YES ACADEMY
Say Yes to CS

NEW SYLLABUS, MODULE - I

CS PROFESSIONAL

Applicable for June 24/Dec 24

CSR & SOCIAL GOVERNANCE

Group1-Elective Paper 4.1

National CSR Portal

Reliance Industries Limited

TATA
TATA CONSULTANCY SERVICES

Infosys

ITC Limited

CS Muskan Gupta

TEAM YES

Most ♥♥♥ Academy for CS & LAW

YES ACADEMY CS | LAW

CS VIKAS VOHRA (FOUNDER)

CSEET	EXECUTIVE	PROFESSIONAL
Legal Aptitude	Company Law & Practice	Drafting, Pleadings & Appearances
	Capital Market & Securities Laws	

CA CS HARISH A. MATHARIYA (FOUNDER)

CSEET	EXECUTIVE	PROFESSIONAL
Business Environment	Corporate Accounting & Financial Management	

ADV CHIRAG CHOTRANI

CSEET	EXECUTIVE	PROFESSIONAL
Legal Aptitude	Setting Up of Business, Industrial & Labour Laws	Environmental, Social & Governance - Principles and Practice
	Jurisprudence, Interpretation & General Laws	Corporate Funding & Listings in Stock Exchanges
	Economic, Commercial & Intellectual Property Laws	

CMA VIPUL SHAH

CSEET	EXECUTIVE	
	Tax Laws & Practice	

CS MUSKAN GUPTA

CSEET	LAW ENTRANCE	PROFESSIONAL
Business Communication	English Language	Compliance Management, Audit & Due Diligence
	Legal Aptitude	CSR & Social Governance
		Intellectual Property Rights - Law & Practice

CS VAIBHAV CHITLANGIA

CSEET	LAW ENTRANCE	PROFESSIONAL
Logical Reasoning	Logical Reasoning	Strategic Management & Corporate Finance
Quantitative Aptitude	Maths	Corporate Restructuring, Valuation & Insolvency
		Insolvency & Bankruptcy-Law & Practice

ADV. AMRUTA CHHAJED

LAW COURSE DIRECTOR

ADV. VISHISHTA NAYAK

CSEET	LAW ENTRANCE
Current Affairs	Current Affairs
Economics	General Knowledge

CHAPTER 1- CORPORATE SOCIAL RESPONSIBILITY

"Dil ne ye kaha hai dil se,

CSR karna padega company ko firse"

1. INTRODUCTION

i. Economic growth is possible only through consumption of inputs available in the environment and society. The harnessing of natural resources has a direct impact on the economy, the environment and society at large.

ii. Corporate Social Responsibility (CSR) is a concept whereby organizations serve the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations.

iii. Corporate social responsibility is not about just giving randomly but about bringing benefits to all the stakeholders, including customers, employees and community at large.

iv. Corporate Social Responsibility is the way companies manage their businesses to produce an overall positive impact on society through economic, environmental and social actions. Corporate social responsibility (CSR), also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business/ businesses. Business depends for its survival on long term prosperity of the society.

v. The Corporate Social Responsibility and Corporate Governance are inextricable in today's going perception of the society. The Corporate Governance and business ethics make the concept of Corporate Social Responsibility inevitable. As Winston Churchill once said "With great power comes great responsibility", social responsibility cannot be avoided.

vi. Corporate social responsibility is basically a new business strategy to reduce investment risks and maximize profits by taking all the key stake- holders into confidence. The proponents of this perspective often include corporate social responsibility in their advertising and social marketing initiatives. It is a tool to increase the reputation of the company in the eyes of society.

vii. It is certainly a business approach that creates a long term consumer and employee value by not only creating a 'green strategy' on natural environment but also considering every dimension of how a business operates in social, cultural and environment.

viii. The company should meet the needs of its all stakeholders (consumer, employees, shareholder, clients and other related persons) without sacrificing the ability to meet the needs of the future stakeholders.

TRIPLE BOTTOM LINE

ix. Corporate Social Responsibility (CSR) is the responsibility of an organization for the impacts of its decisions and activities on society, the environment and its own prosperity, known as the "triple bottom line" (TBL) of people, planet, and profit. The three together are often referred to as 'the three pillars' of the business entity. In 1997 Briton John Elkington introduced the term (TBL) which is based on the premise that business entities have more to do than make just profits for the owners of the capital. Here People (human capital) refers to the Society where the business conducts its operations, Planet (natural capital) refers to the sustainable environment practices and Profit is shared by all concerned.

