

Guidance Note on Role of Cost Accountants in Corporate Social Responsibility (CSR) Practices, Audits and Report Verifiers



ICMAI

THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)

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FOREWORD
PRESIDENT, ICAI

I am delighted to announce the publication of our latest guidance note, titled "**Guidance Note on the Role of Cost Accountants in Corporate Social Responsibility (CSR) Practices, Audits, and Report Verifiers.**" This comprehensive document underscores our steadfast commitment to advancing responsible business practices and upholding the highest ethical standards within the realm of CSR.

Corporate Social Responsibility has transcended its conventional boundaries to become a strategic imperative in today's swiftly changing business environment. As cost accountants, we play a crucial role in advancing this transformation by bridging financial acumen and ethical concerns. This guidance note acts as a compass to navigate the complex terrain of CSR practises, audits, and third-party verification.

The evolution of our profession is encapsulated by our role as strategic integrators. This guidance document illuminates the critical function we play in aligning CSR initiatives with business strategies, fostering a symbiotic relationship between financial growth and societal advancement. Moreover, the note's emphasis on ethical dimensions solidifies our position as ethical stewards dedicated to preserving the integrity of CSR practices.

The emergence of cost accountants as third-party auditors of CSR audit reports exemplifies our commitment to openness and precision. Our objectivity, ethical professionalism, and financial analysis expertise enhance the credibility of audits, ensuring that organizations report their CSR initiatives in a truthful and ethical manner.

Envisioning a future where cost accountants are sustainability ambassadors, ethical custodians, and collaborative leaders, this guidance document explores the integration of technology, changing stakeholder expectations,

and emerging regulatory frameworks. These elements present opportunities for us to distinguish ourselves as leaders in responsible business practices.

I would like to extend my sincere appreciation to all the individual specially our member CMA Soumen Dutta and reviewer of this guidance book CMA Sukrut Mehta and my Council Colleague CMA M K Anand who generously devoted their time, knowledge, and unwavering commitment to the successful completion of this guidance note. I also compliment CMA Nisha Dewan, Additional Director and her team at PD Directorate of the Institute for extending technical and administrative support in the development of this Guidance Note.

I encourage all our members and stakeholders to engage with this guidance note, utilizing its insights to enhance their contributions to the CSR domain. Let us collectively embrace the challenges and opportunities that lie ahead, united in our pursuit of a more sustainable and equitable global community.

Thank you for your unwavering dedication to the values of our profession and responsible business.

Best regards,

CMA Ashwin G. Dalwadi
President, ICMAI



MESSAGE
CHAIRMAN, CORPORATE LAWS COMMITTEE, ICAI

I am pleased to announce the publication of our most recent guidance note, entitled "**Guidance Note on Role of Cost Accountants in Corporate Social Responsibility (CSR) Practices, Audits and Report Verifiers.**" This exhaustive document demonstrates our dedication to promoting responsible business practises and ensuring the ethical integrity of CSR initiatives.

Corporate Social Responsibility has evolved from a voluntary endeavour to a strategic imperative in today's dynamic business environment. As the Chairman of the CSR Committee, I am pleased to present this guidance note, which represents the collective expertise and commitment of our esteemed professionals in traversing the complexities of CSR practises, audits, and third-party verification.

Our function as cost accountants has expanded to include strategic integration in addition to financial analysis. This guidance note emphasises how we serve as a bridge between financial considerations and ethical obligations, aligning CSR initiatives with organisational strategies.

In addition, this guidance document emphasises the ethical aspects of our role. As cost accountants, we are not only monetary experts, but also ethical watchdogs. Our commitment to transparent, accountable, and responsible practises guides organisations to positively affect society and the environment.

The emergence of cost accountants as independent auditors of CSR audit reports demonstrates our commitment to credibility and precision. Our meticulous methodology, impartial assessments, and ethical professionalism enhance the credibility of CSR audits, ensuring that organisations adhere to their commitments openly.

This guidance note envisions a future in which cost accountants serve as change agents as we gaze into the horizon. Our influence extends beyond financial considerations to include social and environmental effects, thereby shaping a world that is more sustainable and equitable.

I extend my heartfelt appreciation to the dedicated professional and author of this guidance note CMA Soumen Dutta and reviewer CMA Sukrut Mehta and our Chairman of Professional Development & CEP Committee CMA M K Anand who contributed their expertise and dedication to make this guidance note realty.

I urge all of our coworkers, stakeholders, and partners to review this guidance document. Let us collectively grasp the upcoming opportunities, united in our mission to elevate the ethical and accountable practises of the organisations we serve.

Thank you for your unwavering commitment to the tenets of our profession and the principles of ethical commerce.

Sincere regards,

CMA Dr. V Murali
Chairman,
Corporate Laws Committee, ICAI



PREFACE

CHAIRMAN, PROFESSIONAL DEVELOPMENT & CEP COMMITTEE

This guidance examines the crucial position of cost accountants in the realm of Corporate Social Responsibility (CSR) practises, CSR audits, and CSR audit report verification. Cost accountants have emerged as key contributors in ensuring transparency, ethical compliance, and effective resource management as organisations worldwide accept the responsibility of contributing positively to society and the environment.

This note examines the multifaceted responsibilities of cost accountants within the context of corporate social responsibility. It emphasises their role as strategic integrators, bridging financial knowledge with ethical considerations and thereby promoting the alignment of CSR initiatives with business strategies. Cost accountants are positioned as ethical stewards in the CSR landscape by emphasising ethical dilemmas, responsible sourcing, and stakeholder engagement.

In addition, the guidance document explores the evolving role of cost accountants as independent auditors of CSR audit reports. Their objectivity, ethical professionalism, and financial savvy enhance the credibility of audit processes, thereby ensuring accurate reporting and adherence to ethical standards. The incorporation of technology, such as artificial intelligence and data analytics, is investigated as a means of improving the effectiveness and precision of audits and verifications.

In the future, cost accountants are expected to be sustainability ambassadors, ethical custodians, and collaborative leaders, as highlighted in the abstract. This prospective view envisions an environment in which technology, stakeholder expectations, and regulatory frameworks drive organisations to integrate CSR into their fundamental operations. As the world advances towards a more responsible and accountable business environment, cost accountants

serve as indispensable agents of change. This guidance note concludes by shedding light on the dynamic and evolving role of cost accountants in the domain of CSR practises, audits, and third-party verification. Their ability to navigate financial complexities while upholding ethical standards positions them as key agents in moulding a sustainable and accountable future for organisations worldwide.

CMA Manoj Kumar Anand
Chairman,
Professional Development & CEP Committee,
The Institute of Cost Accountants of India



ADVANCE PRAISE FOR THE BOOK

I hope this letter finds you in good health and high spirits. It is with great pleasure and enthusiasm that I extend my heartfelt appreciation and commendation for the publication of the "**Guidance Note on Role of Cost Accountants in Corporate Social Responsibility (CSR) Practices, Audits and Report Verifiers**" by The Institute of Cost Accountants of India (ICMAI).

As an academic and a professional in the field of management, I have had the privilege of observing the dynamic evolution of corporate social responsibility and its profound impact on businesses and society. The release of this guidance note represents a significant milestone in promoting responsible business practices, transparency, and ethical excellence.

The comprehensive insights and guidelines presented in this document are not only a testament to the dedication and expertise of ICMAI but also a valuable resource that will undoubtedly benefit CMA professionals, organisations, and the academic community. The alignment of CSR initiatives with financial expertise is crucial in today's ever-changing corporate landscape, and this guidance note serves as a vital tool in achieving that alignment.

Furthermore, the ethical dimensions emphasised in the note are of paramount importance. In a world where ethical considerations are integral to an organisation's reputation and success, ICMAI has provided an exemplary guide for cost accountants to ensure that CSR initiatives adhere to the highest ethical standards.

The role of cost accountants as third-party verifiers of CSR audit reports is a noteworthy addition, enhancing the credibility and integrity of CSR audits. It is a testament to ICMAI's commitment to transparent reporting and accountability.

I wholeheartedly commend the efforts of ICMAI, the Professional Development & CEP Committee, and all those involved in the creation of this guidance note.

The forward-thinking approach and dedication to promoting responsible business practices are evident in this publication.

I am confident that this guidance note will be a valuable resource for professionals, students, and organisations seeking to navigate the complexities of CSR, ensuring a more sustainable and responsible future.

Once again, congratulations to ICMAI on this remarkable achievement. I am proud to endorse this publication and look forward to its positive impact on the field of corporate social responsibility.

I wish you continued success in all your endeavours.

Warm regards,



V.K. Unni
Professor, IIM Calcutta

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CHAPTER - 1

Introduction to CSR and the Role of Cost Accountants

1.1 Defining Corporate Social Responsibility (CSR):

Corporate Social Responsibility (CSR) encompasses the discretionary actions and strategies that enterprises adopt to guarantee that their activities provide favourable outcomes for society, the environment, and diverse stakeholders, extending beyond mere financial gains. Corporate social responsibility (CSR) entails assuming accountability for the societal and ecological impacts of corporate operations, while actively endeavouring to enhance the welfare of communities and the environment. Corporate Social Responsibility (CSR) comprises a diverse array of endeavours, including charity, community participation, sustainable business practises, and ethical operations.

Corporate Social Responsibility (CSR) is founded on the principle that organisations possess a wider scope of responsibilities that extend beyond their mere economic pursuits. By incorporating social and environmental considerations into their operational frameworks, corporations have the potential to promote sustainable development, cultivate robust connections with stakeholders, and bolster their standing within the industry. Corporate social responsibility (CSR) programmes encompass a range of activities aimed at promoting education, healthcare, environmental protection, fair labour practises, diversity and inclusion, among other areas.

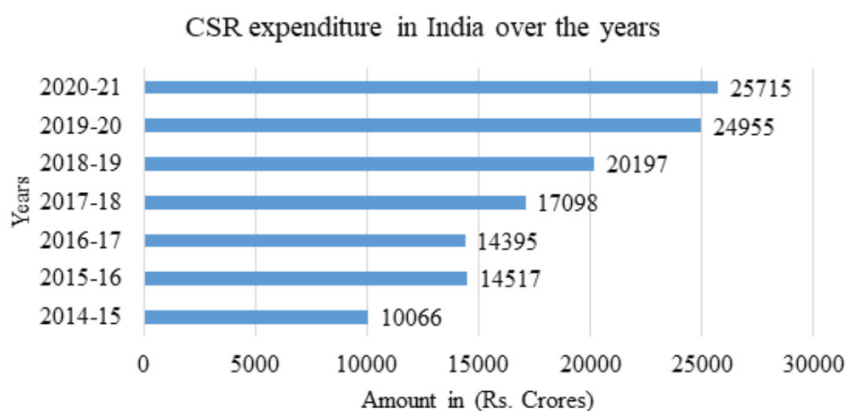


Fig 1: CSR expenditure in India (2014-2021) (Source: CSR Reports)

1.2 Significance of Cost Accountants in CSR Implementation and Audit:

Cost accountants play a pivotal role in facilitating the effective execution of corporate social responsibility (CSR) projects inside organisations. The individual's proficiency in cost management, financial analysis, and resource allocation renders



them a great asset in the process of integrating corporate social responsibility (CSR) initiatives with company objectives and maximising their effectiveness. Cost accountants perform several significant responsibilities within the context of Corporate Social Responsibility (CSR).

Cost Accountants are best suited for this as they possess the requisite skills required for these endeavours. They are ingrained to work beyond Books of Accounts and Financial Data.

Resource Allocation and Prioritisation:

The efficient management of financial resources is within the purview of cost accountants in the context of resource allocation. In relation to corporate social responsibility (CSR) efforts, they play a crucial role in the allocation of budgets, cost estimation, and the efficient distribution of financial resources to optimise the impact of CSR projects. Through in-depth analysis, cost accountants assist in strategically allocating resources to CSR initiatives. They consider the combination of short-term and long-term benefits that each project provides, guiding the organisation towards a portfolio of initiatives with a balanced impact on financial and social outcomes.

Scenario Planning:

Cost accountants engage in scenario planning by contemplating a variety of possible outcomes for varying time horizons. They model the financial repercussions of various options, enabling decision-makers to anticipate how short-term and long-term benefits may evolve under varying conditions.

Comparative Analysis:

Cost accountants compare the ideal, intended, and actual impact of CSR initiatives using the collected data. They assess the degree to which the actual outcomes correspond to the objectives established during the planning phase. This analysis identifies any gaps or inconsistencies.

Quantifying Impacts:

Cost accountants quantify both the monetary and non-monetary effects of CSR initiatives. They compare the monetary worth of the outcomes to the investments made. Social benefits and environmental enhancements are also measured and compared.

Variance Analysis:

Cost accountants conduct variance analysis in order to comprehend the causes of any disparities between the intended and actual impact. This involves identifying factors that contributed to deviations from the intended results, such as unanticipated costs, resource constraints, changes in stakeholder preferences, and external market conditions.



Identifying Successes and Challenges:

On the basis of the analysis, cost accountants identify the successes and challenges associated with each CSR initiative. They illustrate areas where results exceeded expectations, as well as areas where there were deficiencies or unanticipated negative effects.

Cost-Benefit Analysis:

Cost-benefit analysis is the evaluation conducted by cost accountants to examine the financial implications of implementing corporate social responsibility (CSR) activities in comparison to the anticipated benefits. This analysis facilitates informed decision-making for organisations about project selection and resource allocation.

Budgeting and Forecasting:

The process of budgeting and forecasting involves the development of financial plans for corporate social responsibility (CSR) projects by cost accountants. These plans consider several cost components, including labour, materials, and administrative expenses. In addition, financial predictions are generated by professionals to anticipate the long-term financial ramifications of corporate social responsibility (CSR) efforts.

Monitoring and Reporting:

The monitoring and reporting of financial factors pertaining to corporate social responsibility (CSR) initiatives is vital in order to ascertain the efficient utilisation of resources and the progress of projects. Cost accountants are responsible for producing reports that offer valuable insights into the financial performance of corporate social responsibility (CSR) projects.

Suggesting Course of Action:

On the basis of the comparative analysis, cost accountants collaborate with other stakeholders, such as CSR managers, sustainability teams, and executives, to recommend a course of action. ***This course of action may entail:***

- **Adjusting Strategies:** If the actual impact falls short of the anticipated impact, cost accountants can recommend adjustments to strategies, resource allocation, or implementation procedures to better align with the objectives.
- **Cost accountants** may recommend reallocating resources to amplify successful initiatives or replicate their strategies in other projects if they determine that certain initiatives have achieved significant success beyond expectations.
- **Process Improvements:** If discrepancies are attributable to operational inefficiency, cost accountants can recommend process enhancements to optimise resource utilisation and impact generation.



- **Engagement of Stakeholders:** In cases where disparities in impact are attributed to issues with stakeholder engagement, cost accountants may provide guidance on how to improve collaboration and **communication** to ensure alignment with stakeholder expectations.
- **Continual Monitoring:** Cost accountants may suggest establishing a more robust monitoring and reporting framework in order to track progress in real-time and make adjustments as required.

Integration with Business Strategy:

Cost accountants collaborate with several departments to ensure that corporate social responsibility (CSR) efforts are in line with the broader business plan. They assist in ensuring that corporate social responsibility (CSR) initiatives align with the organization's mission, values, and long-term goals.

Expense Categorization:

Cost accountants collaborate closely with project managers and teams to classify expenses associated with each CSR initiative. Direct costs such as materials, labour, and overhead expenses that are directly attributable to the undertaking may be included in expenses.

Expense Tracking:

Cost accountants establish tracking systems for expenses incurred for each CSR endeavour. This includes keeping comprehensive records of all financial transactions pertaining to the project, such as invoices, receipts, and payroll information.

Benefit Quantification:

Quantification of Benefits Cost accountants devise methodologies to quantify both financial and non-financial benefits generated by CSR projects. This may involve employing key performance indicators (KPIs) to measure progress in areas such as social well-being, environmental sustainability, and stakeholder engagement.

ROI Evaluation:

The evaluation of Return on Investment (ROI) for Corporate Social Responsibility (CSR) programmes is aided by the involvement of cost accountants. Through the evaluation of both financial and non-financial outcomes, these studies offer empirical insights into the efficacy of corporate social responsibility (CSR) initiatives.

Ethical Considerations:

Ethical considerations arise in the realm of cost accounting, particularly in relation to corporate social responsibility (CSR). Professionals in this field have the capability to evaluate the financial viability of several ethical alternatives and assist the organisation in making ethically sound choices.



CSR Audit:

Cost accountants have the potential to make valuable contributions to CSR audits through the provision of financial data, conducting cost analysis, and offering insights into the financial consequences associated with CSR practises.

Data Analytics and Reporting:

Data analytics and reporting play a crucial role in assessing the effectiveness of corporate social responsibility (CSR) efforts, and cost accountants, with their expertise in data analysis, provide valuable contributions in this regard. The provision of data for corporate social responsibility (CSR) performance reports facilitates transparent communication regarding both accomplishments and obstacles.

Cost Reduction for Sustainable Practices:

The identification of cost reduction potential through the implementation of sustainable practises can be facilitated by cost accountants. By implementing strategies to optimise resource utilisation, minimise waste generation, and adopt environmentally friendly alternatives, individuals and organisations can effectively contribute to both economic savings and environmental responsibility.

Cost accountants play a crucial role in integrating financial management and corporate social responsibility (CSR) by leveraging their financial skills to support socially responsible activities. The participation of individuals aids organisations in achieving a harmonious equilibrium between economic objectives and social accountability, thereby making a valuable contribution to the promotion of sustainable and ethical business practises.

Cost accountants possess a distinctive combination of financial expertise, strategic cognition, and ethical deliberations that they use to the implementation and audit of corporate social responsibility (CSR). The participation of stakeholders guarantees that corporate social responsibility (CSR) endeavours are not solely focused on social responsibility, but also on financial sustainability, thereby enhancing the overall worth of both the organisation and society. Their function encompasses more than just financial management; they play a crucial role in promoting positive change through the implementation of good corporate social responsibility (CSR) practises.

1.3 Balancing Financial Management and Social Impact :

The task of reconciling financial management with social effect presents a basic dilemma for organisations during the implementation of Corporate Social Responsibility (CSR) activities. The successful execution of this endeavour necessitates meticulous deliberation on the allocation of resources, the formulation of strategic plans, and the exercise of ethical judgement. The attainment of this equilibrium guarantees the long-term viability, efficacy, and congruence of corporate social responsibility initiatives with the financial objectives of the organisation.



The following are essential factors to take into account in order to achieve the appropriate balance:

- **Integrated plan:** Formulate a corporate social responsibility (CSR) plan that harmoniously aligns with the overarching company strategy. In order to ensure the pursuit of social impact is in line with financial success, it is imperative to align corporate social responsibility (CSR) goals with the organization's vision, values, and long-term ambitions.
- **Defining Clear Targets:** Establishing unambiguous and quantifiable targets for both financial performance and social effect. The level of clarity provided facilitates the process of prioritising activities, assigning resources, and properly monitoring progress.
- **Cost-Benefit Analysis:** Perform a comprehensive cost-benefit analysis for every corporate social responsibility (CSR) programme. In order to make well-informed decisions regarding resource allocation, it is crucial to assess the financial costs in relation to the projected social benefits. This evaluation enables the identification of areas where resource investment can provide the most substantial impact.
- **Examination of the Long-Term Perspective:** Take into account the enduring advantages of corporate social responsibility activities. Although immediate financial benefits may not be immediately evident, the adoption of sustainable and socially responsible practises has the potential to result in improved brand reputation, increased consumer loyalty, and higher operational efficiency.
- **Prioritisation and Focus:** It is essential to prioritise corporate social responsibility (CSR) programmes that are in line with the organization's core capabilities and values. The primary emphasis should be placed on endeavours that have the potential to provide positive social outcomes while also aligning with the financial goals of the organisation.
- **Resource Allocation:** Efficiently allocate resources in a prudent manner to achieve a harmonious equilibrium between the financial demands of corporate social responsibility projects and the wider financial obligations of the organisation. The implementation of transparent budgeting and the optimisation of resource allocation are crucial.
- **Ethical Decision-Making:** In situations where there is a conflict between financial concerns and social impact, it is important to engage in ethical decision-making processes. Cost accountants possess the ability to offer valuable perspectives on the financial consequences associated with ethical decisions, so facilitating the process of making responsible choices.
- **Gradual Methodology:** Commence with CSR endeavours of a lower magnitude that can exhibit concrete social outcomes without imposing



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an overwhelming financial strain on the organisation. As the organisation achieves a series of accomplishments, it can progressively enhance and broaden its corporate social responsibility (CSR) initiatives.

- **Continuous Monitoring and Reporting:** Continuous monitoring and reporting entails the regular monitoring of both financial and social parameters. Transparent reporting plays a crucial role in conveying the organization's dedication to corporate social responsibility (CSR) and its effects on both financial and social aspects to stakeholders.
- **Promoting Collaboration and Engagement:** Facilitate the active participation of employees, consumers, and other stakeholders in the corporate social responsibility (CSR) process. Stakeholders that are actively involved are more inclined to provide support and make contributions towards endeavours that yield favourable societal outcomes.
- **Exploring Collaborative Alliances:** Examine potential collaborations with non-governmental organisations (NGOs), governmental entities, and other relevant entities in order to facilitate the exchange of resources, expertise, and expenses, thereby augmenting both financial and societal results.
- **Training and Skill Development:** It is recommended to allocate resources towards training and skill development programmes aimed at enhancing the capabilities of personnel, specifically cost accountants, in order to enable them to proficiently oversee and evaluate corporate social responsibility (CSR) projects. This will facilitate the integration of financial management practises with the social impact objectives of the organisation.

In summary, achieving equilibrium between financial management and social effect is an ongoing and intricate endeavour that necessitates the application of strategic reasoning, ethical deliberation, and continual assessment. Organisations that effectively incorporate corporate social responsibility (CSR) into their business practises, while concurrently prioritising financial sustainability, are strategically positioned to generate significant and enduring societal impact, while also assuring their own long-term viability.

CSR and Cost Accountants:

Corporate Social Responsibility (CSR) is a vital aspect of modern business practices, and cost accountants play a significant role in its implementation and management within organizations.

1. **Defining company focus for CSR:** CSR involves a company's commitment to operating in an economically, socially, and environmentally sustainable manner. It goes beyond profit-making and focuses on the broader impact of business activities on society, the environment, and stakeholders.



2. **Cost Accountants as Advisors:** Cost accountants are financial experts who specialize in tracking and analyzing the costs of a company's operations. They play a crucial role in CSR by providing financial data and insights to help companies make informed decisions about sustainability initiatives. They can calculate the cost-effectiveness of CSR programs and evaluate their financial impact.
3. **Cost-Benefit Analysis:** Cost accountants can perform cost-benefit analyses of CSR projects to determine if they are financially viable in the long run. This involves assessing the upfront costs of CSR initiatives against the potential benefits, including improved reputation, customer loyalty, and reduced long-term operational costs.
4. **Budgeting and Resource Allocation:** Cost accountants assist in budgeting for CSR activities. They help allocate resources effectively to ensure that CSR goals are met within the allocated budgets. This involves monitoring expenditures and ensuring that funds are used efficiently.
5. **Performance Measurement:** Cost accountants help develop key performance indicators (KPIs) to measure the impact of CSR initiatives. They track and report on these metrics to assess whether the organization is meeting its CSR goals. This data is essential for transparency and accountability.
6. **Compliance and Reporting:** Cost accountants ensure that companies comply with relevant CSR regulations and reporting requirements. They assist in preparing CSR reports, which are increasingly important for stakeholders, including investors, customers, and government agencies.
7. **Risk Management:** Cost accountants can identify and evaluate financial risks associated with CSR initiatives. They help companies assess the potential financial implications of ethical and environmental risks, allowing for proactive risk management.
8. **Long-Term Sustainability:** Cost accountants contribute to the overall financial sustainability of CSR efforts. They help companies strike a balance between short-term financial goals and long-term sustainability objectives, ensuring that CSR initiatives contribute positively to the bottom line over time.

In summary, cost accountants are instrumental in integrating CSR into a company's financial strategy. They provide the financial expertise needed to make CSR initiatives financially feasible and ensure that organizations meet their social and environmental responsibilities while maintaining fiscal responsibility.

CSR and Cost Audit Process:

During the Cost Audit process, all initiatives with financial impact are assessed by the Auditor and a scrutiny of CSR activities of the company may include the following:

1. **Enhanced Transparency and Accountability:**

CSR initiatives often involve significant financial commitments. Cost audits play



a crucial role in ensuring transparency and accountability in the allocation and utilization of funds for CSR activities. This helps in preventing mismanagement or misappropriation of resources dedicated to CSR.

2. Cost Allocation for CSR:

Cost audits can verify whether the allocation of costs to CSR activities is accurate and complies with accounting standards. This ensures that companies are not over- or under-reporting CSR expenses, which can impact their overall financial statements.

3. Evaluation of CSR Cost Efficiency:

Cost audits assess the efficiency and cost-effectiveness of CSR programs. By analyzing the costs associated with various CSR initiatives, auditors can provide valuable insights into which activities are delivering the most social and environmental impact for the money spent.

4. Compliance with Legal Requirements:

Many countries have specific regulations regarding CSR expenditures and reporting. Cost audits can verify if a company is complying with these legal requirements, such as the percentage of profits to be spent on CSR activities. Non-compliance can result in penalties or legal issues.

5. Impact on Financial Statements:

Cost audit findings related to CSR expenses can have implications for a company's financial statements. Accurate reporting of CSR costs ensures that financial statements present a true and fair view of the company's financial position, which is essential for investors and stakeholders.

6. Risk Mitigation:

Effective cost audits can help identify and mitigate financial risks associated with CSR initiatives. For example, they can assess the financial impact of unexpected changes in the regulatory environment or market conditions on ongoing CSR projects.

7. Stakeholder Trust and Reputation:

CSR activities are closely scrutinized by various stakeholders, including investors, customers, and the public. A thorough cost audit process can provide assurance to stakeholders that a company is committed to ethical and responsible financial management of its CSR programs, enhancing trust and reputation.

8. Continuous Improvement:

Cost audits can highlight areas where CSR cost management can be improved. This feedback loop allows companies to refine their CSR strategies, maximize the social and environmental impact, and optimize the allocation of resources.



In conclusion, the cost audit process plays a critical role in ensuring that a company's CSR efforts are financially sound, compliant with legal requirements, and transparent. It helps strike a balance between financial responsibility and social responsibility, ultimately contributing to sustainable and responsible business practices.

CSR Project: Building Schools in Underserved Communities: CSR project in education in Rural and Tribal areas of Gujarat and how the cost audit process can be applied to ensure its effectiveness and financial accountability:

Project Description: A large corporation has undertaken a CSR project to build schools in underserved communities as part of their commitment to improving access to quality education. The project involves constructing and equipping new school buildings, providing educational materials, and hiring teaching staff.

Application of Cost Audit:

- 1. Cost Allocation:** The cost audit process would begin by reviewing the allocation of expenses related to the project. This includes construction costs, teacher salaries, textbooks, and other educational materials. The audit would verify that costs are appropriately allocated to the project and not mixed with unrelated expenses.
- 2. Budget Compliance:** The cost auditor would assess whether the project's expenses are in line with the initially approved budget. Any significant deviations from the budget would be flagged for further investigation to ensure that the project is financially responsible.
- 3. Resource Utilization:** The auditor would examine how efficiently resources are being utilized within the project. For example, they might evaluate whether construction costs are reasonable compared to market rates and whether teaching staff is utilized effectively to maximize the impact on students.
- 4. Quality Assurance:** In education-related CSR projects, quality is of utmost importance. The cost audit could assess whether the funds allocated are resulting in the construction of safe and high-quality school buildings and whether teaching materials meet the required educational standards.
- 5. Compliance with Regulatory Requirements:** The cost audit would ensure that the project complies with any regulatory requirements related to education infrastructure. This may include compliance with building codes, safety standards, and educational curriculum guidelines.
- 6. Measurement of Impact:** While not solely a financial matter, the cost audit can also examine whether the project is achieving its intended educational outcomes. Are there measurable improvements in student enrollment, attendance, and academic performance as a result of the project's investments?
- 7. Risk Assessment:** The cost audit can identify potential financial risks associated with the project. For example, it might assess the financial impact of unforeseen



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delays in construction or changes in staffing requirements.

- 8. Reporting and Transparency:** Finally, the cost audit ensures that all financial transactions related to the project are accurately recorded and reported. This is crucial for transparency and accountability, especially when reporting to stakeholders and the public.

In summary, a cost audit for a CSR project in education ensures that financial resources are effectively and responsibly used to achieve the project's goals. It helps verify budget compliance, resource utilization, and quality while also ensuring compliance with regulations and enhancing transparency. The ultimate goal is to maximize the positive impact of the CSR project on the education of underserved communities.

CSR Project: "Nutrition for All": CSR project aimed at addressing malnutrition among urban and rural poor children:

Project Description: A multinational FMCG company launches the "Nutrition for All" initiative as part of its Corporate Social Responsibility (CSR) efforts. The primary objective of this project is to combat malnutrition among underprivileged children in both urban slums and rural areas.

Key Components of the Project:

- **Nutrition Centers:** The company establishes nutrition centers in urban slums and rural villages. These centers serve as hubs for providing nutritious meals, supplements, and educational resources to children and their families.
- **Nutritional Education:** Alongside providing meals, the project focuses on educating parents and caregivers about the importance of balanced nutrition. Workshops and training sessions are conducted to raise awareness about the impact of nutrition on child development.
- **Local Sourcing:** To support local economies, the company sources ingredients for the meals locally whenever possible. This not only reduces transportation costs but also contributes to the livelihoods of farmers in the community.
- **Regular Health Check-ups:** The project includes regular health check-ups for participating children. Medical professionals assess growth, monitor nutritional improvements, and address any health concerns promptly.

Application of CSR Principles:

- **Stakeholder Engagement:** The project engages various stakeholders, including local communities, NGOs, healthcare professionals, and government agencies, to ensure a collaborative approach to addressing malnutrition.
- **Sustainability:** To ensure the project's long-term sustainability, it includes capacity-building activities for local communities. This may involve training community members to manage the nutrition centers independently over time.



- **Transparency and Reporting:** The company commits to transparent reporting of its CSR activities. Regular reports detail the number of children reached, the nutritional impact achieved, and financial transparency to build trust with stakeholders.
- **Measuring Impact:** Key performance indicators (KPIs) are established to measure the impact of the project. Metrics include improvements in children's nutritional status, increased school attendance, and a reduction in malnutrition-related health issues.

Role of Cost Audit:

A cost audit in this CSR project would play a crucial role in ensuring financial accountability and optimizing resource allocation. Here are some specific aspects where cost auditing can be applied:

- **Budget Adherence:** The cost audit would verify that the project's expenses align with the approved budget, ensuring that funds are allocated efficiently and effectively.
- **Resource Allocation:** It would assess how resources are distributed between urban and rural areas and between various project components, such as nutrition centers, education, and health check-ups.
- **Cost Efficiency:** The auditor would evaluate the cost-effectiveness of meals and nutritional supplements provided, ensuring that the project maximizes its impact within the allocated budget.
- **Compliance:** The cost audit would ensure compliance with financial regulations and ethical standards, helping to prevent financial mismanagement or misuse of funds.
- **Risk Management:** Identifying potential financial risks, such as unexpected cost overruns or resource shortages, is another important role of cost auditing in the project.

By conducting a cost audit, the company can demonstrate responsible financial stewardship of its CSR initiative, reassure stakeholders of its commitment to addressing malnutrition, and ensure that resources are used to their fullest potential to improve the health and well-being of underprivileged children in both urban and rural areas.

CSR Project: "Jal Swaraj" - Water for Life: CSR project focused on water conservation and providing clean drinking water in rural Maharashtra, India

Project Description: A multinational corporation, in partnership with local NGOs and government agencies, initiates the "Jal Swaraj" project to address water scarcity and improve access to clean drinking water in Jalna district and rural Maharashtra, which faces recurrent droughts and water-related challenges.



Key Components of the Project:

- **Rainwater Harvesting:** The project promotes rainwater harvesting techniques, including rooftop rainwater collection and construction of community rainwater harvesting structures. This helps recharge groundwater and provides an additional source of water during the monsoon season.
- **Water Purification:** To ensure access to clean drinking water, the project establishes water purification plants in villages. These plants use modern filtration and purification technologies to treat local water sources, making it safe for consumption.
- **Community Engagement:** Local communities are actively involved in the project. Training programs are conducted to educate villagers about water conservation, efficient water use, and the importance of maintaining the water purification plants.
- **Infrastructure Development:** The project invests in the repair and maintenance of existing water infrastructure like wells and borewells, ensuring their sustainability. New borewells are drilled strategically to access groundwater reserves.
- **Water Quality Monitoring:** Regular water quality tests are conducted to ensure that the treated water meets safety standards. Monitoring teams collect samples and analyze them to verify the effectiveness of the purification process.
- **Education and Awareness:** The project includes an educational component that raises awareness about water conservation and hygiene practices. It conducts workshops in local schools and communities to promote responsible water use.

Application of CSR Principles:

- **Stakeholder Collaboration:** The project involves collaboration with local communities, government bodies, and NGOs to create a sustainable water management system that benefits everyone.
- **Sustainability:** The project aims for long-term sustainability by training community members to manage and maintain the water purification plants and rainwater harvesting systems independently.
- **Transparency and Reporting:** Regular reports on the project's progress, water quality, and financial transparency are shared with stakeholders to maintain trust and accountability.
- **Measuring Impact:** Key performance indicators (KPIs) are established to measure the impact of the project, including improved water availability, reduced waterborne diseases, and increased agricultural productivity due to better access to water.



Role of Cost Audit:

In this CSR project, a cost audit plays a crucial role in ensuring financial accountability and optimizing resource allocation:

- 1. Budget Adherence:** The cost audit verifies that project expenses align with the approved budget. It ensures that funds are allocated efficiently to each project component, such as rainwater harvesting, water purification, and community engagement.
- 2. Resource Allocation:** It assesses how resources are distributed among different villages and project activities. This helps determine if resources are allocated based on the most pressing water-related needs of each community.
- 3. Cost Efficiency:** The auditor evaluates the cost-effectiveness of the project, including the cost per liter of treated water, the cost per village served, and the overall cost-effectiveness of water infrastructure improvements.
- 4. Compliance:** The cost audit ensures compliance with financial regulations and ethical standards. It helps prevent financial mismanagement or misuse of funds.
- 5. Risk Management:** Identifying potential financial risks, such as cost overruns or supply chain disruptions for purification equipment, is another critical aspect of cost auditing.

By conducting a cost audit, the company can demonstrate responsible financial management of its CSR initiative, reassure stakeholders of its commitment to addressing water scarcity, and ensure that resources are used effectively to provide clean drinking water and promote water conservation in rural Maharashtra.

CHAPTER - 2

Legal Framework for CSR in India

2.1 Companies Act, 2013: CSR Mandate and Provisions and Implementation of CSR Activities

Section 135 of the Companies Act, 2013, implemented a comprehensive and substantial legal structure for Corporate Social Responsibility (CSR) in India. This section imposes a need on specific firms to engage in Corporate Social Responsibility (CSR) activities, and outlines the obligations, responsibilities, and reporting obligations pertaining to these CSR projects. **The following is a comprehensive exposition of Section 135 of the Companies Act, 2013:**

Applicability:

- Section 135 is applicable to companies who satisfy any of the specified financial criteria during the prior financial year:
- Companies with a net worth of ₹ 500 crore or greater.
- Companies that have a revenue of ₹ 1,000 crore or higher.
- Companies that have a net profit of ₹ 5 crore or greater.

Corporate Social Responsibility Expenditure:

Organizations that fulfil the specified requirements are obligated to allocate a minimum of 2% of their average net income from the three prior fiscal years towards initiatives related to corporate social responsibility. The determination of net profit is based on the financial statements that are prepared in compliance with the regulations outlined in the Companies Act.

Corporate Social Responsibility (CSR) Activities:

The legislation outlines several categories of CSR activities that firms have the option to engage in, which encompass a range of possibilities, **such as but not restricted to:**

- The objective of this endeavour is to eliminate the issues of hunger, poverty, and malnutrition.
- Advocating for the advancement of education and the cultivation of skills.
- Promoting and maintaining environmental sustainability.
- Advocating for gender equality and enhancing the agency of women.
- The three key areas of focus in the field of public **health include healthcare, sanitation, and preventative health care.**
- The provision of financial support to government funds aimed at fostering technological incubators and promoting rural development projects has been a significant area of contribution.



Corporate Social Responsibility (CSR) Committee:

Organizations that are obligated to adhere to CSR regulations must establish a CSR Committee with a minimum of three directors, with the inclusion of one independent director. The Corporate Social Responsibility (CSR) Committee assumes the responsibility of developing and proposing the organization's CSR policy, as well as supervising its execution.

Corporate Social Responsibility (CSR) Policy:

The responsibility of establishing and proposing a CSR policy to the board of directors lies with the CSR Committee. The policy delineates the organization's stance on corporate social responsibility (CSR), the initiatives it intends to pursue, and the methods through which they will be implemented.

Reporting:

It is mandatory for companies to incorporate a comprehensive Corporate Social Responsibility (CSR) report inside their yearly financial statements and board reports. The Corporate Social Responsibility (CSR) report need to encompass comprehensive details regarding the organization's CSR policy, the many initiatives and endeavours undertaken in pursuit of CSR objectives, as well as a transparent breakdown of the financial resources allocated towards these endeavours during the fiscal year.

Unutilized Funds:

In the event that a company is unable to fully expend the designated corporate social responsibility (CSR) funds within a given fiscal year, it is required to furnish an explanation for the unutilized amount in its board report. The remaining funds must be reallocated to a designated Corporate Social Responsibility (CSR) fund within a six-month period following the conclusion of the fiscal year.

Auditing:

The corporate social responsibility (CSR) activities and expenditures undergo auditing by the company's statutory auditor. The auditor is responsible for assessing the company's adherence to corporate social responsibility (CSR) obligations and ensuring the correctness of the disclosed information.

Evaluation of Impact:

The legislation promotes the practise of conducting impact assessments on corporate social responsibility (CSR) projects, with a requirement for corporations to report on the outcomes and consequences of the actions they have conducted.

Section 135 of the Companies Act, 2013, highlights the government's objective of promoting corporate engagement in actively resolving social and environmental issues. The Act seeks to advance sustainable development and ethical business



practises in India by mandating CSR activity for eligible enterprises.

The Companies Act, 2013, specifically in Section 135, delineates the stipulations and conditions governing the execution of Corporate Social Responsibility (CSR) initiatives by qualifying corporations. This provision stipulates that specific firms are required to allocate a designated proportion of their income towards Corporate Social Responsibility (CSR) programmes. This analysis provides a comprehensive examination of the implementation of corporate social responsibility (CSR) activities as outlined in Section 135.

