Round Table on Industry Feedback
On
Draft CSR Rules (Section-135), Companies Act 2013
CORPORATE SOCIAL RESPONSIBILITY
THE NEW GAME CHANGER

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Highlights of provisions of the Companies Bill Relating to CSR

SECTION 135

1) Every company having a net worth of rupees five hundred crore or more (100 million $ or more), or a turnover of rupees one thousand crore or more (200 million $ or more), or a net profit of rupees five crore or more (1 million $ or more) during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director;

2) The Board's report shall disclose the composition of the Corporate Social Responsibility Committee.
3) The Corporate Social Responsibility Committee shall,

a. formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;

b. recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and

c. monitor the Corporate Social Responsibility Policy of the company from time to time.
SECTION 135 {CONTD.}

4) The Board of every company referred to in sub-section (1) shall,

a) After taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose the contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and

b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.
5) The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.
Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities;

Provided that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.
Activities which may be included by companies in their Corporate Social Responsibility Policies:
(i) eradicating extreme hunger and poverty;
(ii) promotion of education;
(iii) promoting gender equality and empowering women;
(iv) reducing child mortality and improving maternal health;
(v) combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
(vi) ensuring environmental sustainability;
(vii) employment enhancing vocational skills;
(viii) social business projects;
(ix) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socioeconomic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
(x) such other matters as may be prescribed
Under Clause (o) of Sub-Section (3) of Section 134

- There shall be attached to statements laid before a company in a general meeting, a report by its Board of Directors, which shall include:

  (o) The details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year.
Sub Section (8) of Section 134

- If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.
Notified Rules on MCA Website

Guiding Principle

- CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies;

- CSR is not charity or mere donations;
Guiding Principle

- CSR is a way of conducting business, by which corporate entities visibly contributing to the social good;

- Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits;

- They use CSR to integrate economic, environmental and social objectives with the company’s operations and growth.
1. Companies activities may generally be conducted as projects or programmes (either new or ongoing) excluding activities undertaken in pursuance of the normal course of business of a company. The CSR Committee constituted under sec 135(1), shall prepare the CSR Policy of the company which shall:

- Specify the sectors in which the projects and programmes are to be undertaken;
Prepare a list of CSR projects/programmes which a company plans to undertake during the implementation year, specifying modalities of execution in the areas/sectors chosen and implementation schedules for the same;

Focus on integrating business models with social and environmental priorities and processes in order to create shared value;

Provide that surpluses arising out of CSR activities will not be part of the business profits of a company.
2. The CSR Committee shall prepare a transparent monitoring mechanism for ensuring implementation of the projects / programmes / activities proposed to be undertaken by the company.
3. Where a company has set up an organization which is registered as a Trust or Section 8 Company, or Society or any other form of entity incorporated in India to facilitate implementation of its CSR activities in accordance with its stated CSR Policy,

a) The contributing company should specify the activities to be undertaken by such an organization utilizing funds provided by it;

b) The contributing company shall establish a monitoring mechanism to ensure that the allocation is spent for the intended purpose only.
4. A company may also conduct/implement its CSR programmes through Trusts, Societies or Section 8 companies incorporated in India, which are not set up by the company itself;

5. Such spends may be included as part of its prescribed CSR spend only if such organizations have an established track record of at least three years in carrying on activities in related areas.
6. Companies may collaborate or pool resources with other companies to undertake CSR activities and any expenditure incurred on such collaborative efforts would qualify for computing the CSR spending;

7. Only such CSR activities will be taken into consideration as are undertaken within India.
8. Only activities which are not exclusively for the benefit of employees of the company or their family members shall be considered as CSR activity;

9. All companies falling under the provision of Section 135 (1) of the Act shall report the details of their CSR initiatives as part of the Directors’ Report in the Annual Report which should also be available on the company’s website.
Reporting on CSR Initiatives

1. Provide a brief outline of the company’s CSR policy including the statement of intent reflecting the ethos of the company, broad areas of CSR interest and an overview of activities proposed to be undertaken;

2. Indicate the web-link to the CSR Policy. The policy should include the full list of projects/activities/programmes proposed to be undertaken by the company. must be provided.
Reporting on CSR Initiatives...

3. The composition of CSR Committee

4. Average Net Profit of the company for last 3 financial years

5. Threshold limit (2% of this amount as in 4 above)
6. Details of CSR activities/projects undertaken during the year in the following table:

- total amount to be spent for the year;
- amount carried forward from earlier years;
- Amount spent during the year as below;
- Amount carried forward for the year.
6. Details of CSR activities/projects undertaken during the year in the following table: (cont’d)

<table>
<thead>
<tr>
<th>Sr No.</th>
<th>1. CSR activity identified</th>
<th>2. Sector in which the project is covered</th>
<th>3. Projects/Programmes 1. Local areas/others 2. Specify the state/district</th>
<th>4. Amount outlay (budget) programme wise</th>
<th>5. Amount spent on the programme/project Subheads 1. Direct expenditure on projects 2. Overheads</th>
<th>6. Cumulative spend upto the reporting period</th>
<th>7. Amount spent Direct through implementing agency</th>
<th>Total</th>
</tr>
</thead>
</table>

* Give details of Implementing Agency
Reporting on CSR Initiatives...{CONT'D.}

7. In case the company has failed to spend the 2% of Average Net Profit (INR) of last 3 financial years, please provide the reasons for not spending the amount;

8. A responsibility statement of the CSR Committee, that the CSR Policy implementation and monitoring thereof is, in letter and spirit, in compliance with CSR Objectives.
Reporting on CSR Initiatives...{CONTD.}

- Signed

- (CEO/Managing Director/Director)

- (Chairman CSR Committee)
Let us show that we do care.....

and together make a difference!!

THANK YOU