Corporate Social Responsibility (CSR)

Lesson 14

KEY CONCEPTS

Corporate Social Responsibilities ■ United Nation's Sustainable Development Goals (SDGs) ■ Schedule VII

Learning Objectives

To understand:

- Constitution of CSR Committee
- Composition of CSR Committee
- Activities Permissible under CSR – Schedule VII
- United Nation's Sustainable Development Goals (SDGs)

Lesson Outline

- Introduction
- Meaning of CSR
- Significance of CSR to sustainability of business
- CSR Under Companies Act, 2013
- Constitution of CSR Committee
- Composition of CSR Committee
- CSR Policy
- Spending of CSR Amount
- CSR Implementation
- Activities which may be included by companies in their CSR Policies
- CSR Reporting
- Display of CSR Activities on its website
- Need Assessment
- Impact Assessment
- United Nation's SDGs
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INTRODUCTION

Corporate Social Responsibility is also called Corporate Citizenship or Corporate Responsibility. Generally, CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society.

Corporate Social Responsibility is the way companies manage their businesses to produce an overall positive impact on society through economic, environmental and social actions. Corporate social responsibility (CSR), also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business/ businesses. Business depends for its survival on long term prosperity of the society.

CSR has been defined by different people giving it a varied dimension. According to Michel Hopkins "Corporate Social Responsibility is concerned with treating the stakeholders of a company or institution ethically or in a responsible manner. 'Ethically or in a responsible manner' refers to treating key stakeholders in a manner deemed acceptable according to international norms."

According to Milton Friedman, "The business of business is business". He held the views that the only social responsibility is to maximise profits for shareholders, staying within the realm of law. Achieving this is the first objective and foremost responsibility of a corporate. If they are unsuccessful in this mission, they cannot reasonably be expected to assume other responsibilities.

Significance of CSR to Sustainability of Business

Significance of CSR to sustainability of business in its multiple dimensions can be better understood in terms of:

- Reduction in Operating Costs
- Boost in Brand Image and Reputation
- Increased Sales and Customer Loyalty
- Higher Productivity and Quality
- Attract and Return Employees
- Reduced Regulatory Oversight
- Access to Capital

CSR UNDER THE COMPANIES ACT, 2013

Provisions of section 135 of the Companies Act, 2013 read with Schedule VII of the Act and Companies (CSR Policy) Rules, 2014 provide the broad framework within which the eligible companies are required to formulate their CSR policies including activities to be undertaken and implementation of the same. CSR is a board-driven process, and the Board of the company is empowered to plan, approve, execute, and monitor the CSR activities of the company based on the recommendation of its CSR Committee. The Government has no direct role in the approval and implementation of the CSR programmes /projects of a company.

According to Section 135 of the Companies Act, 2013, every company having -

- net worth of rupees five hundred crore or more; or
- turnover of rupees one thousand crore or more; or
- a net profit of rupees five crore or more

during the immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more Directors, out of which at least one director shall be an independent director.

Where a company is not required to appoint an independent director under section 149(4), it shall have in its Corporate Social Responsibility Committee two or more Directors.

> Section 149(4) of the Act states that every listed public company shall have at least one-third of the total number of Directors as independent Directors and the Central Government may prescribe the minimum number of independent Directors in case of any class or classes of public companies.
>
> Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 provides that the following class or classes of companies shall have at least two directors as independent directors -
>
> i. the Public Companies having paid up share capital of ten crore rupees or more; or
>
> ii. the Public Companies having turnover of one hundred crore rupees or more; or
>
> iii. the Public Companies which have, in aggregate, outstanding loans, debentures and deposits, exceeding fifty crore rupees.

Applicability of the provisions of Section 135 on Holding, Subsidiary or a Foreign Company

Rule 3 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 provides that -

(1) Every company including its holding or subsidiary, and a foreign company defined under section 2(42) of the Act having its branch office or project office in India, which fulfills the criteria specified in sub-section (I) of section 135 of the Act shall comply with the provisions of section 135 of the Act and these rules:

Provided that net worth, turnover or net profit. of a foreign company of the Act shall be computed in accordance with balance sheet and Profit and loss account of such company prepared in accordance .with the provisions of section 381(1)(a) and section 198 of the Act.

