



CORPORATE SOCIAL RESPONSIBILITY (CSR)



CSR PROVISIONS OF THE COMPANIES ACT

Section 135:

1. Every company having -
 - Net worth of **Rs. 500 crore or more**, or
 - Turnover of **Rs. 1,000 crore or more** or
 - Net profit of **Rs. 5 crore or more**during any financial year shall constitute a CSR Committee.

“Net profit” means the **net profit of a company as per its financial statement** prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely-

- 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 provisions of section 135 of the Act.

“Any financial Year” means any of the Three Preceding financial years.

(General Circular No. 21/2014 dt. 18.06.2014)

2. The composition of the Corporate Social Responsibility Committee **shall disclose in the Board Report.**
3. The Corporate Social Responsibility Committee shall,—
 - Formulate CSR policy and recommend to board indicating the activities to be undertaken as specified in schedule VII (*for details please refer page no. 6*)
 - Recommend the amount of expenditure to be incurred
 - Monitor CSR Policy from time to time

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4. The Board of every company referred to in point number 1 shall ensure that the company spends, in every financial year, at least 2% of the **average net profits** of the company made during the **three immediately preceding financial years**, in pursuance of its Corporate Social Responsibility Policy:


If the company fails to spend such amount, the Board shall, in its Board report specify the reasons for not spending the amount.

*For the purposes of this section “**average net profit**” shall be calculated in accordance with the provisions of section 198 of the Companies Act, 2013.*

5. Every company which ceases to be a company covered under point number 1 for **three consecutive financial years shall not be required** to comply with the CSR provisions.

Rule 4: CSR ACTIVITIES :

1. The CSR activities shall be undertaken by the company, **as per its stated CSR Policy**, as projects or programs or activities (either new or ongoing), excluding activities undertaken in pursuance of its normal course of business.
2. The Board of a company may decide to undertake its CSR activities approved by the CSR committee through a **registered trust** or a **registered society** or a **company established under section 8** of the Act by the company, **either singly or along with its holding or subsidiary or associate company, or along with any other company or holding or subsidiary or associate** of such other company or otherwise:
 - *If such trust, society or company is not established by the company either singly or alongwith its holding or subsidiary or associate company, or alongwith any other company or holding or subsidiary or associate company of such other company shall have an **established track record of 3 years** in undertaking similar programs or projects;*
 - *The company has specified the project or programs to be undertaken through these entities, the modalities of utilization of funds on such projects and programs and the monitoring and reporting mechanism.*

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3. A company may also collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR Committees of respective companies are in a position to report separately on such projects or programs in accordance with these n rules.
 4. Subject to provisions of sub-section (5) of section 135 of the Act the **CSR projects or programs or activities undertaken in India only** shall amount to CSR expenditure.
 5. The CSR projects or programs or activities that **benefit only the employees of the company and their families shall not be consider as CSR** activities in accordance with section 135 of the Act.
 6. Companies may build CSR capacities of their own personnel as well as those of their Implementing agencies through Institutions with **established track records of at least 3 financial years** but such expenditure **shall not exceed 5% of total CSR expenditure** of the company in one financial year.
 7. Contribution of any amount directly or indirectly to **any political party under section 182 of the Act, shall not be considered as CSR activity.**

SCHEDULE VII

➤ **Activities which may be included by companies in their Corporate Social Responsibility Policies-**

Activities relating to:—

1. eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water;
2. promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
3. promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
4. ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;
5. protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
6. measures for the benefit of armed forces veterans, war widows and their dependents;
7. training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports;
8. contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
9. contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
10. rural development projects.
11. slum area development.

➤ ***For the purposes of this item, the term 'slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.]***

CATEGORIES OF CSR ACTIVITIES

The activities that can be done by the company to achieve its CSR obligations include:-

- eradicating extreme hunger and poverty,
- promotion of education,
- promoting gender equality and empowering women,
- reducing child mortality and improving maternal health, combating human immunodeficiency virus, acquired, immune deficiency syndrome, malaria and other diseases,
- ensuring environmental sustainability,
- employment enhancing vocational skills, social business projects,
- contribution to the **Prime Minister's National Relief Fund, Swach Bharat Kosh, Clean Ganga Fund** or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women and
- such other matters as may be prescribed.

THE FOLLOWING ARE EXAMPLES OF EXPENDITURES CAN BE CLASSIFIED AS CSR EXPENDITURE:

- ❑ Any company supplying its goods or services manufactured/ provided by it free of cost or at a concessional rate to people affected by natural calamities like flood, earthquake etc.
- ❑ A company decides that for every pack of pencils sold by the company, Rs. 0.50 will go towards education of a girl child. The amount earmarked from such sale will not be automatically considered as CSR and only such of the amounts which are spent will qualify to be considered as CSR spend.
- ❑ Spending in Technical and Vocational Training for skill building based on training cum apprenticeship results in enhancing the employability of such trainees. Cost of such expenses such as stipend, faculty, infrastructure costs etc will be included as CSR activities. It will not deprive the company which is providing such training to hire a trainee from that pool of talent. However, if such a training is provided to existing employees then it shall not qualify as CSR.

