



Corporate Social Responsibility in
Company's Perspective



Sridevi Smogilineedi



Agenda for Discussion

- ✓ What is CSR, Legal Framework and Eligibility Criteria
- ✓ CSR Funds overview across India – Last three FY's
- ✓ FY 24 Budget for CSR Activities
- ✓ CSR Activities as per Schedule VII of CSR Act
- ✓ Spending Options
- ✓ Ongoing Project / Other than Ongoing project
- ✓ Timelines for Funding
- ✓ Administrative Overheads in CSR
- ✓ Exclusions from Project Costs
- ✓ CSR Committee Roles and Responsibility
- ✓ Board's Roles and Responsibility & ROC Reporting
- ✓ CSR Utilization and Certification
- ✓ CSR Impact Assessment
- ✓ Do's and Don'ts
- ✓ How does a CSR team formulate its CSR strategy?
- ✓ Identifying CSR Proposals
- ✓ Preferences of CSR Proposals
- ✓ Fundraising professional (Do's)
- ✓ Screening process of CSR Proposals
- ✓ Budget factors to be considered
- ✓ Points for Implementation, Monitoring, and Evaluation
- ✓ Annexures

What is CSR, Legal Framework and Eligibility Criteria

What is CSR

CSR is a model and practice where a Company establishes initiatives, programs, and policies toward Social activities in their operations which benefits both the Society and the Company.

Legal Framework

- ✓ Corporate Social Responsibility Under Section 135 of Companies Act 2013 (“Act”)
- ✓ The Companies (CSR Policy) Amendment Rules, 2021 through an MCA notification dated 22 Jan 2021

