

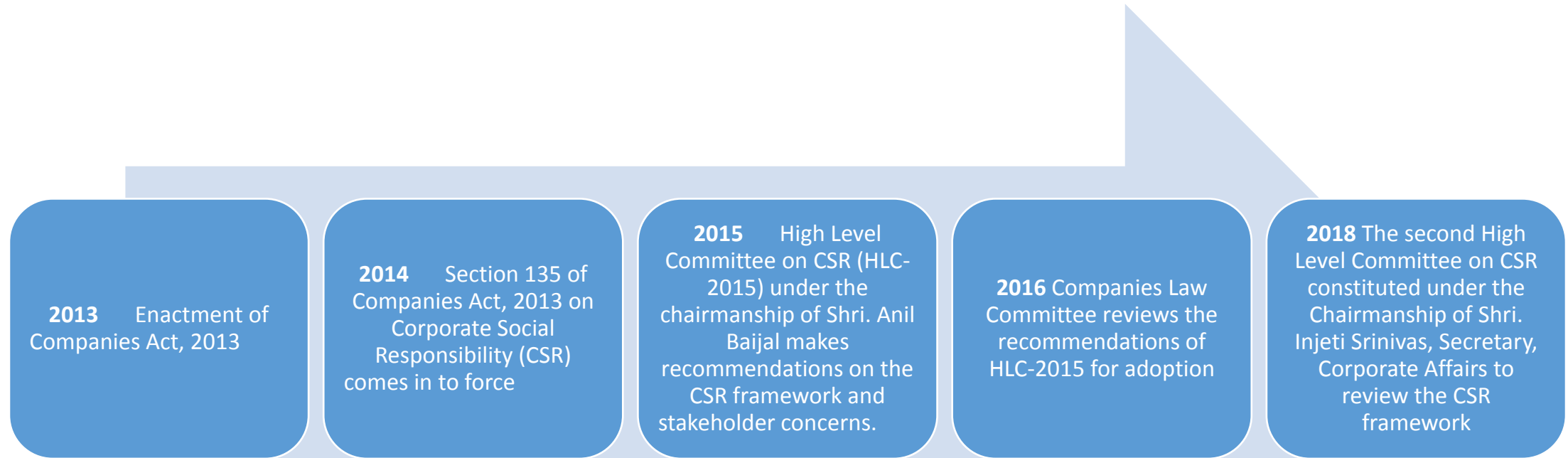
# CSR Landscape

Meena Galliara

# References

- MCA, GOI.(August 7, 2019). *Report of the High Level Committee on Corporate Social Responsibility 2018*, Available on [http://www.mca.gov.in/Ministry/pdf/CSRHLC\\_13092019.pdf](http://www.mca.gov.in/Ministry/pdf/CSRHLC_13092019.pdf)
- Crisil Foundation.(Feb , 2019).*Rs 500,000,000,000 CSR stakes claim as an able ally in the welfare push of governments. Will the momentum hold?* Available on <https://www.crisil.com/content/dam/crisil/crisil-foundation/generic-pdf/rs-50000cr-the-crisil-csr-yearbook-2019-new.pdf>
- Rajora P. ( August 2, 2019). CSR – Companies Amendment Act, 2019. Retrieved from <https://taxguru.in/company-law/csr-companies-amendment-act-2019.html>

# Key Milestones



Section 135(1): Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more, or a net profit of rupees five crore or more, during any financial year, shall constitute a Corporate Social Responsibility Committee of the Board. Have CSR Policy, Adhere to Schedule VII...

# HLC 2018 Committee Findings Report Published Aug 2019

Reported figures by the companies in their filings on MCA21.

	2014-15	Amount Spent (CR)	2015-16	Amount Spent (CR)	2016-17	Amount Spent (CR)	2017-18	Amount Spent (CR)	Total (CR)
Total Number of Companies liable for CSR	16548		18,290		19,532		21,337		
Actual Number of Companies Reported on CSR	10,418	10,066	12,955	14,504	13,182	14,312	11,584	13,326.69	52,208.30



CRISIL Year Book 2019

\* Spending by unlisted companies has been obtained by deducting CRISIL's estimate for listed companies – based on Prowess data – from the total spend mentioned on MCA website for each year.  
 \*\* For fiscal 2018, the MCA numbers are still not available. Hence, we have assumed spending by unlisted companies to have logged the same on-year growth rate as that of listed companies.

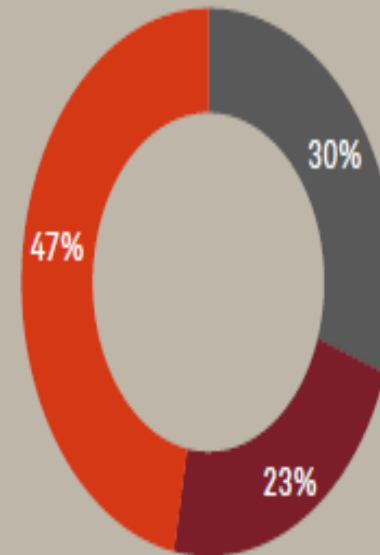
## CSR expenditure vis-a-vis CSR Prescribed amount: HLC 2018

CSR Expenditure	Number of liable companies reporting on CSR			
	2014-15	2015-16	2016-17	2017-18
<b>A. Zero</b>	<b>5,734</b>	<b>5,472</b>	<b>4,377</b>	<b>3,359</b>
(i) Zero expenditure having Zero prescribed amount of CSR	2,784	1,601	1,286	776
(ii) Zero expenditure having positive prescribed amount of CSR	2,950	3,871	3,091	2,583
<b>B. Positive but less than prescribed amount of CSR</b>	<b>1,983</b>	<b>3,074</b>	<b>3,318</b>	<b>3,130</b>
<b>C. Positive and equal to prescribed amount of CSR</b>	<b>1,090</b>	<b>1,336</b>	<b>1,845</b>	<b>992</b>
<b>D. Positive and more than prescribed amount of CSR</b>	<b>1,611</b>	<b>3,073</b>	<b>3,642</b>	<b>4,103</b>
<b>Total number of liable companies reporting on CSR (A+B+C+D)</b>	<b>10,418</b>	<b>12,955</b>	<b>13,182</b>	<b>11,584</b>

