

## Corporate Social Responsibility

The Companies Act, 2013 provides for mandatory compliance of Corporate Social Responsibility.

Sr. #	Act / Rules / Schedule	Applicable w.e.f.	Notification dt.
1.	Sec. 135	01.04.2014	27.02.2014
2.	Schedule VII	01.04.2014	27.02.2014
3.	Companies (Corporate Social Responsibility Policy) Rules, 2014	01.04.2014	27.02.2014

### What is CSR? [Rule 2(c)]

Corporate Social Responsibility **means and includes but is not limited to** :

- i. Projects / programs relating to activities specified in *Schedule VII* to the Act; or
- ii. Projects / programs relating to activities undertaken by the board of directors in pursuance of recommendations of the CSR Committee of the Board as per declared CSR Policy of the company subject to condition that such policy will cover subjects enumerated in Schedule VII of the Act.

### Companies to which CSR obligations are applicable [Sec. 135(1) & Rule 3]

These provisions are applicable to every company whether holding or subsidiary and a foreign company having place of business in India **satisfying any of the following criteria during any financial year**,

- i. **Net Profit** of Rs. 5 Crores or more, or
  - ii. **Net worth** of Rs. 500 Crores or more, or
  - iii. **Turnover** of Rs. 1000 Crores or more
- ✓ Every company satisfying any of the above criteria shall **constitute CSR Committee & in every financial year, it shall spend 2% of Average Net Profits of last 3 FYs.**
- ✓ Every company which **ceases to be covered under above criteria for 3 consecutive financial years are not required to comply** with these provisions till such time it meets with the criteria again.

## CSR Committee [Sec. 135(1) & Rule 5]

### Constitution

Every Company satisfying applicability criteria shall constitute CSR Committee which shall consist of **at least 3 Directors out of which at least 1 shall be Independent Director**.

✓ However, following **exceptions** are given.

Type of Company	Exception
Unlisted Public Co.	May not have Independent Director if company is not required to appoint Independent Directors as per Sec. 149(4).
Private Co. having only 2 Directors on its Board	Shall constitute CSR Committee with 2 Directors.
Foreign Co.	Shall constitute CSR Committee comprising of at least 2 persons of which 1 shall be resident in India & another shall be nominated by foreign co.

### Role of CSR Committee

- i. **Formulate & recommend to Board, CSR Policy** which shall indicate the activities to be undertaken by the company as specified in Schedule VII.
- ii. **Recommend the amount of Expenditure** to be incurred on the activities mentioned in CSR Policy.
- iii. **Monitor** the CSR Policy from time to time.

## CSR Policy [Rule 6]

### What is CSR Policy ?

Rule 2(e) states that “CSR Policy” relates to the activities to be undertaken by the Company as specified in Schedule VII to the Act & the expenditure thereon, excluding activities undertaken in pursuance of normal course of business of a company.

- ✓ CSR Policy shall **include** followings;
- i. **List of CSR projects / programs** which a company plans to undertake falling within the purview of Schedule VII of the Act, **specifying modalities of execution & implementation schedules**.
  - ii. **Monitoring process**
  - iii. Specification that surplus arising out of CSR projects / programs / activities shall not form part of business profit.

## CSR Activities [Rule 4]

Ten activities listed in Schedule VII (given as Annexure) can only be considered as CSR activities.

A Company can carry out **CSR activities through following entities;**

- ✓ Registered trust or
- ✓ Registered Society or
- ✓ Section 8 Co. (Section 25 Co. as per CA, 1956)

If above entity is not established by company or holding company or subsidiary company or associate company then it should have established track record of 3 years to undertake similar projects/ programs.

A company can **collaborate with other companies for CSR**. However, CSR committees of respective companies should be in a position to report separately on project/ program.

