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**NEED/IMPORTANCE OF THE STUDY**

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**OBJECTIVES**

**HYPOTHESES**

**RESEARCH METHODOLOGY**

**RESULTS & DISCUSSION**

**FINDINGS**

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- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 <http://epw.in/user/viewabstract.jsp>



# A STUDY ON THE STATUS OF CORPORATE SOCIAL RESPONSIBILITY INITIATIVES BY INFORMATION TECHNOLOGY COMPANIES IN INDIA

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## ABSTRACT

*The paper studies the contribution by the Information Technology (IT) and Information Technology Enabled Services (ITES) sector towards corporate social responsibility (CSR) in India. The IT sector has been a champion in CSR initiatives and reporting. The status of their initiatives is compiled here. The data is collected from the annual reports for the financial year 2013-14 being the first year of compulsory CSR contribution and reporting as per Companies Act 2013.*

## KEYWORDS

Corporate Social Responsibility (CSR), Ministry of Corporate Affairs (MCA), Information Technology companies (IT), Information Technology enabled services (ITES).

## INTRODUCTION

Business is basically a socio-economic entity. Although business is fundamentally an economic activity, it cannot be carried out in isolation of society. It is a group endeavour and therefore has a number of responsibilities towards different stakeholders – management, workers, customers, shareholders, government and the society. Realisation and fulfilment of responsibilities towards these stakeholders is termed as corporate social responsibilities. Further, business cannot function independently and depends on the society for supply of raw materials, capital, labour and other requirements. Business is a part of the society and has to follow and operate within the limits of the rules and regulations prescribed by the society. It is the responsibility of the business to produce and supply goods at fair prices, provide fair wages and facilities to its employees, provide a fair return on shareholders' funds, pay taxes and duties regularly and contribute to social development in which it is prospering.

In India, a surging rise in the growth of the economy has been seen over the past decade and a half and a lot of it is attributed to the boom in the Information and Technology (IT) and Information and Technology Enabled Services (ITES) sectors. The country has witnessed this since the government opened the doors of the economy to the forces of globalization, after lowering government regulations in the country and downsizing barriers to foreign investment in the early 1990s. The government deliberately targeted the export-oriented IT services sector for growth, giving it special subsidies. India therefore became a hub of IT services, when a few major Indian companies like Wipro, Infosys, TCS, HCL, Satyam, etc., established themselves on the global stage as key players in the ITES segment offering the best match to what the other companies in developed nations of the world had to offer. Therefore, the IT sector in India has been spearheading the economic development process. Within the span of about two decades, the Indian IT industry has emerged as one of the key drivers of the Indian economy. Several multinational giants like Hewlett-Packard, Dell, IBM, and Accenture are operating with their bases in India. The Indian IT companies have operations overseas. The IT and ITES industry represents not only global traffic in goods and services but also ideas. It has been a champion in heralding activities directed towards a social cause which in business understanding is corporate social responsibility (CSR).

## REVIEW OF LITERATURE

The following definition by Lord Holme and Richard Watts, is most widely accepted and suits the context of our study most appropriately: "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large", in 'Making Good Business Sense' report at the World Business Council for Sustainable Development website.

Ruchi Tewari in her paper<sup>1</sup> studies the contribution of corporate social responsibility (CSR) of the IT sector in India. The IT sector has grown at a high pace in the Indian business environment but it has also been blamed for affecting the environment and the lives of many citizens. The CSR activities in the modern corporate affairs have been identified as a very important practice for Indian companies due to the impact of increased revenue, thanks to the globalization. This study has taken five sectors into consideration - cement, steel, oil and banking along with IT. A comparative analysis was used to find the sector that is involved the most in the CSR initiative and the dimensions, and where companies need to re-assess their CSR strategies. Hence, the researcher taking the clue from it, feels that there is a research gap to find out what are the initiatives IT sector has taken towards CSR in India.

## OBJECTIVES AND METHODOLOGY

This paper aims to achieve the following objectives through exploratory research:

1. To understand the rules regarding CSR given in the Companies Act, 2013.
2. To analyse the CSR communication in the website and annual reports of the company's listed in BSEIT sector Index.
3. To draw conclusions with respect to the CSR initiatives by the IT sector as a whole.

