Chapter 7

Corporate Social Responsibility
Reporting Framework

7.1 CSR Activity Framework

A number of CSR frameworks have been developed to assist companies to design, implement, monitor & evaluates there CSR programs. All these framework are activity oriented framework. There has been 4 different framework developed for various industries. Most of them consist of a set of general principle & policy guidelines while others have more in depth management framework & guidance. Most therefore provide “what to do – How to do”. Roadmap to manage various CSR activities & programs in various industries. This framework are as follows.

1. United nations Global Compact (UNGC)

United nations Global Compact (UNGC) was designed in 2000 by United Nations as a broad set of principles that is applicable to all industries to all projects at all stage of operation. This strategic policies initiative for business that are committed to align their operation & strategies with 10 universally principles.

The 10 Principles of UNGC

A. Human rights
1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses

B. Labour
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

C. Environment
7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies

D. Anti-Corruption
10. Businesses should work against corruption in all its forms, including extortion and bribery.

The prominence of United Nation makes the Global Compact the most recognizable CSR framework. However, this acts as an umbrella for engagement with NGOs on specific issues. It is believe that companies with little commitment to CSR joint this Global Compact to benefit from the reputation from with the United Nation which is technically called “bluewashing”.
2. **OECD Guidelines for Multinational Enterprises**

The Organization for Economic Co-operation & Development (OECD) developed CSR guidelines for Multinational Enterprises (MNEs) were originally developed in 1976 following the Universal Declaration of Human Rights. The guidelines since then have been revised several times. These guidelines are for companies operating in OECD member countries. There are 41 member countries. The guideline provides recommendations to Multinational Enterprises (MNEs) on responsible business conduct. They include 11 general policy recommendations as well as more targeted policy & management guidance on disclosure competition, Taxation, employment, Industrial relations, Corruption, Environment, Consumer interest & science & Technology. They covered wide range of issues both social & environment. However, its framework lacks some creditability as there guidelines are voluntary & also they provide recommendation on only What to do & not How to implement?

3. **ISO 26000**

ISO 26000 is an international standard aligned with existing ISO standards & international treaties. The framework will provide policy & management guidance on CSR concepts, definition & methods of evaluation particularly related to operationalising social Responsibility, engaging with stakeholder & social Responsibility Reporting. The document includes 8 principles of Social Responsibility like Organization Governance, Human Rights, Labour Practices,
Fair operating practices, Consumer issue, Community Development & Environment. However, the framework provides only guidance on what companies should do to be socially responsible but, does not describe how to meet the stakeholders’ expectation. Therefore the reporting of CSR becomes weak & does not carry much value from information-value perspective.

4. **AA 1000 Series**

The AA 1000 Series of standards were developed by AccountAbility in the UK through an extensive worldwide Multi stakeholder consultation. The series consist to 3 standards

I. Assurance Standard
II. Stakeholder Engagement Standard
III. AccountAbility Principle Standard

Which were developed in 2003, 2005, 2008 respectively. The purposed of standard is the measurement & reporting of ethical behavior in business. The series provides organizations a framework for understanding & improving ethical performance & a means for other to judge the validity of a company’s ethical claims.

All the framework mention above are more of guideline & policy documents to perform various social responsibility. They suffer from a major limitation of reporting framework. The reporting framework includes mere explanation or expression of facts by way of statements. They don’t have the elements of comparison as well as impact measurement.
The lack of element of impact measurement makes reporting more historical in nature with lesser inputs for future planning of CSR activities. Hence there is a tendency on the part of the companies to window dress CSR in order to derive social reputation thereby pursuing brand building in the long run. In fact the impact measurement of CSR can give following benefits.

1) **Communication becomes effective**
   These enable the companies to enhance the “Reporting Value” of CSR to external & internal stakeholders. Sharing of concentrate data with employees, customers & community gives tangible evidence of impact with CSR programs.

2) **Improves managerial decision making**
   Here there is an opportunity to identify the real contribution in terms of benefit to the stakeholders. At a same time it is possible to identify the areas which are lacks behind therefore planning becomes more focus & the wastage of resources is reduce. This helps to achieve the real objective of CSR.