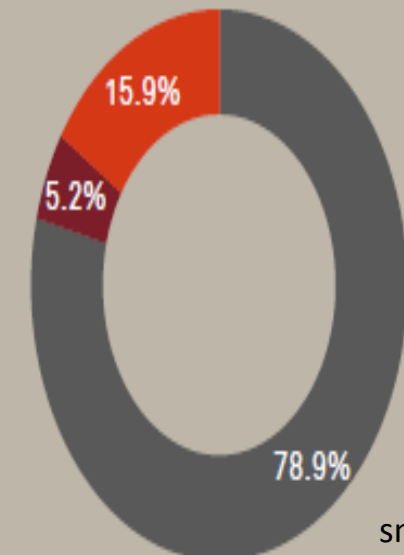
\* Figure as per the filings received as on 31<sup>st</sup> March, 2019.

## CRISIL Year Book 2019

Share in number of companies



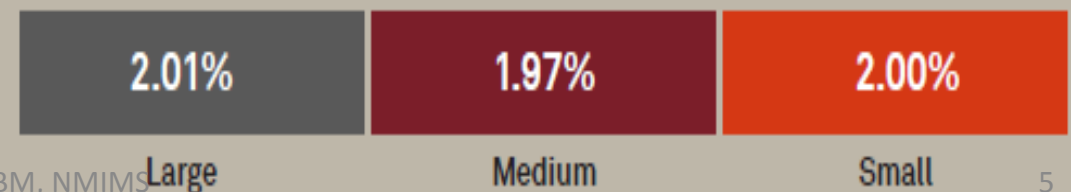
Share in CSR spend



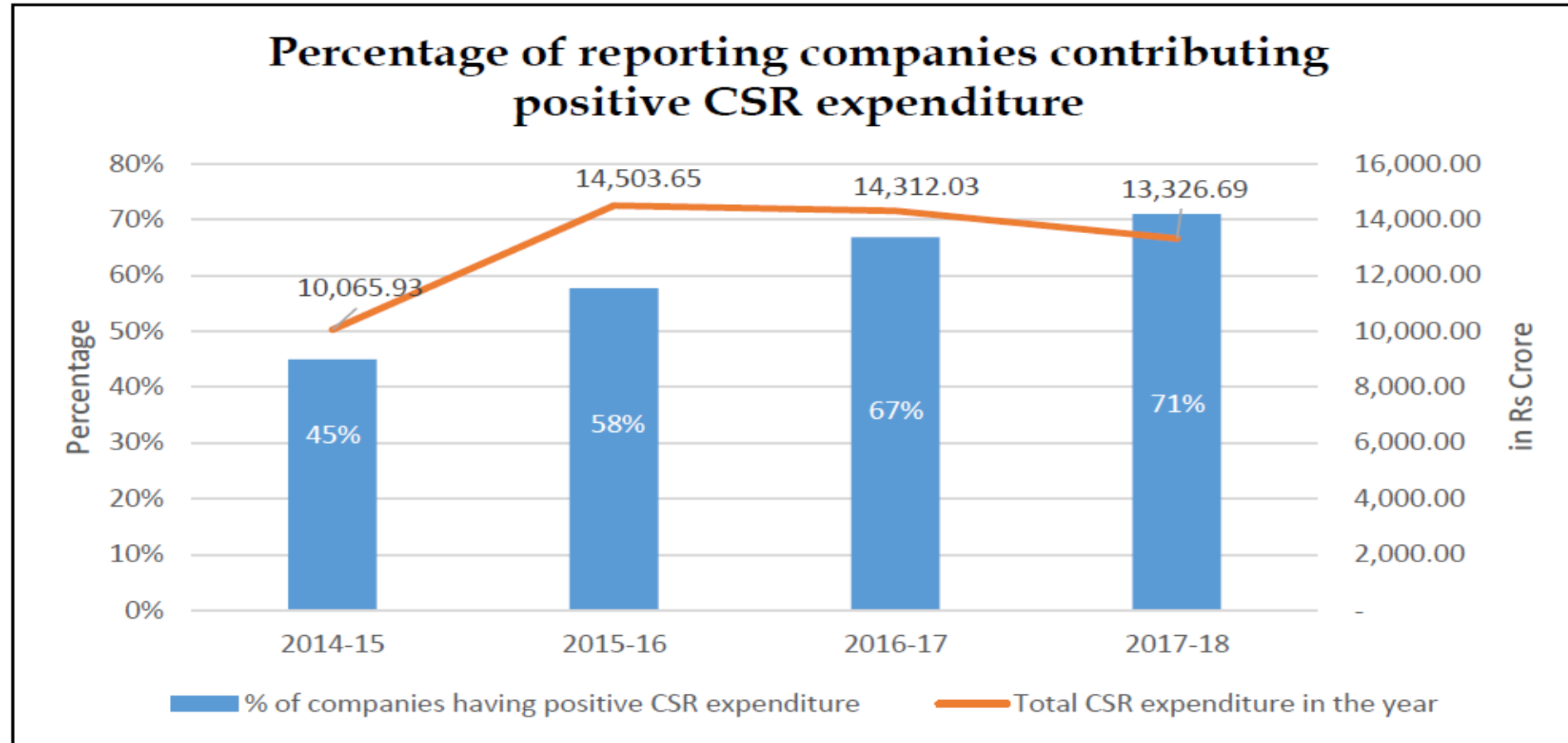
■ Large  
■ Medium  
■ Small

small (<Rs 500 crore),  
medium (>Rs 500 crore to <Rs 1,500 crore) and large (>Rs 1,500 crore).

