



CSR STUDY REPORT 2019-20

SOCIAL RESPONSIBILITY ASIA (SR ASIA) BANGLADESH

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CONTENTS

BACKGROUND	3
SECONDARY REVIEW	4
EXECUTIVE SUMMARY	5
METHODOLOGY	5
SAMPLE SIZE	5
STUDY FINDINGS	6
COMPANY CSR POLICY	6
CSR FUND ALLOCATION: 2019-20	7
CHANGE IN CSR POLICY DUE TO COVID 19	8
ADVANCE PLAN FOR CSR	8
FUTURE CSR TREND	9
SUSTAINABILITY REPORT PUBLISHED BY COMPANIES	9
HOW TO ACCELERATE CSR IN BANGLADESH	10
RECOMMENDATIONS	10

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BACKGROUND

Corporate Social Responsibility “CSR” is now a common term in Bangladesh which was not much familiar even 10 years back. The concept of CSR is extending and getting more acceptances, increasing the interest and benefits of companies to practice and incorporate in business strategy. Since 2012, Social Responsibility Asia (SR Asia) Bangladesh has been working on promoting CSR and Sustainable Development to sensitize business leaders and in order to make the “CSR” concept familiar in corporate culture, SR Asia Bangladesh received acknowledgement and support from Bangladesh Bank, relevant ministries, business chamber/associations, corporate and different INGOs/NGOs.

Social Responsibility Asia is conducting CSR survey since 2015 in Bangladesh to engage corporate and disseminate the CSR status in Bangladesh among its stakeholders. Since this initiatives, corporate bodies’ extra-ordinary support to develop CSR report is undoubtedly appreciable and SR Asia recognizes participating corporate for their continuous support by participating the survey. Despite that, a cross-functional survey done by SR Asia in 2017 highlighted that most of the survey participating companies are less familiar with the concept of CSR or do not know how to integrate it into their businesses. SR Asia Bangladesh conceptualized the idea to form a Corporate Responsibility Network in Bangladesh following that survey. The need for such a Network has arisen because Bangladesh lacks the instrument that can help, guide and escalate CSR activities. Some companies showed interest and came together to discuss the possibility of creating a network during a preliminary meeting on July 29, 2017. A few stakeholder engagement meetings and one-on-one sessions with Epyllion Group, Nestle

Bangladesh, British American Tobacco, Olympic Industries Limited and Marico Bangladesh followed. From these encounters, the CRN has emerged as a platform where practitioners, academicians, government, business organizations can learn and discuss CSR practices in Bangladesh.

As part of its regular scope of works, SR Asia continues publishing CSR Survey report and *this 2019-20 CSR survey report* might be an eye opener for corporate leaders to think differently for their sustainability during value chain disruption. During this unprecedented pandemic COVID - 19 changed the world economy. How corporate in Bangladesh extends its social responsibility to combat COVID is one of the objective of this survey. SR Asia invited companies from different sectors to participate to the survey. Unprecedented COVID pandemic pointed out why sustainability is much more important for business survival and this is not about only the profit but also the people and environment need to be considered in business strategy. The triple bottom-line (people-planet-profit) is interconnected and the entire value chain will be fallen down if there is absence of any of those three.

Objective of the study is to compare the 2020 CSR expense to the previous year, reason of increase/decrease of CSR fund in 2020 compare to the previous year and major areas of contribution by the corporate and future CSR trends and identify the sector Top Performer during COVID 19, find any change in corporate CSR policy to combat COVID,.

The previous reports are available at: <http://srasiabd.org/report.html>

SECONDARY REVIEW

The government of Bangladesh has planned to form a national council to finalize the draft Corporate Social Responsibility (CSR) policy to facilitate the Sustainable Development Goal targets of the government. Finance ministry has got data and suggestions from all ministries, business associations and policy research institutes to draft guidelines on CSR in Bangladesh¹. The guideline will have social, economic and environmental dimensions.²

Bangladesh Bank, The Central Bank of Bangladesh has already published a CSR guideline for all scheduled Banks and NBFIs in 2008³, provided Indicative guidelines for CSR expenditure allocation and end use oversight in 2014⁴ and instructed all Banks and NBFIs to report on CSR activities in 2015⁵. As per bangladesh bank guideline, Banks and NBFIs are mandated to allocate CSR expenditure from net profit after tax. Bangladesh Bank provided guideline for CSR expenditure in eight (8) sectors⁶ where banks and NBFIs need to ensure 30% in education, 20% in health and 10% in climate action.⁷

Dhaka Stock Exchange (DSE) developed Guidance on Sustainability Reporting for Listed Companies in Bangladesh. The Guidance was developed using the GRI Standard.⁸

Different INGOs, NGOs and Donor agencies also explore the current trend of CSR market, interest of the corporates/private sectors and directions of the government.