Provided further that a company having any amount in its Unspent Corporate Social Responsibility Account as per section 135(6) shall constitute a CSR Committee and comply with the provisions contained in sub-sections (2) to (6) of the said section.

Constitution of CSR Committee

The companies mentioned in the rule 3 shall constitute CSR Committee as under.-

(i) a company covered under section 135(1) which is not required to appoint an independent director pursuant to sub-section (4) of section 149 of the Act, shall have its CSR Committee without such director ;

(ii) a private company having only two directors on its Board shall constitute its CSR Committee with two such directors;

(iii) with respect to a foreign company covered under these rules, the CSR Committee shall comprise of at least two persons of which one person shall be as specified under section 380(1)(d) of the Act and another person shall be nominated by the foreign company.

The Board’s report under section 134(3) shall disclose the composition of the Corporate Social Responsibility Committee.

Composition of the CSR Committee

The composition of the CSR Committee for various categories of companies is as under:

Listed Companies: Three or more directors, out of which at least one shall be an independent director.

Unlisted public companies: Three or more directors, out of which at least one shall be an independent director. However, if there is no requirement of having an independent director in the company, two or more directors.

Private Companies: Two or more directors. No independent directors are required as mentioned in the proviso under section 135(1).

Foreign Companies: At least two persons out of which: (a) one shall be as specified under clause (d) of subsection (1) of section 380 of the Act, and (b) another shall be nominated by the foreign company. (Refer rule 5(1) of the Companies (CSR Policy) Rules, 2014).

Where the amount required to be spent by a company on CSR does not exceed fifty lakh rupees, the requirement for 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.

Functions of the CSR Committee

The Corporate Social Responsibility Committee shall —

(i) formulate and recommend the CSR policy to the Board;

(ii) recommend the amount of expenditure to be incurred on CSR activities;

(iii) monitor the CSR policy of the company from time to time; and

(iv) formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the items as mentioned in rule 5(2) of the Companies (CSR Policy) Rules, 2014.

For companies covered under Section 135(9) of the Act and not required to have CSR Committee, these functions shall be carried out by the Board itself.

Responsibilities of the Board in relation to the CSR provisions

CSR is a Board-driven process. The responsibilities of the Board of a CSR-eligible company, inter-alia, include the following — (i) approve the CSR policy; (ii) disclose contents of such policy in its report and also place it on the company's website, if any; (iii) ensure that the activities included in the CSR policy are undertaken by the company; (iv) ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years; (v) satisfy itself regarding the utilisation of the disbursed CSR funds; and (vi) if the company fails to spend at least two per cent of the average net profits of the company, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount and transfer the unspent CSR amount as per provisions of sections 135(5) and 135(6) of the Act.

Annual Action Plan

The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR Policy, which shall include the following, namely:-

(a) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;

(b) the manner of execution of such projects or programmes as specified in sub-rule (1) of rule 4;

(c) the modalities of utilisation of funds and implementation schedules for the projects or programmes;

(d) monitoring and reporting mechanism for the projects or programmes; and

(e) 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 financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.

CSR POLICY

The Corporate Social Responsibility Committee shall, —

(a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company in areas or subject, specified in Schedule VII;

(b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and

(c) monitor the Corporate Social Responsibility Policy of the company from time to time.

The Board of every company referred to in sub-section (1) shall, —

(a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and

(b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

SPENDING OF CSR AMOUNT

The Board of every company referred to in section 135 (1), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount and, unless the unspent amount relates to any ongoing project referred to in sub-section (6), transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

Provided also that if the company spends an amount in excess of the requirements provided under this sub-section, such company may set off such excess amount against the requirement to spend under this sub-section for such number of succeeding financial years and in such manner, as may be prescribed.

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.

CSR Expenditure

The board shall ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the company for the financial year.

Any surplus arising out of the CSR activities shall not form part of the business profit of a company and shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and annual action plan of the company or transfer such surplus amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

Where a company spends an amount in excess of requirement provided under sub-section (5) of section 135 , such excess amount may be set off against the requirement to spend under sub-section (5) of section 135 up to immediate succeeding three financial years subject to the conditions that -

(i) the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any, in pursuance of sub-rule (2) of this rule.

(ii) the Board of the company shall pass a resolution to that effect.

