CSR Impact Assessment

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The Companies Act, 2013 introduced the concept of Corporate Social Responsibility (CSR) in the country's legal framework w.e.f. 1st April 2014 and soon CSR became the buzzword in India's corporate jargon. CSR implies the twin responsibility of corporations of contributing towards the greater benefit of the society, especially that of the underprivileged people, and at the same time, of making itself accountable for the harms caused by its actions to the society. CSR has received significant attention over the past decade because of the importance being given by the government. While the legal requirement was initially introduced as a 'comply or explain' provision, starting from the 1st of April 2021, CSR spending has become mandatory in India by companies meeting the eligibility criteria.

The Act makes it mandatory for certain categories of companies to spend 2% of their profits towards causes like socio-ecological and economic wellbeing of the people and protection and promotion of the national heritage and Olympic Sports. As a result, both profit and non-profit organizations have been focusing on the environmental, social, ecological and economic practices of corporations, apart from their regular business operations. CSR has become a core component of corporate strategy and an important tool to minimize conflicts with stakeholders. Today CSR is also being increasingly associated with sustainability meaning that not only is profit important for corporations, it is equally important to be earned in a sustainable manner. Hence, sustainability is also the social responsibility of corporations. Apart from running the business ethically and maintaining transparency, it is the company's responsibility and commitment to stakeholders to ensure that business is conducted in a manner that is economically, socially, ecologically and environmentally sustainable. After all, b*usinesses cannot be successful when the society around them fails.*

A lot has been said and written about CSR law and implementation in India. So the law is more or less clear to most of us. The government has, in the recent years, shown inclination towards increasing the efficiency of CSR activities by providing for assessment of the same. Although nothing has been concretely mentioned in the rules as to the method of assessment, the focus on it is clear. In this article I intend to throw light on impact assessment tools for measuring the impact of CSR projects.

CSR Impact Assessment

Companies are required to understand what tangible and intangible changes have been brought about in the lives of the communities where its CSR projects were implemented. It also has to communicate this to the relevant stakeholders. In order to understand the overall outcome and impact of the project from the point of view of the beneficiaries an Impact Assessment is essential. Social Impact assessment in India has its roots in Government programmed. IA was introduced to understand the impact of public initiatives. There exists some organisations that undertake Impact Assessment. For certain specific sectors, standards for assessment have also been laid.

As per the amendments brought about by the Companies (CSR Policy) Amendment Rules, 2021 Impact Assessment of CSR projects in some cases is **mandatory.** The companies with an average CSR obligation of Rs. **10 crores** or more in **3 immediately preceding FYs** are mandatorily required to undertake impact assessment (IA) through an independent agency of their CSR projects. Impact assessment, where applicable, has to be done for:

- Every project with an outlay of more than **INR 1 Cr**
- Which has completed **1 year** of completion

The IA report has to be **placed before the Board** and annexed to the annual report on CSR. Impact Assessment companies/firms can claim up to **5%** of total CSR expenditure or Rs. 50 lakh, whichever is less. for impact assessment.

Procedures of measuring Impact

Companies can get the impact of their CSR measured in one of the following ways:

- By benchmarking one's business against others
- By employing a firm of professionals for Impact Assessment
- By measuring Social Return on Investment
- By seeking recognition for CSR best practices like CSR awards
- By using Key Performance Indicators (KPIs) to measure one's environmental performance
- Getting ISO 26000 certification (Guidance on operating businesses in a socially responsible way)

Types of Impact Assessment

Mandatory Impact Assessment

- IA is now mandatory for certain categories of companies in India as stated above.

Voluntary Impact Assessment

- IA can also be done for future projects to understand the potential changes they might bring in the lives of the communities. This will help set up an action plan that will mitigate any possible damages to the community and environment.

Benefits of Impact Assessment

- Helps the company get expert opinion and advice
- Helps generating local knowhow
- Helps analyze the concerns of interested and affected parties
- Helps disclose the importance of a company's activities to its stakeholders
- Helps monitor the planned intervention
- Helps improve decision-making process
- Helps analyze the alternatives
- Helps involve all stakeholders
- Helps understand the change in the lives of direct beneficiaries of the project.
- Helps in understanding the impact on the lives of indirect beneficiaries
- Helps align the company's CSR activities with corporate goals like reduce employee turnover, develop staff skills etc.
- Helps analysing the efficiency & effectiveness of the project
- Helps understand the Sustainability aspects of the projects
- Helps in setting up a feedback system for possible improvement
- Helps keep track of the progress in case of multi-year projects and thus ensure better implementation
- Helps decide which projects not to take up in future
- Helps plan more future projects

How to do IA?

- Measuring the level of community support for the CSR projects
- Measuring the impact of CSR programs on the target groups, i.e. the beneficiaries
- Measuring the effect of CSR programs on the target geographical area, i.e the project location
- Measuring the effect of CSR programs on the type of activity taken up e.g. education, health, sanitation programmes etc.
- Matching the parameters as laid down by the CSR Committee w.r.t. the projects.
- Measuring the progress of the project as per the implementation schedule
- In case of an agency involved, measuring the diligence level of the agency
- Regularity of formal and informal dialogue between the company and the stakeholders.
- Frequency of collection of stakeholders' feedback
- Importance attached to stakeholders' feedback and whether the same is placed before committee meetings
- Whether correctional measures are taken on the basis of complaints received.
- Measuring the impact of the CSR projects on its goodwill and brand.
- Listing out the media comments on the company's CSR activities, both positive and negative

- Measuring the level of employee motivation and employee involvement
- Checking the initiatives of employees through volunteering

Difficulties in IA

Measuring the effects of one's CSR activities is very important. But measuring the impact may be difficult as some benefits like customer loyalty, better reputation etc are hard to quantify. Further measurement shows only the immediate impact of CSR and ignores the long term impact.