Formation of CSR Committee:

The establishment of a Corporate Social Responsibility (CSR) Committee mandates eligible firms to form a committee including a minimum of three directors, with at least one director being independent. The committee is tasked with the formulation and recommendation of the company's corporate social responsibility (CSR) policy, as well as the specification of related activities and the oversight of their implementation.

Responsibilities of the CSR Committee:

Formulate and recommend to the Board a Corporate Social Responsibility Policy that specifies the projects/activities to be carried out by the Company in the areas or on the topics outlined in Schedule VII.

- Reviewing quarterly financial statements with CSR management prior to submission to the Board for approval.
- Recommend the quantity of money that should be spent on CSR projects and activities.
- To establish a Management Committee for the execution of CSR initiatives/ activities.
- Shall implement a transparent monitoring system for the company's CSR initiatives and activities.
- Examining the Company's performance in terms of CSR.
- Provide the board with an annual report of CSR initiatives and activities.
- Monitoring CSR Policy periodically.

Development of Corporate Social Responsibility (CSR) Policy:

The CSR Committee undertakes the task of formulating and proposing a CSR policy to the board of directors. The policy delineates the organization's stance on corporate social responsibility (CSR), the initiatives it plans to pursue, and the specific domains it aims to prioritise. The approval of the policy should be granted by the board.



CSR Activity Identification:

The Corporate Social Responsibility (CSR) Committee, in collaboration with the board, determines the specific CSR activities that the company will engage in. It is imperative that these actions are congruent with the company's established proficiency, industry, and areas of concentration, as well as the wider societal requirements.

Budget and Resource Allocation:

Upon identification of the corporate social responsibility (CSR) activities, the organisation proceeds to establish a specific budget for the implementation of these initiatives. The budget allocation is established by the stipulation to allocate a minimum of 2% of the average net profits of the company over the prior three fiscal years.

Implementation and Monitoring:

The implementation of the selected CSR initiatives is overseen by the CSR Committee. The corporation is obligated to guarantee that the activities are executed in alignment with the authorised corporate social responsibility (CSR) policy and budget. The implementation of routine monitoring and evaluation processes is crucial in order to ascertain the attainment of intended objectives.

Partnerships and Collaborations:

Organizations are advised to engage in collaborative efforts with external stakeholders, non-governmental organisations (NGOs), and other pertinent entities **in order to augment** the efficacy and influence of their corporate social responsibility (CSR) endeavours.

Reporting and Disclosure:

The company is required to furnish comprehensive information regarding its corporate social responsibility (CSR) endeavours in its annual report and, if relevant, on its official website. The report is to encompass comprehensive details pertaining to the corporate social responsibility (CSR) policy, undertaken projects, expenditure, and attained achievements.

Allocation of Unspent Amounts to a Dedicated Fund:

In the event that the firm is unable to fully utilise the allotted corporate social responsibility (CSR) amount during a given fiscal year, it is required to transfer the unspent amount to a dedicated CSR fund within six months following the conclusion of the fiscal year. The allocated funds are utilised for authorised corporate social responsibility initiatives in the following fiscal periods.

Evaluation of Impact:

Organizations are advised to do impact evaluations of their corporate social responsibility (CSR) projects in order to analyse the efficacy of their endeavours and quantify the attained societal impact.



Role of the Statutory Auditor:

The statutory auditor of the company is responsible for examining and providing an assessment of the corporate social responsibility (CSR) efforts in their official audit report. The role of the auditor is to verify the company's adherence to corporate social responsibility (CSR) regulations and the accuracy of the information presented in its annual report.

Section 135 of the Companies Act, 2013, places significant importance on the systematic execution, oversight, and documentation of corporate social responsibility (CSR) initiatives by qualifying corporations. This guarantees that corporate social responsibility (CSR) programmes are implemented in a responsible and transparent manner, thereby making a positive contribution to the social and environmental well-being of the society.

2.2 Board Participation in CSR:

The Board's role in Corporate Social Responsibility consists of:

- Approving the company's CSR policy after contemplating the committee's recommendations;
- To disclose the policy's contents in its annual report and post it on the company's website, if required;
- To ensure that the company spends at least 2% of its average net profits for the three fiscal years preceding the current fiscal year in accordance with its CSR Policy. If the company fails to spend the required amount, the board must detail the reasons in its annual report.

2.3 Recent Amendments and Regulatory Updates Including SEBI's role on CSR:

The following are noteworthy recent modifications and regulatory updates pertaining to Corporate Social Responsibility (CSR) in India:

- **The subject of discussion is the Companies (Amendment) Act of 2019:**
The aforementioned amendment implemented modifications to the provisions pertaining to unutilized Corporate Social Responsibility (CSR) money. The policy enabled corporations to retain unutilized corporate social responsibility (CSR) funding for a period of up to three fiscal years subsequent to the year of allocation. In the event that the funds remain unutilized beyond the conclusion of the third year, it becomes obligatory to transfer them to a specifically designated fund as stipulated by the governing authority.
- **The Companies (Corporate Social Responsibility Policy) Amendment Rules of 2021 pertain to modifications made to the policy governing corporate social responsibility inside companies.**

The amended rules, which were announced by the Ministry of Corporate Affairs, will come into force on April 1, 2021. One notable modification is to



the stipulation mandating corporations to incorporate a hyperlink to their Corporate Social Responsibility (CSR) policy inside their annual board report. Furthermore, the regulations provided further clarification regarding the procedure for reporting unused Corporate Social Responsibility (CSR) funds, which included establishing the method of transferring those funds to the government's designated fund.

- **Establishment of a National Corporate Social Responsibility (CSR) Database:**

The government has undertaken the establishment of a comprehensive database at the national level, with the purpose of collecting and managing pertinent information pertaining to corporate social responsibility (CSR) initiatives and endeavours done by firms. The primary objective of this database is to augment openness, accountability, and monitoring of corporate social responsibility (CSR) programmes.

- **Elucidation of Corporate Social Responsibility Expenditure:**

The government disseminated a series of circulars including clarifications and instructions to enhance understanding and facilitate the execution of corporate social responsibility initiatives. The aforementioned features encompassed explanations regarding the computation of net profits, the handling of administrative overheads, and various other technical facets pertaining to corporate social responsibility (CSR) adherence.

It should be noted that the following examples pertain to recent advancements occurring prior to January 2022. It is possible that subsequent to the mentioned date, there could have been further adjustments or regulatory modifications. For the acquisition of the most up-to-date and precise information, it is advisable to check official government sources, such as the website of the Ministry of Corporate Affairs, or seek guidance from legal professionals who possess expertise in the field of corporate social responsibility (CSR) rules in India.

COMPANIES (CSR POLICY) AMENDMENT RULES, 2022 :

The Corporate Social Responsibility (CSR) provisions are governed under Section 135 of the Companies act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 (Rules) and Schedule VII thereto. The Rules, which were last amended by the Ministry of Corporate Affairs ("MCA") in January, 2021, have been amended by the MCA vide notification dated September 20, 2022. The amendments to the Rules are provided below for your reference:

Insertion of new proviso after the proviso to sub-rule 1 of Rule 3: ***Provided further that a company having any amount in its Unspent Corporate Social Responsibility Account as per sub-section (6) of section 135 shall constitute a CSR Committee and comply with the provisions contained in sub-sections (2) to (6) of the said section.*** As per the amended Rules, constitution of a CSR Committee is mandatory



where the Company has any amount in its **Unspent CSR Account** in terms of the provisions of Section 135(6) of the Act i.e., if the Company has any extant **ongoing project**, it is mandatorily required to constitute a CSR Committee. Further, such company shall also comply with the provisions of Section 135(2) to Section 135(6) of the Act.

- **Omission of sub-rule 2 of Rule 3:**

As per the earlier provisions, the CSR provisions ceased to be applicable on a company when it ceased to meet the criteria as specified as Section 135(1) for three consecutive financial years.

- **Under the new Rules, this provision has been dispensed with. Once the CSR provisions become applicable on a company, they will continue to be applicable**

- **Substitution of sub-rule 1 of Rule 4:**

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.

Earlier, only those companies established under the provisions of Section 8 of the Act, or registered public trusts or registered societies who were registered under Sections 12A and 80 G of the Income Tax Act, 1961 were eligible under the said rule. Now, the scope has been widened to include those companies established under section 8 of the Act, or registered public trusts or registered



societies which are 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.

- **Amendment in clause c of sub-rule 3 of Rule 8:**

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.

Companies were allowed to book expenditure on undertaking impact assessment up to 5% of the total CSR expenditure for that financial year or Rs. 50 Lakhs, whichever was less.

Now, companies can book expenditure on undertaking impact assessment up to 2% of the total CSR expenditure for that financial year or Rs. 50 Lakhs, whichever is higher.

- **Amendment in format for the annual report on CSR activities to be included in the board's report of a company. (Given in Annexure II at the Reference Section).**
- **Substitution for Sr. No. 1 and the entries relating thereto in the e-form CSR-1:**

Nature of the entity:

Company established under section 8, exempted under sub-clauses (IV), (v), (vi) or (via) of clause (23C) of section 10 and approved under section 80G of the Income Tax Act, 1961.

- Company established under section 8, registered under section 12A and approved under section 80G of the Income Tax Act, 1961.
- Registered public trust, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 and approved under section 80G of the Income Tax Act, 1961. Registered public trust, registered under section 12A and approved under section 80G of the Income Tax Act, 1961.
- Registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 and approved under section 80G of the Income Tax Act, 1961.
- Registered society, registered under section 12A and approved under section 80G of the Income Tax Act, 1961.
- Company established under section 8 or registered Trust or registered Society established by the Central Government or State Government. Entity established under an Act of Parliament or State Legislature."



Conclusion:

The 2022 Amendment Rules are a commitment to strengthen the CSR regime in India. The changes effected by the 2022 Amendment Rules are both clarificatory and enables wider spectrum of entities which can qualify for IA to undertake CSR activities and projects. As a result, with effect from 20 September 2022, a few more organizations with social objective and purpose became eligible to be registered and used as implementation agencies for CSR projects. The 2022 Amendment Rules are also a nod to statutorily increase governance vis-à-vis CSR, as now companies which have Unspent CSR Account are required to establish CSR Committee, which reflects on the push to such companies to ensure timely compliance with the annual action plan formulated and adopted by each company of their own accord.

Companies (Accounts) Second Amendment Rules 2023

- On June 2, 2023, the Ministry of Corporate Affairs (MCA) issued the Companies (Accounts) Second Amendment Rules, 2023, which amend the Companies (Accounts) Rules, 2014. These provisions became effective on June 2, 2023. Rule 12 of the Companies (Accounts), 2014, has been amended. **The amendment specifies that for the financial year 2022-2023, a separate filing of Form CSR-2 is required by the March 31, 2024 deadline.** This filing of Form CSR-2 should be done after submitting Form No. AOC-4/Form No. AOC-4-NBFC (Ind AS)/Form No. AOC-4 XBRL, depending on the applicable case.
- **To promote good corporate governance practices, the Ministry of Corporate Affairs (MCA) vide a notification on February 11, 2022, introduced the Form CSR-2. This form is required for companies to provide details of their Corporate Social Responsibility (CSR) expenditure to the MCA. Companies falling under Section 135 of the Companies Act 2013, which mandates CSR compliance, must allocate a certain percentage of their profits toward CSR activities.**

Applicability of Form CSR-2:

- **As mentioned above, Form CSR-2, also known as the Report on Corporate Social Responsibility, must be filed by entities falling under the provisions of Section 135. This includes companies that must comply with CSR regulations outlined in the Companies Act 2013.**

Deadline for Filing CSR-2:

- **As per the Companies (Accounts) Second Amendment Rules 2023, the MCA has stipulated that Form CSR-2 should be filed separately on or before March 31, 2024, for the preceding financial year (2022-2023). This filing deadline applies after filing Form AOC-4, AOC-4 XBRL, or AOC-4 NBFC (Ind AS).**

To summarize the due dates for Form CSR-2:

- For the financial year 2022-23, **Form CSR-2 should be filed separately on or before March 31, 2024.**
- **From the financial year 2022-23 onwards, Form CSR-2 should be filed as an addendum to Form AOC-4 (due date of AOC-4).**



2.4 SEBI and CSR:

- **The primary responsibility of regulating and supervising the securities market in India is with the Securities and Exchange Board of India (SEBI).**
- SEBI primarily directs its attention towards capital markets and operations pertaining to securities, but it also assumes a responsibility to foster conscientious and sustainable corporate practices, encompassing facets associated with corporate social responsibility (CSR). It is important to acknowledge that there may have been subsequent advancements since the mentioned time period. Therefore, it is recommended to consult the most recent data from SEBI or other government sources.
- **The following points elucidate the convergence between Corporate Social Responsibility (CSR) and the activities undertaken by the Securities and Exchange Board of India (SEBI):**

Business Responsibility Reporting (BRR):

The introduction of Business Responsibility Reporting (BRR) by the Securities and Exchange Board of India (SEBI) pertains to listed corporations in India. Within this particular framework, there exists a mandate for specific classifications of publicly traded corporations to divulge pertinent details pertaining to their environmental, social, and governance (ESG) protocols. BRR advocates for corporate entities to provide information regarding their corporate social responsibility (CSR) endeavours, environmental strategies, diversity measures, employee well-being efforts, and other sustainable operational approaches.

ESG Disclosures:

The Securities and Exchange Board of India (SEBI) has demonstrated a growing inclination towards environmental, social, and governance (ESG) disclosures made by companies listed on the stock exchange. ESG encompasses a wider range of factors than solely corporate social responsibility (CSR); however, it does incorporate CSR actions within its social component. The Securities and Exchange Board of India (SEBI) has been actively investigating methods to improve environmental, social, and governance (ESG) disclosures as well as promote the adoption of responsible practices among corporations.

Sustainability Reporting:

Although not directly associated with corporate social responsibility (CSR), SEBI has advocated for the inclusion of sustainability reporting within corporations' annual reports. This paper provides comprehensive coverage of diverse dimensions of sustainability, which may incorporate corporate social responsibility (CSR) actions and initiatives.

Integration of ESG:

The incorporation of environmental, social, and governance (ESG) concerns into



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the decision-making procedures of asset managers and institutional investors has been under consideration by the Securities and Exchange Board of India (SEBI). This observation suggests a more widespread acknowledgement of the significance of sustainability and ethical business strategies, such as corporate social responsibility (CSR), inside the realm of investment.

SEBI's Role in Investor Awareness:

- The Securities and Exchange Board of India (SEBI) also plays a significant role in fostering investor awareness regarding the companies in which they choose to invest. Although this does not exert direct control over corporate social responsibility (CSR), it does play a role in shaping the broader context in which corporations are anticipated to uphold ethical and sustainable practices.
- It is noteworthy that although SEBI's endeavours aim to encourage responsible and sustainable practises, the Ministry of Corporate Affairs continues to serve as the principal regulatory body responsible for regulating corporate social responsibility (CSR) in India. The Ministry implements the rules outlined in the Companies Act, which encompass CSR-related obligations.
- To get the most up-to-date and comprehensive information pertaining to the Securities and Exchange Board of India's (SEBI) position and endeavours concerning Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) factors, it is advisable to visit the official SEBI website or consult official SEBI circulars and guidelines published subsequent to July 2023.

2.5 New BRSR Core for ESG Disclosures from SEBI :

- **On July 12, 2023, SEBI issued Circular No. SEBI/HO/CFD-SEC-2** To ensure that companies are aware of how they are integrating their value chain into the sustainability and ESG policies of their organisation, SEBI has introduced the BRSR Core Framework for assurance and ESG disclosures for the top 1,000 companies over the next three fiscal years.
- **Applicability:** Listed entities must implement reasonable assurance of the BRSR Core in accordance with the glide path outlined in the table below.

Financial Year BRSR Core Applicability to the largest publicly traded companies (based on market capitalization).	Applicability of BRSR Core to top listed entities (by market capitalization)
2023-24	Top 150 Listed Entities
2024-25	Top 250 Listed Entities
2025-26	Top 500 Listed Entities
2026-27	Top 1000 Listed entities

The circular’s most salient features are as follows:

The circular introduces the BRSR Core as a subset of the BRSR, consisting of Key Performance Indicators (KPIs) and metrics under nine ESG attributes. The purpose of the BRSR Core is to provide specified entities with reasonable assurance. It includes intensity ratios based on revenue adjusted for purchasing power parity (PPP) in order to facilitate global comparability.

ESG Disclosures for Value Chain:

The circular requires listed companies to include ESG disclosures in their annual reports for their value chains. The value chain should consist of the main upstream and downstream partners that account for 75% of the value of the entity’s purchases or sales. Disclosure must be made regarding the scope of reporting and any assumptions or estimates made during the reporting process.

Assurance Supplier:

- The circular emphasises the significance of selecting a provider of assurance with the required expertise. Listed entities are advised to ensure that there are no conflicts of interest, and assurance providers or their associates should not sell products or provide non audit/non assurance services to the listed entity or its group entities.
- These revisions demonstrate SEBI’s dedication to enhancing sustainability reporting, transparency, and responsible business practices among India’s publicly traded companies. In addition, it emphasises the significance of ESG disclosures in assessing the environmental and social impact of businesses throughout their value chains.
- Companies must prepare for compliance with the new requirements and select qualified assurance providers in order to effectively navigate this dynamic environment.

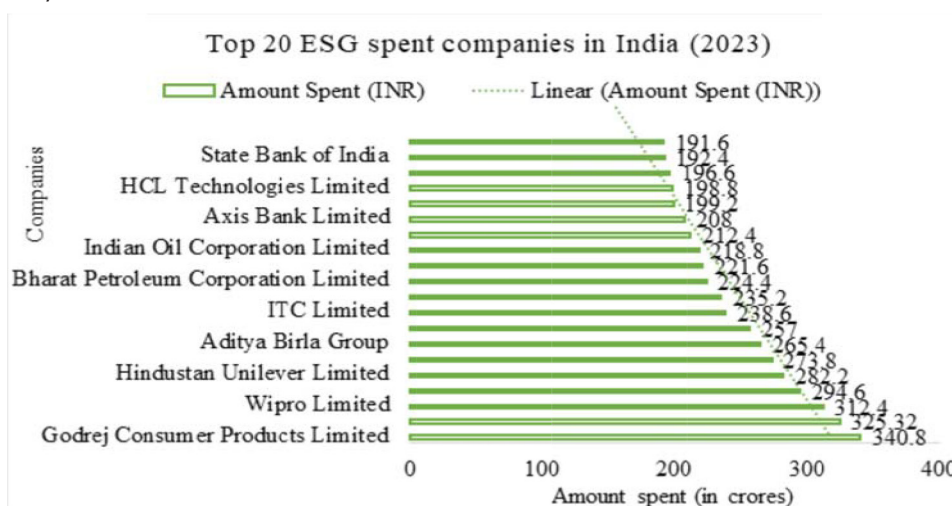


Fig 2: Sectors of top 20 ESG spending by Indian companies

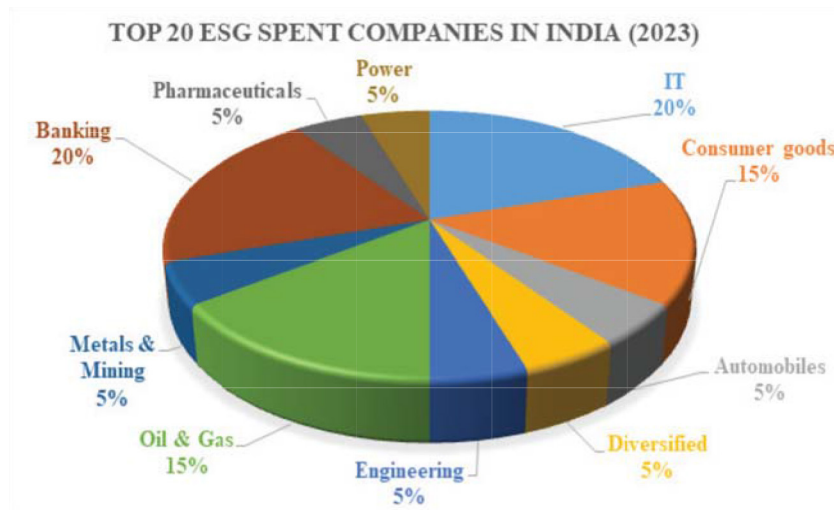


Fig 3: Top 20 sectors companies (in %) contributing through different sectors

2.6 Compliance and Reporting Obligations :

The legislation pertaining to corporate social responsibility (CSR) in India, including compliance and reporting duties, is established and enforced by the Companies Act of 2013, together with the accompanying rules and regulations. This document provides a comprehensive outline of the primary compliance and reporting responsibilities that corporations, which are obligated to meet corporate social responsibility (CSR) standards, must comply with.

CSR Committee and Policy:

- The topic of discussion pertains to the establishment and implementation of a corporate social responsibility (CSR) committee and policy. In order to comply with the Corporate Social Responsibility (CSR) regulations, companies are required to establish a CSR committee comprised of a minimum of three directors, with at least one director being independent. The committee bears the responsibility of developing and proposing the corporate social responsibility (CSR) policy for the company.
- The corporate social responsibility (CSR) policy should clearly articulate the company's strategic approach to CSR, delineate the specific activities that will be pursued, and provide a comprehensive framework for the implementation of these activities. The policy has been endorsed by the board of directors.

The distribution of financial resources:

It is mandatory for corporations to allocate a minimum of 2% of their average net income from the prior three fiscal years towards corporate social responsibility



(CSR) initiatives. The calculation of this expense is derived from the financial statements that have been prepared in compliance with the regulations outlined in the Companies Act.

Identification and Implementation of CSR Activities:

- The Corporate Social Responsibility (CSR) Committee, in collaboration with the board of directors, determines the CSR initiatives that the company will engage in. The selection of activities should be congruent with the company's established areas of competence and strategic focus.
- It is the responsibility of companies to execute the selected corporate social responsibility (CSR) initiatives in accordance with their established CSR strategy and allocated financial resources.

Reporting and Disclosure:

It is imperative for corporations to include comprehensive information regarding their corporate social responsibility (CSR) initiatives in their annual board report and, if relevant, on their official website. The comprehensive annual corporate social responsibility (CSR) report is to encompass pertinent details regarding the CSR strategy, initiatives executed, financial outlays incurred during the fiscal year, and any remaining unallocated funds.

Unspent Amounts and Dedicated Fund:

In the event that a firm is incapable of fully utilising the designated Corporate Social Responsibility (CSR) funds within a given fiscal year, it is required to furnish justifications for the unexpended amount in its board report. The remaining balance must be reallocated to a designated corporate social responsibility (CSR) fund within a period of six months following the conclusion of the fiscal year. The aforementioned fund is allocated for the purpose of supporting authorised corporate social responsibility (CSR) initiatives in the following fiscal periods.

Impact Assessment:

Organisations are advised to undertake impact evaluations of their corporate societal responsibility (CSR) projects in order to analyse the efficacy of these endeavours and quantify the attained societal impact.

Statutory Auditor's Role:

The statutory auditor of the corporation included an evaluation and disclosure of the corporate social responsibility (CSR) initiatives in the audit report. The auditor's role is to verify the company's adherence to corporate social responsibility (CSR) regulations and the accuracy of the information presented in its annual report.



Guidance Note on CSR Practices, Audits and Report Verifiers

Web Link to CSR Policy:

According to recent revisions, corporations are obligated to provide a hyperlink to their corporate social responsibility (CSR) policy within their annual board report.

Annual Disclosure in Board Report:

It is imperative for corporations to incorporate a dedicated segment within their annual board report that encompasses comprehensive details pertaining to corporate social responsibility (CSR) endeavours, policies, projects, and pertinent information regarding the CSR Committee.

Disclosure of CSR Committee makeup:

- In accordance with regulatory requirements, companies are obligated to provide information regarding the makeup of their Corporate Social Responsibility (CSR) Committee, which encompasses the identification of committee members and pertinent details.
- Adhering to compliance and reporting standards is of utmost importance for organisations as it ensures the promotion of openness, accountability, and efficient implementation of their corporate social responsibility (CSR) efforts. Failure to adhere to these stipulations may result in sanctions and legal ramifications.



CHAPTER - 3

Integration of CSR into Business Strategy

3.1 Aligning CSR Objectives with Organizational Goals:

The incorporation of corporate social responsibility (CSR) goals into an organisation's overarching business strategy is necessary in order to establish a unified and influential framework for ethical corporate conduct. When the aims of corporate social responsibility (CSR) are in line with the goals of an organisation, it not only has a positive impact on societal and environmental well-being but also improves the reputation of the business, fosters engagement with stakeholders, and promotes long-term sustainability. ***The following is a comprehensive procedural outline detailing the process of aligning corporate social responsibility (CSR) objectives with organisational goals:***

- **To commence, it is imperative to have a comprehensive grasp of the organization's mission, vision, values, and strategic objectives.**

The primary business objectives, growth targets, and areas of focus should be identified.

- **Determine the material corporate social responsibility (CSR) concerns:**

Identify the pertinent social, environmental, and ethical concerns that hold the utmost significance within your industry, encompassing stakeholders and the operational aspects of your organisation. It is advisable to prioritise matters that are in accordance with the core principles of your organisation and are in line with prevailing trends within the industry.

- **Establishing Definitive CSR Objectives:**

Formulate precise and quantifiable corporate social responsibility objectives that directly correspond with the observed material challenges. These aims should aim to generate positive effects on society as well as foster the expansion of the business.

- **Foster Synergistic Relationships:**

Strategically identify and leverage opportunities to cultivate mutually beneficial relationships between corporate social responsibility (CSR) objectives and organisational business goals. This inquiry seeks to identify specific domains in which corporate social responsibility (CSR) activities have the potential to augment operational efficiency, brand reputation, risk management, and consumer loyalty.

- **Emphasise Alignment:**

Give priority to corporate social responsibility (CSR) programmes that possess



the capacity to align with various business objectives. This ensures that the organisation is able to attain both social impact and tangible financial rewards.

- **One strategy to consider is the inclusion of cross-functional teams:**

Facilitate the involvement of cross-functional teams from diverse departments, such as marketing, operations, human resources, and the supply chain. Engage in collaborative efforts to effectively incorporate corporate social responsibility (CSR) objectives across many dimensions of the organisation.

- **Resource Allocation:**

Dedicate financial and human resources to facilitate the implementation of corporate social responsibility (CSR) projects. It is imperative to ensure that the process of budgeting and resource allocation accurately reflects the significance of aligning corporate social responsibility (CSR) initiatives.

- **Formulate Action Plans:**

Generate action plans for each corporate social responsibility (CSR) purpose, delineating the precise tasks, deadlines, responsibilities, and anticipated outcomes. It is imperative to ensure the integration of these strategies with the overarching project management processes.

- **The establishment of key performance indicators (KPIs):**

This is crucial for measuring the success and impact of corporate social responsibility (CSR) projects. It is imperative to consistently monitor and assess outputs in order to ascertain their congruence with the objectives of the Organisation.

- **Internal Communication:**

Effectively convey the correlation between corporate social responsibility (CSR) and organisational objectives to employees across all hierarchical levels. Promote a sense of ownership and active involvement in corporate social responsibility (CSR) endeavours.

- **External Communication:**

Effectively convey the incorporation of corporate social responsibility (CSR) goals into the overall business plan to external stakeholders, such as customers, investors, suppliers, and community partners. Emphasise the reciprocal advantages derived from these endeavours.

- **The Imperative of Adaptation and Evolution:**

It is crucial to consistently assess and modify corporate social responsibility (CSR) objectives in response to dynamic shifts in both business and societal landscapes. As the objectives of businesses undergo changes, it is imperative to



ensure that corporate social responsibility (CSR) activities continue to maintain alignment.

- **CEO and Leadership Commitment:**

It is imperative to obtain a firm commitment from upper management, particularly the Chief Executive Officer (CEO). The organization's commitment to the integration of corporate social responsibility (CSR) is evidenced by its active support and engagement.

- **Progress Reporting:**

Consistently provide updates on the advancement of corporate social responsibility (CSR) projects and their congruence with the objectives of the organisation. The concept of transparency serves to enhance both the credibility and accountability of an entity.

- By connecting corporate social responsibility (CSR) objectives with the aims of the organisation, corporations can adopt a more comprehensive and influential approach to CSR. The integration of social effect and corporate performance contributes to the development of a responsible and sustainable business culture.

3.2 Leveraging CSR for Competitive Advantage :

The strategic utilisation of Corporate Social Responsibility (CSR) extends beyond mere philanthropy and can serve as a potent means of attaining a competitive advantage inside the marketplace. The incorporation of corporate social responsibility (CSR) programmes into a company's strategic framework has the potential to bolster its brand reputation, attract a wider consumer base, foster employee engagement, and ultimately contribute to sustained financial prosperity. This article presents a discussion on the strategic use of Corporate Social Responsibility (CSR) as a means to gain a competitive edge in the business landscape.

- **Conform to Brand Identity:**

Incorporate corporate social responsibility (CSR) programmes that are consistent with the values and identity of your brand. The concept of authenticity holds significant appeal for consumers and serves as a distinguishing factor for your business.

- **Reputation Enhancement:**

- Positive corporate social responsibility (CSR) efforts have the potential to enhance the reputation of a business, so increasing its appeal to customers, investors, and partners.

- **Market Differentiation:**

Corporate social responsibility (CSR) initiatives have the potential to distinguish



your products or services from those offered by competitors, thereby providing consumers with a compelling rationale for selecting your brand.

- **Establishing Consumer Trust:**

The implementation of transparent corporate social responsibility (CSR) activities fosters trust and loyalty among consumers who prioritise ethical and responsible business practices.

- One way to enhance customer loyalty is by fostering a beneficial societal impact, as consumers tend to favour brands that engage in such activities. Corporate social responsibility (CSR) has the potential to cultivate a devoted client base that values and acknowledges the organisation's dedication.

- **Attracting High-Quality Talent:**

Corporate Social Responsibility (CSR) has attraction for individuals seeking employment with organisations that prioritise social responsibility. The implementation of this strategy has the potential to enhance the organization's ability to both attract and retain highly competent and motivated individuals.

- **Enhancing Employee Engagement:**

- Employees who are actively engaged demonstrate higher levels of productivity. Engaging individuals in corporate social responsibility (CSR) projects has the potential to cultivate a sense of purpose and enhance morale.

- **Risk Management:**

Proactively addressing social and environmental concerns can effectively reduce reputational risks and strengthen crisis management capabilities.

- **The Relationship between CSR programmes and creativity and Efficiency:**

Corporate social responsibility (CSR) programmes have the potential to foster creativity within organisations by incentivizing the development of new solutions to address societal concerns. This, in turn, can result in enhanced business processes and operational efficiency.

- **Facilitating Market Expansion:**

Corporate social responsibility (CSR) initiatives have the potential to enable organisations to access previously untapped markets that prioritise and appreciate responsible business practises. Customise your initiatives in order to align with the specific tastes of the local community.

- **Enhancing Stakeholder connections:**

Engaging in collaborative corporate social responsibility (CSR) projects with stakeholders facilitates the development of stronger connections and fosters mutual trust.



- **Long-Term Sustainability:**

The implementation of a thorough corporate social responsibility (CSR) strategy demonstrates a dedication to long-term sustainability, thereby enhancing the resilience of your firm.

- **Regulatory Compliance:**

It is advisable to proactively anticipate forthcoming regulatory developments and align corporate social responsibility (CSR) programmes accordingly. Demonstrating responsibility is exemplified by being proactive in adhering to regulations.

- **Enhancing Communication:**

Efficiently convey your corporate social responsibility (CSR) initiatives through many communication channels, so showcasing your steadfast dedication to the betterment of society.

- **The Role of CEOs and Leadership in Advocating for Corporate Social Responsibility (CSR):**

The proactive endorsement of CSR by top executives demonstrates a sincere dedication and fosters a sense of unity among the entire organisation.

- **Quantifiable Impact:**

Gather and disseminate statistics regarding the beneficial outcomes of your corporate social responsibility endeavours, thus augmenting credibility and fostering a sense of responsibility.

It necessitates the strategic incorporation of CSR initiatives, their connection with organisational goals, and a sincere dedication to effecting positive change. By incorporating responsible practises into the business strategy, an organisation can establish itself as a responsible and progressive frontrunner within its respective industry, while concurrently generating value for both society and the firm itself.

3.3 Identifying Strategic CSR Areas:

The identification of appropriate strategic domains for Corporate Social Responsibility (CSR) endeavours is of paramount importance in order to guarantee that one's endeavours generate significant outcomes and are in line with one's corporate goals. **Presented below is a comprehensive sequential framework aimed at facilitating the identification of strategic Corporate Social Responsibility (CSR) domains:**

- **Understand Your Business:** One must develop a comprehensive understanding of their business in order to effectively navigate its operations and make informed decisions. To commence, it is imperative to get a comprehensive

comprehension of the organization's goal, vision, values, and fundamental business procedures. Take into account the potential impact of your products, services, and operations on social well-being.

- **Perform a Materiality Assessment:** Identify the significant concerns that hold the utmost relevance to your industry, stakeholders, and operational activities. The following are the factors that possess the potential to exert a substantial influence on both your business and society.
- **Stakeholder Engagement:** Initiate consultations with various stakeholders, including customers, employees, investors, suppliers, and local communities. Gain an understanding of stakeholders' expectations, apprehensions, and inclinations with regards to corporate social responsibility (CSR).
- **Consider Industry Trends:** It is advisable to do a thorough investigation of prevailing market trends and optimal approaches in the realm of Corporate Social Responsibility (CSR). This inquiry seeks to identify the domains in which the industry under consideration possesses the capacity to provide favourable outcomes or confronts notable obstacles.
- **Assessing Local and Global Demands:** Take into account the distinct social and environmental complexities within the localities in which your operations are situated. Additionally, it is crucial to consider the wider global concerns that your organisation has the potential to tackle.
- **Identification of Core Competencies:** Delineate the capabilities, knowledge, and resources possessed by the organisation. Examine the potential utilisation of these assets in order to effectively tackle distinct social and environmental concerns.
- **Address Supply Chain Impact:** Evaluate the social and environmental ramifications of your supplier chain. One should contemplate the ways in which collaboration with suppliers might be leveraged to enhance operational practises and foster constructive transformations.
- **Establishing Priorities According to Impact:** Establish a hierarchy of Corporate Social Responsibility (CSR) domains based on their ability to generate favourable outcomes for both society and your organisation. The primary emphasis should be placed on initiatives that possess the greatest potential for generating significant impact.
- **Ensure Alignment with Business Objectives:** It is imperative to ensure that the selected corporate social responsibility (CSR) areas are in line with the business objectives and values of the organisation. Seek for potential possibilities in which corporate social responsibility (CSR) might augment the reputation, offerings, or provisions of your brand, products, or services.



- **Attend to Stakeholder Expectations:** Select corporate social responsibility (CSR) domains that align with the preferences and concerns of your primary stakeholders. Taking into consideration the concerns expressed by individuals can contribute to the cultivation of more robust relationships and garner increased support for one's goals.
- **Conduct a comprehensive assessment of risks and opportunities:** Thoroughly analyse and evaluate the potential risks and opportunities connected with each corporate social responsibility (CSR) domain. The successful implementation of projects necessitates the mitigation of risks and the exploitation of opportunities.
- **Incorporate a Long-Term Perspective:** Consider the potential for enduring effects that your corporate social responsibility activities can yield. Select areas that are in accordance with your long-term vision and objectives for sustainability.
- **Evaluating and Conveying Impact:** Choose corporate social responsibility (CSR) domains in which you can proficiently assess and effectively explain the outcomes. The implementation of transparency serves to bolster confidence and foster accountability.
- **Collaborate with Experts:** Engage in collaborative efforts with non-governmental organisations (NGOs), government agencies, and other relevant entities possessing specialised knowledge and experience in the selected corporate social responsibility (CSR) domains. Collaborative alliances have the potential to enhance the magnitude of one's influence.
- **Demonstrate Adaptability:** Exhibit a willingness to modify your corporate social responsibility (CSR) focus in response to dynamic circumstances, growing concerns, and input from stakeholders.

In essence, the selection of strategic corporate social responsibility (CSR) domains should be congruent with the overarching mission, core competencies, and ethical principles of the organisation. By strategically choosing areas that are pertinent, influential, and harmonised with your business operations, you can establish a symbiotic relationship between ethical practises and the achievement of commercial objectives.

CHAPTER - 4

Designing Effective CSR Initiatives

4.1 Needs Assessment and Stakeholder Engagement:

The development of effective Corporate Social Responsibility (CSR) projects necessitates the implementation of a methodical strategy encompassing the comprehension of community needs, active engagement of stakeholders, and the creation of initiatives that are congruent with the resources and expertise of the organisation. **Presented below is a comprehensive sequential framework aimed at facilitating the development of impactful corporate social responsibility (CSR) initiatives:**

- **Needs Assessment:** The first step in the research process is doing a needs assessment.
- **Research and Data Gathering:** The initial phase of this study involves conducting research and gathering relevant data. Conduct a comprehensive research study to identify and analyse the social, environmental, and economic challenges prevalent within the communities in which your organisation operates. **Collect data from credible sources, such as governmental reports, non-governmental organisations (NGOs), scholarly research, and community-based organisations.**
- **Determine Key Focus Areas:** Conduct a comprehensive analysis of the collected data in order to identify key areas of focus where your corporate social responsibility (CSR) initiatives can generate the most substantial and favourable outcomes.
- **Stakeholder Engagement:** The concept of stakeholder engagement refers to the active involvement and participation of individuals or groups who have a vested interest or influence in a particular project, organisation, or decision-making
- **Identify Stakeholders:** The task at hand involves the identification and categorization of stakeholders, encompassing a range of entities such as local communities, consumers, employees, investors, suppliers, non-governmental organisations (NGOs), government agencies, and other relevant parties.
- **Participate in Dialogues:** Engage in purposeful discourse with relevant stakeholders in order to get insight into their requirements, apprehensions, and anticipations pertaining to corporate social responsibility endeavours.

Utilise various research methods such as surveys, focus groups, and open dialogues to collect valuable ideas.



- **Prioritize Stakeholder Feedback:** In the context of decision-making, it is essential to prioritise tasks or objectives based on their relative importance or urgency. Stakeholder feedback is an essential component in the evaluation and improvement of any project or initiative. It provides valuable insights and perspectives from .Conduct an analysis of the comments obtained from stakeholders in order to discern prevalent patterns and points of agreement.

Utilise this advice to enhance and strengthen your Corporate Social Responsibility (CSR) initiative ideas, so ensuring their alignment with genuine societal demands.

4.2 Designing an Initiative:

Establishing Clearly Defined Objectives:

The task at hand involves delineating the specified, measurable, attainable, relevant, and time-bound (SMART) objectives for any corporate social responsibility (CSR) effort. It is imperative to ensure that the objectives are in accordance with the recognised needs and stakeholder expectations.