The CSR amount may be spent by a company for creation or acquisition of a capital asset, which shall be held by -

(a) a company established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number under sub-rule (2) of rule 4; or

(b) beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or

(c) a public authority:

(d) Provided that any capital asset created by a company prior to the commencement of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, shall within a period of one hundred and eighty days from such commencement comply with the requirement of this rule, which may be extended by a further period of not more than ninety days with the approval of the Board based on reasonable justification.

Different modes of incurring CSR Expenditure

CSR expenditure can be incurred in multiple modes:

(i) 'Activities route', which is a direct mode wherein a company undertakes the CSR projects or programmes as per Schedule VII of the Act, either by itself or by engaging implementing agencies as prescribed in Companies (CSR Policy) Rules, 2014.

(ii) 'Contribution to funds route', which allows the contributions to various funds as specified in Schedule VII of the Act.

(iii) Contribution to incubators and R&D projects, as specified in item (ix)(a) and contribution to institutes/ organisations, engaged in research and development activity, as specified under item (ix)(b) of Schedule VII of the Act.

CSR IMPLEMENTATION – RULE 4

CSR Activities to be undertaken by the company itself or through other Entities – Rule 4(1)

The Board shall ensure that the CSR activities are undertaken by the company itself or through, –

(a) a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company; or

(b) a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government; or

(c) any entity established under an Act of Parliament or a State legislature; or

(d) a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.

Explanation.- For the purpose of clause (c), the term "entity" shall mean a statutory body constituted under an Act of Parliament or State legislature to undertake activities covered in Schedule VII of the Act.

Entities undertaking CSR Activities to get register – Rule 4(2)

(a) Every entity, covered under sub-rule (1), who intends to undertake any CSR activity, shall register itself with the Central Government by filing the form CSR-1 electronically with the Registrar, with effect from the **01st day of April 2021.**

(b) Provided that the provisions of this sub-rule shall not affect the CSR projects or programmes approved prior to the **01st day of April 2021.**

(c) Form CSR-1 shall be signed and submitted electronically by the entity and shall be verified digitally by a Chartered Accountant in practice or a Company Secretary in practice or a Cost Accountant in practice.

(d) On the submission of the Form CSR-1 on the portal, a unique CSR Registration Number shall be generated by the system automatically.

Engagement of International Organisation – Rule 4(3)

A company may engage international organisations for designing, monitoring and evaluation of the CSR projects or programmes as per its CSR policy as well as for capacity building of their own personnel for CSR.

Collaboration with other companies – Rule 4(4)

A company may also collaborate with other companies for undertaking projects or programmes 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 programmes in accordance with these rules.

Utilisation of Funds – Rule 4(5)

The Board of a company shall satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it and the Chief Financial Officer or the person responsible for financial management shall certify to the effect.

Ongoing Projects – Rule 4(6)

In case of ongoing project, the Board of a Company shall monitor the implementation of the project with reference to the approved timelines and year wise allocation and shall be competent to make modifications, if any, for smooth implementation of the project within the overall permissible time period.

Entities are eligible to act as an Implementing Agency for undertaking CSR Activities

Rule 4(1) of the Companies (CSR Policy) Rules, 2014 provides the eligible entities which can act as an implementing agency for undertaking CSR activities. These are:

(i) *Entity established by the company itself or along with any other company – a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961.*

(ii) *Entity established by the Central Government or State Government – a company established under section 8 of the Act, or a registered trust or a registered society.*

(iii) *Statutory bodies – any entity established under an Act of Parliament or a State legislature.*

(iv) *Other bodies – a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.*

IMPACT ASSESSMENT

The words 'Impact Assessment' has neither been defined under the Companies Act, 2013 nor under the Companies (CSR Policy) Rules, 2014. In common words the impact assessment may be defines as a means of measuring the effectiveness of organisational activities and judging the significance of changes brought about by those activities. It is neither Art or Science, but both. Impact assessment is intimately linked to Mission, and, in that sense, ripples through the organisation. The impact assessment is a effective tool to monitor the way the CSR expenses are being expended by a company and how the society is being benefitted from the CSR expenses. The impact assessment ensures the end use of the expenses which are being incurred, for whom it is being incurred and what are the ultimate benefits on the environment, its social impacts and so of the inculcation of the governance structure in the company concerned.

