

## Corporate Social Responsibility

Q is every company required to constitute CSR committee.

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i) Every company (including foreign company) having

a) Net worth of ~~more~~ Rs 500 cr or more

b) Turnover of Rs 1000 cr or more

c) Net Profit of Rs 5 cr or more

during immediately preceding financial year needs to constitute CSR committee

Q Explain the role and function of CSR committee

→ role and responsibilities of the CSR committees -

1) To formulate and recommend to the Board, a CSR Policy which would indicate the activities to be undertaken by the company in areas or subject, specified in schedule VII.

2) To recommend the amount of the expenditure to be incurred on the activities undertaken in pursuance of the CSR Policy.

3) To monitor CSR Policy of the company time to time.

Q ABC Ltd failed to contribute towards CSR despite falling under the category of sec. 135(1) explain consequence.

→ if a company is in default in complying the provisions of 135 then

→ Penalty will be applicable on ABC Ltd of ~~amount~~ twice of of the amount required to be transferred in funds or 1 crore whichever less.

→ and Penalty to every officer of the ABC Ltd of

1/10<sup>th</sup> of amount required to be transferred by company to such funds or Rs. 2,00,000 whichever is less

• what are the means/channels a company can adopt to pursue CSR activities.

→ The items enlisted in the amended schedule VIII of the Act are broad-based concepts and are intended to cover a wide range of activities such as-

- i) training to promote rural sports, nationally recognised sports, olympic sports, Paralympic sports.
- ii) contribution to the PM's national Relief fund or prime minister's citizen Assistance and Relief in emergency funds.
- iii) rural development Project
- iv) disaster management, including relief, rehabilitation and reconstruction activities.
- v) slum area development where slum area is declared as such by central gov, state gov and other competent authority.
- vi) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance.
- vii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphan.

Q. Can the CSR expenditure be spent on activities beyond schedule VII

→ As provided in section 135(5) of the Act, the board shall ensure that the company spends at least 2% of the average of net profits in pursuance of its CSR Policy.

→ If company wishes to spend CSR funds on activities mentioned in schedule VII of the Act, but not specifically covered in CSR Policy it may do so by suitable amendment in its CSR Policy with approval of the board to include such activities.

Q. Which local area of operations should the company choose for spending the amount earmarked for CSR Policy.

→ However in determining of location where such CSR activities to be undertaken, preference would be given to local areas and areas around where company operates.

Q. Short notes on BRR i.e.

→ In terms of Regulations 34(2)(f) of SEBI's listing Regulations the top 1000 listed entities are required to include Business Responsibility report as part of their annual report, describing the initiatives taken by them from an environmental, social and governance perspective, in the format as specified by the SEBI from time to time.

## a. social stock exchange rules

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- i) India is the only country in the world to have mandatory provisions of CSR for the corporates.
  - ii) The SEBI constituted a working group social stock exchanges SSE under the chairmanship of Shri. Jagan Hussain on sept. 9 2019.
    - iii) The board of term of reference to the working group were to review and recommend -
      - (i) Possible structures and mechanisms, within the securities market domain to facilitate raising of funds by social enterprise and voluntary organisation.
      - (ii) Associated regulatory framework, inter-alia covering the issues relating to, eligibility norms for participation disclosures, listing, trading, oversight, etc.
    - iv) The committee observed that the designing of social stock exchange also requires a recognition that for Profit social enterprise are different from non Profit social enterprise as they operate in different ways and have different financing needs.
  - v) After detailed deliberations the SEBI vide notification dated July 25, 2022 inserted chapter X-A on social stocks exchange in SEBI regulation.