Recently *SR Asia Bangladesh* provided technical support to **47 RMGs** to conduct a study on “A Pathway to Manage Private Sector Impact on Bangladesh National Priority Indicators (NPIs) and Sustainable Development Goals (SDGs)” - A project by GRI, UNDP and BGMEA. Besides that, SR Asia developed a technology driven platform “**GREAT**” to strengthening credibility of the companies in communicating their social responsibility practices and sustainability performance. Global Responsibility and Accountability (GREAT)⁹ covers three main strategy pillars: assurance, certification, and rating. SR Asia Great program and content are continuously improved in line with years of experience in reporting and assurance work, following the globally accepted sustainability principles and standards.

¹ <https://www.newagebd.net/article/21100/govt-to-form-national-council-to-finanlise-draft-csr-policy>

² <https://www.thedailystar.net/business/new-csr-guideline-cards-1442704>

³ DOS circular no-01: Mainstreaming CSR in Banks and Financial Institutions in Bangladesh by Bangladesh Bank

⁴ GBCSRD circular no- 07: Indicative guidelines for CSR expenditure allocation and end use oversight

⁵ GBCSRD Letter no- 06: Reporting CSR activities

⁶ Eight Sectors: Education, Health, Disaster Management, Environment, Economic Development of Disadvantaged group, Infrastructure Development, Art & Culture, Others

⁷ Banks and NBFIs CSR Report: July-December 2019 published by Bangladesh Bank

⁸ https://sseinitiative.org/stock-exchange/dse_bangladesh/

⁹ <https://srasia-great.com>

EXECUTIVE SUMMARY

Corporate Social Responsibility and Sustainable development are the core areas and specialized room of SR Asia. Since 2012, SR Asia is working in this field to promote, develop capacity, implement CSR projects and sensitize business leaders. As part of its core working scope, SR Asia Bangladesh conducts CSR survey every year and publish the private sector CSR engagement.

2019-20 CSR Survey results some interesting feedbacks. Sixty-Two (62) companies from six (6) sectors participated in this survey. Companies from RMG/Textile, FMCG, Banks & NBFIs, manufacturing, pharmaceuticals and plastic sectors contributed to this survey. The study found that 63% companies have CSR policy but 37% didn't develop CSR policy yet. The study reported that companies allocate average 3% of profit for CSR expenditure annually. Major portion of CSR allocation is noticed in education sector in 2019 and COVID is a turning point to divert the CSR fund to health, food and emergency relief during 2020 but still budget for education is in 2nd position in 2020. Important to note that the CSR expenditure for education is mostly for employees and their children.

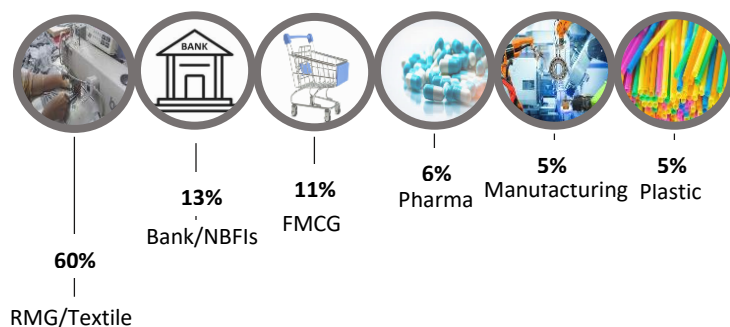
The study tried to bring out the average CSR fund during 2019-20, sectoral CSR contribution, companies commitment to stakeholders & transparency, future CSR trends and perception of business leaders on accelerating CSR activities.

METHODOLOGY

Both quantitative and qualitative data were collected for this study. SR Asia prepared a structured questionnaire in online survey platform "ZOHO" and circulated among selective companies from different sectors. During February–March 2021, SR Asia Bangladesh conducted the survey among 79 (Seventy-Nine) companies from different sectors. In data cleaning and accuracy process, 62 (Sixty-Two) companies' data are considered and analyzed for this survey. Simple Ms. Excel was used to analyze the data.

