

# **REPORTING GUIDELINES FOR CORPORATE SOCIAL RESPONSIBILITY**

**(Section 135, Subsection [1] and [2], 469 of Companies  
Act 2013 and CSR Rules 27 February 2014)**



**Centre for Science and Environment**  
New Delhi, India

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# Preamble

*The Corporate Social Responsibility (CSR) reporting guidelines aim to:*

- *Assess the impact of the CSR policy of companies by way of initiatives and programmes*
- *When, how and where the CSR money is spent*
- *To bring about standardization, transparency and accountability in CSR allocations and spending*

# 1. Introduction

The Centre for Science and Environment (CSE), New Delhi has developed guidelines for companies to report wholly on their CSR initiatives, spending (reasons for spending) and impacts as mandated under the Companies Act 2013. This detailed document has been developed for all Indian companies, large, medium and small, to report on their Corporate Social Responsibility (CSR). It aims to cover the intent and spirit of companies towards the CSR provision of the Companies Act sustainability of projects, programmes and initiatives; nature of spending; relevance and areas of spending, revealing disaggregated data and alike.

## RATIONALE

Over the last two years, there has been ambiguity and a lack of uniformity in CSR reporting. Although the 2 per cent spending and reporting is now obligatory, there is still little clarity on it. The reporting guidelines aim to streamline, fulfill and act as a supplementary mechanism for fulfilling the CSR provision, which is now been constitutionally empowered.

## OBJECTIVE

The key objectives of the guidelines are:

1. To improve accountability of and transparency in CSR spending
2. To guide the CSR implementing agencies in improving CSR governance
3. To assist in capturing impacts of CSR—making it measurable and comprehensive
4. To standardize CSR reporting
5. To encourage a socially inclusive CSR policy
6. To encourage learning from each other's CSR reporting
7. To make CSR an integral part of business

To develop a rights-based perspective towards the policy, the guidelines have broadly been divided into three categories, namely:

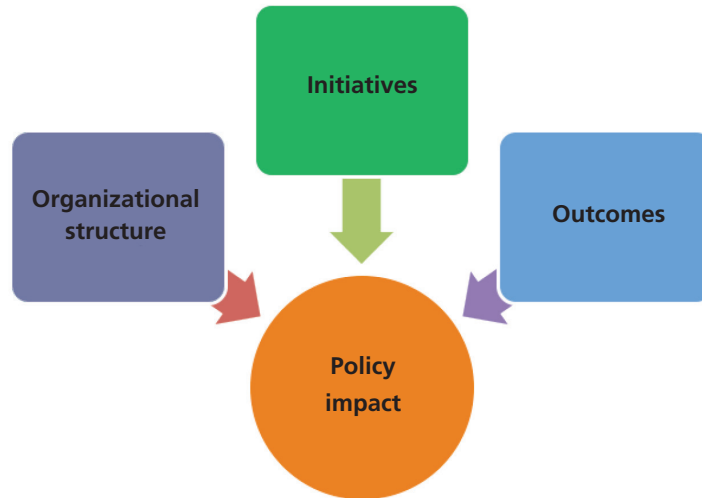
**(A) Organizational structure**

**(B) Initiatives and**

**(C) Outcomes** (*see Fig. 1: Categories that reports must cover*).

It is necessary that the reports cover the three categories, i.e. organizational structure, initiatives and outcomes, which include all the major aspects of responsible social spending.

**Fig.1: Categories that reports must cover**



**Logic**

1. **Organizational structure**— *A clear knowledge of the structure of a company (including its CSR committee composition as well as policy) is a must as it sheds light on the capacity of the company and zeal of the top management to formulate and execute responsible social, environmentally friendly and economically viable initiatives, allocation of adequate budgetary and human resources on the said mandate.*
2. **Initiatives**—*Uniform disclosures on the nature of CSR initiatives play a crucial role by way of highlighting the priorities and preferences of a company in terms of allocations, and its assessment and linkages to business. This covers some essential aspects such as areas of spending under Schedule VII. For example, spending on projects on health issues, education, livelihoods and so on. The section also includes project sustainability, needs-based assessment, activity location (geography), outreach, stakeholder engagement, disaggregation of spending and alike.*
3. **Outcomes**—*The outcome of a CSR initiative supplemented with points 1 and 2 would provide sufficient scope for analysing the impact of a CSR initiative. In addition to a uniform reporting format, the guidelines could also act as a document to assess the impact of the CSR initiatives.*
4. **Policy impact**—*Logic 1, 2 and 3 therefore provide a comprehensive template of information that can be further assessed to understand the relevance and impact of the company CSR policy.*

## 2. Section I—Organizational structure

### I. COMPANY DETAILS

S. no.	Schedule	Details
1.1	Name of company	
1.2	Address (corporate office)	
1.3	Contact (email and phone)	
1.4	Brands, products and services (top five)	
1.5	Nature of ownership of company	
1.6	Geographical spread in India (Map attached. Please mark locations on the map)	
1.6	Geographical spread of CSR activities in the last financial year*	
2.1	Name of chief functionary (MD, CEO or unit head in case of manufacturing units, etc.)	
2.2	Contact (email and phone)	

\* Use state map (for marking) in case of activity within the state/use map of India in case the CSR activities are spread over more than one state. Annexure 1

### II. COMPANY SIZE

Large       Medium       Small

Other

(Banks, hotels, etc.)

