

Corporate Social Responsibility



CSR - REPORTING & MONITORING WITH RECENT AMENDMENTS



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PC JAIN & CO.
Company Secretaries

Mobile No: 9811087881 / 9953008338
Mail id: corporatelegal@cspcjain.com
Delhi || Faridabad || Gurugram

CSR- BACKGROUND

- Definition of CSR

“Corporate Social Responsibility is a management concept whereby Companies integrate social and environmental concerns in their business operations and interactions with their stakeholders”.

- Key TakeAways of CSR- Three Main Pillars

- (i) **Environmental Sustainability:** by way of reducing carbon footprint or wasteful practices.
- (ii) **Social Responsibility:** Towards company’s employees, consumers and wider community.
- (iii) **Good Governance Responsibility:** Honest & Transparent Accounting Practices and Regulatory Compliance.

CSR- LEGAL FRAME WORK

- New concept of CSR has been introduced under section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility) Rules, 2014.
- Change in thought process-
It is “comply or explain” it is not they “must do it” but “do it and explain why we fail to do it”.
- **Applicability of CSR-**
Company which fulfills any one of the condition in the immediately preceding FY.-
 - (i) Companies having Networth of Rs.500 Cr or more, OR
 - (ii) Companies having turnover of Rs.1000 Cr or more, OR
 - (iii) A net profit of Rs.5.00 Cr
- Applicable to every company including Holding Company, Subsidiary Company, Foreign Company including its branch office or project office in India.
- Net profit to be calculated as prescribed under section 198 of the Act.

CSR- Legal Process

- Constitution of CSR Committee in a company which requires to spend more than 50 lakhs CSR expenditure.
- CSR Committee shall consist at least three director (two in case of Pvt Ltd company) one of whom should be ID. No need of ID in case of Pvt Ltd.
- CSR Policy should be approved by the Board on the recommendation of CSR Committee.
- Approval by CSR committee on CSR obligation @ 2% of average net profit of immediately three previous financial years.
- Identification & approval of CSR project(s) or activities for CSR expenditure as per schedule VII.
- CSR activities Implementation, monitoring & reporting for effective utilization of CSR fund either in house resources or through eligible CSR agencies like – Registered Trust or Society or section 8 Company.

CSR- Implementation Mechanism

- MCA vide notification dated 22nd January, 2021 brought significant & flexible mechanism for implementation of CSR project by way of-
 - ✓ **On Going Projects-** for big & capital intensive projects having life of not less than three years.
 - ✓ **Non-on Going projects-** for short duration having life of one year or less only.
- CSR Committee / Board of Directors are at their discretion can decide the area & time line for CSR expenditure on different projects which falls under Schedule VII of the Act.
- CSR projects / activities can be implemented either through company's own administrative resources & capabilities or registered implementation agencies.
- CSR project / activities can be implemented with the pooling of CSR fund of one or more companies for any project / activities.
- CSR implementation mechanism may depend on size of CSR fund , number of projects, geographical reach, implementation team size with focused vision & objective of CSR expenditure.

