Corporate Social Responsibility: Concept & Practise

CSR provisions (sec 135)

- (a) net worth of the company to be Rs 500 crore or more in any of three preceding financial years;
- (b) turnover of the company to be Rs 1000 crore or more in any of three preceding financial years;
- (c) net profit of the company to be Rs 5 crore or more in any of three preceding financial years.
  - Further as per the CSR Rules, the provisions of CSR are not only applicable to Indian companies, but also applicable to branch and project offices of a foreign company in India.

CSR provisions (sec 135) cont..

- Every qualifying company requires spending of at least 2% of its average net profit for the immediately preceding 3 financial years on CSR activities.
- Net profit is to be calculated as per section 198
- In effect the net profit is pre-tax profit
- Net profit shall not include any profit any profit arising from overseas branches and dividend received from companies complying with section 135

CSR Committee

- The qualifying company will be required to constitute a committee (CSR Committee) of the Board of Directors (Board) consisting of 3 or more directors out of which one director shall be an independent director.

CSR Committee: Responsibilities

- CSR Committee shall formulate and recommend to the Board,
  - A policy which shall indicate the activities to be undertaken (CSR Policy);
  - Recommend the amount of expenditure to be incurred on the activities referred and
  - Monitor the CSR Policy of the company.

Schedule VII – CSR THEMATIC AREAS

1. Eradicating hunger, poverty and malnutrition, promoting health care, sanitation & safe drinking water

2. Promotion of education, special education and vocational skills

3. Gender Equality, Women empowerment , senior citizens and economically backward groups

4. Protection of National Heritage, art and culture

5. Benefits to armed forces veterans, war widows

Schedule VII – CSR THEMATIC AREAS…

6. Ensuring environmental sustainability, ecological balance, wildlife & natural resources conservation

7. Technology incubators within academic institutions

8. Rural sports, Paralympic and Olympic sports

9. PM National Relief Fund and any other funds setup by the Central Govt. for socio economic development & welfare of SC/ST/OBC

10. Rural Development projects

Schedule VII – NEW CSR THEMATIC AREA ADDED

11. Slum Development Projects

Schedule VII – NEW CSR THEMATIC AREA ADDED (Circular Dated 24th Oct'14)

In item (i) "Contribution to Swatch Bharat Kosh set-up by Central Govt. for the promotion of sanitation" is inserted

In item (iv) "including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of River Ganga" is inserted