Source: FAQs on CSR issued by Corporate Laws & Corporate Governance Committee ICAI

SOME ACTIVITIES SHALL EXCLUDE ITS' NORMAL COURSE OF BUSINESS & CSR:

- ❑ An electricity distribution company connecting the last house in a village cannot classify such expense as CSR.
- ❑ Similarly a tea plantation company planting trees and shrubs in close proximity to such tea plantations cannot be classified as CSR spending since they are in the ordinary course of business of such businesses.
- ❑ Similarly, Programmes or projects or activities that are carried out as a pre-condition for setting up a business or as part of a contractual obligation undertaken by the company or in accordance with any other law, should not be considered as CSR.
- ❑ Spending on installation of rain water harvesting or a device to prevent pollution which are mandatorily required to be carried out by law shall not qualify as CSR spend. Such requirements under relevant regulations prescribed as a necessary part of running of the business, would be considered to be the activities undertaken in the 'normal course of business' of the company and, therefore, would not be considered CSR activities.

TREATMENT OF SHORTAGE IN CSR SPEND AND DISCLOSURE:

- ❑ Any **shortfall in spending in CSR** shall be explained in the financial statements and the Board of Directors shall state the amount unspent and reasons for not spending that amount. Any such shortfall is not required to be provided for in the books of accounts. However, if a company has already undertaken certain CSR activity for which a contractual liability has been incurred then, a provision for the requisite amount payable to record that liability needs to be recognized as per the applicable Accounting Standard. **Any amount excess spent (*i.e., more than 2% as specified in Section 135*) cannot be carried forward to the subsequent years.** However, the company is entitled to disclose in their Annual Reports of subsequent years any such excess spending of previous years while giving reasons for not spending in those later years.

SOME ESSENTIAL FAQs ON CSR

- ❖ **Whether CSR expenditure of a company can be claimed as a business expenditure ?**
 - The amount spent by a company towards CSR **cannot be claimed as business expenditure**. The Finance Act, 2014 provides that any expenditure incurred by an assessee on the activities relating to CSR referred to in section 135 of the Companies Act, 2013 **shall not be deemed to be an expenditure incurred by the assessee for the purposes of the business or profession**.

- ❖ **Can the CSR expenditure be spent on the activities beyond Schedule VII?**
 - General Circular No. 21 2014 dt. June 18 2014 of MCA has clarified that the statutory provision and provisions of CSR Rules, 2014, is to ensure that activities undertaken in pursuance of the CSR policy must be relatable to Schedule VII of the Companies Act, 2013. The entries in the said Schedule VII must be interpreted liberally so as to capture the essence of the subjects enumerated in the said Schedule. The items enlisted in the Schedule VII of the Act, are broad-based and are intended to cover a wide range of activities. The General Circular also provides an illustrative list of activities that can be covered under CSR. In a similar way many more can be covered. It is for the Board of the company to take a call on this.

SOME ESSENTIAL FAQs ON CSR

❖ What tax benefits can be availed under CSR ?

- No specific tax exemptions have been extended to CSR expenditure *per se*. The finance Act, 2014 also clarifies that expenditure on CSR does not form part of business expenditure. While no specific tax exemption has been extended to *expenditure incurred on CSR, spending on several activities like contributions to Prime Minister's Relief Fund, scientific research, rural development projects, skill development projects, agricultural extension projects, etc.*, which find place in Schedule VII, already enjoy exemptions under different sections of the income Tax Act, 1961.

❖ Can the unspent amount from out of the minimum required CSR expenditure be carried forward to the next year ?

- The Board is free to decide whether any unspent amount from out of the minimum required CSR expenditure **is to be carried forward to the next year**. However, the carried forward amount should be over and above the next year's CSR allocation equivalent to at least 2% of the average net profit of the company of the immediately preceding three years.

SOME ESSENTIAL FAQs ON CSR

- ❖ **Whether involvement of employees of the company in CSR project / programmes of a company can be monetized and accounted for under the head of CSR expenditure ?**
 - Contribution and involvement of employees in CSR activities of the company will no doubt generate interest / pride in CSR work and promote transformation from Corporate Social Responsibility (CSR) as an obligation. to Socially Responsible Corporate (SRC) in all aspects of their functioning. Companies therefore, should be encouraged to involve their employees in CSR activities. However monetization of pro bono services of employees would not be counted towards CSR expenditure.

