

SECTION 135 OF THE COMPANIES ACT, 2013 READ WITH COMPANIES (CSR POLICY) RULES, 2014

Every company having

- Net Worth of Rs. 500 Crores or more or
- Turnover of Rs. 1000 Crores or more or
- Net Profit of Rs. 5 Crores or more during any financial year shall constitute CSR Committee of the Board consisting of three or more Directors.

RESPONSIBILITIES OF THE COMMITTEE

- 1) Prepare, formulate and recommend to the board the CSR policy of the company which shall indicate activities to be undertaken by the company as specified in Schedule VII;
- 2) Recommend amount of expenditure to be incurred on the above activities;
- 3) Monitor CSR policy from time to time.

RESPONSIBILITIES OF COMPANY'S BOARD

- 1) To approve and disclose CSR policy in the Annual Director's report and company website;
- 2) To ensure implementation of CSR activities as per the policy;
- 3) To ensure that the company spends, in every financial year, at least 2% of average net profit made during the three immediate preceding financial years;
- 4) ***Director's report to specify reasons in case the specified amount is not spent;***

Net profit shall mean, **net profit before tax** as per books of accounts and shall not include profits arising from branches outside India.

For this purpose, the average Net profit will be calculated in accordance with the ***Section.198***

IMPLEMENTATION:

CSR activities may be undertaken through

- a registered trust or
- a registered society or

A company established by the company or its holding or subsidiary or associate company under section 8 of the Act or otherwise.

LIST OF CSR ACTIVITIES:-

- (i) Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
- (ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- (iii) 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;
- (iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro, forestry, conservation of natural resources and maintaining quality of soil, air and water;
- (v) 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;
- (vi) measures for the benefit of armed forces veterans, war widows and their dependents;
- (vii) training to promote rural sports, nationally recognised sports, para olympic sports and Olympic sports;
- (viii) 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 Caste, the Scheduled Tribes, other backward classes, minorities and women;
- (ix) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government.

- (x) rural development projects.

RESTRICTION ON ACTIVITIES:

- Should be as per the Company's CSR Policy – Rule 4(1)
- Activities should not be normal course of business – Rule 4(1)
- 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 by the company or its holding or subsidiary or associate company under section 8 of the Act or otherwise: Provided that-
 - (i) if such trust, society or company is not established by the company or its holding or subsidiary or associate company, it shall have an established track record of three years in undertaking similar programs or projects;
 - (ii) 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-Rule 4(2)
- 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 rules –Rule 4(3);
- Activities must be within India – Rule4(4)
- Activities benefitting only employees or families not allowed – Rule 4(5)
- Building CSR capabilities of employees allowed subject to 5% of CSR expenditure – Rule 4(6)
- Contribution to political party not allowed – Rule 4(7)

CSR POLICY

CSR Policy of the company shall include the following:

- (i) A list of CSR projects/ programs which a company plans to undertake, which may also focus on integrating business models with social and environmental priorities and processes in order to create shared value, specified modalities of execution in the execution of areas or sectors chosen and implementation schedules;
- (ii) Monitoring process of such projects or programs
- (iii) CSR policy of the company should provide that surplus arising out of the CSR activity will not be part of business profits of a company.