

# CORPORATE SOCIAL RESPONSIBILITY

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# Presentation Outline



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# APPLICABILITY OF CSR



# CSR Definition

Means the activities undertaken by a Company in pursuance of its statutory obligation laid down in section 135 read with Schedule VII to the Act, but shall not include following:

# CSR Committee

- ❑ CSR Committee shall consist of 3 or more directors out of which at least one director shall be an independent director
- ❑ Where a company is not required to appoint an independent director under sub-section (4) of section 149, it shall have in its Corporate Social Responsibility Committee two or more directors
- ❑ Where a private company has only two directors on the Board, the CSR Committee can be constituted with these two directors
- ❑ The Board's report shall disclose composition of the Corporate Social Responsibility Committee.





# Roles and Responsibility of CSR Committee

- ▶ To formulate and recommend to the Board, a CSR Policy which would indicate the activities to be undertaken by the company in areas or subject specified in schedule VII of the Act
- ▶ To recommend the amount of the expenditure to be incurred on the activities undertaken in pursuance of the CSR policy.
- ▶ To monitor the CSR policy of the company.
- ▶ To formulate and recommend to the Board Annual Action Plan which should consist of following:
  - ▶ List of CSR Project/ Programmes
  - ▶ Manner of execution of such projects
  - ▶ Modalities of utilization of funds as well implementation schedule

# Role of Board of Director

- ▶ Approve CSR Policy
- ▶ Ensure implementation of CSR Policy
- ▶ Approve Annual Action Plan
- ▶ Spend 2% of Average Net Profit of the preceding three financial year
- ▶ Disclose the content of CSR policy in the Board Report
- ▶ Place the CSR policy on the website of the company
- ▶ Involvement of all concerned stakeholders in CSR Implementation





# List of CSR Activities [Schedule VII of the Companies Act, 2013]

- ▶ eradicating hunger, poverty and malnutrition,
- ▶ promoting education, including special education and employment enhancing vocation skills
- ▶ promoting gender equality, empowering women
- ▶ protection of national heritage, art and culture
- ▶ Measures for armed Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows;
- ▶ training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports;
- ▶ contribution to the Prime Minister's National Relief Fund or Prime Minister's CARES FUND
- ▶ Contributions to public funded Universities (IITs, DRDO, CSR, SDGs)
- ▶ rural development projects
- ▶ Slum area development;





# Implementing Agencies for CSR Activities

**The Board shall ensure that the CSR activities are undertaken by the company itself or through –**

- ▶ a company established under section 8 of the Companies Act, 2013 or a registered public trust or a registered society, registered under section 12A and 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company; or
- ▶ a company established under section 8 of the Companies Act, 2013 or a registered trust or a registered society, established by the Central Government or State Government; or
- ▶ any entity established under an Act of Parliament or a State legislature; or
- ▶ a company established under section 8 of the Companies Act, 2013, or a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities



# CSR Policy

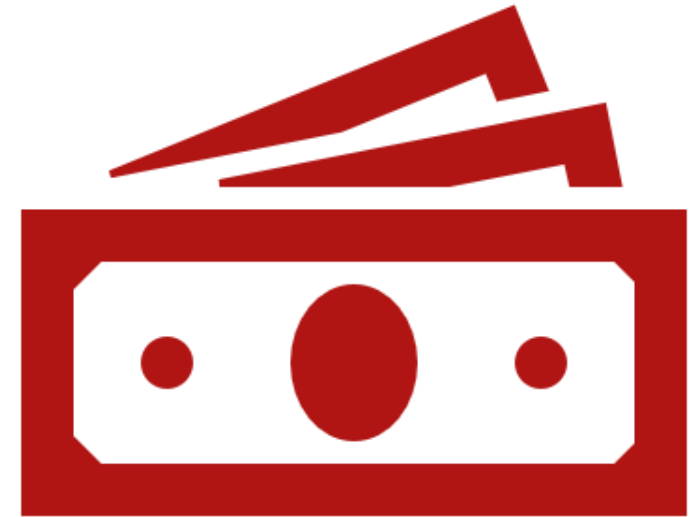
“CSR Policy” means a statement containing the approach and direction given by the board of a company, taking into account the recommendations of its CSR Committee, and includes guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan.

# Net Profit Calculation

Net profit means net profit of the company as per its financial statements prepared in accordance with the applicable provisions of the Act, but shall not include the following

- ▶ Any profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise; and
- ▶ Any dividend received from other companies in India, which are covered under and complying with the provision of section 135 of the Act;

**The net profits shall be calculated in accordance with provisions of section 198 of the Act.**



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# Consequences of Non Compliance

## Penalty on the Company

- Upto twice the amount required to be transferred by the company to the fund specified in Schedule VII or Unspent CSR Account Or
- Rs 1 Crore, whichever is less

## Penalty on every officer of the Company who is in default

- 1/10<sup>th</sup> of the amount required to be transferred by the company to the fund specified in Schedule VII or Unspent CSR Account
- Rs 2 Lakhs, whichever is less

Thank you