Eligibility Criteria
{Sec 135 (1)}

Every Company
having in any
preceding FY

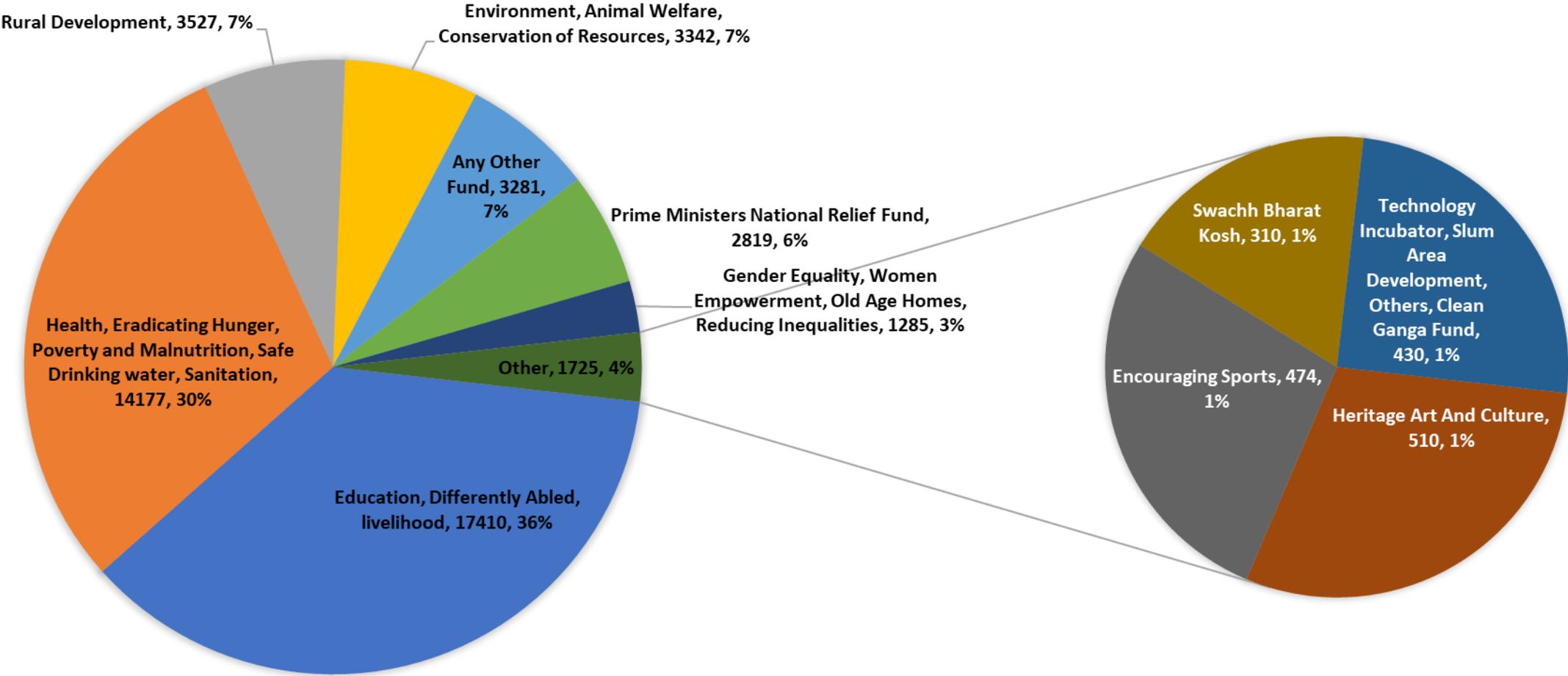
Net worth \geq INR 500 Crores

Turnover \geq INR1000 Crores

Net Profit \geq INR 5 Crores

Overall, the transformation of CSR in India from 2014 to 2023 was characterized by a shift from voluntary philanthropy to a structured, strategic, and mandatory approach.

Amount spent in Last three FY's (FY19-FY21)



CSR Activities as per Schedule VII of CSR Act

Contribution to CSR Activities/ Programs

- I. Eradicating hunger, poverty, and Malnutrition
- II. Promoting education including special education
- III. Promoting gender equality and empowering women
