



Corporate Social Responsibility



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Index

Particulars	Page No.
Message from President	02
Message from Vice President	03
Message from Chairman	04
Message from Editor	05
Introduction	06
CSR and Companies Act, 2013	07
Rules	09
Penalties	09
Format of Annual Report	09
Schedule-VII	10
Events and Initiatives by ICAI	10
Glimpses	13



Message from President

Dear Members,

The Institute of Chartered Accountant of India has always played a proactive role in the socio-economic development. To develop and focus on these sectors, Committee for Cooperative and NPO Sector had been constituted by the Institute of Chartered Accountants of India in 2011 to spread the knowledge of Cooperatives and its movement, Committee for Cooperative and NPO Sector has been taking various initiatives such as Conducting Certificate Course on Cooperative and Not-for-Profit Organizations, Seminars, Workshops, Conferences and other programmes across the country.

Businesses cannot be successful when the society around them fails. With the passage of the Companies Act, 2013 the mandate for corporate social responsibility (CSR) has been formally introduced to the dashboard of the Boards of companies. In this direction to manifest the concept of CSR, The Committee for Cooperative & NPO sector has launched the certificate Course on CSR.

In addition to above activities, it is heartening to note that the committee has taken the initiative of issuing monthly E-newsletter on CSR which would not only help members to get aware with CSR concepts, its development & other issues related to it but also to providing practical insight & regular updates on CSR.

I would like to congratulate Committee for Cooperative & NPO Sector, especially its chairman CA Rajkumar S. Adukia, for taking this initiative and making great efforts in this regard. I am sure that the members will find the contents and information include in this e-newsletter of immense use and valuable order in order to update themselves regularly.

CA K. Raghu
President
ICAI



Message from Vice President

Dear Members,

Committee for Cooperative & NPO Sector of the ICAI has been taking various initiatives to create awareness in the country about cooperative & NPO sectors. With the introduction of Certificate Course on Corporate Social Responsibility, committee has touched upon the new emerging & leading opportunity for the professional members. This course would help the members to have thorough understanding of how to integrate CSR into corporate strategies, decision-making and management, to add value to the company and society in which it operates.

Since Corporate Social Responsibility has assumed magnifying importance in today's context, there is a lot that needs to be discussed in this regard. There are certain unexplored aspects of Corporate Social Responsibility which deserve attention. I am glad to mention that in addition to aforesaid activities the committee has taken the initiative of issuing monthly E- newsletter on Corporate Social Responsibility in order to apprise members with regular updates on CSR & to tackle issues related to it.

Further, the newsletter will keep the members posted activities and initiative of the committee, certificate course, seminars, events etc.

I Congratulate CA Rajkumar S. Adukia, Chairman – Committee for Cooperative & NPO Sectors, CA S.B. Zaware, Vice – Chairman to the committee and other members in steering requisite initiative for the benefits of these sectors.

CA Manoj Fadnis

Vice President

ICAI



Message from Chairman

Dear Members,

I am extremely delighted to share with you the first edition of CSR newsletter, an initiative of Committee for Cooperative & NPO Sector of ICAI. The practice of CSR is not new to companies in India. However, what the Companies Act 2013 does is bring more companies into the fold.

As Chartered Accountant it's a astonishing opportunity for us apart from suggesting an entity how much it needed to invest in CSR, we can suggest them how & where an entity need to utilize its CSR fund. To get the members equipped for handling CSR, the Committee has launched Certificate Course on CSR. CSR is a complex concept and it needs deep understanding for implementing the same. Corporate who want to implement CSR need professional guidance for CSR strategy formation and its implementation which involves various planned stages. Such research, planning and implementation can be done with the help of professional consultants. Chartered Accountants, with their skills and knowledge can serve as CSR consultants for these corporate.

It's a high time to move out and explore the ample opportunities generated due to CSR. The Institute of India through its various initiatives has emphasized the need for members to familiarize with CSR for all practical purposes. This monthly newsletter aims to bring a dosage of information on CSR which would help the member to serve an entity in better way.

