

Each business entity is expected to formulate a CSR policy to guide its strategic planning and provide a roadmap for its CSR initiatives, which should be an integral part of overall business policy and goals. The CSR initiatives should include identification of projects/activities, setting measurable physical targets with timeframes, organizational mechanism and responsibilities to implement CSR initiatives, budget, and monitoring set-up.

## 3.1 CSR policy

The Board of Directors of the SAIL approved the Policy on CSR in July 2009. The company through its policy recognizes that its business activities have direct and indirect impact on the society. The company strives to integrate its business values and operations in an ethical and transparent manner to demonstrate its commitment to sustainable development and to meet the interest of its stakeholders.

Audit however noticed that CSR policy of the company is not comprehensive as it does not address the following key issues:

- The areas to be covered under the CSR
- The scope of the CSR activities, e.g., Environment, Safety, Education, Peripheral Development etc.
- Detailed methodology for conducting CSR activities
- The budget/ source of funds for CSR activities
- The implementation and monitoring system for CSR activities

While the CSR policy of RINL is comprehensive and covers objectives, scope, strategy and areas of focus of CSR activities the policy also lays down the budget allocation and implementation machinery for CSR related activities.

The Ministry stated (December 2010) that CSR Policy of SAIL is a document which demonstrates SAIL's commitments to sustainable development and to meet the interest of its stakeholders and covers the Guiding principle of CSR policy. Further, a separate set of document known as "SAIL CSR Guidelines" in line with CSR Guidelines issued by Department of Public Enterprises (DPE) is under process of approval of the competent authority which covers the suggestions made by the Audit.

In short, SAIL should adopt a detailed guidelines/policy covering vital issues relating to scope of CSR activities, methodology for conducting CSR activities, funding arrangements and implementation and monitoring set-up.

## 3.2 CSR budget and utilization

SAIL and RINL have made commitments through board resolution and CSR policy respectively to the cause of CSR and have earmarked 2 per cent of the distributable surplus from the year 2006-07 for CSR

activities. This amount is utilized for social development and so far as environment and safety issues are concerned, the resources were provided from the overall budget. Details of budget and expenditure incurred for the period 2004-05 to 2009-10 are given below:

(₹ in crore)

Year	SAIL		RINL	
	Budget Provision	Actual Expenditure	Budget Provision	Actual Expenditure
2004-05	Requirement of 2% was effective from 2006-07		RINL started CSR activities from the year 2006-07	
2005-06				
2006-07	26	19.78	6.78	3.47
2007-08	95	119.61	27.27	13.81
2008-09	114	83.03	38.85	12.21
2009-10	80	78.79	12.75	9.37
Total	315	301.21	85.65	38.86

We observed the following:

- SAIL was to provide fund at the rate of 2 per cent of the distributable profit for CSR as per the Board of Directors' decision (March 2006) to which SAIL complied with except during the year 2006-07.
- While RINL provided funds as intended but utilized only about 45 percent of funds, thus, allowing their CSR activities to unfulfilled.

The Ministry stated (December 2010) that in SAIL the expenditure of allocated CSR budget is being monitored by the authorities on regular basis. In RINL to expedite all projects a monitoring mechanism has been put into place where by both progress and expenditure on CSR projects are monitored by committee of Directors headed by CMD every month. Presently, the performance and utilization of CSR funds is in excess or at par with the MOU targets on month to month basis.

### 3.3 Separate Fund for CSR activities

- SAIL allocates budget of two percent of their distributable surplus for CSR activities. This budget was reallocated to different plants and units of SAIL. But as the SAIL was not transferring this amount to a separate CSR fund, therefore, unspent fund lapsed at the end of each year.
- In RINL also, the company did not create any separate CSR fund. The company made commitments out of the budget provision and the uncommitted/unspent amount lapsed at the end of the year.

The Ministry in its reply (December 2010) remained silent on the issue in case of SAIL while for RINL stated that action has been initiated for creation of a non lapsable CSR pool fund. Further, SAIL Management during exit conference (December 2010) did not agree for creation of CSR fund and stated that in future while preparing the budget, the unspent balance if any, would be carried forwarded and added to the next year budget.

The contention of the Management is not acceptable as DPE in its guidelines (April 2010) also emphasized that CSR Budget should be transferred to a CSR Fund. Therefore, a CSR fund, separate from the mainline budget, may be created by SAIL and RINL so as to avoid lapse of unspent fund and ensure better monitoring.

### 3.4 CSR Implementation set up

SAIL is having a CSR cell at corporate level headed by General Manager. There are CSR cells at plant level also which are supervised by the Managing Directors of the respective plants. The plans are prepared at plant level and also incorporated in the annual budget.

For implementation of CSR activities, RINL has established a charitable trust named RINL Foundation which is administered by a Committee consisting of CMD, Director (Finance) and Director (Personnel). The Committee is the Apex Policy making Body to lay down guidelines for allocation of budget under various heads of CSR like Peripheral Development, Education, Community Health Care, Sports & Games, Self-Employment Programmes etc. The Apex committee is assisted by Personnel (Welfare & CSR) Department in formulating the guidelines and its implementation.

The Ministry while replying (December 2010) confirmed the facts.

### 3.5 Conclusion

Though SAIL was providing sufficient funds and was having proper implementation set up, the company was not having detailed CSR policy for execution of CSR activities effectively. While RINL has a detailed CSR policy and also established separate set up for implementation of CSR activities but the company did not utilize full earmarked budget. The companies were not transferring the budget provided for CSR activities to a separate fund due to which the unspent amount was being lapsed.

The impact of these inadequacies has been analysed and discussed in succeeding chapters.

### Recommendations

- (i) A dedicated CSR fund, separate from the mainline budget, may be created by SAIL and RINL so as to avoid lapse of fund and ensure full utilisation of dedicated funds.