All the data were collected with proper official consent and declaration by company representatives.

SAMPLE SIZE



Total 62 (sixty-two) companies from 6 sectors participated in this survey. Sectors are RMG/Textile, Plastic, Manufacturing, FMCG, Bank & NBFIs, Pharmaceuticals. Among the participating companies, there are 84% domestic/local and 16% multinational companies.

Major participation in this survey is from RMG/Textile industry. 60% RMG/Textile companies took part this study.

13% Banks & NBFIs, 11% FMCG, 6% pharmaceuticals and respectively 5% manufacturing and plastic companies contributed to this survey. [Figure 1]

Figure 1: Study Sample Size

STUDY FINDINGS

COMPANY CSR POLICY

63% companies reported that they have CSR policy but 37% said that there is no CSR policy developed by their organization.

This is interesting to notice that companies which do not have CSR policy expressed mixed feedback about planning to develop a CSR policy in line with business strategy. 65% companies which do not have CSR policy showed interest to plan in developing a policy based on their CSR feasibility and risk assessment. On the other hand, 35% companies which do not have any CSR policy showed no interest to develop CSR policy. The study found that there is a lot of scope to work with industries to motivate, sensitize and advocate the company management. [Figure 2]

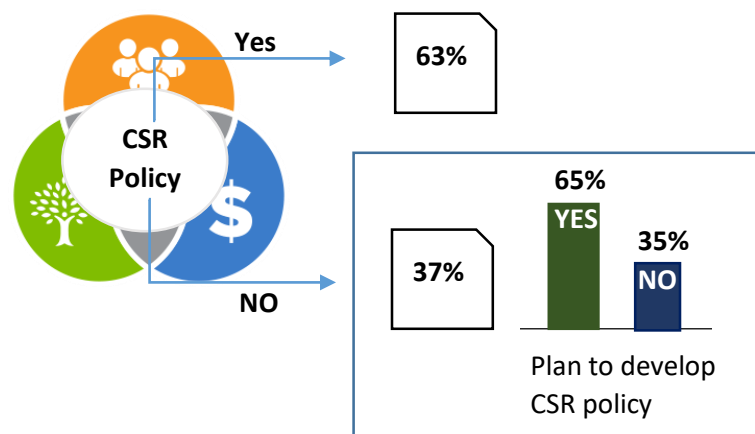


Figure 2: Company CSR Policy

If we proceed a further detail explanation about the companies having CSR policy or not, we found that pharmaceuticals and plastic industries are in same position without having CSR policy which is 67%, only 33% companies in pharma and plastic sector have their policy in place. 40% Manufacturing companies reported that there is policy in place which is almost in similar position of plastic and pharma.

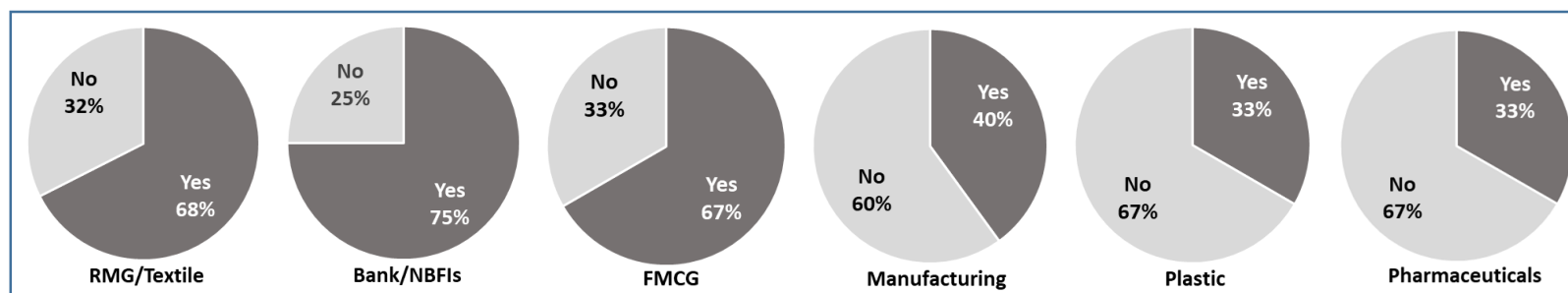


Figure 3: Company CSR Policy by Sector

67% FMCG and 68% RMG/Textile companies informed that they have developed CSR policy and this is in place to practice. Important to note that, in spite of Bangladesh Bank's guideline on CSR, 25% Banks/NBFIs reported that they do not have CSR policy. While further checking about the data on Bank/NBFIs, it is confirmed that only NBFIs are in this 25% portion. [Figure 3]

CSR FUND ALLOCATION: 2019-20

The study reported that companies allocate average **3%** of profit for CSR expenditure annually.