I am sure members will find this initiative highly beneficial and supportively catering to their knowledge updation in CSR. I request members to send their feedback and suggestions, if any, to rajkumarsadukia@gmail.com

CA Rajkumar S. Adukia

Chairman

Committee for Cooperatives & NPO Sectors



Editorial

I am extremely delighted to be a part of team of the first edition of CSR e-newsletter, an initiative of Committee for Cooperative & NPO Sectors of ICAI. It is an old belief that if one does not donate, the person is penniless and being in misery he performs evil deeds. By performing evil deeds he ends up in here and after taking rebirth he once again ends up in the vicious cycle of misery and evil deeds. By charity one attains all state of Dharma, Arth, Kama and Moksha.

Corporate Social Responsibility (CSR) focuses on the idea that a business has social obligations above and beyond making profit and follows from a decision by management to expand traditional governance arrangements to include accountability to the full range of stakeholders. With the notification of CSR provisions in Companies Act, 2013, it is time for Indian Companies to incorporate the culture of giving back to the society.

Statutory audit will ensure CSR does not become a cosmetic tool or a brand-building exercise. Whether the government will strengthen vigilance and adopt strict measures, against those who try to evade compliance, remains to be seen.

At the same time certain challenges need to be addressed:

- Whether CSR is a charge or appropriation of income?
- There is a lot of ambiguity with regard to accounting treatment.
- The fundamental difference between section 181 and 135 of Companies Act 2013 needs further clarification.
- Lack of clarity as to taxability and accounting treatment of incidental income from CSR activities.
- Whether losses in any particular year be treated as negative income for calculation of average net profits?
- There may be reluctance in compliance, especially in case of companies running in losses, but fall under the designated category, due to triggering net worth or turnover criteria.
- Existing provisions need to address the independence of the NPO i.e. a company can create and transfer funds including corpus without any real utilization or control mechanism.
- What will be the legal implications if a company, fails to spend or spends more or less than 2% of average net profits?

Please send your valuable articles, suggestions & feedback at ccnpo@icai.in, csr@icai.in, mail.rsa@gmail.com

I extend my best wishes for Good Governance Day and New Year ahead.

With best regards,

CA Sushil Gupta

Introduction

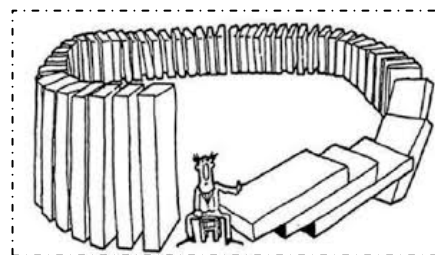
1.1 Philanthropic Activity



Corporate Social Responsibility (CSR) is not a new concept in India and its environment. India's thousands of years old civilization carries a resonance legacy delivering duties and responsibilities at every sphere of our life, be it family, friends or society. Roots of social responsibility lie in philanthropic activities such as charity or donation. Which is an act of giving money, goods, services or time to the unfortunates, either directly or by means of a charitable trust or worthy cause, without any expectation of some benefit in return. Most forms of social obligations are concerned with providing basic necessities such as food, water, clothing, education, healthcare and shelter. It is like doing your karma and forget about it.

1.2 Need for social responsibility

We get that thing all throughout life what we donate. The fruits of donation are simply limitless. It is said, wealth invested on interest basis becomes double, while wealth invested in business become a fortune, wealth invested in agriculture becomes hundred times the original, and wealth donated to the worthy becomes limitless. Amongst the great Karmas to be performed, donation is the greatest amongst them. A person who donates is known as savior of life. Donation is done with the feeling that the Lord's wealth is only being returned to him.



1.3 CSR in Global Context



Globally CSR has been defined as “responsibility of an enterprise for their impacts on society”. In other words to meet their social obligations, “enterprises should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operation and core strategy in close collaboration with their stakeholders.”

Commission of the European communities (2001) stated that being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing “more” into human capital, the environment and the relation with stakeholders.

From the above definitions it is clear that:

- The CSR approach is holistic and integrated with the core business strategy for addressing social and environmental impacts of business.
- CSR needs to address the well being of all stakeholders and not just company's shareholders.
- Philanthropic activities are only part of CSR, which otherwise constitutes a much larger set of activities entailing strategies business benefits.