- IV. Ensuring environmental sustainability,
- V. Protection of national heritage, art, and culture
- VI. Measures for the benefit of armed forces veterans, war widows, and their dependents,
- VII. Training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports
- VIII. Contribution to incubators or research and development projects
- IX. Contributions to public-funded Universities
- X. Rural development projects
- XI. Slum area development
- XII. Disaster management, including relief, rehabilitation, and reconstruction activities

(Note: Detailed listing is given in Annexure)

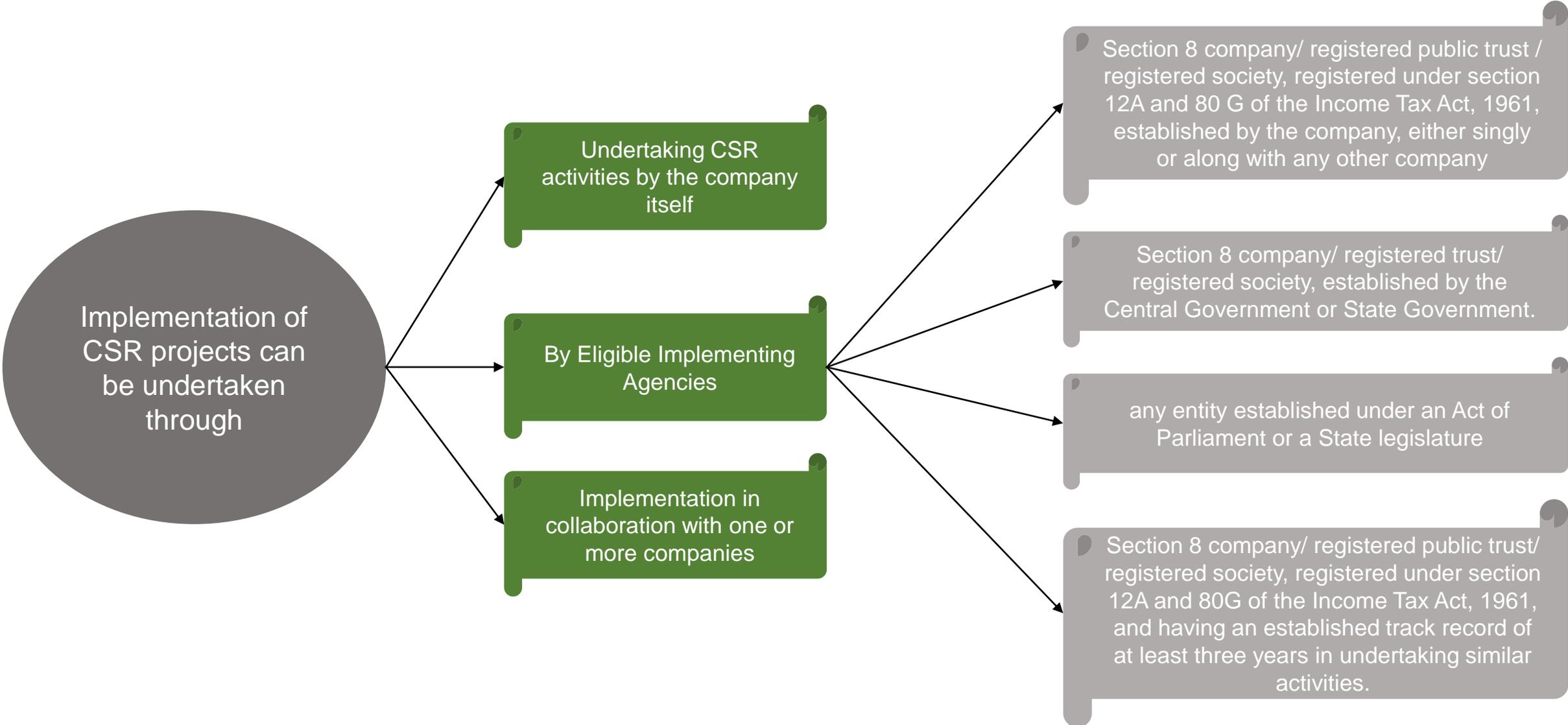
Contribution to notified funds as per Schedule VII