3) **A feeling of satisfaction**
   When the organization sees the CSR activities & programs reaching & benefitting the real stakeholders the employees carry a feeling of satisfaction & joyfulness. This enables the organization to provide the motivational force to employees perform better than the previous year for CSR activities. This also helps to generate sense of belongingness amoung the employees.
7.2 CSR Reporting Framework

CSR reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development. ‘Sustainability reporting’ is a broad term considered synonymous with others used to describe reporting on economic, environmental, and social impacts (e.g., triple bottom line, corporate responsibility reporting, etc.).

A CSR report should provide a balanced and reasonable representation of the sustainability performance of a reporting organization - including both positive and negative contributions.

CSR reports disclose outcomes and results that occurred within the reporting period in the context of the organization’s commitments, strategy, and management approach. Reports can be used for the following purposes,

Benchmarking and assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives; Demonstrating how the organization influences and is influenced by expectations about sustainable development; and Comparing performance within an organization and between different organizations over time.

7.3 Revisiting Social Responsibility Accounting

Accounting is the art of recording, classifying & summarising in a significant manner & in terms of money, transactions & events which, in part at least, of a financial character & interpreting the
results thereof “ AICPA committee & Terminology, Five points are derived from the above definition of accounting
1. Accounting is an art
2. Of recording, classifying & summarising
3. In terms of money
4. Transactions & event of financial thereof
5. & interpreting the results thereof
Thus, social responsibility Accounting is the accounting for transactions which are basically social obligations or responsibilities incurred or performed by the organisation. Therefore, there is a great need to establish relevance of accounting concepts to SRA.

The following are the accounting concepts
1. Entity Concept
2. Dual aspect concept
3. Going concern concept
4. Accounting period concept
5. Money measurement concept
6. Cost concept
7. Periodic matching of cost & revenue concept
8. Variable objective evidence concept

All the principles or concepts are meeting with the nature, of social responsibility accounting except periodic matching of cost and revenue. All other concepts are relevant & applicable to social responsibility accounting & hence social responsibilities can be accounted for.

But the attention may be drawn at the (Periodic matching of costs & revenue concept) which recognises that streams of revenue continually flow into a business & it requires.
1. That there be a precise “cut – off” in these streams at the end of accounting period.
2. That the inflows of the period be measured.
3. That the costs incurred in securing the inflows be determined, and
4. That the sum of costs be deducted from the sum of the inflows to determine net income for the period.

This concept basically stems from the fact that business activity is essentially an economic activity, while performing for social obligations is not and economic activity. Economic activity aims at determination of net income, while social activity aims at well-being of the community & not at the profits. Hence, this very nature of activity invalidates this concept & hence it has no relevance. Moreover, occurrence of social expenditure does not result into the sales; hence there would be no matching of cost & revenue. More importantly, benefits attached to costs may be quantitative & qualitative. But to quantify the qualitative aspect is not only impossible, but also impractical. Thus, above discussion clarifies that social responsibility accounting is meant to account for cost only, since revenues become hypothetical ones & cannot be measured & so cannot be accounted for.

At this juncture, it is necessary to state the definition of social accounting according to F.E. Perry Dictionary of Banking which defines it as “The reporting of the cost incurred in complying with anti-pollution, safety & health & other society beneficial requirements, & more generally, the impact of the business entity on & its endeavors’, to protect of the business entity on & its endeavors, to protect society, its amenities & the environment.”
Thus it clearly states that it is the reporting of cost incurred which ultimately is in agreement with the discussion of relevance of accounting principles.

The efforts, made by Accountants, economists & other social scientists regarding the issue of measurement & reporting of corporate social responsibilities, have led to the evolution of different approaches.