CSR BY LARSEN AND TOUBRO LIMITED (L & T):

- The Company has primarily focus on CSR programme in clean drinking water, Education, Health, Skill development. CSR programme will be undertaken by the Company in identified areas by entering into partnership with the government, business partners and communities to create multiplier effect of its social programmes also the Company may use the services of internal teams, employee volunteers, expert agencies, consultancy firms etc. wherever required for carrying out base line surveys, guidance on programme design and implementation, impact assessment surveys etc.
- **Details of CSR spent during the financial year 2014-15:**

Total amount to be spent for the financial year	The Company is required to spend Rs. 106.21 cr during the financial year 2014-15.
Amount unspent	The Company has not spent Rs.29.67 cr during the financial year 2014-15.
Reasons for not spending the amount during the Financial Year	The Company has always taken up social and community development initiatives at its establishments and project sites and has been contributing to the welfare of underprivileged over the last four decades in the areas of health, education and skill building.

Source: Annual Report of L & T for the FY 2014-15

CSR BY IRB INFRASTRUCTURE DEVELOPERS LTD :

- IRB Group believes in making meaningful and lasting contribution to the societies in which we operate. Being engaged in the development of infrastructure facilities, we clearly realise that the foundations are the bedrock upon which all the future progress will be made. Hence, the Group values and ardently promotes activities which contribute in building strong foundations of the society in which we operate. The Company take up initiatives in various activities like providing education & healthcare, promoting gender equality, measures for the welfare of the armed forces, etc. The Group has also endeavoured to foster the spirit of supporting worthy social causes in its employees also. One such initiative to **support various NGOs is through financially sponsoring & Corporate participation.**
- Details of CSR spent during the financial year 2014-15:**

Total amount to be spent for the FY	The Company is required to spend Rs. 25,570,853 during the FY 2014-15.
Amount unspent	The Company has not spent Rs. 25,570,853 during the FY 2014-15.
Reasons for not spending the amount during the Financial Year	The Group has already spent substantial amount aggregating to Rs. 6.19 Crores on CSR initiatives in last financial year itself. Accordingly, the Group has already taken steps in this direction and now incorporated a “not-for-profit” company under Section 8 of the Companies Act, 2013, viz. IRB Charitable Foundation. This Foundation will facilitate implementation of CSR initiatives in the field of Right to Education. Hence the Company could not spend entire amount of CSR spend in the financial year 2014-15.

Source: Annual Report of IRB Infrastructure Developers Ltd for the FY 2014-15

CSR BY UNICHEM LABORATORIES LIMITED :

- Unichem being a pharmaceutical company, is naturally inclined to improve the health of the general public at large and the Company is well known for its Quality and Reliability for over six decades. The present CSR initiatives focuses on two main recognized activities mentioned in Schedule VII of the Companies Act, 2013, namely promoting education and promoting preventive health care particularly for scheduled tribes.
- During the year under review the Company has spent Rs. 241.75 lacs on CSR which is 1.57 % of the average profits, for the last three Financial Years.
- The Company could not spend up to 2 % of the net profits as stipulated in the Companies Act, 2013 as the Company's profits/ earnings were lesser than the previous Financial year.

Source: Annual Report of Unichem Laboratories Limited for the FY 2014-15

CSR BY BEML LIMITED :

- ❖ The Company has primarily focus on CSR programs, that will be undertaken by Corporate Office / various Complexes/Divisions, zonal offices/Regional Offices / District offices/ Work Centers of BEML to the best possible extent within the defined ambit Schedule VII. BEML will seek to identify suitable programs for implementation in line with the CSR objectives of the Company and benefit the stakeholders and the community for which those programs are intended. These works could be done through: Registered Trust / Registered Society, Company established by the Company or its holding or subsidiary or associate Company under Section 8 of Company's Act., Collaboration with other CPSEs / Companies, Elected local bodies such as Panchayats, Mahila Mandals/ Samitis, Trusts, Missions, Government, Semi - Government and autonomous Organizations & others.
- ❖ The average net profit of the Company for the **last three financial years is nil**. Hence, the amount to be spent on CSR activities for the year is **nil as per the provisions of the Companies Act, 2013**. However, in continuing with the endeavour towards being a socially responsible business entity, the Company incurred a sum of Rs. 3.89 Cr towards CSR Activities during the year.