- **Determine Approach and Scope:** Determine the strategic approach for each effort, such as community development, environmental conservation, and education. Please provide a description of the geographical extent and intended recipients of each programme.
- **Collaborate with Stakeholders:** To ensure the inclusion of diverse perspectives and to promote stakeholder engagement, it is advisable to involve relevant parties during the design phase. This approach not only acknowledges the importance of stakeholders' viewpoints but also facilitates their commitment and support towards the project. Engage in collaborative efforts with local organisations, non-governmental organisations (NGOs), and community stakeholders possessing valuable insights and specialised knowledge.
- **Resource Allocation:** Resource allocation is a crucial aspect of effective management and decision-making. It involves the distribution and utilisation of resources in order to achieve organisational goals and objectives. **The identification of resources necessary for each effort, encompassing financial, human, and technical resources, is crucial.** Ensure that the allocation of resources is in accordance with the capacity and commitment of your organisation.
- **Measurement and Evaluation:** The establishment of key performance indicators (KPIs) is essential for assessing the impact and effectiveness of individual initiatives. **Develop a comprehensive monitoring and evaluation strategy to effectively monitor and assess progress in relation to key performance indicators (KPIs).**
- **Communication and Transparency:** The importance of effective communication and transparency in various contexts cannot be overstated. These two elements play a crucial role in fostering understanding, trust, and collaboration



among individuals and organisations. Effective communication ensures that information is conveyed.

- **Internal Communication:** Internal communication refers to the exchange of information, ideas, and messages within an organisation. It plays a crucial role in facilitating effective collaboration, coordination, and decision-making among employees. **Effectively convey the specifics of the corporate social responsibility (CSR) endeavours to the employees in order to foster their active endorsement and involvement.**
- **External Communication:** External communication refers to the exchange of information and messages between an organisation and individuals or entities outside of the organisation. This form of communication is essential for organisations to establish and maintain. **Effectively communicate the initiatives to stakeholders in a transparent manner, providing clear information regarding the objectives, advancements, and anticipated results. Disseminate success narratives and assess their influence across many communication platforms.** By undertaking comprehensive needs assessments, including relevant stakeholders, and formulating well-organized programmes, it is possible to ensure that corporate social responsibility (CSR) endeavours provide significant and enduring effects on the target populations. Increasing the likelihood of success and cultivating a positive reputation for responsible business practises can be achieved by aligning these activities with stakeholder expectations and the capabilities of your organisation.

4.3 Defining Clear CSR Goals and Metrics:

The establishment of precise and quantifiable objectives, accompanied by suitable measurements, is crucial for the efficacy and responsibility of your Corporate Social Responsibility (CSR) endeavours. Presented below is a comprehensive, sequential framework aimed at assisting individuals in formulating precise and impactful corporate social responsibility (CSR) objectives and corresponding metrics:

Understand the Context:

- **Review Stakeholder Input:** The stakeholders' feedback obtained during the needs assessment and engagement phase should be carefully considered and reflected upon. **When establishing goals, it is important to take into account the individual's priorities, concerns, and suggestions.**

Conform to the Values and Strategic objectives of the organisation:

- It is imperative to align your corporate social responsibility (CSR) goals with the overarching purpose, vision, values, and long-term strategic objectives of your organisation. **The alignment of goals with the corporate strategy ensures the adoption of a comprehensive approach.**



Establishing Well-Defined and Precise Objectives:

- **The utilisation of SMART criteria is recommended:** It is essential to ensure that one's objectives adhere to the SMART framework, which stands for **Specific, Measurable, Achievable, Relevant, and Time-bound**.

The inclusion of specific details enhances the clarity of a statement or objective, while the capacity to measure progress allows for effective tracking. Additionally, setting a time-bound aspect to a task or goal installs a sense of urgency.

- **Define Impact Areas:** These impact areas might encompass several aspects such as social, economic, environmental, or cultural.

Please specify the primary domains in which you aim to generate beneficial outcomes, such as education, healthcare, environmental preservation,

And other relevant areas.

Determine Relevant Metrics:

- **Quantifiable Metrics:** Consider qualitative metrics as well, like improved community perceptions, increased employee engagement, or enhanced brand reputation.
- **Qualitative Metrics:** Examine the intangible dimensions of influence by employing qualitative measurements, such as narratives depicting transformed lives, testimonials, and community anecdotes.

Benchmarking and Comparison:

- **Internal Benchmarking:** Set internal benchmarks based on your organization's past performance or industry standards to gauge improvement over time.
- **External Comparison:** Compare your metrics with industry peers or best practices to understand where you stand and identify areas for improvement.

Regular Evaluation and Adaptation:

- **Continuous Monitoring:** Continuous monitoring is a process that involves the ongoing observation and assessment of a particular system or situation. It entails the regular collection and analysis of data to ensure that any changes or it is advisable to consistently monitor and analyse the metrics in order to effectively track progress and detect any deviations from the predetermined goals.
- **Flexibility to Adapt:** It is important to anticipate the need for adjusting goals and metrics in response to changing conditions, in order to maintain their relevance and alignment with evolving needs.

The establishment of well-defined corporate social responsibility (CSR) objectives



and measurements enables the precise assessment of the effectiveness and influence of one's actions. Furthermore, it fosters accountability, transparency, and effective communication with stakeholders, so directing endeavours towards the establishment of significant and enduring transformation.

4.4 Developing and Implementing CSR Projects:

Developing and implementing effective Corporate Social Responsibility (CSR) projects requires careful planning, coordination, and execution. **Here's a step-by-step guide to help you navigate the process:**

Goal and Objective Definition:

- **Align with Strategy:** Ensure that the project's goals align with your company's CSR strategy and broader business objectives.
- **Clearly Define Objectives:** Set specific, measurable, achievable, relevant, and time-bound (SMART) objectives for the project.

Needs Assessment:

- **Identify Stakeholder Needs:** Understand the needs of the target beneficiaries, communities, and other stakeholders to ensure your project addresses real issues.
- **Research Best Practices:** Research successful CSR projects in your chosen area to gain insights into effective strategies.

Project Design:

- **Stakeholder Engagement:** Involve relevant stakeholders (including beneficiaries, community leaders, experts, and employees) in the project design process.
- **Tailor to Context:** Design the project to suit the cultural, social, and economic context of the community or area where it will be implemented.
- **Identify Resources:** Determine the resources required for the project, including finances, human resources, materials, and technology.

Strategy Development:

- **Define Approach:** Determine the approach your project will take – whether it's direct implementation, partnership with NGOs, capacity-building, or advocacy.
- **Action Plan:** Create a detailed action plan outlining tasks, responsibilities, timelines, and milestones.

Resource Allocation:

- **Budgeting:** Develop a budget that includes costs for personnel, materials, equipment, training, monitoring, and evaluation.



- **Resource Mobilization:** Secure the necessary funding and resources through internal budgets, external funding, grants, donations, and partnerships.

Implementation:

- **Project Team:** Assemble a dedicated project team with diverse skills and expertise.
- **Regular Monitoring:** Monitor the project's progress regularly to ensure it's on track and address any challenges that arise.
- **Communication:** Maintain open communication with stakeholders and the community to keep them informed about project developments.

Evaluation and Impact Assessment:

- **Define Evaluation Criteria:** Establish evaluation criteria that align with the project's objectives and expected outcomes.
- **Measure Impact:** Collect data and evidence to measure the project's impact on beneficiaries, communities, and other targeted outcomes.
- **Adapt and Learn:** Use the evaluation results to learn from successes and challenges, making adjustments for future projects.

Documentation and Reporting:

- **Record Keeping:** Maintain accurate records of project activities, expenditures, and outcomes.
- **Reporting:** Develop clear and concise reports to communicate the project's progress, achievements, and impact to stakeholders.

Continuous Improvement:

- **Feedback Loop:** Use feedback from beneficiaries, partners, and stakeholders to continuously improve your CSR projects.
- **Scaling Up:** If the project is successful, consider how it can be expanded or replicated to create a wider impact.

Developing and implementing CSR projects requires a combination of strategic planning, stakeholder engagement, resource management, and a commitment to creating meaningful change. By following a structured approach and incorporating stakeholder feedback, you can design and execute projects that have a positive and lasting impact on society and align with your company's values.

CHAPTER - 5

Budgeting and Resource Allocation for CSR

5.1 Allocating Financial Resources for CSR Projects: The successful execution of Corporate Social Responsibility (CSR) initiatives relies heavily on the efficient allocation of financial resources. Effective budgeting and strategic financial planning are essential to ensuring that corporate social responsibility (CSR) activities are adequately funded in order to accomplish their objectives. ***Presented below is a comprehensive, sequential strategy aimed at assisting individuals in effectively allocating financial resources for Corporate Social Responsibility (CSR) initiatives.***

Align with CSR Strategy:

- **Prioritize Impact Areas:** Identify the CSR areas that align with your company's values, business strategy, and stakeholder expectations.
- **Set Clear Objectives:** Define the specific goals and objectives of each CSR project. This clarity will guide resource allocation decisions.

Determine Budget:

- **Estimate Project Costs:** Break down the costs associated with each project, including personnel, materials, equipment, training, travel, monitoring, and evaluation.
- **Include Overhead Costs:** Account for indirect costs, such as administrative expenses, overhead, and any additional operational costs related to the project.

Allocate Resources:

- **Project-Based Allocation:** Allocate financial resources to each project based on its estimated budget and priority.
- **Proportional Allocation:** Allocate resources in proportion to the expected impact and importance of each project within your CSR portfolio.

Secure Funding:

- **Internal Funding:** Allocate funds from your company's budget specifically for CSR initiatives.
- **External Funding:** Seek external sources of funding, such as grants, partnerships with NGOs, or collaborations with other companies.

Flexibility and Contingency:

- **Allow for Flexibility:** Build flexibility into your budget to accommodate unexpected changes, fluctuations in costs, or emerging opportunities.



- **Contingency Reserve:** Set aside a contingency fund to address unforeseen challenges or expenses that may arise during project implementation.

Monitor and Adjust:

- **Regular Monitoring:** Regularly track expenses and progress against the allocated budget for each project.
- **Adjust as Needed:** If actual expenses differ from the allocated budget, consider adjusting resources accordingly while maintaining alignment with project goals.

Communicate Transparently:

- **Internal Communication:** Communicate the budget allocation process and financial commitments to relevant internal stakeholders.
- **External Communication:** Transparently communicate your financial commitment to CSR projects to external stakeholders, enhancing credibility and accountability.

Sustainability Considerations:

- **Long-Term Funding:** Plan for the sustainability of your CSR initiatives beyond initial funding, ensuring long-term impact.
- **Leverage Synergies:** Identify opportunities where CSR initiatives can complement business goals, minimizing the financial burden. **Effective allocation of financial resources for CSR projects requires careful planning, transparency, and the ability to adapt to changing circumstances. By aligning your financial commitments with your CSR strategy and continuously monitoring progress, you can ensure that your initiatives make a meaningful and sustainable impact on society while contributing to your business's success.**

5.2 Cost Estimation and Budget Formulation: In order to plan and execute Corporate Social Responsibility (CSR) initiatives effectively, cost estimation and budget formulation are crucial steps. Accurate budgeting ensures that your initiatives have the financial resources necessary to accomplish their objectives. **Here is a comprehensive guide to assist you with CSR project cost estimation and budget formulation:**

Definition of project identification and scope:

- **Define Project Scope Clearly:** Clearly outline the project's goals, objectives, and activities. This will function as the basis for estimating costs.
- **Recognise Stakeholders:** Identify the project's constituents, including beneficiaries, community representatives, partners, and members of the internal team.



Estimation of Costs:

- **Dissect Project Activities:** Deconstruct project activities into more manageable duties and components. This will help you more accurately estimate costs.
- **Calculate Estimated Quantity and Unit Costs:** Estimate the required quantities of materials, resources, and services for each activity. **Conduct research and determine unit costs for materials, labour, and other resources.**
- **Compute Direct Costs:** Consider project implementation-related expenses, such as materials, labour, transportation, and equipment.
- **Include Indirect Expenses:** Include overhead expenses such as administrative costs, project administration, and monitoring and evaluation.
- **Factor in Uncertainty:** Assign a portion of the total budget as a contingency fund to cover unforeseen costs or adjustments in the project's scope.

Budget Planning:

- **Develop a Comprehensive Budget Spreadsheet:** Create a detailed cost breakdown using a spreadsheet, including cost categories, quantities, unit costs, and total amounts.
- **Distribute Funds:** Allocate funds based on the estimated quantities and unit costs for each cost category. Ensure the total budget is in line with the available resources.
- **Prioritise and Distribute Proportionately:** Prioritise your multiple initiatives based on their impact and urgency. Distribute resources proportionally in accordance with priorities.

Regular Evaluation and Monitoring:

- **Monitor Regularly Expenses:** Throughout the project's implementation, compare actual expenditures to the budgeted amount.
- **Modify as Necessary:** If expenses exceed the initial budget, make the necessary adjustments to reallocate resources while adhering to the overall budget.

Disclosure and Communication:

- **Communication Internal:** Communicate the budget allocation procedure and financial plan to the appropriate internal parties.
- **Outward Communication:** For accountability and transparency, communicate your financial commitments and budget allocations to external stakeholders in a transparent manner.



Environmental Consider the following:

- **Long-Term Persistence:** Ensure that the budget accounts for the project's long-term viability beyond the initial phase.
- **Resource Management:** Explore opportunities for resource optimisation, such as partnerships, contributions in kind, and shared resources. **Accurate cost estimation and well-crafted budgets are necessary for the successful execution of CSR projects. By meticulously estimating costs, accounting for a variety of expenses, and maintaining budgetary transparency, you can ensure that your CSR initiatives are adequately funded and positioned to produce significant results.**

5.3 Monitoring Expenditures and Resource Optimization:

Effective Corporate Social Responsibility (CSR) project administration necessitates the monitoring of expenditures and the optimisation of resources. These procedures ensure that your projects remain within budget, utilise resources effectively, and have the desired effect. **Here is a comprehensive guide to monitoring expenditures and optimising resources for your CSR initiatives:**

Establish a System of Monitoring:

- **Budget Tracking Equipment:** Utilise budget monitoring tools such as spreadsheets or project management software to monitor and record expenses in real time.
- **Expense Classes:** To gain insight into expenditure patterns, classify expenses according to their component costs (e.g., materials, labour, and travel).
- **Periodic Updates:** Regularly update the budget monitoring system with actual expenditures and compare them to the corresponding budgeted amounts.

Examining and contrasting:

- **Routine Review Sessions:** Hold regular review meetings to evaluate the project's progress, expenditures, and any budgetary deviations.
- **Expense Evaluation:** Analyse expenditure patterns to determine where costs exceed the budget and where savings can be made.
- **Comparison:** Compare the project's expenditures to industry benchmarks or similar projects in order to determine whether or not they are reasonable.

Resource Management:

- **Determine Opportunities:** Identify opportunities for optimising resources, such as refining processes, minimising waste, and leveraging partnerships.²
- **Efficient Use of Resources:** Ensure that resources, such as labour and materials, are utilised efficiently in order to reduce superfluous expenses.
- **Contributions in Kind:** To reduce costs, investigate the possibility of receiving in-kind contributions from suppliers, partners, or constituents.



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- **Resources Shared:** Share resources across multiple projects or initiatives in order to reduce redundancies and optimise utilisation.

Emergency Preparedness:

- **Use of Contingency Fund:** Utilise the allocated contingency fund to cover unforeseen expenses or modifications to the project's scope without affecting the budget.
- **Evaluate Uncertainty Usage:** Evaluate the reasons for using the contingency fund and incorporate the lessons learned into future endeavours.

Modifications and Reallocations:

- **Allocation of Resources:** If certain expenses are lower than anticipated, it may be prudent to reallocate funds to areas where they are needed more.
- **Addressing Spending Excess:** Take corrective action, such as reevaluating the project's scope or pursuing additional funding, if expenses exceed the budget.

Communications and Openness:

- **Relating to:** Inform internal and external stakeholders of financial updates and expenditure reports on a regular basis.
- **Assurance of Transparency:** Maintain open communication regarding expenditure monitoring, optimisation efforts, and any modifications.

Continuous Development:

- **Lessons Discovered:** To improve future project planning, record insights learned from resource monitoring and optimisation.
- **Feedback System:** Utilise the insights obtained through monitoring and optimisation to improve budgeting and resource allocation processes.

Monitoring expenditures and optimising resources not only contribute to the overall success and sustainability of your CSR initiatives, but also ensure fiscal responsibility. ***By maintaining a vigilant approach to cost management and continuously pursuing opportunities for resource optimisation, you can maximise the impact of your initiatives while preserving their fiscal efficiency.***

5.4 Explanation of the Inactive CSR Account's Purpose and Provisions:

According to Section 135 (6) of the Companies Act, 2013 and the Companies (CSR Policy) Rules, 2014, companies are required to open an Unspent CSR Account in a scheduled bank to transfer the unspent amount of their ongoing CSR projects within 30 days of the end of the financial year.

- In its board report and on its website, the company shall detail the nature and quantity of CSR-related expenditures.



- In its annual return lodged with the Registrar of Companies (ROC), the company must also disclose the account's specifics.

If the company fails to comply with Section 135(6) of the Act, it will be subject to a penalty of twice the amount required to be transferred to the account or one crore rupees, whichever is less.

- If they fail to comply with Section 135 (6) of the Act, the defaulting officers of the company are also subject to a penalty of one-tenth of the amount required to be transferred to such account or two lakh rupees, whichever is less. This account's purpose is to ensure that any unspent funds from CSR initiatives are utilised for CSR activities within three fiscal years of the date of transfer.
- Suppose the company does not expend the money within this time frame. Within 30 days of the end of the third fiscal year, it must transfer any unspent balance ***to one of the funds listed in Schedule VII of the Act, such as the Prime Minister's National Relief Fund or the Clean Ganga Fund.***

The following provisions apply to this account:

- The account will be titled "***Unspent Corporate Social Responsibility Account***" and will be listed under "***Current Liabilities***" on the company's balance sheet.
- In its board report and on its website, the company shall detail the nature and quantity of CSR-related expenditures.
- In its annual return lodged with the Registrar of Companies (ROC), the company must also disclose the account's specifics.
- If the company fails to comply with Section 135(6) of the Act, it will be subject to a penalty of twice the amount required to be transferred to the account or one crore rupees, whichever is less.
- If they fail to comply with Section 135 (6) of the Act, the defaulting officers of the company are also subject to a penalty of one-tenth of the amount required to be transferred to such account or two lakh rupees, whichever is less.
- **Unspent Corporate Social Responsibility Account:** This is a special account opened by the company in a scheduled bank for transferring any unspent funds from ongoing CSR initiatives within 30 days of the end of the fiscal year.
- ***The quantity transferred to this account must be spent on CSR activities by the company within three fiscal years of the date of transfer.***
- ***If the amount is not spent within this timeframe, the company must transfer the remaining balance to a fund specified in Schedule VII within 30 days of the end of the third fiscal year.***



- **Fund specified in Schedule VII** refers to any fund established by the central government for socio-economic development, relief, and welfare of certain sections of society, **as specified in Schedule VII of the Companies Act of 2013.**
- Within six months of the end of the fiscal year, the company shall transfer any unspent funds that do not pertain to ongoing initiatives to the fund.
- If a company fails to comply with any provision of CSR, it will be subject to a penalty of Rs. 1 crore or two times the sum required to be transferred to one of the above accounts.

5.5 Accounting treatment of CSR Expenses and Unspent CSR Amount with reference to Companies (Indian Accounting Standards) Rules, 2015:

Every Section 135-applicable company is required to spend a minimum amount on CSR activities during the fiscal year, and if this amount is not spent, the Board of Directors must provide an explanation in their annual report. **The 22nd of January 2021 amendment to section 135 requires companies to transfer any unspent amount at the end of the financial year to the Unspent CSR Account or Fund specified in Schedule VII, depending on whether or not the unspent amount pertains to ongoing project(s).**

- Specific penal provisions have been added by the amendment if a company fails to comply with the minimum amount required to be spent on CSR activities or the disposition of any unspent funds, if any.
- **Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets**, defines liability and obligating event and explains past event as under:

Liability :

“A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits”.

Obligating Event :

“An obligating event is an event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation.”

Past Event:

“A past event that leads to a present obligation is called an obligating event. For an event to be an obligating event, it is necessary that the entity has no realistic alternative to settling the obligation created by the event. This is the case only:

- (a) Where the settlement of the obligation can be enforced by law; or
- (b) In the case of a constructive obligation, where the event (which may be an action of the entity) creates valid expectations in other parties that the entity will discharge the obligation.”



- The obligating event occurs when CSR activities (spend/incur) are carried out during the financial year in accordance with the CSR Policy and CSR projects approved by the Board of Directors of the company, and upon the determination of the unspent amount as at the end of the financial year, whether relating to ongoing projects or not, **taking into account the following requirements of Section 135:**
- **The spend of two percent of average net profits of immediately preceding three years, represents the measurement basis for determining the minimum amount to be spent on CSR activities during the financial year;**
- **the “unspent amount” of ongoing projects** is to be transferred to a special account called **Unspent CSR Account within 30 days of the end of financial year (emphasis supplied) for use within a period of three financial years from the date of such transfer (with the balance unspent out of such account at the end of the three financial years to be transferred to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year);** and
- not relating to ongoing projects is to be transferred to such funds as mentioned **in Schedule VII like Clean Ganga Fund or PMNRF etc. within 6 months of the end of financial year (emphasis supplied)**
- **Thus, the obligating events requiring recognition of CSR expenditure (and a liability, as applicable) occur as follows:**
 - (a) during the financial year, when carrying on CSR activities (spending/ incurring);
 - (b) at end of the financial year, to the extent of the “unspent amount” relating to:
 - (i) ongoing projects and (ii) other than ongoing projects.

Accordingly, **CSR expenditure would be recognised as expense in the statement of profit or loss as and when such expenditure is incurred on the CSR activities undertaken as per the Board approved CSR Policy and CSR projects during the financial year. For the “unspent amount”, a legal obligation arises to transfer to specified accounts depending upon the fact whether such unspent amount relates to ongoing projects or not. Therefore, liability needs to be recognised for such “unspent amount” as at the end of the financial year as per para 17(a) of Ind AS 37.**

Further as per Ind AS 34, Interim Financial Statements, CSR obligation will be recognised based on the principles for recognition of the same in annual financial statements.

Provisions relevant for the instant issue under AS 29, Provisions Contingent Liabilities and Contingent Assets, and AS 25, Interim Financial Statements, are similar to Ind AS 37 and Ind AS 34, respectively. Accordingly, conclusions drawn above equally apply under Companies (Accounting Standards) Rule, 2006 also.

CHAPTER - 6

CSR Audit Process and Cost Accountant's Role

6.1 Understanding CSR Audit and its Importance:

A CSR audit is a systematic and independent evaluation of an organization's CSR activities, policies, and reporting. Its purpose is to assess the extent to which an organisation fulfils its CSR commitments, complies with applicable laws and regulations, and manages its social and environmental impacts effectively. The audit ensures transparency, accountability, and the alignment of CSR efforts with the organization's goals and stakeholder expectations.

Significance of CSR Auditing:

- **Transparency and Credibility:** A CSR audit increases transparency by providing an objective evaluation of the CSR practises of an organisation. This boosts credibility and trust among stakeholders, such as customers, investors, employees, and the broader public.
- **Risk Management:** Audits assist in identifying and mitigating risks associated with noncompliance, unethical practises, and negative social or environmental impacts, thereby safeguarding the organization's reputation and minimising potential legal liabilities.
- **Stakeholder Engagement:** A well-executed CSR audit demonstrates an organization's dedication to stakeholder engagement and responsiveness. It demonstrates that the organisation values the concerns of its stakeholders and is willing to resolve them.
- **Continuous Improvement:** The audit process provides insight into improvement areas, enabling the organisation to make informed decisions, establish priorities, and enhance CSR strategies.
- **Regulatory Compliance:** CSR reporting is required in many jurisdictions. An audit ensures that a company complies with legal requirements and meets its obligations.
- **Enhanced Efficiency:** Audits aid in identifying inefficiencies in CSR initiatives, resource allocation, and reporting processes, enabling the organisation to allocate resources more efficiently.
- **Strategic Alignment:** An audit ensures that CSR initiatives are aligned with the overarching strategy of the organisation and contribute to its long-term sustainability.
- **Benchmarking:** The audit findings can be used for benchmarking against industry counterparts and best practises, resulting in innovation and enhanced performance.



- **Improved Reporting:** Precise audit findings contribute to more precise and trustworthy CSR reporting, thereby enhancing the organization's reputation and investor confidence.

6.2 Conducting a Comprehensive CSR Audit:

- **Organisation and Preparation:** Define the scope of the audit, including the to-be-evaluated areas, objectives, and standards. Assemble an audit team with CSR, compliance, and auditing expertise.
- **Data Gathering:** Collect pertinent information, such as CSR policies, initiatives, reports, and relevant documentation.
- **Risk Analysis:** Identify potential hazards and areas of noncompliance that require additional scrutiny.
- **Audit Procedure:** Verify CSR practises with site visits, interviews, and assessments. Evaluate the efficacy of CSR initiatives and their compatibility with stated goals.
- **Data Evaluation:** Analyse the collected data and evidence to evaluate the performance of the organisation relative to its standards and commitments.
- **Reporting:** Prepare a thorough audit report that details findings, recommendations, and improvement opportunities.
- **Verbal exchange:** Share the audit's findings and recommendations with the appropriate internal and external stakeholders.
- **Implementation and Progress:** Develop an action plan based on the audit's findings to address deficiencies and improve CSR practises.
- **Compliance and Monitoring:** Observe the implementation of corrective actions and enhancements to ensure progress is sustained.

6.3 Role of Cost Accountants in CSR Audit:

A Cost Accountant plays a crucial role in the CSR auditing process, especially in evaluating the financial aspects of CSR initiatives. **Their obligations may include:**

- **Cost Estimation:** Helping to accurately estimate the financial resources required for CSR initiatives.
- **Budget Analysis:** Analysing the budget allocation and expenditures for each CSR project to ensure cost-efficiency.
- **Resource Allocation:** Evaluating the allocation of financial resources to various CSR initiatives and assessing their alignment with organisational objectives.
- **Financial Reporting:** Ensuring CSR-related financial reports are accurate, transparent, and compliant with accounting standards.
- **Cost-Benefit Analysis:** Conducting cost-benefit analyses to evaluate the impact and value of CSR initiatives relative to their associated costs.



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- **Risk Assessment:** Identifying the financial risks associated with CSR initiatives and recommending risk management strategies.
- **Sustainability Evaluation:** Analysing the long-term financial viability of CSR initiatives.
- **Audit Compliance:** Ensuring that financial data associated with CSR practises are auditable and in accordance with audit requirements.
- **A CSR audit is an essential tool for assuring accountability, transparency, and the efficacy of a company's CSR efforts.** In the end, it contributes to a positive reputation and sustainable business practises by assisting organisations in evaluating their impact, managing risks, and enhancing their CSR practises. **Cost Accountants play an important role in evaluating the financial aspects of CSR initiatives and ensuring their alignment with organisational objectives and best practises.**

6.4 Cost Accountants Function as Independent Auditors of the CSR audit Report:

- **Independent Verification:** Cost Accountants provide a neutral and objective evaluation of the CSR audit report. Their independence ensures that the process of verification remains objective and free of conflicts of interest.
- **Knowledge of Financial Analysis:** Cost Accountants are experts in financial reporting and analysis. This skill set enables them to evaluate the financial aspects of CSR initiatives, including budget allocation, cost estimation, and expenditure tracking.
- **Observance of Regulations:** Cost Accountants ensure that the CSR audit report adheres to all applicable regulations, guidelines, and standards. This assists businesses in demonstrating compliance and avoiding legal or regulatory issues.
- **Accuracy and Reliability of Data:** Cost Accountants ensure the data presented in the CSR Audit report are accurate and reliable. This includes the validation of financial data, performance metrics, and impact measurements.
- **Assurance of Claims:** Cost Accountants evaluate the veracity of claims made in the CSR audit report, ensuring that reported results correspond to the actual implementation of CSR initiatives.
- **Evaluation of Financial Controls:** Cost Accountants review the financial controls and processes associated with CSR expenditures to ensure transparency, accountability, and appropriate resource utilisation.
- **Satisfaction of Stakeholders: Cost Accountants' third-party verification enhances the credibility of the CSR Audit Report.** This assurance is essential for stakeholders, such as investors, consumers, and regulatory agencies.



- **Risk management entails:** Cost Accountants are able to identify the financial and operational hazards associated with CSR initiatives. Their insights can aid organisations in overcoming potential obstacles and enhancing their risk management strategies.
- **Recommendations for Enhancement:** Cost Accountants may make suggestions for enhancing financial management, cost effectiveness, and resource allocation in relation to corporate social responsibility (CSR) activities.
- **Increased Transparency:** Cost Accountants contribute to the overall transparency of the CSR audit process by verifying financial data and impact metrics, fostering open communication and accountability.
- **Stakeholder Confidence:** The participation of Cost Accountants as third-party verifiers fosters stakeholder confidence by ensuring that the organization's CSR efforts are assessed accurately and objectively.
- **Reporting and Dissemination:** *Cost Accountants prepare an independent substantiation report that can be incorporated into the CSR audit report.* This report summarises their findings and provides stakeholders with additional information.

In conclusion, Cost Accountants play a vital role in the third-party verification of CSR audit reports by providing their financial expertise, assuring compliance, validating data, and enhancing the overall reliability and credibility of the presented information. Their participation contributes to the organization's commitment to responsible and transparent business practises, CSR reporting effectiveness, and stakeholder confidence.

6.5 CSR and Cost Audit Process:

During the Cost Audit process, all initiatives with financial impact are assessed by the Auditor and a scrutiny of CSR activities of the company may include the following:

- **Enhanced Transparency and Accountability:** CSR initiatives often involve significant financial commitments. Cost audits play a crucial role in ensuring transparency and accountability in the allocation and utilization of funds for CSR activities. This helps in preventing mismanagement or misappropriation of resources dedicated to CSR.
- **Cost Allocation for CSR:** Cost Audits can verify whether the allocation of costs to CSR activities is accurate and complies with accounting standards. This ensures that companies are not over- or under-reporting CSR expenses, which can impact their overall financial statements.
- **Evaluation of CSR Cost Efficiency:** Cost Audits assess the efficiency and cost-effectiveness of CSR programs. By analysing the costs associated with various CSR initiatives, auditors can provide valuable insights into which activities are

delivering the most social and environmental impact for the money spent.

- **Compliance with Legal Requirements:** Many countries have specific regulations regarding CSR expenditures and reporting. Cost Audits can verify if a company is complying with these legal requirements, such as the percentage of profits to be spent on CSR activities. Non-compliance can result in penalties or legal issues.
- **Impact on Financial Statements:** Cost audit findings related to CSR expenses can have implications for a company's financial statements. Accurate reporting of CSR costs ensures that financial statements present a true and fair view of the company's financial position, which is essential for investors and stakeholders.
- **Risk Mitigation:** Effective cost audits can help identify and mitigate financial risks associated with CSR initiatives. For example, they can assess the financial impact of unexpected changes in the regulatory environment or market conditions on ongoing CSR projects.
- **Stakeholder Trust and Reputation:** CSR activities are closely scrutinized by various stakeholders, including investors, customers, and the public. A thorough cost audit process can provide assurance to stakeholders that a company is committed to ethical and responsible financial management of its CSR programs, enhancing trust and reputation.
- **Continuous Improvement:** Cost Audits can highlight areas where CSR cost management can be improved. This feedback loop allows companies to refine their CSR strategies, maximize the social and environmental impact, and optimize the allocation of resources.

In conclusion, the cost audit process plays a critical role in ensuring that a company's CSR efforts are financially sound, compliant with legal requirements, and transparent. It helps strike a balance between financial responsibility and social responsibility, ultimately contributing to sustainable and responsible business practices.

6.6 Case Study: A real Case study of a Building Schools in Underserved Communities in Rural and Tribal areas of Gujarat and how the Cost Audit Process applied to ensure the effectiveness and financial accountability:

- **CSR Project: Building Schools in Underserved Communities:** CSR project in education in Rural and Tribal areas of Gujarat and how the cost audit process can be applied to ensure its effectiveness and financial accountability:
- **Project Description:** A large corporation has undertaken a CSR project to build schools in underserved communities as part of their commitment to improving access to quality education. The project involves constructing and equipping new school buildings, providing educational materials, and hiring teaching staff.



Application of Cost Audit:

- **Cost Allocation:** The cost audit process would begin by reviewing the allocation of expenses related to the project. This includes construction costs, teacher salaries, textbooks, and other educational materials. The audit would verify that costs are appropriately allocated to the project and not mixed with unrelated expenses.
- **Budget Compliance:** The cost auditor would assess whether the project's expenses are in line with the initially approved budget. Any significant deviations from the budget would be flagged for further investigation to ensure that the project is financially responsible.
- **Resource Utilization:** The auditor would examine how efficiently resources are being utilized within the project. For example, they might evaluate whether construction costs are reasonable compared to market rates and whether teaching staff is utilized effectively to maximize the impact on students.
- **Quality Assurance:** In education-related CSR projects, quality is of utmost importance. The cost audit could assess whether the funds allocated are resulting in the construction of safe and high-quality school buildings and whether teaching materials meet the required educational standards.
- **Compliance with Regulatory Requirements:** The cost audit would ensure that the project complies with any regulatory requirements related to education infrastructure. This may include compliance with building codes, safety standards, and educational curriculum guidelines.
- **Measurement of Impact:** While not solely a financial matter, the cost audit can also examine whether the project is achieving its intended educational outcomes. ***Are there measurable improvements in student enrolment, attendance, and academic performance as a result of the project's investments?***
- **Risk Assessment:** The cost audit can identify potential financial risks associated with the project. For example, it might assess the financial impact of unforeseen delays in construction or changes in staffing requirements.
- **Reporting and Transparency:** Finally, the cost audit ensures that all financial transactions related to the project are accurately recorded and reported. This is crucial for transparency and accountability, especially when reporting to stakeholders and the public.

In summary, a cost audit for a CSR project in education ensures that financial resources are effectively and responsibly used to achieve the project's goals. It helps verify budget compliance, resource utilization, and quality while also ensuring compliance with regulations and enhancing transparency. The ultimate goal is to maximize the positive impact of the CSR project on the education of underserved communities.



6.7 Case Study: A real Case study of a project called “Nutrition for All” by a Multinational Company- How the Cost Audit Process applied to ensure Financial Accountability and optimizing Resource Allocation:

- **CSR Project: “Nutrition for All”:** CSR project aimed at addressing malnutrition among urban and rural poor children’s.
- **Project Description:** A multinational FMCG company launches the “Nutrition for All” initiative as part of its Corporate Social Responsibility (CSR) efforts. The primary objective of this project is to combat malnutrition among underprivileged children in both urban slums and rural areas.
- **Key Components of the Project:**
- **Nutrition Centres:** The Company establishes nutrition centres in urban slums and rural villages. These centres serve as hubs for providing nutritious meals, supplements, and educational resources to children and their families.
- **Nutritional Education:** Alongside providing meals, the project focuses on educating parents and caregivers about the importance of balanced nutrition. Workshops and training sessions are conducted to raise awareness about the impact of nutrition on child development.
- **Local Sourcing:** To support local economies, the company sources ingredients for the meals locally whenever possible. This not only reduces transportation costs but also contributes to the livelihoods of farmers in the community.
- **Regular Health Check-ups:** The project includes regular health check-ups for participating children. Medical professionals assess growth, monitor nutritional improvements, and address any health concerns promptly.

Application of CSR Principles:

- **Stakeholder Engagement:** The project engages various stakeholders, including local communities, NGOs, healthcare professionals, and government agencies, to ensure a collaborative approach to addressing malnutrition.
- **Sustainability:** To ensure the project’s long-term sustainability, it includes capacity-building activities for local communities. This may involve training community members to manage the nutrition centres independently over time.
- **Transparency and Reporting:** The Company commits to transparent reporting of its CSR activities. Regular reports detail the number of children reached, the nutritional impact achieved, and financial transparency to build trust with stakeholders.
- **Measuring Impact:** Key performance indicators (KPIs) are established to measure the impact of the project. Metrics include improvements in children’s nutritional status, increased school attendance, and a reduction in malnutrition-related health issues.



- **Role of Cost Audit:** A cost audit in this CSR project would play a crucial role in ensuring financial accountability and optimizing resource allocation. **Here are some specific aspects where cost auditing can be applied:**
- **Budget Adherence:** The cost audit would verify that the project's expenses align with the approved budget, ensuring that funds are allocated efficiently and effectively.
- **Resource Allocation:** It would assess how resources are distributed between urban and rural areas and between various project components, such as nutrition centers, education, and health check-ups.
- **Cost Efficiency:** The auditor would evaluate the cost-effectiveness of meals and nutritional supplements provided, ensuring that the project maximizes its impact within the allocated budget.
- **Compliance:** The cost audit would ensure compliance with financial regulations and ethical standards, helping to prevent financial mismanagement or misuse of funds.
- **Risk Management:** Identifying potential financial risks, such as unexpected cost overruns or resource shortages, is another important role of cost auditing in the project.

By conducting a cost audit, the company can demonstrate responsible financial stewardship of its CSR initiative, reassure stakeholders of its commitment to addressing malnutrition, and ensure that resources are used to their fullest potential to improve the health and well-being of underprivileged children in both urban and rural areas.

6.8 Case Study: A real case study on a project Titled “Jal Swaraj” - Water for Life: How Cost Audit plays a crucial role in ensuring financial accountability and optimizing resource allocation:

- **CSR Project: “Jal Swaraj” - Water for Life:** CSR project focused on water conservation and providing clean drinking water in rural Maharashtra, India
- **Project Description:** A multinational corporation, in partnership with local NGOs and government agencies, initiates the “Jal Swaraj” project to address water scarcity and improve access to clean drinking water in Jalna district and rural Maharashtra, which faces recurrent droughts and water-related challenges.
- **Key Components of the Project:**
- **Rainwater Harvesting:** The project promotes rainwater harvesting techniques, including rooftop rainwater collection and construction of community rainwater harvesting structures. This helps recharge groundwater and provides an additional source of water during the monsoon season.



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- **Water Purification:** To ensure access to clean drinking water, the project establishes water purification plants in villages. These plants use modern filtration and purification technologies to treat local water sources, making it safe for consumption.
- **Community Engagement:** Local communities are actively involved in the project. Training programs are conducted to educate villagers about water conservation, efficient water use, and the importance of maintaining the water purification plants.
- **Infrastructure Development:** The project invests in the repair and maintenance of existing water infrastructure like wells and bore wells, ensuring their sustainability. New bore wells are drilled strategically to access groundwater reserves.
- **Water Quality Monitoring:** Regular water quality tests are conducted to ensure that the treated water meets safety standards. Monitoring teams collect samples and analyze them to verify the effectiveness of the purification process.
- **Education and Awareness:** The project includes an educational component that raises awareness about water conservation and hygiene practices. It conducts workshops in local schools and communities to promote responsible water use.