Impact Assessment through an independent Agency

Every company having average CSR obligation of ten crore rupees or more in pursuance of section 135(5) of the Act, in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study.

Placement of Impact Assessment Report before the Board

The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.

Ceiling of Expenditure on Impact Assessment

A Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed -

- two percent of the total CSR expenditure for that financial year; or
- fifty lakh rupees,

whichever is higher.

Independent Agency

In terms of Rule 8(3) of the Companies (CSR Policy) Rules, 2014 the impact assessment shall be conducted by an independent agency. The Independent Agency has not been defined under the Act or Rules. The Board has the prerogative to decide on the eligibility criteria for selection of the independent agency for impact assessment. The word 'independent' shall be construed that the agency concerned shall not be the related party as prescribed under Section 2(76) of the Companies Act, 2013.

Unspent Amount of CSR – Section 135(6)

Any amount remaining unspent under sub-section (5), pursuant to any ongoing project, fulfilling such conditions as may be prescribed, undertaken by a company in pursuance of its Corporate Social Responsibility Policy, shall be transferred by the company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account, and such amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.

Transfer of unspent CSR amount – Rule 10

Until a fund is specified in Schedule VII for the purposes of subsection (5) and(6) of section 135 of the Act, the unspent CSR amount, if any, shall be transferred by the company to any fund included in schedule VII of the Act.

Penalty for Default in Compliance – Section 135(7)

If a company is in default in complying with the provisions of sub-section (5) or sub-section (6), the company shall be liable to a penalty of twice the amount required to be transferred by the company to the Fund specified in Schedule VII or the Unspent Corporate Social Responsibility Account, as the case may be, or one crore rupees, whichever is less, and every officer of the company who is in default shall be liable to a penalty of one-tenth of the amount required to be transferred by the company to such Fund specified in Schedule VII, or the Unspent Corporate Social Responsibility Account, as the case may be, or two lakh rupees, whichever is less.

Central Government to give Directions – Section 135(8)

The Central Government may give such general or special directions to a company or class of companies as it considers necessary to ensure compliance of provisions of this section and such company or class of companies shall comply with such directions.

Non-applicability of Constitution of CSR Committee – Section 135(9)

Where the amount to be spent by a company under sub-section (5) does not exceed fifty lakh rupees, the requirement under sub-section (1) for constitution of the Corporate Social Responsibility Committee shall not be applicable and the functions of such Committee provided under this section shall, in such cases, be discharged by the Board of Directors of such company.

Activities which may be included by companies in their CSR Policies Activities – Schedule VII

(i) Eradicating Hunger, Poverty and Malnutrition

Eradicating hunger, poverty and malnutrition, "promoting health care including preventive health care" and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.

(ii) Promoting Education

Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.

> The Government of India, Ministry of Corporate Affairs vide its General Circular No. 08/ 2022 dated 26th July 2022 clarified on spending of CSR funds for "Har Ghar Tiranga" campaign.
>
> 'Har Ghar Tiranga', a campaign under the aegis of Azadi Ka Amrit Mahotsav, is aimed to invoke the feeling of patriotism in the hearts of the people and to promote awareness about the Indian National Flag. In this regard, it is clarified that spending of CSR funds for the activities related to this campaign, such as mass scale production and supply of the National Flag, outreach and amplification efforts and other related activities, are eligible CSR activities under item no. (ii) of Schedule VII of the Companies Act, 2013 pertaining to promotion of education relating to culture.
>
> 2. The companies may undertake the aforesaid activities, subject to fulfillment of the Companies (CSR Policy) Rules, 2014 and related circulars/ clarifications issued by the Ministry thereof, from time to time.

(iii) Promoting Gender Equality

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) Environmental Sustainability

Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.

(v) Protection of National Heritage

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;

(vi) Measures for the benefit of Armed Forces Veterans

Measures for the benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows;

(vii) Rural Sports

Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports

(viii) Prime Minister's National Relief Fund

Contribution to the prime minister's national relief fund or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) or any other fund set up by the central govt. for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women;

(ix) Research and Development Projects

(a) 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; and

(b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under 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).

(x) Rural Development Projects

(xi) Slum Area Development.