Average CSR spend



# CSR Expenditure



## CSR expenditure by Companies reporting on CSR (figures as per the filings received as on 31st March, 2019)

Year of filing	FY 2014-15		FY 2015-16		FY 2016-17		FY 2017-18	
	No of companies	Total CSR amount spent (in Rs. cr.)	No of companies	Total CSR amount spent (in Rs. cr.)	No of companies	Total CSR amount spent (in Rs. cr.)	No of companies	Total CSR amount spent (in Rs. cr.)
NON PSU	10,083	7,249.11	12,551	10,302.39	12,810	11,026.63	11,314	10,787.50
Average spend by NON PSU	<b>0.72</b>		<b>0.82</b>		<b>0.86</b>		<b>0.95</b>	
PSU	335	2,816.82	404	4,201.26	372	3,285.40	270	2,539.19
Average spend by PSU	<b>8.40</b>		<b>10.40</b>		<b>8.83</b>		<b>9.40</b>	
<b>Grand Total</b>	<b>10,418</b>	<b>10,065.93</b>	<b>12,955</b>	<b>14,503.65</b>	<b>13,182</b>	<b>14,312.03</b>	<b>11,584</b>	<b>13,326.69</b>

**Note:** Number of companies in the above Table include companies which are liable and reporting on CSR

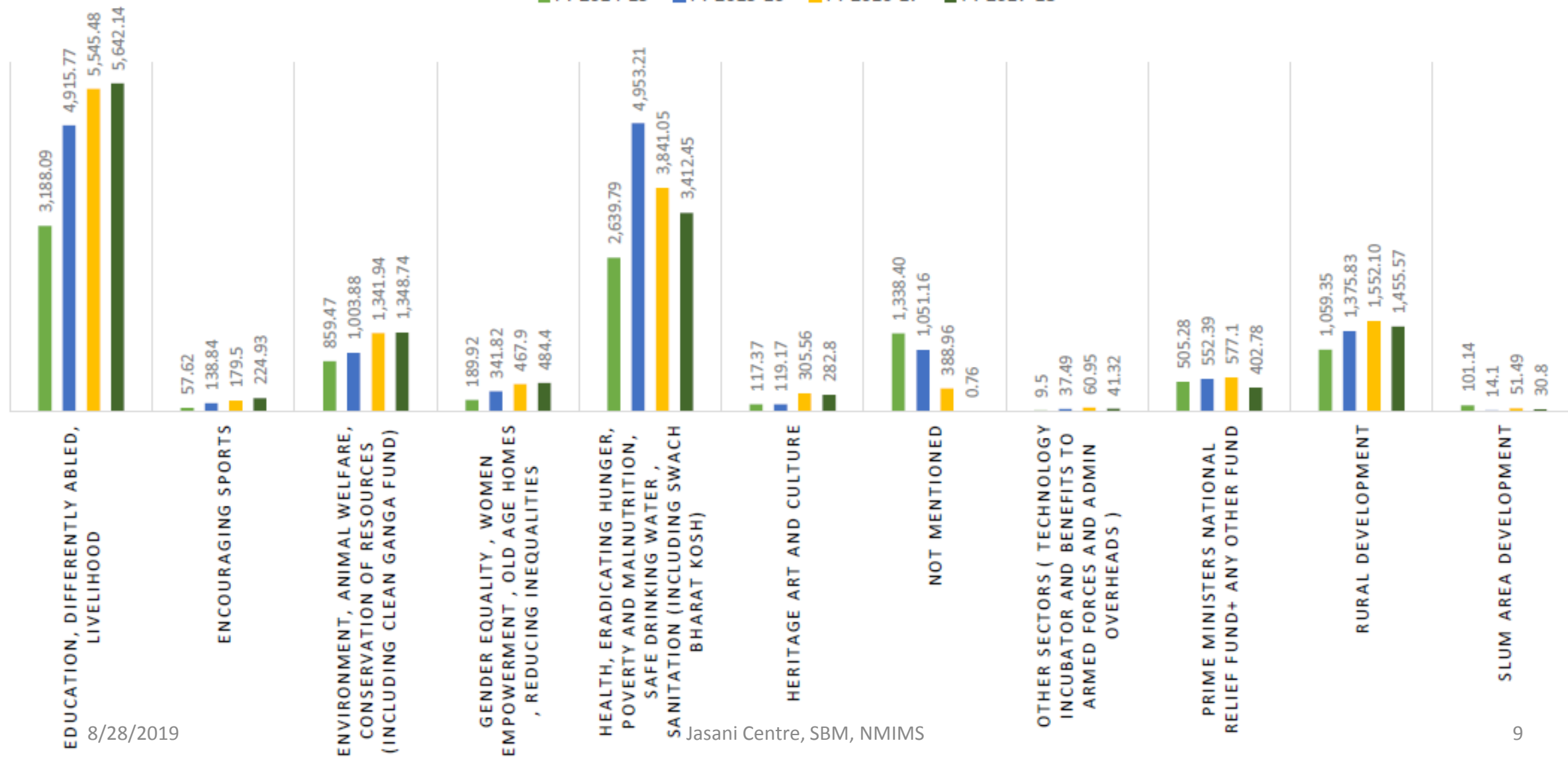
## Slab-wise distribution of number of companies with its corresponding total prescribed amount of CSR and total CSR expenditure (figures as per the filings received as on 31st March, 2019)

Slabs based on Prescribed CSR Amount for companies	2014-15			2015-16			2016-17			2017-18		
	Number of companies	Total prescribed amount of CSR (in cr.)	Total CSR Expenditure (in cr.)	Number of companies	Total prescribed amount of CSR (in cr.)	Total CSR Expenditure (in cr.)	Number of companies	Total prescribed amount of CSR (in cr.)	Total CSR Expenditure (in cr.)	Number of companies	Total prescribed amount of CSR (in cr.)	Total CSR Expenditure (in cr.)
less than 10 lacs	7,434	179.04	485.45	7,366	251.60	957.16	7,395	274.61	828.04	7,970	299.12	1,203.12
10 lacs and above to 50 lacs	6,345	1,331.91	636.46	7,800	1,624.95	1,319.04	8,562	1,797.87	1,159.07	9,317	1,996.28	1,124.72
50 lacs and above to 1 cr	1,200	842.04	375.81	1,385	971.04	639.94	1,582	1,102.36	735.40	1,747	1,219.77	708.09
1 cr and above to 5 cr.	1,157	2,457.72	1,360.18	1,304	2,772.90	1,849.40	1,493	3,143.96	2,096.08	1,729	3,633.19	2,052.61
5 cr. and above to 10 cr.	202	1,437.35	721.00	211	1,489.61	1,085.20	243	1,706.26	1,279.00	285	2,048.44	1,170.82
10 cr. and above	210	10,892.36	6,487.03	224	9,934.36	8,652.90	257	11,764.84	8,214.43	289	14,051.11	7,067.33
<b>Grand Total</b>	<b>16,548</b>	<b>17,140.42</b>	<b>10,065.93</b>	<b>18,290</b>	<b>17,044.45</b>	<b>14,503.65</b>	<b>19,532</b>	<b>19,789.90</b>	<b>14,312.03</b>	<b>21,337</b>	<b>23,247.90</b>	<b>13,326.69</b>