2. SIGNIFICANCE OF CSR TO SUSTAINABILITY OF BUSINESS

The CSR is important to the corporate to sustain in the environment and thus has the following significance:

i. **Reduction in operative cost**: corporate social responsibility helps companies in reduction in operating cost, this may include recycling, water conservation, energy efficiency etc..

ii. **Increased Sales and Customer Loyalty**: The customers also recognize those companies which are socially responsible. This results in increased sales and content customers.

iii. **Higher productivity and Quality**: Company as an essential of its triple bottom line, focuses on improving the working conditions of it employees, people in its suppy/distribution chain, which helps in increased productivity with better quality

iv. **Access to Capital**: The companies with strong CSR have increased access to capital that might not otherwise have been available. Even the lending institutions are cautious and are considering this as an important parameter of granting loans.

v. **Boost in Brand Image and Reputation**: CSR is an essential brand building tool used by companies to enhance its reputation amongst the stakeholders.

2.1 HISTORICAL BACKGROUND OF CSR

i. The concept of CSR is not new in India. The concept can be traced back to times immemorial. Our Vedas say - man can live individually but can survive only collectively. Hence the challenge is to form a progressive community by balancing the interests of individuals and that of the society. To meet this, we need to develop a value system where people accept modest sacrifices for the common good. A value system is the protocol for behavior that enhances the trust, confidence and commitment of members of the community. It goes beyond the domain of legality. It includes putting the community interests ahead of our own. Thus our collective survival and progress is predicated on sound values.

ii. Philosophers like Kautilya emphasized on ethical practices and principles while conducting business. In that period, Kings had an obligation towards society and merchants displayed their own business responsibility by building places of worship, education and various forms to charity for the needy. Although the core function of business was to create wealth for society and was based on an economic structure, the business community with their rulers believed in the philosophy of "Sarva loka hitam" which means "the well-being of all stakeholders".

iii. Indian Scriptures have at several places mentioned the importance of sharing one's earning with the deprived sections of society. There are different ways through which a firm can exert positive social change in society and collaborate with partners who have the explicit power to trigger such change.

iv. Vedas suggest that peace, order, security and justice were regarded as the fundamental aims of the state. Welfare of the public was clearly regarded as the chief aim of the state. Literature on politics describes the promotion of dharma (moral law), karma (pleasure) andartha (wealth).

v. The concept of corporate social responsibility generally, agreed by the historians, emerged in the 1930s to 1940s and became formalized in 1953 with the publication of book named 'Social Responsibilities of the Businessman' by Howard Bowen. However, the term CSR became only popular in the 1990s.

vi. According to the World Business Council for Sustainable Development, 1999 "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to the economic development while improving the quality of life of the workforce and their families as well as of the local community and the society at large."

2.2 DEVELOPMENTS ON CORPORATE SOCIAL RESPONSIBILTY

SR. NO	YEAR	DEVELOPMENT
1	2007	Adoption of Inclusive Growth- 11th 5 year plan
2	2009	Voluntary Guidelines on Corporate Social Responsibility 2009
3	2010	Parliamentary Standing Committee on Finance- 21st Report on Companies Bill 2009
4	2011	National Voluntary Guidelines(NVG) on Social, Environmental & Economic Responsibilities of Business, 2011
5	2012	Business Responsibilities Reporting
6	2014	Mandatory Provision of CSR Under Section 135 of the Companies Act, 2013

National Voluntary Guidelines

The National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business released by the Ministry of Corporate Affairs (MCA) in July 2011, is essentially a set of nine principles that offer Indian businesses an understanding and approach to inculcate responsible business conduct.

However, taking into account the national and international developments in the arena of sustainable business since 2011, the NVGs have been updated and released as 'National Guidelines on Responsible Business Conduct' (NGRBC) in March 2019 to reveal alignments with the United Nations Guiding Principles on Business & Human Rights (UNGPs), UN Sustainable Development Goals (SDGs), Paris Agreement on Climate change etc. The NGRBC provides a framework for the companies to grow in an inclusive and sustainable manner while addressing the concerns of stakeholders.