- ✓ Swachh Bharat Kosh
- ✓ Clean Ganga Fund
- ✓ Prime Minister's National Relief Fund (PMNRF)
- ✓ Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)
- ✓ Any other fund set up by the Central Government and notified by the Ministry of Corporate Affairs, for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities, and women.

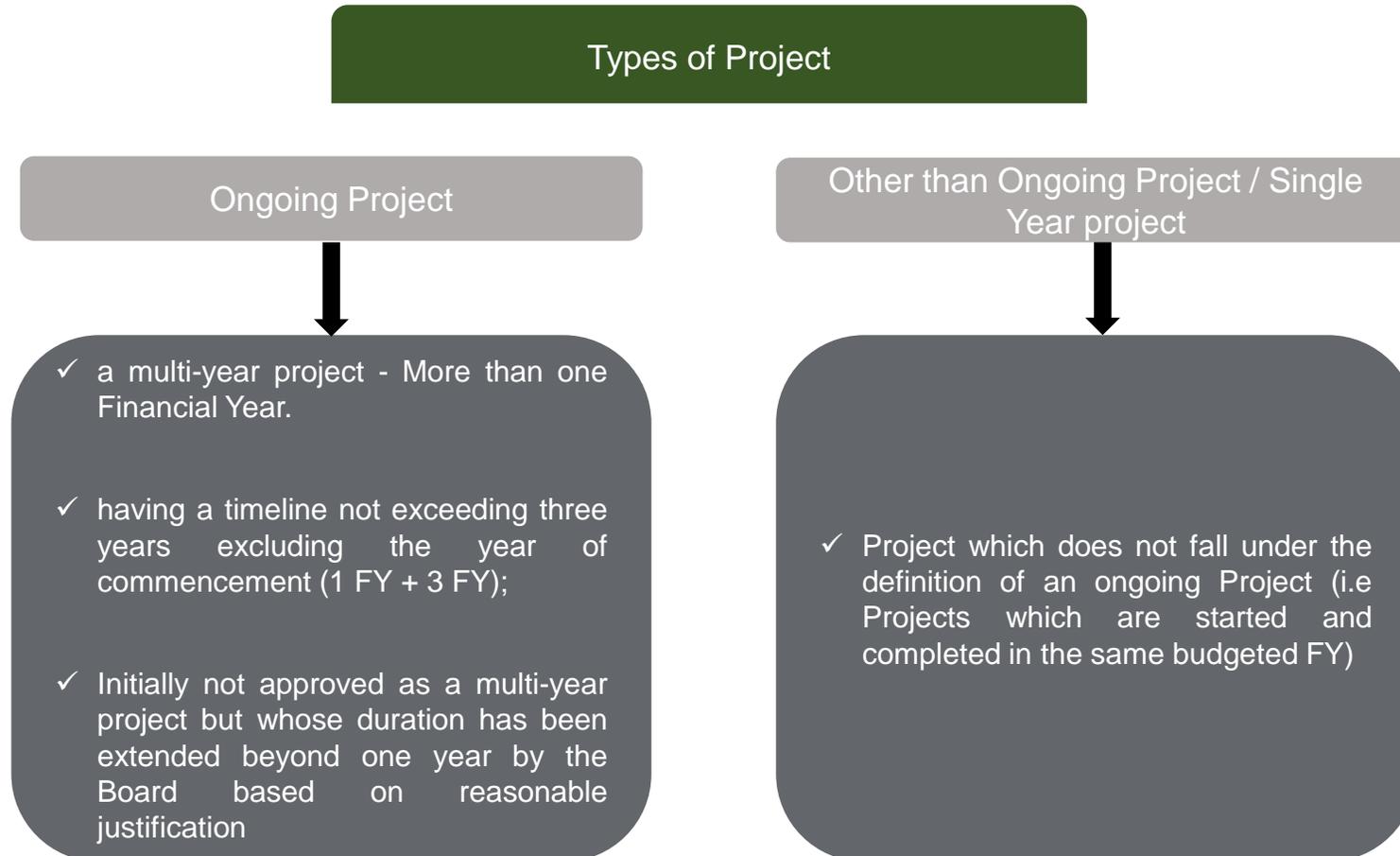
Exclusions from Project costs

- Activities undertaken in pursuance of normal course of business of the company
- (Exclusions- companies engaged in R&D activities for new vaccines, drugs, and medical devices in their normal course of business, related to COVID-19 Up to FY23)
- Activities undertaken outside India, except for training of Indian sports personnel representing any State or Union Territory at national level or India at international level
- Contributions to Political parties
- Activities benefitting Company's Employees directly
- Sponsorship activities for deriving marketing benefits for products/services
- Activities for fulfilling statutory obligations under any law in force in India
- Any expenses which are not forming part of Schedule VII activity listed (Refer to Annexure)
- **Spent in Kind** - The act states that "The Board of every company shall ensure that it spends", So, CSR contribution cannot be in kind and monetized
- **Involvement of Employees** – Cannot be monetized and claimed

Spending Options for CSR



Ongoing / Other than Ongoing Project



Timelines for Funding

Timelines for Spend/ Unspent CSR Amounts

Ongoing Project

✓ As at end of FY 1 – the unspent Budgeted amount to be deposited in the Unspent CSR Account within 30 days from the end of FY 1

✓ Unspent CSR amount to be utilized within 3 FY from the end of FY 1

✓ Unspent amount at the end of FY 4 (1 FY + 3 FY) to be deposited to Schedule VII notified fund (only) within 6 months.

Other than Ongoing Project

✓ Budgeted Amount to be spent within the Same Financial Year ending 31st March.

✓ Unspent amount at the end of FY to be deposited to Schedule VII notified fund (only) within 6 months from the end of FY

✓ Failure to comply ANY of the above shall attract penalty as per the act:

• **Company** -Twice the unspent amount required to be transferred to any fund included in Schedule VII of the Act or Unspent CSR Account, as the case may be, or INR 1 Crore, whichever is less.

• **Every Officer in Default** -1/10th of the unspent amount required to be transferred to any fund included in Schedule VII of the Act or Unspent CSR Account, or INR 2 lakhs, whichever is less.

Administrative Overheads

- ✓ Expenses incurred by the Company for General management and administration of CSR functions.
- ✓ (Max 5% of the total CSR expenditure allowed)

Includes

- Salary and training for the employees working in the CSR division of a company
- Travel expenses incurred by such employees.
- Utilities, office supplies
- Legal expenses

Excludes

- Directly incurred for the designing, implementation, monitoring, and evaluation of a particular CSR project or programme
- Salary of School teachers or other staff, etc. for education-related CSR projects
- Salaries paid to CSR volunteers, not involved in administrative activities but are involved in the actual implementation of CSR projects, may be counted towards CSR Project cost

CSR Committee Roles and Responsibilities

Composition of CSR Committee

Listed Company

- ✓ Three or More Directors
- *At least one should be an independent Director*

Unlisted Public Company

- ✓ Three or More Directors
- *At least one should be an independent Director*
- ✓ If no requirement of an Independent Director, then two or more Directors

Private Company

- ✓ Two or More Directors
- *No Independent Director is required*

Foreign Company

- ✓ At least two persons of which
- *One Director shall be resident in India and*
- *Other Person nominated by Foreign Company*

Note: Where the amount required to be spent by a company on CSR does not exceed INR 50 Lakhs, the requirement for the constitution of the CSR Committee is not mandatory and the functions of the CSR Committee, in such cases, shall be discharged by the Board of Directors of the company.

