



## CORPORATE SOCIAL RESPONSIBILITY IN INDIAN MINING INDUSTRY- A STUDY OF SELECT COMPANIES

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### **Abstract**

*The study presents the evaluation of CSR in terms of conceptual understanding and provisions prescribed under Companies Act, 2013. The paper highlights on the framework of CSR and the CSR practices implemented in select mining companies. For the present study, two select Mini Ratna Companies in the category of Coal mining is undertaken for the study. The study discusses the activities planned and executed under CSR provisions laid by select mining companies.*

**Key words:** *Companies Act, 2013, Mining, CSR Obligations.*

### **Introduction**

#### **1. Conceptual overview of CSR**

Corporate social responsibility (also known as CSR) is a term used to describe a company's efforts to improve society in some way. These efforts can range from donating money to nonprofits to implementing environmentally friendly policies in the workplace. The purpose of corporate social responsibility is to give back to the community, take part in philanthropic causes, and provide positive social value. Businesses are increasingly turning to CSR to make a difference and build a positive brand around their company.

In the words of United Nations Industrial Development Organization (UNIDO), the CSR is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.

**Key CSR issues:** environmental management, eco-efficiency, responsible sourcing, stakeholder engagement, labour standards and working conditions, employee and community relations, social equity, gender balance, human rights, good governance, and anti-corruption measures.

A properly implemented CSR concept can bring along a variety of competitive advantages, such as enhanced access to capital and markets, increased sales and profits, operational cost savings, improved productivity and quality, efficient human resource base, improved brand image and reputation, enhanced customer loyalty, better decision making and risk management processes.



## **2. Benefits of CSR**

The CSR is expected to benefit stakeholders in a multiple way. The following are the segment wise benefits that CSR can yield to them.

### **a) For Employees**

Employees like working for companies that have a good public image and are constantly in the media for positive reasons. Nearly 60% of employees who are proud of their company's social responsibility are engaged in their jobs.

### **b) For Society**

CSR is a thoughtful and practical way to give back to society. When businesses are conscious of their social and environmental impact on the world, they can benefit society by giving back and helping to find solutions to everyday issues.

### **c) For Business**

Consumers are more likely to work with companies or purchase goods from companies that are socially responsible. You can also raise brand awareness by being featured on donor recognition walls or acknowledged in marketing materials.

### **d) For Non-Profits**

Companies with strong corporate social responsibility programs are looking for nonprofits to receive their support in the form of grants, matching gift programs, and volunteer grants. CSR initiatives help nonprofits find support beyond individual donors.

## **3. Companies Act provisions on CSR**

The Ministry of Corporate Affairs has notified Section 135 and Schedule VII of the Companies Act 2013 as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 to come into effect from April 1, 2014.

With effect from April 1, 2014, every company, private limited or public limited, which either has a net worth of Rs 500 crore or a turnover of Rs 1,000 crore or net profit of Rs 5 crore, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility activities. The CSR activities should not be undertaken in the normal course of business and must be with respect to any of the activities mentioned in Schedule VII of the 2013 Act. Contribution to any political party is not considered to be a CSR activity and only activities in India would be considered for computing CSR expenditure.

The net worth, turnover and net profits are to be computed in terms of Section 198 of the 2013 Act as per the profit and loss statement prepared by the company in terms of Section 381 (1) (a) and Section 198 of the 2013 Act. While these provisions have not yet been notified, it has been clarified that if net profits are computed under the Companies Act, 1956 they needn't be recomputed under the 2013 Act. Profits from any overseas branch of the company, including those branches that are operated as a separate company would not be included in the computation of net profits of a company. Besides, dividends received from other companies in India which need to comply with the CSR obligations would not be included in the computation of net profits of a company.



The CSR Rules appear to widen the ambit for compliance obligations to include the holding and subsidiary companies as well as foreign companies whose branches or project offices in India fulfil the specified criteria. There is a need for clarity with respect to the compliance obligations of a company as well as its holding and subsidiary companies.

The activities that can be undertaken by a company to fulfil its CSR obligations include eradicating hunger, poverty and malnutrition, promoting preventive healthcare, promoting education and promoting gender equality, setting up homes for women, orphans and the senior citizens, measures for reducing inequalities faced by socially and economically backward groups, ensuring environmental sustainability and ecological balance, animal welfare, protection of national heritage and art and culture, measures for the benefit of armed forces veterans, war widows and their dependents, training to promote rural, nationally recognized, Paralympic or Olympic sports, contribution to the prime minister's national relief fund or any other fund set up by the Central Government for socio economic development and relief and welfare of SC, ST, OBCs, minorities and women, contributions or funds provided to technology incubators located within academic institutions approved by the Central Government and rural development projects. However, in determining CSR activities to be undertaken, preference would need to be given to local areas and the areas around where the company operates.

