

CSR

*“Focusing the Regional CSR
perspective for better tomorrow”*

Anchor Electriclas Pvt Ltd
Unit v
22 Sep 2018

AGENDA

1. "The Regional CSR Perspective: Key findings of CSR needs and Capacity assessment" & PWC Partnership Concept
2. The CSR Rules & Policy changes (with focus on CSR Committee, Policy, Schedule VII) and newer amendments.
3. Measuring the outcome and impact of the CSR projects

Regional CSR-Key Findings ,Capacity Assessment

Need Assessment

Objective

- To identify & document the challenges faced by companies while executing CSR projects
- To analyse the status of compliance w.r.t CSR mandate as per the CSR Rules (2014)
- To identify the priority areas and gaps for strengthening capacities of the Companies w.r.t. CSR

Process

- Companies with PBT > INR 5 crores were selected out of the total list of 19,676, sourced from the ROC.
- These 453 companies were segregated into three geographical clusters namely Ahmedabad-Gandhinagar, Surat cluster and Vadodara.
- Companies were categorized into 'large', 'medium' and 'small' companies under different industry sectors.
- Using simple random stratified sampling, 105 of the 453 companies (sample) were selected for needs assessment. These companies were then contacted through phone / emails and meetings.

For need assessment, **88 companies** were able to articulate/send in their responses. The split is as below, followed by analysis:

City	SMEs	Large
Ahmedabad*	32	7
Vadodara	26	2
Surat Cluster	19	2
Total	77	11
Grand total	88	