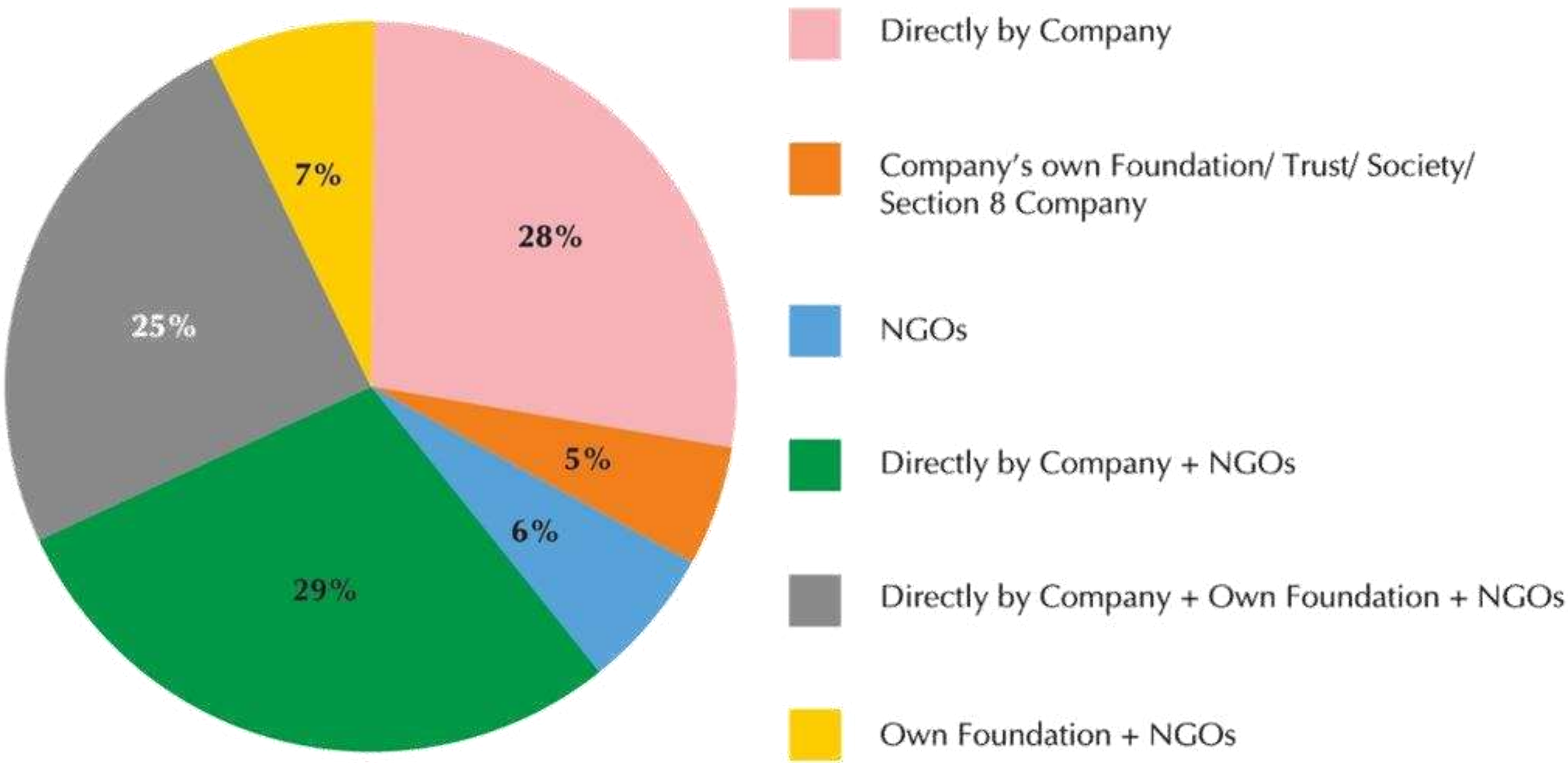
CSR Spending: Exclusions

- CSR spending in kind is not counted to calculate CSR spending under the Companies Act 2013 due to valuation worries.
- Activities that the company undertakes in pursuance of applicable laws and regulations are not CSR activities
- Activities that a company undertakes as a part of its business are not CSR activities.
- Activities to benefit employees or their families exclusively are not CSR activities.

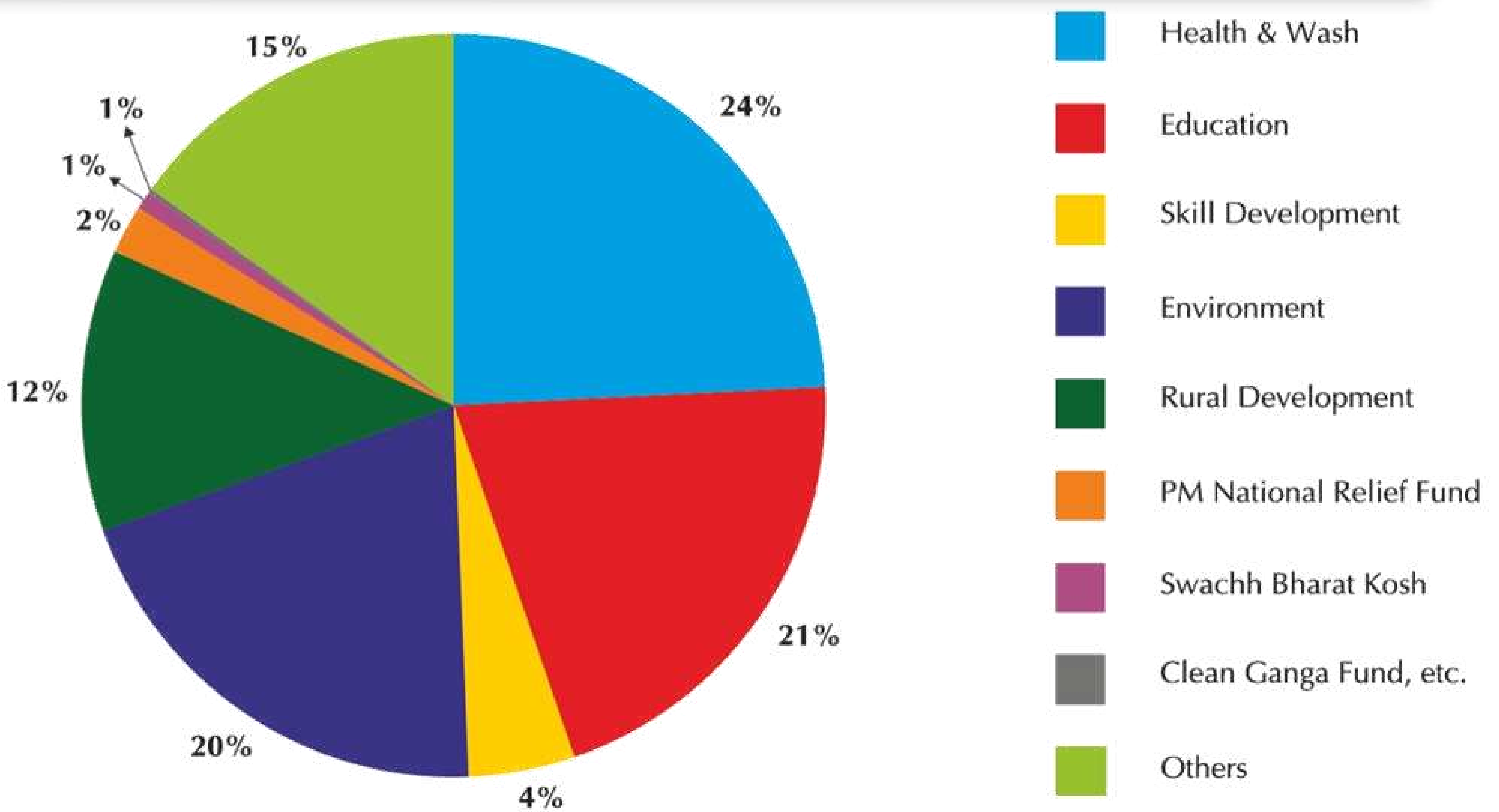
CSR Activities - Implementation

- CSR activities shall be undertaken as projects or programmes
- CSR activities can be undertaken through a registered trust, or registered society or a section 8 company established by the company or its holding, subsidiary or associate company.