Application of CSR Principles:

- **Stakeholder Collaboration:** The project involves collaboration with local communities, government bodies, and NGOs to create a sustainable water management system that benefits everyone.
- **Sustainability:** The project aims for long-term sustainability by training community members to manage and maintain the water purification plants and rainwater harvesting systems independently.
- **Transparency and Reporting:** Regular reports on the project's progress, water quality, and financial transparency are shared with stakeholders to maintain trust and accountability.
- **Measuring Impact:** Key performance indicators (KPIs) are established to measure the impact of the project, including improved water availability, reduced waterborne diseases, and increased agricultural productivity due to better access to water.

Role of Cost Audit:

In this CSR project, a cost audit plays a crucial role in ensuring financial accountability and optimizing resource allocation:

1. **Budget Adherence:** The cost audit verifies that project expenses align with the approved budget. It ensures that funds are allocated efficiently to each project



component, such as rainwater harvesting, water purification, and community engagement.

- 2. Resource Allocation:** It assesses how resources are distributed among different villages and project activities. This helps determine if resources are allocated based on the most pressing water-related needs of each community.
- 3. Cost Efficiency:** The auditor evaluates the cost-effectiveness of the project, including the cost per liter of treated water, the cost per village served, and the overall cost-effectiveness of water infrastructure improvements.
- 4. Compliance:** The cost audit ensures compliance with financial regulations and ethical standards. It helps prevent financial mismanagement or misuse of funds.
- 5. Risk Management:** Identifying potential financial risks, such as cost overruns or supply chain disruptions for purification equipment, is another critical aspect of cost auditing.

By conducting a cost audit, the company can demonstrate responsible financial management of its CSR initiative, reassure stakeholders of its commitment to addressing water scarcity, and ensure that resources are used effectively to provide clean drinking water and promote water conservation in rural Maharashtra.

6.9 In comparison to financial accountants and CSR consultants, Cost Accountants are the finest authority to verify statutory CSR audit reports:

Due to their unique combination of skills and knowledge that align closely with the complexities of CSR reporting and financial management, cost accountants are well-suited to verify statutory CSR (Corporate Social Responsibility) audit reports. **Although other financial accountants and CSR consultants have valuable knowledge, cost accountants have certain advantages that make them a strong authority in this role:**

- **Cost Management:** Cost accountants are experts in the administration and analysis of costs. Cost Accountants are especially adept at evaluating the financial aspects of CSR projects, as CSR initiatives frequently involve resource allocation, budgeting, and expenditure tracking.
- **Financial Reporting Knowledge:** Cost Accountants are well-versed in financial reporting regulations and standards. They comprehend the complexities of financial statements and are able to ensure that CSR-related financial data adheres to established reporting standards.
- **Impact Assessment Skills:** Cost accountants have experience assessing the impact of business decisions on a company's financial performance. This competency is applicable to evaluating the effectiveness of CSR initiatives and their impact on the financial and non-financial aspects of an organisation.



Guidance Note on CSR Practices, Audits and Report Verifiers

- **Risk Management Perspective:** Cost Accountants are trained to recognise and manage financial risks from a risk management perspective. In the context of CSR audits, they can evaluate the financial risks associated with CSR initiatives and suggest mitigation strategies.
- **Data Validation and Accuracy:** Cost Accountants have a solid background in data validation and accuracy, ensuring that the CSR data reported is accurate and consistent.
- **Familiarity with Resource Allocation:** CSR initiatives necessitate cautious resource allocation. Cost accountants can evaluate whether resources are optimally utilised and whether budgeted funds are in line with CSR objectives.
- **Independent and Objective Assessment: As independent professionals, Cost Accountants** provide an objective evaluation of the CSR audit report, thereby avoiding potential conflicts of interest that may arise from internal or consulting responsibilities.
- **Regulatory Compliance Knowledge:** Cost Accountants are familiar with financial regulations and standards. They are able to determine whether the CSR audit report complies with statutory requirements, thereby enhancing the organization's compliance with legal obligations.
- **Credibility and Stakeholder Trust: Cost Accountants' participation as third-party verifiers adds credibility and trustworthiness to the CSR auditing process,** as they contribute a specialised skill set that emphasises financial rigour.
- **Holistic Understanding:** With their comprehensive comprehension of financial and operational aspects, cost accountants are able to connect financial data to the broader goals of CSR initiatives, ensuring that financial figures align with the desired social and environmental outcomes.

While financial accountants and CSR consultants also bring valuable knowledge to the table, cost accountants are ideally suited to verify statutory CSR audit reports due to their combination of financial acumen, impact assessment skills, risk management expertise, and regulatory knowledge. Their participation improves the rigour, transparency, and precision of CSR reporting, which is advantageous for both organisations and stakeholders.



CHAPTER - 7

CSR Audit Framework and Methodology

7.1 Establishing Audit Objectives and Scope:

It is essential to develop a comprehensive CSR (Corporate Social Responsibility) audit framework and methodology in order to conduct a comprehensive and effective audit. Clearly defining audit objectives and scope is fundamental to a successful audit process. **A guide to establishing audit objectives and scope within a CSR audit framework is provided below.**

Establishing Audit Goals:

- **Define the Objective:** Specify the objective of the audit. *Is it to evaluate compliance, quantify impact, identify hazards, or some combination of these?*
- **Align with Expectations of Stakeholders:** Ensure that the audit objectives correspond to the expectations of stakeholders, such as investors, customers, employees, and communities.
- **Prioritise Objectives:** Establish specific audit objectives, such as evaluating the efficacy of CSR initiatives, confirming compliance with regulations, and assessing the alignment of initiatives with organisational values.

Determining the Audit Scope:

- **Identify Focus Areas:** Determine the CSR audit's main areas or categories, such as environmental practises, labour standards, community engagement, and supply chain sustainability.
- **Take into account Organisational Structure:** Ensure that the scope is pertinent and exhaustive by considering the organization's structure, operations, and industry.
- **Incorporate Relevant Details:** Include in the scope elements such as policies, processes, reporting, communication, and actual practises.
- **Consider Geographic Extent:** Determine if the audit will encompass all locations or only specific regions if the organisation operates in multiple locations.
- **Define Time Period:** Determine the duration of the audit. Will it encompass a specific time frame or will it be an ongoing evaluation?

Choosing an Audit Method:

- **Determine Audit Methods:** Choose appropriate data collection techniques, such as document review, interviews, surveys, site visits, and data analysis.
- **Determine Sources of Data:** Identify information sources, such as internal documents, reports, interviews with stakeholders, and industry benchmark

- **Establish Audit Plan:** Create a detailed audit plan outlining the audit process's specific steps, duties, responsibilities, and timelines.
- **Consider Experts from Third Parties:** Determine whether external experts or third-party auditing firms should be utilised to improve objectivity and expertise.

Ensure impartiality and objectivity:

- **Determine Auditors:** Assign auditing duties to individual auditors or auditing teams. Ensure their separation from the audited areas.
- **Avoid potential conflicts of interest:** Ensure auditors have no conflicts of interest that could compromise the audit's objectivity.

Review and Acceptance:

- **Stakeholder Evaluation:** Examine the audit's objectives and scope with key stakeholders to ensure congruence and to solicit their input.
- **Administration Approval:** Obtain management's approval of the audit's objectives, framework, and scope.

The entire CSR audit process is guided by a well-defined audit framework and methodology, as well as distinct audit objectives and scope. These elements guide the auditors, ensure consistency, and allow the organisation to comprehensively assess its CSR efforts, resolve deficiencies, and increase its impact on social, environmental, and ethical fronts.

7.2 Developing an Audit Plan:

It is essential to develop a comprehensive CSR (Corporate Social Responsibility) audit plan and check list in order to conduct a comprehensive and systematic audit process. An audit plan specifies the methodology, tasks, timelines, and responsibilities, while a check list ensures that all pertinent aspects are addressed. ***Here is a guide to creating an effective audit plan and checklist within the context of a CSR audit framework:***

Developing a CSR Audit Plan:

- **Initiation: Provide a summary of the purpose, objectives, and scope of the audit.**
- **Audit Team:** Include the names and responsibilities of the auditors or audit team members responsible for each audit component.
- **Audit Objectives:** Specify the audit's specific objectives, such as determining compliance, measuring impact, and identifying hazards.
- **Audit Procedure:** Describe the audit techniques, data sources, and information-gathering strategies that will be used to collect data.
- **Collection of Data:** Define the methods of data collection, including document review, interviews, surveys, and site visits.



- **Audit Programme:** Provide a comprehensive schedule for each phase of the audit, including planning, data capture, analysis, reporting, and follow-up.
- **Risk Evaluation:** Identify hazards and obstacles that could affect the auditing process, as well as strategies to mitigate them.
- **Stakeholder Participation:** Describe how internal and external stakeholders will be involved in the auditing process.

7.3 Developing a CSR Checklist for an Audit:

A checklist serves as a guide to ensure that all pertinent aspects of the audit are addressed. It can be tailored to the audit's particular objectives and scope.

Listed below is an example of a CSR audit checklist:

- **Corporate Social Responsibility Policies and Commitments:** Examine and evaluate the CSR policies, mission, values, and commitments of the organisation.
- **Stakeholder Participation:** Evaluate the organization's stakeholder engagement, response to concerns, and incorporation of feedback.
- **Environmental Techniques:** Evaluate the environmental management, energy efficiency, waste reduction, and sustainable practises of the organisation.
- **Employment and Human Rights:** Examine labour practises, workplace safety, diversity and inclusion, equitable wages, and human rights observance.
- **Supply Chain Administration:** Examine the company's approach to ethical sourcing, supplier evaluation, and supply chain transparency.
- **Community Participation:** Evaluate the organization's community initiatives, philanthropic activities, and impact on local communities.
- **Reporting and Expression:** Examine the precision, openness, and efficacy of CSR reporting and communication.
- **Legal and Compliance Requirements:** Verify compliance with applicable CSR-related laws, regulations, and industry standards.
- **Performance Evaluation:** Analyse the organization's methods for measuring CSR performance and impact and for reporting on them.
- **Sustainment and Enhancement:** Determine whether the organisation implements corrective actions for continuous improvement in response to audit findings.
- **Reporting and Recordkeeping:** Document all audit findings, supporting evidence, and recommendations for reporting purposes.

Creating a comprehensive audit plan and check list guarantees that your CSR audit is well-structured, systematic, and aligned with your audit objectives and scope. It provides auditors with a road map, facilitates efficient data capture, and enables a comprehensive evaluation of the CSR practises and impact of the organisation.



7.4 Data Collection, Verification, and Analysis:

In the CSR (Corporate Social Responsibility) audit framework, the process of data collection, verification, and analysis is a crucial step. This phase entails accumulating pertinent information, ensuring its accuracy, and analysing the collected data in order to evaluate the organization's CSR practises and their alignment with its objectives. The following is a guide for performing effective data acquisition, verification, and analysis during a CSR audit:

Collection of Data:

- **Document Evaluation:** Collect CSR-related documents, such as policies, reports, sustainability statements, codes of conduct, and internal communications pertinent to CSR.
- **Interactions:** Conduct interviews with key stakeholders, such as senior management, department managers, employees, suppliers, and representatives from the community.
- **Location Visits:** Observe practises and collect first-hand information by visiting relevant facilities, production sites, and project sites.
- **Opinion Polls and Questionnaires:** Distribute surveys or questionnaires to employees, customers, suppliers, and other pertinent stakeholders in order to collect their opinions.
- **External Sources of Data:** Employ external resources including industry benchmarks, best practises, regulatory databases, and stakeholder reports.

Verification of Data:

- **Cross-Reference Details:** Verify data from multiple sources to ensure accuracy and consistency.
- **Determine Disparities and Inconsistencies:** Identify any data discrepancies, omissions, or inconsistencies that require clarification.
- **Confirm Using Interviews:** To ensure accuracy, validate collected data through interviews with relevant stakeholders.
- **Verification of Site:** Verify the veracity of reported practises and initiatives during site visits.

Statistical Analysis:

- **Classify Data:** Organise the collated data into categories such as environmental practises, community involvement, labour standards, etc.
- **Quantitative Examination:** Analyse numerical data, such as performance metrics, expenditures, and impact measurements, using quantitative methods.



- **Qualitative Examination:** Analyse qualitative data, such as interview responses and narrative descriptions, to obtain a more profound understanding.
- **Determine Tendencies and Patterns:** Examine the data for trends, patterns, and outliers that provide insight into the CSR performance of the organisation.
- **Comparison:** Assess the relative efficacy of an organisation by comparing its data to industry benchmarks and best practises.

Analysis and Explanation:

- **Come to Conclusions:** Derive conclusions about the organization's CSR performance, strengths, weaknesses, and areas for development based on the data analysis.
- **Conform to Objectives:** Determine the degree to which the organization's CSR practises align with its declared goals and commitments.
- **Determine Suggestions:** Identify specific suggestions for improving CSR practises, addressing deficiencies, and maximising positive impacts.
- **Compile Audit Results:** Summarise the audit findings, supported by data, and offer reporting insights based on evidence.
- **Consider the Perspectives of Stakeholders:** To provide a holistic evaluation, interpret the data in the context of stakeholder expectations and participation.

Effective data acquisition, validation, and analysis guarantee that the results of your CSR audit are reliable, accurate, and actionable. By collecting complete and accurate data, validating its veracity, and analysing it in a meaningful context, you can generate valuable insights that steer the organization's CSR strategies and improvements.

CHAPTER - 8

Reporting and Disclosure of CSR Audit Findings

8.1 Preparing the CSR Audit Report

Critical to the auditing process is the preparation of a thorough CSR (Corporate Social Responsibility) audit report. The report conveys audit findings, recommendations, and insights to internal and external stakeholders. **Here is a guide to effectively reporting and disclosing CSR audit results via a well-structured audit report:**

Presentation:

- **Executive Synopsis:** Provide a concise summary of the audit's methodology, objectives, scope, key findings, and recommendations.
- **Context and History:** Describe the organization's CSR initiatives, commitments, and the audit's purpose.

Methodology and Data Gathering:

- **Audit Methodology:** Describe the audit methodology, including data collection techniques, verification procedures, and stakeholder participation.
- **Data Origins:** Mention the data, documents, interviews, and site visits utilised during the audit.

Audit Results:

- **Compliance Evaluation:** Assess the organization's adherence to applicable laws, regulations, and industry standards.
- **CSR Performance Evaluation:** Present the organization's performance in various CSR areas, including environmental practises, labour standards, community engagement, etc.
- **Weaknesses and Strengths:** Highlight the organization's strengths and areas in which its CSR practises require refinement.

Congruence with Goals:

- **Objective Accomplishment:** Evaluate the degree to which the organization's CSR initiatives align with its declared goals and commitments.
- **Impact Assessment:** Discuss the effects of CSR initiatives on the organization's constituents, the local community, and the natural environment.

Suggestiveness:

- **Recommendations with Real-World Implications:** Provide actionable, specific recommendations for enhancing CSR practises, addressing deficiencies, and maximising positive impacts.



- **Classification:** Rank recommendations based on their urgency and prospective impact, thereby facilitating the organization's resource allocation.

Future Techniques:

- **Continual Enhancement:** Suggestions for the organization's CSR practise enhancement and continuous improvement.
- **Long-Term Persistence:** Discuss how the organisation can continue and expand its positive contributions to society and the environment.

Concluding remarks:

- **Summary of Results:** Recap the audit's major findings, emphasising key takeaways.
- **Significance of CSR:** The importance of CSR in the organization's overarching strategy and its impact on stakeholders should be highlighted.

Attachments:

- **Sufficient Evidence:** Include pertinent data, evidence, charts, and diagrams to support the audit's conclusions and suggestions.
- **Interview Transcripts:** Include anonymized excerpts from stakeholder interviews, if applicable, to provide context and insight.

Distribution and Transmission:

- **Domestic Distribution:** Share the report with the appropriate internal stakeholders, such as senior management, board members, and CSR teams.
- **Public Disclosure:** If required, disclose the audit findings externally via CSR reports, websites, or other pertinent channels of communication.

A well-prepared CSR audit report is a valuable instrument for fostering positive change, accountability, and transparency within an organisation. The report empowers stakeholders to make informed decisions, enhance CSR practises, and increase the organization's overall social and environmental impact by presenting accurate findings, insightful observations, and actionable recommendations.

8.2 Transparency, Accuracy, and Communication of Findings:

Transparency, accuracy, and effective communication of CSR (Corporate Social Responsibility) audit findings are crucial to ensuring that stakeholders receive trustworthy information about an organization's CSR practises. Transparent reporting fosters confidence, enables informed decision-making, and promotes positive change. ***Here is a guide for ensuring the transparency, accuracy, and efficacy of CSR audit report communication:***

Explicitness:

- **Transparency and Integrity:** Ensure that the audit report contains an honest evaluation of the organization's CSR practises, strengths, and improvement areas.
- **Explicit Disclosure:** Disclose all pertinent information, even if it highlights challenges or deficiencies in the CSR initiatives of the organisation.
- **Avoid Eco-scams:** Avoid exaggerating or misrepresenting the positive aspects of CSR in order to make them appear more sustainable than they actually are.

Precision:

- **Validation of Data:** Ensure that all data presented in the audit report is accurate, supported by evidence, and validated by means of exhaustive verification processes.
- **Factual Verification:** Verify all assertions, statistics, and claims to avoid mistakes that could undermine the report's credibility.
- **Cross-References:** Cross-reference data with multiple sources to verify its precision and consistency.

Communication of Results:

- **Simple and Understandable Language:** Use plain and straightforward language in the audit report so that both technical and non-technical stakeholders can easily comprehend it.
- **Key Features:** For convenience, summarise the most important findings and recommendations at the opening of the report.
- **Aids visuals:** Utilise charts, graphs, tables, and other visual aides to present data and findings in an aesthetically pleasing and easily understandable manner.
- **Stakeholder Significance:** Adapt the dissemination of findings to the interests and concerns of various stakeholder groups, including investors, customers, employees, and local communities.
- **Situationalisation:** Explain the significance of certain practises, regulations, or industry benchmarks in relation to the findings.
- **Dealing with Negatives:** Clearly address negative findings and provide insight into the organization's strategies for addressing them.

Suggestions and Practical Insights:

- **Recommendations with a Focus on Action:** Present recommendations that are implementable, specific, and relevant to the identified challenges or opportunities.



- **Evaluation of Priority and Feasibility:** Based on feasibility, prospective impact, and alignment with the organization's objectives, prioritise the recommendations.

Multiple Communication Channels:

- **Assurance Report:** Prepare a thorough written report that includes all findings, recommendations, and supporting evidence.
- **Executive Abstracts:** Create concise executive summaries for various stakeholder groups, emphasising critical findings and recommended actions.
- **Expositions:** Conduct presentations or workshops to inform key stakeholders of the audit's findings and answer their queries.
- **Online Services:** Share the report on the company's website or CSR portal so that stakeholders can easily access the information.

Transparent, accurate, and efficient communication of CSR audit findings reinforces the organization's commitment to ethical behaviour and responsible business practises. By providing stakeholders with clear insights into the organization's CSR efforts, challenges, and enhancement plans, you contribute to fostering trust, enhancing reputation, and fostering positive change.

8.3 Addressing Identified Gaps and Deficiencies:

Critical to improving a company's CSR (Corporate Social Responsibility) practises and assuring positive social, environmental, and ethical impacts is addressing audit-identified gaps and deficiencies. ***Here is a guide on how to effectively resolve the CSR audit's identified gaps and deficiencies:***

Recognise Findings:

- **Ownership and Obligation:** Assign responsibility for addressing specific findings to the appropriate individuals or departments.
- **Acknowledgment to Start:** ***Openly and transparently acknowledge the identified gaps and deficiencies within the organisation.***

Prioritise Activities:

- **Consequences and Feasibility:** Actions should be prioritised based on the severity of the gap and the viability of implementing corrective measures.
- **Strategic Integration:** Ensure that the selected actions align with the overarching strategic goals and objectives of the organisation.
- **Importance of Stakeholders:** Consider the concerns and interests of parties who may be impacted by the identified gaps.

Formulate Action Plans:

- **Specific Plans:** Develop comprehensive action plans for each identified lacuna or shortcoming. Specify specific actions, timelines, accountable parties, and required resources.
- **Measurable Targets:** To track progress and assure accountability, set measurable objectives for each action.
- **Alignment with Strategy:** Integrate the action plans into the larger CSR strategy and initiatives of the organisation.

Resource Assignment:

- **Financial Assets:** Allocate the essential financial resources to effectively implement the action plans.
- **Human Capital:** Assign competent individuals or teams to carry out the action plans and supervise their execution.
- **Technology and Equipment:** Provide any necessary technologies, tools, or systems to facilitate the implementation of corrective measures.

Stakeholder Participation:

- **Collaboration and Contribution:** Participate in the development and implementation of action plans with relevant stakeholders, as their input can provide valuable insights.
- **Interaction:** Communicate with internal and external stakeholders regarding the identified deficiencies, action plans, and the organization's dedication to improvement.

Surveillance and Evaluation:

- **Progress Monitoring:** Establish a system for monitoring each action plan's progress and ensure that milestones are met.
- **Regular Evaluation:** Assess the effectiveness of implemented measures in closing identified gaps on a regular basis.
- **Adjustments as Required:** Be prepared to modify the action plans, strategies, and resource allocation if progress falls short of expectations.

Reporting and Openness:

- **Transparency in Reporting:** In subsequent CSR reports, include updates on the progress of addressing gaps and deficiencies.
- **Displaying Development:** Emphasise the actions taken and the improvements made to resolve the identified gaps.



Continuous Development:

- **Understanding Feedback:** Utilise feedback and learnings from the implementation process to continuously improve CSR practises.
- **Iterative Procedure:** Assume that addressing gaps is an ongoing process, rather than a one-time fix, and aspire for continuous improvement.

By effectively addressing the identified voids and deficiencies in CSR practises, a company demonstrates its dedication to responsible business conduct and to making positive contributions to society and the environment. **Organisations can transform audit findings into opportunities for positive change and increased social impact via strategic planning, transparent communication, and diligent implementation of corrective measures.**

CHAPTER - 9

Emerging Trends in CSR and Audit

9.1 Environmental, Social, Governance (ESG) Considerations:

Emerging trends in the realm of Environmental, Social, and Governance (ESG) considerations are acquiring prominence as Corporate Social Responsibility (CSR) continues to evolve. To improve their sustainability, transparency, and overall positive impact, organisations are increasingly emphasising on these factors. **Here are some important emerging trends in CSR and audit, particularly in terms of ESG considerations:**

ESG Incorporation:

- **General Adoption:** ESG factors are increasingly incorporated into business strategies, decision-making, and risk management across industries.
- **Holistic Method:** Environmental, social, and governance (ESG) integration transcends isolated initiatives by incorporating interconnected environmental, social, and governance components.

Impact Evaluation:

- **Metrics Focused on Outcomes:** Beyond monitoring inputs and outputs, organisations are now measuring the real-world impact of their CSR and sustainability efforts.
- **Social and Environmental Repercussions:** Gaining importance is the measurement of environmental conservation, community development, and positive societal changes.

Climate Change Adaptation:

- **Carbon Zero and Net Zero Objectives:** Increasing numbers of businesses are pledging to become carbon-neutral or achieve net-zero emissions, thereby spurring efforts to reduce their carbon footprints.
- **Climate Risk Communication:** In accordance with investor and stakeholder expectations, organisations are disclosing climate-related risks and mitigation strategies.

Diverse, Ethical, and Inclusive (DEI):

- **Social Justice Emphasis:** Organisations are beginning to recognise the significance of nurturing diverse and inclusive workplaces, addressing social inequalities, and promoting equity.
- **Transparency in Reporting:** Organisations are disclosing their workforce demographics, pay equity, and efforts to promote diversity and inclusion.



Supply Chain Visibility:

- **Responsible Procurement:** Companies are emphasising the implementation of ethical practises within their supply chains, from responsible sourcing to equitable labour conditions.
- **ESG Standards for Vendors:** Organisations are incorporating ESG criteria into their supplier selection and evaluation processes, thereby promoting sustainable practises throughout the entire value chain.

Stakeholder Participation:

- **Collaborative Methodology:** In shaping their CSR strategies, organisations are involving stakeholders such as consumers, employees, communities, and investors.
- **Creation of Solutions Together:** Engaging stakeholders in the co-creation of solutions to social and environmental problems results in more effective and sustainable outcomes.

Technology and New Developments:

- **Environmental Technologies:** Organisations are utilising technology to promote sustainable innovations, such as renewable energy solutions and resource management that are efficient.
- **Electronic Reporting:** Adoption of digital platforms for ESG reporting increases transparency and enables stakeholders to share data in real time.

Regulatory Environment:

- **Improving Regulations:** Governments and regulatory bodies are instituting and enhancing ESG disclosure and reporting regulations with increasing frequency.
- **Improved Reporting Standards:** Organisations are aligning themselves with frameworks including **Global Reporting Initiative (GRI)**, **Sustainability Accounting Standards Board (SASB)**, and **Task Force on Climate-related Financial Disclosures (TCFD)**.

ESG Reporting and Certification:

- **Third-Party Certification:** To improve the credibility and openness of their ESG reports, organisations are pursuing third-party verification.
- **Comprehensive Reporting:** Integrating financial, ESG, and social impact information in a report provides a comprehensive view of an organization's performance.

These emerging trends illustrate the increasing importance of ESG factors in CSR practises and audits. Organisations that embrace these trends proactively are in a stronger position to drive positive change, increase stakeholder trust, and



contribute to a sustainable and equitable future. **By incorporating these trends into their CSR strategies and audit methodologies, organisations will be better equipped to navigate the ever-changing landscape of responsible business practises.**

9.2 Technological Advancements in CSR Audit:

The role of technology in shaping the landscape of CSR (Corporate Social Responsibility) audits is becoming increasingly significant. Technological advances are augmenting the efficacy, precision, and scope of audits, enabling organisations to assess CSR practises and impacts with greater precision. **Here are some important technological developments that are reshaping CSR audit:**

Data Mining and AI:

- **Improved Data Handling:** Advanced data analytics and artificial intelligence (AI) tools are used to process large volumes of data, making it simpler to identify CSR-related trends, patterns, and anomalies.
- **Predictive Research:** AI can predict future trends and risks, enabling organisations to address prospective problems proactively and make informed decisions.
- **Natural Language Processing:** Natural language processing capabilities aid in analysing textual data from reports, surveys, and social media to gain insight into the perceptions of stakeholders.

Blockchain Technology:

- **Supply Chain Visibility:** Blockchain offers a secure and transparent method for tracing products through supply chains, ensuring ethical procurement and responsible business practises.
- **Openness and Responsibility:** Using blockchain, organisations can record CSR initiatives, transactions, and impact data transparently, thereby enhancing credibility and trust.

Remote Assurance:

- **Online Site Visits:** Using remote auditing technologies, auditors can virtually tour sites, reducing the need for physical travel and enabling audits in geographically remote locations.
- **Real-Time Data Accessibility:** Auditors are able to evaluate CSR initiatives and data remotely thanks to remote access to digital records and data.

Visualisation of Data:

- **Dynamic Dashboards:** The interactive dashboards created by data visualisation tools aid auditors and stakeholders in comprehending complex CSR data and trends at a glance.



- **Visualising Effects:** Visualisation tools can illustrate the impact of corporate social responsibility (CSR) initiatives on various stakeholders, making it simpler to communicate results.

Digital Reporting and ESG Applications:

- **Condensed Reporting:** ESG (Environment, Social, and Governance) software platforms streamline the process of accumulating, analysing, and reporting CSR data for organisations.
- **Tailored Metrics:** ESG software enables organisations to define and monitor ESG metrics that are specific to their objectives and industry.

Remote Auditing Equipment:

- **Audit Management Applications:** By managing tasks, schedules, evidence collection, and reporting on a central platform, software solutions expedite the auditing process.
- **Digital Evidence Gathering:** Tools for remote auditing facilitate the accumulation and sharing of evidence via digital channels, thereby reducing paperwork and enhancing productivity.

Big Data Implementation:

- **Exhaustive Insights:** Integrating diverse sources of big data enables auditors to obtain comprehensive insights into the CSR performance and impact of an organisation.
- **Complex Evaluation:** Big data tools can analyse complex relationships within CSR data, resulting in more accurate insights and conclusions.

Mobile applications and wearables:

- **Mobile Data Collection:** During site visits, mobile applications and wearables enable the collection of real-time data, thereby improving accuracy and efficiency.
- **Remote Access to Data:** Auditors have remote access to CSR-related data and reports via mobile applications, increasing their *flexibility and accessibility*.

These technological advancements are transforming the CSR auditing process, making it more data-driven, effective, and efficient. Adopting these trends can enable organisations to conduct more comprehensive and insightful audits, resulting in improved CSR practises, greater transparency, and increased stakeholder confidence.

9.3 Integrating AI and Data Analytics in Audit Processes:

The incorporation of Artificial Intelligence (AI) and data analytics into CSR (Corporate Social Responsibility) audit processes is revolutionising how businesses evaluate and



enhance CSR practises. These technologies provide fresh insights, improve precision, and permit more proactive and data-driven decision-making. **AI and data analytics are transforming CSR audits in the following ways:**

- **Increased Productivity:** Large volumes of data can be processed rapidly by AI algorithms, saving auditors time and enabling them to focus on more in-depth analysis.
- **Pattern and Trend Recognition:** By identifying patterns, trends, and anomalies in CSR-related data, data analytics tools provide auditors with valuable insights.
- **Forecast Analysis:** Future trends, hazards, and impacts can be predicted by AI models, enabling organisations to anticipate obstacles and devise mitigation strategies.

Risk Evaluation:

- **Continuous Risk Monitoring:** Systems utilising AI can monitor multiple data sources in real-time to identify potential hazards and deviations from CSR objectives.
- **Early Warning Techniques:** Data analytics can provide organisations with early warnings of CSR-related hazards, enabling them to take preventative action.

Impact Evaluation:

- **Comprehensive Evaluation:** The actual impact of CSR initiatives on various stakeholders and the environment can be evaluated using data analytics tools.
- **Metrics Focused on Outcomes:** Beyond inputs and outputs, AI can assist organisations in measuring the tangible outcomes and benefits of CSR initiatives.

Stakeholder Participation:

- **Emotional Analysis:** By analysing social media, surveys, and other textual data, AI-driven sentiment analysis can assess stakeholder opinions.
- **Feedback Implementation:** Incorporating stakeholder feedback into CSR strategies and initiatives can be facilitated by data analytics.

Fraud Discovery:

- **Anomaly Discovery:** Using AI, CSR data can be analysed for anomalous or fraudulent activity, ensuring data integrity and ethical practises.
- **Conformity Monitoring:** Compliance with CSR regulations and standards can be monitored by data analytics tools, minimising the risk of legal and reputational issues.

Reporting and Transmission:

- **Visual Representation of Data:** The ability of data analytics to generate visually enticing reports and dashboards facilitates the communication of complex CSR data to stakeholders.



- **Reporting in Real-Time:** Real-time CSR reports can be generated by AI systems, supplying current information for internal and external communication.

Continuous Development:

- **Discovering Algorithms:** AI systems learn from historical data, enabling organisations to perpetually enhance CSR initiatives based on past results.
- **Adaptive Methods:** Data analytics can assist organisations in adapting their CSR strategies in light of shifting trends, stakeholder preferences, and evolving threats.

Integrating AI and data analytics into CSR audit processes enables organisations to make better-informed decisions, optimise resource allocation, and increase their positive impact. Auditors can obtain deeper insights into CSR practises, identify areas for improvement, and ultimately contribute to more effective and sustainable CSR strategies by leveraging these technologies.

CHAPTER - 10

Case Studies of Effective CSR Practices and Audits in India

10.1 The CSR Journey of Reliance Industries:

Reliance Industries Limited (RIL) is one of India's greatest conglomerates, with interests in petrochemicals, refining, telecommunications, retail, and other industries. RIL's Corporate Social Responsibility (CSR) strategy demonstrates a dedication to sustainable development and social welfare. **The following is a summary of their CSR journey:**

CSR Activities:

- **Instruction and Medical Care:** RIL established schools and hospitals to provide marginalised communities with quality education and medical care. The Dhirubhai Ambani International School represents their dedication to education.
- **Rural Expansion:** The objective of RIL's "Bharat-India Jodo" campaign was to establish sustainable rural development by integrating rural communities into the process of economic growth. Among the initiatives were watershed management, agricultural instruction, and the empowerment of women.
- **Capability Development:** RIL's Reliance Foundation focuses on skill development and vocational training in an effort to equip adolescents with employable skills.
- **Disaster Assistance:** RIL has been proactive in providing aid and support to communities afflicted by natural disasters, demonstrating their commitment to social responsibility.

Key Success Factors:

- **Strategic Emphasis:** RIL's CSR initiatives are consistent with its primary business values and contribute to the growth of the communities in which the company operates.
- **Holistic Method:** Various aspects of social development, including education and healthcare, are addressed by RIL's initiatives, guaranteeing a holistic impact.
- **Long-Term Commitment:** RIL's continued engagement in CSR demonstrates a commitment that extends beyond immediate benevolence, thereby contributing to long-term social change.
- **Participation:** RIL collaborates with government agencies, non-governmental organisations (NGOs), and other stakeholders to increase the impact of their initiatives.



CSR Reporting and Auditing:

- **Transparency in Reporting:** RIL publishes comprehensive CSR reports on a regular basis that detail their initiatives, impacts, and progress towards their objectives.
- **Independent Assurance:** Third-party verification of RIL's CSR reports enhances the credibility and openness of their disclosures.
- **Impact Evaluation:** RIL measures and communicates the outcomes of its CSR initiatives using key performance indicators and impact assessment tools.
- **Technology Incorporation:** RIL uses technology for data collection, analysis, and reporting, thereby enhancing the effectiveness and precision of its CSR audit processes.

Accomplishments and Honours:

- **National Honours:** Numerous national awards and accolades have been bestowed upon RIL for their extraordinary CSR efforts, demonstrating the positive impact of their initiatives.
- **Environmental Leadership:** RIL's CSR voyage demonstrates its commitment to being a leader in sustainability and social responsibility among Indian corporations.

The CSR voyage of Reliance Industries Limited illustrates the positive impact a large conglomerate can have on society through strategic and comprehensive CSR initiatives. Their commitment to transparency, collaboration, and long-term engagement serves as an illustrative case study for CSR audits and practises in India.

10.2 Hindustan Unilever's Sustainable Living Plan :

Hindustan Unilever Limited (HUL) is a subsidiary of Unilever and one of India's leading manufacturers of fast-moving consumer products. HUL demonstrates its commitment to sustainability and responsible business practises through its Sustainable Living Plan, which focuses on enhancing health and well-being, reducing environmental impact, and augmenting livelihoods. **The following is a summary of HUL's Sustainable Living Plan:**

Sustainable Living Plan Objectives:

- **Health and Happiness:** By promoting hygiene, sanitation, nutrition, and access to clean water, HUL seeks to improve the health and well-being of millions.
- **Environmental Impact Reduction:** HUL is committed to reducing its environmental footprint through water conservation, pollution reduction, and reduced greenhouse gas emissions.



Improving Livelihoods:

HUL aims to improve livelihoods by empowering smallholder farmers, fostering inclusive business models, and providing women with opportunities.

Principal Initiatives:

- **Conservation of Water:** The “Water Positive” initiative of HUL focuses on replenishing more water than it consumes, thereby improving the local water supply.
- **Hygiene and Hygiene:** To enhance public health, HUL’s “Swachh Aadat, Swachh Bharat” campaign promotes handwashing and proper sanitation practises.
- **Sustainable Procurement:** HUL collaborates with smallholder farmers to advance sustainable agricultural practises, thereby assuring a robust supply chain.
- **Women’s Emancipation:** Initiatives such as “Project Shakti” provide rural women with entrepreneurial opportunities as direct-to-home sales agents, thereby empowering them.

Key Success Factors:

- **Strategy Driven by Purpose:** HUL’s Sustainable Living Plan demonstrates a purpose-driven approach by aligning its business goals with social and environmental objectives.
- **Collaborative Methodology:** HUL partners with non-governmental organisations, government agencies, and local communities to amplify the impact of their initiatives.
- **Innovation and Investigation:** HUL invests in research and innovation to create products and solutions that satisfy societal and environmental requirements.
- **Metrics and Responsibility** HUL establishes specific objectives and tracks its progress towards achieving them, holding itself accountable through transparent reporting.

CSR Reporting and Auditing:

- **Exhaustive Reporting:** HUL publishes an annual Sustainable Living Report that details the company’s progress, accomplishments, obstacles, and future objectives.
- **Independent Assurance:** The independent verification of HUL’s reporting by external assurance providers enhances the credibility of their disclosures.
- **Impact Evaluation:** HUL measures and communicates the outcomes of their Sustainable Living Plan initiatives using metrics and impact assessment tools.



Accomplishments and Honours:

- **Worldwide Recognition:** For its innovative approach to sustainability and social impact, the Sustainable Living Plan of HUL has received global recognition and awards.
- **Impact on Business and Society:** The proposal demonstrates that businesses can simultaneously effect positive social and environmental change while achieving financial success.

The Sustainable Living Plan of Hindustan Unilever demonstrates how a multinational corporation can incorporate sustainability into its primary business strategy, resulting in positive social, environmental, and economic outcomes. Their dedication to collaboration, innovation, and accountability serves as a notable case study for CSR audits and practises in India.

10.3 Successful CSR Audits by Mahindra & Mahindra:

Mahindra & Mahindra (M&M) is an important Indian multinational automaker. Their commitment to Corporate Social Responsibility (CSR) is demonstrated by their sustainable initiatives and thorough CSR audits. **Here is a sampling of M&M's effective CSR practises and Audits:**

CSR Activities:

- **Project Nanhi Kali status:** M&M supports “**Project Nanhi Kali**,” which concentrates on providing education and support to girl children from disadvantaged backgrounds.
- **Watershed Improvements:** M&M participates in watershed development initiatives with the goals of conserving water, enhancing agricultural productivity, and enhancing rural livelihoods.
- **Medical Services:** M&M operates mobile health clinics and healthcare programmes to provide medical care in underserved and remote locations.

Key Success Factors:

- **Holistic Method:** Various social, environmental, and economic factors are addressed by M&M's CSR initiatives, assuring a well-rounded impact.
- **Long-Term Dedication:** M&M's commitment to creating enduring positive change is demonstrated by their sustained engagement with local communities.
- **Collaborative Effort:** M&M collaborates with local NGOs, government entities, and communities to design and implement effective CSR initiatives.
- **Employee Participation:** M&M encourages employee participation in CSR initiatives, thereby nurturing a sense of social responsibility.



