

National CSR Conclave and Awards

The CSR Rules: policy changes and the
perspective shift

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MINISTRY OF CORPORATE AFFAIRS
Government of India

Corporate Social Responsibility (CSR) Legislation

- Corporate Social Responsibility (CSR) for companies mandated through legislation.
- Section 135 read with Schedule VII of the Companies Act, 2013 provides for CSR.
- Section 134 (3) (o) of the Companies Act, 2013 provides for disclosure to be made in Boards' Report about CSR by eligible companies.
- Schedule VII enumerates activities that can be undertaken under CSR.
- Companies (Corporate Social Responsibility Policy) Rules, 2014 prescribe the manner in which companies can comply with the CSR provision of the Act.
- Section 135 and Schedule VII to the Companies Act 2013, and the Companies (Corporate Social Responsibility Policy) Rules, 2014 were notified on 27th February, 2014, and came into force from 01.04.2014.
- The Companies (Amendment) Bill, 2016 passed in the Lok Sabha on 27th July, 2017 as Companies (Amendment) Bill, 2017.
- Subsequently, the Bill was passed by Rajya Sabha on 19th December, 2017.
- The Amendment Bill has received the assent of the President of India on 03rd January, 2018.

Statutory Provisions

- Section 135 of the Act provides the companies having certain thresholds
 - (i) Net Worth of Rs. 500 Crore or more, or
 - (ii) Turnover of Rs. 1000 Crore or more, or
 - (iii) Net Profit of Rs. 5 Crore or moreare mandated to discharge the obligations of CSR.
- Such a company has to constitute a CSR Committee, having at least three Directors, including at least one Independent Director.
- At least two per cent of the average net profits of the company made during the three immediately preceding financial years are to be spent on CSR activities by eligible company every year.
- **‘Net profit’ for computation of CSR spent is to be computed as per Section 198 of the Act and this is primarily ‘Profit before Tax’ (PBT).**
- The companies required to spend on CSR have to statutorily disclose the CSR policy, including activities undertaken and amount spent on CSR in their Board’s Report. Reasons for shortfall in CSR expenditure, need to be disclosed in the Board’s Report.

Activities Covered in Schedule VII

- An indicative list of activities that can be undertaken by a company under CSR has been specified in Schedule VII of the Act.
- Schedule VII was notified on 27th February 2014. The Schedule has since been amended three times.
- A wide range of activities are permissible CSR activities thereby including healthcare, slum-area development, contribution to Swachh Bharat Kosh and Clean Ganga Fund. The **updated list has been provided in the Schedule VII.**

Local area presence in CSR

- The CSR projects or programs or activities undertaken **in India shall only** amount to CSR Expenditure.
- Companies, while implementing their CSR policies shall give preference to the local area and areas around it where it operates.

Activities outside the purview of CSR

- The CSR projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR activities in accordance with section 135 of the Act.
- One-off events such as marathons/ awards/ charitable contribution/ advertisement/sponsorships of TV programmes etc. would not be qualified as part of CSR expenditure.
- Expenses incurred by companies for the fulfillment of any Act/ Statute of regulations (such as Labour Laws, Land Acquisition Act etc.) would not count as CSR expenditure under the Companies Act.
- Contribution of any amount directly or indirectly to any political party shall not be considered as a CSR activity.
- Activities undertaken by the company in pursuance of its normal course of business, shall not be considered as CSR.

Penalty for non-compliance of CSR- limited to non-disclosure

- As per the provisions of Section 134 of the Companies Act, 2013, the Board of eligible Company is required to comply with CSR provisions of the Companies Act, 2013 and are required to disclose in its Annual Return about CSR in their Board's Report. The punishment for contravention in this regard is prescribed under Section 134(8) of the Act.
- Section 134(8) pertains to penalty for non-disclosure by companies covered under Section 135(1), and reads as under:

“If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both”.