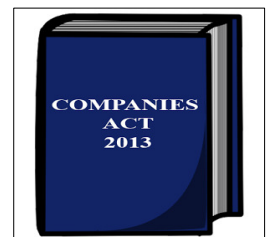
1.4 CSR in India



CSR survey 2002 - India, jointly conducted by the United Nations development programme, covering 19 industry sectors reveals that this interest is growing as more and more companies in India are keen to project themselves as good corporate citizens. This was the most important factor driving CSR in India, according to the survey. Good corporate citizenship and CSR initiatives are inextricably linked with improved brand reputation, which is one of the most important drivers of CSR identified by the respondent companies. The other key drivers of CSR in India were diverse ranging from stated philosophy of founding fathers to improving relationship with local communities to enhanced shareholder value.

1.5 CSR as Law

The Companies Act 2013 has introduced the idea of CSR w.e.f. F.Y. 2014-15 to the forefront and through its disclose or explain mandate, promoting greater transparency and disclosure. Schedule VII of the Act, which lists out the CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company's relationship to its stakeholders and integrating CSR into its core operations, the draft rules suggest that CSR needs to go beyond communities and beyond the concept of philanthropy. It will be interesting to observe the ways in which this will translate into action at the ground level, and how the understanding of CSR is set to undergo a change.



1.6 CSR and Companies Act 2013– Section 135

- (1) Every company having a net worth of Rs.500 crore or more, or turnover of Rs.1,000 crore or more, or a net profit of Rs.5 crore or more during any financial year shall constitute a CSR committee of the board consisting of three or more directors, out of which at least one director shall be an independent director.

- (2) The Board report under section 134(3) shall disclose the composition of the CSR Committee.
- (3) CSR Committee shall:
- a) Formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
 - b) Recommend the amount of expenditure to be incurred on the activities on the activities referred to in clause(a); and
 - c) Monitor the CSR Policy of the company from time to time.
- (4) The Board of every Company referred to sub-section (1) shall-
- a) After taking into account the Recommendation made by CSR Committee, Approve the CSR policy for the Company and Disclose the contents of Such policy for the company and disclose contents of such policy in its report and also place it on company's website, if any, in such manner as may be prescribed; and
 - b) Ensure that activities as are included in CSR policy of the company are undertaken by the Company.
- (5) The board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year at least two percent of the average net profits of the company made during the three immediately preceding financial year in pursuance of its CSR policy.
- Provided that the company shall give preference to the local area around where it operates, for spending the amount of earmarked for CSR activities.
- Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.
- Explanation - For the purpose of this section "average net profit" shall be calculated in accordance with the provision of section 198.

