

# Corporate Social Responsibility Amendments

Bombay Chamber of Commerce and Industry

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# Table of Contents

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<b>Content</b>	<b>Slide no</b>
Key amendments	3
Mandatory Spend Requirements	4
CSR Amendments in Companies Act and CSR Rules	5-7
Creation of Impact	8
Q&A	9

# Key Amendments

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- ✓ MCA has notified the CSR related amendments under the Companies Amendment Act 2019 and Companies Amendment Act 2020 effective 22 January 2021
- ✓ Amendments made to the Companies (CSR Policy) Rules 2014 through Companies (CSR Policy) Amendment Rules 2021 effective 22 January 2021

# Key Amendments

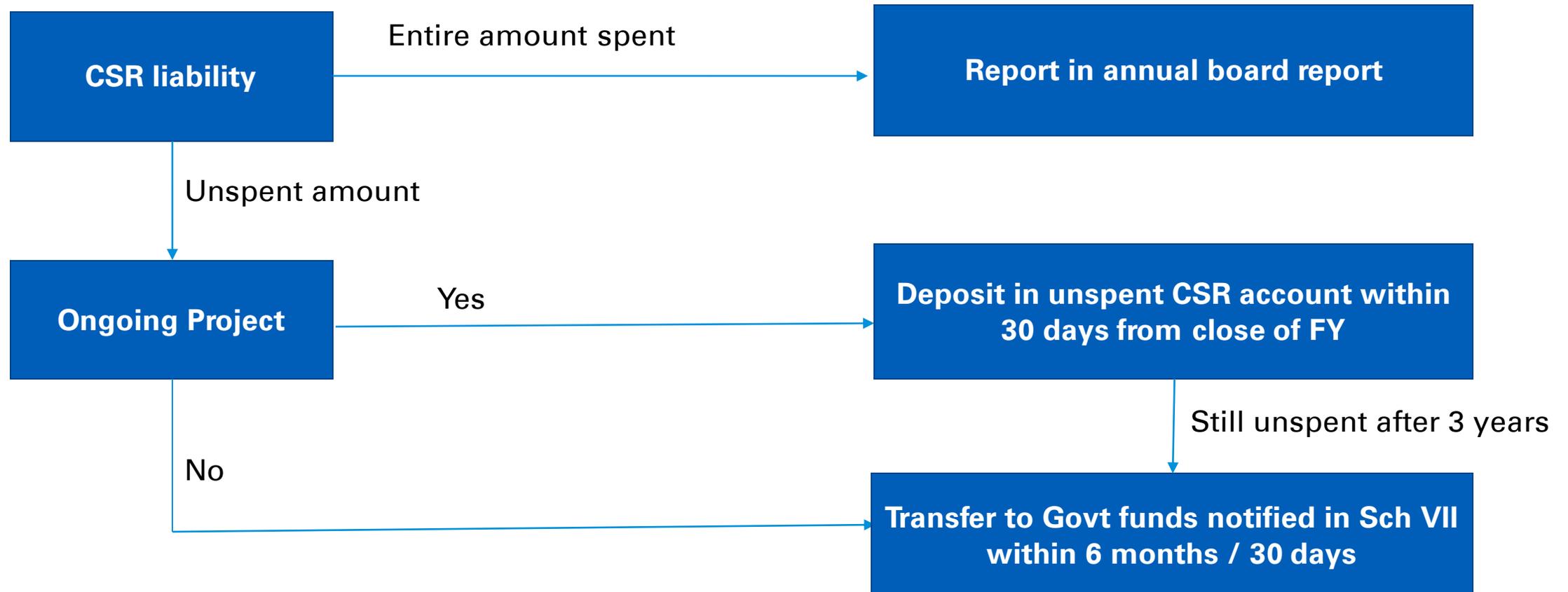
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## What has changed

- ✓ **No more spend or explain, it is mandatory**
- ✓ **Greater focus on governance, internal controls, creation of impact**
- ✓ **Certain amendments to the CSR definition**
- ✓ **Registration of implementation partners**



# Amendments - Mandatory spend requirements



**Failure to do above has penal consequences for company and officers in default**

# Amendments

## CSR Definition

CSR now defined as

**Activities** undertaken by a company to meet **statutory obligations** laid in Section 135 of the Companies Act.

### **Exclusions –**

- Activities in pursuance of normal course of business. Exception a company in R&D of vaccines, drugs and medical devices may undertake COVID-19 related R&D as CSR for 3 FYs starting 2020-21
- **Activities undertaken outside India except training of National or International level Indian sportspersons**
- Contribution to political party
- **Activities benefiting employees of the company**
- **Sponsorship for driving marketing benefits for own products and services**
- Fulfilment of obligations under any other law in force in India

## Clarity on Administrative overheads

“Administrative overheads” means the expenses incurred by the Company for ‘general management and administration’ of Corporate Social Responsibility functions in the Company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme

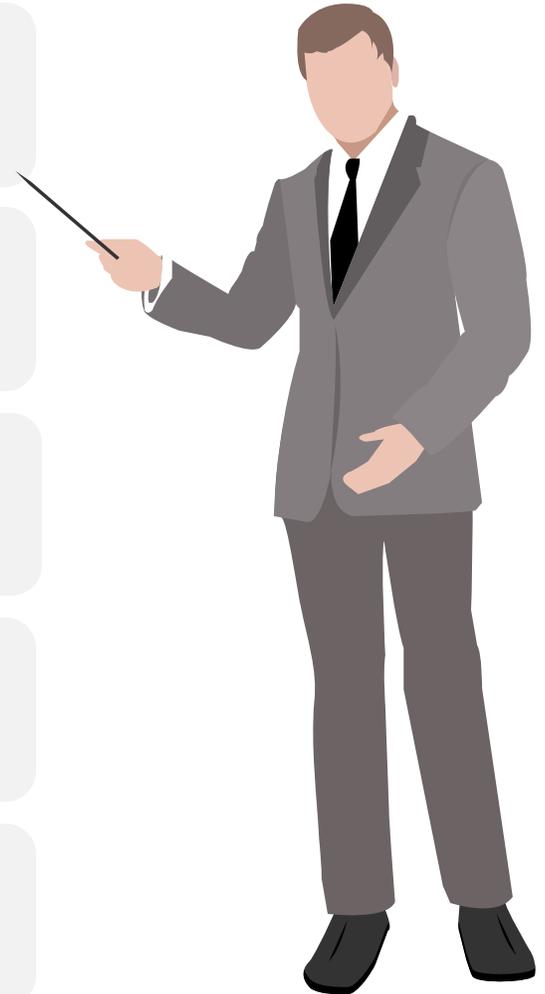
## Engage with International organisations

A company may engage international organizations for designing, monitoring and evaluation of the CSR projects or programmes as per its CSR policy as well as for capacity building of their own personnel for CSR.

# Amendments

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- 1 Companies < 3 years, to spend on their average net profit for **respective period of existence**
- 2 Ability to set off excess spend upto 3 years on **board's approval**
- 3 Ongoing project defined as a **multi year project not exceeding 3 years** excluding the year in which it was commenced
- 4 Default in compliance with either transfer to National CSR Fund / Unspent CSR Account, **penalty** will be least of INR 1 cr or twice the amount of unspent amount and every **officer in default will be liable** to a penalty of lower of 1/10 th of unspent amount or INR 2 lacs.
- 5 Companies with **CSR obligation upto INR 50 lacs need not have a CSR committee**, board to discharge obligations.



# Amendments

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**CFO to certify funds** are utilized for the purpose and manner approved by the Board

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Board to monitor implementation of projects wrt **timelines, allocation and purpose** for which approved

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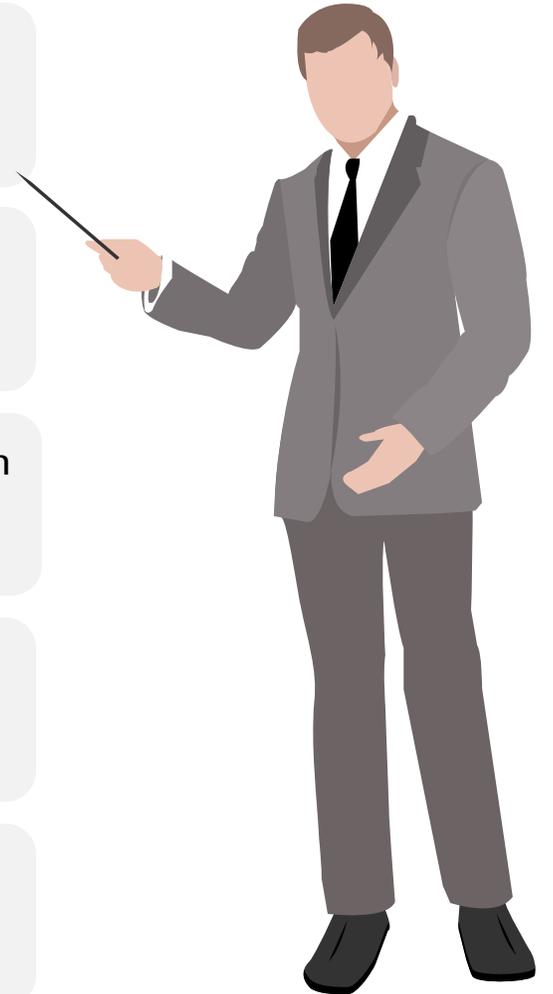
**CSR assets cannot be created** in company books. Existing assets to be transferred with 180+90 days.

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**New template for disclosures** with greater details for FY 20-21 onwards

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Additional disclosure details on the **website of the company**



# Amendments



- 01** All IPs to be 12AA, 80 G registered and mandatory registration with MCA through Form CSR-1 starting April 2021 
- 02** CSR Registration number of implementing partner to be disclosed in Annexure II 
- 03** Impact assessment mandated for companies with annual average spend over last 3 years of  $\geq 10$  cr 
- 04** Impact assessment to be undertaken for CSR projects with outlays of INR 1 crore or more and completed not less than one year before undertaking impact assessment study. 
- 05** Details of impact assessment to be disclosed in annual CSR report 

# Q&A

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