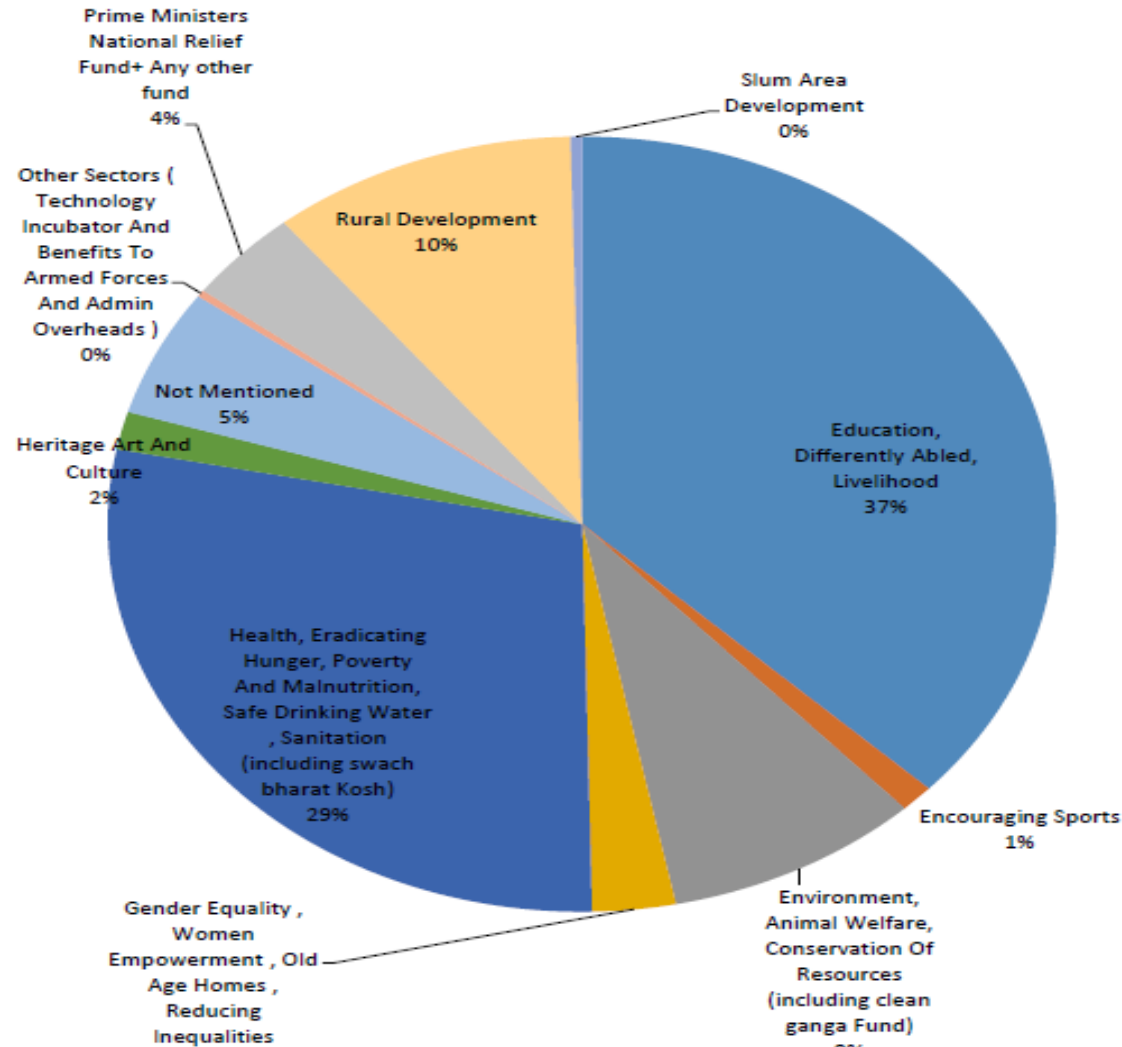


# CSR EXPENDITURE ACROSS AREAS OR SUBJECTS MENTIONED IN SCHEDULE VII (FIGURES IN RS. CRORE.)

FY 2014-15 FY 2015-16 FY 2016-17 FY 2017-18















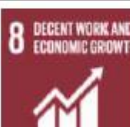





**CSR Expenditure (%) towards areas or subjects mentioned in schedule VII, 2014-15 to 2017-18**



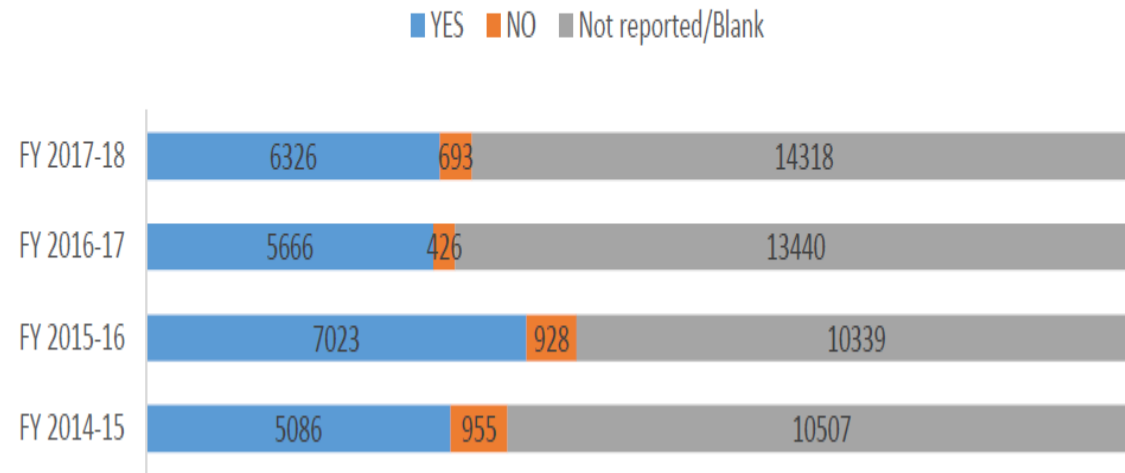
Schedule VII areas	Sustainable Development Goals (SDG number)	Cumulative CSR spend (in Rs.cr)	% of total CSR spend
Prime Minister's National Relief Fund and any other fund	<div>15 LIFE ON LAND</div> <div>6 CLEAN WATER AND SANITATION</div> <div>1 NO POVERTY</div> <div>4 QUALITY EDUCATION</div> <div>3 GOOD HEALTH AND WELL-BEING</div> <div>2 ZERO HUNGER</div>	2,037.55	3.90
Other Sectors (Technology Incubator and Benefits To Armed Forces And Admin Overheads)	<div>8 DECENT WORK AND ECONOMIC GROWTH</div> <div>4 QUALITY EDUCATION</div> <div>3 GOOD HEALTH AND WELL-BEING</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div>13 CLIMATE ACTION</div> <div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div>	152.00	0.29