Please specify \_\_\_\_\_

### III. PERIOD OF REPORTING (SEE GUIDING NOTE)

\_\_\_\_\_

**Guiding note:** As per 'Companies (Corporate Social Responsibility) Rules, 2014, (Section 8, Sub Section 1), the Board's Report of a Company covered under these rules pertaining to a financial year commencing on or after the 1<sup>st</sup> day of April, 2014 shall include an annual report on CSR

#### IV. FINANCIAL DETAILS

S. no.	Details	Three preceding financial years (Rs)			
		First year [*]	Second year [*]	Third year [*]	Cumulative
1	Net worth				
2	Turnover				
3	Net profits				

\* Mention year

**Guiding note:** Computation of net profit for Section 135 is as per section 198 of the Companies Act, 2013, which is primarily PROFIT BEFORE TAX (PBT); General Circular No. 01/2016, 12<sup>th</sup> January, 2016, Ministry of Corporate Affairs

#### V. CSR ALLOCATIONS

Particulars	In Rs	Percentage
2% of net profits		100%
Amount spent		
Amount unspent*		
Allocations beyond 2% of net profits (if any)		
Expenditure beyond 2% (if any)		
Balance amount		

\*Affix document (titled 'Reasons for not spending') if applicable

#### VI. NATURE OF CSR ALLOCATIONS

Type of initiative	Amount allocated (Rs)	Percentage spend of the total budget
Philanthropic		
Infrastructure		
Community empowerment		
Environmental protection		
Total		

##### Logic

Most CSR activities can be divided into three broad categories, areas or types of initiative, i.e. philanthropic, infrastructure and community empowerment.\* Although all three are interlinked and intertwined, this categorization showcases the companies' preferred area of spending. Another important type of initiative is environmental protection. The information can be examined with the allocations on activities listed under Schedule VII.

**Philanthropic** activities correspond to donations given by companies in the form of money, books to libraries, clothes to orphanages and alike. **Infrastructural development** entails construction of roads, community centres, tube wells,

*providing technical assistance and infrastructure facilities in electricity generation/distribution, adding to already existing infrastructure, for example, toilets in government schools, green parks. **Initiatives to empower communities** include skill development, vocational training, livelihood issues, training of rural sportsmen, SHG formations, capacity building of farmers. **Environmental protection** may include projects and initiatives aimed at conserving the environment.*

Note: The classification above cuts across the activity areas under Schedule VII (which are covered in this document). For example, capacity building of farmers for sustainable farm management practices comes under 'Community Empowerment'. These can further be categorized into initiatives for rural development, promoting vocational skills and education.

Please provide information in the tables below by clubbing activities and tallying the amount spent into the three types of initiatives, namely, philanthropic, infrastructural development and community empowerment.

Source: \* Article 'Corporate Social Responsibility in India', Seema Sharma, *Indian Journal of Industrial Relations*, Vol. 46, No. 4, April 2011.

**A. Philanthropic (donations in cash and kind)**

S. no.	Donated to	Amount (in Rs)	Amount in percentage
1			
2			
3			
4			
5			

**B. Infrastructural**

S. no.	Area of spending	Amount (in Rs)	Amount in percentage
1			
2			
3			
4			
5			

**C. Community empowerment**

S. no.	Area of spending	Amount (in Rs)	Amount in percentage
1			
2			
3			
4			
5			

**D. Environmental protection**

S. no.	Area of spending	Amount (in Rs)	Amount in percentage
1			
2			
3			
4			
5			



**VII. CSR BOARD—COMMITTEE AND COMPOSITION**

S. no.	Name	Designation and affiliation	Contact (email and phone)
1		(Chair)	
2		(Independent director)	
3		(Director)	
4		(Director)	
5		(Member)	
6			

**VIII. STATEMENT FROM THE TOP MANAGEMENT<sup>1</sup>**

*Please provide a statement (minimum 500 words) from the top management such as the CEO or MD about your corporate social responsibility. The statement shall consist of the following components:*

1. *Relevance of the CSR policy of the company*
2. *The drivers of sustainability (social and environmental issues)*
3. *Your company’s CSR’s short-term, mid-term and long-term strategy*
4. *Highlighting the key initiatives and successes*
5. *Important learning over the years*
6. *A brief roadmap for the next year*

**Logic**

*A statement from the top management can act as a founding stone for a sustainable CSR programme. This is symbolic as it highlights the direct involvement of the management in the company’s CSR plan thus motivating the shareholder employees and other stakeholders towards renewed CSR practices. Such a statement would also act as a stand to share and communicate its initiatives with other companies and the public in general, therefore enhance learning.*

**IX. A. CSR committee meeting—Institutional**

Meeting no.	Date (dd/mm/yyyy)	Members present	Agenda	Outcome
1				
2				
3				
4				

**B. CSR committee meeting—Project approval**

S. no.	Name of project	Budget approved (in Rs)	Date (dd/mm/yyyy)	Project/ programme timeline (from the date of budget approval)	Geographical area (village, city or town/district/state)
1					
2					
3					
4					
5					

**Guiding note:**

- a. **Project/programme timeline**—CSR activities should be undertaken by companies in project/programme mode [as referred to in Rule 4 (1) of Companies CSR Rules, 2014]. One-off events such as marathons, awards, charitable contributions, advertisements, sponsorship of TV programmes etc. would not qualify as part of CSR expenditure (General circular No. 21/2014, 18 June 2014)
- b. **Geographical area**—Companies shall spend at least 2 per cent of its average net profits during the three preceding financial years, provided that it gives preference to the local area and areas around which it operates

**Logic**

While companies are usually headquartered in cities and towns, most company production and manufacturing units are based in the outskirts or in areas where the raw material is available. Naturally, these areas and their surrounding habitation are the first in line that get impacted by routine business activities. The policy thus rightly mandates that local areas be preferred for implementing CSR activities. Activities away from these areas would in effect, negate the policy, the project and its objectives.

**C. Duration, review and extension of projects**

S. no.	Name of project	Timeline—short/ long term	Brief description*	Key reasons of extension/non-extension of project	Remarks
1					
2					
3					
4					
5					

\*Should include the objective of the project and the beneficiary details. Affix document if needed (titled 'Duration and description of project/programme')

**Guiding note**—the timeline of a project or programme is directly linked to its objective. Programmes may be short term or long term, depending on the targeted number of beneficiaries and desired impact. For example, a skill-development initiative such as driver training for individuals maybe a short-term project of one year or even less, in terms of providing employment to beneficiaries. Similarly, enhancing the learning abilities of children in a village is a long-term project as its needs the involvement and cooperation of the local schools, communities and years of intervention at various levels of schooling. Please provide the name and corresponding timeline of the project, as well as a brief description.