CSR Committee Roles and Responsibilities

Roles and Responsibilities

The Corporate Social Responsibility Committee shall —

- ✓ Formulate and recommend the CSR policy to the Board;
- ✓ Recommend the amount of expenditure to be incurred on CSR activities;
- ✓ Monitor the CSR policy of the company from time to time; and
- ✓ Formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following namely:
 - ❖ the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the [Act](#);
 - ❖ the manner of execution of such projects or programmes as specified in sub-rule (1) of [rule 4](#);
 - ❖ the modalities of utilization of funds and implementation schedules for the projects or programmes;
 - ❖ monitoring and reporting mechanism for the projects or programmes; and
 - ❖ details of need and impact assessment, if any, for the projects undertaken by the company;
 - ❖ Provided that Board may alter such plan at any time during the FY, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.

Board's Roles and Responsibilities & ROC Reporting

The role of the Board in Corporate Social Responsibility are:

- ✓ Approve the CSR Policy of the company after considering the recommendations given by the committee
- ✓ To ensure that the company **spends**, in every financial year, at least 2% of the average net profits made during the three immediately preceding financial years, in pursuance, of its CSR Policy
- ✓ ensure that the activities included in the CSR policy are undertaken by the company
- ✓ satisfy itself regarding the utilization of the disbursed CSR funds
- ✓ If the company fails to spend within the FY, The Board shall specify in its report the reasons for not spending and transfer the unspent CSR amount
- ✓ disclose contents of such policy in its report and also place it on the company's website, if any;

Board's Roles and Responsibilities & ROC Reporting

The role of the Board in case of an Ongoing project:

- ✓ identification of the ongoing projects;
- ✓ year-wise allocation of funds;
- ✓ transferring the unspent money to a separate bank account as prescribed under sub-section (6) of section 135;
- ✓ monitoring the implementation of the projects with reference to the approved timelines and year-wise allocation; and
- ✓ making modifications, if any, for smooth implementation of the projects within the overall permissible time period.

Forms to be filed with ROC:

- ✓ CSR-1 - Entities undertaking CSR for all CSR projects from April 1, 2021
- ✓ CSR-2 - Annually to be filed as addendum to AOC-4, due 30 days from AGM

CSR Utilization and Certification

When is CSR for a Budgeted FY for a Company is complete?

The company may fulfill its CSR spending obligation

- ✓ Directly by itself to Schedule VII Activities of the Act or
- ✓ Engaging an implementing agency acting on behalf of the company
 - *Spending is complete only if such agency utilizes the whole amount.*

How to ensure CSR spent is complete by a company ?

- ✓ The CSR Committee of the company is required to provide for modalities of utilization of funds
- ✓ The Board of a company shall satisfy itself that the funds so disbursed have been utilized approved by CFO / Senior management.
- ✓ Advised that Company should obtain an Independent Practitioner's Report on Utilization of such CSR Funds from the auditor / CA in practice of the third party / NGO

CSR Impact Assessment

Objective of CSR Impact Assessment

- ✓ Assess Social Impact of CSR Project
- ✓ Intent is to encourage companies to take considered decisions before deploying CSR amounts
- ✓ It Serves as a feedback for companies to plan and allocate resources better

Applicability Criteria

- ✓ Companies having average CSR obligation of INR10 crore or more in preceding 3 FY **and**
- ✓ Companies having CSR Project of INR 1 crore or more
- ✓ Project should have completed not less than 1 year before taking Impact assessment

Expenditure on Impact assessment

- ✓ Expenditure up to 5% of the CSR budget or INR 50 Lakhs whichever is higher can be considered as CSR cost.
- ✓ The Impact assessment expenditure is over and above the specified Administrative Overheads of 5% of CSR budget.

Impact assessment report

- ✓ Impact Assessment report to be obtained from Independent agency and shall be placed before the board
- ✓ It should be annexed with Annual CSR report.