Not Mentioned		2,779.28	5.32

# Mapping of SDGs with Schedule VII of the Act

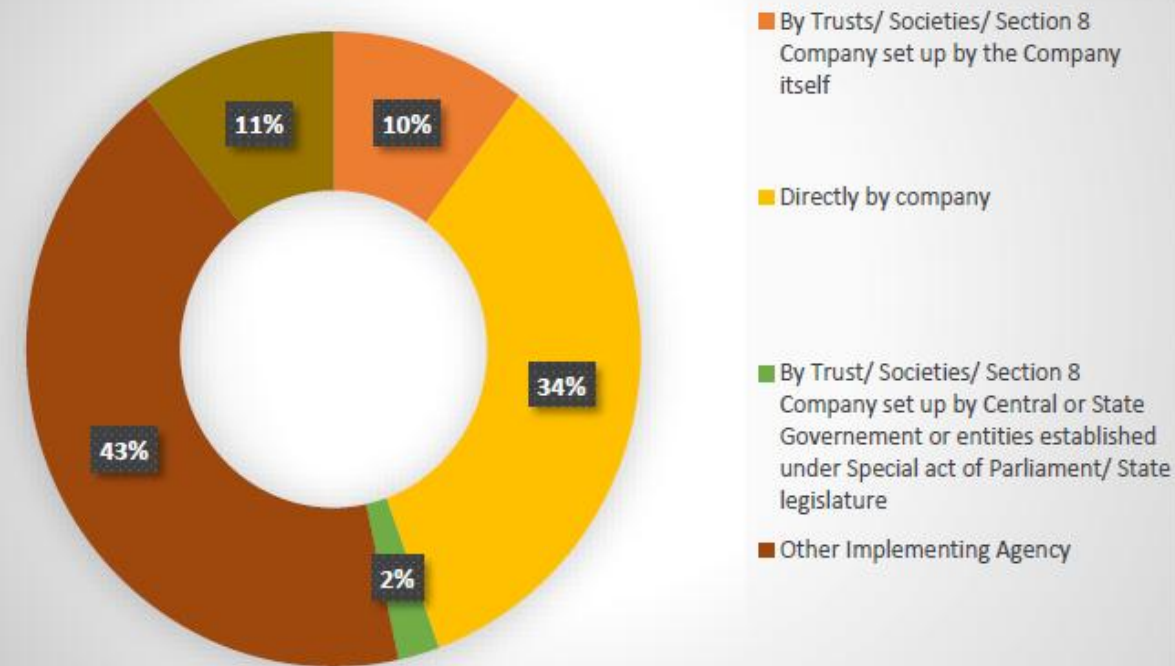
Schedule VII areas	Sustainable Development Goals (SDG number)	Cumulative CSR spend (in Rs.cr)	% of total CSR spend	Schedule VII areas	Sustainable Development Goals (SDG number)	Cumulative CSR spend (in Rs.cr)	% of total CSR spend
Environment, Animal Welfare, Conservation of Resources (including Clean Ganga Fund)	     	4,554.03	8.72	Heritage, Art, and Culture	 	824.90	1.58
Education, Differently Abled, Livelihood	   	19,291.47	36.95	Gender Equality, Women Empowerment, Old Age Homes, Reducing Inequalities	  	1,484.04	2.84
Health, Eradicating Hunger, Poverty And Malnutrition, Safe Drinking Water, Sanitation (including Swachh Bharat Kosh)	    	14,846.50	28.44	Rural Development	    	5,442.84	10.43
Encouraging Sports		600.89	1.15	Slum Area Development	     	197.53	0.38

# CSR Policy & Implementation

Number of companies framing CSR Policy out of the total companies eligible for CSR