The average CSR allocation in 2019 is BDT. 42.4 million and BDT 48 million in 2020. Companies were asked why there is an increase in CSR allocation from previous year. Most of the feedbacks is COVID response support. [Figure 4.1]

The following figure shows a more clear picture of allocation of CSR fund in different areas which varies from year 2019 to year 2020. 40% of CSR fund allocated to COVID response in 2020 which is splitted into health, food and disaster management & emergency relief.

In both year 2019 and 2020, CSR fund allocation in Education is noticeable. [Figure 4.2]



42.4 Million

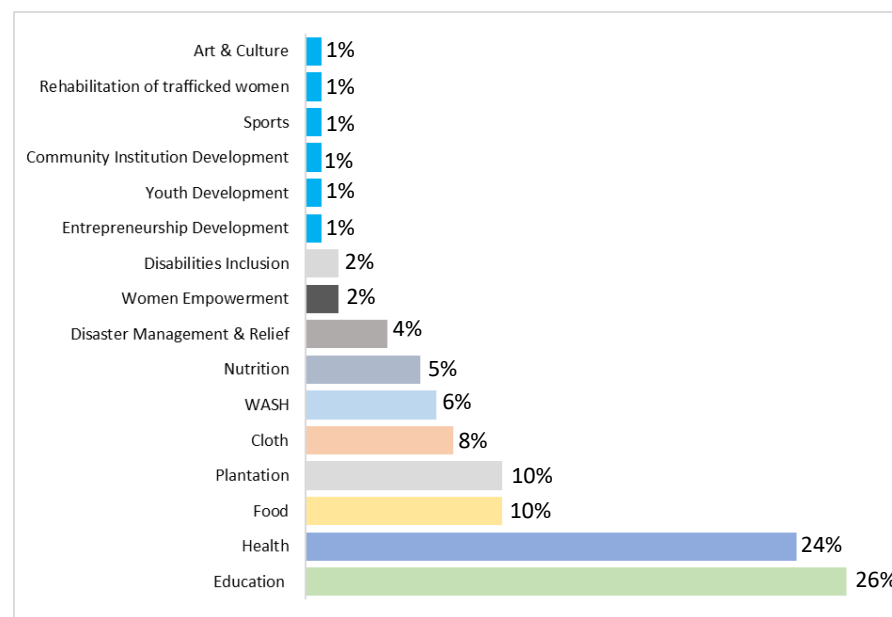
Year
2019



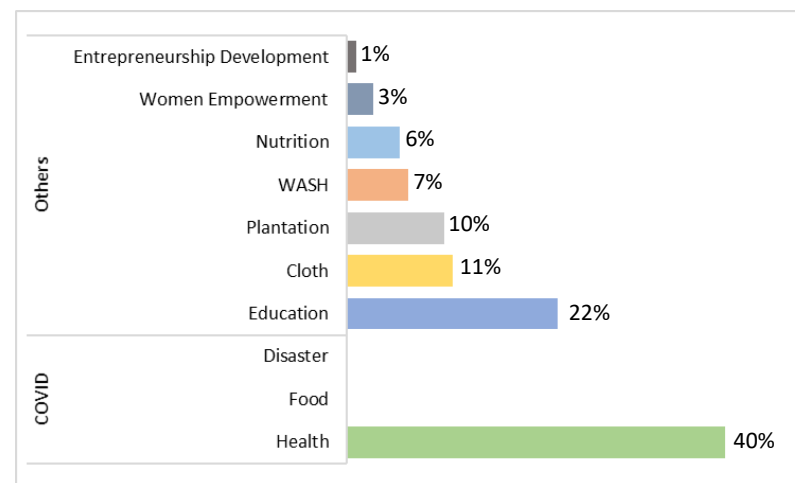
48 Million

Year
2020

Figure 4.1: CSR Fund Allocation 2019-20



2019 CSR Allocation



2020 CSR Allocation

Figure 4.2: CSR Allocation 2019-20

CHANGE IN CSR POLICY DUE TO COVID 19

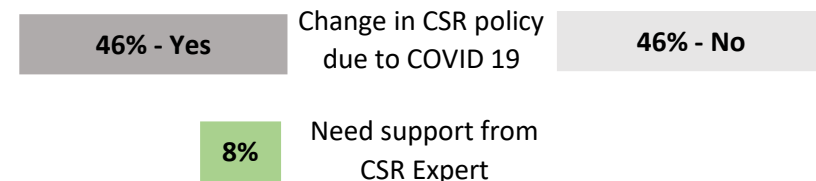


Figure 5: Change in CSR Policy due to COVID 19

46% Companies reported that they made some changed in CSR policy due to COVID 19 and 46% informed that the policy remain same. 8% companies said that they need support from external support to adjust CSR policy in line with pandemic. [Figure 5]

The changes in policy are mostly on (i) introducing Disaster Management and Recovery in CSR Policy (ii) Increase % of CSR fund allocation in Health & Safety (iii) Introduce charity fund in CSR (iv) increasing % of profit to invest in CSR.

ADVANCE PLAN FOR CSR

Respondents were asked whether companies need to plan on CSR in advance to combat such disaster like COVID 19. It is quite interesting to note the mixed responses. 69% respondents replied the need of advance planning whereas 31% said that there is no need of advance planning because the norms and types are different of each disaster and need to combat based on situation. [Figure 6]

The study found that there is need of awareness and capacity development on emergency planning and risk management among industries.