**Regular review of projects** is crucial to understand the successes and especially barriers in achieving outcomes. The information indicates the involvement of the management in overseeing the progress of CSR. It also helps the committee to understand and refine the barriers in implementation. Based on outputs, financial implications and alike, list down the projects that were extended or not extended and the key reasons for the same.

**D. CSR committee meeting—Project site visit**

S. no.	Project	Number of visits	Date of visit (dd/mm/yyyy)	Key observations
1				
2				
3				
4				
5				

**Guiding note**—Project site visits by the senior CSR committee members are critical to keep a tab on the progress of the project. Involvement and interactions of the committee members with the project staff as well as the beneficiaries is a positive indication of any CSR activity. List the number of site visits to the corresponding project and your key observations.

### 3. Section II—Initiatives

#### I. CSR POLICY OF THE ORGANIZATION<sup>2</sup>

CSR policy

##### Logic

*The Government of India has identified several missions with specific goals and targets, including missions to provide education for all, developing marginalized and backward communities, providing housing and electricity for all, maintaining the quality of water, soil and air, skill development, Namami Gange etc. With this in mind, the Ministry of Corporate Affairs has identified broad activity areas of CSR under the Companies Act 2013. It is expected that the organizations will formulate a CSR policy for achieving national goals and targets through their CSR activities—local area and areas around which it operates.*

#### II. STAKEHOLDER ENGAGEMENT

**Guiding note**—Information provided under (II) stakeholder engagement and (II.A.) Need-based assessment must coincide

S. no.	Project	Needs-based assessment (Yes/no)	Number of community meetings	Number of focused group discussions	Other tools (specify)
1					
2					
3					
4					
5					

##### Logic

*Stakeholder consultation is fundamental to any CSR activity as it is a process of identifying gaps and understanding what the needs of a community are. Engagement with stakeholders also helps in prioritizing one need over the other. Thus, relevant issues can be addressed or supplemented by the CSR activity.*

<sup>2</sup> Affix document if needed (titled 'CSR policy of the organization')

## II. A. NEEDS-BASED ASSESSMENT\*

S. no.	Project	Target community/ communities	Issues identified	Issues prioritized
1				
2				
3				
4				
5				

\* Affix document if needed (titled 'Needs-based assessment')

## III. CSR SPENDING AS PER SCHEDULE VII

(note—Please refer the complete list of activities listed below)

S. no.	Activity	Amount spent (in Rs)	Percentage of the total CSR budget	Rationale <sup>1</sup>
I	Hunger, poverty and healthcare			
II	Education/vocational skills			
III	Promoting gender inequality			
IV	Environment sustainability			
V	National heritage			
VI	Armed forces/veterans			
VII	Promoting sports (rural, para-Olympic, Olympic and nationally recognized)			
VIII	PM's Relief Fund and welfare of SCs, STs, OBCs and minorities			
IX	Technology incubators <sup>2</sup>			
X	Rural development projects			
XI	Slum area development			
XII	Contribution to Swachh Bharat Kosh, Clean Ganga Fund <sup>3</sup>			
XIII	Overheads <sup>4</sup>			
	<b>Total</b>			

1 Affix document if needed (titled 'Rationale [Priority area under Schedule VII]')

2 Incubators help start-ups survive in the initial stages by providing funds and space to work. The technology incubators associated to institutions are funded by the Dept. of Science and Technology, Ministry of Micro, Small and Medium Enterprises, etc. These incubators help in developing clean technology, healthcare solutions, creating IT innovations and similar

3 Notification dated 24 October 2014, Ministry of Corporate Affairs, Government of India

4 Companies can spend up to 5 per cent of the total CSR budget to build capacity of their personnel as well of the implementing agencies. 'Overheads' here refer to the money spent beyond the 5 per cent cap. Add similar overheads if any.

**Guiding note**—Mention the underlying motivating factors for prioritizing a particular activity area over others. For example, what motivated the company to prioritize and contribute to the Central government fund Swachh Bharat Kosh? List the areas of interest in order of the company's priority.

**CSR activities as per Schedule VII<sup>5</sup> include:**

- I. *Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water: Food Security National Mission, health, midday meal, water and sanitation missions*
- II. *Promoting education, including special education and employment enhancing vocational skills, especially among children, women, elderly, and the differently abled, and livelihood enhancement projects: right to education, skill development missions*
- 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, such as old-age pension*
- 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*
- 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 and handicrafts*
- VI. *Measures for the benefit of armed forces veterans, war widows and their dependents*
- VII. *Training to promote rural sports, nationally recognised sports, Para-Olympic sports and Olympic sports*
- VIII. *Contribution to the Prime Minister’s National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Caste, the Scheduled Tribes, other backward classes, minorities and women*
- IX. *Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government*
- X. *Rural development projects*
- XI. *Slum Area Development GSR (568) E. 6 August 2014*
- XII. *Contribution to Swachh Bharat Kosh setup by the Central government for the promotion of sanitation, contribution to Clean Ganga Fund set up by the Central government for rejuvenation of the river Ganga*

Source: G.S.R, 130(E) dated 27 February 2014

**IV. RESOURCE POOLING (IF APPLICABLE)**

S. no.	Collaborating company name	Project name	Expenditure shared in percentage	
			Primary company (self)	Collaborating company
1				
2				
4				
5				
	<b>Total</b>			

**Logic**

*The policy entails pooling for CSR resources by companies with small funds to take up activities. This can provide great opportunities for drawing strategic ideas by pulling in varied expertise towards sustainable/responsible social and environmental programmes.*