Total CSR expenditure through various modes, 2014-15 to 2017-18

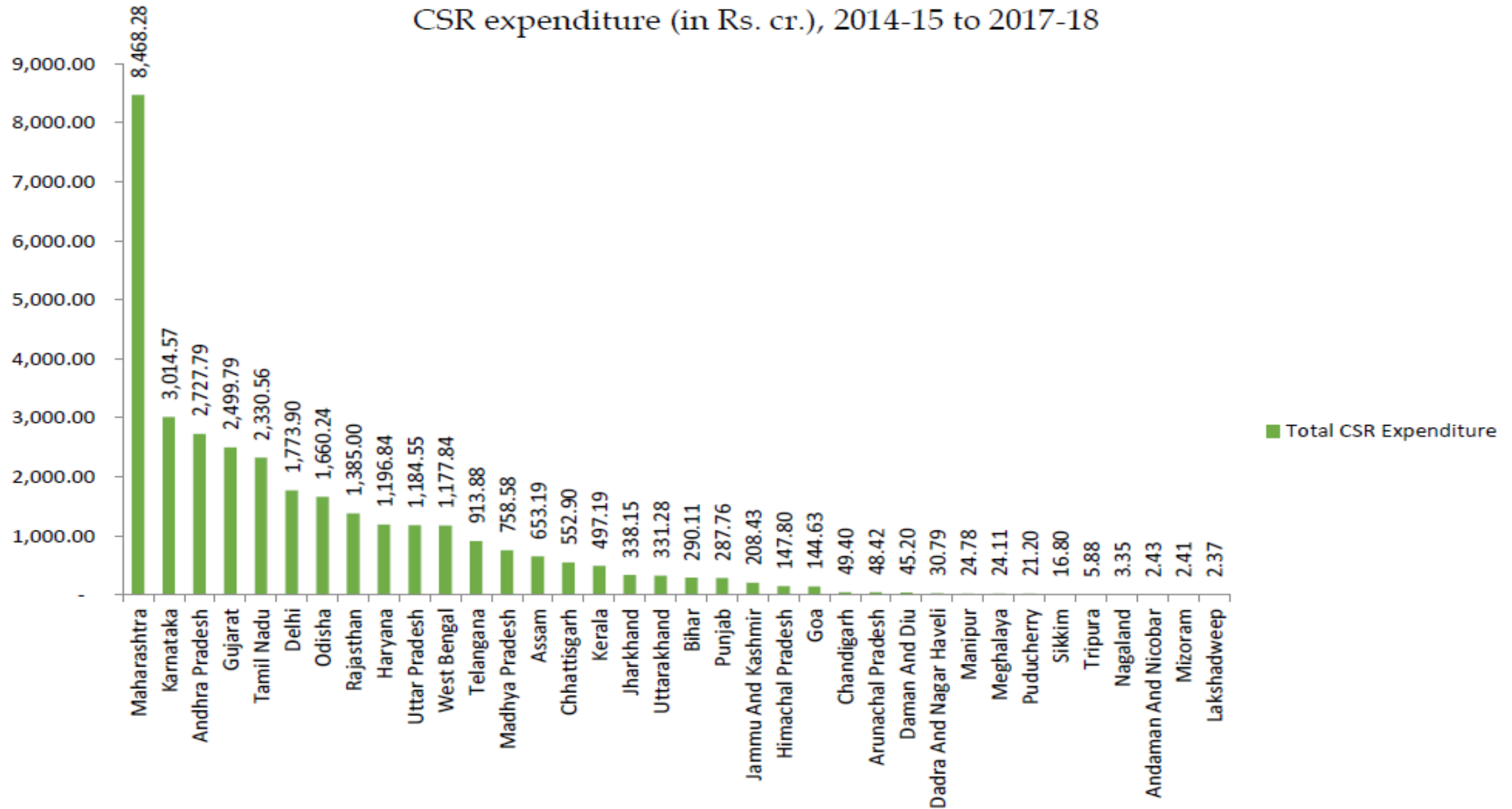




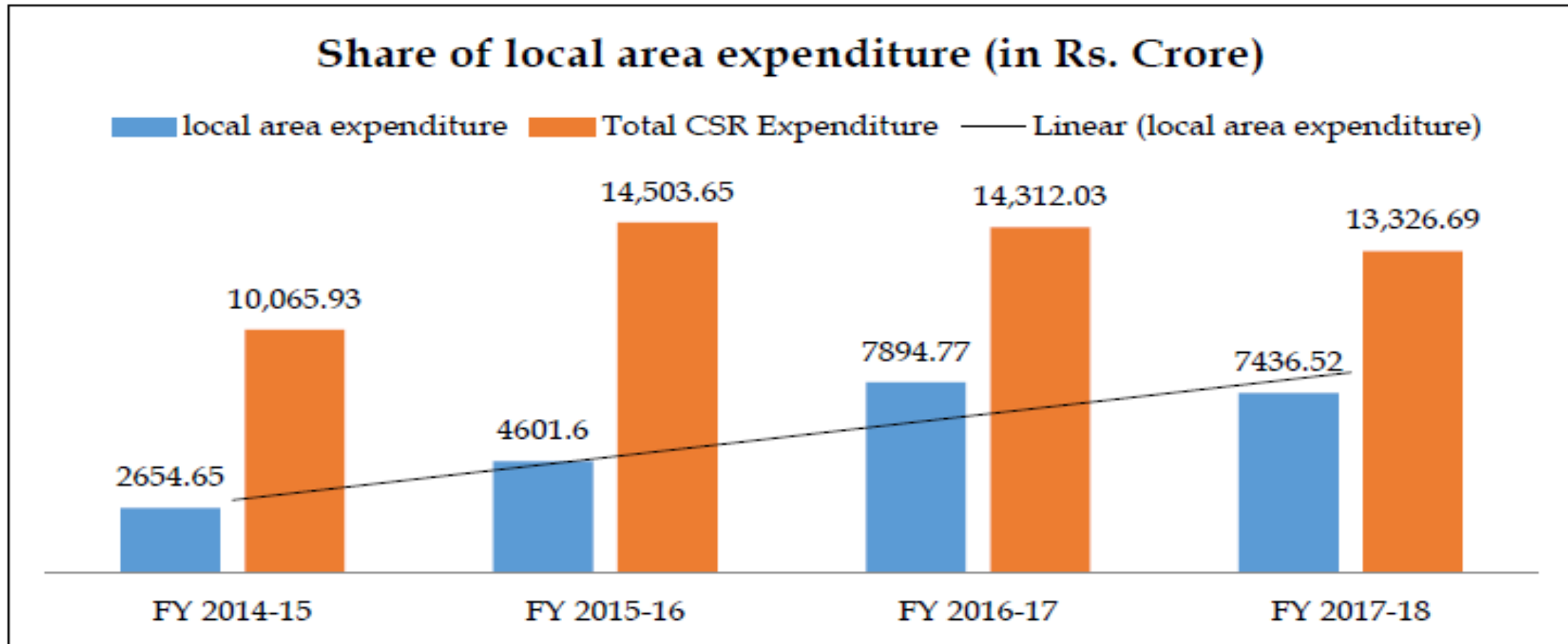
## Mode of implementation opted by companies for implementation of CSR projects and the CSR expenditure made through that mode (figures as per the filings received as on 31st March, 2019)