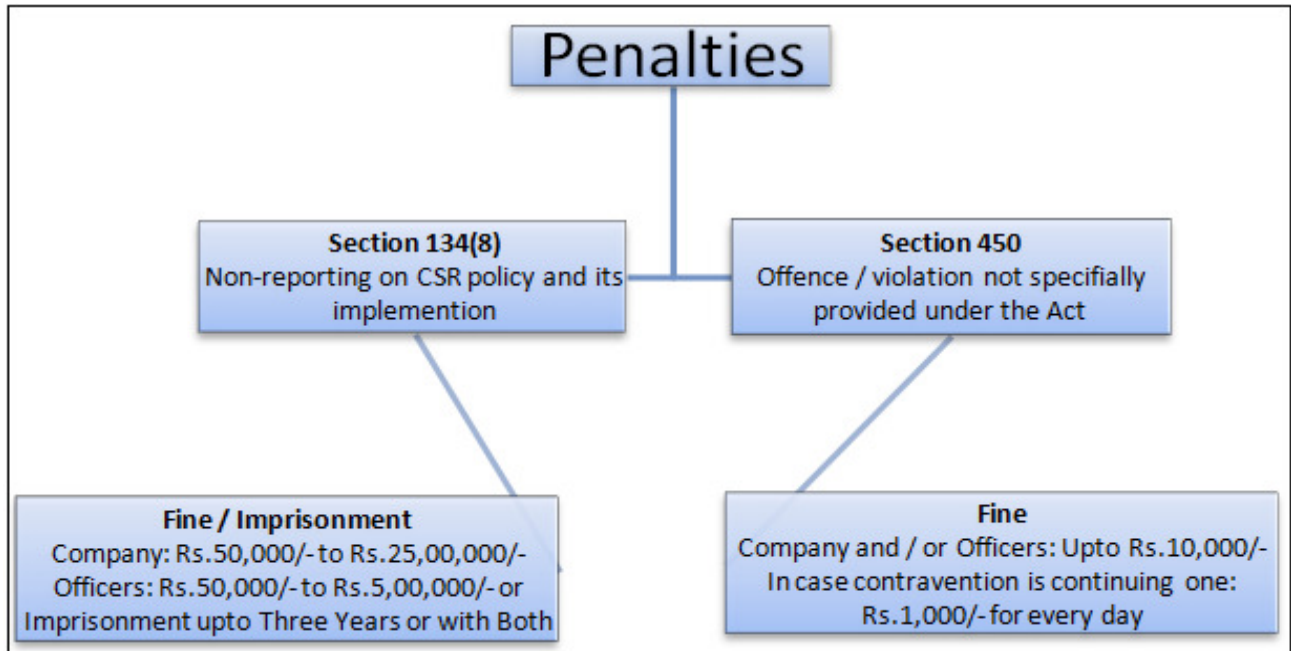
1.7 Rules for CSR

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 has made the Companies (Corporate Social Responsibility Policy) Rules, 2014.

Please refer Annexure-1 for detailed CSR Rules.

1.8 Penalties

There is no specific penal provision under which a company or officers can be penalised for violation of CSR Rules. However, there are two provisions under the Act which provide for penalties and can be invoked against CSR violation.



1.9 Report by Directors



The company shall issue a report in general meeting, which shall include the details about the policy developed and implemented by the company on CSR initiative taken during the year [Section 134(3)(o)]. Under Schedule III of the Act, the company shall also disclose by way of notes the amount of expenditure incurred on CSR activities.

Please refer Annexure-2 for format for Annual Report on CSR Activity to be included in Board's Report.

1.10 Permissible Activities under Schedule VII of the Act

1. Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
2. Promoting education, including special education and employment enhancing vocation skills;

3. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans and measures for reducing inequalities faced by socially and economically backward groups;
4. Ensuring environmental sustainability, protection of flora and fauna, animal welfare, conservation of natural resources;
5. Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art;
6. Measures for the benefit of armed forces veterans, war widows and their dependents;
7. Training to promote rural sports, nationally recognized sports;
8. Contribution to the Prime Ministers' National Relief Fund or any other fund set up by the Central Government for socio-economic development;
9. Contributions or funds provided to technology incubators located within academic institution which are approved by the Central Government;
10. Rural development projects.
11. Slum area development

Please refer Annexure-3 for details of permissible activities under Schedule-VII.

1.11 Events and Initiatives by ICAI

(A) CSR Certificate Courses

CCONPO of the ICAI is taking various initiatives to create awareness in the country about sectors. An extensive Certificate Course on CSR is being conducted by the Committee to make the members competent. This Course is conducted at various locations throughout the country. The Course will commence at the following cities at the following dates:

S. No.	Batch Location	Starting Date
1	Bangalore	10 th Jan,2015
2	Bhopal	10 th Jan,2015
3	Lucknow	10 th Jan,2015
4	Goa	10 th Jan,2015
5	Hyderabad	17 th Jan,2015
6	Himachal Pradesh	17 th Jan,2015
7	Guwahati	17 th Jan,2015
8	Bhubaneswar	17 th Jan,2015
9	Kolkata	24 th Jan,2015
10	Ranchi	24 th Jan,2015
11	Patna	24 th Jan,2015
12	Dehradun	24 th Jan,2015

13	Raipur	31 st Jan,2015
14	Jammu & Kashmir	31 st Jan,2015
15	Chandigarh	31 st Jan,2015
16	Tiruvananthapuram	31 st Jan,2015
17	Mumbai	07 th Feb,2015
18	Ahmadabad	07 th Feb,2015
19	Chennai	14 th Feb,2015
20	Pune	28 th Feb,2015
21	Jaipur	28 th Feb,2015

Please refer Annexure-4 for further details.