**Guiding note**—Section 4 (Subsection 3): *companies can also collaborate or pool their resources with each other for implementing CSR activities, provided that each of the companies are able to individually report on such projects.*

*List the names of the companies that your company has pooled in its resources with, the corresponding project and the expenditure share.*

**V. IMPLEMENTING AND MONITORING AGENCIES (IF APPLICABLE)**

S. no.	Project	Name of implementing organization	Amount granted	Name of monitoring agency	Frequency (quarterly/ monthly/ half yearly/ annually)	Due diligence (yes/no)
1						
2						
3						
4						
5						

**Logic**

*A significant number of companies, large, medium and small, partner with agencies (NGOs, consultants and CBOs) for execution of projects. Similarly, companies fund initiatives of organizations wherein the project mandate of the latter matches theirs. In such cases, the success or failure of a project largely depend on the partner organization. The implementing agency is therefore a key stakeholder in the CSR discourse.*

*On the other hand, some companies formulate and implement the projects themselves by hiring dedicate staff and building their capacities.*

**Guiding note**—As per Companies (Corporate Social Responsibility) Rules, 2014, (Section 4, Subsection 2), the board of a company may decide to undertake its CSR activities approved by the CSR committee, through a registered trust or a registered society or a company established by the company or its holdings or subsidiary or associate company under Section 8 of the Act or otherwise.

*The information (required) above is applicable only for companies undertaking CSR activities through a registered trust, a registered society or a company established to do so.*

**A. Outputs (for long-term projects)**

S. no.	Project	Implementing agency	Key outputs (list)
1			
2			
3			
4			
5			

**VI. DATA DISAGGREGATION**

S. no.	Issue	Amount spent (in Rs)	Key reasons (list)
1	Gender		
2	Marginalized communities (SCs, STs, OBCs)		
3	Differently abled		
4	Old age/widows		
5	Veterans (armed forces)		

**Logic**

*Catering to and revealing (disaggregation of) data on issues pertaining to social realities is indispensable for the success of any project activity. Indian society being structured and hierarchical in character, the issues of gender, caste, tribe, minorities and rights of the differently abled cut across the realms of cultures, communities, and geographies, economic and political agendas. Every developmental mission listed under the CSR policy (and in general) would go a long way with regard to sustainability and increased impact by acknowledging these nuanced yet universal issues.*

**Guiding note**—List the key reasons or factors motivating the company to spend on the relevant issue(s)

**VII. A. GRIEVANCE REDRESSAL**

Does the CSR policy have any mechanism for redressal of grievances pertaining to CSR policy/ programmes? (Please tick)

Yes  No

**Guiding note**— A mechanism for redressal of grievances with a senior point person provides for a participatory method of planning and executing initiatives. Communities or individuals who are beneficiaries of a project are central to the concept of CSR; the grievances of whom must be taken into consideration and addressed at all stages of a policy, plan and execution.

List the number of grievances received, disposed, grievances pending and the types of grievances in the table below (**Grievance redressal mechanism for CSR process**).



## B. GRIEVANCE REDRESSAL MECHANISM FOR CSR PROCESS

S. no.	Grievance redressal mechanism	Information
1	Name of responsible officer	
2	Address	
3	Contact details (email and phone)	
4	Functions (list)	

## C. GRIEVANCES RECEIVED (DISPOSED/PENDING) AND TYPES

### Logic

*A system for redressing grievances is significant for the success of any organization. This is equally true for the corporate social responsibility process. The CSR policy can be periodically reviewed and improved by addressing to the needs of the policy beneficiaries. At the same time, instantaneous changes to specific projects/programmes can be brought about for greater impact.*

S. no.	Grievance redressal mechanism	Details	Types of grievances
1	Number of grievances received (previous year)		
2	Number of grievances disposed (previous year)		
3	Number of grievances received (current year)		
4	Number of grievances disposed (current year)		
5	Total number of grievances pending		

\* Use pointers

## 4. Section III—Outcomes

Note—Affix document wherever needed (titled—[Subheading])

### I. PROJECT REVIEW

S. no.	Project name	Number of reviews	Date of latest review meet (dd/mm/yyyy)	Key observations*
1				
2				
3				
4				
5				

\* Use pointers

#### Logic

*Periodic review of a project by the CSR committee is key as it helps analyse the consistencies and inconsistencies between the project target and the potential outcomes. Timely review can thus help in taking corrective measures for achieving the desired targets.*

### II. PROJECT OBJECTIVE ACHIEVED (FOR COMPLETED PROJECTS)

S. no.	Project name	Objective	Objective achieved (yes/no/maybe)	Key performance indicators*
1				
2				
3				
4				
5				

\* Use pointers

### III. OUTCOMES AND PROJECT SUSTAINABILITY

S. no.	Project	Outcomes	Key features of project sustainability*
1			
2			
3			
4			
5			

\* Use pointers

**Logic**

*In the context of CSR, outcome refers to statements that describe what the project will accomplish once it is implemented. These are high-level statements that provide overall context for what the project is trying to achieve. For example 'Ensure healthy lives and promote wellbeing for all at all ages'.*

**Guiding note**—Project sustainability is the essence of the corporate social responsibility policy. Routine company businesses have an all-round impact on the lives communities, their livelihoods, income opportunities, employment, consumption patterns and lifestyles. In a bid to give back to society, and specifically impacted communities, the sustainability of a programme ensures long-lasting results that widen the scope of development of communities. List the key features that the company thinks makes the project sustainable.