Explanation. - For the purposes of this item, the term 'slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.

(xii) Disaster Management

Disaster management, including relief, rehabilitation and reconstruction activities.

Activities do not qualify as eligible CSR activity

Rule 2(1)(d) of the Companies (CSR Policy) Rules, 2014 defines CSR and the following activities are specifically excluded from being considered as eligible CSR activity:

(i) Activities undertaken in pursuance of normal course of business of the company. However, exemption is provided for three financial years, till FY 2022-23, to companies engaged in R&D activities for new vaccines, drugs, and medical devices in their normal course of business, related to COVID19. This exclusion is allowed only in case the companies are engaged in R&D in collaboration with organisations as mentioned in item (ix) of Schedule VII and disclose the same in their Board reports;

(ii) 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;

(iii) Contribution of any amount, directly or indirectly, to any political party under section 182 of the Act;

(iv) Activities benefitting employees of the company as defined in section 2(k) of the Code on Wages, 2019;

(v) Sponsorship activities for deriving marketing benefits for products/services; (vi) Activities for fulfilling statutory obligations under any law in force in India.

MAPPING SUSTAINABLE DEVELOPMENT GOALS (SDGS) WITH CSR PROGRAMS OF THE COMPANY

United Nation's SDGs

The Sustainable Development Goals (SDGs) were developed at the United Nations Conference on Sustainable Development, held in Rio de Janeiro, Brazil, 2012. The purpose was to create a set of global goals, related with the environmental, political and economic challenges that we face as humanity.

The 2030 Agenda listed "Sustainable Development Goals" consisting of 17 goals and 169 targets in order to eradicate poverty and realize a sustainable world. **The 17 sustainable development goals (SDGs) to transform our world[1]:**

1. *https://www.un.org/development/desa/disabilities/envision2030.html*

GOAL 1: No Poverty

GOAL 2: Zero Hunger

GOAL 3: Good Health and Well-being

GOAL 4: Quality Education

GOAL 5: Gender Equality

GOAL 6: Clean Water and Sanitation

GOAL 7: Affordable and Clean Energy

GOAL 8: Decent Work and Economic Growth

GOAL 9: Industry, Innovation and Infrastructure

GOAL 10: Reduced Inequality

GOAL 11: Sustainable Cities and Communities

GOAL 12: Responsible Consumption and Production

GOAL 13: Climate Action

GOAL 14: Life Below Water

GOAL 15: Life on Land

GOAL 16: Peace and Justice Strong Institutions

GOAL 17: Partnerships to achieve the Goal

SDG India Index[2]

India played a prominent role in the formulation of the United Nations Sustainable Development Agenda 2030 and much of the country's National Development Agenda is mirrored in the Sustainable Development Goals (SDGs). The progress of the world to meet the SDGs largely depends on India's progress. However, with 17 Goals, 169 Targets and 306 National indicators, the SDGs might be difficult to grasp and understand, and defining and measuring success poses a challenge.

While countries around the world have been considering how to implement and measure success against the Goals, NITI Aayog has taken the lead by bringing out the SDG India Index – Baseline Report 2018, and showing how SDGs will be measured in India. The NITI Aayog released the Baseline Report of the *Sustainable Development Goals (SDG) India Index*, which comprehensively documents the progress made by India's States and Union Territories towards implementing the 2030 SDG targets.

NITI Aayog has constructed the SDG India Index spanning across 13 out of 17 SDGs (leaving out Goals 12, 13, 14 and 17). The Index tracks the progress of all the States and Union Territories (UTs) on a set of 62 National Indicators, measuring their progress on the outcomes of the interventions and schemes of the Government of India. The SDG India Index is intended to provide a holistic view on the social, economic and environmental status of the country and its States and UTs.

The SDG India Index is an aggregate measure which can be understood and used by everyone – policymakers, businesses, civil society and the general public. It has been designed to provide an aggregate assessment of the performance of all Indian States and UTs, and to help leaders and change makers evaluate their performance on social, economic and environmental parameters. It aims to measure India and its States' progress towards the SDGs for 2030.

