



Executive Summary

The European Union (EU) is one of India's three largest trading partners, accounting for €72 billion worth of trade in goods (2019-20) and €28 billion trade in services (calendar year 2020). There are about 4,500 EU businesses that are currently operational in India, creating 1.5 million direct jobs and 5 million indirect jobs. EU and India are not only important trade and investment partners, but have over the years strengthened cooperation to promote sustainable development. The EU India Roadmap 2025 adopted by both countries mid-2020 supports and guides this process.

The landscape in both countries on Corporate Social Responsibility (CSR) and Sustainability has evolved considerably over the last decade or so. India is the first country globally that has a CSR law (CSR Rules, 2014) making it mandatory for companies of a particular size to invest 2% of profits in specific developmental areas. Further, India's market regulator – SEBI (Security and Exchange Board of India) has made it mandatory for top 1,000 companies by market capitalisation to disclose their sustainability performance using 9 Principles of the National Guidelines on Responsible Business Conduct (NGRBC), beginning financial year 2022-23. The EU on the other hand is in the process of finalising a new legislation that will make social and environmental due diligence mandatory in the supply chain of all EU businesses, globally. Several EU Member States have already adopted laws on various aspects of social, environmental and climate related sustainability issues, covering their supply chain including India.

Centre for Responsible Business (CRB) undertook this study from January to October 2021 in partnership with the EU Delegation to India, with the dual *objectives* to: (i) map and assess the potential contribution of EU companies' CSR and Sustainability initiatives in India; and (ii) design a platform for EU companies to collaborate, facilitate and leverage experiences on CSR and sustainability in India. The study is extremely relevant and timely considering the evolving landscape on CSR and Sustainability in EU and India. Further, it has been undertaken in the background of strengthening trade and strategic cooperation between these two long-term partners.

The study analysed CSR expenditure data using the Government of India CSR portal from 77 EU businesses from 10 leading EU Member States over a period of four years (2016/17 to 2019/20). The study inferred the average total annual CSR expenditure made by these 77 businesses over these four years was approximately Euro 35 million (INR 280 Crores). Assuming that 400 to 500 EU businesses fall under the mandatory 2% CSR expenditure category (i.e., Section 135 of Companies Act 2013), it is estimated that EU businesses spend between EUR 20.0 to 250 million annually towards CSR activities in India.

Education, Healthcare, Environmental Sustainability, Poverty Eradication Hunger and Malnutrition and Rural Development were the top 5 areas that these businesses were investing most of their CSR funds. These 5 areas accounted for 70% of all the CSR projects undertaken by these businesses over these four years. In terms of geographical reach, 70% of the CSR projects implemented by these companies (295 out of 421 specific CSR projects) were based in the States of Maharashtra, Karnataka, Tamil Nadu, Gujarat and Delhi. This is probably due to location of these businesses in these industrialised states. On the contrary, States like Bihar, Chhattisgarh, Jharkhand, Meghalaya, Arunachal Pradesh, Nagaland, Tripura received the least contribution from CSR by these businesses. Many of these States are categorised as 'SDG laggard States' given their poor performance on SDG indicators (SDG India Index). These findings were found to be well aligned with a DMEQ, NITI Aayog report of 2021 which analysed the overall CSR spending in India for 5 years between 2014/15 to 2019/20.



At the aggregate level, together these businesses were spending more than 91% of total prescribed CSR budget (prescribed CSR budget is 2% of profit, as per Section 135 of the Companies Act, 2013). However, individually over the three years between 2016/17 to 2018/19, only 24% of this sample of businesses met or exceeded the prescribed annual CSR expenditure targets. This finding was also seen aligned with the DMEQ, NITI Aayog report 2021 for these 3 years. There was marked improvement however, in the CSR expenditure in the year 2019/20 – when over 60% of these businesses were seen to meet their CSR targets. Given the needs of the ‘SDG laggard States’ (and aspirational districts therein), especially post COVID19, the study recommends the Ministry of Corporate Affairs (MCA) to encourage companies to implement CSR projects in these ‘SDG Laggard’ States (and particularly ‘aspirational districts’ located in them).