Amendments w.r.t provisions of CSR in the Companies (Amendment) Act, 2017

The Ministry had received recommendations from Parliamentary Standing Committee on Public Undertakings; and Department-Related Parliamentary Standing Committee on Industry; among others, for amending certain provisions of CSR under Section 135 of the Companies Act, 2013. These recommendations were examined by the Companies Law Committee (CLC) of this Ministry, which further sought suggestions from the public before proposing amendments to the provisions of CSR under the Act.

The Companies (Amendment) Bill, 2016 was passed in the Lok Sabha on 27th July, 2017 as Companies (Amendment) Bill, 2017.

Subsequently, the Bill was passed by Rajya Sabha on 19th December, 2017.

The Amendment Bill has received the assent of the President of India on 03rd January, 2018.

Amendments w.r.t provisions of CSR in the Companies (Amendment) Act, 2017 continues...

The following are amendments w.r.t provisions of CSR in the Companies (Amendment) Act, 2017:

Sl. No.	Section 135 of Companies Act, 2013	Amendments in Companies (Amendment) Act, 2017
1	sub-section (1) the words “any financial year”	Substituted by "the immediately preceding financial year"
2	sub-section (1)	This proviso shall be inserted. “Provided that 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”.
3	In sub-section (3) (a) for the words and figures “as specified in Schedule VII”	Substituted by “in areas or subject, specified in Schedule VII”.
4	In sub-section (5), the explanation “average net profit” shall be calculated in accordance with the provisions of section 198.	Substituted by ‘Explanation. - For the purposes of this section “net profit” shall not include such sums as may be prescribed, and shall be calculated in accordance with the provisions of section 198’.

National CSR Data Portal on CSR

Shri Arun Jaitley, Hon'ble Minister for Finance and Corporate Affairs launched the **National CSR Data Portal on 19.01.2018** (www.csr.gov.in) in the presence of **Shri P.P Chaudhary**, Hon'ble Minister of State for Corporate Affairs and Law & Justice.

This initiative is a significant step towards driving accountability and transparency for CSR disclosure by companies in India.

By making the portal accessible to general public it will ensure high level of compliance and also institutionalize and consolidate the CSR activities.

CSR expenditure by Companies during Financial Years 2014-15, 2015-16 and 2016-17.

As per the data obtained from filings made by companies upto 30.11.2017 in the MCA21 registry for the years 2014-15, 2015-16 and 2016-17, the expenditure made by such companies on CSR is given in the Table below:

Sl. No.	Company Type	Financial Year 2014-15 (in Rs. crore)	Financial Year 2015-16 (in Rs. crore)	Financial Year 2016-17 (in Rs. crore)
1.	PSUs	2673.85	4163.09	1325.83
2.	Private Sector Companies	6890.92	9664.77	3393.17
	Total	9564.77	13827.86	4719.00