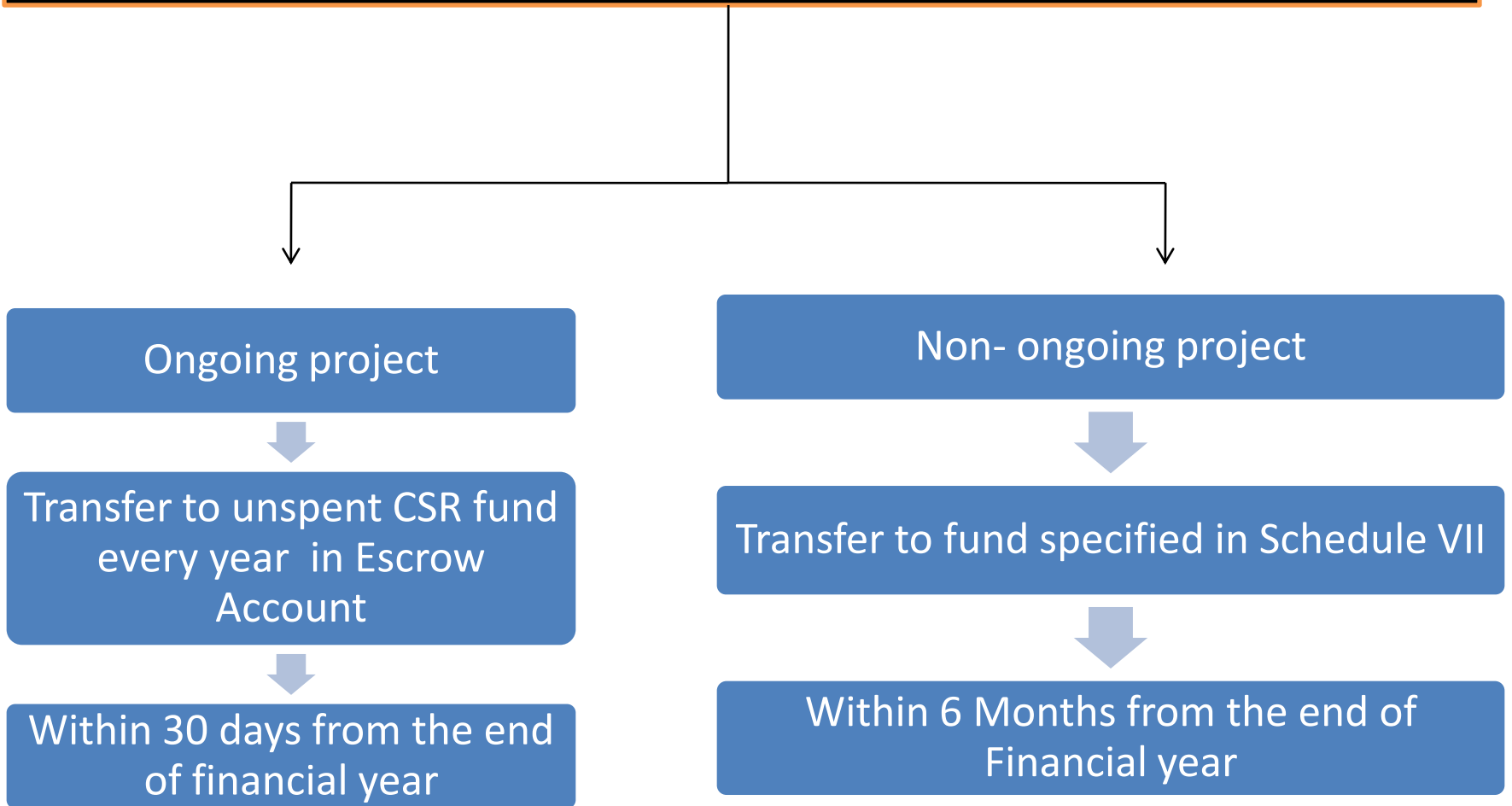
CSR- Compliance Reporting

- At the initial years of CSR reporting in the year 2014, the Company was required to disclose its CSR obligation and unspent amount, if any-
 - i. In the report of the Board of Directors only.
 - ii. In the AOC-4 with financial statement.
- With the object of maintenance of compressive data base of CSR expenditure on various projects and plug the loopholes in implementation of CSR projects, MCA amended CSR rules from time to time.
- MCA introduced mandatory registration for CSR implementation agencies on CSR-1
- MCA introduced a detailed reporting system of CSR expenditure & projects by the company on CSR-2 at the end of each financial year.
- Board Report also contains detailed annual report on CSR obligations, projects & expenditure and unspent amount, if any with reason thereof on the format prescribed.

CSR- Reporting continue...

- Impact assessment of project is mandatory if-
 - ✓ Total CSR obligation in immediately preceding three financial years is more than 10.00 Cr.
 - ✓ Impact assessment by independent agency for projects having CSR expenditure outlay of Rs. 1.00 Cr or more.
 - ✓ Impact assessment report shall be placed before the board and annexed with the Annual Report.
 - ✓ Expenditure upto 5% of CSR expenditure or Rs. 50 lacs whichever is less allowed.
- Display on website- The company shall mandatorily disclose the composition of CSR Committee, CSR Policy and CSR project approved by the Board on the website.

CSR- Unspent amount



CSR- Effective Monitoring

- **Monitoring by Company or implementing Agency:**
 - ✓ Effective monitoring requires–
 - Focused implementation,
 - Budgetary Planning.
 - Dedicated team for CSR activities,
 - Good governance practices adopted by the management.
 - ✓ Monitoring by CSR Committee / BoD.
- **Monitoring by MCA-**
 - ✓ Critical examination of CSR details / reports filed with MCA.
 - ✓ Establish a dedicated CSR data base- each company wise, sector wise, project wise, expenditure wise, location wise etc for effective monitoring.
 - ✓ MCA is likely to host National CSR data portal shortly.
 - ✓ Identification of non-compliant companies and issue of show cause notices & prosecutions.