To formulate and monitor the CSR policy of a company, a CSR Committee of the Board needs to be constituted. Section 135 of the 2013 Act requires the CSR Committee to consist of at least three directors, including an independent director. However, CSR Rules exempts unlisted public companies and private companies that are not required to appoint an independent director from having an independent director as a part of their CSR Committee and stipulates that the Committee for a private company and a foreign company need have a minimum of only 2 members.

A company can undertake its CSR activities through a registered trust or society, a company established by its holding, subsidiary or associate company or otherwise, provided that the company has specified the activities to be undertaken, the modalities for utilization of funds as well as the reporting and monitoring mechanism. If the entity through which the CSR activities are being undertaken is not established by the company or its holding, subsidiary or associate company, such entity would need to have an established track record of three years undertaking similar activities. Companies can also collaborate with each other for jointly undertaking CSR activities, provided that each of the companies are able individually report on such projects.

A company can build CSR capabilities of its personnel or implementation agencies through institutions with established track records of at least three years, provided that the expenditure for such activities does not exceed 5% of the total CSR expenditure of the company in a single financial year. The CSR Rules specify that a company which does not satisfy the specified criteria for a consecutive period of three financial years is not required to comply with the CSR obligations, implying that a company not satisfying any of the specified criteria in a subsequent financial year would still need to undertake CSR activities unless it ceases to satisfy the specified criteria for a continuous period of three years. This could increase the burden on small companies which do not continue to make significant profits.

The report of the Board of Directors attached to the financial statements of the Company would also need to include an annual report on the CSR activities of the company in the format prescribed in the CSR Rules setting out inter alia a brief outline of the CSR policy, the composition of the CSR Committee, the average net profit for the last three financial years and the prescribed CSR expenditure.



If the company has been unable to spend the minimum required on its CSR initiatives, the reasons for not doing so are to be specified in the Board Report.

Where a company has a website, the CSR policy of the company would need to be disclosed on such website.

#### **4. Objectives and Methodology**

1. To present the overview of Indian mining industry with special reference to CSR activities undertaken by Indian mining companies.
2. To study the CSR activities of Singareni Collieries Company Limited
3. To analyze the CSR activities of Western India Coal Mines Limited

The study is based on secondary data sources extracted from Ministry reports, annual report of select mining companies, KPMG Report, journals, articles and online references.

#### **5. Overview of Indian Mining Industry and CSR practices**

India holds a fair advantage in production and conversion costs in steel and alumina. Its strategic location enables export opportunities to develop as well as fast-developing Asian markets.

India produces 95 minerals 4 fuel-related minerals, 10 metallic minerals, 23 non-metallic minerals, 3 atomic minerals and 55 minor minerals (including building and other minerals).

Rise in infrastructure development and automotive production are driving growth. Power and cement industries are also aiding growth for the sector. Demand for iron and steel is set to continue given the strong growth expectations for the residential and commercial building industry.

Coal production in the country stood at 730.87 million tonnes (MT) in FY20 and reached 620.10 MT in FY21 (as of February 2021). Iron ore production in the country stood at 112 million tonnes in FY21 (up to November 2020). In FY20, India had a total number of 914 steel plants producing crude steel. In January 2021, India's crude steel production increased by 7.4% YoY to reach 10 million tonnes (MT), as per the World Steel Association (world steel). Production of aluminium stood at 3.65 MT in FY20. In value terms, aluminium export from the country stood at US\$ 20.18 million in FY20.

Some of the important highlights of CSR spending by Indian mining companies are:

- a) A third language option, Odia, is being introduced for "NISARG" (NALCO Initiatives for Social Awareness and Responsible Growth), a vibrant App for Citizens at large on NALCO CSR activities. A total of about 51 users have registered.
- b) In recognition of Excellence in CSR activities, NALCO has been conferred with the prestigious PSE Excellence Award, organised by the Indian Chamber of Commerce during the 10th Public Sector Agenda Meet held online on 14.10.2020.
- c) HCL has contributed the unspent CSR fund and one day salary of all employees to the Prime Minister's Citizen Assistance and Relief in Emergency Situations (PM CARES) Fund to help our country combat with Covid-19
- d) NALCO donated Rs.7.6 crore to PM CARES Fund and Rs.2.6 crore to CM's Relief Fund, Odisha. The total contribution toward COVID-19 relief fund is Rs. 10.2 crores.
- e) For FY 2020-21, Hindustan Copper Limited company has spent an amount of Rs 88.90 Lakhs inclusive of carry forward [the unspent amount of Rs 14.58 Lakhs of FY 2019-20] has been allocated for CSR Projects.