**IV. KEY IMPACTS OF COMPANY CSR POLICY**

S. no.	Project	Baseline findings	Impacts
1			
2			
3			
4			
5			

\* Affix document if needed (titled 'Key impacts of company CSR policy')

**V. CASE STUDIES/SUCCESS STORIES**

*Attach two case studies (1000 words minimum) with photos of projects that have been listed in this document (titled 'Case study 1' and 'Case study 2')*

**VI. KEY LEARNINGS**

S. no.	Learnings
1	
2	
3	
4	
5	

**VII. ANY OTHER COMMENTS**

S. no.	Comments
1	
2	
3	
4	
5	

Date \_\_\_\_\_  
Place \_\_\_\_\_

Authorized signatory

**ANNEXURE 1: MAP OF INDIA (FOR COMPANY'S GEOGRAPHICAL SPREAD IN INDIA)**



**ANNEXURE II: FREQUENTLY ASKED QUESTIONS**

**THE INSTITUTE OF  
Company Secretaries of India**  
IN PURSUIT OF PROFESSIONAL EXCELLENCE  
Statutory body under an Act of Parliament

CL&amp;G:2016

January 15, 2016

**Dear Professional Colleagues,****Sub.: Frequently Asked Questions (FAQs) with regard to Corporate Social Responsibility under section 135 of the Companies Act, 2013.**

The Ministry of Corporate Affairs has been receiving several queries and references seeking clarifications on various issues relating to Corporate Social Responsibility provisions under Section 135 of the Companies Act, 2013.

Accordingly, MCA has issued a set of **FAQs on CSR vide General Circular No.1/2016 dated 12.01.2016** alongwith response of the Ministry for facilitating effective implementation of CSR. Earlier also MCA had issued **Clarifications on CSR vide General Circular No. 21/2014 dated 18.06.2014**. *(Please note that Clarification No.(iv) of the circular dated 18.06.2014 has been omitted vide MCA Circular No. 36/2014 dated 17.09.2014 )*

These aforesaid FAQs & clarifications are enclosed for ready reference of the Professionals.

Regards,

CS Alka Kapoor

Joint Secretary - ICSI

General Circular No. O/2016

No. 05/19/2015- CSR  
Government of India  
Ministry of Corporate Affairs

5<sup>th</sup> Floor, 'A' Wing,  
Shastri Bhawan, Dr. R. P. Marg  
New Delhi - 110 001  
Dated: 12<sup>th</sup> January, 2016

To,

All Regional Director,  
All Registrar of Companies,  
All Stakeholders

**Subject: - Frequently Asked Questions (FAQs) with regard to Corporate Social Responsibility under section 135 of the Companies Act, 2013.**

Sir,

Section 135 of the Companies Act, 2013, Schedule VII of the Act and Companies CSR Policy Rules, 2014 read with General Circular dated 18.06.2014 issued by the Ministry of Corporate Affairs, provide the broad contour within which eligible Companies are required to formulate their CSR policies including activities to be undertaken and implement the same in the right earnest. While complying with the Corporate Social Responsibility (CSR) provisions of the Act, Board of the eligible companies are empowered to appraise and approve their CSR policy including CSR projects or programmes or activities to be undertaken. In this connection, Ministry has been receiving several queries and references seeking further clarifications on various issues relating to CSR provision of the Act.

2. In continuation to this Ministry's General Circular dated 18<sup>th</sup> June, 2014 and 17<sup>th</sup> September, 2014, a set of FAQs along with response of the Ministry is provided for facilitating effective implementation of CSR :



## FREQUENTLY ASKED QUESTIONS ON CORPORATE SOCIAL RESPONSIBILITIES

Sl. No.	FAQs
1.	<p><b>Whether CSR provisions of the Companies Act, 2013 is applicable to all companies?</b></p> <p>CSR provisions of the Companies Act 2013 is applicable to every company registered under the Companies Act 2013 and any other previous Companies law having</p> <ul style="list-style-type: none"> <li>• net worth of rupees five hundred crore or more, or</li> <li>• turnover of rupees one thousand crore or more or</li> <li>• a net profit of rupees five crore or more</li> </ul> <p>during any financial year</p>
2.	<p><b>What is meaning of 'any financial year' mentioned above?</b></p> <p>"Any Financial year" referred under Sub- Section (1) of Section 135 of the Act read with Rule 3(2) of Companies CSR Rule, 2014 implies any of the three preceding financial years (refer General Circular No. 21/2014, dated: 18.06.2014)</p>
3.	<p><b>Whether CSR expenditure of a company can be claimed as a business expenditure?</b></p> <p>The amount spent by a company towards CSR cannot be claimed as business expenditure. The Finance Act, 2014 provides that any expenditure incurred by an assessee on the activities relating to Corporate Social Responsibility referred to in section 135 of the Companies Act, 2013 shall not be deemed to be an expenditure incurred by the assessee for the purposes of the business or profession.</p>
4.	<p><b>Whether the 'average net profit' criteria for section 135(5) is Net profit before tax or Net profit after tax?</b></p> <p>Computation of net profit for section 135 is as per section 198 of the Companies Act, 2013 which is primarily PROFIT BEFORE TAX (PBT).</p>
5.	<p><b>Can the CSR expenditure be spent on the activities beyond Schedule VII?</b></p> <p><u>General Circular No. 21/2014 dated June 18, 2014</u> of MCA has clarified that the statutory provision and provisions of CSR Rules, 2014, is to ensure that activities undertaken in pursuance of the CSR policy must be relatable to Schedule VII of the Companies Act, 2013. The entries in the said Schedule VII must be interpreted</p>