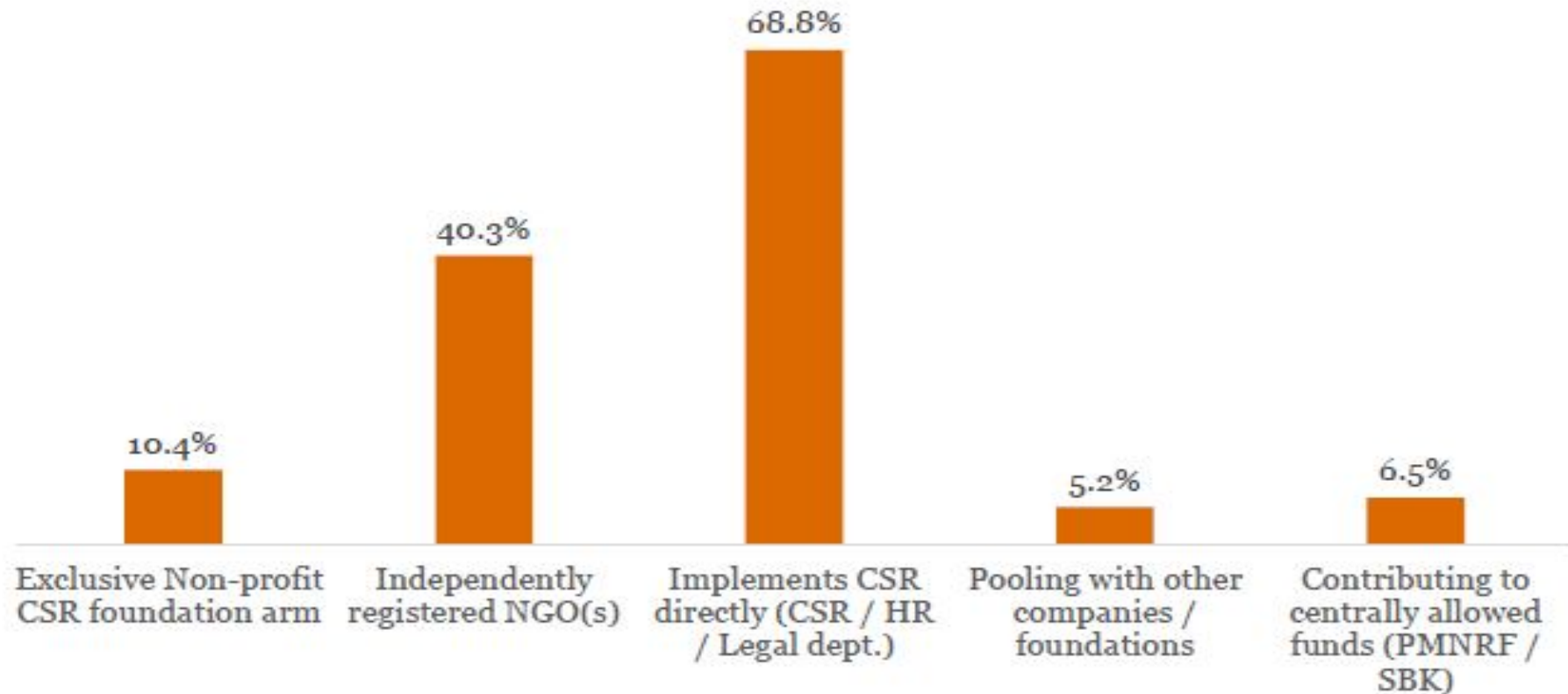
*includes Gandhinagar

Key findings of CSR needs and capacity assessment • Focusing the Regional CSR perspective for better tomorrow

Focus Areas

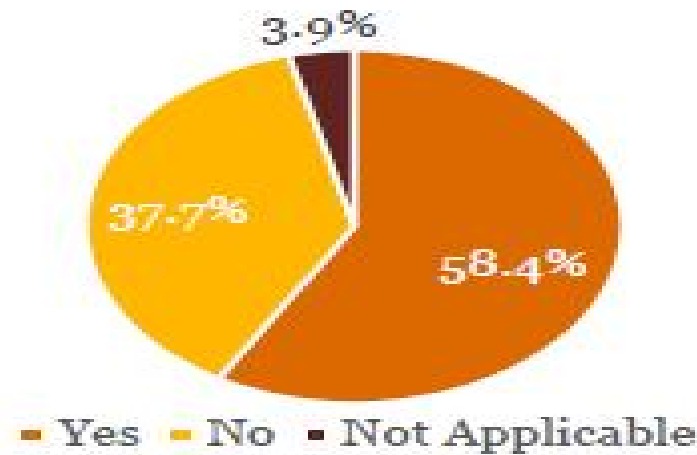


Implementation

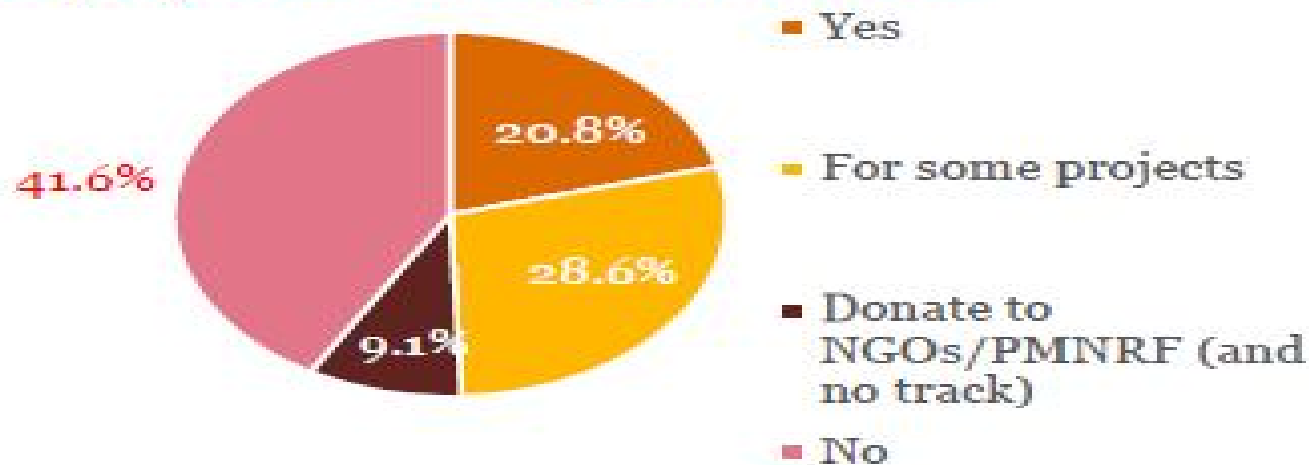


Visibility and Evaluation

Website includes board approved CSR Policy



CSR project monitoring & evaluation



Challenges

- I. Insufficient knowledge and awareness on the CSR Rules(2014)**
- II. Differentiating CSR with business (Marketing, Promotion etc.)**
- III. Unclear directives in the CSR Rules (2014)**
- IV. Inadequate skill set and expertise of the CSR team**
- V. Convincing investors or CFO**