The survey statistics extracted from India's CSR reporting survey, 2019 issued by KPMG reveal that, the mining companies in India are actively involved and have spent 100 percent of the prescribed



CSR grants. The sample study conducted on 7 companies reveal that, the mining companies have spent 155% above than the prescribed percentage of limit. Comparing to BFSI, IT, Telecom companies, and the mining companies have higher performance in terms of amount spent for CSR activities.

**Image-1: CSR performance of select industries**

Parameter (INR in crore)	Energy and power	BFSI	IT Consulting and Software	Consumer products	Mining and metals	Automobile and allied products	Cement and construction	Pharmaceuticals	Telecom
No. of companies	11	22	6	17	7	8	6	11	3
Prescribed amount	2882.9	1743.8	1308.8	750.4	495.3	563.5	273.5	283.7	155.7
Budget outlay	3012.6	1859.8	1309.3	750.3	521.2	563.1	287.3	283.8	155.7
Amount spent	3025.32	1562.19	1197.64	786.25	755.5	581.72	310.14	288.58	94.07
Unspent amount	116	221.6	126.4	0	73.7	13.1	4.9	27.7	64.7
Budgeted Vs prescribed	106%	107%	100%	100%	105%	100%	105%	100%	100%
Spent Vs budgeted	96%	84%	91%	105%	147%	105%	103%	102%	60%
Spent Vs prescribed	106%	90%	92%	105%	155%	105%	113%	102%	60%

**Source: KPMG Report, 2019**

## 6. Overview of Singareni Collieries Company Limited

The Singareni Collieries Company Limited (SCCL) has been incorporated on 23<sup>rd</sup> December, 1920 as Coal Mining and Consultancy Services Company and transformed as Government Company in 1956 when State Government (Telangana State) acquired 51 percent of share and the remaining by Government of India.

The company has its headquarters at Kothagudem, Khammam District of Telangana State is spread in four districts i.e., Khammam, Warangal, Karimnagar and Adilabad. The paid up capital of the company is Rs.1733.20 crore and the company's manpower as on April,2015 is 58528. During the current year - April, 2015 the company has produced 52.54 million tonnes of coal<sup>1</sup>. Company has recorded a net profit of Rs.418 crore<sup>2</sup> for the period 2013-14. The company has a history of more than one hundred and ten years since its inception.

## 7. CSR activities of Singareni Collieries Company Limited

The Singareni Collieries Company limited has been conducting the CSR activities as specified in its CSR policy. The major thrust areas of the CSR policy identified by the company for the benefit to the society are:

1. Basic Services (Drinking Water supply, Sanitation etc.)
2. Health
3. Education

<sup>1</sup> Production reports cited in [http://scllmines.com/scllnew/performance\\_production.asp](http://scllmines.com/scllnew/performance_production.asp)

<sup>2</sup> Finance reports cited in [http://scllmines.com/scllnew/performance\\_financial.asp](http://scllmines.com/scllnew/performance_financial.asp)



4. Livelihood and Local Economic Development
5. Interventions for marginalized communities such as SCs and STs
6. Other related activities.

The company has covered substantial portion of CSR Budget i.e., to the extent of 80% shall be spent on CSR activities in all the four districts of Telangana State viz., Khammam, Warangal, Karimnagar and Adilabad where the coal fields are located and 20% is been spending outside the aforesaid four districts of Telangana State. A major portion of the CSR activities by the company are undertaken in project mode. Every project prepared by the company is time framed. Identified CSR activities are to be implemented / carried out by the company itself or by other agencies as prescribed in the provisions of the Companies Act, 2013 and the Rules made there under. The company has formed Singareni Seva Samithi in the year 2000 as a registered society to provide the services for the benefit of employees and other stakeholders.

The following are 8 key areas presently covered by SCCL. These include:

**a) Empowering people:** Under this initiative, the company has been providing the vocational training programmes, training for Army recruitment to the unemployed, literacy drive for employees, literacy drive for women, education initiatives, medical and health initiatives, mobile medical services, health awareness programmes and other initiatives.

**b) Community Development:** The Singareni Collieries Company Limited is taking up development works in coal belt areas under "Surrounding Habitat Assistance Programme (SHAPE)" since 2003-04. Habitats which are less than 8.00 Kms from townships or 10.00 Kms from mine entries and having SCCL workmen at 25% of total population or 200 Nos., whichever is less are considered.

**c) Environment Management:** SCCL has launched a number of 'eco-friendly' practices to mitigate damage to environment and improve the quality of life. A number of key initiatives taken up by SCCL for environment protection in the recent years include setting up of Automatic Dust Suppression arrangements, Sewage Treatment Plants, Effluent Treatment Plants, Bio-engineering structures on Over Burden Dumps, Clonal Plantations, Medicinal Plantations and development of Parks & Gardens.