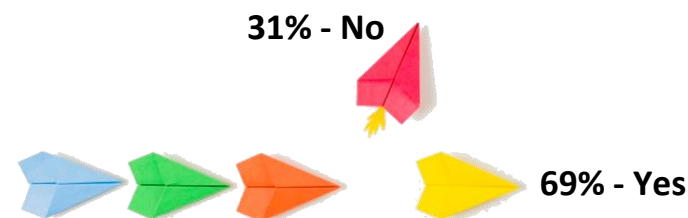


Figure 6: Advance plan for CSR

There are some key points derived from the responses from the companies which agreed on advance planning to combat disaster. The responses are:

- Incorporate employee retention and wellbeing plan in CSR Policy
- Incorporate Disaster Management Plan in line with Govt policy and other International Standards
- Create Disaster Management Fund
- Initiate Employee Engagement in CSR
- Develop Technology driven plan
- Incorporate Emergency Response Plan in CSR Policy
- Develop Multi-party collaboration strategy

FUTURE CSR TREND

Companies provided feedback in response to the question about CSR budget allocation trend in next 2-3 years. **26%** companies said that education is the coming sector where companies will be interested to allocate their CSR fund. **16%** companies voted about Health sector. Other sectors are also important to the respondents; such as – (i) Disaster management – 14%, (ii) Employee family support – 10%, (iii) WASH – 9%, (iv) Nutrition – 6%, (v) Climate Action and Environment – 2%, (vi) Entrepreneurship Development – 1%, (vii) Emergency Response Team Development – 1% and (viii) Women Empowerment – 1%

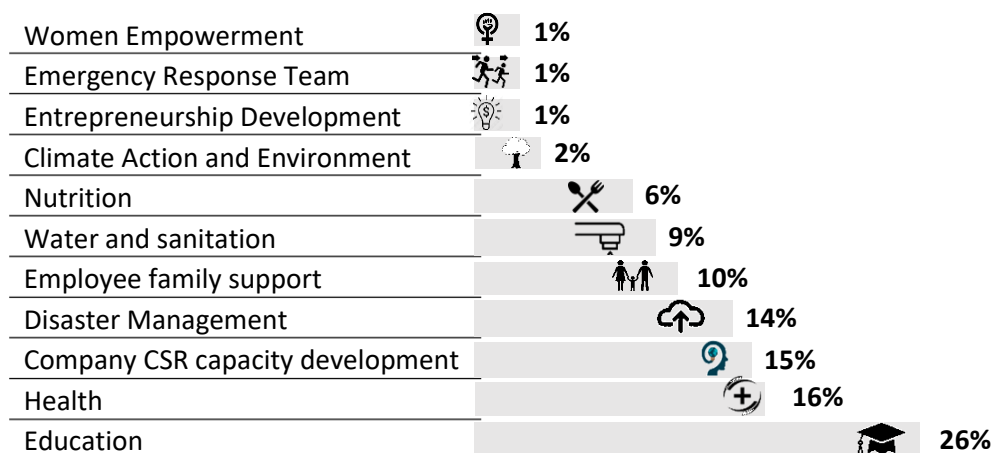


Figure 7: Future CSR Trend

Interestingly, **15%** companies think that the company management requires capacity development and awareness building program to understand how the company will plan to allocate their CSR fund. [Figure: 7]

SUSTAINABILITY REPORT PUBLISHED BY COMPANIES

Sustainability reporting enables companies to analyze and report on environmental and social performance. It is not just a method of reporting from collected data; instead it is a method to adopt, manage risk and improve a company's commitment to sustainable development in a way which demonstrates to both internal and external stakeholders.