1. **Integral Welfare – Theoretical Approach**
2. **Social Indicator Concept**
3. **Social Income Statement & Balance Sheet Approach**
4. **Goal Accounting & Reporting**
5. **GRI Reporting Framework**

**1. Integral Welfare – Theoretical Approach:**

The conceptional approach of this school of thought is well summarised by Eichhorn (1974) in his book on Social Accounting. He suggests the preparation of a social report comprising social profit & loss statement & a social balance sheet. The profit & loss statement presents a long list of various surpluses & also the positive external effects. Similarly, the social balance sheet lists the social assets & social debts, since the objective of this approach is to arrive at some statement of net social benefits or net social costs incurred by the firm.

However, problems lie in the measurement & evaluation, particularly, positive or negative external effects.
### Table 7.1
The integral welfare – Theoretical approach

<table>
<thead>
<tr>
<th>SOCIAL COST</th>
<th>SOCIAL BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Producers’ Surplus For</td>
<td>I Consumers’ Surplus For</td>
</tr>
<tr>
<td>1. Labour Performance</td>
<td>1. Product A</td>
</tr>
<tr>
<td>2. Fixed Assets</td>
<td>2. Product B</td>
</tr>
<tr>
<td>3. Materials</td>
<td>3. Product C</td>
</tr>
<tr>
<td>5. Entrepreneurial Performance</td>
<td>II Value of Negative external Effect on</td>
</tr>
<tr>
<td>6. Performances paid in Advance</td>
<td>1. Employees</td>
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<td></td>
<td>2. Population</td>
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<td></td>
<td>3. Companies</td>
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<td></td>
<td>4. Public Entities</td>
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<tr>
<td>II Value of Positive external Effect on</td>
<td>III Net Social Benefits</td>
</tr>
<tr>
<td>1. Employees</td>
<td>III Net Social Cost</td>
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<tr>
<td>2. Population</td>
<td></td>
</tr>
<tr>
<td>3. Companies</td>
<td></td>
</tr>
<tr>
<td>4. Public Entities</td>
<td></td>
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</tbody>
</table>

(Source: P. Eichhorn, Gesellschaftsbezogene, nternehmensrechnung, P.(94))

### 2. Social Indicator Approach

This approach aims at the measurement of firm’s contribution to the overall quality of life in various areas. According to Picot, it is based on the following assumptions-
a) Corporate Social Performance measurement & reporting can only be developed as an addition to traditional financial reporting not as a part of an overall integral system.
b) It cannot be developed without overlapping with financial reporting.
c) It must use a variety of different measurement & evaluation techniques.
d) It must be adaptable to changes in the environment of the business organization.

In order to facilitate accountability & analysis, Brummet has identified five possible areas in which social objectives may be found and each area of social activities may be measured, analysed and reported. These areas are

(i) Net income contribution
(ii) Human resources contribution
(iii) Public contribution
(iv) Environment contribution &
(v) Product or services contribution.

(A) Community Development
It includes all activities which are socially oriented and beneficial to the general public, e.g. housing construction, financing of health services, food programmes, community planning & improvement etc.

(B) Human Resources
It consists of activities directed towards the well being of employees, e.g: improvement of employment practices, training programmes, working conditions etc.
(C) Physical Resources & Environmental Contribution
It comprises of all activities aiming at prevention of environmental pollution e.g. air, water, noise pollution, conservation of scarce resources, disposal of solid waste etc.

(D) Product or Service Contribution
This area includes consumerism, product quality, packaging, advertising, warranty provisions, product safety & so on.