CSR Reporting and Auditing:

- **Transparency in Reporting:** M&M publishes annual CSR reports that provide comprehensive information about their initiatives, impacts, and progress.
- **Independent Assurance:** External auditors verify M&M's CSR reports, enhancing the credibility and openness of their disclosures.
- **Stakeholder Participation:** M&M engages with stakeholders in order to collect feedback, evaluate impact, and perpetually enhance their CSR initiatives.

Accomplishments and Honours:

- **Honours and Awards:** Numerous awards and accolades have been bestowed upon M&M for their CSR initiatives, highlighting the positive influence of their initiatives.
- **Goals for Sustainable Development (SDGs):** M&M's CSR initiatives correspond with the Sustainable Development Goals of the United Nations, thereby contributing to global sustainability objectives.

Continuous Enhancement:

- **Feedback System:** M&M incorporates community and stakeholder feedback to improve their CSR initiatives and meet evolving requirements.
- **Adaptive Methods:** M&M modifies its CSR strategies in response to shifting social, environmental, and economic conditions.
- **Technology Incorporation:** M&M uses technology for data acquisition, impact assessment, and reporting, thereby improving the effectiveness of their CSR audits.

Successful CSR practises and investigations at Mahindra & Mahindra demonstrate the positive impact that a responsible corporate approach can have on communities and the environment. ***Their dedication to transparency, collaboration, and continuous improvement serves as an illustrative case study for CSR audits and practises in India.***



CHAPTER - 11

Ethical Considerations in CSR and Audit and Third Party Verifier

11.1 Navigating Ethical Dilemmas in CSR Decision-making:

Ethical considerations are fundamental to both Corporate Social Responsibility (CSR) and auditing practises. Organisations must navigate ethical quandaries to ensure that their CSR initiatives align with their values and principles and promote positive social, environmental, and economic outcomes. ***How to navigate ethical dilemmas in CSR decision-making is outlined below:***

Clear Ethical Standards:

- **Define Clear Values:** Define the organization's ethical values and guiding principles for CSR initiatives in order to assist employees and stakeholders in making informed decisions.
- **Ethical Conduct Codes:** Develop a comprehensive code of ethics that outlines permissible CSR project behaviours and practises.

Stakeholder Participation:

- **Inclusive Determination:** Involve relevant stakeholders in the decision-making process for CSR initiatives in order to guarantee a variety of perspectives and ethical considerations.
- **Disclosure and Communication:** Communicate openly the ethical considerations underlying CSR decisions, thereby fostering a culture of ethical accountability and fostering trust.

Impact Evaluation:

- **Holistic Impact Assessment:** Evaluate the potential positive and negative effects of CSR initiatives on employees, communities, and the environment, among other stakeholders.
- **Unintended Outcomes:** Anticipate and resolve potential unintended effects of CSR initiatives, ensuring ethical conduct throughout the lifecycle of the project.

Ethical Supply Chain and Sourcing:

- **Responsible Procurement:** Ensure that the products and resources used in CSR initiatives are sourced and produced ethically, taking into account factors such as equitable labour practises and environmental responsibility.
- **Supplier Code of Ethics:** Implement supplier codes of conduct that define ethical requirements for CSR project suppliers and partners.

Preventing Green washing:

- **Transparency in Expression:** Avoid making exaggerated or deceptive assertions regarding the benefits of CSR initiatives. Communicate accomplishments with precision and openness.
- **Genuine Dedication:** Ensure that CSR initiatives align with the organization's commitment to social and environmental responsibility, as opposed to using them for public relations purposes.

Auditing Ethical compliance:

- **Independent Assurance:** Conduct CSR audits with an emphasis on ethics, ensuring that the verification process takes both financial and ethical considerations into account.
- **Professional Auditors:** Employ auditors with a solid grasp of ethical considerations who can evaluate CSR initiatives from an ethical perspective.

Disclosure Mechanisms:

- **Encouragement of Reporting:** Establish mechanisms through which employees and constituents can report ethical violations or concerns regarding CSR initiatives.
- **Non-Retaliation Policy:** Ensure that those who raise ethical concerns are shielded from retaliation and their concerns are addressed appropriately.

In order to navigate ethical quandaries in CSR decision-making, a proactive commitment to ethical principles and values is required. By prioritising transparency, stakeholder engagement, and comprehensive impact assessments, organisations can make more ethical and responsible decisions in their CSR initiatives and audit processes, thereby promoting positive impacts on society and the environment while maintaining their integrity.

11.2 Ethical Dimensions of CSR Audit:

Audits of Corporate Social Responsibility (CSR) are significantly influenced by ethical considerations. Audits of corporate social responsibility evaluate an organization's commitment to ethical practises, transparency, and responsible behaviour. ***The following ethical factors must be considered during CSR audits:***

Impartiality and objectivity:

- **External Auditors:** Engage independent auditors to ensure impartiality and objectivity when evaluating CSR initiatives, thereby minimising potential conflicts of interest.
- **Professional Auditors:** Select auditors with a solid grasp of ethical considerations, ensuring that the auditing process incorporates ethical aspects.



Openness and Disclosure:

- **Total Disclosing:** Organisations must disclose all pertinent information regarding their CSR initiatives, such as their ethical foundations and prospective risks.
- **Avoid using Green washing:** Ensure that CSR audit reports accurately reflect the organization's ethical practises and avoid green washing.

Ethical Procurement:

- **Ethical Procurement:** Determine if the organization's procurement practises give priority to ethically sourced materials and products for its CSR initiatives.
- **Supply Chain Integrity:** Evaluate the ethical practises of CSR project suppliers and partners to ensure alignment with the organization's ethical standards.

Impact Evaluation:

- **Global Impact Assessment:** Consider not only the financial and environmental impacts, but also the social and ethical repercussions of CSR initiatives on different stakeholders.
- **Unintended Outcomes:** Consider potential unintended negative impacts of CSR initiatives on communities, employees, and the environment.

Treatment of Stakeholders Fairly:

- **Participation and Consultation:** Ethical CSR audits should corroborate that stakeholders are engaged, consulted, and their interests are taken into account throughout the duration of the CSR initiative.
- **Equitable Advantages:** Ensure that the opportunities and benefits resulting from CSR initiatives are distributed equitably to various stakeholders.

Compliance with Standards and Regulations:

- **Ethical Conformity:** Check that the CSR initiatives of the organisation adhere to ethical standards and regulations, averting unethical practises.
- **Legal and Moral Harmony:** Assess the conformity of CSR initiatives with both legal requirements and the organization's ethical principles.

Ethics in Reporting:

- **Reliable Reporting:** Ethical CSR audit reports should accurately reflect the initiatives' ethical practises, impacts, and challenges.
- **Rational Reporting:** Ethically present both positive and negative aspects of CSR initiatives to provide stakeholders with a comprehensive perspective.

Continuous Development:

- **Ethical Adjustment:** Encourage organisations to modify their CSR initiatives in accordance with ethical considerations, changing stakeholder requirements, and emerging ethical trends.



In CSR audits, ethical considerations extend beyond financial and environmental factors. They include transparency, accountability, equitable stakeholder treatment, responsible procurement, and adherence to ethical principles. Integrating ethical dimensions into CSR audits guarantees that organisations not only meet their social and environmental objectives, but also uphold their commitment to ethical conduct and responsible business practises.

11.3 Ethical Dimension of CSR Audit Report Third-Party Verifier:

CSR (Corporate Social Responsibility) audit report third-party verifiers play an essential role in assuring the accuracy, credibility, and ethical integrity of the information presented in these reports. In their capacity, ethical considerations are of the utmost importance, as they contribute to the maintenance of transparency, accountability, and stakeholder confidence. ***The following ethical considerations pertain to the function of a third-party auditor of CSR audit Reports:***

Independence and Objectivity:

- **Impartiality and Honesty:** Verifiers from a third party must uphold the highest standards of objectivity and integrity, ensuring that their judgements and findings are not influenced by bias or conflicts of interest.
- **No Improper Influence:** During the verification process, they should not allow external pressures, financial incentives, or personal relationships to compromise their impartiality.

Openness and Disclosure:

- **Complete Disclosure:** Any potential conflicts of interest, affiliations, or relationships that could compromise their objectivity should be disclosed openly by ethical verifiers.
- **Transparent Observations:** In their verification reports, verifiers should provide plain, honest, and transparent findings, avoiding misrepresentation and selective reporting.

Ethical Business Conduct:

- **Ethical Principles:** Auditors and verifiers should adhere to established ethical and professional standards for auditing and verification, ensuring that their actions are consistent with industry best practises.
- **Preventing Harm:** They should consider the potential repercussions of their findings on relevant parties and avoid causing undue damage or negative effects.

Duty of Care:

- **Thorough Evaluation:** Ethical evaluators should conduct a thorough and meticulous examination of the CSR audit report, examining all pertinent aspects without taking detours.



- **Accurate Evaluation:** Verifiers must ensure that their evaluation accurately reflects the congruence between the reported CSR activities and the organization's actual practises.

Teamwork and Communication:

- **Collaborative Methodology:** Collaborating with the audited organisation, ethical auditors should elucidate any ambiguities and request additional information as needed.
- **Clear Expression:** Verifiers should avoid ambiguity and perplexity when communicating their findings and conclusions to the organisation and stakeholders.

Confidentiality and Privacy of Data:

- **Commitment to Confidentiality:** Ethical verifiers should commit to keeping sensitive information acquired during the verification process confidential.
- **Protecting Stakeholder Information:** Verifiers should handle stakeholder information with care and in accordance with **applicable data protection laws**.

Continuous Development:

- **Introspection:** Ethical verifiers must engage in continuous self-reflection, evaluating their own ethical performance and seeking to improve their ethical practises.
- **Ethical Knowledge:** Verifiers should keep abreast of evolving ethical standards and trends in CSR verification in order to foster their ongoing professional development.

Ethical verifiers of CSR audit reports are obligated to uphold the highest ethical standards, as their evaluations have a substantial impact on the credibility of CSR initiatives and the organization's commitment to responsible business practises. By adhering to these ethical principles, verifiers contribute to the development of trust, the promotion of transparency, and the promotion of positive social and environmental impacts through CSR initiatives.

CHAPTER - 12

India's Social Stock Exchange: A Summary

12.1 What are SSEs and why are they necessary?

SSEs are trading platforms that enable social businesses and non-profit organisations to raise capital by recruiting ethical investors willing to invest in organisations with a dual corporate and social mission.

Currently, India's social development sector receives funding from a variety of sources, **including corporate social responsibility (CSR), philanthropy, government funding, and retail charity.** With uniform frameworks for financing, utilisation, impact creation, measurement, disclosures, and reporting, an SSE would attempt to bring coherence across diverse platforms.

In order to improve the capacity of social enterprises and non-profit organisations to raise capital through debt, equity, and/or mutual funds, **the Finance Minister of India has announced plans to establish an India-based SSE in 2019.**

12.2 The Development to Date:

- **The Indian SSE was established in April 2023 on both the National Stock Exchange (NSE) and the BSE (formerly the Bombay Stock Exchange).**
- Work is currently undertaken by a diverse group of stakeholders to prepare the **three pillars of this social trading platform**, with the government playing the leading market maker and influencer role:
- **Demand side ecosystem - social enterprises**
- **Infrastructure – the supply side ecosystem and its**
- **Intermediaries – investors**

However, both investors and stock exchanges face the challenge of locating the optimal investment and instrument. **To ensure that this is carried out properly, the government-appointed SSE regulator (the Securities and Exchange Board of India (SEBI)) has established an Advisory Committee to aid in the creation of the ecosystem, provide guidance to those involved, and supervise the operation of the SSEs.**

A few **Financial Instruments** have been certified and notified thus far:

- **Mutual funds in which the returns on the invested capital (principal) would finance the activities of social organisations while the principal is potentially redeemable.**
- **Social Impact Funds: In addition to the 100% grant-in/grant-out model, a 25% grant-in/grant-out model is also permitted for social impact funds.**



- **Zero Coupon Zero Principal (ZCZP) Bonds have been devised and approved as a new financial instrument. These may be issued to non-profit organisations for social development projects/activities in which the organisation has demonstrated expertise. ZCZP may not provide financial returns to investors like conventional investment instruments, but they do promise a social return to the funder.**

12.3 Augmentation of Infrastructure and Capabilities:

- Creating a facilitative ecosystem is a significant challenge, particularly when 90% of the potential participants are small organisations with limited resources.
- Developing the capabilities of participating stakeholders and constructing this ecosystem is a continuous process. With **contributions from the National Bank for Agriculture and Rural Development (NABARD) and the Small Industries Development Bank of India (SIDBI), a ten-million-rupee Capacity Building Fund has been established to achieve this objective.**
- Validating social impact necessitates a rigorous measurement framework for social audits and trained social impact evaluators. In addition to establishing a new cadre of jobs, it is essential to harmonise the social auditing process and increase transparency and accountability standards within the social sector. In light of this, **The National Institutes of Securities Markets (NISM)** provides a training-plus-certification programme for social Auditors.

12.4 Social Stock exchange and Role of Cost Accountants:

A Social Stock Exchange (SSE) is a platform that enables organisations with a social or environmental focus to raise capital by listing on a specialised exchange. The SSE is a market where investors can invest in companies that prioritise social and environmental objectives in addition to financial performance. In several respects, cost accountants play an important role in the context of a Social Stock Exchange:

- **Impact Measurement and Reporting:** Cost Accountants help devise methodologies for measuring the social and environmental impact of SSE-listed organisations. They facilitate the quantification and reporting of non-financial indicators, such as social outcomes, environmental enhancements, and community benefits. This information is essential for investors who wish to support organisations that share their values.
- **Performance Metrics and KPIs:** Cost Accountants collaborate with organisations to define and monitor key performance indicators (KPIs) that measure the financial, social, and environmental outcomes of their initiatives. These key performance indicators demonstrate the organization's dedication to its social and environmental objectives.



- **Cost-Benefit Analysis of Social Initiatives:** Cost Accountants assess the costs and benefits of social initiatives implemented by SSE-listed organisations. They assess the financial implications of these initiatives, assisting organisations and investors in understanding the potential financial and social return on investment.
- **Financial Reporting and Transparency:** Cost Accountants ensure accurate and transparent financial reporting by preparing financial statements such as income statements, balance accounts, and cash flow statements. This transparency is essential for potential investors to evaluate the financial viability of SSE-listed companies.
- **Risk Assessment and Management:** Cost Accountants have a significant role in the identification and analysis of financial and operational risks that are linked to organisations listed on the SSE. They assist in formulating methods to effectively mitigate these risks and guarantee the long-term financial viability of organisations.
- **Sustainability Analysis:** Cost Accountants assess the enduring viability of the social and environmental endeavours undertaken by organisations listed on the SSE. They assist in guaranteeing the ongoing generation of positive outcomes from these activities, while also ensuring that they are in line with the financial objectives of the organisation.
- **Compliance and Regulation:** Cost Accountants play a crucial role in assisting firms listed on the SSE (Stock Exchange) in maintaining adherence to financial reporting rules and compliance standards. The individuals in charge of this task verify that the financial information provided is precise and complies with the necessary regulatory standards.
- **Scenario Modeling and Planning:** Scenario modeling and planning are essential tools utilised by Cost Accountants to forecast the financial implications and consequences of various potential actions. This aids organisations listed on the SSE in making well-informed decisions on the allocation of resources, adjustments to their strategies, and identification of potential issues.
- **Budgeting and Resource Allocation:** Budgeting and resource allocation are important components of organisational management. In this regard, cost accountants play a crucial role in assisting organisations with the budgeting process for their social initiatives. These entities assist in the efficient allocation of financial resources, enabling organisations to accomplish their financial commitments while simultaneously achieving their social objectives.



CHAPTER - 13

Conclusion and Future Outlook

13.1 Recap of Key Takeaways:

In terms of Corporate Social Responsibility (CSR) practises and audits, organisations are confronted with a dynamic environment that requires ethical commitment, strategic alignment, and transparency.

Throughout this discussion, several key insights have emerged, highlighting the significance of CSR, the role of Cost Accountants, ethical considerations, and the way forward for implementing effective CSR audits and practises:

- **Importance and Integration of CSR:** CSR is a strategic imperative that coordinates an organization's operations with its social, environmental, and ethical goals. Integration of CSR into business strategy necessitates a comprehensive approach that takes stakeholders, sustainability, and long-term impact into account.
- **Cost Accountants' Role:** CSR initiatives benefit from the financial expertise of Cost Accountants, who ensure efficient resource allocation, cost estimation, and budget management.

CSR audit reports are more credible and ethically sound due to their function as third-party verifiers.

- **Considerations of an Ethical Nature:** Ethical considerations inform every aspect of CSR and audit processes, including decision-making, impact assessment, and reporting. ***Transparency, stakeholder engagement, and responsible practises are crucial to CSR initiatives and audits that adhere to ethical standards.***
- **Assurance and Reporting:** CSR audits include ethical conformance, stakeholder engagement, and impact assessment in addition to financial metrics. ***Transparent reporting, independent verification, and accurate presentation of data foster stakeholder confidence and accountability.***
- **Incorporation into Corporate Strategy:** CSR is effectively incorporated into business strategies, thereby enhancing competitive advantage, reputation, and long-term sustainability. ***Aligning CSR goals with organisational objectives benefits both the organisation and society.***
- **Utilising Modern Technology:** Providing real-time monitoring, impact measurement, and risk assessment, ***technology, including AI and data analytics, improves CSR audits.***

- **Trends on the Rise:** Emerging trends, such as *ESG factors and technological advancements, will continue to influence the future of CSR practises and audits.*
- **Future Prospects:** *Continuous refinement, adaptable strategies, and robust ethical frameworks represent the future of CSR and auditing.* Long-term success is more likely for organisations that prioritise ethical CSR, transparency, and responsible business practises.

As organisations navigate the complex CSR landscape, they must embrace ethical principles, incorporate sustainability into their core strategies, and collaborate with stakeholders to effect positive change. The journey towards effective CSR practises and audits is ongoing and has the potential to have enduring effects on communities, the environment, and the organisation itself.

13.2 The Evolving Role of Cost Accountants in CSR and Audit and Third party CSR Audit Report Verifier:

Reflecting the dynamic character of responsible business practises, the role of Cost Accountants in Corporate Social Responsibility (CSR) practises, audits, and third-party verification of CSR audit reports is rapidly evolving. Cost accountants have emerged as key figures in this voyage, bridging the gap between financial acumen and ethical responsibility.

Let's conclude by considering the evolving function of Cost Accountants and their impact on CSR and audit.

- **Strategic Integrators:** Cost Accountants are no longer restricted to financial calculations; they have evolved into ***strategic integrators who align financial decisions with ethical, social, and environmental factors.***
- **Ethical Guardians:** Cost Accountants serve as ethical guardians, ensuring that CSR initiatives and audit processes adhere to the highest ethical standards, due to their profound comprehension of ethical dilemmas.
- **Bridge Builders:** Cost Accountants bridge the divide between financial objectives and social impact by translating CSR objectives into quantifiable financial language that resonates with stakeholders.
- **Technological Enablers:** As technology advances, cost accountants utilise tools such as *artificial intelligence (AI) and data analytics to improve the precision, efficacy, and transparency of CSR audits and reporting.*
- **Independent Verifiers:** ***The function of Cost Accountants as independent verifiers adds credibility to CSR audit reports,*** thereby enhancing transparency, objectivity, and stakeholder confidence.



- **Catalysts for Change:** Cost Accountants lead organisations to re-evaluate resource allocation, supply chain practises, and cost efficiencies, catalysing positive change throughout the business ecosystem.

Future Prospects:

The future of cost accountants in CSR and audit appears to be bright:

- **Holistic Expertise:** Cost Accountants will continue to incorporate ethical, environmental, and social considerations into their financial expertise in order to provide a holistic viewpoint.
- **Sustainability Ambassadors:** They will advocate for responsible practises, stakeholder engagement, and transparent reporting as sustainability ambassadors.
- **Tech-Driven Innovators:** Cost Accountants who embrace technological advancements *will utilise AI, data analytics, and blockchain to expedite audits, improve impact measurement, and ensure accuracy.*
- **Ethical Stewards:** As CSR becomes more important, cost accountants will become ethical custodians, guiding organisations through complex ethical challenges and dilemmas.
- **Collaborative Leaders:** Cost Accountants will collaborate with diverse teams in order to cultivate a culture of social responsibility, innovation, and continuous improvement.

In conclusion, the evolving role of cost accountants in CSR practises, audits, and third-party verification demonstrates the compatibility of financial expertise and ethical responsibility. This transformation not only improves the credibility of CSR initiatives, but also paves the way for businesses to become responsible global citizens, positively affecting society, the environment, and their own long-term success.

13.3 Anticipating the Future Landscape of CSR and Audit and Third party CSR Audit Report verifier:

The future of Corporate Social Responsibility (CSR), audit, and third-party CSR audit report verification is ripe for transformational change due to technological advances, changing stakeholder expectations, and a greater emphasis on sustainability.

Anticipating this landscape provides insight into the future trajectory of these fields:

- **Integration of Technology:** *Technology, including AI, data analytics, and blockchain, will play a crucial role in augmenting the effectiveness, precision,*

and openness of CSR audits and reporting. Standard practises will include real-time data collection, predictive analysis, and automated reporting.

- **Data-Driven Decision-Making:** CSR strategies will be guided by data-driven insights, allowing organisations to more effectively measure and manage *the impact of their initiatives. Environmental, social, and governance (ESG) data will increasingly be incorporated into financial reporting.*
- **Holistic Sustainability Reporting:** Organisations will transition from standalone CSR reports to integrated sustainability reports that incorporate financial, operational, and impact information. Such reports will provide a comprehensive view of the performance of an organisation across multiple dimensions.
- **Strengthened Ethical Frameworks:** The integration of ethical considerations into CSR initiatives, audits, and verification processes will be strengthened. *Organisations will prioritise ethical sourcing, equitable treatment of stakeholders, and strict adherence to ethical codes.*
- **Heightened Stakeholder Engagement:** Enhanced Stakeholder Engagement Stakeholder engagement will become more dynamic and interactive as technology enables real-time feedback, collaboration, and co-creation of CSR strategies. Increasingly, stakeholders will demand transparency and accountability.
- **Global Regulatory Standards:** International standards for CSR reporting and audits will continue to evolve, creating a more uniform framework for cross-border organisations. Harmonisation of reporting standards will increase transparency and comparability.
- **Evolving Role of Verifiers:** Changing Role of Verifiers Third-party verifiers of CSR audit reports will play an even larger role in assuring the veracity and accuracy of disclosures. They will have to expand their skill sets to include data analytics and AI-driven evaluations in order to accommodate technological advances.
- **Focus on Impact Measurement:** Measuring the actual financial and non-financial impact of CSR initiatives will occupy centre stage. Organisations will employ more refined techniques for quantifying social and environmental outcomes.
- **ESG Integration into Investment:** Integration of ESG into Investments Investors' decision-making processes will progressively incorporate ESG factors. Strong ESG performance and credible CSR reports will attract more sustainable investment to businesses.



- **Adaptive Strategies:** Organisations will need to continuously adapt their CSR strategies in response to societal, environmental, and regulatory dynamics that are in constant flux. To continue to be pertinent and influential, agility and adaptability will be crucial.
- **Cultural Transformation:** Ethical values and principles of sustainability will become profoundly ingrained in the organisational culture. CSR and ethical practises will be viewed as essential to business success, nurturing a sense of purpose in employees.

Future CSR, audit, and third-party CSR audit report verification landscapes will be influenced by innovation, collaboration, and a shared commitment to creating positive societal and environmental impacts. In this evolving environment, organisations that embrace these changes and proactively incorporate responsible practises into their operations will thrive.

CHAPTER - 14

The Prince of Wales's Sustainability Project

14.1 Summary of the Prince of Wales's Sustainability Project:

The Prince of Wales's Sustainability Project is a comprehensive initiative led by the Prince of Wales, aimed at promoting sustainable practises and addressing environmental challenges. This project encompasses various aspects of sustainability, including climate change, biodiversity conservation, and social responsibility. Through this project, the Prince of Wales seeks to raise awareness, engage stakeholders, and drive positive change towards a more sustainable future.

The Sustainability Project initiated by the Prince of Wales serves as a prominent example of conscientious leadership and dedication towards fostering a sustainable future. The initiative is grounded in the visionary goals of His Royal Highness, Prince Charles, and encompasses a comprehensive strategy to tackling the interconnected environmental, social, and economic concerns that our global community confronts. The project has implemented many projects that demonstrate the Prince's commitment to sustainability and ethical practises, with an emphasis on promoting positive transformation.

Motivated by a deep-seated commitment to the welfare of present and future cohorts, the Prince's Sustainability Project comprises a wide range of undertakings. These projects encompass a range of activities, including environmental conservation, ecological restoration, community empowerment, and education. Through the strategic utilisation of his important platform, the Prince has successfully established collaborative alliances spanning several industries, thereby stimulating synergistic cooperation that generates significant and purposeful outcomes.

The project has accomplished significant milestones as a result of diligent and persistent work. From promoting sustainable agricultural practises to campaigning for renewable energy alternatives, it has emerged as a driving force for transformative action. Educational campaigns and engagement programmes have facilitated the empowerment of communities, enabling them to assume ownership of their surroundings and foster a collective feeling of accountability. The aforementioned accomplishments serve as evidence of the Prince's steadfast commitment to guiding society towards a trajectory that is both environmentally sustainable and socially harmonious.

The expedition has encountered many obstacles along the way. The ability to effectively address intricate global challenges necessitates continuous adaptation and resilience. The Prince's Sustainability Project recognises the presence of these hurdles and appreciates their significance in the process of transformation. As



global developments progress, the project also undergoes evolution, with its strategies being enhanced to effectively tackle rising sustainability concerns.

The Prince of Wales's Sustainability Project maintains a resolute dedication to instigating constructive transformation in the future. With a forward-looking perspective, the entity endeavours to amplify its impact by actively involving stakeholders and fostering a sense of shared responsibility, thereby motivating collaborative efforts. The project strives to enhance its influence and motivate others to initiate their own sustainability endeavours by disseminating its experiences, achievements, and acquired knowledge.

In summary, the Prince's Sustainability Project stands as a testament to the efficacy of leadership guided by a clear sense of purpose. Based on the concepts of sustainability, it has shed light on a trajectory towards a more balanced and mutually beneficial relationship between human beings and the Earth. Upon contemplation of the achievements hitherto, one is prompted to acknowledge the limitless capacity for constructive metamorphosis that arises from the alignment of principles, foresight, and implementation.

14.2 Background Information on the Project's Objectives and Mission:

The Prince of Wales's Sustainability Project is an initiative led by His Royal Highness, the Prince of Wales, with the aim of promoting and advancing sustainability practises.

The Sustainability Project led by the Prince of Wales is an ambitious and ground breaking endeavour that exemplifies the steadfast dedication of His Royal Highness, Prince Charles, to confronting the pressing issues that our world currently confronts. The initiative exemplifies a comprehensive approach to sustainability that goes beyond mere rhetoric, and in a firm conviction of the interdependence between environmental, social, and economic well-being.

In the face of global challenges such as climate change, biodiversity loss, and social injustice, the Prince of Wales acknowledged the urgent need for proactive measures to be taken. In light of these pertinent global concerns, he initiated the Sustainability Project with a twofold objective: to enhance consciousness regarding the imperative requirement for sustainable methodologies and to stimulate tangible endeavours that foster favourable transformations.

The project is founded upon the principle that humans have a responsibility to care for the Earth, and it envisions a future in which both mankind and the natural world coexist and flourish in a state of harmony. The objectives of this study are diverse and encompass a range of facets.

- **The objective of environmental resilience is** to promote and execute strategies aimed at preserving and rehabilitating ecosystems, addressing the challenges posed by climate change, and ensuring the conservation of



natural resources for both present and future generations.

- **The objective of social empowerment is** to enhance the well-being of marginalised communities through the facilitation of comprehensive development, the enhancement of educational opportunities, healthcare accessibility, and the provision of fundamental resources, all while advocating for fairness and equality within society.
- **The objective is to advocate for a novel framework of conscientious business** strategies that prioritise ethical governance, transparency, and enduring sustainability over immediate financial profits, with the aim of fostering economic prosperity.

14.3 A Comprehensive Approach:

The Prince of Wales's Sustainability Project acknowledges that sustainability is not an isolated undertaking, but rather a complex network of interrelated actions.

This statement underscores the significance of fostering collaboration across governmental entities, corporations, communities, and individuals as a means to facilitate substantial and far-reaching change. Through the promotion of cross-sector relationships, the initiative effectively leverages the collective influence of various stakeholders to enhance its overall impact.

The initiative is fundamentally influenced by the enduring knowledge that establishing a more harmonious connection with the environment is not only desirable but imperative for the continued existence and success of our species. Driven by this guiding principle, the initiative aims to motivate and empower individuals, organisations, and governments to adopt sustainable practises within their respective domains of influence.

14.4 The Concept of Social Responsibility revolves around the promotion of Sustainable Communities and the Cultivation of Collaborative efforts:

The Prince of Wales's Sustainability Project recognizes that true sustainability extends beyond environmental conservation to encompass the well-being and empowerment of all individuals and communities. Through a range of social initiatives, the project is dedicated to fostering equitable development, enhancing education, improving healthcare, and uplifting marginalized populations. This section provides an overview of the project's social endeavours and highlights its collaborative efforts with local communities and organizations for social betterment.

- **Community Development and Empowerment:** The project's community development initiatives are cantered on empowering marginalized and underserved communities to become active participants in their own development. By working hand-in-hand with these communities, the project aims to identify their unique needs and challenges, and then collaboratively



design solutions that enhance their quality of life. These initiatives often include skill-building workshops, vocational training, and capacity-building programs that provide individuals with the tools they need to create sustainable livelihoods and improve their economic prospects.

- **Education for Sustainable Change:** Education is a cornerstone of the project's social responsibility efforts. Recognizing that informed individuals are better equipped to drive positive change, the project emphasizes integrating sustainability education into curricula at all levels. Through innovative programs such as the “**Green Schools**” initiative, the project encourages schools to incorporate environmental awareness, sustainable practices, and ethical values into their teaching methodologies. By inspiring the next generation of leaders with a sense of responsibility towards the planet, the project aims to create a more sustainable future.
- **Accessible Healthcare and Well-being:** Access to quality healthcare is a fundamental human right, and the project strives to improve healthcare accessibility in underserved regions. By partnering with healthcare organizations, local clinics, and medical professionals, the project supports initiatives that provide medical care, preventive services, and health education to communities in need. These efforts not only improve individual health but also contribute to the overall well-being and resilience of communities.
- **Collaboration for Social Betterment:** The Prince of Wales's Sustainability Project understands that meaningful change cannot be achieved in isolation. Collaboration with local communities, NGOs, governments, and other stakeholders is pivotal for sustainable development. The project acts as a catalyst for collective action, facilitating dialogue and partnership-building that leads to the co-creation of solutions. By engaging with those directly affected by social issues, the project ensures that interventions are contextually relevant and yield lasting impact.

Case Study: Empowering Women's Cooperatives :

- One exemplary collaboration involves supporting women's cooperatives in rural areas. By providing training in sustainable agricultural practices, financial literacy, and entrepreneurship, the project empowers women to take charge of their economic futures. These cooperatives not only improve women's livelihoods but also enhance the economic resilience of entire communities.
- **In summary**, the Prince of Wales's Sustainability Project's social responsibility initiatives exemplify its commitment to building a world where every individual has the opportunity to thrive. By collaborating closely with communities and organizations, the project ensures that its efforts are rooted in local context,



sustainable impact, and the promotion of social equity. Through these initiatives, the project is contributing to a more just and inclusive society, where social betterment and environmental stewardship go hand in hand.

14.4 The Role of Cost Accountants in Enhancing the “Prince of Wales Sustainability” Report:

Many prominent European corporations adhere to the reporting structure outlined in “**The Prince of Wales Sustainability**” report when disclosing information about their sustainability initiatives or compliance efforts, in accordance with the **European or British corporations Act**. A significant number of individuals who are affiliated with **The Institute of Cost Accountants of India are employed by European or British companies. The following is a set of fundamental guidelines provided for the purpose of preparing a complete “Prince of Wales Sustainability” report, with the aim of benefiting the intended audience.**

- **Understanding the Project:** Familiarize yourself with the Prince of Wales Sustainability Project, its mission, and key sustainability initiatives. **Gain insight into the project’s goals and how they align with sustainable practices.**
- **Financial Metrics and Tracking:** Identify the financial metrics relevant to sustainability, such as costs, investments, and savings associated with sustainability initiatives. **Establish a system for tracking financial data related to sustainability projects.**
- **Cost-Benefit Analysis:** Perform cost-benefit analyses for each sustainability initiative to determine their financial viability. **Assess both short-term and long-term costs, benefits, and potential return on investment.**
- **Budget Allocation:** Allocate budgets to various sustainability initiatives based on their priorities, expected impacts, and available resources. **Ensure that financial resources are aligned with the project’s overarching sustainability goals.**
- **Lifecycle Costing:** Consider the entire lifecycle of sustainability initiatives, including implementation costs, operational expenses, and potential savings over time. **Evaluate the financial implications of maintenance and upgrades needed for sustainability projects.**
- **Resource Optimization:** Identify opportunities for resource optimization, such as energy efficiency measures, waste reduction strategies, and sustainable procurement practices. **Estimate potential cost savings resulting from these optimizations.**
- **ROI Calculation:** **Calculate the return on investment (ROI) for sustainability initiatives by comparing the financial gains (cost savings, revenue generation) to the initial investments..**



- **Reporting and Communication:** Prepare clear and concise financial reports that outline the costs, benefits, and financial impacts of sustainability initiatives. **Collaborate with other departments to gather relevant data and ensure accuracy.**
- **Sustainability Performance Metrics:** Collaborate with the sustainability team to define financial performance metrics that align with broader sustainability goals. **Measure and report on financial contributions to environmental and social sustainability outcomes.**
- **Risk Assessment:** Identify financial risks associated with sustainability initiatives, such as regulatory changes or unexpected costs. **Propose strategies to mitigate these risks and ensure financial stability.**
- **Transparency and Compliance:** Ensure transparency in financial reporting by providing clear explanations of financial data and its relation to sustainability goals. **Align financial reporting with relevant regulations and reporting standards.**
- **Continuous Improvement:** Regularly review financial data to assess the progress of sustainability initiatives and identify areas for improvement. **Use financial insights to guide strategic decisions for optimizing sustainability efforts.**

By following these guidelines, a Cost Accountant can contribute to a comprehensive “Prince of Wales Sustainability” report that sheds light on the financial aspects of the project’s sustainability initiatives, ultimately aiding in informed decision-making and the pursuit of a more sustainable future.

Annexure I
List of Activities in Schedule VII for CSR



SCHEDULE VII

(See section 135)

Activities which may be included by companies in their Corporate Social Responsibility Policies Activities relating to:-

- ¹[(i) eradicating hunger, poverty and malnutrition, ²[promoting health care including preventive health] and sanitation ³[Including contribution to the Swatch Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water;
- (ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- (iii) 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) 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 ⁴[including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga];
- (v) 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 arts and handicrafts;
- (vi) measures for the benefit of armed forces veterans, war widows and their dependents, ⁵[Central Armed Police Forces (CAPE) and Central Para Military Forces (CPMF) veterans, and their dependents including widows];
- (vii) training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports;

1 Subs. by Notification No. G.S.R. 130(E), dated 27th February 2014, for item (i) to (x) (w.e.f. 1-4-2014).

2 Subs. by Notification No. G.S.R. 261 (E), dated 31st March 2014 for "promoting preventive health care" (w.e.f. 31-3-2014).

3 Ins. by Notification No. G.S.R. 568(E), dated by 6th August, 2014.

4 Ins. by Notification No. G.S.R. 741 (E), dated by 24th October, 2014 (w.e.f. 24-10-2014).

5 Ins. by Notification No. G.S.R. 399(E), dated 23rd June, 2020 (w.e.f. 23-06-2020).



Annexures

- (viii) contribution to the Prime Minister's National Relief Fund or ⁶[Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) or] any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- ⁷⁷[(ix) (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by 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.]
- ⁸[(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.]
- ⁹[(xii) disaster management, including relief, rehabilitation and reconstruction activities.]

6 Ins. by Notification No. G.S.R. 313(E), dated 26th May, 2020 (w.e.f. 26-05-2020).

7 Subs. by Notification No. G.S.R. 525(E), dated by 24th August, 2020 for item (ix) and the entries thereto (w.e.f. 24-8-2020).

8 Ins. by Notification No. G.S.R. 390(E), dated by 30th May, 2019 (w.e.f. 30-5-2019).

9 Subs. by Notification No. G.S.R. 776(E), dated 11th October, 2019.

Annexure-II
**Specimen of CFO Certificate for utilisation of funds
disbursed for CSR activities**



Specimen of CFO Certificate for utilisation of funds disbursed for CSR activities

Chief Financial Officer (CFO) Certification.

When: [Date] To,

[Name of Authorised Individual] [Designation]

[Business Name] Address: [Address]

Certificate for Use of Funds Distributed for CSR Activities

Dear [Name of Authorised Individual],

I hereby certify as the Chief Financial Officer (CFO) of [Your Company Name] that I have reviewed the expenditure of funds for Corporate Social Responsibility (CSR) activities as follows:

CSR Fund Disbursed: [Amount spent on CSR activities]

[Specify the purpose or nature of the CSR activities for which the funds were disbursed.]

Description of Expenditures:

Date Expense Description Amount Spent (₹)

[Date 1][Description of the First Expense][Volume 1]

[Date 2][Description of the second expenditure][Quantity 2]

... ..

[Date Notation][Description of Previous Cost][Quantity N]

Balance Remaining: The amount remaining after all expenses have been accounted for and reconciled. Existing in the designated CSR fund account is [residual Balance Amount] as the residual balance.

Attached to this certificate are the relevant supporting documents, such as bills, invoices, receipts, and other necessary records, which validate the expenses incurred for the aforementioned CSR activities.

Verification: I further certify that the information provided in this certificate and the attached documents accurately reflect the financial transactions associated with CSR activities and the disbursement of funds.

This certificate is issued in accordance with the organization's internal policies, applicable laws, and regulations, and demonstrates a transparent and accountable use of CSR funds.



Annexure III

Specimen of Third Party Certificate of CSR Audit Report



Specimen of Third Party Certificate of CSR Audit Report

[Third Party Verification Letterhead]

Certificate of Third-Party Audit Report Verification

When: [Date]

To,

[Name of Authorised Individual][Designation]

[Business Name] Address: [Address]

Verification by a Third Party of the CSR Audit Report

Dear [Name of Authorised Individual],

As a third-party verifier, I have independently reviewed and verified the CSR Audit Report presented by [Your Company Name] for the fiscal year ending on [Financial Year End Date]. Corporate Social Responsibility (CSR) activities were scrutinised in accordance with applicable laws, regulations, and guidelines.