For the purpose of the study the IT companies listed in the Bombay Stock Exchange in IT index as on 31<sup>st</sup> mar 2014 are included for the analysis.

## WHAT DOES THE COMPANIES ACT, 2013 SAY?

Under the Companies Act, 2013, any company having a net worth of rupees 500 crore or more or a turnover of rupees 1,000 crore or more or a net profit of rupees 5 crore or more should mandatorily spend 2% of their net profits per fiscal on CSR activities. The rules came into effect from 1 April 2014.

## OVERVIEW<sup>2</sup>

- As per Section 135 of the Act, companies with a specified net worth or turnover or net profit are required to mandatorily spend 2 percent of its average net profit towards specified CSR activities.

<sup>1</sup> Information and Technology Sector – A Champion in Corporate Social Responsibility (CSR): Myth or Reality by Ruchi Tewari IBS, Ahmedabad.

<sup>2</sup> New Companies Act, 2013 – Insight Series – Volume IV Corporate Social Responsibility, KPMG Flash news, KPMG India.

- Recently, the rule making committee of Ministry of Corporate Affairs (MCA) has published the draft CSR rules and uploaded the same on MCA website for public discussion and debate.
- Our comments in this bulletin are based on the CSR provisions as laid down under the Act and the draft CSR rules. Our comments are subject to final CSR rules that may be notified by the Government after considering the public discussion and debate.
- While the Government is soon expected to notify the effective date of applicability of CSR provisions, the draft CSR rules suggest that CSR provisions will be made effective from financial year 2014-15.
- The analysis on the CSR provisions and salient features of the draft CSR rules are provided as under.

**APPLICABILITY**

- Every company having net worth of INR 5000 million or more, or turnover of INR 10000 million or more or net profit of INR 50 million or more during any financial year will have to comply with the CSR provisions as laid down under the Act.
- If any of the above financial strength criteria is met, the qualifying company is mandatorily required to spend at least 2 percent of the average net profit<sup>3</sup> of past three financial years on specified CSR activities.
- While the threshold limit of net worth criteria and the turnover criteria are kept higher, the net profit threshold limit of mere INR. 50 million will bring majority of companies under the CSR net.
- Under the draft CSR rules, net profit is defined to mean 'net profit before tax' as per books of accounts and shall not include profits arising from branches outside India.
- While the reporting framework under the draft CSR rules suggest that the unspent amount of the specified CSR spend to be rolled over to the succeeding financial years, it does not clarify whether the excess spend of over and above 2 percent mandatory CSR spend in any particular financial year can be carried forward in succeeding financial year or not.

**WHAT CONSTITUTES ELIGIBLE CSR SPEND?**

Activities which may be considered as eligible CSR spend are provided in Schedule VII of the Act. The specified activities are as under:

- Environment sustainability
- Empowering women and promoting gender equality
- Education
- Poverty reduction and eradicating hunger
- Social business projects
- Reducing child mortality & improving maternal health
- Improvement of health
- Imparting of vocational skills
- Contribution towards Central & State Government funds for socio-economic development and relief
- Such other matters as may be prescribed

**DATA FOR ANALYSIS**

Companies in IT Index are selected for the purpose of the study to analyse the annual reports with respect to CSR communication.

**S&P BSE IT INDEX CONSTITUENTS<sup>4</sup>**

Scrip Code	Company
532281	HCL Technologies Ltd
500209	Infosys Ltd
532400	KPIT Technologies Ltd
532819	MindTree Ltd
526299	Mphasis Ltd
532466	Oracle Financial Services Software Ltd
533179	Persistent Systems Ltd
532540	Tata Consultancy Services Ltd
532755	Tech Mahindra Ltd
507685	Wipro Ltd

**WHAT DO THE IT COMPANIES COMMUNICATE ABOUT CSR IN THEIR COMPANY WEBSITE?****HCL TECHNOLOGIES LTD.**

At HCL, we believe in developing our ecosystem which includes both environment and community, engaging with diverse communities enables us to collaborate with them to 'Rebalance' resources for the future. Globally, governments have been the largest "philanthropists". However, individuals and enterprise have a huge social responsibility and need to step in to complement the role of the Government. I believe that education can be the single largest tool for large scale high impact transformation. Education empowers individuals and is vital to reap our demographic dividend. Inclusive education has the power to create leaders from across the cross-section of the society who would become change agents for the community at large and lead us into a brighter future<sup>5</sup>.