3. Social Income Statement & Balance Sheet

Table 7.2
Social Income Statement

<table>
<thead>
<tr>
<th></th>
<th>Social benefits &amp; costs to staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>Social Benefits to staff:</td>
</tr>
<tr>
<td></td>
<td>1) Medical &amp; hospital facilities</td>
</tr>
<tr>
<td></td>
<td>2) Educational facilities</td>
</tr>
<tr>
<td></td>
<td>3) Canteen facilities</td>
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<tr>
<td></td>
<td>4) Recreation, entertainment &amp; cultural activities</td>
</tr>
<tr>
<td></td>
<td>5) Housing &amp; township facilities</td>
</tr>
<tr>
<td></td>
<td>6) Water Supply, concessional electricity &amp; transport</td>
</tr>
<tr>
<td></td>
<td>7) Training &amp; career development</td>
</tr>
<tr>
<td></td>
<td>8) Provident Fund, gratuity, bonus, insurance benefits</td>
</tr>
<tr>
<td></td>
<td>9) Holiday, leave encashment &amp; leave travel benefits</td>
</tr>
<tr>
<td></td>
<td>10) Other benefits</td>
</tr>
<tr>
<td></td>
<td><strong>Total benefits to staff</strong></td>
</tr>
<tr>
<td>B.</td>
<td>Social Costs to staff:</td>
</tr>
<tr>
<td></td>
<td>1) Lay off &amp; involuntary termination.</td>
</tr>
<tr>
<td></td>
<td>2) Extra hours put in by officers voluntarily</td>
</tr>
<tr>
<td></td>
<td><strong>Total cost to staff</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Net social income to staff 1 (A-B)</strong></td>
</tr>
</tbody>
</table>
## Social Benefits & costs to Community

### A. Social Benefits to community:
1) Local taxes paid to panchayat/Municipality
2) Environment improvement
3) Generation of job potential
4) Generation of Business

**Total social benefits to community**

### B. Social cost to community;
Increase in cost of living in the vicinity on account of the cement plants

**Net social income to community** 2 (A – B)

## Social Benefits & costs to general public

### A. Social Benefits to general public:
1) Taxes, duties etc paid to the state governments
2) Taxes, duties etc paid to the central governments

**Total social benefits to general Public**

### B. Social cost to General Public
1) State services consumed – Electricity service
2) Central services consumed – telephone, telegrams, postal services & banking

**Total social costs to general public**

**Net social income to General public** 3 (A – B)

**Net social Income to staff community & General Public** (1+2+3)
Table 7.3
Social Balance Sheet

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Asset</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Organisation Equity</td>
<td>I Social Capital Investment</td>
</tr>
<tr>
<td>1. Township Land</td>
<td>1. Township Land</td>
</tr>
<tr>
<td>a) Township (residential &amp; Welfare Buildings)</td>
<td>a) Township (residential &amp; Welfare Buildings)</td>
</tr>
<tr>
<td>b) Canteen Building</td>
<td>b) Canteen Building</td>
</tr>
<tr>
<td>3. Township water supply &amp; sewerage</td>
<td>3. Township water supply &amp; sewerage</td>
</tr>
<tr>
<td>4. Township Road</td>
<td>4. Township Road</td>
</tr>
<tr>
<td>5. Township Electrification</td>
<td>5. Township Electrification</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>II Social Equity Contribution by Staff</th>
<th>II Other Social Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Hospital Equipments</td>
<td>1. Hospital Equipments</td>
</tr>
<tr>
<td>2. Hospital Vehicle/ Ambulance</td>
<td>2. Hospital Vehicle/ Ambulance</td>
</tr>
<tr>
<td>5. Playground/ Park</td>
<td>5. Playground/ Park</td>
</tr>
<tr>
<td>7. Others</td>
<td>7. Others</td>
</tr>
</tbody>
</table>

| III Human Asset | |

4 Goal Accounting & Reporting

It is based on the fact that companies usually have detailed goals describing economic & social objectives. It involves dividing the process of analyzing social performance in two distinct but interrelated areas –
1. Selection of social goals, and
2. Reporting of company’s performance according to those goals.

Thus all approaches or concepts involve the accounting for such social obligations some of which are capable of being measured & some of them are not measurable. Due to this all such approaches lose their utility to some extent, Moreover as discussed earlier, it will be proper to report on such obligations which are voluntary one. Even David Linowes recommends that a statement called the 1 “socio-economic operating statement” should be prepared periodically. This statement takes into account those expenditures made voluntarily by a business aimed at improving the welfare of employees/public, safety of the product &/or conditions of the environment. Expenditures required by law or union contract would not be includible since they are necessary costs of doing business.