**d) Rehabilitation and Resettlement:** The company is always in forefront of meeting the general requirements of Project Affected Persons and local population by providing Protected Drinking water, Laying of Roads, Admission in Company Schools, developing other infrastructure etc. Company is also extending Medical treatment in Company Hospitals on nominal charges.

**e) SEWA:** Singareni Employees Wives' Association (SEWA) was started on 10.12 2000 in association with SSS to create awareness among the workmen and their families about various issues covering the family. This includes Savings habit, Health and hygiene, Literacy, Children's education etc. SSS is providing budget for carrying out the programs of SEWA.

**f) Helping Hand:** SCCL always reacted and came forward to help the affected people of Natural calamities like floods, tsunamis, fire accidents, earth quakes etc. SCCL humbly reacted and came forward to help the flood effected people and rendered rescue operations, medical services at the flood affected areas.

**g) Ancillary Units:** SCCL intends to encourage Local people to set up Small Scale Industries (SSI) and award Ancillary status for mutual benefit as part of Corporate Social Responsibility. This opportunity is being extended to unemployed local youth who are not involved in any business, trade or profession in



surrounding areas of the company in Adilabad, Karimnagar, Warangal and Khammam Districts. Company proposed to develop these units with an objective to improve the industrialization in coal belt areas by creating entrepreneurship/employment opportunities to local populace.

### **8. Profile of Western Coalfield Limited(WCL)**

The Western Coalfield Limited is one of the largest coal mining companies situated in Maharashtra. The company is one of the subsidiaries of Coal India Limited. The company was established in the year 1979 situated In Nagpur District in Maharashtra.

The company received the status of Miniratna status during 2007-2008. The mining divisions of the company are situated in 3 districts in Maharashtra (Nagpur, Yeotmal and Chandrapur) and 2 districts in Madhya Pradesh( Betul and Chhindawara Districts). The company supplies its coal to several electricity boards, fertilizers and cement producing companies situated in Karnataka, Uttarpradesh, Punjab, Gujrat, Madhya Pradesh and Maharashtra.

The company owns 15 underground and 37 open cast mines in Maharashtra and 13 underground, 6 open cast and 2 mixed form of mines in Madhya Pradesh State. Overall, the company owns 73 mines which cover 28 underground, 43 opencast and 2 mixed form of mines. All these mines are grouped into ten 10 areas.

### **9. CSR Policy and implementation in Western Coalfield Limited**

The company undertakes CSR activities under project mode through adopting the Special Corporate Plan and Tribal Sub Plan especially in the areas where the people of scheduled caste and scheduled tribe lives. Among the CSR activities, the company is spending 80 percent of its total allocated budget to the areas with in the 25 km jurisdiction of project site and rest of the 20 percent of the budget is spent in within the state where the subsidiary companies have been operating. The activities conducted by the company under CSR activities are implanted through the support of select agencies such as NGOs, trusts, SHGs, semi-government and autonomous organizations, Mahila Mandals/samitis and Standing Conference of Public Enterprises (SCOPE). The activities conducted under CSR are according to schedule VII of New Companies Act, 2013.

The activities focuses on eradicating hunger, poverty, promoting education, protection of national heritage, measures for armed forces, training and support to rural sports, education, promotion of activities towards gender equity and ensuring environmental sustainability, contributing to Prime Minister's National Relief Fund (PMNRF) and other rural development projects.

The following CSR activities are undertaken by Western Coalfields Limited.

**1. Health care:** Western Coalfields Ltd. has extended financial support of Rs 15.38 crores in a CSR initiative to fund oxygen plants in Nagpur and Chandrapur in Maharastra to help fight COVID19. Oxygen is crucial in treatment for many patients with COVID-19 since the disease affects lung function.

**2. Eradication of Poverty:** The Umrer area of Western Coalfields Ltd. distributed dry rations to 55 underprivileged and needy families of Santnagar slums in Maharastra to help them overcome acute poverty, due to the resurgence of the COVID-19 pandemic.



**3. Community Development:** Western Coalfields Limited (WCL) in a new CSR initiative has tied-up with the Central Institute of Petrochemical Engineering and Technology (CIPET), Bhopal to train 57 rural youth living in and around its operations as Machine Operators and in Plastic Processing.

**4. Assistance for infrastructure development** in the project affected areas

**5. Financial aid** to schools, hospitals

## 10. Conclusions

The study on CSR practices reveal that, the Companies Act, 2013 have provided the great assistance for the welfare of the mining affected areas. The mandatory clause has benefited the society in terms of availing the financial assistance and development assistance by the Indian mining companies. Further, the study reveal that, the mining companies in India have been contributing progressively well towards CSR practices. Further, the study also reveals that, both Singareni Collieries Company Limited and Western Coalfield Limited have been conducting CSR activities focusing on health care, eradication of poverty, development of community, assistance in the present pandemic situation.

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