**INFOSYS LTD.**

Corporate social responsibility committee: As per the Companies Act, 2013, all companies having a net worth of `500 crore or more, or turnover of `1,000 crore or more or a net profit of `5 crore or more during any financial year will be required to constitute a corporate social responsibility (CSR) committee of the Board consisting of three or more directors, at least one of whom will be an independent director. Accordingly, the Board on April 15, 2014, constituted the CSR committee ('the committee') comprising:

- K. V. Kamath, Chairperson
- R. Seshasayee
- Kiran Mazumdar-Shaw
- S. D. Shibulal

The purpose of the committee is to formulate and monitor the CSR policy of the Company. The CSR committee has adopted a policy that intends to:

- Strive for economic development that positively impacts the society at large with a minimal resource footprint

<sup>3</sup> As per the provision of the Act, the average net profit shall be computed in accordance with the provision of section 198 of the Act after considering the additions / deletions specified in the said section.

<sup>4</sup> www.bse.com

<sup>5</sup> www.hcltech.com



- Be responsible for the corporation's actions and encourage a positive impact through its activities on the environment, communities and stakeholders.

The committee will be overseeing the activities / functioning of Infosys Foundation in identifying the areas of CSR activities, programs and execution of initiatives as per predefined guidelines. The committee will also be assisted by the Infosys Foundation in reporting the progress of deployed initiatives, and making appropriate disclosures (internal / external) on a periodic basis.<sup>6</sup>

#### KPIT TECHNOLOGIES LTD.

Corporate Social Responsibility (CSR) has been an intrinsic part of KPIT's philosophy since its inception. Being a socially responsible business organization, we continue to push the bar higher through technology and innovation driven CSR activities. We believe it is our moral responsibility to give back to the community, which in so many ways has contributed to our success and helped our business grow.

Community Contribution is one of the seven core values at KPIT. It has a significant mention in our Mission and Vision to reflect our commitment towards it. We have always been involved in community contribution initiatives in some way or the other and have developed the structure for our CSR initiatives over a period of time. We have worked on several CSR activities so far. Considering our capabilities and the needs of the communities that we serve, we reassessed the focus of our CSR initiatives<sup>7</sup>, and based on the results, we have chosen the following focus areas in order to deliver maximum benefit to society:

- 1) Environment: As a company we run our business such that we create and retain a sustainable world. We also enable our clients to run their operations efficiently and create products that are environment friendly.
- 2) Education: We aim to transform lives of people in our community through science and technology education. We firmly believe that education has the ability to transform lives.
- 3) Energy: We use our technology expertise to develop innovative solutions that enable efficient energy generation and consumption and create renewable supply. We serve our customers with the intent of delivering energy efficient products, services and processes that contribute towards making this world more sustainable and a better place to live in.
- 4) Employee Engagement: We plan initiatives that engage our employees, thereby providing them an opportunity to do their bit for the society. We regularly organize various events such as blood donation drives, Annadan (food donation drive) and others that always receive an enthusiastic response and participation from all our employees.

#### MIND TREE LTD.<sup>8</sup>

Mindtree recognizes social responsibility as an integral part of its corporate citizenship. Driven by our value system, we commit to support and nurture societies through innovative solutions to satisfy evolving needs of the society. We strive to foster a socially responsible corporate culture by introducing a balanced approach to business by addressing social and environmental challenges through required investments, necessary resource allocation and stakeholder engagements.

Mindtree Foundation plays a catalyst role in bringing this change, step by step. Our social transformation initiatives are led by Mindtree Foundation and are now nearly six years old. Over the years, our approach has been to engage in social issues with sensitivity, rigor and responsibility. Mindtree Foundation lays the platform for Mindtree's value system.