5 The GRI Reporting Framework

It is intended to serve as a generally accepted framework for reporting on an organization’s economic, environmental, and social performance. It is designed for use by organizations of any size, sector, or location. It takes into account the practical considerations faced by a diverse range of organizations - from small enterprises to those with extensive and geographically dispersed operations. The GRI Reporting Framework contains general and sector-specific content that has been agreed by a wide range of stakeholders around the world to be generally applicable for reporting an organization’s sustainability performance.

The Sustainability Reporting Guidelines (the Guidelines) consist of Principles for defining report content and ensuring the quality of reported information. It also includes Standard Disclosures made
up of Performance Indicators and other disclosure items, as well as guidance on specific technical topics in reporting.

**Indicator Protocol**

This protocols provides definitions, compilation, guidance & other information to assist report preparer to ensure consistency & in interpretation of performance indicator.

**Sector Supplement**

It sets the guideline with interpretation & guidance on how to apply the guidelines in given sector & include sector specific performance.

**Technical Protocol**

It provides guidance on the reporting issues, such as setting the report boundary. They are been used along with above protocol.
7.4 Principles defining report content

1. Materiality
   The information in a report should cover topics that reflect the organization's significant economic, environmental & social impact. Materialities not only consider financial aspect it also cover the other aspects. Material topics will have significant financial impact in near or long term of an organization.

2. Stakeholder Inclusiveness
   Stakeholder means employees, shareholder, supplier as well as those other relations to an organization i.e: vulnerable groups within local communities, civil society. The reasonable expectation & interest of stakeholders are key reference for many decision in report preparation. Organization initiate different sort of activities on regular basis which can provide useful inputs for decision on reporting.

3. Sustainability Context
   The report should present the organization performance in wider terms. As an how an organization contributes or aims to contribute in future to improvement or deterioration of economic, environment, social condition & development at local, regional & global level.

4. Completeness
   It refers to coverage of material topics & indicators that would have significant economic, environment & social impact & enabling the stakeholder to assess the performance of the organization during reporting period.
7.5 Principles for ensuring report quality

1. Balance
The report should reflect both positive & negative aspect of an organization performance to enable a proper assessment of overall performance of an organization. The information in the report is presented in a format that allows user to see positive & negative trend in performance.

2. Comparability
The reported information should be presented in such a manner so that changes in organization performance over time to time could be properly assessed. The organization performance can be compared with appropriate benchmarks.

3. Accuracy
The reported information should be sufficiently accurate & detail for stakeholder so that he can assess the organization performance.

4. Clarity
Information should be made available to the stakeholder or reader in such a manner so that he can easily understand & access i.e. Tables, maps, Link & other aids.

5. Timeliness
It means information should be made available in time so that stakeholder can take informed decision.
6. **Reliability**

Information & process used in preparation of a report should be gathered, recorded, compiled, analyzed & disclosed in a way that could be subject to examination & establishes the quality & materiality of information.

7. **Transparency**

Following all the above principle intend to help towards achieve transparency. A mixture of value & goal that underlies all sustainability reporting.

8. **Auditability**

Internal & external examination or assurance of information on such report.

7.6 **Standard Disclosure**

Standard Disclosure is been included in sustainability report.

1. **Strategy & Profile**

This disclosure set the overall context for understanding organizational performance such as its strategy, profile & governance.

2. **Management Approach**

Disclosures that cover how an organization addresses a given set of topics in order to provide context for understanding performance in a specific area.
3. **Performance indicator**
   Indicators that elicit comparable information on the economic, environmental & social performance of the organization.

### 7.7 General framework

1. **Scope of the report**
   It defines the coverage of the report. Companies explicitly identify information that is not covered by the report. For example a report may include information on company’s economic, social & environmental performance.

2. **Company & its operations**
   It contains crucial information such as where the company is located & its area of operations. For example a company may report the it operates in five countries & with 10 facilities.

3. **Performance domain**
   Most of the company applies triple line approach which includes economic, social & environment. Some also adopt carbon footprint approach.