Do's and Don'ts

Do's

- ✓ Spirit of CSR to be maintained benefitting the needy and public at large
- ✓ Ensure Spend is complete within the budgeted FY for “Not an Ongoing project” & 1+3 years for an “Ongoing project”.
- ✓ CSR Committee formulates the policies, forms an annual action plan, and presents to the Board
- ✓ Board to satisfy itself regarding the utilization of the disbursed CSR funds
- ✓ Stick to activities listed in Schedule VII of the CSR act.
- ✓ Ensure Contributions to Implementing agencies are made to those who have valid registrations (Form CSR 1) with MCA.
- ✓ Obtain 80G receipts from Implementing agencies / NGO
- ✓ Obtain CSR Audited certificate from a CA/ auditor of implementing agency for utilization of funds (Preferably ICAI prescribed format)
- ✓ Impact Assessment report to be obtained from an Independent agency and shall be placed before the board.

Don'ts

- ✓ Regular Business expense not to be considered a CSR expense and Vice-versa.
- ✓ Spending to Organisations who are not in CSR Space.
- ✓ Avoid Contributions that focus the Spent on Marketing and Branding (like- One off events)
- ✓ Activities undertaken outside India (Exception of training Indian sports personnel)
- ✓ No Contributions in Kind are allowed
- ✓ Involvement of Employees not a CSR expense.
- ✓ Expense benefitting Employees directly are not CSR
- ✓ Contribution to corpus of any entity
- ✓ International Organizations cannot act as Implementing agency.
- ✓ Amount in Unspent CSR account deposited for an ongoing project shall not utilized for Business purpose.

How does a CSR team formulate its CSR strategy?

The best CSR (Corporate Social Responsibility) strategy for a company depends on its specific industry, size, values, and the needs of the communities it operates in. CSR teams typically follow a well-defined process to select projects that align with their organization's values and contribute to societal well-being.



Identifying CSR Proposals (Through an external agency)

01

Sourcing Proposals in an open manner with any implementation agencies

Reviewing the proposals that will best suit for created CSR strategy

02

Creating the concept and reaching out to existing implementation agencies

Strategic factors

- Reputation
- Values
- Leadership
- Stakeholder Management
- Sustainability

Transactional factors

- Legal Status
- Financial Status
- Experience
- Human Resources

- ✓ CSR projects or themes aligned with the CSR policy of the company
- ✓ Need assessment
- ✓ Indicators
- ✓ Sustainable CSR Projects
- ✓ Local preference
- ✓ Visibility to the Donor
- ✓ Strong Implementation Agency Background

Indicators

- Percentage of people below poverty line
- Percentage of school children not possessing average learning levels for their age and grade
- Density of sanitation and drinking water facility in households
- Infant mortality rate and maternal mortality rate
- Percentage of institutional deliveries among pregnant mothers
- Percentage of children having stunted and wasted profiles for their age
- Preparedness of community to accept ownership of CSR projects
- Absence of a core set of critical community infrastructure like school buildings, roads, street lights, ponds, etc.
- Percentage of unemployed youth in different communities
- Percentage of youth who do not have professional qualification or have not undergone any vocational skill training to improve employability
- Number of villages without any source of drinking water
- National priorities like Swachh Bharat Abhiyan, Clean Ganga
- Project, Covid19, draughts or floods, etc.

Preferences of CSR Proposals

Fundraising professional (Do's)

When proposing a CSR program to a company as a fundraising professional, it's essential to be strategic and thoughtful in your approach. Here are some key considerations to keep in mind

- • Understand the Company's CSR Strategy
- • Research Their History
- • Identify Key Contacts
- • Tailor Your Proposal
- • Demonstrate Impact
- • Measurable Goals
- • Sustainability
- • Collaboration
- • Budget and Allocation
- • Legal Compliance
- • Risk Assessment
- • Employee Engagement
- • Communication Plan
- • Timing
- • Follow-up
- • Thank You

Screening process of CSR Proposals



- ✓ NGO background and Proposal coverage as per the CSR Law
- ✓ First level review by CSR Team
- ✓ Reaching out to the NGOs for proposal discussion and customization
- ✓ Customized CSR Proposals
- ✓ First level review by Company's Leadership Team
- ✓ Correction / Customization of CSR Proposals based on the input from the Leadership Team
- ✓ Second level review by CSR Team
- ✓ Second level review by Company's Leadership Team
- ✓ Approvals

Budget factors to be considered.