The Foundation's charter is to:

- Promote education to underprivileged children with a special emphasis on people with disability
- Provide relief to poverty by way of assistance to food, shelter and clothing
- Provide relief to distress caused by calamities of nature

Mindtree Foundation strives to achieve these charters through its outreach programs, voluntary programs, enterprise development programs and technical consultancy programs.

Mindtree Foundation is proud to be associated with:

- Missionaries of Charity (M.O.C.)
- Gandhiji Shanti Nivas Leprosy Rehabilitation Centre
- Sparsh Foundation
- Spastics Society of Karnataka (SSK)
- Sikshana Educational Development program for Rural Government School Children
- AMBA Centers for Economic Empowerment of the Intellectually Challenged (AMBA-CEEIC)
- Goonj

#### MPHASIS LTD.

##### VISION

Ensure measurable social change through self-sustenance models in locations where Mphasis has a presence, creating brand distinction and visibility for our efforts globally.

##### MISSION

F1 Foundation, a registered charity of Mphasis was created with the mission of building bridges between the employees and myriad social issues affecting the society, for utilizing skills and knowledge of the employees for the welfare of the less fortunate and supporting organizations working for development of the disadvantaged including persons with disability.

Mphasis Ltd has defined two areas of focus for its CSR activities<sup>9</sup> with specific Projects within each.

- 1) Creating opportunities for the disadvantaged with emphasis on persons with disabilities
- 2) Technology driven community development

Aligned with definition given by the Indian government the disadvantaged are defined as individuals with family income of less than INR 100,000 per annum. Disabilities are defined as physical or learning disabilities specifically in the target demographic of youth (18 to 30 years) and women (30 years and above).

Towards creating opportunities for the disadvantaged, Mphasis will specifically focus on the following:

- Inclusive vocational training and skill development relevant to ITes
- Job training of the target segment for employment in ITes
- Wealth and income generation for the disadvantaged through training and incubating social enterprises
- Equal opportunity in education for disadvantaged children including children with disabilities through grant making of programs that validate proof of concept

**Mphasis will also support ventures that will:**

- Provide products, services or support to people with disabilities or generate mass employment for people with disabilities

<sup>6</sup> [www.infosys.com](http://www.infosys.com)

<sup>7</sup> [www.kpit.com](http://www.kpit.com)

<sup>8</sup> <http://www.mindtree.com/about-us/sustainability>

<sup>9</sup> <http://csr.mphasis.com/program-focus>

- Undertake research and publicly promote effective policies or innovative models to further the cause of the target demographic segments
- Drive sensitivity and awareness about disability among key stakeholders such as social organizations, industry groups, government entities and general population
- Improve accessibility of services for people with disabilities (universal design in buildings, public transport, government services, internet, banking etc.)

**ORACLE FINANCIAL SERVICES SOFTWARE LTD.**

An initiative<sup>10</sup> to support children, originally rolled out as “i-flex for children”, is in its tenth successful year. Our Corporate Social Responsibilities are managed by a committee of senior company officials and volunteers from divisions and locations in India. Our endeavour is to support activities which do not have any religious or political affiliation. Your Company encourages employees to actively participate in and lead, where possible, such programs. We actively fund educational institutions in rural India which are non-profit oriented and secular and all inclusive in approach. The initiative is funded each year to support activities proposed to the committee by employees. In May 2014, the Board has constituted the Corporate Social Responsibility Committee (“CSR Committee”) comprising Directors Mr. Chaitanya Kamat (Chairman of the Committee), Mr. S Venkatachalam and Ms. Samantha Wellington, as its members.

The CSR Committee shall prepare and recommend to the Board the Corporate Social Responsibility Policy (“CSR Policy”), recommend CSR activities and the amount the Company should spend on CSR activities, monitor the implementation of CSR Policy and activities from time to time, ensure compliance with all matters relating to CSR and provide regular updates to the Board.