4. **Issues**
   There are many issues in each performance domain. The company is to see which issues are most important from the perspective of the interest of the stakeholder. The company should identify the issues & report how they are related to performance.
5. **Policies & vision**

Policies describe the stands of the company & reflect more clearly management perspective.

6. **Companies processes & initiatives to manage the issue**

The report should state what the company is doing about the issues for example Company may state “we have initiated numerous health awareness programmes”.

7. **Sustainability performance Indicator**

Through this aspect performance of the company towards sustainability can be measured, viewed or judged. They must be expressed in quantitative or qualitative or combined in both the forms. Quantitative indicators are reliable, comparable & authentic. They are auditable. Qualitative indicators are non-auditable. When quantitative figure are not available qualitative figure are of more use.

8. **Future aims & target**

The report should state the company’s strategy about the future. It includes future performance goals & targets. The company should not detailed out their goals or future plan if they are not confident about them.
7.8 GRI Application Levels

Upon the finalization of their report, preparers should declared the level to which they has applied the GRI reporting framework via “GRI application Level” system. This system aims to provide:

1. **Report reader**
   It is with the clarity about the extent to which the GRI guidelines & other reporting framework element have been applied in preparation of the report.

2. **Report Preparers**
   It is with a vision or path for incrementally expanding application of the GRI reporting framework over time.

7.9 Factors affecting reporting framework

1. **Lack of Goal & Focus**
   Companies need to set the goal & focus on CSR activities it is going to conduct throughout the year. In most of the cases CSR activities & its reporting are not been carried out properly since there is no specific goal decided by the management pertaining to CSR activities.

2. **Lacking in implementing strategy**
   In few of the cases goal & CSR budget is been decided at the initial levels but strategies are not been implemented to carry out those CSR activities. CSR budget is not been used for its purposed.
3. **High cost involved**

   High cost of establishing measurement systems for sustainability act as an obstacle for the companies.

4. **Regular checking & assurance**

   It is very important to keep regular check about the work happening in CSR activities. Regular checking help an organization to know the difference between budgeted & actual CSR activities. Most of the companies fails to do regular checkups & internal assurance.

5. **Actual scenario – showing positive & negative**

   A reporting should be balance & show both the aspect of CSR activities it should not showing only positive aspects it should be both the aspect then only a stakeholder will get a complete view.

7.10 **Corporate Social Responsibility under Companies Bill**

Clause 135 of the companies Bill, 2012 (as passed by the Lok sabha) by voice vote on 19th December, 2012 provides, inter alia for expenditure on Corporate social Responsibility (CSR). This clause has 5 sub clauses.

1. A company will have to spend 2% of its average net profit during three preceding years on CSR.
2. The requirement of spending 2% of amount will be apply to the following categories of the companies.

- Companies having net worth of more than 500 crores
- Companies having turnover of Rs 1000 crores or more
- Companies have net profit of 5 crores or more

3. Companies falling in above categories’ shall have to constitute a corporate social responsibility committee (CSRC) which shall do following activities

- Formulate & recommend to board, corporate social responsibility policy, which shall indicate the activities to be undertaken by the company as specified in schedule VII
- Recommend the amount of expenditure to be incurred on the activities referred
- Monitor the Corporate social responsibility policy of the company from time to time.

4. The board of Director of the company shall

- After taking into account the recommendation by corporate social responsibility committee (CSRC), approve the corporate social responsibility policy for the company & disclose contents of such policy in its report & also on the company website.
- Ensuring the activities included in CSR policy of the company are undertaken by the company

5. The board of the specified categories has to ensure that spending of the amount as prescribed & if the company fails to do so, the board has report under clause (o) of sub section (3) to mentioned the reason for not spending the amount.
6. Section 134(3)(0) mandates that with financial statements to be presented, there shall be statement showing the details of the policy developed & implemented by the company on corporate social responsibility initiative during the year. Subsection (8) specifies that if it is not done then the company will be punishable with fine which is from 50000/- to 25 lacs.

7.11 Areas for the application of the allocated fund

In spending the funds the companies use to give preferences to local areas in which it used to operate. The activities to be undertaken will be those specified in schedule VII of the bill.