2. https://niti.gov.in/sdg-india-index

Key Features of SDG India Index, 2018

Guided by MoSPI's National Indicator Framework and based on consultations with Central Ministries/ Departments and States/UTs, NITI Aayog has constructed a list of Sixty two priority indicators for computation of the SDG India Index after extensive discussions with 38 Central Ministries and Departments and States and UTs. Being the baseline report, this report does not consider time series comparison of data. As a result, the SDG India Index tells us where a State/UT currently stands on each of the indicators considered, and will present incremental change in subsequent versions.

The SDG India Index 2018 report provides critical insights on the status of SDGs in the country even though it may not be a comprehensive representation of overall baseline since it is constrained by limited data availability. As data availability improves and new estimation techniques become available, subsequent reports of SDG India Index will become more comprehensive with additional indicators, and also help to measure incremental progress.

Despite these gaps and limitations, the SDG Index can be useful to States/UTs in assessing their starting point on the SDGs in the following ways:

- **Support States/UTs to benchmark their progress:** SDG India Index can help States/UTs to benchmark their progress against the national targets and performance of their peers to understand reasons for differential performance and devise better strategies to achieve the SDGs by 2030.
- **Support States/UTs to identify priority areas:** The SDGs undoubtedly present a very bold agenda. It is clear from this analysis, that several States will face major challenges in achieving the SDGs. SDG India Index will act as tool to highlight the key areas on which the respective States/UTs need to invest and improve by enabling States/UTs to measure incremental progress.
- **Highlight data gaps related across SDGs:** The preparation of the index has highlighted data gaps related to the SDGs. As highlighted earlier, SDG India Index does not currently cover Goals 12, 13 and 14 largely on account of unavailability of comparable data across States and UTs. Even for basic indicators like Maternal Mortality Ratio, data is not available for States in the North-East and UTs. The stated limitations of this index highlights the need for India to develop its statistical systems at the national and State levels. It highlights the need to increase the capacity and capability of data collection.

Mapping of CSR Programmes with SDGs

The company's CSR Project shall be in line with the SDGs. The 17 Point Programme as enunciated by the United Nations have already been incorporated under Schedule VII of the Companies Act, 2013.

Format for the Annual Report on CSR Activities to be included in the

Board's Report

[For Financial Year Commenced Prior To 1st Day of April, 2020]

1. A brief outline of the company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programs.
2. The Composition of the CSR Committee.
3. Average net profit of the company for last three financial years
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)

5. Details of CSR spent during the financial year.

   (a) Total amount to be spent for the financial year;

   (b) Amount unspent, if any;

   (c) Manner in which the amount spent during the financial year is detailed below.

(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
S. No.	***CSR Project or Activity Identified***	***Sector in which the Project is covered***	***Projects or Programs (1) Local area or (2) Other Specific the State and district where projects or programs was undertaken***	***Amount outlay (budget project or programs wise***	***Amount spent on the project or programs Sub-heads: (1) Direct Expenditure on projects or programs (2) Overheads***	***Cumulative expenditure upto the reporting period***	***Amount Spent : Direct or through implementing Agency***

*Give details of implementing agency:

6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

Sd/-	Sd/	Sd/-
(Chief Executive Officer or Managing Director or Director)	(Chairman CSR Committee)	(Person specified under clause (d) of sub-section (1) of section 380 of the Act) (wherever applicable)

FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT FOR FINANCIAL YEAR COMMENCING ON OR AFTER THE 1ST DAY OF APRIL, 2020

1. Brief outline on CSR Policy of the Company:

2. Composition of CSR Committee:

S. No.	***Name of Director***	***Designation / Nature of Directorship***	***Number of meetings of CSR Committee held during the year***	***Number of meetings of CSR Committee attended during the year***

3. Provide the web-link(s) where Composition of CSR Committee, CSR Policy and CSR Projects approved by the board are disclosed on the website of the company.
4. Provide the executive summary along with web-link(s) of Impact Assessment of CSR Projects carried out in pursuance of sub-rule (3) of rule 8, if applicable.
5. (a) Average net profit of the company as per sub-section (5) of section 135.

   (b) Two percent of average net profit of the company as per sub-section (5) of section 135.

   (c) Surplus arising out of the CSR Projects or programmes or activities of the previous financial years.

   (d) Amount required to be set-off for the financial year, if any.

   (e) Total CSR obligation for the financial year [(b)+(c)-(d)].
6. (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project).