PwC and GCSRA Partnership Concept

Role of PwC and GCSRA partnership

A. Knowledge management

... taking cohesive and integrated approach to assist GCSRA in undertaking knowledge management initiatives and offering strategic support

Knowledge Management support

- Assisting GCSRA in developing **information packs** on key development sectors e.g. Malnutrition, Health, Education, Entrepreneurship etc. to create knowledge base for CSR practitioners

Assistance in developing small CSR project profiles

- Assisting GCSRA in developing **small project profiles** on innovative CSR ideas to be uploaded on the Authority's website for independent implementation by interested Companies.

Assisting in instituting State level CSR Awards

Instituting State level awards for the Companies carrying out noteworthy activities, following good governance practices, making a difference, innovative initiatives, etc.

PwC and GCSRA Partnership Concept

Role of PwC and GCSRA partnership

B. Project management

... assisting GCSRA in addressing the need for capacity building of various Companies and their CSR personnel in order to ensure implementation of meaningful CSR initiatives and their continuous monitoring.

Project Management support

- streamline GCSRA's initial operations
- Identifying human development deficit areas
- Complementing the state's development priorities

Assisting in organizing sensitization seminars with various stakeholder

- Organizing regional seminars in the State of Gujarat
- Organizing National Level Seminar
- Holding seminars with Company Secretaries
- Holding seminars with CSR Heads of major Companies

Assisting in organizing short-term training programmes for CSR implementing officers

Holding short-term training programmes on

- developing CSR approach of the Company
- designing meaningful outcome-based projects
- monitoring & evaluation
- impact assessment,
- Reporting on outcomes & impact
- Documentation & scaling up
- induction of quality manpower

What is the definition of CSR?

No definition ...*Min of Corp. Affairs* , however, in a written response to a query of the *Committee on Public Undertakings** in 2015 informed:

The benefits of CSR activities are more likely to flow to the needy, the deprived, the poor and the marginalized

*“CSR is an approach to dedicate a portion of their profits to the common social good so as to give back to the society within which they operate. This goes **beyond philanthropy** and **mere compliance**. It aligns the CSR activities of Companies, conducted in project mode, with the inclusive development goals of the nation. The key point is that **CSR activities are over and above the Companies’ normal course of business**. Further CSR Rules provides that subject to provisions of sub-section (5) of section 135 of the Act, the CSR projects or programmes or **activities undertaken in India only** shall amount to CSR Expenditure.”*

The CSR Rules & Policy Changes

What are the provisions of Section 135 regarding mandatory minimum CSR spends by companies?

1. Obligation is on every company specified in section 135(1) (Turnover-1000 Cr; Net worth -500 Cr, Profit -5 cr)
2. Obligation is to spend at least 2% of its average net profits of 3 preceding financial years
3. Obligation is to spend on activities specified in schedule VII
4. Spend should be in accordance with CSR Policy framed by CSR Committee of Directors set up by the BoDs.

The CSR Rules & Policy Changes

Is there any cap on CSR spends?

- No.

What is the date from which the CSR obligations under Section 135 become effective?

- 1st April 2014

Is it the law that “once under CSR will always remain under CSR”?

Every company having net worth of 500 Cr or more, or turnover of 1000Cr or more, or a profit of 5 Cr or more ***during any financial year shall constitute a CSR Committee of the Board...*** Section 135(5) provides that “the Board of every company referred to in sub-section (1), ***shall ensure that every company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its CSR Policy***”.

The CSR Rules & Policy Changes

What should be the composition of CSR Committee?

- 3 or more directors
- 1 independent director
- An unlisted company or a private company covered under section 135(1) is not required to appoint an independent director
- A private company having only two directors on its Board shall constitute CSR Committee with 2 such directors.

What are the roles and responsibilities of CSR Committee?

- Formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company as specified in schedule VII.
- Recommend the amount of expenditure to be incurred on the activities referred to in (1) above; and
- Monitor the CSR Policy of the company from time to time.

The CSR Rules & Policy Changes

Can company spend on any schedule VII CSR activity even if it is not mentioned in company's CSR Policy?

“No” - CSR activities shall be undertaken by the company as per the stated CSR Policy, as projects or programs or activities –Rule4(4) of the CSR Rules.

Can the expenditure incurred towards personnel exclusively appointed by the companies for implementing the CSR activities of the company, be included in the expenditure earmarked for CSR activities?

Salary paid by the companies to regular CSR staff as well as employees, who render their services for CSR will be part of Administrative overheads and should not exceed 5% of the total CSR expenditure as per rule4(6)of CSR Policy,Rules2014.

Whether CSR expenditure of a company can be claimed as a business expenditure?

The amount spent by a company towards CSR cannot be claimed as business expenditure.

The CSR Rules & Policy Changes

What tax benefits can be availed under CSR?

No specific tax exemptions have been extended to CSR expenditure.

Finance Act, 2014 also clarifies that expenditure on CSR does not form part of business expenditure. While no specific tax exemption has been extended to expenditure in CSR, spending on several activities like contribution to Prime Minister's Relief Fund, scientific research, rural Development projects, skill development projects, agricultural extension projects, etc. which find place in Schedule VII, already enjoy exemptions under different sections of the Income Tax Act, 1961.

Which activities would not qualify as CSR Expenditure?

- The CSR projects or programs or activities that benefit only the employees of the company and their families
- One-off events such as marathons / awards / charitable contribution / advertisement / sponsorships of TV programmes etc.
- Expenses by companies for the fulfilment of any Act / Statute of regulations (such as Labour Laws, Land Acquisition Act etc.)
- Contribution of any amount directly or indirectly to any political party
- Activities undertaken by the company in pursuance of its normal course of business

The CSR Rules & Policy Changes

Can donation of money to a trust by a company be treated as CSR expenditure of the company?

General Circular No. 21/2014 of MCA dated June 18, 2014 clarifies that Contribution to Corpus of a Trust/ Society/ Section 8 companies etc. will qualify as CSR expenditure as long as :

- (a) the Trust/ Society/ Section 8 company etc. is created exclusively for undertaking CSR activities,
- (b) where the corpus is created exclusively for a purpose directly relatable to a subject covered in Schedule VII of the Act

Whether contribution in kind is permissible as CSR or not?

MCA's Response: Section 135 prescribes“....shall ensure that company spends....”.
The company has to spend the amount.

Is CSR pooling by two or more companies allowed?

Yes!

Schedule VII

(See sections 135)

Activities which may be included by companies in their CSR Policies

- (i) eradicating extreme hunger and poverty;
- (ii) promotion of education;
- (iii) promoting gender equality and empowering women;
- (iv) reducing child mortality and improving maternal health;
- (v) combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- (vi) ensuring environmental sustainability;
- (vii) employment enhancing vocational skills;
- (viii) social business projects;
- (ix) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
- (x) such other matters as may be prescribed.

Expenditure by Companies under CSR

During Financial Years 2014-15, 2015-16 and 2016-17.

As per the data obtained from filings made by companies up to 30.11.2017 in the MCA 21 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 (Cr.)	Financial Year 2015-16 (Cr.)	Financial Year 2016-17 (Cr.)
1	PSUs	2,673.85	4,163.09	1,325.83
2	Private Sector Companies	6,890.92	9,664.77	3,393.17
Total		9,564.77	13,827.86	4,719.00

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
37	Pan India*	4,434.12	4,650.39	1,928.26
	Grand Total	9,564.77	13,827.86	4,719.00

SECTOR-WISE CSR EXPENDITURE

Sl. No.	Sectors	CSR Expenditure (In Rs. Crores)		
		2014-15	2015-16	2016-17
1	Education/ Differently Abled/ Livelihood	3,021.47	4,689.81	1,605.05
2	Health/ Eradicating Hunger/ Poverty and malnutrition/ Safe drinking water / Sanitation	2,382.27	4,330.21	1,201.37
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

Thank you

