust (TCIT). The first programme under this arrangement is TataStrive, a skills project with a focus employability, entrepreneurship and community enterprises.

The first national Strive centre was set up in Aligarh to train youth as air-conditioning and refrigeration operators, electricians and solar PV installers. This was in July 2015. Since then three other centres — in Hyderabad, Mumbai and Pune — have been set up with several focus areas — BPO, debt recovery agents, F&B, retail, auto repairs — with participation from companies like Tata Motors, Voltas and others. Tata companies can set aside a portion of the 2% CSR spend for GCPs. This is not all.

The group's volunteering programme — Tata Engage — plugs into the effort. Partnerships and collaboration form the bedrock GCPs. Don Bosco Tech, a skills ecosystem of a certain vintage, is an active partner. These initiatives are not the usual; they have been crafted by examining the challenges in the ecosystem; lack of life skills, attrition, trainer quality and assessment. Finally, a placement mechanism is being developed.

While group efforts are on, companies are building on

the work they have done so far in education, healthcare or livelihoods and venturing into newer areas.

Tata Steel's intervention in healthcare — the Maternal and New-born Survival Initiative (MANSI) — a public-private partnership has altered the health indicators of some of the most backwards regions in Jharkhand, for instance. According to the last collated figures, Infant Mortality Rate (IMR) dropped from 62 to 40 and Maternal Mortality Rate (MMR) from 513 to 376 in project areas.

MANSI's activities are delivered through the Tata Steel Rural Development Society (TSRDS).

In addition to the TSRDS, there are three other arms engaged in CSR: the Tata Steel Family Initiative Foundation (TSFIF), Tata Steel Tribal Cultural Society (TSTCS) and Tata Steel Skill Development Society (TSSDS) spanning a variety of sectors and activities including the esoteric — tribal games and languages. The TSTCS has revived several long-forgotten tribal sports and games such as Kati, Sita, Bahu, Chor, Chhur, Ramdel and Gulla Chor, and has organised

The group is emerging as a sustainability champion as it tries to consolidate, restructure and renew traditional CSR

sporting events between villages so that the tribal population can showcase their sporting heritage and get the chance to play together. Tata Steel's social initiatives touch 1.6 million lives.

A mould-breaking initiative in CSR anywhere in the country has been Tata Chemical's little-known marine conservation efforts; the Whale-shark (rhinocodon typus) Conservation and the Mithapur Coral Reef Recovery projects along the Gujarat coast. Both are deep, tightly-bound collaborative endeavours with several NGOs and the Gujarat govern-

ment. Marine conservation is the new frontier in nature conservation and bio-diversity. Few corporates have ventured into this complex arena which requires considerable patience, resources and skills in forging and sustaining partnerships. The Whale-shark project is the only conservation effort in India to generate baseline data on the endangered species, build awareness amongst the fisher-folk and the citizenry of coastal towns and also conduct scientific studies through photo-identification, genetic analysis and satellite tagging.

Another group company, Tata Power has also done considerable work on plant diversity in the Western Ghats. Its Mahseer (a fish species) conservation initiative is the second largest in the country after 'Save the Tiger'. Tata Motors, which has been through a turbulent time in recent years, has done pioneering work on life cycle analysis (LCA) — a methodology that is designed to help businesses measure and quantify the end-to-end environmental and economic impacts of a product, process, or service. Jaguar Land Rover has made significant advances in replacing steel with recycled aluminium. The energy expended in recycling a kilogram of aluminium cans saves approximately 95% of the energy consumed in producing a kilogram of virgin aluminium, and this figure doesn't even reflect the other environmental effects of bauxite mining and primary aluminium production.

As for affirmative action, Tata is the only major industrial group to have engaged with dalit entrepreneurs in a meaningful way — identifying, supporting and finally buying from them.



A mahseer hatchery at a Tata Power facility.



Tata chairman Cyrus Mistry and Tata Steel MD TV Narendran with drummers at a tribal festival last year.

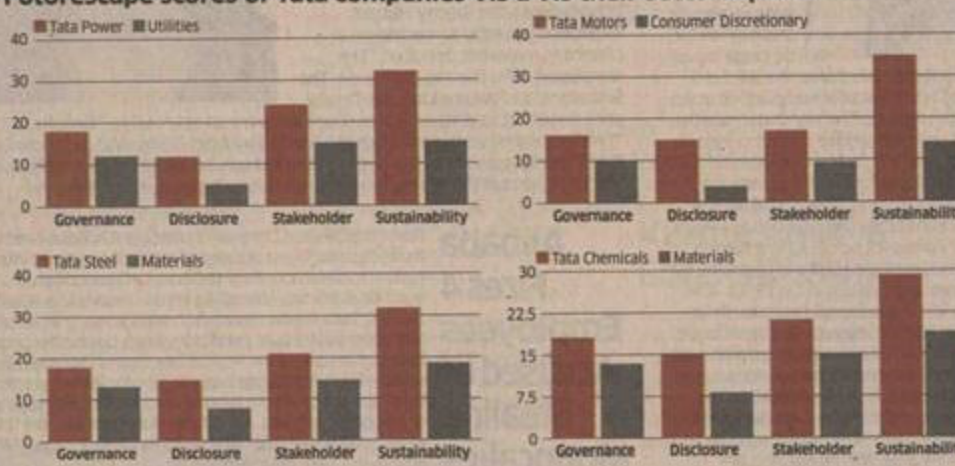


Tata Chemicals has enabled women from villages in Okhamandal, Gujarat, to revive traditional arts and create a popular brand called Okhal.



An inflatable whale-shark taken in a procession in Gujarat as a conservation message. A Tata Chemicals campaign.

Futurescape scores of Tata companies vis a vis their sectoral peers



METHODOLOGY

The study rests on four pillars — Governance, Disclosure, Stakeholder Engagement and Sustainability. Weights were assigned based on a Delphi study with industry leaders and academics: 20% for Governance; 15% for Disclosure; 35% for Sustainability; 30% for Stakeholders. The weights correspond with the maximum marks available for each criterion.

The sample size comprised 217 companies. The top 200 were taken from the ET-500 list and another 20 responded and qualified to a call for entries. Three were not forth-

coming with data and were dropped. Of the 217 that made the final list, 167 are private companies and 50 public sector undertakings; 141 are from the manufacturing sector and 76 from the service sector. Spend data was available for 173 companies.

Last year's study had imposed fines on certain categories of companies — alcohol and tobacco. This time penalties have been banished owing to the complexity of the issue on hand and the fact that almost all companies have had to grapple with inherently negative externalities.