   (b) Amount spent in Administrative overheads.

   (c) Amount spent on Impact Assessment, if applicable.

   (d) Total amount spent for the Financial Year [(a)+(b)+(c)].

   (e) CSR amount spent or unspent for the Financial Year:

	Amount Unspent (in Rs.)				
Total amount spent for the Financial Year (in Rs.)	***Total Amount transferred to Unspent CSR Account as per sub-section (6) of Section 135***		***Amount transferred to any fund specified under Schedule VII as per second proviso to sub-section (5) of Section 135***		
	Amount	***Date of transfer***	***Name of the fund***	***Amount***	***Date of transfer***

(f) Excess amount for set-off, if any:

S. No.	***Particulars***	***Amount (In Rs.)***
(i)	Two percent of average net profit of the company as per sub-section (5) of Section 135	
(ii)	Total amount spent for the financial year	
(iii)	Excess amount spent for the Financial Year [(ii) – (i)]	
(iv)	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	

7. Details of Unspent Corporate Social Responsibility amount for the preceding three financial years:

1	2	3	4	5	6		7	8
S. No.	***Preceding Financial Year(s)***	***Amount transferred to Unspent Account under section 135(6)***	***Balance amount in unspent CSR account under section 135(6) (Rs.)***	***Amount spent in the financial year (in Rs.)***	***Amount transferred to a Fund as specified under Schedule VII as per second proviso to section 135(5)***		***Amount remaining to be spent in succeeding Financial Years (in Rs.)***	***Deficiency, if any***
					Amt Outstd	***Dt of Tr.***		
1.	FY-1							
2.	FY-2							

8. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in Financial Year.

   Yes / No

   If Yes, enter the number of Capital assets created / acquired.

   Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

S. No.	***Short particulars of the property or assets(s) Including complete address and location of the property***	***Pin code of the property or asset(s)***	***Date of creation***	***Amount of CSR amount spent***	***Details of entity / Authority / Beneficiary of the Registered owner***		
(1)	***(2)***	***(3)***	***(4)***	***(5)***	***(6)***		
					CSR Registration Number, if applicable	***Name***	***Registered Address***

All the fields should be captured as appearing in the revenue record, flat no, house no, Municipal Office/Municipal Corporation/ Gram panchayat are to be specified and also the area of the immovable property as well as boundaries)

9. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per sub-section (5) of section 135.

Sd/- (Chief Executive Officer or	Sd/- (Chairman CSR Committee).	Sd/- [Person specified under clause (d) of sub-section (1) of section 380] Managing Director or Director). (Wherever applicable)."

CASE LAWS

Technicolor India (P.) Ltd. v/s Registrar of Companies, CP NO. 124 (BB) OF 2019, JANUARY 31, 2020.

In the instant case, the Company has spent some amount as per the CSR Policy of the Company during the fiscal year 2017-18, which remain below the threshold mentioned in Section 135(5) of Companies Act, 2013 read with Companies Rules, 2014. Due to human lapse, the concerned department misreported the amounts spent on CSR, which mentioned in the CSR Annexure to the Directors' report for the fiscal year ended Company 31st March, 2018 as against the amount reported in the audited financials. Therefore, the Board of Directors of the Company, in their meeting held on 21st September, 2018 approved the draft Directors' report for the year ended 31st March, 2018 which mentioned the amount spent on CSR and associated details incorrectly, due to receipt of an incorrect input from the relevant department.

In the AGM held on 28-9-2018, the shareholders have adopted the audited financial statements for the year ended 31st March, 2018 including the audited balance sheet as on 31st March 2018, the statement of profit and loss account with the report of the board of directors and auditors. The amount spent on the CSR and associated detail is incorrectly captured in the annexure to the Director's report for the fiscal year ended 31st March, 2018 as against the amount recorded in the Audited financial against CSR activity and the issue was discovered during the pre-scrutiny stage of filing of the audited financials of the year. Therefore, the Board has taken a call to set the things right with the suo motu intent to make application under section 131(1)(b) to rectify the error in the Board's report. The Board thus has authorised to make this application.