The 21st Report of the Parliamentary Standing Committee on Finance is one of the prime movers for bringing the CSR provisions within the statute. It was observed by the Standing Committee, that annual statutory disclosures on CSR required to be made by the companies under the Act would be a sufficient check on non-compliance. Section 135(4) of the Companies Act 2013 mandates every company qualifying under Section 135(1) to make a statutory disclosure of CSR in its Annual Report of the Board. Rule 8 of the Companies (Corporate Social Responsibility Policy), Rules, 2014 prescribes the format in which such disclosure is to be made.

3. CONCEPT OF CORPORATE SOCIAL RESPONSIBILTY

i. CSR emerges from different sociological settings of each era to influence the way businesses adopt a more considerate and responsible behavior.

ii. Earlier businesses used to conduct these activities through especially dedicated charities. Later on the concept developed to welfare programs and activities in the nature of social responsibility.

iii. The concept of CSR has evolved during the last few decades from simple philanthropic activities to integrating the interest of the business with that of the community which is being served by such business.

iv. By exhibiting socially, environmentally and ethically responsible behavior in governance of its operations, business can generate value and long term sustainability for itself while making positive contribution towards the betterment of the society.

v. CSR is a concept whereby companies not only to consider their profitability and growth, but also interests of society and the environment by taking responsibility for the impact of their activities on the society, environment and communities in which they operate.

4. PRINCIPLES OF CSR

i. In 2009, the Ministry of Corporate Affairs (MCA), Government of India issued the 'Voluntary Guidelines on Corporate Social Responsibility' as a precursor towards mainstreaming the concept of business responsibility. In June 2011, the United Nations Human Rights Council (UNHRC) adopted the United Nations Guiding Principles on Business and Human Rights (UNGPs) which India has endorsed. Accordingly, MCA released a set of new guidelines in 2011 titled as National Voluntary Guidelines on the Social, Environmental and Economic Responsibilities of Business (NVGs). These guidelines were expected to provide guidance to businesses on what constitutes responsible business conduct.

ii. In NGRBC, the nine thematic pillars of business responsibility are referred to as principles. Each principle is introduced as a statement and followed by a brief description of the essential aspects of the principle. A plain reading of each principle and brief description provides a clear idea of the essential spirit and intent of the principle. Each principle is accompanied by a set of requirements and actions that are essential to the operationalisation of the principle, referred to as the core elements. All principles of the NGRBC are equally important, inter- related, interdependent and non-divisible, and businesses should adopt them to demonstrate their commitment to being a responsible business, and accrue the full benefits of sustainable business strategies.

iii. While the highest governance structure, in the case of companies and corporations is the Board, the responsibility for adoption of the NGRBC in proprietorships, partnerships, and other types of business is assumed in the present context to rest with the owner/s, partner/s, and/or, any other body responsible for the highest level of decision-making and governance functions in the business.

National Guidelines on responsible business conduct

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

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

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

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

5. Businesses should respect and promote human rights

6. Businesses should respect and make efforts to protect and restore the environment

7. Businesses, when engaging in influencing public and regulatory policy should do so in a manner that is responsible and transparent

8. Businesses should promote inclusive growth and equitable development

9. Businesses should engage with and provide value to their consumers in a responsible manner.

CSR IN INDIAN LEGISLATION

i. Though the legislature over a period of time has tried to address the basic responsibilities of a corporate towards its employees and environment by enacting various labour and environmental laws, the introduction of CSR provisions under the Act is a significant legislative effort undertaken to involve corporates as partners in the social development process of the country and in strengthening the social responsibility of businesses.

ii. Companies Act, 2013 is a legislation which officially embarked on one of the world's largest experiments of introducing the concept of CSR as a mandatory provision. CSR is an important and progressive concept for socio economic development. The inclusion of CSR is an attempt by the Government to engage businesses with the national development agenda. With the introduction of CSR provisions in the Act, there is a statutory responsibility on the corporates to take initiatives towards social, environmental and economic obligations.

iii. The Corporate Social Responsibility concept in India is governed by Section 135 of the Companies Act, 2013 ('Act'), Schedule VII of the Act and Companies (CSR Policy) Rules, 2014 wherein the criteria has been provided for assessing the CSR eligibility of a company, Implementation and Reporting of their CSR Policies.