CSR Audit Report Information:

[Beginning Date] through [End Date]

Name of the Auditor: [Name of the Auditor or Auditing Firm]

Audit Coverage: The audit encompassed all CSR-related financial transactions and activities conducted by [Your Company Name] during the specified time frame.

Process of Independent Verification:

I evaluated the accuracy and completeness of the CSR Audit Report, supporting documents, evidence, and records by reviewing their supporting documentation, evidence, and records.



Annexures

On-Site Visits (if relevant): If any CSR initiatives required on-site verification, I visited the relevant project sites to ensure the reported activities corresponded to the actuality on the ground.

The verification process included a comparison of the CSR activities and financial transactions with the applicable laws, regulations, and guidelines.

Verification Declaration:

Based on my independent verification, I confirm that [Your Company Name]'s CSR Audit Report provides an accurate and reliable representation of the company's CSR activities, their impact, and the use of funds during the specified period. The report is consistent with the data and documentation obtained during the verification procedure.

Discoveries and Observations:

[Provide a summary of the findings and observations made during the verification process, emphasising any discrepancies or exceptional areas.]

Documents Supporting the Claim:

Attached are the pertinent supporting documents, evidence, and recordings that were reviewed and confirmed throughout the process.

The conclusion is:

The CSR Audit Report has been independently validated and found to be compliant with the relevant regulations and guidelines. The report's contents can be relied upon to ensure transparency and accountability in the company's CSR activities.

If you have any queries or require additional information, please contact me at [Your Contact Information].

Sincere regards,

[Your Title] [Your Identifier]

[Name of the Third Party Verification Organisation] [Your Contact Particulars]

Attachments: [List of supplementary documents]



ANNEXURE IV
COMPANIES (CSR POLICY)
AMENDMENT RULES, 2022



रजिस्ट्री सं. डी.एल.- 33004/99

REGD. No. D. L.-33004/99



भारत का राजपत्र The Gazette of India

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असाधारण
EXTRAORDINARY

भाग II—खण्ड 3—उप-खण्ड (i)
PART II—Section 3—Sub-section (i)

प्राधिकार से प्रकाशित
PUBLISHED BY AUTHORITY

सं. 634]
No. 634]

नई दिल्ली, मंगलवार, सितम्बर 20, 2022/भाद्र 29, 1944
NEW DELHI, TUESDAY, SEPTEMBER 20, 2022/BHADRA 29, 1944

कारपोरेट कार्य मंत्रालय

अधिसूचना

नई दिल्ली, 20 सितम्बर, 2022

सा.का.नि. 715(अ).—केंद्रीय सरकार, कंपनी अधिनियम, 2013 (2013 का 18) की धारा 135 और धारा 469 की उप-धारा (1) और उप-धारा (2) के द्वारा प्रदत्त शक्तियों का प्रयोग करते हुए, कंपनी (कारपोरेट सामाजिक दायित्व नीति) नियम, 2014 का और संशोधन करने के लिए निम्नलिखित नियम बनाती है, अर्थात्:-

1. संक्षिप्त नाम और प्रारंभ - (1) इन नियमों का संक्षिप्त नाम कंपनी (कारपोरेट सामाजिक दायित्व नीति) संशोधन नियम, 2022 है।

(2) ये राजपत्र में इनके प्रकाशन की तारीख को प्रवृत्त होंगे।

2. कंपनी (कारपोरेट सामाजिक दायित्व नीति) नियम, 2014 (जिसे इसमें इसके पश्चात उक्त नियम कहा गया है) में, नियम 3 में,-

(i) उपनियम (1) में, परन्तुक के पश्चात, निम्नलिखित परन्तुक अतःस्थापित किया जाएगा, अर्थात्:-

“परंतु यह और कि कोई कंपनी, जिसकी धारा 135 की उपधारा (6) के अनुसार, अपने अव्ययित कारपोरेट सामाजिक दायित्व खाते में, किसी प्रकार की राशि है तो वह सीएसआर समिति का गठन करेगी और उक्त धारा की उपधारा (2) से (6) में निहित उपबंधों का अनुपालन करेगी।”;

(ii) उप-नियम (2) का लोप किया जाएगा।

3. उक्त नियमों में, नियम 4 में, उप-नियम (1) के स्थान पर, निम्नलिखित उप-नियम को रखा जाएगा, अर्थात:-

‘(1) बोर्ड यह सुनिश्चित करेगा की सीएसआर कार्यकलाप स्वयं कंपनी द्वारा अथवा निम्नलिखित द्वारा किए जाएंगे,-

- (क) अधिनियम की धारा 8 के अधीन स्थापित कोई कंपनी, या आयकर अधिनियम, 1961 (1961 का 43) की धारा 80छ के अधीन अनुमोदित तथा धारा 12क के अधीन रजिस्ट्रीकृत या धारा 10 के खंड (23ग) के उप-खंड (iv), (v), (vi) या (vi)क के अधीन छूट प्राप्त कोई रजिस्ट्रीकृत सार्वजनिक न्यास या कोई रजिस्ट्रीकृत सोसाइटी जो एकल रूप से या किसी अन्य कंपनी के साथ कंपनी के साथ स्थापित हो; अथवा
- (ख) अधिनियम की धारा 8 के अधीन स्थापित कोई कंपनी या केंद्रीय सरकार या राज्य सरकार द्वारा स्थापित कोई रजिस्ट्रीकृत न्यास या रजिस्ट्रीकृत सोसाइटी; अथवा
- (ग) संसद या राज्य विधानमंडल के किसी अधिनियम के अधीन स्थापित कोई इकाई; अथवा
- (घ) अधिनियम की धारा 8 के अधीन स्थापित कोई कंपनी, या आयकर अधिनियम, 1961 की धारा 80छ के अधीन अनुमोदित तथा धारा 12क के अधीन रजिस्ट्रीकृत या धारा 10 के खंड (23ग) के उप-खंड (iv), (v), (vi) या (vi)क के अधीन छूट प्राप्त कोई रजिस्ट्रीकृत सार्वजनिक न्यास या कोई रजिस्ट्रीकृत सोसाइटी तथा जिसका समान कार्यकलाप करने में कम से कम तीन वर्षों का ट्रेक रिकार्ड स्थापित हो।

स्पष्टीकरण.- खंड (ग) के प्रयोजन के लिए, “इकाई” पद से अधिनियम की अनुसूची-VII में शामिल कार्यकलाप करने के लिए संसद या राज्य विधानमंडल के किसी अधिनियम के अधीन गठित एक सांविधिक निकाय होगा, अभिप्रेत है।’

4. उक्त नियमों में, नियम 8 में, उपनियम (3) में, खण्ड (ग) में,-

- (i) “पाँच प्रतिशत” शब्दों के स्थान पर “दो प्रतिशत” शब्दों को रखा जाएगा।
- (ii) “जो भी कम हो” शब्दों के स्थान पर “जो भी अधिक हो” शब्दों को रखा जाएगा।

5. उक्त नियमों में, उपाबंध-II के स्थान पर, निम्नलिखित उपाबंध रखा जाएगा, अर्थात:-

“उपाबंध-II

अप्रैल, 2020 के प्रथम दिन को अथवा इसके पश्चात् आरंभ होने वाले वित्तीय वर्ष के लिए बोर्ड की रिपोर्ट में सम्मिलित किए जाने वाले सीएसआर क्रियाकलापों पर वार्षिक रिपोर्ट के लिए प्रपत्र

1. सीएसआर नीति के संबंध में संक्षिप्त रूप-रेखा:

2. सीएसआर समिति की संरचना :

क्र.सं.	निदेशक का नाम	पदनाम/निदेशक पद का स्वरूप	वर्ष के दौरान सीएसआर समिति की संपन्न बैठकों की संख्या	वर्ष के दौरान सीएसआर समिति की उन बैठकों की संख्या जिनमें भाग लिया गया

3. वह वेब-लिक प्रदान करें जहां सीएसआर समिति की संरचना, सीएसआर नीति और सीएसआर परियोजनाएं बोर्ड द्वारा अनुमोदित सीएसआर परियोजनाएं कंपनी की वेबसाइट पर प्रकट की गई हैं।

4. नियम 8 के उप-नियम (3) के अनुसरण में यदि लागू हो, निष्पादित सीएसआर परियोजनाओं के प्रभाव मूल्यांकन का अधिशासी सारांश वेब लिंक के साथ प्रदान करें।
5. (क) धारा 135 की उपधारा (5) के अनुसार कंपनी का औसत निवल लाभ
(ख) धारा 135 की उपधारा (5) के अनुसार कंपनी के औसत निवल लाभ का दो प्रतिशत
(ग) पिछले वित्तीय वर्षों की सीएसआर परियोजनाओं या कार्यक्रमों या कार्यक्रमलापों से उत्पन्न अधिशेष
(घ) वित्तीय वर्ष के लिए सेट-ऑफ की गई अपेक्षित राशि, यदि कोई हो
(ङ) वित्तीय वर्ष [(ख)+(ग)-(घ)] के लिए कुल सीएसआर दायित्व।
6. (क) सीएसआर परियोजनाओं (चालू परियोजना और चालू परियोजना के अतिरिक्त दोनों) पर व्यय की गई राशि।
(ख) प्रशासनिक उपरिव्यय पर व्यय की गई राशि।
(ग) प्रभाव मूल्यांकन पर व्यय की गई राशि, यदि लागू हो।
(घ) वित्तीय वर्ष [(क) + (ख) + (ग)]के लिए व्यय की गई कुल राशि।
(ङ) वित्तीय वर्ष के लिए व्यय की गई या अव्ययित सीएसआर राशि:

वित्तीय वर्ष के लिए व्ययित कुल राशि (रुपए में)	अव्ययित राशि (रुपए में)				
	धारा 135 की उप-धारा (6) के अनुसार अव्ययित सीएसआर खाते में अंतरित कुल राशि।		धारा 135 की उपधारा (5) के द्वितीय परंतुक के अनुसार अनुसूची-VII के अधीन विनिर्दिष्ट किसी निधि में अंतरित राशि		
	राशि	अंतरण की तारीख	निधि का नाम	राशि	अंतरण की तारीख

(च) सेट-ऑफ के लिए अतिरिक्त राशि, यदि कोई हो:

क्र.सं.	ब्यौरा	राशि (रुपए में)
(1)	(2)	(3)
(i)	धारा 135 की उप-धारा (5) के अनुसार कंपनी के औसत शुद्ध लाभ का दो प्रतिशत	
(ii)	वित्तीय वर्ष के लिए व्यय की गई कुल राशि	
(iii)	वित्तीय वर्ष के लिए व्यय की गई अतिरिक्त राशि [(ii)-(i)]	
(iv)	पिछले वित्तीय वर्षों की सीएसआर परियोजनाओं या कार्यक्रमों या कार्यक्रमलापों से उत्पन्न अधिशेष, यदि कोई हो	
(v)	उत्तरवर्ती वित्तीय वर्षों में सेट ऑफ के लिए उपलब्ध राशि [(iii)-(iv)]	

7. पूर्ववर्ती तीन वित्तीय वर्षों के लिए अव्ययित कारपोरेट सामाजिक दायित्व राशि का विवरण:

1	2	3	4	5	6		7	8
क्र. सं.	पूर्ववर्ती वित्तीय वर्ष	धारा 135 की उप-धारा (6) के अधीन अव्ययित सीएसआर खाते में अंतरित राशि (रुपए में)	धारा 135 की उप-धारा (6) के अधीन अव्ययित सीएसआर खाते में शेष राशि (रुपए में)	वित्तीय वर्ष में खर्च की गई राशि (रुपए में)	धारा 135 की उप-धारा (5) के दूसरे परंतुक के अनुसार अनुसूची VII के अधीन विनिर्दिष्ट निधि में अंतरित राशि, यदि कोई हो, राशि (रुपए में) अंतरण की तारीख		उत्तरवर्ती वित्तीय वर्षों में व्यय की जाने वाली शेष राशि (रुपए में)	कमी, यदि कोई हो
1	वित्त वर्ष-1							
2	वित्त वर्ष-2							
3	वित्त वर्ष-3							

8. क्या किसी पूंजीगत परिसंपत्ति को वित्तीय वर्ष में व्यय की गई कारपोरेट सामाजिक दायित्व राशि के माध्यम से सृजित या अधिग्रहित किया गया है:

हाँ नहीं

यदि हां, तो सृजित / अधिग्रहित पूंजीगत परिसंपत्तियों की संख्या दर्ज करें

वित्तीय वर्ष में व्यय की गई कारपोरेट सामाजिक दायित्व राशि के माध्यम से इस तरह बनाई गई या अधिग्रहित की गई ऐसी परिसंपत्ति (ओं) से संबंधित विवरण प्रस्तुत करें:

क्र.सं.	संपत्ति या परिसंपत्ति (यों) के लघु विवरण [संपत्ति के पूरे पते और स्थान सहित]	संपत्ति या परिसंपत्ति (यों) का पिनकोड	सृजन की तारीख	व्यय की गई सीएसआर राशि	रजिस्ट्रीकृत स्वामी की इकाई/प्राधिकरण/लाभार्थी का विवरण		
(1)	(2)	(3)	(4)	(5)	(6)		
					सीएसआर रजिस्ट्रीकरण संख्या, यदि लागू हो	नाम	रजिस्ट्रीकृत पता

(सभी क्षेत्रों को उसी प्रकार दर्शाया जाना चाहिए जैसाकि राजस्व रिकार्ड में दर्शाया गया है, फ्लैट सं., मकान सं., नगर निगम कार्यालय/नगर निगम/ग्राम पंचायत को निर्दिष्ट किया जाना चाहिये तथा अचल संपत्तियों के क्षेत्र के साथ-साथ उसकी सीमाओं को भी निर्दिष्ट किया जाना चाहिए।)

9. यदि कंपनी धारा 135 की उप-धारा (5) के अनुसार औसत शुद्ध लाभ का दो प्रतिशत व्यय करने में विफल रही है, तो कारण (णों) को निर्दिष्ट करें।



ह./- (मुख्य कार्यकारी अधिकारी या प्रबंधन निदेशक या निदेशक)।	ह./- (अध्यक्ष, सीएसआर समिति)।	ह./- [धारा 380 की उप-धारा (1) के खंड (घ) के अधीन निर्दिष्ट व्यक्ति] (जहां भी लागू हो)।"
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6. उक्त नियमों में, ई-प्ररूप सीएसआर-1 में, क्रम संख्या 1 और उससे संबंधित प्रविष्टियों के स्थान पर, निम्नलिखित क्रम संख्या को रखा जाएगा, अर्थात्:-

- "1. * इकाई का स्वरूप
- आयकर अधिनियम, 1961 की धारा 8 के अधीन स्थापित कंपनी, धारा 10 के खंड (23ग) के उप-खंड (iv), (v), (vi) या (viक)के अधीन छूट प्राप्त और जो धारा 80छ के अधीन अनुमोदित कंपनी।
 - आयकर अधिनियम, 1961 की धारा 8 के अधीन स्थापित, धारा 12क के अधीन रजिस्ट्रीकृत और धारा 80छ के अधीन अनुमोदित कंपनी ।
 - आयकर अधिनियम, 1961 की रजिस्ट्रीकृत सार्वजनिक न्यास, धारा 10 के खंड (23ग) के उप-खंड (iv), (v), (vi) या (viक) के अधीन छूट प्राप्त और धारा 80छ के अधीन अनुमोदित।
 - आयकर अधिनियम, 1961 की रजिस्ट्रीकृत सार्वजनिक न्यास, धारा 12क के अधीन रजिस्ट्रीकृत और धारा 80छ के अधीन अनुमोदित।
 - आयकर अधिनियम, 1961 की रजिस्ट्रीकृत सोसाइटी, धारा 10 के खंड (23ग) उप-खंड (iv), (v), (vi) या (viक) के अधीन छूट प्राप्त और धारा 80छ के अधीन अनुमोदित।
 - आयकर अधिनियम, 1961 की रजिस्ट्रीकृत सोसाइटी, धारा 12क के अधीन रजिस्ट्रीकृत और धारा 80छ के अधीन अनुमोदित।
 - धारा 8 के अधीन स्थापित कंपनी या केंद्रीय सरकार या राज्य सरकार द्वारा स्थापित रजिस्ट्रीकृत न्यास या रजिस्ट्रीकृत सोसाइटी।
 - संसद या राज्य विधानमंडल के किसी अधिनियम के अधीन स्थापित इकाई।"

[ई-फा. सं. 05/03/2022-सीएसआर]

इन्द्रदीप सिंह धारीवाल, संयुक्त सचिव

टिप्पण: मूल नियम भारत के राजपत्र, असाधारण, भाग II, खण्ड 3, उपखण्ड (i) में तारीख 27 फरवरी, 2014 की अधिसूचना संख्या सा.का.नि. 129(अ) के द्वारा प्रकाशित किए गए थे और तारीख 12 सितम्बर, 2014 की अधिसूचना संख्या सा.का.नि. 644(अ), तारीख 19 जनवरी, 2015 की सा.का.नि. 43(अ), तारीख 23 मई, 2016 की सा.का.नि 540(अ), तारीख 19 सितम्बर, 2015 की सा.का.नि 895 (अ), तारीख 24 अगस्त 2020 की सा.का.नि 526(अ) और तारीख 22 जनवरी, 2021 की सा.का.नि 40(अ) के द्वारा पश्चातवर्ती में संशोधित किए गए।



MINISTRY OF CORPORATE AFFAIRS

NOTIFICATION

New Delhi, the 20th September, 2022

G.S.R. 715(E).— In exercise of the powers conferred under section 135 and sub-sections (1) and (2) of section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules further to amend the Companies (Corporate Social Responsibility Policy) Rules, 2014, namely:-

1. **Short title and commencement.** - (1) These rules may be called the **Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022.**
(2) They shall come into force on the date of their publication in the Official Gazette.
2. In the Companies (Corporate Social Responsibility Policy) Rules, 2014 (hereinafter referred to as the said rules), in rule 3, -

(i) in sub-rule (1), after the proviso, the **following proviso shall be inserted, namely: -**

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

(ii) **sub-rule (2) shall be omitted.**

3. In the said rules, **in rule 4, for sub-rule (1), the following sub-rule shall be substituted, namely: -**

‘(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.’

4. **In the said rules, in rule 8, in sub-rule (3), in clause (c),-**

(i) for the words “five percent”, the words “two per cent.” shall be substituted;

(ii) for the words “whichever is less”, the words “whichever is higher” shall be substituted.

5. **In the said rules, for Annexure-II, the following Annexure shall be substituted, namely:-**

“ANNEXURE -II

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:

Sl. 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.
 - (a) Average net profit of the company as per sub-section (5) of section 135.
5.
 - (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:

Total Amount Spent for the Financial Year. (in Rs.)	Amount Unspent (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:

Sl. No.	Particular	Amount (in Rs.)
(1)	(2)	(3)
(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)	Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any	
(v)	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	

Annexures



7. Details of Unspent Corporate Social Responsibility amount for the preceding three Financial Years:

1	2	3	4	5	6		7	8
					Amount (in Rs)	Date of Transfer		
Sl. No.	Preceding Financial Year(s)	Amount transferred to Unspent CSR Account under sub-section (6) of section 135 (in Rs.)	Balance Amount in Unspent CSR Account under sub-section (6) of section 135 (in Rs.)	Amount Spent in the Financial Year (in Rs)	Amount transferred to a Fund as specified under Schedule VII as per second proviso to sub-section (5) of section 135, if any		Amount remaining to be spent in succeeding Financial Years (in Rs)	Deficiency, if any
1	FY-1							
2	FY-2							
3	FY-3							

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

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode 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 Managing Director or Director).	Sd/ (Chairman CSR Committee).	Sd/ [Person specified under clause (d) of sub- section (1) of section 380] (Wherever applicable).”.
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6. In the **said rules, in the e-form CSR-1**, for serial number 1 and the entries relating thereto, the following serial number shall be substituted, namely:-

- “1. *Nature of the entity
- o Company established under section 8, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 and approved under section 80G of the Income Tax Act, 1961.
 - o Company established under section 8, registered under section 12A and approved under section 80G of the Income Tax Act, 1961.
 - o Registered public trust, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 and approved under section 80G of the Income Tax Act, 1961.
 - o Registered public trust, registered under section 12A and approved under section 80G of the Income Tax Act, 1961.
 - o Registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 and approved under section 80G of the Income Tax Act, 1961.
 - o Registered society, registered under section 12A and approved under section 80G of the Income Tax Act, 1961.
 - o Company established under section 8 or registered Trust or registered Society established by the Central Government or State Government.
 - o Entity established under an Act of Parliament or State Legislature.”.

[E-F. No. 05/03/2022-CSR]

INDERDEEP SINGH DHARIWAL, Jt. Secy.

Note: The **principal rules** were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide notification number G.S.R. 129(E), dated the 27th February, 2014 and subsequently amended by notification numbers G.S.R. 644(E), dated the 12th September, 2014, G.S.R. 43(E), dated the 19th January, 2015, G.S.R. 540(E), dated the 23rd May, 2016, G.S.R. 895(E), dated the 19th September, 2018, G.S.R. 526(E), dated the 24th August, 2020 and G.S.R. 40(E), dated the 22nd January, 2021.



ANNEXURE V
FORMAT FOR ANNUAL REPORT ON CSR ACTIVITIES
(AS PROVIDED IN CSR RULES)



[Annexure -V]

Format for the Annual Report on CSR Activities to be Included in the Board's Report For Financial Year Commencing on or After 1st Day of April, 2020

1. Brief outline on CSR Policy of the Company.
2. Composition of CSR Committee:

Sl. 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 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 details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report).
5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in Rs)	Amount required to be set-off for the financial year, if any (in Rs)
1			
2			
3			
	Total		

6. Average net profit of the company as per section 135(5).
7. (a) Two percent of average net profit of the company as per section 135(5)
(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years.
(c) Amount required to be set off for the financial year, if any
(d) Total CSR obligation for the financial year (7a+7b-7c).

8. (a) 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 section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount.	Date of transfer.	Name of the Fund	Amount.	Date of transfer

(b) Details of CSR amount spent against ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sl. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Project duration	Amount allocated for the project (in Rs.)	Amount spent in the current financial Year (in Rs.)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Rs.).	Mode of Implementation - Direct (Yes/No)	Mode of Implementation- Through Implementing Agency	
				State	District						Name	CSR Registration number
1.												
2.												
3.												
	Total											

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act.	Local area (Yes/No)	Location of the project		Amount spent for the project (in Rs.)	Mode of implementation - Direct (Yes/No)	Mode of implementation - Through implementing agency	
				State	District			Name	CSR registration number
1.									
2.									
3.									
	Total								



- (d) Amount spent in Administrative Overheads
- (e) Amount spent on Impact Assessment, if applicable
- (f) Total amount spent for the Financial Year (8b+8c+8d+8e)
- (g) Excess amount for set off, if any

Sl. No.	Particular	Amount (in Rs.)
(i)	Two percent of average net profit of the company as per section 135(5)	
(ii)	Total amount spent for the Financial Year	
(iii)	Excess amount spent for the financial year [(ii)-(i)]	
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	

9. (a) Details of Unspent CSR amount for the preceding three financial years:

Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in Rs.)	Amount spent in the reporting Financial Year (in Rs.)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years (in Rs.)
				Name of the Fund	Amount (in Rs)	Date of transfer	
1.							
2.							
3.							
	Total						

Annexures

- (k) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID.	Name of the Project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (in Rs.)	Amount spent on the project in the reporting Financial Year (in Rs)	Cumulative amount spent at the end of reporting Financial Year (in Rs.)	Status of the project- Completed/ Ongoing
1								
2								
3								
	Total							

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year

(asset-wise details).

- Date of creation or acquisition of the capital asset(s).
 - Amount of CSR spent for creation or acquisition of capital asset.
 - Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.
 - Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset).
11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5).

Sd/-

(Chief Executive Officer
or Managing Director or
Director)

Sd/-

(Chairman CSR
Committee)

Sd/-

[Person specified under
clause (d) of sub-section
(1) of section 380 of
the Act] (Wherever
applicable)

ANNEXURE VI
BRSR CORE – FRAMEWORK FOR ASSURANCE AND
ESG DISCLOSURES FOR VALUE CHAIN



भारतीय प्रतिभूति और विनियम बोर्ड Securities and Exchange Board of India

CIRCULAR

SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122

July 12, 2023

To,
All listed entities
All Recognized Stock Exchanges

Sir / Madam,

Subject: BRSR Core – Framework for assurance and ESG disclosures for value chain

1. SEBI vide Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 dated May 10, 2021 had prescribed the Business Responsibility and Sustainability Report (BRSR) which was subsequently incorporated in the Master Circular No. SEBI/HO/CFD/PoD2/CIR/P/2023/120 dated July 11, 2023. Based on the recommendations of the ESG Advisory Committee and pursuant to public consultation, the Board decided to introduce the BRSR Core for assurance by listed entities. The Board further decided to introduce disclosures and assurance for the value chain of listed entities, as per the BRSR Core.
2. The provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations") in this regard, have been amended vide Gazette notification no. [SEBI/LAD-NRO/GN/2023/131](#) dated June 14, 2023.
3. **BRSR Core and Updated BRSR**
 - 3.1 The BRSR Core is a sub-set of the BRSR, consisting of a set of Key Performance Indicators (KPIs) / metrics under 9 ESG attributes. Keeping in view the relevance to the Indian / Emerging market context, few new KPIs have been identified for assurance such as job creation in small towns, open-ness of business, gross wages paid to women etc. Further, for better global comparability intensity ratios based on revenue adjusted for Purchasing Power Parity (PPP) have been included. The format of BRSR Core for reasonable assurance is placed at **Annexure I**. The BRSR format after incorporating new KPIs of BRSR Core is placed as **Annexure II**. Accordingly, the BRSR format as prescribed in Annexure 16 of the aforementioned Master Circular stands revised.
 - 3.2 In order to facilitate the verification process, the BRSR Core specifies the data and approach for reporting and assurance. It is however clarified

that the approach specified is only a base methodology. Any changes or industry specific adjustments / estimations shall be disclosed.

3.3 For ease of reference, the BRSR Core contains a cross-reference to the disclosures contained in the BRSR.

3.4 Applicability

3.4.1 From FY 2023 – 2024, the top 1000 listed entities (by market capitalization) shall make disclosures as per the updated BRSR format, as part of their Annual Reports.

3.4.2 Listed entities shall mandatorily undertake reasonable assurance of the BRSR Core, as per the glide path specified in the following table:

Financial Year	Applicability of BRSR Core to top listed entities (by market capitalization)
2023 – 24	Top 150 listed entities
2024 – 25	Top 250 listed entities
2025 – 26	Top 500 listed entities
2026 – 27	Top 1000 listed entities

4. ESG Disclosures for value chain

4.1 Disclosures for value chain shall be made by the listed company as per BRSR Core, as part of its Annual Report. For this purpose, value chain shall encompass the top upstream and downstream partners of a listed entity, cumulatively comprising 75% of its purchases / sales (by value) respectively.

4.2 Listed entities shall report the KPIs in the BRSR Core for their value chain to the extent it is attributable to their business with that value chain partner. Such reporting may be segregated for upstream and downstream partners or can be reported on an aggregate basis.

4.3 The scope of reporting and any assumptions or estimates, if any, shall be clearly disclosed.

4.4 Applicability

4.4.1 ESG disclosures for the value chain shall be applicable to the top 250 listed entities (by market capitalization), on a comply-or-explain basis from FY 2024-25.

4.4.2 The limited assurance of the above shall be applicable on a comply-or-explain basis from FY 2025 - 26.



5. Assurance provider

- 5.1 The Board of the listed entity shall ensure that the assurance provider of the BRSR Core has the necessary expertise, for undertaking reasonable assurance.
 - 5.2 The listed entity shall ensure that there is no conflict of interest with the assurance provider appointed for assuring the BRSR Core. For instance, it shall be ensured that the assurance provider or any of its associates do not sell its products or provide any non-audit / non-assurance related service including consulting services, to the listed entity or its group entities.
6. The Stock Exchanges are advised to bring the provisions of this circular to the notice of all listed entities and also disseminate the same on their websites.
7. The Circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 101 of the LODR.

Yours faithfully,

Surabhi Gupta
General Manager

Corporation Finance Department
Supervision, Enforcement and Compliance Division - II

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ANNEXURE VII FORMAT OF BRSR CORE



Annexure I - Format of BRSR Core

Sr. No.	Attribute	Parameter	Measurement	Data & Assurance Approach	Cross – reference to the BRSR
1	Green-house gas (GHG) footprint Greenhouse gas emissions may be measured in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard	Total Scope 1 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	GHG (CO ₂ e) Emission in Mn MT/ KT/ MT Direct emissions from organization's owned- or controlled sources	<ol style="list-style-type: none"> 1. Absolute Fossil Fuel (Coal, Natural Gas, Diesel, FO etc.) Consumption (Mn MT / KT / MT / MM BTU etc.) 2. Emission Factor (GHG in CO₂e/ Unit of Measure) - IPCC or Actual Testing from Accredited Test Lab 3. Quantity of Carbon Capture (Mn MT /KT / MT) 4. GHG emissions in CO₂ equivalent by process (Non-Fuel Source) (Mn MT /KT / MT / MM BTU) 5. Fugitive emissions 6. Total Scope 1 GHG Emissions: Point 2 x Point 1 - Point 3 + Point 4 + Point 5 	Principle 6, Question 7 of Essential Indicators
		Total Scope 2 emissions (Break-up of the GHG (CO ₂ e) into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	GHG (CO ₂ e) Emission in Mn MT / KT/ MT Indirect emissions from the generation of energy that is purchased from a utility provider	<ol style="list-style-type: none"> 1. Total Consumption of Purchased Energy (MW), Steam (MT), Refrigeration (MMBTU) 2. GHG (CO₂e) Emission Factor across all purchased energy sources - IPCC or actual from the supplier (audited certificates) 3. Total Scope 2 GHG Emissions: Total Consumption x Emission Factor 	Principle 6, Question 7 of Essential Indicators
		GHG Emission Intensity (Scope 1 +2)	Total Scope 1 and Scope 2 emissions (MT) / Total Revenue from Operations adjusted for PPP	<ol style="list-style-type: none"> 1. Total Emission (Scope 1 & 2) 2. Total Revenue from Operations - From Audited P&L Statement 3. PPP (USD / INR) 	Principle 6, Question 7 of Essential Indicators
			Total Scope 1 and Scope 2 emissions (MT) / Total Output of Product or Services	<ol style="list-style-type: none"> 1. Total Emission (Scope 1 & 2) as above 2. Company & Sector Specific (i.e., No. of Vehicles Produced, MT of Material Produced, Data in Mn TB, No. of Seats / Travel Class, Room-nights etc.) 	Principle 6, Question 7 of Essential Indicators

Annexures



Sr. No.	Attribute	Parameter	Measurement	Data & Assurance Approach	Cross – reference to the BRSR
2	Water footprint	Total water consumption	Mn Lt or KL	<p>Water consumed is water that it is no longer available for use by the ecosystem or local community, such as water that has been withdrawn and incorporated into products or has evaporated or is polluted to the point of being unusable by other users, and is therefore not released back to surface water, groundwater, seawater, or a third party. It also includes water that has been stored during the reporting period for use or discharge in a subsequent reporting period.</p> <p>If the entity cannot directly measure its water consumption, it may calculate this using the following:</p> <ol style="list-style-type: none"> 1. Input water flow meter logs (Calibrated Meters) 2. Output water flow meter logs (Calibrated Meters) 3. Water consumption = Input Water - Output Water 	Principle 6, Question 3 of Essential Indicators
		Water consumption intensity	Mn Lt or KL/ Rupee adjusted for PPP	<ol style="list-style-type: none"> 1. Total water consumed 2. Total Revenue from Operations (from audited P&L) 3. PPP (USD / INR) 	Principle 6, Question 3 of Essential Indicators
			Mn Lt or KL/ Product or Service	<ol style="list-style-type: none"> 1. Consumption as above 2. Company & Sector Specific (i.e., No. of Vehicles Produced, MT of Material Produced, Data in Mn TB, No. of Seats / Travel Class etc) 	Principle 6, Question 3 of Essential Indicators
		Water Discharge by destination and levels of Treatment	Mn Lt or KL	<ol style="list-style-type: none"> 1. Untreated Water 2. Primary Treatment (Removal of material that floats or settle out i.e Filtration, Screening, Sedimentation etc.) 3. Secondary Treatment (Removal of Dissolved organic Matter i.e. Oxidation, Digestion etc.) 4. Tertiary Treatment (Disinfecting Water i.e. removal of pathogens, Phosphorous, Nitrogen etc.) 	Principle 6, Question 4 of Essential Indicators



Sr. No.	Attribute	Parameter	Measurement	Data & Assurance Approach	Cross – reference to the BRSR
3	Energy footprint	Total energy consumed	In Joules or multiples	Total energy consumption = non-renewable fuel consumed + renewable fuel consumed + purchased electricity, heating, cooling, steam + self-generated electricity, heating, cooling, steam <i>(If the entity generates electricity from a non-renewable or renewable fuel source and then consumes the generated electricity, the energy consumption shall be counted only once)</i>	Principle 6, Question 1 of Essential Indicators
		% of energy consumed from renewable sources	In % terms	Energy consumed through renewable sources / total energy consumed	
	Energy intensity	Joules or multiples / Rupee adjusted for PPP		1. Total energy consumed 2. Total Revenue from Operations (from audited P&L) 3. PPP (USD / INR)	Principle 6, Question 1 of Essential Indicators
		Joules or multiples / Product or Service		1. Consumption as above 2. Company & Sector Specific (i.e., No. of Vehicles Produced, MT of Material Produced, Data in Mn TB, No. of Seats / Travel Class etc)	Principle 6, Question 1 of Essential Indicators
4	Embracing circularity - details related to waste management by the entity	Plastic waste (A)	Kg / MT	Absolute weight of the packaging material (Bags, Bottles, Pallets etc.) discarded as defined under the plastic waste management rules 2016 and amendments thereof	Principle 6, Question 9 of Essential Indicators
		E-waste (B)	Kg / MT	Discarded Computers, televisions, cell phones, VCRs, stereos, DVD players, copiers, and fax machines etc. as listed under e-waste management rules 2016 and amendments thereof	Principle 6, Question 9 of Essential Indicators

Annexures

Sr. No.	Attribute	Parameter	Measurement	Data & Assurance Approach	Cross – reference to the BRSR
		Bio-medical waste (C)	Kg / MT	Solids and liquid waste including its container and any intermediate product, which is generated during the diagnosis, treatment or immunization of human beings or animals or research activities as listed under Bio-medical waste management rules 2016 and amendments thereof	Principle 6, Question 9 of Essential Indicators
		Construction and demolition waste (D)	Kg / MT	Construction waste as per C&D waste management Rules 2016 and amendments thereof like concrete, plaster, metal rods / wires, wood, plastics etc.	Principle 6, Question 9 of Essential Indicators
		Battery waste (E)	Kg / MT	Discarded batteries i.e., Li-ion, Alkaline, Lead Acid etc used in vehicles, computers & laptops, mobiles other electronics, UPS, Power Back up etc. as per Battery Waste management Rules 2016 and amendments thereof	Principle 6, Question 9 of Essential Indicators
		Radioactive waste (F)	Kg / MT	Discarded material such as paper, plastic, clothes, equipment, machine parts etc having exposure to radiation across Nuclear Power Plants, Hospitals, Research Laboratories, Industrial Applications etc.)	Principle 6, Question 9 of Essential Indicators
		Other Hazardous waste. Please specify, if any. (G)	Kg / MT	As per hazardous waste management rules of CPCB	Principle 6, Question 9 of Essential Indicators
		Other Non-hazardous waste generated (H). Please specify, if any. (Break-up by composition i.e., by materials relevant to the sector)	Kg / MT	Waste not identified as Hazardous as per CPCB	Principle 6, Question 9 of Essential Indicators
		Total waste generated ((A+B + C + D + E + F + G + H)	Kg / MT	self-explanatory	Principle 6, Question 9 of Essential Indicators



Sr. No.	Attribute	Parameter	Measurement	Data & Assurance Approach	Cross – reference to the BRSR
		Waste intensity	Kg or MT/ Rupee adjusted for PPP	1. Total waste generated 2. Total Revenue from Operations (from audited P&L) 3. PPP (USD / INR)	Principle 6, Question 9 of Essential Indicators
			Kg or MT / Unit of Product or Service	1. Total waste generated 2. Company & Sector Specific (i.e., No. of Vehicles Produced, MT of Material Produced, Data in Mn TB, No. of Seats / Travel Class etc)	Principle 6, Question 9 of Essential Indicators
		Each category of waste generated, total waste recovered through recycling, re-using or other recovery operations	Kg or MT	Absolute quantity Kg of Waste Recycled Recovered/ Total Waste generated <i>Disclosure may be provided if certificates from vendors have been relied upon for assurance of KPIs on waste management</i>	Principle 6, Question 9 of Essential Indicators
			Intensity		
	For each category of waste generated, total waste disposed by nature of disposal method	Kg or MT Intensity	1. Amount of material in MT disposed through Incineration 2. Amount of Material to Landfill 3. Any other method Kg of Waste Recycled Recovered/Total Waste generated	Principle 6, Question 9 of Essential Indicators	
5	Enhancing Employee Wellbeing and Safety	Spending on measures towards well-being of employees and workers – cost incurred as a % of total revenue of the company	In % terms	To check sources including – <ul style="list-style-type: none"> Insurance Policies & Premium Paid Details Infant Care Policy Amount billed/invoices towards providing such facilities <i>(The following measures may be included – health insurance, accident insurance, maternity benefits, paternity benefits, day care facilities, health & safety measures including access to mental health)</i>	Principle 3, Question 1(c) of Essential Indicators
		Details of safety related incidents for employees and workers (including contract-workforce e.g. workers in the company's construction sites)	Number of Permanent Disabilities	To check on the basis of claims	Principle 3, Question 11 of Essential Indicators

Annexures

Sr. No.	Attribute	Parameter	Measurement	Data & Assurance Approach	Cross – reference to the BRSR
			Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)	<ol style="list-style-type: none"> Total number of lost time injuries Total No. of working hours LTIFR = (Total number of lost time injuries *10,00,000) / Total No. of working hours 	Principle 3, Question 11 of Essential Indicators
			No. of fatalities	To check on the basis of claims as reported to the Factory Inspector	Principle 3, Question 11 of Essential Indicators
6	Enabling Gender Diversity in Business	Gross wages paid to females as % of wages paid	In % terms	Employee Master / Register	Principle 5, Question 3(b) of Essential Indicators
		Complaints on POSH	<ul style="list-style-type: none"> Total Complaints on Sexual Harassment (POSH) reported Complaints on POSH as a % of female employees / workers Complaints on POSH upheld 		Principle 5, Question 7 of Essential Indicators
7	Enabling Inclusive Development	Input material sourced from following sources as % of total purchases – <i>Directly sourced from MSMEs/ small producers and from within India</i>	In % terms – As % of total purchases by value	self-explanatory <i>'Input material' - includes all types of procurement such as raw material, spares, services, capex procurement items etc.</i>	Principle 8, Question 4 of Essential Indicators
		Job creation in smaller towns – Wages paid to persons employed in smaller towns (permanent or non-permanent / on contract) as % of total wage cost	In % terms – As % of total wage cost	Place of employment of employees /workers (Place to be categorised based on with RBI classification system on rural / semi-urban / urban / metropolitan)	Principle 8, Question 5 of Essential Indicators



Sr. No.	Attribute	Parameter	Measurement	Data & Assurance Approach	Cross – reference to the BRSR
8	Fairness in Engaging with Customers and Suppliers	Instances involving loss / breach of data of customers as a percentage of total data breaches or cyber security events	In % terms		Principle 9, Question 7 of Essential Indicators
		Number of days of accounts payable	(Accounts payable *365) / Cost of goods/services procured	To check from financial statements	Principle 1, Question 8 of Essential Indicators
9	Open-ness of business	Concentration of purchases & sales done with trading houses, dealers, and related parties Loans and advances & investments with related parties	<ul style="list-style-type: none"> Purchases from trading houses as % of total purchases Number of trading houses where purchases are made from Purchases from top 10 trading houses as % of total purchases from trading houses Sales to dealers / distributors as % of total sales Number of dealers / distributors to whom sales are made Sales to top 10 dealers/distributors as % of total sales to dealers / distributors Share of RPTs (as respective %age) in - <ul style="list-style-type: none"> Purchases Sales Loans & advances Investments 	1. RPT audited by Financial Auditors (Refer Financial Audit Report) 2. Financial statements / invoices 3. LTIFR = (Total number of lost time injuries *10,00,000) / Total No. of working hours	



ANNEXURE VIII

FORMAT OF BRSR CORE



BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORTING FORMAT

SECTION A: GENERAL DISCLOSURES

I. Details of the listed entity

1. Corporate Identity Number (CIN) of the Listed Entity
2. Name of the Listed Entity
3. Year of incorporation
4. Registered office address
5. Corporate address
6. E-mail
7. Telephone
8. Website
9. Financial year for which reporting is being done
10. Name of the Stock Exchange(s) where shares are listed
11. Paid-up Capital
12. Name and contact details (telephone, email address) of the person who may be contacted in case of any queries on the BRSR report
13. Reporting boundary - Are the disclosures under this report made on a standalone basis (i.e. only for the entity) or on a consolidated basis (i.e. for the entity and all the entities which form a part of its consolidated financial statements, taken together).
14. Name of assurance provider
15. Type of assurance obtained

II. Products/services

16. Details of business activities (*accounting for 90% of the turnover*):

S.No.	Description of Main Activity	Description of Business Activity	% of Turnover of the entity

17. Products/Services sold by the entity (*accounting for 90% of the entity's Turnover*):

S.No.	Product/Service	NIC Code	% of total Turnover contributed

III. Operations

18. Number of locations where plants and/or operations/offices of the entity are situated:

Location	Number of plants	Number of offices	Total
National			
International			

19. Markets served by the entity:

a. Number of locations

Locations	Number
National (No. of States)	
International (No. of Countries)	

b. What is the contribution of exports as a percentage of the total turnover of the entity?

c. A brief on types of customers

IV. Employees

20. Details as at the end of Financial Year:

a. Employees and workers (including differently abled):

S. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No. (C)	% (C / A)
EMPLOYEES						
1.	Permanent (D)					
2.	Other than Permanent (E)					
3.	Total employees(D + E)					
WORKERS						
4.	Permanent (F)					
5.	Other than Permanent (G)					
6.	Total workers (F + G)					



b. Differently abled Employees and workers:

S. No	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No. (C)	% (C / A)
DIFFERENTLY ABLED EMPLOYEES						
1.	Permanent (D)					
2.	Other than Permanent (E)					
3.	Total differently abled employees (D + E)					
DIFFERENTLY ABLED WORKERS						
4.	Permanent (F)					
5.	Other than permanent (G)					
6.	Total differently abled workers (F + G)					

21. Participation/Inclusion/Representation of women

	Total (A)	No. and percentage of Females	
		No. (B)	% (B / A)
Board of Directors			
Key Management Personnel			

22. Turnover rate for permanent employees and workers
(Disclose trends for the past 3 years)

	FY _____ (Turnover rate in current FY)			FY _____ (Turnover rate in previous FY)			FY _____ (Turnover rate in the year prior to the previous FY)		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent Employees									
Permanent Workers									

Annexures

V. Holding, Subsidiary and Associate Companies (including joint ventures)

23. (a) Names of holding / subsidiary / associate companies / joint ventures

S. No.	Name of the holding/ subsidiary/ associate companies/ joint ventures(A)	Indicate whether holding/ Subsidiary/ Associate/ Joint Venture	% of shares held by listed entity	Does the entity indicated at column A, participate in the Business Responsibility initiatives of the listed entity? (Yes/No)

VI. CSR Details

24. (i) Whether CSR is applicable as per section 135 of Companies Act, 2013: **(Yes/No)**
(ii) Turnover (in Rs.)
(iii) Net worth (in Rs.)