The NCLT passed the following order:

- The Petitioner Company is permit to revise the Board's report, as sought for, as per Annexure-4 and with a direction to follow all the extant provisions of section 135 of the Companies Act, 2013, the Company (CSR) Rules, 2014 amended from time to time, and also rule 77 of NCLT Rules, 2016.
- This order is passed without prejudice rights of the Statutory Authorities to initiate any proceedings against the Company, for violation of any provisions of the Companies Act, which includes alleged violation of section 135 of the Companies Act, 2013.

Display of CSR Activities on its Website

The Board of Directors of the Company shall mandatorily disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on their website, if any, for public access.

LESSON ROUND-UP

- Corporate Social Responsibility is also called Corporate Citizenship or Corporate Responsibility. Generally, CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society.
- Every company having net worth of rupees five hundred crore or more; or turnover of rupees one thousand crore or more; or a net profit of rupees five crore or more during the **immediately preceding financial year** shall constitute a Corporate Social Responsibility Committee of the Board **consisting of three or more Directors**, out of which **at least one director shall be an independent director**.
- The CSR Committee shall **formulate and recommend to the Board, an annual action plan** in pursuance of its CSR Policy.
- The Board of every company after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy.
- The Board of every company shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years in pursuance of its Corporate Social Responsibility Policy.

GLOSSARY

Annual Action Plan: The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR Policy.

CSR Committee: The Corporate Social Responsibility Committee is appointed by the Board of Directors to promote a culture that emphasizes and sets high standards for corporate social responsibility and reviews corporate performance against those standards.

CSR Policy: The CSR Committee shall formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company in areas or subject, specified in Schedule VII; recommend the amount of expenditure to be incurred on such activities and monitor the Corporate Social Responsibility Policy of the company from time to time.

CSR Spending: The Board of every company specified in Section 135 (1), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years.

Administrative Overheads: The board shall ensure that the administrative overheads shall not exceed 5% of total CSR expenditure of the company for the financial year.

Default in compliance – Penalty on the company: If a company is in default in complying with the provisions of section 135(5) or (6), the company shall be liable to a penalty of-

- twice the amount required to be transferred by the company to the Fund specified in Schedule VII; or
- the Unspent Corporate Social Responsibility Account; or
- one crore rupees,

whichever is less.

Default in compliance -Penalty on the officers of the company: Every officer of the company who is in default shall be liable to a penalty of –

- one-tenth of the amount required to be transferred by the company to such Fund specified in Schedule VII; or
- the Unspent Corporate Social Responsibility Account; or
- two lakh rupees

whichever is less.

Need Assessment: Needs assessment is a systematic process for determining and addressing development needs or gaps between current conditions and desired conditions. The discrepancy between the current condition and desired condition must be measured to appropriately identify the development needs of community.

Impact Assessment: Impact assessment may be defines as a means of measuring the effectiveness of organisational activities and judging the significance of changes brought about by those activities.

Sustainable Development Goals (SDGs): The Sustainable Development Goals (SDGs) were developed at the United Nations Conference on Sustainable Development, held in Rio de Janeiro, Brazil, 2012. The purpose was to create a set of global goals, related with the environmental, political and economic challenges that we face as humanity.

SDG India Index NITI Aayog has constructed the SDG India Index spanning across 13 out of 17 SDGs (leaving out Goals 12, 13, 14 and 17).

TEST YOURSELF

(These are meant for recapitulation only. Answer to these questions are not to be submitted for evaluation.)

1. Whether private limited companies are required to constitute a CSR Committee?
2. Whether a company can do CSR Expenditure on an activity which is covered under Schedule VII, but not covered by the CSR Policy approved by the Board?
3. Whether there is any limit on the administrative overheads of total CSR expenditure of the company for the financial year?
4. What do you mean by United Nation's Sustainable Development Goals (SDGs)?
5. Discuss about the composition of the CSR Committee?

LIST OF FURTHER READINGS

- Corporate Social Responsibility Law & Practice by Rajesh S. Kadakia's, Publisher: Taxmann
- Corporate Social Responsibility by KAMAL GARG Edition 2023, Publisher: Bharat
- Corporate Social Responsibility in India : A Practitioner's Perspective by Nirbhay Lumde
- A Handbook On Corporate Social Responsibility by Dr.Mahesh Thakur
- Corporate Governance Business Ethics and CSR- With Case Studies and Major Corporate Scandals by Sharma