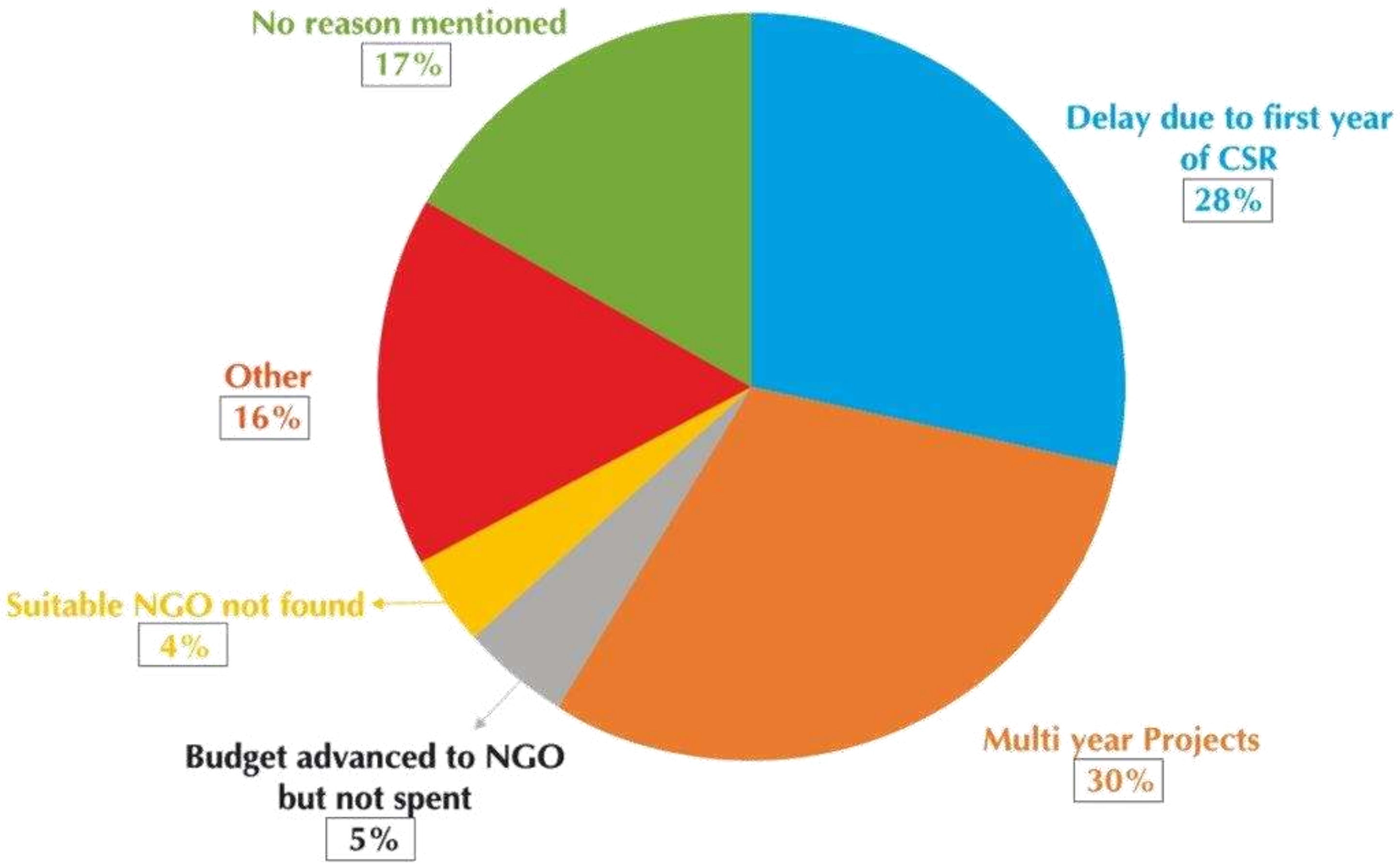
Project Implementation



Sector-wise break-up of CSR Spend



Reason(s) for not spending the prescribed CSR budget



Role of the Board

- Important oversight role to play in ensuring that companies have systems in place to effectively manage key risks, including the potential for reputational harm and legal liability associated with adverse social and environmental impacts

- Ensure that they have the information they need to evaluate the effectiveness of a company's existing management systems with regard to social and environmental concerns

- To raise questions regarding the processes and criteria by which management personnel evaluate the social and environmental risks

- Establishing and reinforcing expectations with regard to the short- and long-term management of social and environmental risks.

Thanks