STATE/UT-WISE CSR EXPENDITURE DURING FY 2014-15, FY 2015-16 AND 2016-17

CSR Expenditure (In Rs. Crores)				
Sl. No.	State/ UT	2014-15	2015-16	2016-17
1	Andaman & Nicobar Islands	0.29	0.54	0.07
2	Andhra Pradesh	403.91	1,220.54	101.69
3	Arunachal Pradesh	11.03	1.49	7.98
4	Assam	133.07	166.81	38.28
5	Bihar	36.20	108.15	36.90
6	Chandigarh	1.73	5.08	4.17
7	Chhattisgarh	158.89	236.22	14.85
8	Dadar & Nagar Haveli	2.54	12.03	1.65
9	Daman & Diu	20.05	2.13	0.83
10	Delhi	214.24	468.18	229.87
11	Goa	26.60	30.25	10.54
12	Gujarat	296.53	550.98	152.04
13	Haryana	176.29	364.22	107.87
14	Himachal Pradesh	9.30	51.71	10.57
15	Jammu & Kashmir	40.57	103.02	27.83
16	Jharkhand	75.86	115.70	24.24
17	Karnataka	382.79	730.64	202.71
18	Kerala	64.30	129.24	50.94
19	Lakshadweep	0.00	0.30	0.00
20	Madhya Pradesh	137.15	178.94	213.48
21	Maharashtra	1,372.34	1,810.45	702.37
22	Manipur	1.57	5.93	6.03
23	Meghalaya	3.52	3.86	2.99
24	Mizoram	1.03	1.08	0.08
25	Nagaland	1.11	0.95	0.45
26	Odisha	249.50	604.26	191.43
27	Pondicherry	1.81	6.31	3.71
28	Punjab	53.86	68.17	20.17
29	Rajasthan	271.36	472.46	84.99
30	Sikkim	1.03	1.90	2.12
31	Tamil Nadu	498.89	597.60	202.53
32	Telangana	94.89	248.57	64.56
33	Tripura	1.16	1.47	0.60
34	Uttar Pradesh	138.64	406.93	120.34
35	Uttarakhand	69.99	71.50	30.74
36	West Bengal	178.61	399.89	121.12

SECTOR-WISE CSR EXPENDITURE FOR FY 2014-15, FY 2015-16 AND FY 2016-17

CSR Expenditure (In Rs. Crores)

Sl. No.	Sectors	2014-15	2015-16	2016-17
1	Health/ Eradicating Hunger/ Poverty and malnutrition/ Safe drinking water / Sanitation	2,382.27	4,330.21	1,201.37
2	Education/ Differently Abled/ Livelihood	3,021.47	4,689.81	1,605.05
3	Rural development	1,031.02	1,327.57	628.56
4	Environment, Animal Welfare, Conservation Of Resources	812.31	901.80	306.68
5	Swachh Bharat Kosh	94.52	323.24	89.35
6	Any Other Funds	272.58	322.63	137.70
7	Gender equality / Women empowerment / Old age homes / Reducing inequalities	172.63	331.50	122.60
8	Prime Minister's National Relief Fund	211.04	206.08	109.81
9	Encouraging Sports	53.36	134.76	51.73
10	Heritage Art and Culture	113.62	114.90	49.64
11	Slum Area Development	101.07	13.60	1.97
12	Clean Ganga Fund	4.64	32.52	22.97
13	Other Sectors (Technology Incubator And Benefits To Armed Forces, Admin Overheads and others*) * not specified\	1,294.24	1,099.24	391.57
	Total Amount (in Rs. Crore)	9,564.77	13,827.86	4,719.00

TOP 10 PSUs AND OTHER THAN PSUs COMPANIES IN FY. 2014-15

S. No.	PSUs Companies	CSR Spent (In Rs. crore)	S. No.	Non-PSUs Companies	CSR Spent (In Rs. crore)
1	Oil And Natural Gas Corporation Limited	495.23	1	Reliance Industries Limited	760.58
2	Bharat Heavy Electricals Limited	239.11	2	Infosys Limited	239.54
3	Ntpc Limited	205.19	3	Tata Consultancy Services Limited	218.42
4	Nmdc Limited	188.65	4	Itc Limited	215.05
5	Oil India Limited	133.31	5	Tata Steel Limited	171.46
6	Indian Oil Corpn. Limited	113.79	6	Icici Bank Limited	155.54
7	Northern Coalfields Limited	101.91	7	Wipro Limited	132.7
8	Mahanadi Coalfields Limited	61.3	8	Axis Bank Limited	123.22
9	Power Finance Corporation Limited	51.7	9	Hdfc Bank Limited	117.56
10	Central Coalfields Limited	51.2	10	Industrial Energy Limited	112
	Total	1641.32		Total	2246.07
	Percentage to TOTAL CSR Spent in FY 2014-15	17.16%			23.48%