Mode of Implementation	FY 2014-15		FY 2015-16		FY 2016-17		FY 2017-18	
	Number of projects/ (%)	CSR expenditure (in cr.)/ (%)	Number of projects/ (%)	CSR expenditure (in cr.)/ (%)	Number of projects/ (%)	CSR expenditure (in cr.)/ (%)	Number of projects/ (%)	CSR expenditure (in cr.)/ (%)
By Trusts/ Societies/ Section 8 Company set up by the Company itself	1,105 (4%)	2,054.66 (20%)	1,441 (3%)	925.45 (6%)	2,155 (4%)	1,301.40 (9%)	2,136 (5%)	1,099.46 (8%)
Directly by company	7,985 (28%)	3,429.76 (34%)	13,925 (34%)	4,476.46 (31%)	19,597 (40%)	4,989.99 (35%)	17,718 (40%)	4,929.17 (37%)
By Trust/ Societies/ Section 8 Company set up by Central or State Government or entities established under Special act of Parliament/ State legislature	359 (1%)	140.15 (1%)	760 (2%)	215.02 (1%)	915 (2%)	436.03 (3%)	935 (2%)	340.58 (3%)
Other Implementing Agency	5,643 (19%)	2,548.69 (25%)	9,904 (24%)	5,419.88 (37%)	13,855 (28%)	7,567.69 (53%)	12,943 (29%)	6,881.64 (52%)
Not Mentioned	13,892 (48%)	1,892.67 (19%)	15,288 (37%)	3,466.85 (24%)	12,561 (26%)	16.92 (0%)	11,073 (25%)	75.85 (1%)
<b>Grand total</b>	<b>28,984</b>	<b>10,065.93</b>	<b>41,318</b>	<b>14,503.65</b>	<b>49,083</b>	<b>14,312.03</b>	<b>44,805</b>	<b>13,326.69</b>

CSR expenditure (in Rs. cr.), 2014-15 to 2017-18



# Local Area



# Funds received by NER (2014-15 to 2017-18)

N.E States	Cumulative CSR Expenditure (in Cr)
Assam	653.19
Arunachal Pradesh	48.42
Meghalaya	24.11
Manipur	24.78
Sikkim	16.80
Tripura	5.88
Nagaland	3.35
Mizoram	2.41
<b>Grand Total for NER</b>	<b>778.93</b>



# Recommendations

Applicability	<p>The scope of CSR applicability be extended to Limited Liability Partnerships (LLPs) which are within the purview of the MCA. The applicability of CSR may also be extended to Banks registered under the Banking Regulation Act, 1949.</p> <p>The applicability of CSR provisions may also be extended to similarly placed entities not covered under Companies Act through necessary amendments in Companies Act and, if necessary, in their respective statutes</p>	Obligation to carry out CSR and carrying forward of unspent CSR amount	<p>The Committee is of the view that the unspent CSR amount for a particular year be transferred to a separate designated account created for the purpose.</p> <p>Such unspent amount, and the interest earned thereon, be spent within a period of three to five years, failing which the same be transferred to a fund to be specified by the Central Government which may be used for innovative, high-impact projects related to activities listed in Schedule VII.</p> <p>Adequate provisions be provided to ensure compliance. A penalty, 2-3 times the default amount, may be imposed subject to a maximum of Rs. 1 (one) Crore upon the default being made good, but there be no imprisonment.</p>
Newly Formulated Companies	A clarification may be issued that for newly incorporated companies the obligation under Section 135 shall lie only after they have been in existence for three years.		
Constitution of CSR Committee	Companies having prescribed CSR amount below Rs. 50 lakhs be exempt from forming a separate CSR Committee. The Board itself would carry out the functions of the CSR Committee.	Creation of Capital Assets through CSR spending	<p>Regulatory oversight be exercised through enhanced and granular reporting wherever CSR funds are used for creation of capital assets.</p> <p>Companies be encouraged to forge partnerships when creating assets for public purpose. The ownership shall rest with the public and the company may act as a custodian to operate it and make it self-sustaining.</p>

# Recommendations



Creation of Capital Assets through CSR spending	<p>Regulatory oversight be exercised through enhanced and granular reporting wherever CSR funds are used for creation of capital assets.</p> <p>Companies be encouraged to forge partnerships when creating assets for public purpose.</p> <p>The ownership shall rest with the public and the company may act as a custodian to operate it and make it self-sustaining.</p>	Contribution to Central Government Funds specified in Schedule VII	<p>Contribution to Central Government funds as specified in Schedule VII be discontinued as CSR spend.</p> <p>However, a specific designated fund may be created for transfer of unspent CSR funds lying with the company beyond the proposed 3-5year time limit.</p>
Undertaking CSR Activities in Local Areas	<p>The emphasis on local area in the Act is only directory and not mandatory in nature.</p> <p>A clarification be issued advising companies to engage in CSR activities by balancing local area preference with national priorities</p>	Deepening CSR Impact	<p>The Committee recommends that a company having average prescribed CSR amount of Rs. 5 Crore or more in the three immediately preceding financial years, undertake need and impact assessment studies for their CSR programmes/ projects in that year and disclose the same in their Board Report.</p> <p>Such studies be undertaken once in three years.</p>
Schedule VII	<p>Schedule VII be mapped and aligned largely with SDGs and some important items such as promoting sports, senior citizens' welfare, welfare of differently abled persons, disaster management, and heritage be additionally included to develop an SDG+ framework.</p> <p>The Central Government may, if required, identify a few areas from Schedule VII as priority areas and issue specific directions in this regard.</p>	Issues related to Reporting for CSR	<p>The reporting for CSR needs to be strengthened, with enhanced disclosures for better information dissemination with respect to selection of projects, locations, implementing agencies to facilitate better monitoring</p>