	<p>liberally so as to capture the essence of the subjects enumerated in the said Schedule. The items enlisted in the Schedule VII of the Act, are broad-based and are intended to cover a wide range of activities. The General Circular also provides an illustrative list of activities that can be covered under CSR. In a similar way many more can be covered. It is for the Board of the company to take a call on this.</p>
<b>6.</b>	<b>What tax benefits can be availed under CSR?</b>
	<p>No specific tax exemptions have been extended to CSR expenditure per se. The finance Act, 2014 also clarifies that expenditure on CSR does not form part of business expenditure. While no specific tax exemption has been extended to expenditure incurred on CSR, spending on several activities like contributions to Prime Minister's Relief Fund, scientific research, rural development projects, skill development projects, agricultural extension projects, etc., which find place in Schedule VII, already enjoy exemptions under different sections of the Income Tax Act, 1961.</p>
<b>7.</b>	<b>Which activities would not qualify as CSR?</b>
	<ul style="list-style-type: none"> <li>• The CSR projects or programs or activities that benefit only the employees of the company and their families.</li> <li>• One-off events such as marathons/ awards/ charitable contribution/ advertisement/sponsorships of TV programmes etc.</li> <li>• Expenses incurred by companies for the fulfillment of any other Act/ Statute of regulations (such as Labour Laws, Land Acquisition Act, 2013, Apprentice Act, 1961 etc.)</li> <li>• Contribution of any amount directly or indirectly to any political party.</li> <li>• Activities undertaken by the company in pursuance of its normal course of business.</li> <li>• The project or programmes or activities undertaken outside India.</li> </ul>
<b>8.</b>	<b>Whether a holding or subsidiary of a company which fulfils the criteria under section 135(1) has to comply with section 135, even if the holding and subsidiary itself does not fulfill the criteria.</b>
	<p>Holding or subsidiary of a company does not have to comply with section 135(1) unless the holding or subsidiary itself fulfills the criteria.</p>

9.	<b>Whether provisions of CSR are applicable on Section 8 Company, if it fulfills the criteria of section 135(1) of the Act.</b>
	Section 135 of the Act reads “ <b>Every company.....</b> ”, i.e. no specific exemption is given to section 8 companies with regard to applicability of section 135, hence section 8 companies are required to follow CSR provisions
10.	<b>Can contribution of money to a trust/Society/Section 8 Companies by a company be treated as CSR expenditure of the company?</b>
	<p><u>General Circular No. 21/2014</u> of MCA dated June 18, 2014 clarifies that Contribution to Corpus of a Trust/ Society/ Section 8 companies etc. will qualify as CSR expenditure as long as :</p> <p>(a) the Trust/ Society/ Section 8 company etc. is created exclusively for undertaking CSR activities or</p> <p>(b) where the corpus is created exclusively for a purpose directly relatable to a subject covered in Schedule VII of the Act.</p>
11.	<b>Whether display of CSR policy of a company on website of the company is mandatory or not?</b>
	As per section 135(4) the Board of Directors of the company shall, after taking into account the recommendations of CSR Committee, approve the CSR Policy for the company and disclose contents of such policy in its report and the same shall be displayed on the company’s website, if any ( <b>refer Rule 8 &amp; 9 of CSR Policy, Rules 2014</b> ).
12.	<b>Whether reporting of CSR is mandatory in Board’s Report?</b>
	The Board’s Report of a company qualifying under section 135(1) pertaining to a financial year commencing on or after the 1 <sup>st</sup> day of April, 2014 shall include an annual report on CSR containing particulars specified in Annexure. ( <b>refer Rule 9 of CSR Policy, Rules 2014</b> ).
13.	<b>Whether it is mandatory for Foreign Company to give report on CSR activity?</b>
	In case of a foreign company, the balance sheet filed under sub-clause (b) of sub-section (1) of section 381 shall contain an Annexure regarding report on CSR.
14.	<b>Whether contribution towards disaster relief qualifies as CSR or not?</b>
	(May please refer point no. 7 to the annexure to General Circular dated 18.06.2014 issued by Ministry of Corporate Affairs).

15.	<p><b>Whether contribution in kind can be monetized to be shown as CSR expenditure?</b></p> <p>Section 135 prescribes “...shall ensure that company spends...”. The company has to spend the amount.</p>
16.	<p><b>If a company spends in excess of 2% of its average net profit of three preceding years on CSR in a particular year, can the excess amount spent be carried forward to the next year and be offset against the required 2% CSR expenditure of the next year?</b></p>
	<p>Any excess amount spent (i.e., more than 2% as specified in Section 135) cannot be carried forward to the subsequent years and adjusted against that year’s CSR expenditure.</p>
17.	<p><b>Can the unspent amount from out of the minimum required CSR expenditure be carried forward to the next year?</b></p>
	<p>The Board is free to decide whether any unspent amount from out of the minimum required CSR expenditure is to be carried forward to the next year. However, the carried forward amount should be over and above the next year’s CSR allocation equivalent to at least 2% of the average net profit of the company of the immediately preceding three years.</p>
18.	<p><b>What is the role of Government in monitoring implementation of CSR by companies under the provision of the Companies Act, 2013?</b></p>
	<p>The main thrust and spirit of the law is not to monitor but to generate conducive environment for enabling the corporates to conduct themselves in a socially responsible manner, while contributing towards human development goals of the country.</p> <p>The existing legal provisions like mandatory disclosures, accountability of the CSR Committee and the Board, provisions for audit of the accounts of the company etc., provide sufficient safeguards in this regard. Government has no role to play in monitoring implementation of CSR by companies</p>
19.	<p><b>Whether government is proposing to establish any mechanism for third parties to monitor the quality and efficacy of CSR expenditure as well as to have an impact assessment of CSR by Companies?</b></p>
	<p>Government has no role to play in engaging external experts for monitoring the quality and efficacy of CSR expenditure of companies. Boards / CSR Committees are fully competent to engage third parties to have an impact assessment of its CSR programme to validate compliance of the CSR provisions of the law.</p>