- ✓ Propose a detailed budget sheet with unit costs
- ✓ Don't propose more than 5% of Program / Project Management / Admin costs
- ✓ All the proposed budget items should be specific.
- ✓ No miscellaneous items
- ✓ If it is a procurement related item, be careful and provide the best quote after reaching out to more vendors.
- ✓ Review the resources and allocate their costs into the correct categories. (Not all the staff's cost into Admin).
- ✓ Allocate some money for Volunteering, Travel, PR, and communications.
- ✓ Allow for some flexibility within the budget to accommodate unexpected changes or adjustments during the project's implementation.
- ✓ Figure out the taxes if any. E.g. GST/VAT/TDS etc.

Points for Implementation

Project Timeline: Adhere to the project timeline and milestones as outlined in the project plan. Ensure that activities are executed on schedule.

Budget Management: Keep close track of the project budget, ensuring that expenditures align with the allocated funds. Be prepared to justify any budget deviations.

Resource Allocation: Efficiently allocate and manage project resources, including personnel, materials, equipment, and technology.

Stakeholder Engagement: Continue to engage with key stakeholders, including local communities, beneficiaries, and the company's CSR team. Address their concerns and gather feedback.

Quality Control: Maintain high standards for project quality and ensure that all project activities meet predefined benchmarks and standards.

Risk Mitigation: Identify potential risks and challenges during implementation and have strategies in place to mitigate them.

Transparency: Ensure transparency in project activities, decision-making, and finances. Keep stakeholders informed about project progress and developments.

Documentation: Keep detailed records of all project activities, including invoices, reports, and any relevant documentation.

Community Involvement: Involve the community in project implementation, where applicable. Encourage local participation and ownership of the project.

Points for Monitoring



Performance Metrics: Regularly monitor and assess project performance against established key performance indicators (KPIs) and objectives.



Data Collection: Gather data and evidence to evaluate the impact of the project. This may include surveys, interviews, and other data collection methods.



Quality Assurance: Ensure that the project maintains its quality standards and address any issues or deviations promptly.



Feedback Mechanisms: Establish feedback mechanisms for beneficiaries and stakeholders to voice their concerns, suggestions, and grievances.



Adaptive Management: Be open to making adjustments to the project plan based on monitoring findings. Adapt to changes in the project environment as needed.



Communication: Keep the company's CSR team informed about the project's progress, challenges, and successes through regular updates.

Points for Reporting



Transparency: Be transparent in reporting by sharing both successes and challenges. Highlight how the project aligns with the company's CSR strategy.



Narrative Report: Prepare a narrative report that provides a comprehensive overview of the project, including its objectives, activities, beneficiaries, and outcomes.



Financial Report: Submit a financial report that outlines the budget allocation, expenditures, and any financial variances. Account for the use of funds.



Impact Assessment: Present evidence of the project's impact on the targeted beneficiaries and the community. Use quantitative and qualitative data to support impact claims.



Lessons Learned: Share lessons learned during project implementation and monitoring. Explain how these lessons can inform future projects.



Future Plans: Provide insights into the project's sustainability and potential for future phases or extensions. Discuss any ongoing support or maintenance.



Compliance: Confirm that the project has adhered to all relevant legal and regulatory requirements.



Timely Submission: Submit monitoring and reporting documents in a timely manner, as stipulated in the project agreement.

CSR Activities as per Schedule VII of CSR Act

CSR Activities/ Programs related contribution

- ✓ Eradicating hunger, poverty, and malnutrition and Sanitation and making available safe drinking water
- ✓ Promoting education, including special education and employment enhancing vocation skills, especially among children, women, elderly, and the differently-abled, and livelihood enhancement projects
- ✓ Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, daycare centers, and such other facilities for senior citizens, and measures for reducing inequalities faced by socially and economically backward groups.
- ✓ Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining the quality of soil, air, and water.
- ✓ 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 art and handicrafts
- ✓ Measures for the benefit of armed forces veterans, war widows, and their dependents
- ✓ Training to promote rural sports, nationally recognized sports, paralympic sports, and Olympic sports

CSR Activities as per Schedule VII of CSR Act

CSR Activities/ Programs related contribution

- ✓ Contribution to incubators or research and development projects in the field of science, technology, engineering, and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government.
- ✓ Contributions to public-funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under the Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs)
- ✓ Rural development projects
- ✓ Slum area development
- ✓ Disaster management, including relief, rehabilitation, and reconstruction activities



Question and Answers





Thank You