TOP 10 PSUs AND OTHER THAN PSUs COMPANIES IN FY. 2015-16

S. No.	PSUs Companies	CSR Spent (In Rs. crore)	S. No.	Non-PSUs Companies	CSR Spent (In Rs. crore)
1	Ntpc Limited	491.8	1	Reliance Industries Limited	639.7
2	Oil And Natural Gas Corporation Limited	409	2	Tata Consultancy Services Limited	280.22
3	Central Coalfields Limited	214.6	3	Itc Limited	247.5
4	Nmdc Limited	210.09	4	Tata Steel Limited	204.46
5	Power Finance Corporation Limited	194.48	5	Infosys Limited	202.3
6	Mahanadi Coalfields Limited	184.64	6	Icici Bank Limited	171.51
7	Northern Coalfields Limited	158.14	7	Wipro Limited	159.83
8	Indian Oil Corpn. Limited	156.68	8	Bses Yamuna Power Limited	157.35
9	Rural Electrification Corporation Lim...	131.68	9	Axis Bank Limited	147.75
10	South Eastern Coalfields Limited	127.68	10	Hdfc Bank Limited	127.28
	Total	2278.79		Total	2337.9
	Percentage to TOTAL CSR Spent in FY 2015-16	16.49%			16.90%

TOP 10 PSUs AND OTHER THAN PSUs COMPANIES IN FY. 2016-17

S. No.	PSUs Companies	CSR Spent (In Rs. crore)	S. No.	Non-PSUs Companies	CSR Spent (In Rs. crore)
1	Ntpc Limited	277.81	1	Hdfc Bank Limited	305.42
2	Power Finance Corporation Limited	168.11	2	Icici Bank Limited	182.37
3	Mahanadi Coalfields Limited	166.61	3	Housing Development Finance Corporation Limited	146.54
4	Power Grid Corporation Of India Limited	147.33	4	Axis Bank Limited	135.41
5	Northern Coalfields Limited	77.31	5	Maruti Suzuki India Limited	89.5
6	Nhpc Limited	75.81	6	Persistent Systems Limited	67.46
7	Nuclear Power Corporation Of India Limited	71.68	7	Yes Bank Limited	37.22
8	Rural Electrification Corporation Limited	69.79	8	Indiabulls Housing Finance Limited	36.75
9	Sjvn Limited	37.16	9	Indusind Bank Ltd.	33.81
10	Jammu And Kashmir Bank Limited	21.86	10	Reliance Infrastructure Limited	32.78
	Total	1,113.47		Total	1067.26
	Percentage to TOTAL CSR Spent in FY 2016-17	23.58%			22.61%

Non-compliance of CSR.

On the basis of Corporate Social Responsibility (CSR) disclosures made by the companies, Registrar of Companies (RoCs), after due scrutiny issued show-cause notices to 1018 defaulting companies for non - compliance of provisions of section 135 read with section 134(3)(o) of the Act, for the financial year 2014-15.

Thereafter, based on the reports submitted by the Regional Director(s) / RoCs, the Ministry has, as on date, accorded permission for initiating penal action under section 134(8) of the Act against 199 companies **for non-compliance of CSR provisions for the financial year 2014-15.**

Of this, till date concerned RoCs have filed prosecution for 108 companies and 29 companies have filed compounding application under section 441(6) of the Act. For balance 62 cases necessary action by ROCs are in process.

National CSR Awards (NCSRA)

Instituted by MCA in 2016 upon recommendations of High Level Committee on CSR and duly approved by the Hon'ble Minister of Corporate Affairs.

MCA instituted National CSR Awards to recognize corporate initiative in the area of CSR.

Announcement of National CSR Awards was in June 2017 wherein 383 applications were received from companies and 02 (two) nominations.

A total of Rs. 2.56 crore was earmarked for NCSRA. As of January 2018, approx. Rs. 83.2 lac have been utilized on nation-wide print and online advertisements in newspapers, online portal, recruitment of contractual staff for supporting NCSRA etc.

Thank You