5. CORPORATE SOCIAL RESPONSIBILTY

As per Rule 2(d) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 "Corporate Social Responsibility" means the activities undertaken by a company in pursuance of its statutory obligation laid down in section 135 of the Act in accordance with the provisions contained in CSR Rules, but shall not include the following, namely: -

i. activities undertaken in pursuance of normal course of business of the company:
Provided that any company engaged in research and development activity of new vaccine, drugs and medical devices in their normal course of business may undertake research and development activity of new vaccine, drugs and medical devices related to COVID-19 for financial years 2020-21, 2021-22, 2022-23 subject to the conditions that –

a. such research and development activities shall be carried out in collaboration with any of the institutes or organisations mentioned in item (ix) of Schedule VII to the Act;

b. details of such activity shall be disclosed separately in the annual report on CSR included in the Board's Report.

ii. any activity undertaken by the company outside India except for training of Indian sports personnel representing any State or Union territory at national level or India at international level; contribution of any amount directly or indirectly to any political party under section 182 of the Act;

iii. activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019;

iv. activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services;

v. activities carried out for fulfilment of any other statutory obligations under any law in force in India

Section 135(1)

Applicability of CSR Provision

(i) Net worth of Rs. 500 crore or more; or

(ii) Turnover of Rs. 1000 crore or more; or

(iii) Net profit of Rs. 5 crore or more.

Every such company is required to constitute a CSR committee of the Board

It may be independent director under section 149(4), it shall have in its Corporate Social Responsibility Committee two or more Directors.

Aaooooo kuch naya seekhte hai.....

Whether CSR provisions apply to a company that has not completed the period of three financial years since its incorporation?

Yes. If the company has not completed three financial years since its incorporation, but it satisfies any of the criteria mentioned in section 135(1), the CSR provisions including spending of at least two per cent of the average net profits made during immediately preceding financial year(s) are applicable. Example: Company A is incorporated during FY 2018-19, and as per eligibility criteria the company is covered under section 135(1) for FY 2020-21. The CSR spending obligation under section 135(5) for Company A would be at least two per cent of the average net profits of the company made during FY 2018-19 and FY 2019-20.

Baburao: agar question padne ke pehle answer padne ki koshish ki to bhagwan kasam tujhe paper me dhoodhne pe bhi answer nai milega

Section 135(2): According to Section 135(2) of the Act, the Board's report under Section 134(3) shall disclose the composition of the Corporate Social Responsibility Committee. Section 135(3) states that the Corporate Social Responsibility Committee shall —

a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company in areas or subject, specified in Schedule VII;

b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and

c) monitor the Corporate Social Responsibility Policy of the company from time to time.

Section 135(4): provides that the Board of every company referred to section 135(1) shall –

(a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and

(b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

Section 135(5): As per Section 135(5) of the Act, the Board of every company referred to in section 135(1), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility 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 and, unless the unspent amount relates to any ongoing project referred to in sub-section (6), transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

Provided also that if the company spends an amount in excess of the requirements provided under this sub-section, such company may set off such excess amount against the requirement to spend under this sub-section for such number of succeeding financial years and in such manner, as may be prescribed.

Explanation. – For the purposes of this section "net profit" shall not include such sums as may be prescribed, and shall be calculated in accordance with the provisions of section 198.

Section 135(6) provides that any amount remaining unspent under section 135(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 the 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.

Section 135(7): As per Section 135(7), if a company is in default in complying with the provisions of sub-section (5) or sub-section (6), the company shall be liable to a penalty of twice the amount required to be transferred by the company to the Fund specified in Schedule VII or the Unspent Corporate Social Responsibility Account, as the case may be, or one crore rupees, whichever is less, and every officer of the company who is in default shall be liable to a penalty of one-tenth of the amount required to be transferred by the company to such Fund specified in Schedule VII, or the Unspent Corporate Social Responsibility Account, as the case may be, or two lakh rupees, whichever is less.

Aaooooo kuch naya seekhte hai……

Whether a holding or subsidiary of a company fulfilling the criteria under section 135(1) has to comply with the provisions of section 135, even if the holding or subsidiary itself does not fulfil the criteria?

No, the compliance with CSR requirements is specific to each company. A holding or subsidiary of a company is not required to comply with the CSR provisions unless the holding or subsidiary itself fulfils the eligibility criteria prescribed under section 135(1) stated above.