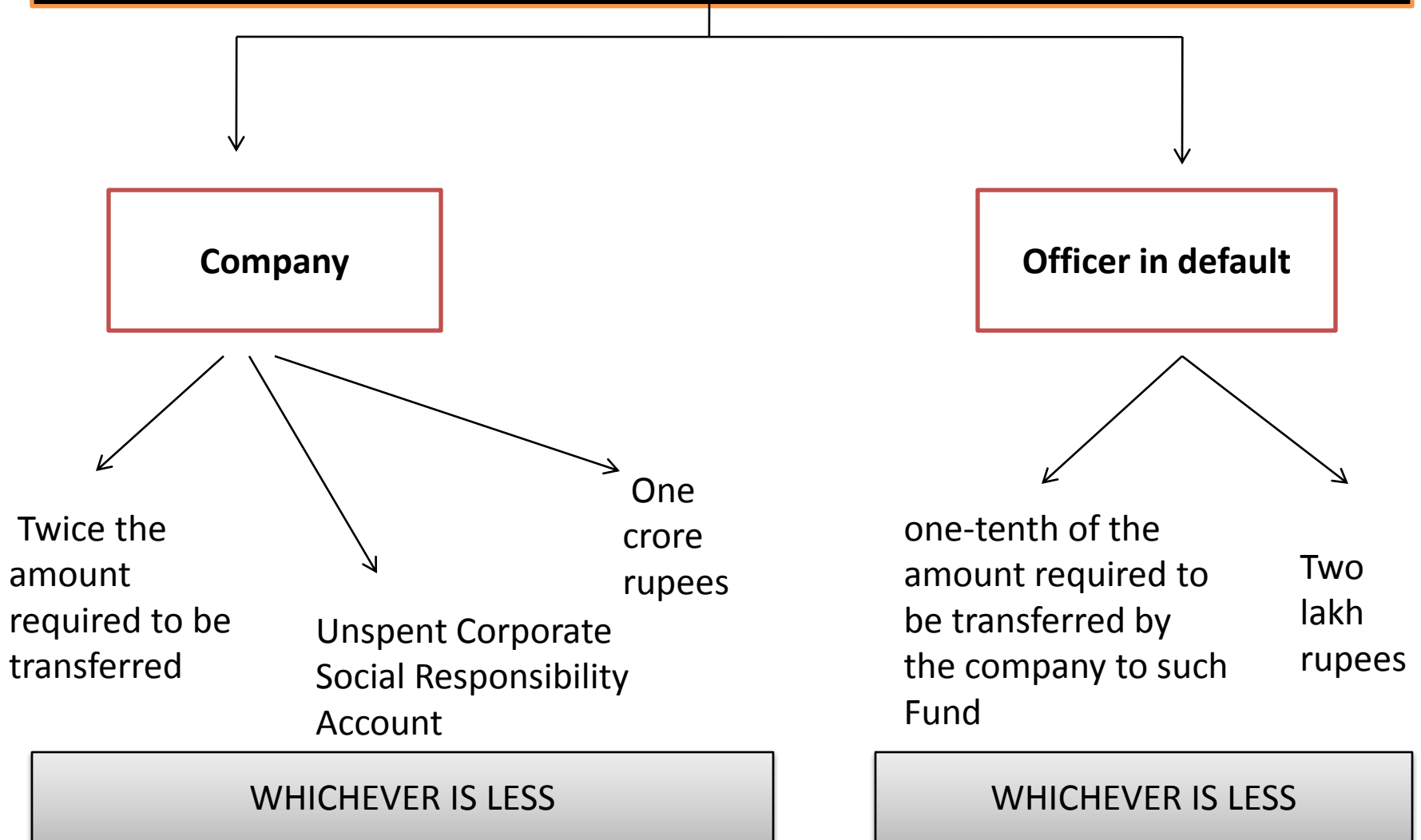
CSR- Recent Amendments

- Amendment in CSR Rules, 2014 vide MCA Notification dated 22nd January, 2021.
- FAQ issued by MCA on CSR dated 25th August, 2021.
- Amendment in Part-II Statement of Profit & Loss of Schedule III vide MCA Notification dated 24th March, 2021 (applicable for the Financial Statement 2021-22) - Mandatory Disclosure of CSR activities under section 135 of the Act in Audited Financial Statement.

CSR- Critical issues

- CSR Expenditure.
- CSR Implementation- Selection of CSR Project within Schedule VII.
- Treatment of Unspent CSR Amount
- CSR Reporting & Disclosure
- CSR Impact Assessment
- CSR Enforcement.

CSR- Penal Provisions



THANKS !

Q & A Session