20.	<b>Can CSR funds be utilized to fund Government Scheme?</b>
	<p>The objective of this provision is indeed to involve the corporates in discharging their social responsibility with their innovative ideas and management skills and with greater efficiency and better outcomes. Therefore, CSR should not be interpreted as a source of financing the resource gaps in Government Scheme. Use of corporate innovations and management skills in the delivery of 'public goods' is at the core of CSR implementation by the companies. In-principle, CSR fund of companies should not be used as a source of funding Government Schemes. CSR projects should have a larger multiplier effect than that under the Government schemes.</p> <p>However, under CSR provision of the Act and rules made thereunder, the Board of the eligible company is competent to take decision on supplementing any Government Scheme provided the scheme permits corporates participation and all provisions of Section 135 of the Act and rules thereunder are complied by the company.</p>
21.	<b>Who is the appropriate authority for approving and implementation of the CSR programmes /projects of a Company? What is Government's role in this regard?</b>
	<p>Government has no role to play in this regard. Section 135 of the Act, Schedule VII and Companies CSR Policy Rules, 2014 read with General Circular dated 18.06.2014 issued by the Ministry of Corporate Affairs, provide the broad contour within which eligible companies are required to formulate their CSR policies including activities to be undertaken and implement the same in the right earnest. Therefore, all CSR programmes / projects should be approved by the Boards on the recommendations of their CSR Committees. Changes, if any, in the programme / project should also be undertaken only with the approval of the Committee / Board.</p>
22.	<b>How can companies with small CSR funds take up CSR activities in a project / programme mode?</b>
	<p>A well designed CSR project or programme can be managed with even small fund. Further, there is a provision in the CSR Policy Rules, 2014 that such companies can combine their CSR programs with other similar companies by way of pooling their CSR resources. ( refer rule 4 in Companies (CSR Policy) Rules, 2014).</p>



23.	<b>Whether involvement of employees of the company in CSR project / programmes of a company can be monetized and accounted for under the head of 'CSR expenditure'?</b>
	Contribution and involvement of employees in CSR activities of the company will no doubt generate interest / pride in CSR work and promote transformation from Corporate Social Responsibility (CSR) as an obligation to Socially Responsible Corporate (SRC) in all aspects of their functioning. Companies therefore, should be encouraged to involve their employees in CSR activities. <b>However monetization of pro bono services of employees would not be counted towards CSR expenditure.</b>

3. This issues with the approval of Competent Authority.

Yours faithfully,



(Seema Rath)

Deputy Director (CSR- Cell)

Tel: - 011-23384657

**Copy to:**

1. E-Governance Cell and Web contents Officer to upload on the website of this Ministry.

**General Circular No. 21/2014**

**No. 05/01/2014- CSR  
Government of India  
Ministry of Corporate Affairs**

5<sup>th</sup> Floor, 'A' Wing,  
Shastri Bhawan, Dr. R. P. Marg  
New Delhi - 110 001  
Dated: 18<sup>th</sup> June, 2014

To,  
All Regional Director,  
All Registrar of Companies,  
All Stakeholders

**Subject: - Clarifications with regard to provisions of Corporate Social Responsibility under section 135 of the Companies Act, 2013.**

Sir,

This Ministry has received several references and representation from stakeholders seeking clarifications on the provisions under Section 135 of the Companies Act, 2013 (herein after referred as 'the Act') and the Companies (Corporate Social Responsibility Policy) Rules, 2014, as well as activities to be undertaken as per Schedule VII of the Companies Act, 2013. Clarifications with respect to representations received in the Ministry on Corporate Social Responsibility (herein after referred as ('CSR')) are as under:-

- (i) The statutory provision and provisions of CSR Rules, 2014, is to ensure that while activities undertaken in pursuance of the CSR policy must be relatable to Schedule VII of the Companies Act 2013, the entries in the said Schedule VII must be **interpreted liberally** so as to capture the essence of the subjects enumerated in the said Schedule. The items enlisted in the amended Schedule VII of the Act, are broad-based and are intended to cover a wide range of activities as illustratively mentioned in the Annexure.

Contd....

-2-

- (ii) It is further clarified that CSR activities should be undertaken by the companies in project/ programme mode [as referred in Rule 4 (1) of Companies CSR Rules, 2014]. One-off events such as marathons/ awards/ charitable contribution/ advertisement/ sponsorships of TV programmes etc. would not be qualified as part of CSR expenditure.
- (iii) Expenses incurred by companies for the fulfillment of any Act/ Statute of regulations (such as Labour Laws, Land Acquisition Act etc.) would not count as CSR expenditure under the Companies Act.
- (iv) Salaries paid by the companies to regular CSR staff as well as to volunteers of the companies (in proportion to company's time/hours spent specifically on CSR) can be factored into CSR project cost as part of the CSR expenditure.
- (v) "Any financial year" referred under Sub-Section (1) of Section 135 of the Act read with Rule 3(2) of Companies CSR Rule, 2014, implies 'any of the three preceding financial years'.
- (vi) Expenditure incurred by Foreign Holding Company for CSR activities in India will qualify as CSR spend of the Indian subsidiary if, the CSR expenditures are routed through Indian subsidiaries and if the Indian subsidiary is required to do so as per section 135 of the Act.
- (vii) 'Registered Trust' (as referred in Rule 4(2) of the Companies CSR Rules, 2014) would include Trusts registered under Income Tax Act 1956, for those States where registration of Trust is not mandatory.

Contd....

-3-

- (viii) Contribution to Corpus of a Trust/ society/ section 8 companies etc. will qualify as CSR expenditure as long as (a) the Trust/ society/ section 8 companies etc. is created exclusively for undertaking CSR activities or (b) where the corpus is created exclusively for a purpose directly relatable to a subject covered in Schedule VII of the Act.