CSR BY INFRASTRUCTURE LEASING & FINANCIAL SERVICES LIMITED (IL&FS):

- ❖ The Company believes that the activities that it is engaged in i.e, building and financing of infrastructure will shape the communities of tomorrow. Accordingly, the Company is focusing on strengthening development multipliers of projects through supporting interventions which lead to a sustainable and inclusive growth. The Company will undertake CSR projects / programmes that are in conformity with Schedule VII of the Act. This will primarily entail undertaking a variety of programs for enhancing economic activity and skilling, which will be supplemented with interventions to improve the quality of life of stakeholders in the project catchment areas. Employment and livelihood creation have been considered as guides in setting up the CSR projects CSR Activities shall not include the activities undertaken in pursuance of normal course of business of the Company;
- ❖ **Details of CSR spent during the financial year 2014-15:**

Total amount to be spent for the FY	The Company is required to spend Rs. 38.8 million during the FY 2014-15.
Amount unspent	The Company has not spent Rs. 12.1 million during the FY 2014-15.
Reasons for not spending the amount during the Financial Year	FY 2015 has been the first year of the enactment of Section 135 of the Companies Act, 2013 and the associated CSR Rules, 2014. Several amendments/clarifications were issued by the Government over June, 2014 to January, 2015. The Company has been tracking these changes and working towards identifying relevant CSR interventions which meet the intent of the law and the CSR policy.

CSR BY JINDAL STEEL & POWER LIMITED (JSPL):

- ❖ The Company strongly believes that sustainable community development is essential for harmony between the community and the industry. The Company endeavours to make a positive contribution especially to the underprivileged communities by supporting a wide range of socioeconomic, educational and health initiatives. The company strongly believes that sustainable community development is essential for harmony between the community and the industry. It endeavors to make a positive contribution to the underprivileged communities by supporting a wide range of socio-economic, educational and health initiatives. Also, it is committed to integrate its business values and operations to meet the expectations of all its stakeholders.
- ❖ During the year under review the Company has spent Rs. 47.97 Cr on CSR which is 2% of the average profits, for the last three Financial Years.
- ❖ The company serve its communities by:
 - Ensuring they benefit from its presence by proactively responding to their needs
 - Building and strengthening community institutions and Panchayati Raj Institutes (PRIs)
 - Working in partnership with civil society organisations (CSOs) and government bodies to widen the reach and leverage each partner's individual experience and expertise
 - Providing all assistance during times of disasters
 - Encouraging its employees to volunteer

SECTOR IN WHICH CSR CONTRIBUTED BY COMPANIES:

Company Sector	Larsen & Toubro Limited	Peninsula Land Limited	Unichem Laboratories Ltd	TATA Steel Limited
Health	Blood donation camps, Health Camps (general, eye, dental, vaccinations) and health awareness in Haryana, Punjab, Kochi, Chhattisgarh	Contribution in Aayushi General & Women Hospital, Mobile Health Unit in Nashik.	Medical needs of Adiwasies & health camps in Shahpur, Thane, Maharashtra.	Eradicating hunger, poverty and Malnutrition available safe drinking water, Promoting health care including preventive healthcare in Odisha & Jharkhand.
Education	Awareness programs (health and hygiene, road safety, career guidance, personality development) in Gujarat, M.P. Tamil Nadu	Feasibility Study English Medium School Project, Scholarship in Dist: Jhunjhunu, Raj.	Educational Aid & Scholarships in Ahmadabad, Gujarat & Maharashtra.	Promotion of education including special Education in Odisha , West Bengal & Jharkhand.
Livelihood	-	Invest -Vocational Skill Training in Mumbai & Dist: Jhunjhunu, Raj.	-	Employment enhancing vocational skills especially to women, children, differently abled in Mumbai.
Environment	-	Environment Awareness in Nagpur	-	Protection of flora & fauna, agro forestry, animal welfare, resource Conservation

SECTOR IN WHICH CSR CONTRIBUTED BY COMPANIES:

Company \ Sector	Jindal Steel Power Limited	Infrastructure Leasing & Financial Services Limited
Health	Village Health Camps, Multi-speciality Health Camps, Population Stabilisation (Kishori Express, LTT etc.), programs, HIV/ AIDS awareness, in Angul, Barbil, Tensa (Odisha),	Eye Surgery Camp, Flood Relief Activity, Construction of Toilet Blocks
Education, Sports, Art & Culture	Sports Tournaments, Coaching Camps, Providing Sports equipments to community, Youth Sports Club, Celebration of special days, Gramin Mela in Raigarh, Patratu, Jeraldabaru, Godda (Jharkhand), Barbil, Tensa (Odisha).	Nalanda Learning Facilitation Programme, Education (Solar Power Solution for Govt. School) in Chenani, Udhampur; Jammu & Kashmir
Contribution to the Swach Bharat Kosh	-	Sanitation Laboratory; Vadodara Halol Toll Road
Rural Community Infrastructure	Construction of Community Buildings, Roads, Rural Electrification, Construction, Repair & Renovation of Government Schools, Construction of Bridges/Culverts/Sheds/Ghats in Raigarh, Patratu, Jeraldabaru, Godda (Jharkhand), Barbil, Tensa (Odisha).	Rural Infrastructure in Tehtajpur; Solar Power Moradabad Bareilly, Sanitation Laboratory;

THANK YOU

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