CSR Audit	The Committee is of the view that CSR may be brought within the purview of statutory financial audit, by making details of CSR spending as part of the financial statement of a company, and incorporated in Schedule III of the Act	Tax Benefits for CSR Activities	<p>All activities listed under Schedule VII to enjoy uniform tax benefit. CSR expenditure to be made deductible from the income earned for the purpose of taxation.</p> <p>The mode of implementation to be tax neutral.</p> <p>Implementing agencies be treated as partners and not service providers/vendors for CSR activities, so as to address the variable incidence of indirect taxes on them</p>
CSR Implementation Issues	<p>A clarification be issued that mere disbursal of funds to implementing agencies is not construed as CSR spending.</p> <p>The Board of a company to ensure that CSR funds are duly spent on CSR activities as specified under Schedule VII and report on the modalities of utilization of funds.</p>	CSR Exchange Portal	A CSR Exchange Portal be developed for creating an interactive platform for all stakeholders, including contributors, beneficiaries, IAs, etc. by leveraging the benefits of technology to maximize the potential and outcomes of CSR.
Registration of Implementing Agencies	The Board of a Company to ascertain the credibility of an Implementing Agency (IA) and carry out necessary due diligence. IAs to be registered with MCA to carry out CSR activities.	Social Impact Companies	<p>‘Social Impact Companies’ be created as vehicles within the CSR framework, with the express object of pursuing social outcomes, while being permitted to achieve conditional profit which can be distributed.</p> <p>CSR contribution to social impact bonds raised by such Social Impact Companies or not-for-profit companies bringing upfront risk capital may be considered on a pilot basis.</p>

# Recommendations

Applicability of BRR to 1000 Companies	The Committee is of the view that the ambit of reporting on BRR be expanded gradually and at this juncture, it be extended to top 1000 companies	Annual Report on CSR	The Committee recommends that an Annual CSR Survey may be prepared by the Ministry.
		Administrative Overheads	Status quo be maintained on administrative overheads.  However, for companies undertaking need & impact assessments, the limit may be extended by an additional 5 per cent.
Advocacy of CSR and academic network for CSR	<p>NFCSR to be strengthened to function as the think-tank for CSR. The Government may consider contributing Rupees Ten Crore as seed capital for strengthening NFCSR.</p> <p>It shall build a strong network among all stakeholders and build capacity for CSR. NFCSR may also undertake advocacy for Individual Social Responsibility</p>	International Organization to be eligible to undertake CSR as Implementing Agencies	The Committee recommends that international organizations may be engaged as partners for designing CSR projects, monitoring and evaluation as well as capacity building of CSR-eligible companies and implementing agencies.
			Further, Ministry may consider specific socially useful CSR projects of international agencies for the purpose of a pilot study. These may be used for demonstration purposes and for scaling up upon successful implementation
Guidelines for PSUs for effective CSR implementation	The Committee recommends that MCA shall partner with the DPE for comprehensive guidelines for Central Public Sector Undertakings (CPSUs		

# Recommendations

CSR expert in the CSR Committee	The Committee recommends that the Board of a company may engage a CSR professional, if it so desires, and the Government may prescribe eligibility criteria for such professionals
Third Party assessment of CSR Projects	The Committee suggests that 5% of CSR mandated companies be identified on a random basis for third-party assessments on a pilot basis

# Amendments to Section 135

- **sub-section (5) of Section 135 so as to:**

a) Ensure that any company having Net Worth of Rs. 500/- Crore or more or Turnover of Rs. 1,000/- crore or more or Net Profit of Rs. 5 Crore or more during the immediately preceding financial year **and which has not completed the period of three financial years since its incorporation, also spends at least two per cent of the average net profits of the company made during such immediately preceding financial years in pursuance of its CSR Policy;**

b) Ensure that every company having Net Worth of Rs. 500/- Crore or more or Turnover of Rs. 1,000/- crore or more or Net Profit of Rs. 5 Crore or more during the immediately preceding financial year **fully spends** at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its CSR Policy.

This means the full two per cent must be utilized during the fiscal year and only if it is an on-going project (i.e. a project or program spread out over a period of more than a year) can the unspent amount be carried forward to the next fiscal year.

If there is no on-going project the unspent amount must be transferred within a period of six months of the expiry of the previous financial year (i.e. by 30<sup>th</sup> September) to a fund specified in Schedule VII (e.g. 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 Castes, the Scheduled Tribes, other backward classes, minorities and women, etc.)



- **New sub-section 6:** Any amount remaining unspent under sub-section (5), pursuant to any ongoing project fulfilling such conditions as may be prescribed, undertaken by a company in pursuance of its Corporate Social Responsibility Policy, shall be transferred by the company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the **Unspent Corporate Social Responsibility Account**.
- And such amount shall be spent by the company in pursuance of its obligation towards Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.

Company ABC Ltd., was required to spend a sum of Rs. One Crore during the fiscal year 2019-20, however, as on 31<sup>st</sup> March 2020 it is discovered that the company has spent only Rs. 90 Lakhs on CSR activities.

If ABC Ltd., does not have any ongoing project it must within a period of six months of the expiry of the previous financial year (i.e. by 30<sup>th</sup> September 2020) transfer the unspent Rs. 10 Lakhs to a fund specified in Schedule VII (e.g. 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 Castes, the Scheduled Tribes, other backward classes, minorities and women, etc.)

In case ABC Ltd., has ongoing projects it must transfer the unspent Rs. 10 lakhs within a period of thirty days from the end of the financial year (i.e. by 30<sup>th</sup> April 2020) to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the "ABC Ltd. Unspent Corporate Social Responsibility Account", and this sum of Rs. 10 Lakhs must be spent by ABC Ltd. in pursuance of its obligation towards CSR within a period of three financial years from the date of such transfer.

Failing which, the company must transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.

# In Long Term

- More Companies Will Comply and Engage in Long-term Partnerships With NGOs
- For-Profit Social Ventures Will Emerge as a Major Force of Social Good
- Technology and Innovation Will Play a Major Role in Addressing Structural Issues in the Social Sector
- Central Funds will get a boost...