VII. Transparency and Disclosures Compliances

25. Complaints/Grievances on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business Conduct:

Stakeholder group from whom complaint is received	Grievance Redressal Mechanism in Place (Yes/No) (If Yes, then provide web-link for grievance redress policy)	FY ____ Current Financial Year			FY ____ Previous Financial Year		
		Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks
Communities							
Investors (other than shareholders)							
Shareholders							
Employees and workers							
Customers							
Value Chain Partners							
Other (please specify)							



26. Overview of the entity's material responsible business conduct issues

Please indicate material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity to your business, rationale for identifying the same, approach to adapt or mitigate the risk along-with its financial implications, as per the following format

S. No.	Material issue identified	Indicate whether risk or opportunity (R/O)	Rationale for identifying the risk / opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)

Annexures

SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

This section is aimed at helping businesses demonstrate the structures, policies and processes put in place towards adopting the NGRBC Principles and Core Elements.

Disclosure	P	P	P	P	P	P	P	P	P
Questions	1	2	3	4	5	6	7	8	9
Policy and management processes									
1. a. Whether your entity's policy/policies cover each principle and its core elements of the NGRBCs. (Yes/No)									
b. Has the policy been approved by the Board? (Yes/No)									
c. Web Link of the Policies, if available									
2. Whether the entity has translated the policy into procedures. (Yes / No)									
3. Do the enlisted policies extend to your value chain partners? (Yes/No)									
4. Name of the national and international codes/certifications/labels/ standards (e.g. Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustea) standards (e.g. SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle.									
5. Specific commitments, goals and targets set by the entity with defined timelines, if any.									
6. Performance of the entity against the specific commitments, goals and targets along-with reasons in case the same are not met.									
Governance, leadership and oversight									
7. <i>Statement by director responsible for the business responsibility report, highlighting ESG related challenges, targets and achievements (listed entity has flexibility regarding the placement of this disclosure)</i>									
8. Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies).									
9. Does the entity have a specified Committee of the Board/ Director responsible for decision making on sustainability related issues? (Yes/ No). If yes, provide details.									



10. Details of Review of NGRBCs by the Company:																		
Subject for Review	Indicate whether review was undertaken by Director / Committee of the Board/ Any other Committee									Frequency (Annually/ Half yearly/ Quarterly/ Any other – please specify)								
	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
Performance against above policies and follow up action																		
Compliance with statutory requirements of relevance to the principles, and, rectification of any non-compliances																		
11. Has the entity carried out independent assessment/ evaluation of the working of its policies by an external agency? (Yes/No). If yes, provide name of the agency.	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9									
12. If answer to question (1) above is “No” i.e. not all Principles are covered by a policy, reasons to be stated:																		
Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9									
The entity does not consider the Principles material to its business (Yes/No)																		
The entity is not at a stage where it is in a position to formulate and implement the policies on specified principles (Yes/No)																		
The entity does not have the financial or/human and technical resources available for the task (Yes/No)																		
It is planned to be done in the next financial year (Yes/No)																		
Any other reason (please specify)																		

SECTION C: PRINCIPLE WISE PERFORMANCE DISCLOSURE

This section is aimed at helping entities demonstrate their performance in integrating the Principles and Core Elements with key processes and decisions. The information sought is categorized as “Essential” and “Leadership”. While the essential indicators are expected to be disclosed by every entity that is mandated to file this report, the leadership indicators may be voluntarily disclosed by entities which aspire to progress to a higher level in their quest to be socially, environmentally and ethically responsible.

PRINCIPLE 1 Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.

Essential Indicators

- Percentage coverage by training and awareness programmes on any of the Principles during the financial year:

Segment	Total number of training and awareness programmes held	Topics / principles covered under the training and its impact	%age of persons in respective category covered by the awareness programmes
Board of Directors			
Key Managerial Personnel			
Employees other than BoD and KMPs			
Workers			

- Details of fines / penalties /punishment/ award/ compounding fees/ settlement amount paid in proceedings (by the entity or by directors / KMPs) with regulators/ law enforcement agencies/ judicial institutions, in the financial year, in the following format (Note: the entity shall make disclosures on the basis of materiality as specified in Regulation 30 of SEBI (Listing Obligations and Disclosure Obligations) Regulations, 2015 and as disclosed on the entity’s website):

Monetary					
	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial institutions	Amount (In INR)	Brief of the Case	Has an appeal been preferred? (Yes/No)
Penalty/ Fine					
Settlement					
Compounding fee					



Non-Monetary					
	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial institutions	Amount (In INR)	Brief of the Case	Has an appeal been preferred? (Yes/No)
Imprisonment					
Punishment					

3. Of the instances disclosed in Question 2 above, details of the Appeal/ Revision preferred in cases where monetary or non-monetary action has been appealed.

Case Details	Name of the regulatory/ enforcement agencies/ judicial institutions

4. Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide a web-link to the policy.
5. Number of Directors/KMPs/employees/workers against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption:

	FY _____ (Current Financial Year)	FY _____ (Previous Financial Year)
Directors		
KMPs		
Employees		
Workers		

6. Details of complaints with regard to conflict of interest:

	FY _____ (Current Financial Year)		FY _____ (Previous Financial Year)	
	Number	Remarks	Number	Remarks
Number of complaints received in relation to issues of Conflict of Interest of the Directors				
Number of complaints received in relation to issues of Conflict of Interest of the KMPs				

Annexures

7. Provide details of any corrective action taken or underway on issues related to fines / penalties / action taken by regulators/ law enforcement agencies/ judicial institutions, on cases of corruption and conflicts of interest.
8. Number of days of accounts payables ((Accounts payable *365) / Cost of goods/services procured) in the following format:

	FY _____ (Current Financial Year)	FY _____ (Previous Financial Year)
Number of days of accounts payables		

9. Open-ness of business

Provide details of concentration of purchases and sales with trading houses, dealers, and related parties along-with loans and advances & investments, with related parties, in the following format:

Parameter	Metrics	FY _____ (Current Financial Year)	FY _____ (Previous Financial Year)
Concentration of Purchases	a) Purchases from trading houses as % of total purchases		
	b) Number of trading houses where purchases are made from		
	c) Purchases from top 10 trading houses as % of total purchases from trading houses		
Concentration of Sales	a) Sales to dealers / distributors as % of total sales		
	b) Number of dealers / distributors to whom sales are made		
	c) Sales to top 10 dealers/ distributors as % of total sales to dealers / distributors		



Parameter	Metrics	FY _____ (Current Financial Year)	FY _____ (Previous Financial Year)
Share of RPTs in	a) Purchases (Purchases with related parties / Total Purchases)		
	b) Sales (Sales to related parties / Total Sales)		
	c) Loans & advances (Loans & advances given to related parties / Total loans & advances)		
	d) Investments (Investments in related parties / Total Investments made)		

Leadership Indicators

1. Awareness programmes conducted for value chain partners on any of the Principles during the financial year:

Total number of awareness programmes held	Topics / principles covered under the training	%age of value chain partners covered (by value of business done with such partners) under the awareness programmes

2. Does the entity have processes in place to avoid/ manage conflict of interests involving members of the Board? **(Yes/No)** If Yes, provide details of the same.



Annexures

PRINCIPLE 2 Businesses should provide goods and services in a manner that is sustainable and safe

Essential Indicators

- Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.

	Current Financial Year	Previous Financial Year	Details of improvements in environmental and social impacts
R&D			
Capex			

- Does the entity have procedures in place for sustainable sourcing? (Yes/No)
 - If yes, what percentage of inputs were sourced sustainably?
- Describe the processes in place to safely reclaim your products for reusing, recycling and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) other waste.
- Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes/ No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.

Leadership Indicators

- Has the entity conducted Life Cycle Perspective / Assessments (LCA) for any of its products (for manufacturing industry) or for its services (for service industry)? If yes, provide details in the following format?

NIC Code	Name of Product/ Service	% of total Turnover contributed	Boundary for which the Life Cycle Perspective / Assessment was conducted	Whether conducted by independent external agency (Yes/No)	Results communicated in public domain (Yes/No) If yes, provide the web-link.

- If there are any significant social or environmental concerns and/or risks arising from production or disposal of your products / services, as identified in the Life Cycle Perspective/



Assessments (LCA) or through any other means, briefly describe the same along-with action taken to mitigate the same.

Name of Product / Service	Description of the risk / concern	Action Taken

3. Percentage of recycled or reused input material to total material (by value) used in production (for manufacturing industry) or providing services (for service industry).

Indicate input material	Recycled or re-used input material to total material	
	FY _____ Current Financial Year	FY _____ Previous Financial Year

4. Of the products and packaging reclaimed at end of life of products, amount (in metric tonnes) reused, recycled, and safely disposed, as per the following format:

	FY _____ Current Financial Year			FY _____ Previous Financial Year		
	Plastics (including packaging)					
E-waste						
Hazardous waste						
Other waste						

5. Reclaimed products and their packaging materials (as percentage of products sold) for each product category.

Indicate product category	Reclaimed products and their packaging materials as % of total products sold in respective category

Annexures

PRINCIPLE 3 Businesses should respect and promote the well-being of all employees, including those in their value chains

Essential Indicators

1. a. Details of measures for the well-being of employees:

	% of employees covered by										
	Total (A)	Health insurance		Accident insurance		Maternity benefits		Paternity Benefits		Day Care facilities	
		Number (B)	% (B / A)	Number (C)	% (C / A)	Number (D)	% (D / A)	Number (E)	% (E / A)	Number (F)	% (F / A)
Permanent employees											
Male											
Female											
Total											
Other than Permanent employees											
Male											
Female											
Total											

b. Details of measures for the well-being of workers:

	% of employees covered by										
	Total (A)	Health insurance		Accident insurance		Maternity benefits		Paternity Benefits		Day Care facilities	
		Number (B)	% (B / A)	Number (C)	% (C / A)	Number (D)	% (D / A)	Number (E)	% (E / A)	Number (F)	% (F / A)
Permanent employees											
Male											
Female											
Total											
Other than Permanent employees											
Male											
Female											
Total											

c. Spending on measures towards well-being of employees and workers (including permanent and other than permanent) in the following format –

Indicate input material	Recycled or re-used input material to total material	
	FY _____ Current Financial Year	FY _____ Previous Financial Year
Cost incurred on well-being measures as a % of total revenue of the company		



2. Details of retirement benefits, for Current FY and Previous Financial Year.

Benefits	FY _____ Current Financial Year			FY _____ Previous Financial Year		
	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)
PF						
Gratuity						
ESI						
Others— please specify						

3. **Accessibility of workplaces**

Are the premises / offices of the entity accessible to differently abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard.

- Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy.
- Return to work and Retention rates of permanent employees and workers that took parental leave.

Gender	Permanent employees		Permanent workers	
	Return to work rate	Retention rate	Return to work rate	Retention rate
Male				
Female				
Total				

- Is there a mechanism available to receive and redress grievances for the following categories of employees and worker? If yes, give details of the mechanism in brief.

	Yes/No (If Yes, then give details of the mechanism in brief)
Permanent Workers	
Other than Permanent Workers	
Permanent Employees	
Other than Permanent Employees	

Annexures



7. Membership of employees and worker in association(s) or Unions recognised by the listed entity:

Category	FY _____ (Current Financial Year)			FY _____ (Previous Financial Year)		
	Total employees/ workers in respective category (A)	No. of employees/ workers in respective category, who are part of association(s) or Union (B)	% (B / A)	Total employees/ workers in respective category (C)	No. of employees/ workers in respective category, who are part of association(s) or Union (D)	% (D / C)
Total Permanent Employees						
- Male						
- Female						
Total Permanent Workers						
- Male						
- Female						

8. Details of training given to employees and workers:

Category	FY _____ Current Financial Year					FY _____ Previous Financial Year				
	Total (A)	On Health and safety measures		On Skill upgradation		Total (D)	On Health and safety measures		On Skill upgradation	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
Employees										
Male										
Female										
Total										
Workers										
Male										
Female										
Total										



9. Details of performance and career development reviews of employees and worker:

Category	FY _____ Current Financial Year			FY _____ Previous Financial Year		
	Total (A)	No. (B)	% (B/A)	Total (C)	No. (D)	% (D/C)
Employees						
Male						
Female						
Total						
Workers						
Male						
Female						
Total						

10. Health and safety management system:

- a. Whether an occupational health and safety management system has been implemented by the entity? (Yes/ No). If yes, the coverage such system?
- b. What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity?
- c. Whether you have processes for workers to report the work related hazards and to remove themselves from such risks. (Y/N)
- d. Do the employees/ worker of the entity have access to non-occupational medical and healthcare services? (Yes/ No)

11. Details of safety related incidents, in the following format:

Safety Incident/Number	Category*	FY _____	FY _____
		Current Financial Year	Previous Financial Year
Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)	Employees		
	Workers		
Total recordable work-related injuries	Employees		
	Workers		
No. of fatalities	Employees		
	Workers		
High consequence work-related injury or ill-health (excluding fatalities)	Employees		
	Workers		

*Including in the contract workforce

Annexures

12. Describe the measures taken by the entity to ensure a safe and healthy work place.
13. Number of Complaints on the following made by employees and workers:

	FY _____ (Current Financial Year)			FY _____ (Current Financial Year)		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Working Conditions						
Health & Safety						

14. Assessments for the year:

	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Health and safety practices	
Working Conditions	

15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of health & safety practices and working conditions.

Leadership Indicators

1. Does the entity extend any life insurance or any compensatory package in the event of death of (A) Employees (Y/N) (B) Workers (Y/N).
2. Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners.
3. Provide the number of employees / workers having suffered high consequence work-related injury / ill-health / fatalities (as reported in Q11 of Essential Indicators above), who have been are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment:

	Total no. of affected employees/ workers		No. of employees/workers that are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment	
	FY _____ (Current Financial Year)	FY _____ (Previous Financial Year)	FY _____ (Current Financial Year)	FY _____ (Previous Financial Year)
Employees				
Workers				



4. Does the entity provide transition assistance programs to facilitate continued employability and the management of career endings resulting from retirement or termination of employment? **(Yes/ No)**
5. Details on assessment of value chain partners:

	% of value chain partners (by value of business done with such partners) that were assessed
Health and safety practices	
Working Conditions	

6. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from assessments of health and safety practices and working conditions of value chain partners.

PRINCIPLE 4: Businesses should respect the interests of and be responsive to all its stakeholders

Essential Indicators

1. Describe the processes for identifying key stakeholder groups of the entity.
2. List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group.

Stakeholder Group	Whether identified as Vulnerable & Marginalized Group (Yes/ No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other	Frequency of engagement (Annually/ Half yearly/ Quarterly/ others – please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement

Leadership Indicators

1. Provide the processes for consultation between stakeholders and the Board on economic, environmental, and social topics or if consultation is delegated, how is feedback from such consultations provided to the Board.
2. Whether stakeholder consultation is used to support the identification and management of environmental, and social topics (Yes / No). If so, provide details of instances as to how the inputs received from stakeholders on these topics were incorporated into policies and activities of the entity.
3. Provide details of instances of engagement with, and actions taken to, address the concerns of vulnerable/ marginalized stakeholder groups.

PRINCIPLE 5 Businesses should respect and promote human rights

Essential Indicators

1. Employees and workers who have been provided training on human rights issues and policy(ies) of the entity, in the following format:

Category	FY _____ (Current Financial Year)			FY _____ (Current Financial Year)		
	Total (A)	No. of employees / workers covered (B)	% (B / A)	Total (C)	No. of employees / workers covered (D)	% (D / C)
Employees						
Permanent						
Other than permanent						
Total Employees						
Workers						
Permanent						
Other than permanent						
Total Workers						

2. Details of minimum wages paid to employees and workers, in the following format:

Category	FY _____ Current Financial Year					FY _____ Previous Financial Year				
	Total (A)	On Health and safety measures		On Skill upgradation		Total (D)	On Health and safety measures		On Skill upgradation	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
Employees										
Permanent										
Male										
Female										
Other than Permanent										
Male										
Female										



Category	FY _____ Current Financial Year					FY _____ Previous Financial Year				
	Total (A)	On Health and safety measures		On Skill upgradation		Total (D)	On Health and safety measures		On Skill upgradation	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
Workers										
Permanent										
Male										
Female										
Other than Permanent										
Male										
Female										

3. Details of remuneration/salary/wages

a. Median remuneration / wages:

	Male		Female	
	Number	Median remuneration/ salary/ wages of respective category	Number	Median remuneration/salary/ wages of respective category
Board of Directors (BoD)				
Key Managerial Personnel				
Employees other than BoD and KMP				
Workers				

b. Gross wages paid to females as % of total wages paid by the entity, in the following format:

	FY _____ Current Financial Year	FY _____ Previous Financial Year
Gross wages paid to fe- males as % of total wages		

Annexures

4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? (Yes/No)
5. Describe the internal mechanisms in place to redress grievances related to human rights issues.
6. Number of Complaints on the following made by employees and workers:

	FY _____ (Current Financial Year)			FY _____ (Current Financial Year)		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Sexual Harassment						
Discrimination at workplace						
Child Labour						
Forced Labour/ Involuntary Labour						
Wages						
Other human rights related issues						

7. Complaints filed under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, in the following format:

	FY _____ Current Financial Year	FY _____ Previous Financial Year
Total Complaints reported under Sexual Harassment on of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH)		
Complaints on POSH as a % of female employees / workers		
Complaints on POSH upheld		



- 8. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.
- 9. Do human rights requirements form part of your business agreements and contracts? **(Yes/ No)**
- 10. Assessments for the year:

	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Child labour	
Forced/involuntary labour	
Sexual harassment	
Discrimination at workplace	
Wages	
Others – please specify	

- 11. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 10 above.

Leadership Indicators

- 1. Details of a business process being modified / introduced as a result of addressing human rights grievances/complaints.
- 2. Details of the scope and coverage of any Human rights due-diligence conducted.
- 3. Is the premise/office of the entity accessible to differently abled visitors, as per the requirements of the Rights of Persons with Disabilities Act, 2016?
- 4. Details on assessment of value chain partners:

	% of value chain partners (by value of business done with such partners) that were assessed
Sexual Harassment	
Discrimination at workplace	
Child Labour	
Forced Labour/Involuntary Labour	
Wages	
Others – please specify	

- 5. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 4 above.

Annexures

PRINCIPLE 6: Businesses should respect and make efforts to protect and restore the environment

Essential Indicators

1. Details of total energy consumption (in Joules or multiples) and energy intensity, in the following format:

Parameter	FY _____ (Current Financial Year)	FY _____ (Previous Financial Year)
From renewable sources		
Total electricity consumption (A)		
Total fuel consumption (B)		
Energy consumption through other sources (C)		
Total energy consumed from renewable sources (A+B+C)		
From non-renewable sources		
Total electricity consumption (D)		
Total fuel consumption (E)		
Energy consumption through other sources (F)		
Total energy consumed from non-renewable sources (D+E+F)		
Total energy consumed (A+B+C+D+E+F)		
Energy intensity per rupee of turnover (Total energy consumed / Revenue from operations)		
Energy intensity per rupee of turnover adjusted for Purchasing Power Parity (PPP)		
(Total energy consumed / Revenue from operations adjusted for PPP)		
Energy intensity in terms of physical output		
Energy intensity (optional) – the relevant metric may be selected by the entity		

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.



2. Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.
3. Provide details of the following disclosures related to water, in the following format:

Parameter	FY _____ (Current Financial Year)	FY _____ (Previous Financial Year)
Water withdrawal by source (in kilolitres)		
(i) Surface water		
(ii) Groundwater		
(iii) Third party water		
(iv) Seawater / desalinated water		
(v) Others		
Total volume of water withdrawal (in kilolitres) (i + ii + iii + iv + v)		
Total volume of water consumption (in kilolitres)		
Water intensity per rupee of turnover (Total water consumption / Revenue from operations)		
Water intensity per rupee of turnover adjusted for Purchasing Power Parity (PPP) (Total water consumption / Revenue from operations adjusted for PPP)		
Water intensity in terms of physical output		
Water intensity (optional) – the relevant metric may be selected by the entity		

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Annexures

4. Provide the following details related to water discharged:

Parameter	FY _____ (Current Financial Year)	FY _____ (Previous Financial Year)
Water discharge by destination and level of treatment (in kilolitres)		
(i) To Surface water		
- No treatment		
- With treatment – please specify level of treatment		
(ii) To Groundwater		
- No treatment		
- With treatment – please specify level of treatment		
(iii) To Seawater		
- No treatment		
- With treatment – please specify level of treatment		
(iv) Sent to third-parties		
- No treatment		
- With treatment – please specify level of treatment		
(v) Others		
- No treatment		
- With treatment – please specify level of treatment		
Total water discharged (in kilolitres)		

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

5. Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.



6. Please provide details of air emissions (other than GHG emissions) by the entity, in the following format:

Parameter	Please specify unit	FY _____ (Current Financial Year)	FY _____ (Previous Financial Year)
NOx			
SOx			
Particulate matter (PM)			
Persistent organic pollutants (POP)			
Volatile organic compounds (VOC)			
Hazardous air pollutants (HAP)			
Others – please specify			

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

7. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity, in the following format:

Parameter	Unit	FY _____ (Current Financial Year)	FY _____ (Previous Financial Year)
Total Scope 1 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent		
Total Scope 2 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent		
Total Scope 1 and Scope 2 emission intensity per rupee of turnover (Total Scope 1 and Scope 2 GHG emissions / Revenue from operations)			

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Parameter	Unit	FY _____ (Current Financial Year)	FY _____ (Previous Financial Year)
Total Scope 1 and Scope 2 emission intensity per rupee of turnover adjusted for Purchasing Power Parity (PPP) (Total Scope 1 and Scope 2 GHG emissions / Revenue from operations adjusted for PPP)			
Total Scope 1 and Scope 2 emission intensity in terms of physical output			
Total Scope 1 and Scope 2 emission intensity (optional) – the relevant metric may be selected by the entity			

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

8. Does the entity have any project related to reducing Green House Gas emission? If Yes, then provide details.
9. Provide details related to waste management by the entity, in the following format:

Parameter	FY _____ (Current Financial Year)	FY _____ (Previous Financial Year)
Total Waste generated (in metric tonnes)		
Plastic waste (A)		
E-waste (B)		
Bio-medical waste (C)		
Construction and demolition waste (D)		
Battery waste (E)		
Radioactive waste (F)		
Other Hazardous waste. Please specify, if any. (G)		



Parameter	FY _____ (Current Financial Year)	FY _____ (Previous Financial Year)
Other Non-hazardous waste generated (H). Please specify, if any. (Break-up by composition i.e. by materials relevant to the sector)		
Total (A+B + C + D + E + F + G + H)		
Waste intensity per rupee of turnover (Total waste generated / Revenue from operations)		
Waste intensity per rupee of turnover adjusted for Purchasing Power Parity (PPP) (Total waste generated / Revenue from operations adjusted for PPP)		
Waste intensity in terms of physical output		
Waste intensity (optional) – the relevant metric may be selected by the entity		
For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes)		
Category of waste		
(i) Recycled		
(ii) Re-used		
(iii) Other recovery operations		
Total		
For each category of waste generated, total waste disposed by nature of disposal method (in metric tonnes)		
Category of waste		
(i) Incineration		
(ii) Landfilling		
(iii) Other disposal operations		
Total		

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Annexures

10. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.
11. If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals / clearances are required, please specify details in the following format:

S. No.	Location of operations/offices	Type of operations	Whether the conditions of environmental approval / clearance are being complied with? (Y/N) If no, the reasons thereof and corrective action taken, if any.

12. Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year:

Name and brief details of project	EIA Notification No.	Date	Whether conducted by independent external agency (Yes / No)	Results communicated in public domain (Yes / No)	Relevant Web link

13. Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India; such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment protection act and rules thereunder (Y/N). If not, provide details of all such non-compliances, in the following format:

S. No.	Specify the law/ regulation / guidelines which was not complied with	Provide details of the non-compliance	Any fines / penalties / action taken by regulatory agencies such as pollution control boards or by courts	Corrective action taken, if any



Leadership Indicators

1. Water withdrawal, consumption and discharge in areas of water stress (in kilolitres):

For each facility / plant located in areas of water stress, provide the following information:

- (i) Name of the area
- (ii) Nature of operations
- (iii) Water withdrawal, consumption and discharge in the following format:

Parameter	FY _____ (Current Financial Year)	FY _____ (Previous Financial Year)
Water withdrawal by source (in kilolitres)		
(i) Surface water		
(ii) Groundwater		
(iii) Third party water		
(iv) Seawater / desalinated water		
(v) Others		
Total volume of water withdrawal (in kilolitres)		
Total volume of water consumption (in kilolitres)		
Water intensity per rupee of turnover (Water consumed / turnover)		
Water intensity <i>(optional)</i> – the relevant metric may be selected by the entity		
Water discharge by destination and level of treatment (in kilolitres)		
(i) Into Surface water		
- No treatment		
- With treatment – please specify level of treatment		
(ii) Into Groundwater		
- No treatment		
- With treatment – please specify level of treatment		

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(iii) Into Seawater		
- No treatment		
- With treatment – please specify level of treatment		
(ii) Sent to third-parties		
- No treatment		
- With treatment – please specify level of treatment		
(ii) Others		
- No treatment		
- With treatment – please specify level of treatment		
Total water discharged (in kilolitres)		

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

2. Please provide details of total Scope 3 emissions & its intensity, in the following format:

Parameter	Unit	FY _____ (Current Financial Year)	FY _____ (Previous Financial Year)
Total Scope 3 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent		
Total Scope 3 emissions per rupee of turnover			
Total Scope 3 emission intensity (optional) – the relevant metric may be selected by the entity			

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

3. With respect to the ecologically sensitive areas reported at Question 11 of Essential Indicators above, provide details of significant direct & indirect impact of the entity on biodiversity in such areas along-with prevention and remediation activities.



4. If the entity has undertaken any specific initiatives or used innovative technology or solutions to improve resource efficiency, or reduce impact due to emissions / effluent discharge/ waste generated, please provide details of the same as well as outcome of such initiatives, as per the following format:

S. No.	Initiative undertaken	Details of the initiative (<i>Web-link, if any, may be provided along-with summary</i>)	Outcome of the initiative

5. Does the entity have a business continuity and disaster management plan? Give details in 100 words/ web link.
6. Disclose any significant adverse impact to the environment, arising from the value chain of the entity. What mitigation or adaptation measures have been taken by the entity in this regard.
7. Percentage of value chain partners (by value of business done with such partners) that were assessed for environmental impacts.

PRINCIPLE 7 - Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent

Essential Indicators

1. a. Number of affiliations with trade and industry chambers/ associations.
- b. List the top 10 trade and industry chambers/ associations (determined based on the total members of such body) the entity is a member of/ affiliated to.

S. No.	Name of the trade and industry chambers/ associations	Reach of trade and industry chambers/ associations (State/National)
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		



Annexures

- Provide details of corrective action taken or underway on any issues related to anti-competitive conduct by the entity, based on adverse orders from regulatory authorities.

Name of authority	Brief of the case	Corrective action taken

Leadership Indicators

- Details of public policy positions advocated by the entity:

S. No.	Public policy advocated	Method resorted for such advocacy	Whether information available in public domain? (Yes/No)	Frequency of Review by Board (Annually/ Half yearly/ Quarterly/ Others – please specify)	Web Link, if available

PRINCIPLE 8 Businesses should promote inclusive growth and equitable development

Essential Indicators

- Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.

Name and brief details of project	SIA Notification No.	Date of notification	Whether conducted by independent external agency (Yes / No)	Results communicated in public domain (Yes / No)	Relevant Web link

- Describe the mechanisms to receive and redress grievances of the community.
- Percentage of input material (inputs to total inputs by value) sourced from suppliers:

	FY _____ Current Financial Year	FY _____ Previous Financial Year
Directly sourced from MSMEs/ small producers		
Directly from within India		



5. Job creation in smaller towns – Disclose wages paid to persons employed (including employees or workers employed on a permanent or non-permanent / on contract basis) in the following locations, as % of total wage cost

Location	FY _____ Current Financial Year	FY _____ Previous Financial Year
Rural		
Semi-urban		
Urban		
Metropolitan		

(Place to be categorized as per RBI Classification System - rural / semi-urban / urban / metropolitan)

Leadership Indicators

1. Provide details of actions taken to mitigate any negative social impacts identified in the Social Impact Assessments (Reference: Question 1 of Essential Indicators above):

Details of negative social impact identified	Corrective action taken

2. Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies:

S. No.	State	Aspirational District	Amount spent (In INR)

3. (a) Do you have a preferential procurement policy where you give preference to purchase from suppliers comprising marginalized /vulnerable groups? (Yes/No)
 (b) From which marginalized /vulnerable groups do you procure?
 (c) What percentage of total procurement (by value) does it constitute?
4. Details of the benefits derived and shared from the intellectual properties owned or acquired by your entity (in the current financial year), based on traditional knowledge:

S. No.	Intellectual Property based on traditional knowledge	Owned/ Acquired (Yes/No)	Benefit shared (Yes / No)	Basis of calculating benefit share

5. Details of corrective actions taken or underway, based on any adverse order in intellectual property related disputes wherein usage of traditional knowledge is involved.

Name of authority	Brief of the case	Corrective action taken

Annexures

6. Details of beneficiaries of CSR Projects:

S. No.	CSR Project	No. of persons benefitted from CSR Projects	% of beneficiaries from vulnerable and marginalized groups

PRINCIPLE 9 Businesses should engage with and provide value to their consumers in a responsible manner

Essential Indicators

- Describe the mechanisms in place to receive and respond to consumer complaints and feedback.
- Turnover of products and/ services as a percentage of turnover from all products/service that carry information about:

	As a percentage to total turnover
Environmental and social parameters relevant to the product	
Safe and responsible usage	
Recycling and/or safe disposal	

- Number of consumer complaints in respect of the following:

	FY ____ (Current Financial Year)		Remarks	FY ____ (Previous Financial Year)		Remarks
	Received during the year	Pending resolution at end of year		Received during the year	Pending resolution at end of year	
Data privacy						
Advertising						
Cyber-security						
Delivery of essential services						
Restrictive Trade Practices						
Unfair Trade Practices						
Other						



4. Details of instances of product recalls on account of safety issues:

	Number	Reasons for recall
Voluntary recalls		
Forced recalls		

- 5. Does the entity have a framework/ policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy.
- 6. Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products / services.
- 7. Provide the following information relating to data breaches:
 - a. Number of instances of data breaches
 - b. Percentage of data breaches involving personally identifiable information of customers
 - c. Impact, if any, of the data breaches

Leadership Indicators

- 1. Channels / platforms where information on products and services of the entity can be accessed (provide web link, if available).
- 2. Steps taken to inform and educate consumers about safe and responsible usage of products and/or services.
- 3. Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.
- 4. Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/Not Applicable) If yes, provide details in brief. Did your entity carry out any survey with regard to consumer satisfaction relating to the major products / services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/No)



ANNEXURE IX
SEBI CIRCULAR SEBI/HO/CFD/POD-1/P/CIR/2022/120
DATED ON 19TH SEPTEMBER, 2022



भारतीय प्रतिभूति और विनिमय बोर्ड Securities and Exchange Board of India

CIRCULAR

SEBI/HO/CFD/PoD-1/P/CIR/2022/120

September 19, 2022

To

All Recognized Stock Exchanges
All Recognized Depositories
All Merchant Bankers and Brokers registered with SEBI
All Social Enterprises
All Social Impact Fund registered with SEBI
All Social Audit Firms/ Institute of Chartered Accounts of India

Dear Sir / Madam,

Sub: Framework on Social Stock Exchange (“SSE”)

1. Vide notification dated July 25, 2022, Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“**ICDR Regulations**”), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**”) and Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 (“**AIF Regulations**”) were amended to provide a broad framework for Social Stock Exchange.