16% companies reported that they published sustainability report in public platform but **77%** companies confirmed that they didn't develop and publish sustainability report anytime. 7% companies informed that they publish UNGC communication on progress which is not a sustainability report but showed commitment to UNGC principles. [Figure: 8]

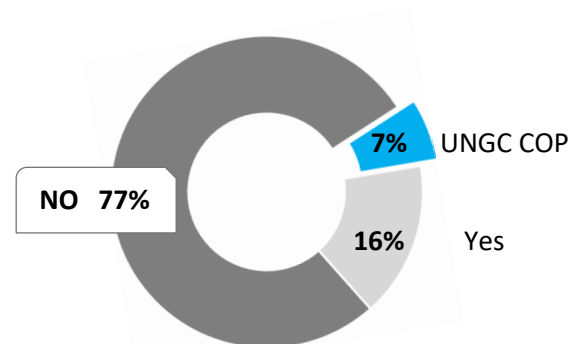


Figure 8: Sustainability Report Published by Companies

HOW TO ACCELERATE CSR IN BANGLADESH

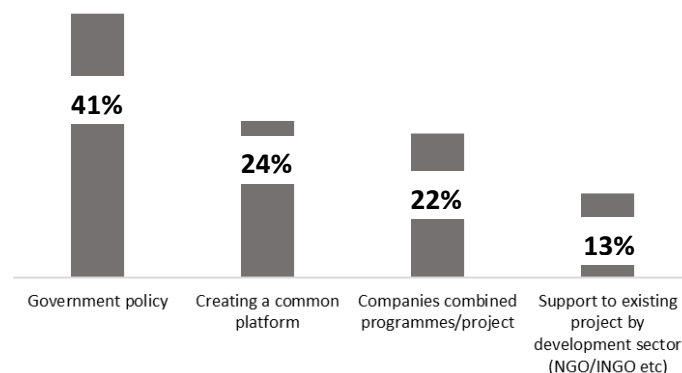


Figure 9: Way to Accelerate CSR in Bangladesh

41% companies said that a government policy/guideline is required to accelerate CSR in Bangladesh. 24% companies informed that it is important to create a common platform which will manage and engage companies to develop CSR strategy and provide advocacy to implement their CSR activities. 22% companies urged companies to implement their CSR project in cluster. 13% companies said that they are interested to support existing projects implemented by development sector (NGO/INGOs etc).

RECOMMENDATIONS

1. There is no doubt that there is a lot of scope to develop capacity and build awareness among business leaders, interpret the proper concept of CSR, convey the benefit and interest of companies to implement CSR in a structured manner in line with business strategy. Government, INGOs and Donor agencies have key roles to play in this area where CSR expertized organizations can support in such initiative.
2. Realizing the facts of business sustainability and national economy, neighboring countries like India, Indonesia etc already have national CSR guideline. Bangladesh Government should take necessary action to develop a CSR guideline.
3. There is gap of understanding between private sector and development sector in implementing social programmes. There is a common platform required which enables companies to understand the development programmes and its impact as well as the development sector need to understand the nature of business to integrate social programmes in line with the business. There is a common dilemma, the development sector face while working with private sector that the private sector demands the quantity of reach-outs rather than the long term impact of project. This sort of gaps need to be discussed and need to exchange dialogue so that private sector and development sector can work hands on hands.
4. Companies can avoid similar type of CSR activity by working together. A cluster approach can be introduced where 5-6 companies can combine their CSR budget and contribute to Health programme and on the other hand, a number of companies can gather their CSR fund for education programme.



Top CSR Contributor – 2020

Sector-wise among participating companies



RMG/Textile: Chorka Textile Ltd (An Enterprise of PRAN-RFL GROUP)



Bank & NBFIs: Export Import Bank of Bangladesh Ltd.



Pharmaceutical: Renata Limited



FMCG: Marico Bangladesh



Plastic: FM Plastic Ind. Ltd.



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