

**Proposed Draft Corporate Social Responsibility Rules
under Section 135 of the Companies Act, 2013**

Guiding Principle

CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies. Thus CSR is not charity or mere donations.

CSR is a way of conducting business, by which corporate entities visibly contribute to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth.

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In exercise of the powers conferred under clause (o) and clause (q) of sub-section 3 of Section 134 read with Section 135 and sub-sections (1) and (2) of section 469 of the Companies Act, 2013 the Central Government hereby makes the following Rules namely:

PART I

Short title and commencement

1. These rules may be called the Corporate Social Responsibility Rules, 2013.
2. They shall come into force on the date of their publication in the official gazette and shall be applicable from the financial year 2014-15.

Definition:

3. In these Rules, unless the context otherwise requires:-
 - (a) 'Act' means Companies Act, 2013;
 - (b) 'Corporate Social Responsibility' means Corporate Social Responsibility (CSR) as defined in Section 135 of the Companies Act 2013;
 - (c) 'Ministry' means the Ministry of Corporate Affairs;

- (d) **'Net Profit'** for the section 135 and these rules shall mean, net profit **before** tax as per books of accounts and shall not include profits arising from branches outside India.
- (e) 2% CSR spending would be computed as 2% of the average net profits made by the company during every block of three years. For the purpose of First CSR reporting the Net Profit shall mean average of the annual net profit of the preceding three financial years ending on or before 31 March 2014.
- (f) Reporting will be done on an annual basis commencing from FY 2014-15.

- (g) Tax treatment of CSR spend will be in accordance with the IT Act as may be notified by CBDT.
- (h) Words and expressions used in these Rules and not defined herein but defined in the Act shall have the meaning respectively assigned to them in the Act.

PART II

Operating Provisions of the Rules

1. CSR activities may generally be conducted as projects or programmes (either new or ongoing) excluding activities undertaken in pursuance of the normal course of business of a company. The CSR Committee constituted under sec. 135(1), shall prepare the CSR Policy of the company which shall include the following:

- a. specify the projects and programmes that are to be undertaken.
- b. prepare a list of CSR projects/programmes which a company plans to undertake during the implementation year , specifying modalities of execution in the areas/sectors chosen and implementation schedules for the same.
- c. CSR projects/programmes of a company may also focus on integrating business models with social and environmental priorities and processes in order to create shared value.
- d. CSR Policy of the company should provide that surplus arising out of the CSR activity will not be part of business profits of a company.

e. CSR Policy would specify that the corpus would include the following: a. 2% of the average net profits, b. any income arising therefrom c. surplus arising out of CSR activities.

2. The CSR Committee, shall prepare a transparent monitoring mechanism for ensuring implementation of the projects / programmes / activities proposed to be undertaken by the company.

3. Where a company has set up an organization which is registered as a Trust or Section 8 Company, or Society or Foundation or any other form of entity operating *within India* to facilitate implementation of its CSR activities in accordance with its stated CSR Policy, the following shall apply:

- a. The contributing company would need to specify the projects/programmes to be undertaken by such an organization, for utilizing funds provided by it;
- b. The contributing company shall establish a monitoring mechanism to ensure that the allocation is spent for the intended purpose only;

4. A company may also conduct/implement its CSR programmes through Trusts, Societies, or Section 8 companies *operating* in India, which are not set up by the company itself.

5. Such spends may be included as part of its prescribed CSR spend only if such organizations have an established track record of at least three years in carrying on activities in related areas.

6. Companies may collaborate or pool resources with other companies to undertake CSR activities and any expenditure incurred on such collaborative efforts would qualify for computing the CSR spending.

7. Only such CSR activities will be taken into consideration as are undertaken within India.

8. Only activities which are not exclusively for the benefit of employees of the company or their family members shall be considered as CSR activity.

9. All companies falling under the provision of Section 135 (1) of the Act shall report, in the prescribed format, the details of their CSR initiatives in the Directors' Report and in the company's website.

Annexure - 1

FORMAT FOR THE ANNUAL REPORT ON CSR INITIATIVES TO BE INCLUDED IN THE BOARD REPORT BY QUALIFYING COMPANIES

1. Provide a brief outline of the company's CSR policy including the statement of intent reflecting the ethos of the company, broad areas of CSR interest and an overview of activities proposed to be undertaken.
2. Indicate the web-link to the CSR Policy. The Policy should include the full list of projects/activities/programmes proposed to be undertaken by the company.
3. The composition of the CSR Committee.
4. Average Net Profit of the company for last 3 financial years
5. Threshold Limit-(2% of this amount as in 4 above)
6. Details of CSR activities/projects undertaken during the year:
 - a. total amount to be spent for the year: b. amount carried forward from earlier years: c. amount spent during the year as below: d. amount carried forward for the year.

1.	2.	3.	4.	5.	6.	7.	8.
Sr No.	CSR project/a ctivity identified	Sector in which the Projec t is covere	Projects/Prog rammes 1.Local area/others-	Amount outlay (budget) project/	Amount spent on the project/ progra	Cumulati ve spend upto to the	Amount spent: Direct/thro ugh implementi

		d	2.specify the state /district (Name of the District/s, State/s where project/progra mme was undertaken	progra mme wise	mme <u>Subhead</u> <u>s:</u> 1.Direct expendit ure on project, 2.Overh eads:	reporting period.	ng agency*
1.							
2.							
3.							
	TOTAL						

**Give details of implementing Agency:*

7. In case the company has failed to spend the 2% of the Average Net Profit (INR) of the last 3 financial years, please provide the reasons for not spending the amount
8. A Responsibility statement, of the CSR Committee, that the CSR policy implementation and monitoring thereof is, in letter and spirit, in compliance with CSR objectives.

Signed

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(CEO/Managing Director/Director)

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(Chairman CSR Committee)

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SCHEDULE VII
(See sections 135)

Activities which may be included by companies in their Corporate Social Responsibility Policies

Activities relating to:—

- (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.