The study also analysed the annual and sustainability reports of 64 EU businesses operating in India and found them to be targeting some common SDGs, viz. SDG 8 (Decent Work), SDG 12 (Sustainable Consumption and Production) and SDG 13 (Climate Action). However, there was a need to strengthen strategy and actions on some other SDGs, viz. SDG 2 (Sustainable Agriculture & Food systems), SDG3 (Health care); SDG 5 (Gender); SDG 11 (Sustainable Urbanisation) and SDG 15 (Natural Resources & Biodiversity). Analysis of the EU India Roadmap 2025 revealed these (above-mentioned) SDGs to be of mutual interest to the two partners.

A number of EU Member States have over the years adopted legal frameworks that enable businesses to dive deep into their value chains to prevent and mitigate potential risks pertaining to environmental, social and governance related aspects. The upcoming EU Corporate Sustainability Due Diligence Directive is expected to create a unified and consistent mechanism for all EU businesses to design and perform such interventions in their value chains, globally. The timing is therefore ideal for a EU business-led platform on CSR, Sustainability and SDGs that would bring all EU businesses and related stakeholders in India together for collective and synchronised actions on Sustainability and SDGs.

Certain factors make EU businesses a key partner in contributing to SDGs in India, viz: (i) strategic backing by the EU India Roadmap 2025; (ii) evolving landscape on CSR and Sustainability in EU and in India; (iii) existing experiences, current level of interests; and (iv) financial capacity of EU businesses on CSR and sustainability related actions.

In order to achieve the scale (coverage and impacts) needed in a country like India, this report argues in favour of a EU businesses-led platform on CSR, Sustainability and SDGs. Based on existing evidence and inputs from EU businesses and other relevant stakeholders, CRB argues that such a potential platform could perform the following functions:

- Address implementation bottlenecks of CSR and Sustainability related activities (e.g., finding credible partners; understanding local policy; analysing impacts; etc).
- Enable collective representation to Government of India on CSR, sustainability and SDGs
- Demonstrate impacts on CSR and Sustainability in the ‘SDG laggard’ States and particularly aspirational districts
- Evolve into being a go-to place for Knowledge and Tools on the topic that are easily accessible
- Facilitate collaboration and partnerships to achieve scale and address risks
- Improve visibility of EU businesses among policymakers and the wider audience on these topics
- Showcase and promote ‘good practices’ to motivate and inspire a wider community of businesses and stakeholders
- Leverage innovative financing models
- Strengthen policy interface on CSR, sustainability and SDGs at global, regional, national and sub-national levels



The report makes the following points in conclusion:

- Both business and Governments of the two partners (India and EU) are committed not only to deepen trade and commercial relations, but to do so in a sustainable and inclusive manner. In pursuit of these objectives, robust policy frameworks and regulations are being developed in both places. EU businesses have rich experiences of promoting sustainability along their entire supply/value chains and beyond. Designing and implementing innovative and ambitious partnerships involving Indian stakeholders will help achieve some of the most pressing sustainability outcomes.
- It is evident from the study that EU businesses have been contributing significant financial resources to CSR and sustainability initiatives in India (as estimated by this study, it is likely to be around Euros 200million to 250million, annually). There are considerable opportunities for these businesses to innovate and collaborate for achieving scaled-up impacts. Such impacts can be pursued for example in some of the States (specifically in aspirational districts) which have struggled on some of the SDG National Indicators.
- Development of a EU businesses platform on CSR and Sustainability will create a much needed 'go-to' place to coordinate, coalesce and position business actions on CSR, Sustainability and SDGs in India. Based on earlier experience, it is clear that the efficacy and long-term sustenance of the platform will depend on its governance structure, ability to meet the demand of members and achieve measurable local impacts. Though the platform would be meant for businesses, it should accommodate inputs from multiple stakeholders to enable scaling up of impacts where most needed. Ensuring participation of EU and Indian stakeholders would help balance the interest of both the partners taking into consideration cultural, contextual and ground-level realities.