**PERSISTENT SYSTEMS LTD.<sup>11</sup>**

Persistent Systems has been contributing to local and regional Health and Education institutions since 1995. The Persistent Foundation was formed in 2008 to institutionalize Corporate Social Responsibility within Persistent and to develop a systematic approach to administer the process of grant of donations. Persistent earmarks 1.25% of net profit for Persistent Foundation programs annually.

**AT BROAD LEVEL, THE FOUNDATION'S COMPRISES OF THE FOLLOWING:**

- Designing, planning and implementing its own social projects with the help of Persistent Systems' employees or partners from the respective domain
- Supporting & facilitating social projects initiated and driven by Persistent Systems' employees
- Providing monetary support to a number of social initiatives of Associate NGOs by generating funds through cause-specific donation drives among Persistent Systems' employees
- Capacity-building of Associate NGOs by providing them donations on annual basis
- Organizing social events for networking, social cause awareness and knowledge-sharing

Today, the Persistent Foundation works in following 9 social domains of three major focus areas - Health, Education & Community Development in Pune, Nagpur, Hyderabad & Goa.

In Healthcare, the Persistent Foundation focuses on Children's Health, Women's Health & Healthcare for differently-abled & elderly people. In association with like-minded NGO's & implementation partners the foundation undertakes various programs. Hallmark Projects in Healthcare are:

- **Children's Health:** 20 point clinical health check-up and weekly doctor facility at slum & rural schools in Pune, Nagpur and Goa
- **Women's Health:** Breast cancer screening program, health check-ups & health education of urban slum women in Pune
- **Healthcare for Elderly & Differently Abled:** Cataract operation projects across all locations, facial cleft operation project, weekly healthcare facility for elderly care centers and special schools in Pune

In Education, the Persistent Foundation focuses on Computer Education, Education for the poor, and Girls' Education. Hallmark projects in Education are:

- **Computer Education:** Persistent Foundation E-school lab project, Cyber Champs, National ICT quiz programs and SCRATCH training program run by Persistent employees
- **Education for the Poor:** Student sponsorship program, School upliftment project, Mobile Science Lab, Study centers at slums project
- **Girls Education:** Girls scholarship program and 10<sup>th</sup> std. Reward program

In Community Development, the Persistent Foundation focuses on Village Upliftment, Water Conservation projects and Welfare activities for differently-abled & elderly people Hallmark projects in Community Development are:

- **Village & Urban upliftment:** 4 village upliftment projects in Pune region and 1 in Nagpur. Village upliftment means providing all top prioritized health, education & other developmental facilities
- **Pune Cyber & Forensic Labs:** Persistent Foundation has availed cyber lab & forensic lab for Pune Police.
- **Water Conservation Projects:** Help resolve water scarcity situations in Velhe Bhor cluster, Hiware village in Purander Taluka, and Vegare village near Mulashi
- **Welfare for Elderly:** 2 elderly care centers upliftment involving provision of health and other developmental facilities and monetary support to various differently abled schools.

**TATA CONSULTANCY SERVICES LTD.**

At TCS, sustainability is seen as a state of being in balance between Corporate Economic Responsibility (CER) and Corporate Social Responsibility (CSR).

The guiding principle of TCS' Corporate Social Responsibility<sup>12</sup> programs is “Impact through Empowerment,” where empowerment is a process of strengthening the future today, so that risks are minimized, value created and certainty is experienced. We strive to ensure that the communities engaged through our CSR initiatives also experience certainty in their lives.

The core areas for TCS' CSR programs are education, health and environment. The choice of education as a theme flows from TCS being in the knowledge domain. Similarly, attention to the cause of health acknowledges that health is a vital precondition for promoting social good. Concern for the environment is in line with our belief that this global cause demands our attention to ensure a sustainable and productive planet. These themes are established centrally for adoption or adaptation across all geographies.

**TCS' Approach**

TCS has chosen the following channels to drive its CSR initiatives:

1. Developing innovative solutions to address large-scale societal problems by utilizing our IT core competence.
2. Volunteering for projects that address the felt need of communities in which TCS operates, while aligning with the core themes of TCS' CSR.
3. Participating in community development program championed by our clients.
4. Partnering with select non-government and civil society organizations and other government bodies.
5. Supporting large-scale causes such as disaster relief or any other cause as determined by the Corporate CSR Council.