### **Inclusions / Exclusions**

- ✓ **CSR activities undertaken in India only** shall be considered.
- ✓ Company shall give **preference to local areas** & areas around it where it operates.
- ✓ CSR activities which **benefit only the employees** & their families shall **not be considered** as CSR activities.
- ✓ **Contribution** (direct / indirect) **to political parties** shall **not be considered** as CSR activities.

**CSR personnel expenses** either of the own entity or independent outside entity shall **not be more than 5% of total CSR Expenditure** in that FY.

## CSR Reporting & Disclosure [Rule 8 & 9]

### **Reporting**

**Board's Report of a financial year commencing on / after 01.04.2014** shall include annual report on CSR as per specified format [Annexure – I].

### **Disclosure**

Board shall after taking into account the recommendation of CSR Committee, approve the CSR Policy & **disclose contents of such policy in its Report** & the same shall be displayed **on its website**.

## Schedule VII

Schedule VII is the list of activities which may be included in CSR Policy.

Sr. #	Activity	Description
i.	Hunger, Poverty & Malnutrition	Eradicating hunger, poverty & malnutrition, promoting preventive health care, sanitation & making available safe drinking water.
ii.	Education	Promoting education including social education & employment enhancing vocational skills especially amongst children, women, elderly & the differently abled & livelihood enhancement projects.
iii.	Empowering women	Promoting gender equality, empowering women, setting up homes & hostels for women and orphans; setting up old age homes, day care centers & such other facilities for senior citizens & measures for reducing inequalities faced by socially & economically backward groups.
iv.	Environmental protection	Ensuring environmental sustainability, ecological balance, protection of flora & fauna, animal welfare, agro forestry, conservation of natural resources & maintaining quality of soil, air & water.
v.	National heritage, art & culture	Protection of national heritage, art & culture including restoration of buildings & sites of historical importance & works of art; setting up public libraries, promotion & development of traditional arts & handicrafts.
vi.	For Armed Forces	Measures for the benefit of armed forces veterans, war widows & their dependents.
vii.	Sports	Training to promote rural sports, nationally recognized sports, Paralympics sports & Olympic sports.
viii.	PM's National Relief Fund	Contribution to the Prime Ministers National Relief Fund / any other fund set up by CG for socio-economic development & relief & welfare of scheduled castes, Scheduled tribes, other backward classes, minorities & women.
ix.	Technology	Contributions/ fund provided to technology incubators located within academic institutions which are approved by CG.
x.	Rural development	Rural development projects.

## Format for the Annual Report on CSR Activities to be included in the Board's Report

- i. A brief outline of the Company's CSR Policy, including overview of projects / programs proposed to be undertaken and a reference to the web-link to the CSR Policy & projects / programs
- ii. The Composition of CSR Committee
- iii. Average net profit of the Company for last 3 F.Y.
- iv. Prescribed CSR Expenditure (2% of Average net profit of the Company for last 3 F.Y.)
- v. Details of CSR spent during the F.Y.
  - (a) Total amount to be spent for the F.Y.;
  - (b) Amount unspent, if any;
  - (c) Manner in which the amount spent during the F.Y. as detailed below:

Sr. #	CSR project / activity identified	Sector in which the Project is covered	Projects / Programs	Amount outlay (budget) project/ programs wise	Amount spent on the projects/ programs	Cumulative expenditure upto the reporting period	Amount spent: Direct/ through implementing agency
			1. Local area/ other 2. Specify the State & District where projects/ programs was undertaken				
					Sub-heads: 1. Direct expenditure on projects/ programs 2. Over-heads		
	Total						

- vi. In case the company has failed to spend the 2% of the average net profit of the last 3 F.Y. / any part thereof, the Company shall provide the reasons for not spending the amount in its Board Report.

- vii. A responsibility statement of the CSR Committee that the implementation & monitoring of CSR Policy, is in compliance with CSR objectives & Policy of the Company.

Sd/- (Chief Executive Officer / MD / Director)	Sd/- (Chairman CSR Committee)	Sd/- (Person specified under Sec. 380(1)(d) of the Act)  Wherever applicable
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