2. This issues with the approval of Competent Authority.

Yours faithfully,

Sd/-

**(Seema Rath)**  
**Assistant Director (CSR)**  
**Phone No. 23389622**

**Copy to:**

1. PSO to Secretary
2. PPS to Additional Secretary
3. PS to DG (IICA)/JS (M) /JS(B)/JS(SP)/DII (UCN)/EA/DII(POLICY)
4. DIR (AK)/DIR (AB)/DIR(NC)/DIR(PS)
5. e-Governance Cell for uploading on website of MCA



**Annexure referred to at para (i) of General Circular No. 21/2014 dated 18.06.2014**

SI. No.	Additional items requested to be included in Schedule VII or to be clarified as already being covered under Schedule VII of the Act	Whether covered under Schedule VII of the Act
1.	<p>Promotion of Road Safety through CSR:</p> <p>(i) (a) Promotions of Education, “Educating the Masses and Promotion of Road Safety awareness in all facets of road usage,</p> <p>(b) Drivers’ training,</p> <p>(c) Training to enforcement personnel,</p> <p>(d) Safety traffic engineering and awareness through print, audio and visual media” should be included.</p> <p>(ii) Social Business Projects : “giving medical and Legal aid, treatment to road accident victims” should be included.</p>	<p>(a) Schedule VII (ii) under “promoting education”.</p> <p>(b) For drivers training etc. Schedule VII (ii) under “vocational skills”.</p> <p>(c) It is establishment functions of Government (<b>cannot be covered</b>).</p> <p>(d) Schedule VII (ii) under “promoting education”.</p> <p>(ii) Schedule VII (i) under ‘promoting health care including preventive health care.’</p>
2.	<p>Provisions for aids and appliances to the <b>differently- able</b> persons - ‘Request for inclusion</p>	<p>Schedule VII (i) under ‘promoting health care including preventive health care.’</p>
3.	<p>The company contemplates of setting up ARTIIC (Applied Research Training and Innovation Centre) at Nasik. Centre will cover the following aspects as CSR initiatives for the benefit of the predominately rural farming community:</p> <p>(a) Capacity building for farmers covering best sustainable farm management practices.</p> <p>(b) Training Agriculture Labour on skill development.</p>	<p>Item no. (ii) of Schedule VII under the head of “promoting education” and “vocational skills” and “rural development”.</p> <p>(a) “Vocational skill” livelihood enhancement projects.</p> <p>(b) “Vocational skill”</p>

	<p>(c) Doing our own research on the field for individual crops to find out the most cost optimum and Agri – ecological sustainable farm practices. (Applied research) with a focus on water management.</p> <p>(d) To do Product Life Cycle analysis from the soil conservation point of view.</p>	<p>(c) ‘Ecological balance’, ‘maintaining quality of soil, air and water’.</p> <p>(d) “Conservation of natural resource” and ‘maintaining quality of soil, air and water’.</p>
4.	<p>To make “Consumer Protection Services” eligible under CSR. (Reference received by Dr. V.G. Patel, Chairman of Consumer Education and Research Centre).</p> <p>(i) Providing effective consumer grievance redressal mechanism.</p> <p>(ii) Protecting consumer’s health and safety, sustainable consumption, consumer service, support and complaint resolution.</p> <p>(iii) Consumer protection activities.</p> <p>(iv) Consumer Rights to be mandated.</p> <p>(v) all consumer protection programs and activities” on the same lines as Rural Development, Education etc.</p>	<p>Consumer education and awareness can be covered under Schedule VII (ii) “promoting education”.</p>
5.	<p>a) Donations to IIM [A] for conservation of buildings and renovation of classrooms would qualify as “promoting education” and hence eligible for compliance of companies with Corporate Social Responsibility.</p> <p>b) Donations to IIMA for conservation of buildings and renovation of classrooms would qualify as “protection of national heritage, art and culture, including restoration of buildings and sites of historical importance” and hence eligible for compliance of companies with CSR.</p>	<p>Conservation and renovation of school buildings and classrooms relates to CSR activities under Schedule VII as “promoting education”.</p>

6.	Non Academic Technopark TBI not located within an academic Institution but approved and supported by Department of Science and Technology.	Schedule VII (ii) under “promoting education”, if approved by Department of Science and Technology.
7.	Disaster Relief	<p>Disaster relief can cover wide range of activities that can be appropriately shown under various items listed in Schedule VII. For example,</p> <ul style="list-style-type: none"> <li>(i) medical aid can be covered under ‘promoting health care including preventive health care.’</li> <li>(ii) food supply can be covered under eradicating hunger, poverty and malnutrition.</li> <li>(iii) supply of clean water can be covered under ‘sanitation and making available safe drinking water’.</li> </ul>
8.	Trauma care around highways in case of road accidents.	Under ‘health care’.
9.	Clarity on "rural development projects"	Any project meant for the development of rural India will be covered under this.
10.	Supplementing of Govt. schemes like mid-day meal by corporates through additional nutrition would qualify under Schedule VII.	Yes. Under Schedule VII, item no. (i) under ‘poverty and malnutrition’.
11.	Research and Studies in the areas specified in Schedule VII.	Yes, under the respective areas of items defined in Schedule VII. Otherwise under ‘promoting education’.
12.	Capacity building of government officials and elected representatives – both in the area of PPPs and urban infrastructure.	No.

13.	Sustainable urban development and urban public transport systems	Not covered.
14.	Enabling access to, or improving the delivery of, public health systems be considered under the head “preventive healthcare” or “measures for reducing inequalities faced by socially & economically backward groups”?	Can be covered under both the heads of “healthcare” or “measures for reducing inequalities faced by socially & economically backward groups”, depending on the context.
15.	Likewise, could slum re-development or EWS housing be covered under “measures for reducing inequalities faced by socially & economically backward groups”?	Yes.
16.	Renewable energy projects	Under ‘Environmental sustainability, ecological balance and conservation of natural resources’,
17.	<p>(i) Are the initiatives mentioned in Schedule VII exhaustive?</p> <p>(ii) In case a company wants to undertake initiatives for the beneficiaries mentioned in Schedule VII, but the activity is not included in Schedule VII, then will it count (as per 2(c)(ii) of the Final Rules, they will count)?</p>	(i) & (ii) Schedule VII is to be liberally interpreted so as to capture the essence of subjects enumerated in the schedule.
18.	US-India Physicians Exchange Program – broadly speaking, this would be program that provides for the professional exchange of physicians between India and the United States.	No.

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