(B) Forthcoming events

Date	Programme	Venue
January 10 th , 2015	Seminar on Not for Profit Organisations	ICAI Tower, Mumbai

(C) Activities

In the 16th meeting of the CCONPO held on December 02, 2014 at New Delhi discussed many important issues such as:

- a) Creation of CCONPO in every state capital
- b) Preparation of Financial Statements of Multi State Co-operative Societies
- c) Preparation of Long Form Audit Report for Co-operative Banks
- d) Promotion of State Task Forces Membership

(D) Seminars

CCONPO, ICAI jointly with Committee for Members in Industry, ICAI has organized one day seminar on “Corporate Social Responsibility” on June 21, 2014 at Western India Regional Council of ICAI, Mumbai. The focus of the seminar was the current national and international scenario and how to deal with different issues of CSR in current competitive business environment.

Some of the topics and issues discusses in the seminar were:

- a) *Professional opportunities in IFRS*
- b) International scenario, the meaning and importance of CSR, legal provisions, CSR Policy, CSR committee etc.
- c) Indian scenario, work done so far Ethics & CSR, various projects in Indian context *and* International scenario
- d) The role of business in society - different stakeholders, different perspectives
- e) The strategic importance of CSR implementation
- f) CSR accounting, audit, reporting framework Integrated reporting, GRI, MCA guidelines and penal provisions

(E) Certificate courses conducted

S. No.	Batch Location	Starting Date
1	Delhi	December 27, 2014

(F) Initiatives by Others National and International Institutes and Organisations

Many Indian Universities and Institutes offering various courses on CSR. Few of these courses are as under:

Indian University / Institute Details	Course Offered
Institute of Corporate Sustainability Management Gurgaon, Haryana www.icsm.in	MBA in CSR PhD in CSR Post Graduation Diploma Course In CSR
Veer Narmad South Gujarat University Surat, Gujarat www.vnsgu.ac.in	Masters Programme In Corporate Social Responsibility (CSR)
Symbiosis School of Economics Pune, Maharashtra www.sse.ac.in	Certificate Course in Corporate Social Responsibility
National Foundation for CSR (NFCRS) Indian Institute of Corporate Affairs (IICA) Gurgaon, Haryana www.iica.in	IICA Certificate Programme in CSR
Birla Institute of Management Technology Greater Noida, Uttar Pradesh www.bimtech.ac.in	IICA Certificate Programme in CSR (ICP-CSR)
Faculty of Social Work The Maharaja Sayajirao University of Baroda Vadodara, Gujrat www.fswmsu.in	P.G. Diploma in Corporate Social Responsibility
Usha Martin University Ranchi, Jharkhand www.ushamartinuniversity.com	Short Term Course on Corporate Social Responsibility
Indian Institute of Corporate Affairs Gurgaon, Haryana www.iica.in	IICA Certificate Programme in CSR (ICP-CSR) IICA-STP (Short-term Training Programme) in CSR

Some of the International Universities and Institutes offering courses on CSR:

International University / Institute Details	Course Offered
School of Business The American University in Cairo, Egypt www.aucegypt.edu	MBA Program Offering Corporate Social Responsibility Course in Conjunction with George Washington University
Robert Gordon University Aberdeen, UK www.rgu.ac.uk	MSc Corporate Social Responsibility and Energy
De Montfort University, Leicester, UK	International Business and Corporate Social

www.dmu.ac.uk	Responsibility MSc
Nottingham University Business School, UK www.nottingham.ac.uk	M.Sc. Corporate Social Responsibility
The University of Nottingham Nottingham www.nottingham.ac.uk	Master of Business Administration - Corporate Social Responsibility MBA
University of Stirling, UK www.stir.ac.uk	Corporate Social Responsibility (LLM)
University of York Heslington, UK www.york.ac.uk	MSc in Corporate Social Responsibility with Environmental Management
Bench Marks Centre for Corporate Social Responsibility, South Africa www.nwu.ac.za	Short Term and Master Degree Courses on CSR
Kulturstudie, Norway www.kulturstudier.com	Various courses on CSR
Douglas College, New Westminster www.douglascollege.ca	Sustainability & Corporate Social Responsibility

(G) Glimpses

Glimpses of one day seminar organized by Committee for Co-operatives and NPO Sectors (CCONPO), ICAI on “Corporate Social Responsibility” on June 21, 2014 at Western India Regional Council of ICAI, Mumbai:



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