**TECH MAHINDRA LTD.**

In compliance with Section 135 Clause 1 of the Companies Act 2013, Tech Mahindra Limited has set up a CSR Committee that meets quarterly to review the work.

The CSR Committee comprises of the following:

Vineet Nayyar – Chairman  
Ulhas Yargop – Member  
Rajyalakshmi Rao – Member

<sup>10</sup> <http://www.bseindia.com/bseplus/AnnualReport/532466/5324660314.pdf>

<sup>11</sup> <http://www.persistent.com/about-persistent/social-responsibility>

<sup>12</sup> [http://www.tcs.com/about/corp\\_responsibility/corporate-social-responsibility/Pages/default.aspx](http://www.tcs.com/about/corp_responsibility/corporate-social-responsibility/Pages/default.aspx)

In compliance with Section 135 Clause 5 of the Companies Act 2013, Tech Mahindra Limited now contributes 2% of its net profits (before taxes) to CSR. For the year 2014-15, Rs. 50 crores have been allocated to be spent on CSR initiatives, of which Rs. 35 crores will be spent through programmes undertaken by TMF and Rs. 15 crores through Mahindra Educational Institutions (MEI) that focuses on higher technical education.

Tech Mahindra Foundation<sup>13</sup> commits itself to a vision of a more equitable and inclusive India and the values of good corporate governance, ethical practices, and dignity of the individual. In order to achieve sustainable transformation, TMF supports and creates opportunities that nurture talent and enable the socially disadvantaged to utilize their potential.

Educated, skilled and able men and women are a country's true strength. We aspire to see youth that is constructively employed, children who are purposefully engaged and a society that provides equal opportunities to people with different abilities. Through its CSR initiatives, the Mahindra Group commits itself to this vision.

#### WIPRO LTD.

Wipro believes it must try to, and can make (some) lasting impact, towards creating a just, equitable, humane & sustainable society. This is reason enough to act.

#### PURPOSE

- Provide leadership in thought & action on key societal issues
- Need to respond to immediate issues of current generation
- Need to work towards building a good society for future generations

Wipro cares<sup>14</sup> with communities in our proximate locations. The primary objectives of Wipro cares are to support the developmental needs of marginalized communities in cities and towns where the company has a large presence.

#### PRIMARY HEALTH CARE

Reach out to more than 75000 people in 53 villages through seven of its primary health care projects, with specific focus on infant and maternal healthcare.

#### EDUCATION

Provide access to education to more than 47000 underprivileged children through five projects in five cities.

#### ENVIRONMENT

Assist the livelihood of about 80 subsistence farmers and have planted more than a lakh trees.

#### DISASTER REHABILITATION

Have helped rebuild the lives of people affected by Karnataka Floods, Bihar Floods, Japan Tsunami, Hurricane Sandy, Philippines Cyclone, Uttarakhand Floods, Odisha Floods and many more.

#### CONCLUSION

From the study, it reveals that all the companies included in the study focussed on four core CSR areas—education, healthcare, community livelihood, and infrastructure development.

For education, the focus was on improving access to as well as the quality of education. Companies did this by sponsoring or running schools and also by providing scholarships. Most of the healthcare CSR initiatives were driven by foundations. The initiatives themselves included blood donation drives, eye check-up camps, maternal healthcare, building hospitals, and so on.

For community livelihood, the focus was on providing training and other livelihood opportunities. For infrastructure development, rural infrastructure and upliftment were the main focus areas. Also, IT Companies driven by their focus on CSR as an employee engagement strategy. Other CSR initiatives included a focus on environment conservation (mostly through tree planting), disaster relief programs, cultural conservation, and employee volunteering. An area for improvement for these companies is increased transparency in CSR finances and donations, which could help drive more efficient CSR programs.

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<sup>13</sup> <http://www.techmahindra.com/society/default.aspx>

<sup>14</sup> <http://www.wipro.org/community/wipro-cares.html>

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