Activities to be undertaken as per the schedule

1. Eradicating extreme hunger & poverty

2. Promotion of education

3. Promoting gender equality & empowering women

4. Reducing child mortality & improving material health

5. Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria & other disease

6. Ensuring environmental sustainability

7. Employment enhancing vocational skills

8. Social business projects
9. Contribution to Prime Ministers’ National Relief Fund or other funds set by the Central or State Government for socio-economic development & relief & funds for the welfare of the schedule castes, the schedule tribes, other backward classes, minorities & women.

7.12 Challenges to the proposal

1. Whether amount spent on social responsibilities on the basis of stipulated clause 135 & Schedule VII to the bill would be admissible deductions in computing the profits of the companies as mandated under the bill.

2. Whether companies could claim deductions for such expenditures in computation of their incomes under the income tax act, 1961 (Act).

3. Whether such expenditures could be considered as on “Charitable” activities entitled to tax benefits.

4. Section 293A of the companies Act, 1956 permits non-prohibited companies to contribute up to 5% of the average net profits computed in accordance with the provision to section 293A (2) to any Political party; for any political purposes.

5. For how long the unspent accumulated funds, for which explanations have been given in the published accounts of the companies, can remain unspent. Some time limit for this needs to be prescribed and if the same is not adhered to, the
company & its directors should be liable to penal action as provided for in clause 134 (8) of the bill.

6. Another head to added to this schedule is of encouragement to community programmes to improve the quality of community life and to promote the company’s long term business strategies & goals.

7. The phrase “social business projects” is ambiguous & needs to be elaborated further.

8. Guidelines seem necessary in the matter of reports about CSR, as there could be attempts to overstate the performances.

Thus, in view of such a path breaking initiative by the government, it will be necessary to present CSR Reports in such a way that they carry out the meaning & relevance to various stakeholders of the organization. The GRI Reporting guidelines explain how best the reports can be made exhaustive so that all possible CSR information can be reported. But, still whether the CSR expenditure has brought in adequate benefits to stakeholders is an important question to be answered. Any reporting framework which does not reflect the “impact” of social expenditure, the users of information are not going to understand the Expense – Benefit relationship. Because, social expenditure with least benefit will be meaningless, and will become an eye - wash for the society as a whole.
This is ITC's Report on its sustainability performance for the period from April 1, 2009 to March 31, 2010. ITC reports its performance annually, and the last Sustainability Report was published in August 2009 covering the period April 1, 2008 to March 31, 2009.

ITC is headquartered at Virginia House, 37, JL Nehru Road, Kolkata 700 071 (India).

This Report covers the performance of all the business units directly under ITC Limited and its four subsidiary companies. This covers all our significant operations in India and the one subsidiary company based in Nepal. (As detailed in Reporting Boundary.)

The reporting principles and methodology continue to remain in accordance with the 2006 version of the GRI (Global Reporting Initiative) G3 guidelines. The relevant indicators and technical protocols have been followed for reporting on the various factors, and there has been no significant change in the reporting scope or boundary limits over the last year.

This report reflects the material issues, which have significant economic, environmental and social impacts that can substantially influence the assessments or decisions of our stakeholders. Our businesses / units continue to proactively engage with key stakeholders, who either have a major interest or are significantly affected by our operations, products or services. Sustainability and sustainable development are integral to ITC’s ethos and find expression in our commitment to enhancing the Triple Bottom Line.
performance of building economic, social and environmental capital. We continue our efforts to influence sustainability practices along the value chain, and we intend to extend them significantly in the years to come, to cover all our suppliers. The Economic performance reported here is from the Company’s Report & Accounts (R&A) 2010. The R&A 2010 was prepared in accordance with the Companies Act, 1956 and has been audited by independent External Auditors - M/s. Deloitte Haskins & Sells. The data in the Environment & Social sections is based on the actual performances of the various businesses, factories, hotels and large offices of the Company and its subsidiaries. The authenticity of the data and systems have been verified by M/s. Ernst & Young as per the independent assurance statement provided, which forms part of this Report.