



NOTE ON COMPLIANCE WITH THE PROVISIONS PERTAINING TO CORPORATE SOCIAL RESPONSIBILITY (“CSR”) IN PURSUANCE TO COMPANIES (AMENDMENT) ACT, 2020 AND COMPANIES (CSR POLICY) AMENDMENT RULES, 2021

• **Applicability – Section 135 (1)**

The following class of the Companies shall be required to constitute a CSR Committee and formulate a CSR Policy:

- ✚ A Company having net worth of Rs. 500 Crore or more;
- ✚ A Company having turnover of Rs. 1000 Crore or more;
- ✚ A Company net profit of Rs. 5 Core or more.

Exemption: A Company whose 2% of the average net profits of the immediately preceding 3 financial years or such immediately preceding financial years in case of newly incorporated companies, do not exceed 50 Lakhs or more is not required to form a committee and the Board of Directors shall discharge the duties and functions provided under Section 135 to be discharged by CSR Committees. If 2% of the average net profits were to be equal to or less than Rs.50 Lakhs, it will mean companies having average net profits of the order of Rs.25 Crores.

• **CSR Expenditure – Section 135 (5)**

Mandatory CSR Expenditure = 2 % of the average net profits of the immediately preceding 3 financial years or such immediately preceding financial years in case of newly incorporated companies.



If failed to spend for the FY 20-21 then the courses of action to be undertaken are:

Particulars	Time lines
<p>a) Explain in the Board's Report the reason for not spending and</p> <p>b) If and to the extent it pertains to "ongoing project"–transfer the unspent money to a special bank account [Unspent CSR Account] –within 30 days of the end of Financial Year (FY) and such amount shall be spent within 3 FYs from the date of transfer</p>	<p>To be transferred at the latest by 30th April 2021 to Unspent CSR account And shall be utilised for the identified project within F.Y 2023-24</p>
<p>c) Else, transfer unspent money to a Fund referred to in Schedule VII of the Companies Act,2013, within 6 months of the end of the financial year</p>	<p>To be transferred latest by 30th September 2021 to a Fund in Schedule VII</p>

Note: "Ongoing Project" means a multi-year project undertaken by a Company in fulfilment of its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced, and shall include such project that was initially not approved as a multi-year project but whose duration has been extended beyond one year by the board based on reasonable justification;

• **Modes of Spending the CSR Expenditure:**

- a) The Company can make CSR spend by itself
- b) The Company can make CSR spend through CSR Agencies

It is to be noted that in terms of the amendment made effective January 22, 2021, an activity undertaken by a company which is in pursuance of normal course of its business will NOT be considered as CSR activity (except when such activities relate to research and development for new vaccine, drugs etc relating to COVID-19 for 3 financial years). However, if a company engaged in manufacture of blankets, distributes blankets to poor people in cold regions of the country, it can claim the cost of production of those blankets as CSR expenditure, this being contribution in kind cannot be termed as an activity undertaken in its normal course of business.

Different types of CSR Agencies are categorised as:

- ✚ **Private Agencies-** Section 8 Companies, Registered Public Trust, Registered Public Society – formed by the Company itself



- ✚ **Government Agencies**- Section 8 Companies, Registered Public Trust, Registered Public Society established by State Government or Central Government.
- ✚ **Statutory Bodies** – entity under Act of Parliament or State legislature
- ✚ **Public Agencies** – Section 8 company, Registered Public Trust or Registered Society having a track record of at least 3 years in undertaking similar activities

- **Registrations required:**

In case the Companies are spending the money either through **Private Agencies or Public Agencies**, such Agencies are required to mandatorily have 3 registrations:

- ✚ Registration under Section 12A of the Income Tax Act, 1961 for claiming benefits under Section 11 and 12 of the Income Tax Act, 1961.
- ✚ Registration under 80G of the Income Tax Act, 1961

(Note: Existing registrations shall stand cancelled as on 01st April 2021 and the agencies will have to apply within 3 months for re-validating the registrations and validity is 5 years)

- ✚ Registration with MCA in Form CSR- 1 as applicable from 01st April 2021 and generation of unique CSR Registration Number
- ✚ In case of Government Agencies or Statutory Bodies they are required to mandatorily get Registration with MCA in Form CSR- 1 as applicable from 01st April 2021 and generation of unique CSR Registration Number

- **Documents/details required for filing of E-form CSR-1**

- ✚ Copy of the Registration Certificate of the Agency
- ✚ Copy of the PAN of the Agency
- ✚ Copy of the Resolution passed at the meeting of the Directors/Trustees/ Members as the case may be, authorising a Director/ Trustee/Secretary/ Authorised Representative to sign the E-Form CSR-1 on behalf of the Agency
- ✚ Details of the Board of Trustees in case the Agency is Registered Public Trust (Name, Designation, DIN/PAN and E-mail Address)
- ✚ Details Chairman/CEO/Secretary (Name, Designation, DIN/PAN and E-mail Address) in case the Agency is a Registered Society.



- ✚ Details of the Directors (Name, Designation, DIN/PAN and E-mail Address) in case the Agency is a Section 8 Company.
- ✚ Digital Signature Certificate (DSC) of the person authorised to sign the E-Form CSR-1.

- **Reporting Requirement**

- ✚ **Website Disclosure** on the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on their website, if any, for public access.
- ✚ **Annual CSR Report** in the format given to be annexed to the Board's Report

- **Immediate Actions to be undertaken by the Companies**

- ✚ Amendments to existing CSR Policy in line with the CSR Rules and calling a meeting of the CSR Committee and Board of Directors and approve an **Annual Action Plan** (containing the list of CSR projects (b) the manner of execution of such projects (c) the modalities of utilisation of funds and implementation schedules for the projects (d) monitoring and reporting mechanism for the projects (e) details of need and impact assessment, if any, for the projects undertaken by the company)
- ✚ Ensuring whether the existing Agencies have made the necessary registrations as mandated above.
- ✚ Identifying on-going project and transfer of unspent amounts as mentioned above.
- ✚ Identifying unspent amounts other than those involved in the on-going projects and transfer of the same in the manner specified above.
- ✚ Where the CSR spend is more than mandatory 2% of the average net profits of the immediately preceding 3 financial years or such immediately preceding financial years in case of newly incorporated companies, the excess spent can be carried forward for three financial years for set off against the CSR spend obligations during the said years as approved by the Board of Directors.



✚ All Capital Assets created out of CSR spends have to be transferred either to Section 8 company/ Registered Trust/ Registered Society through which CSR spends are made or to the beneficiaries of the CSR Project or any Public Authority with 180 days or within a further period of 90 days as approved by the Board based on reasonable justification. Even in case of a company undertaking CSR activities directly, the ownership of a capital asset created out of CSR activity has to be transferred as aforesaid.

• **CSR Spend Validation / Impact Assessment**

- ✚ CFO / person in charge of financial management shall certify that the funds so disbursed have been utilised for the CSR purposes as approved by the Board.
- ✚ Carrying out CSR Impact Assessment- applicable for expenditure of Rs. 1 Crore and above for a specific project, and with the CSR Budget exceeding Rs. 10 Crore and above
- ✚ Appointing an independent agency to carry out the Impact Assessment

• **Disclosure Requirements**

- ✚ Disclosures on Website
 - CSR Policy
 - Composition of CSR Committee
 - Projects approved by the Board
- ✚ Annual report on CSR as per Annexure I or II to CSR Rules shall be attached
 - to the Board Report
 - in case of Foreign company, to the balance sheet filed under section 381
- ✚ Impact Assessment Report, if applicable, shall be attached to Board's Report

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BRANCH OFFICE

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