In terms of the said amendment, a detailed framework on SSE is specified as under:

A. Minimum requirements to be met by a Not for Profit Organization (NPO) for registration with SSE in terms of Regulation 292F of the ICDR Regulations

A NPO desirous of registration on SSE, in terms of Regulation 292F(1) of ICDR Regulations, shall fulfil the following criteria:

Broad Parameter	Indicator	Details
Legal Requirements		
Entity is registered as an NPO	Registration certificate valid at least for next 12 months at the time of seeking registration with SSE	Entities must be registered in India as one of the below: a. a charitable trust registered under the public trust statute of the relevant state; b. a charitable trust registered under the Societies Registration Act, 1860 c. a charitable trust registered under the Indian Trusts Act, 1882 d. a company incorporated under section 8 of the Companies Act, 2013

Broad Parameter	Indicator	Details
Ownership and control	Governing document (MoA & AoA/ Trust Deed/ Bye-laws/ Constitution)	Disclose if NPO is owned and/or controlled by government or private
Exemption under Income Tax Act	Registration Certificate under section 12A/12AA/ 12AB under Income Tax Act, 1961	Registration Certificate under section 12A/12AA/12AB to be valid for at least the next 12 months. Does not have a notice or ongoing scrutiny by Income Tax.
Registration with Income Tax as an NPO	IT PAN	Valid IT PAN
Age of the NPO	Registration certificate	Minimum 3 years
Deduction under Income Tax Act, 1960	Valid 80G registration under Income Tax Act, 1961.	Entity to ensure whether tax deduction is available or not to investors.
Eligible to be Social Enterprise	Requirements with Regulation 292E of ICDR Regulations	As may be specified by SSE
Minimum Fund Flows		
Annual Spending in the past financial year	Receipts or Payments from Audited accounts/ Fund Flow Statement	Must be at least Rs. 50 lakhs
Funding in the past financial year	Receipts from Audited accounts/ Fund Flow Statement	Must be at least Rs. 10 lakhs

B. Minimum Initial Disclosure Requirement for NPOs raising funds through the issuance of Zero Coupon Zero Principal Instruments in terms of Regulation 292K(1) of the ICDR Regulations

- (1) SSE under the guidance of SSE Governing Council (SGC) shall mandate the structure of the draft fund raising document/ final fund raising document. SSE shall host such requirements on its website.
- (2) SSE shall ensure that the documents contain the following minimum disclosures:
 - a. Vision
Organisation's activities, interventions and programmes are in line with aims and objects stated in its constitution.
 - b. Target Segment
Organisation has defined its target segment and reach to accomplish its planned activities. Clear identification and understanding of the target segment (those affected by the problem and how are they affected) The



NPO must disclose how its approach intends to improve Inclusion for its customers / recipients

c. Strategy

Strategy formulation towards accomplishing vision should take into account capabilities and learning from challenges.

d. Governance

Organisation has a governing body and details of its governing body, composition, dates of board meetings held (key items covered).

e. Management

Details of key managerial staff such as those in charge of Programmes, Fundraising, Marketing, Communication, Finance, HR. Organisation discloses whether it provides letters to staff and volunteers defining roles and responsibilities, has a periodic performance appraisal process etc.

f. Operations

The organisation has a physical existence, is operational and shares its address for visits.

g. Finance

Disclosure of financial statements for last three Financial Years in accordance with guidelines for NPOs issued by Institute of Chartered Accountants of India (ICAI).

h. Compliance

Organisation makes available, annual accounts duly audited for the latest three financial years and there are no material qualifications or material irregularities reported by its auditor. Compliances w.r.t. Income Tax, notices received etc.

i. Credibility

Documents such as Registration, Trust Deed/ MoA and AoA, Address Proof, IT PAN, 12A/12AA/12AB Certificate, FCRA certificate and returns, remuneration to governing members.

j. Social Impact

Details of past social impact in terms of parameters specified in ParaD(5) of this circular.

k. Risks

Disclose (i) risks that the NPO sees to its work and how it proposes to mitigate these (ii) unintended consequences that the NPO sees from its work and how it proposes to mitigate these.

Annexures

C. Annual disclosure by NPOs on SSE which have either raised fund through SSE or are registered with SSE in terms of Regulation 91C of the LODR Regulations

The following disclosures would be made by the NPOs on an Annual Basis (i.e.) within 60 days from end of Financial Year

(1) Disclosures on General aspects:

- i. Name of the organization (legal and popular name)
- ii. Location of headquarters and location of operations
- iii. Vision / Mission / Purpose
- iv. Organizational goals, activities, products and services
- v. Outreach of organization (Type and number of direct, indirect and institutional beneficiaries / stakeholders reached)
- vi. Scale of operations (Including Employee and Volunteer strength)
- vii. Details of top donors or investors of organisation - List of Top 5 donors or investors (budget wise)
- viii. Details of top 5 programs in disclosure period - List of Top 5 interventions/ programs (budget wise)

(2) Disclosures on Governance aspects:

- i. Ownership and legal form
- ii. Governance Structure (outlines board and management committee structures, mandates, membership, charters, policies and internal controls)
- iii. Details of governing body including names of the members of the body
- iv. Executives with key responsibilities
- v. Number of meetings by governing body and other committees formed by them along with attendance and the process of performance review
- vi. Organisation level potential risks and mitigation plan.
- vii. Reporting of related party transactions.
- viii. Mechanisms for advice and concerns about ethics, along with conflict of interest and communicating other critical concerns
- ix. Remuneration Policies
- x. Stakeholder grievance, process of grievance redressal and number of grievance received and resolved
- xi. Compliance management process and statement of compliance from senior decision maker
- xii. Organisation registration certificate and other licenses and certifications (12A, 80G, FCRA, GST, etc.)



- (3) Disclosures on Financial aspects:
 - i. Financial Statement (Balance Sheet, Income statement and Cash Statement). Also program wise fund utilization for the year
 - ii. Auditors report and auditor details
- (4) A guidance note in respect of the above aspects is provided at **Annexure I**.
- (5) SSE may specify additional parameters that may be required to be disclosed by NPO on annual basis.

D. Disclosure of Annual Impact Report by all Social Enterprises which have registered or raised funds using SSE in terms of Regulation 91E of the LODR Regulations

- (1) All Social Enterprises (SEs) will have to provide duly audited Annual Impact Report (AIR) to SSE within 90 days from the end of Financial Year.
- (2) The AIR shall capture the qualitative and quantitative aspects of the social impact generated by the entity and where applicable, the impact that is generated by the project or solution for which funds have been raised on SSE.
- (3) In case an NPO is only registered without listing any security, the AIR must cover the NPO's significant activities, intervention, programs or projects during the year and the methodology for determination of significance must be explained. Additionally, if there is an activity, intervention, program or projects covered under a listed security, it will qualify as a significant activity, intervention, program or project.
- (4) For a Social Impact Fund where the underlying recipients of funds are SEs which have registered or raised funds using SSE, must disclose an overall AIR for the fund covering all investee/grantee organizations where the funds are deployed.
- (5) The AIR should at a minimum, cover the aspects described below.
 - a. Strategic Intent and Planning
 - i. What is the social or environmental challenge the organization and/or the instrument listed is addressing? Has this changed in the last year?
 - ii. How is the organization attending to the challenge or planning to attend to the challenge? Has this changed in the last year?
 - iii. Who is being impacted (target segment)? Has this changed in the last year?
 - iv. What will be the outcomes of the activities, intervention, programs or project? Disclosure should include positive and potential unintended negative outcomes.
 - b. Approach
 - i. What is the baseline status / situation analysis / context description at the start of the activity/intervention/programs or project and at the end of the last reporting period?



Annexures

- ii. What has been the past performance trend? (if relevant)
 - iii. What is the solution implementation plan and the measures taken for sustainability of activity/intervention/programs or project outcomes? Has there been any material change in your implementation model in the last one year?
 - iv. Please brief out alignment of solution to Sustainable Development Goals (SDGs)/national priorities/state priorities/ developmental priorities.
 - v. How have you taken into consideration stakeholder feedback in this reporting period?
 - vi. In the last year, what have you seen as the biggest risks to the achievement of the desired impact? How are these being mitigated?
- c. Impact Score Card
- i. What are the metrics monitored and what has been the trend?
 - ii. Briefly include narratives of impact on target segment(s) in the reporting period.
 - iii. Beneficiary/Stakeholder Validation through surveys and other feedback mechanisms

- (6) A guidance note in respect of the above aspects is provided at **Annexure II**.
- (7) SSE may specify additional parameters that may be required to be disclosed by SE in its AIR.
- (8) The AIR shall be audited by Social Auditors and the SEs shall disclose thereport of the Social Auditor along with AIR

E. Statement of utilisation of funds in terms of 91F of the LODR Regulations

Listed NPO shall submit statement of utilisation of funds to SSE, as mandated under Regulation 91F of the LODR Regulations, within 45 days from the end of quarter.

2. This circular is issued in exercise of powers conferred by Section 11(1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and shall come into effect immediately.
3. A copy of this circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework/Circulars".

Yours faithfully,

Yogita Jadhav General Manager
Corporation Finance Department
+91 22 2644 9583
Email - yogitag@sebi.gov.in



Annexure I: Guidance notes for listed/registered NPOs on disclosures of general, governance and financial aspects

General disclosures

1. Name of the organization (legal and popular name):

The reporting organization shall report on the registered name and also any popular names the organization is known by among stakeholders.

2. Location of headquarters and location of operations:

Headquarter refers to the address that the organization has used in registering with respective regulatory body and also the organizations administrative center, from which it is controlled or directed. In case the locations are different, it needs to be specified. Location of operations shall cover the name of the locations where the organization has significant operation. Significant shall be defined to the scope of fund raising document.

3. Vision/Mission/ Purpose:

It is important to understand the intent behind the disclosure and respond accordingly. Purpose in this context is why the organization exists and explaining why the cause taken up by the organization matters. The Mission will explain how the organization is working in the context of the purpose and the Vision in the context of this disclosure will be about where the organization is headed and what the organization will achieve. It is possible that all organizations may not have all the 3 (Vision, mission and purpose) as a stated document.

4. Organizational goals, activities, Products and Services:

The reporting organization shall mention overall objectives of the organization or activity/intervention/programs or project listed. It shall also describe the organization activities, including any products and services which the organization provides.

5. Outreach of organization:

Organization to mention type and number of direct, indirect and institutional beneficiaries / stakeholders reached across different programs and geographies.

6. Scale of operations (Including Employee and Volunteer strength):

The scale of the operations shall be explained by net turn-over/annual budget/annual spent in last 3 years, number of beneficiaries, number of locations of operations and number of employees and volunteers. Total number of employees shall be disclosed separately as permanent employees, temporary employees and employees on contract. The nature and scale of activities performed by volunteers shall be disclosed. The organization shall disclose the scale of operations either at a national level or at a state or district level as may be useful for stakeholders.

Annexures

7. Top donors or investors of organisation - List of Top 5 donors or investors (budgetwise)

Sl. No.	Donor or Investor	Geo-graphy	Total program cost (INR)	Expenditure incurrent year (INR)	Cumulative expenditure (INR)	Total outreach (Direct, Indirect, Institutional)	SDG goal or target	Alignment with national/state schemes or priority
1								
2								
..								

8. Details of top programs in disclosure period - List of Top 5 activities/intervention/ programs/project (budget wise)

Sl. No.	Donor or Investor	Geo-graphy	Total program cost (INR)	Expenditure incurrent year (INR)	Cumulative expenditure (INR)	Total outreach (Direct, Indirect, Institutional)	Names of Donors or investors	Alignment with national/state schemes or priority
1								
2								
..								

Governance Disclosures

1. Ownership and legal form:

The organization shall explain the nature of ownership and the legal form on the entity specific to India operations.

2. Governance Structure:

The governance structure will start from the governance body, the committees / sub committees (standing/adhoc) under the governance body and the organization hierarchy for decision making. It outlines board and management committee structures, mandates, membership, charters, policies and internal controls.

3. Details of governing body including names of the members of the body:

The organization shall explain the role of the governance body, the competence available and the identification of the members including name. Also name and designation of the senior decision maker may be provided.

4. Executives with key responsibilities:

The disclosure will highlight the key executive positions and their role in the organization.

5. Number of meetings by governing body and other committees formed by them along with attendance and the process of performance review:



The process to acquire the necessary information and data by the governance body to review the performance of the organization shall be explained. The disclosure shall also bring out the number of such meetings held by the governance body, during the course of the reporting period.

6. Organisation level potential risks and mitigation plan:

The organization to describe potential risks and mitigation plan addressing the same for organization and proposed solution/activity/intervention/programs or project.

7. Reporting of related party transactions

The organization shall disclose all related party transactions entered by it and reasons for the same.

8. Mechanisms for advice and concerns about ethics, along with conflict of interest and communication of other critical concerns:

A description of the organizations internal and external mechanisms for seeking inputs about ethical and lawful behavior and organisations integrity. It will also include the identification of who in the organization is assigned the responsibility for this mechanism. The concerns related to any conflict of interest and other concerns raised by the mechanism above shall be disclosed along with the actions the organization has taken.

9. Remuneration policies:

Remuneration policies for the governing body and the senior executive of the organization shall be reported. This shall include all kinds of fixed pay, variable pay and performance linked payments. It can also include any termination payments and claw backs. It is also important to bring out how performance of the organization is linked to remuneration.

10. Stakeholder grievance, process of grievance redressal and number of grievance received and resolved:

Apart from concerns related to ethics, the organization shall report on what is the organizations process to seek any stakeholder concerns or grievances. How many such concerns or grievances were received and how many of them were resolved.

11. Compliance management process and statement of compliance from senior decision maker: This disclosure requires the organizations to explain how the organization manages to monitor its compliance in respect of regulatory and legal requirements. There shall be a statement on the compliance status by the senior decision maker, who shall be the chair, CEO or equivalent senior position.

12. Organisation registration certificate and other licenses and certifications (12A, 80G, FCRA, GST, etc.).

Annexures

Financial Disclosures

ICAI is in the process of publishing the uniform accounting and reporting framework for NGO. However, the following disclosures shall be made by the NPO in respect of Financial Aspects.

1. Financial Statement:
 - Balance Sheet
 - Income statement
 - Cash Statement
 - Program wise fund utilization certificate
 - Percentage of organizational budget this 'issue' represents
 - Breakup of organizational budget and expenditure
 - Split of the budget across partners of the project/initiative is being jointly executed
2. Auditors Report and details of the auditors

Annexure II: Guidance notes for all Social Enterprises (SEs) on AIR Strategic Intent and Planning

1. What is the social or environmental challenge the organization or the instrument listed is addressing?

The problem statement to be explained in detail. The challenge, its extent, causes and consequences and the part of the problem statement the organization and the instrument are trying to address shall be explained.

2. How the organization is planning to attend to the challenge or attending to the challenge?

The approach the organization or the specific instrument will be using or already using need to be explained. The organization shall also explain what the change is resulting for the targeted beneficiary and what proportion of the target group are experiencing the change.

3. Who is being impacted (target segment)?

The target beneficiaries / stakeholders to cover various kinds of target groups. Include the organization's internal definition of "target segments" it seeks to serve, usually along one or more of the three dimensions namely,

- Income (driven by socio-demographic and/or behavioural characteristics)
- Geography (ecosystem or geographic characteristics driven by population density (urban/rural), administrative boundaries, terrain etc); and



- Thematic issue (gender, caste, community that places the target segment at a disadvantage that has economic and non-economic consequences)

Where the target segment is a specific geographic region in its entirety, state so. Thematic issues could be one or more of the following: *Conservation of Resources, Generation via renewable resources, Reduction in waste, Conservation (say of land, wildlife, historical monuments, etc), Reduction in toxic substances.*

Also, bring out possible deviations that might have occurred in the reporting period.

4. What will be the outcomes of the solution/program? Coverage should include positive and potential unintended negative outcomes.

Describe the Theory of change / logic model framework (defining input, output(s), outcome(s)) for the solution proposed. While identifying the targeted impact segment, both positive and potential unintended negative impacts need to be identified.

Approach

1. What is the baseline status / situation analysis / context description at the start of the activity, intervention, program or project?

The baseline measurement is done to establish the starting point in any activity, intervention, program or project. The measurements give the depth of the challenge and/or the spread of the challenge. The organization will establish the right kind of measurements keeping the end or what the organization or instrument wants to achieve since the baseline will be used to measure what actually changed due to the intervention. In absence of baseline study, a detailed situation analysis to be mentioned.

2. What has been the past performance trend?

For the on-going activity, intervention, program or project explain the key past performance trends and for proposed activity, intervention, program or project the narrative should explain the experience of similar programs in similar situations.

3. What is the solution implementation plan and the measures taken for sustainability of program outcomes?

Detailed implementation plan to be mentioned capturing all the essential activities. The interventions can be either perennial support or time bound support. In case of time bound support, the organization shall explain the exit strategy and how it ensures that the outcomes achieved will be sustained. In case of perennial support also, the organization can explain how it ensures sustainability of the project/program. Also, bring out possible deviations that might have occurred in the reporting period.

4. Please brief out alignment of solution to Sustainable Development Goals (SDGs)/ national priorities/state priorities.

Annexures

Explain the alignment of activity, intervention, program or project to respective SDGs and national/state priorities and schemes.

5. How have you taken into consideration stakeholder feedback in this reporting period?

The organization to mention how they have mapped and prioritized the key stakeholders for the engagement. The reporting shall include the list of stakeholders engaged, their feedback and how the organization used the feedback.

6. In the last year, what have you seen as the biggest risks to the achievement of the desired impact? How are these being mitigated?

Mention the key potential risks pertaining to the organization or the specific instrument that could hamper/hinder the achievements of desired intended outcomes in last year and the steps or strategies taken by organization to mitigate the same.

Impact Scorecard

1. What are the metrics monitored and what has been the trend?

The trend in performance shall be explained through the trend of the data across the output, outcome and impact metrics that are established by the organization. The metrics will capture the reach of the activity, intervention, program or project as well as level of inclusiveness of impact being generated (direct, indirect, extended). This shall help evaluate the delta change that has occurred in lives of various target stakeholders (including environment) due to the solution. The metrics monitored shall target to cover the reach, depth and inclusion.

Reach - Outreach metrics for target segment(s) served:

- Proportion of target segment(s) who have been reached in the reporting period
- Proportion of target segment(s) who accepted the organization's solution
- What part of the planned activity, intervention, program or project have been accomplished in the reporting period
- Cumulative reach (members of the target segment served since inception)
- Other suitable metrics in relation to the solution, usually relate to people, institutions or activities (Ex: monthly active users of MAUs for an app/tech platform). These can be considered as needed, where the target segment is the specific geographic region.

Depth - The depth of impact on the median individual (of the target segment(s)) Surveys (1% of the customers/recipients or at least 200 respondents per organization) asking respondents 'Has your quality of life changed', with response options being: Very much improved, slightly improved, no change, got slightly worse, got much worse.



Alternatively, SE can compare itself to different 'case studies' of High - Medium - Low depth organizations.

Inclusion - The SE must consider for itself how its approach intends to improve Inclusion for its customers / recipients, along one or more of the following themes.

- Theme 1: Net increase in Income levels of customers / recipients among target segment(s), as decided by the organization. The organization can self-select 'Low', 'Medium' or 'High'.
- Theme 2: Diversity and Inclusion: The SE exhibits how it prioritizes the inclusion of these disadvantaged groups or communities (either as owners, partners or customers) and empower them in their relationship with the SE over time.
- Theme 3: Social Equity: The SE exhibits how its approach has resulted in the disadvantaged group or community experiencing increased social equity. This can be through a survey as above or through qualitative criteria such as details of its strategy, processes and internal accountability/governance processes that have resulted in an internal culture that values and works towards achieving social equity for the disadvantaged group or community.

2. What are the highlights or achievements in the reporting period?

The organization to mention key highlights, achievements, challenges and/or disappointments faced during the reporting period.

3. Beneficiary / Stakeholder validation

It is utmost necessary to capture the perspective of stakeholders for the program to draw a holistic picture of impact/change that has been achieved by the program. The stakeholder voices would also help in capturing information that will help validate the impact claims. This can establish a check and avoid over claiming. The validation process shall answer the following questions.

- What would have happened in the absence of this activity, intervention, program or project?
- How much the activity, intervention, program or project contributed to the changes that are evidenced?
- How much unintended negative impacts happened due to the activity, intervention, program or project?



ANNEXURE X

NSEs FREQUENTLY ASKED QUESTIONS ON SOCIAL STOCK EXCHANGE



Frequently Asked Questions on Social Stock Exchange

1. What is Social Stock Exchange (SSE)?

Ans: Social Stock Exchange (SSE) is a separate segment of the existing Stock Exchange, that can help Social Enterprise(s) (Please see Qs.2 for further details on Social Enterprise) to raise funds from public through the stock exchange mechanism. SSE will act as a medium between Social Enterprises and fund providers and that can help them to select those entities that are creating measurable social impact and reporting such impact. Certain type of Social Enterprises i.e. Not-for-profit organizations (NPOs) that meet the registration criteria (Please see Qs. 9 for details on registration criteria) can register on SSE and undertake to make continuous disclosures on their social impact. Such NPOs may or may not choose to raise funds through SSE, however, would continue to make disclosures including on social impact to stock exchanges.

2. What is a Social Enterprise in the context of Social Stock Exchange? Or

Which entity can identify itself as a social enterprise?

Ans: Social Stock Exchange identifies the following two forms of social enterprises that are engaging in the activity of creating positive social impact and that meet the primacy of their social intent.

- i. Not-for-profit organization (Please see Qs. 5 for details)
- ii. For profit social enterprise (Please see Qs. 6 for details)

In order to establish primacy of social intent, any entity [be it Not-for-Profit Organization (NPO) or For-Profit Social Enterprise (FPE)] should meet all three criteria mentioned under Regulation 292E(2) of the ICDR Regulations. Briefly, these criteria require that the entity must indulge in activities prescribed under Regulation 292E(2)(a), and that the entity must target underserved or less privileged population segments or regions which have recorded lower performance in the development priorities of central or state governments.

Further, in order to be identified as a social enterprise, it shall demonstrate that 67% of its activities qualifying as eligible activities to the target population shall be demonstrated by either of the following:

- i. At least 67% of its revenue of the immediately preceding 3-year average of revenues comes from providing eligible activities to members of the target population.

or



References

- ii. at least 67% of the immediately preceding 3-year average of expenditure has been incurred for providing eligible activities to members of the target population.

or

- iii. members of the target population to whom the eligible activities have been provided constitute at least 67% of the immediately preceding 3-year average of the total customer base and/or total number of beneficiaries.

However, corporate foundations, political or religious organizations or activities, professional or trade associations, infrastructure, and housing companies, except affordable housing, shall not be eligible to be identified as a Social Enterprise.

3. What are the minimum reporting standards mandated for Social Enterprises?

Ans. The minimum reporting standards have been created by benchmarking elements from various national and international frameworks of measurement that have been developed and are being deployed. The main elements of the reporting standard are as:

i. Section 1- Strategic Intent and Goal Setting

- (a) The social problem to be solved
- (b) The target segment to be served
- (c) The approach to solve the problem

ii. Section 2- Social Impact Scorecard

- (a) Extent of target segment served
- (b) Intensity of impact on median individual
- (c) Dimensions of income, social equity and diversity

iii. Section 3- General information

- (a) Members of governing body
- (b) Demonstration of prior funding history
- (c) Financials, Registrations or licenses

4. Which Social Enterprises are not eligible to get registered or raise funds through Social Stock Exchange/Stock Exchange?

Ans. A Social Enterprise shall not be eligible to register or raise funds through Social Stock Exchange/Stock Exchange if –

- a) any of its promoters, promoter group or directors or selling shareholders (in case of for-profit social enterprise) or trustees are debarred from accessing the securities market by SEBI



- b) if any of the promoters or directors or trustees of the Social Enterprise is a promoter or director of any other company or Social Enterprise which has been debarred from accessing the securities market by SEBI;
- c) if the Social Enterprise or any of its promoters or directors or trustees is a willful defaulter or a fraudulent borrower;
- d) If any of its promoters or directors or trustees is a fugitive economic offender
- e) if the Social Enterprise or any of its promoters or directors or trustees has been debarred from carrying out its activities or raising funds by the Ministry of Home Affairs or any other ministry of the Central Government or State Government or Charitable Commissioner or any other statutory body

5. What is a Not-for-profit organization in the context of Social Stock Exchange? Or Which entity can be identified as a not-for-profit organization in the context of Social Stock Exchange?

Ans: A not for profit organization is an entity which meets the criteria to be identified as a social enterprise (Please see Qs 2) and is any of the following entities:

- i. a charitable trust registered under the public trust statute of the relevant state;
- ii. a charitable society registered under the Societies Registration Act, 1860 (21 of 1860);
- iii. a company incorporated under section 8 of the Companies Act, 2013 (18 of 2013);
- iv. any other entity as may be specified by SEBI;

6. What is a for profit social enterprise in the context of Social Stock Exchange? Or Which entity can be identified as a for profit social enterprise in the context of Social Stock Exchange?

Ans: A for profit social enterprise is an entity which meets the criteria to be identified as a social enterprise (Please Qs 2) and is any of the following entities:

- i. A company under the Companies Act, 2013, operating for profit and does not include a company incorporated under section 8 of the Companies Act, 2013 (18 of 2013);
- ii. A body corporate operating for profit

7. What are the ways in which a Not-for-profit organization can raise funds through Social Stock Exchange?

Ans: A Not-for-Profit organization after registering with Social Stock Exchange may raise funds on Social Stock Exchange through

References

- i. Issuance of Zero Coupon Zero Principal Instruments [through private placement or public issuance]
- ii. Donations through Mutual Fund Schemes [as shall be specified by]
- iii. Any other means that SEBI may specify in future

8. Is it mandatory for a Not-for-profit organization to register in order to raise funds through Social Stock Exchange?

Ans: Yes, it is mandatory for a Not-for-profit organization to register with Social Stock Exchange before it raises funds through Social Stock Exchange.

However, a Not-for-profit organization may continue to raise funds through any other means, as permissible under the law, whether it is registered or not with Social Stock Exchange.

9. What are the criteria for registration on Social Stock Exchange in respect of Not-for-profit organizations?

Ans: SEBI vide its circular dated September 19, 2022 has prescribed certain minimum requirements in order for a not-for-profit organization to register on Social Stock Exchange. In brief, these criteria include mandatory age of NPO as 3 years, valid certificate u/s 12A/12AA/12AB of the Income Tax Act, valid 80G registration, minimum INR 50 lakhs as annual spending and minimum INR 10 lakhs of fund in the past year etc.

Social Stock Exchanges are also permitted to prescribe additional requirements in order for a not-for-profit organization to register on it.

10. Is it mandatory for the Not-for-Profit Organizations registered with Social Stock Exchange to seek listing?

Ans. It is not mandatory for Not-for-Profit Organizations which are registered with Social Stock Exchange under regulation 292F of the ICDR Regulations to seek listing, however it shall mandatorily seek registration with a Social Stock Exchange before it raises funds through a Social Stock Exchange.

A Not-for-Profit Organization may choose to register on a Social Stock Exchange and not raise funds through it. It can also continue to raise funds through any other means.

11. What structured finance product is available for Not-for-Profit Organizations through social stock exchange mechanism?

Ans. DIBs is one form of the structured finance product available on SSE:

- i. **Development Impact Bonds**-These are structured finance products where upon completion of a project that meets pre-agreed social metrics at pre



agreed rates, the service provider of the project receives grants from the donor, who is called as the “outcome funders”.

The basic principle of a DIB structure is that a grant is made to an NPO after it delivers on pre-agreed social metrics at pre-agreed costs/ rates. The donor who makes the grant when the social metrics are achieved is termed as “Outcome Funder”. Given that the outcome funder makes the payment on a post facto basis, the NPO needs to raise funds to finance its operations. Such a funder is termed as “Risk Funder”. A risk funder not only enables financing of operations on a pre-payment basis, but also undertakes the risk of non-delivery of social metrics by the NPO. To compensate for this risk, a Risk Funder typically earns a small return if the social metrics are delivered.

12. Is it mandatory to register for profit social enterprises in order to raise funds through Social Stock Exchange?

Ans: No, a for profit social enterprise need not register with Social Stock Exchange before it raises funds through SSE. However, a for profit social enterprise shall comply with all provisions of ICDR Regulations, AIF Regulations [as applicable for its fund-raising modes] before it can raise funds through SSE.

13. How can a for profit social enterprise raise funds through Social Stock Exchange?

Ans: A For Profit Social Enterprise may raise funds through-

- i. Issue of Equity Shares (On Main Board, SME Platform or innovators growth platform of stock exchange as the case may be)
- ii. Issue of Equity Shares to an Alternative Investment Fund including Social Impact Fund
- iii. Issue of Debt Instruments
- iv. Any other means that SEBI may specify in future

If for-profit-organizations issue equity shares on Main Board, SME Platform or innovators growth platform of stock exchange as the case may be, it shall also need to meet the eligibility criteria for the respective platform as mandated under the SEBI (ICDR Regulations) 2018.

Similarly, for issuance of equity shares to AIFs, issuance of Debt Securities etc. would require compliance with respective SEBI Regulations.

14. Whether retail investors can invest in securities issued by Social Enterprises in the Social Stock Exchange Platform?

Ans. Retail investors are permitted to invest only in securities offered by For-profit social enterprise under the Main Board. In all other cases, only institutional investors and non- institutional investors can invest in securities issued by Social Enterprises. As per SEBI (Issue of capital and disclosure requirements) Regulations, 2018, a retail

References

individual investor is one who applies or bids for specified securities for a value of not more than two lakhs rupees and non-institutional investor is separately defined as an investor other than a retail individual investor and qualified institutional buyer.

15. Can a For-Profit Organization issue Equity Shares to an Alternative Investment Fund?

Ans. Yes. An unlisted For-Profit Organization can issue Equity Shares to an Alternate Investment Fund.

16. Will I qualify for registration if 67% of my activities last year were in one or more items from the list of eligible activities, by my immediately preceding 3-year average is below 67% ?

Ans. No, you are not eligible to apply for registration or listing on the SSE till the 3-year average of your activities is not greater than or equal to 67% of your total activities.

17. Will an NPO promoted by the promoters of a body corporate be eligible to apply?

Ans. If the NPO is dependent on the corporate for more than 50% of its funding, then it shall not be eligible to apply.

18. Whether an NPO needs to be in operations for 3 years before registering on the Social Stock Exchange?

Ans. Yes, a Not-for-Profit Organization is mandatorily required to be in operations for 3 years before registering on the Social Stock Exchange

19. What proof is needed to demonstrate that the NPO has been in operation for 3 years?

Ans. Documents such as Certificate of Incorporation and audited financial for three years is required to demonstrate that the NPO has been in operation for 3 years.

20. Can an NPO that is not registered on the NGO Darpan portal register on the Social Stock Exchange?

Ans. No, the registration of NPO on the NGO Darpan portal is mandatorily required for registering it on Social Stock Exchange.

21. Who will certify the documents that are needed to be submitted for registration of an NPO?

Ans. The documents are required to be certified by CEO/Managing Trustee/Statutory Auditor/any two authorized signatories from governing body.

22. If an NPO registers on the SSE, will they have to follow all the compliances even if they do not list any instruments on it?

Ans. Yes. NPO is required to comply with all the applicable SEBI (LODR) Regulations, 2015 and circular thereof.

23. Is this meant for Indian entities only or international NPOs can also get registered?

Ans. Only Indian entities can register in Social Stock Exchange.



24. If any Corporate is promoting one NPO through formation of a Formal Organization and then wants to register the NPO on the SSE, is it permitted?

Ans. If majority (>50%) of the funding for the NPO is coming from the said corporate or the corporate has a controlling interest in the NPO, then it is not allowed.

25. Will it be possible for an NPO to renew the registration after a year if they have not raised any money in the previous year through SSE?

Ans. Yes, NPO may renew the registration after a year if they have not raised any money in the previous year through SSE. This is subject to them having completed all disclosures as required.

26. Suppose, we get registered as a SE, and while moving forward if at any point we fail to follow any guidelines. What would be the potential repercussions?

Ans. Like other listed entities in case of failure to comply with any of the provisions or guidelines SEBI reserves the power to initiate enforcement actions such as issuance of administrative warning, imposing penalties under Chapter VIA of the SEBI Act, or action u/s 11 of the SEBI Act for debarment and/ or penalty.

27. Are For-profit organizations eligible to issue Zero Coupon Zero Principal Instruments for raising funds?

Ans. No. Zero Coupon Zero Principal Instruments shall be issued only by a Not-for-Profit Organization registered on a Social Stock Exchange.

28. Which Not for Profit Organizations are eligible to issue Zero Coupon Zero Principal Instruments? -

Ans. Following conditions need to be fulfilled by Not-for-Profit Organizations to issue Zero Coupon Zero Principal Instruments:

- a) The Not-for-Profit Organization must be registered with Social Stock Exchange, and
- b) Zero Coupon Zero Principal Instruments must have specific tenure and can only be issued for a specific project or activity to be completed within a duration specified in the fund-raising document, and
- c) The specific project or activity for which the Zero Coupon Zero Principle Instruments are being issued must fall under the list of eligible activities specified under regulation 292E of SEBI (ICDR) Regulations, 2018.

29. Can Not-for-Profit Organizations make private issuance of Zero Coupon Zero Principal Instruments?

Ans. Yes. The Not-for-Profit Organization registered on a Social Stock Exchange, may also make private issuance of Zero Coupon Zero Principal Instruments to Social



References

Impact Fund(s) registered under the applicable provisions of the Securities and Exchange Board of India (Alternative Investment Funds) Regulations 2012.

30. What is the procedure for public issuance of Zero Coupon Zero Principal Instruments by a Not-for-Profit Organization?

- Ans.** i. A Not-for-Profit Organization shall file draft fund raising document with the Social Stock Exchange where it is registered along with the fees as specified by the Social Stock Exchange along with application to seek in-principle approval to list Zero Coupon Zero Principal Instruments on Social Stock Exchange.
- ii. The Social Stock Exchange shall make draft fund-raising document available on its website for a period of at least 21 days for public comments.
- iii. Social Stock Exchange may seek clarification from Not-for-Profit Organization, if required.
- iv. Within 30 days from the filing of the draft fund-raising document or receipt of clarifications, if any, sought by the Social Stock Exchange from Not-for-Profit Organization, whichever is earlier, the Social Stock Exchange shall provide its observation on the draft fund-raising document to the Not-for-Profit Organization.
- v. The Not-for-Profit Organization shall incorporate the observations of the Social Stock Exchange in draft fund-raising document and file the final fund-raising document with the Social Stock Exchange prior to opening the issue.

The same procedure is to be followed for private issuance of Zero Coupon Zero Principal Instruments to the extent applicable.

31. Can Zero Coupon Zero Principal Instruments be issued in physical form?

Ans. No. Zero Coupon Zero Principal Instruments shall be issued in dematerialized form only.

32. Is there any limit for issue size of Zero Coupon Zero Principal Instruments?

Ans. The minimum issue size for issue of Zero Coupon Zero Principal Instruments shall be rupees one crore and minimum application size shall be rupees two lakhs.

33. What is the minimum subscription required to be achieved for successful issue of Zero Coupon Zero Principal Instruments?

Ans. The minimum subscription required to be achieved shall be 75% of the funds proposed to be raised through issuance of Zero Coupon Zero Principal Instruments.



34. Can a Social Enterprise terminate the listing of Zero Coupon Zero Principal Instruments from Social Stock Exchange?

Ans. The Social Enterprise shall terminate the listing of Zero Coupon Zero Principal Instruments in following events-

- a) The object for which the funds were raised has been achieved and a certificate to this effect is submitted to the Social Stock Exchange, or
- b) The tenure to achieve the object for which the funds were raised as provided in the fund-raising document has expired.

35. Are instruments listed by Social Enterprises available for trading in secondary market?

Ans. The instruments issued by Not-for-Profit Organizations are not available for trading in secondary market. Whereas the instruments issued by For-Profit Organizations are available for trading in secondary market on respective platforms of the Stock Exchanges, on which they are listed.

36. What is Social Audit?

Ans. Social Audit refers social impact assessment of project/program executed by Social Enterprises through an independent examination by a certified Social audit professional (refer to Q3 below).

37. What is a Social Audit Firm?

Ans. Social Audit Firm is an entity which has employed Social Auditors and has a track record of minimum three years for conducting social impact assessment.

38. Who can act as Social Auditor?

Ans. An individual who is registered with a self-regulatory organization under the Institute of Chartered Accountants of India (or such other agency, as may be specified by SEBI) and who has qualified a certification program conducted by National Institute of Securities Market and holds a valid certificate can act as Social Auditor.

39. Is there any Lock-in or minimum period between registration of any NPO and raising of funds from the market?

Ans. No, there is no Lock-in or minimum period between registration of any NPO and raising of funds from the market.

40. Is a merchant banker required to be appointed for preparing the draft fund – raising document?

Ans. Not required.

References

41. Is there a validity period for the observations issued by SSE on the draft fund-raising document?

Ans. A period of 6 months is the validity period for the observations issued by SSE on the draft fund-raising document.

42. Please clarify whether the Funds raised by the NPO are in the form of a grant or a loan?

Ans. Funds raised by the NPO shall be in the form of a grant.

43. Whether private placement of Zero Coupon Zero Principal Instruments be made to any person other than Social Impact Funds registered under SEBI AIFs Regulations?

Ans. Yes, private placement of Zero Coupon Zero Principal Instruments may be made to any person other than Social Impact Funds registered under SEBI AIFs Regulations.

44. Whether the Private Placement of Zero Coupon Zero Principal Instruments issued to Social Impact Funds compulsorily required to be listed on Social Stock Exchange?

Ans. Yes, Private Placement of Zero Coupon Zero Principal Instruments issued to Social Impact Funds compulsorily required to be listed on Social Stock Exchange

45. Do all the funds for a ZCZP instrument project have to be raised via the SSE or some can be outside the SSE also?

Ans. Yes, ZCZP instrument project must be raised via the SSE, or some can be outside the SSE. The prescribed regulations may be referred.

46. Whether NGO/ NPO is required to obtain FCRA registration before raising funds from Foreign Institutional Investor or Individual Non-Resident Donors?

Ans. Foreign Investors are currently not allowed to invest through the SSE.

47. How will the foreign funding and local funding be managed in a single instrument, or will there be separate instruments for NRI's/Foreign investors?

Ans. Foreign funds are currently not permitted.

48. Once a proposal is put up for a project by an NPO, how will the fundraising happen? The investors will look into the proposals and get in touch with the NPO or the NPO will have to proactively seek support?

Ans. The SSE will not be playing a role in marketing for fund raising.

49. Will the investors be treated as donors? How will the funds received be accounted for?

Ans. Yes. Investor will be treated as donors as per normal accounting principles.



50. What happens if the ZCZP issue is not fully subscribed?

Ans. This will need to be specified in the offer document and shall be subject to the extant regulations.

51. Whether Zero Coupon Zero Principal Instrument holdings are transferable?

Ans. Trading is not permissible in ZCZP, but they can be transferred for other purposes, such as transfer to legal heirs.

52. Whether Zero Coupon Zero Principal Instruments will be subject to securities transaction tax?

Ans. No, Zero Coupon Zero Principal Instruments will not be subject to securities transaction.

53. Whether a Listed NPO can raise additional funds for the same project through another ZCZP instrument?

Ans. Yes, Listed NPO may raise additional funds for the same project through another ZCZP instrument.

54. Can a listed NPO raise funds for more than one project by issuing multiple ZCZP instruments, one for each project?

Ans. Yes, listed NPO may raise funds for more than one project by issuing multiple ZCZP instruments, one for each project.

55. Since, Development Impact Bonds Are Pay-for-Success Funding Structures, will NPOs be allowed to issue them?

Ans. Yes, NPOs will be allowed to issue Development Impact Bonds.

56. Whether a Registered NPO raised fund outside Social Stock Exchange is required to disclose the details of such funds as a part of Annual Disclosure under LODR?

Ans. Yes, Registered NPO raised fund outside Social Stock Exchange is required to disclose the details of such funds as a part of Annual Disclosure under LODR.

57. Is termination of Zero Coupon Zero Principal Instruments equivalent to delisting?

Ans. Yes, termination of Zero Coupon Zero Principal Instruments equivalent to delisting.

58. What is the process for corporates to register for extending funding support?

Ans. Corporates may follow the normal investor registration process.

59. Will foreign investors like FII's, FPI's or NRI investors be allowed to invest in NPO fund raising?

Ans. Foreign investors like FII's, FPI's or NRI investors, will not be allowed to invest in NPO fund raising.



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