Baburao: agar question padne ke pehle answer padne ki koshish ki to bhagwan kasam tujhe paper me dhoodhne pe bhi answer nai milega

Example: Company A is covered under the criteria mentioned in section 135(1). Company B is holding company of company A. If Company B by itself does not satisfy any of the criteria mentioned in section 135(1), Company B is not required to comply with the provisions of section 135.

Section 135(8): According to Section 135(8), the Central Government may give such general or special directions to a company or class of companies as it considers necessary to ensure compliance of provisions of this section and such company orcompanies shall comply with such directions.

Section 135(9): states that where the amount to be spent by a company under section 135(5)does not exceed fifty lakh rupees, the requirement under section 135 (1) for constitution of the Corporate Social Responsibilty Committee shall not be applicable and the functions of such Committee provided under this section shall, in such cases, be discharged by the Board of Directors of such company.

As per Rule 3 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, every company including its holding or subsidiary, and a foreign company defined under of section 2(42) of the Act having its branch office or project office in India, which fulfills the criteria specified in section 135(1) of the Act shall comply with the provisions of section 135 of the Act and CSR Rules: Provided that net worth, turnover or net profit of a foreign company of the Act shall be computed in accordance with balance sheet and Profit and loss account of such company prepared in accordance with the provisions of clause (a) of sub-section (1) of section 381 and section 198 of the Act.

Provided further that a company having any amount in its Unspent Corporate Social Responsibility Account as per section 135(6) shall constitute a CSR Committee and comply with the provisions contained in sub-sections (2) to (6) of the section 135.
It may be noted that CSR Rules requires compliance of CSR provisions by holding and subsidiary companies, as well as by foreign companies having branches or project offices in India, which fulfill the criteria specified under section 135(1) of the Act.

MUSKURAIYEEE

6. CSR IMPLEMENTATION

Rule 4(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 provides that the Board shall ensure that the CSR activities are undertaken by the company itself or through, –

a. a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961, established by the company, either singly or along with any other company; or

b. a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government; or

c. any entity established under an Act of Parliament or a State legislature; or

d. a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.

Explanation. - For the purpose of clause (c), the term “entity” shall mean a statutory body constituted under an Act of Parliament or State legislature to undertake activities covered in Schedule VII of the Act.

According to Rule 4(2)(a) of the Companies (Corporate Social Responsibility Policy) Rules, 2014, every entity, covered under sub-rule (1), who intends to undertake any CSR activity, shall register itself with the Central Government by filing the form CSR-1 electronically with the Registrar, with effect from the 01st day of April 2021.
Provided that the provisions of this sub-rule shall not affect the CSR projects or programmes approved prior to the 01st day of April 2021.

a) Form CSR-1 shall be signed and submitted electronically by the entity and shall be verified digitally by a Chartered Accountant in practice or a Company Secretary in practice or a Cost Accountant in practice.

b) On the submission of the Form CSR-1 on the portal, a unique CSR Registration Number shall be generated by the system automatically.

A company may engage international organisations 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.

A company may also collaborate with other companies for undertaking projects or programmes or CSR activities in such a manner that the CSR committees of respective companies are in a position to report separately on such projects or programmes in accordance with these rules.

The Board of a company shall satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it and the Chief Financial Officer or the person responsible for financial management shall certify to the effect.

In case of ongoing project, the Board of a Company shall monitor the implementation of the project with reference to the approved timelines and year wise allocation and shall be competent to make modifications, if any, for smooth implementation of the project within the overall permissible time period.

7. CSR COMMITTEE

Rule 5(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 provides that the companies mentioned in the rule 3 shall constitute CSR Committee as under: -

(i) a company covered under subsection (1) of section 135 which is not required to appoint an independent director pursuant to sub-section (4) of section 149 of the Act, shall have its CSR Committee without such director.

(ii) a private company having only two directors on its Board shall constitute its CSR Committee with two such directors;

(iii) with respect to a foreign company covered under these rules, the CSR Committee shall comprise of at least two persons of which one person shall be as specified under clause (d) of sub-section (1) of section 380 of the Act and another person shall be nominated by the foreign company.

It may be noted that as per Rule 3 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, every company including its holding or subsidiary, and a foreign company defined under of section 2(42) of the Act having its branch office or project office in India, which fulfills the criteria specified in section 135(1) of the Act shall comply with the provisions of section 135 of the Act and CSR Rules:

Composition of the CSR Committee

- ***Listed companies*** – Three or more directors, out of which at least one shall be an independent director.
- ***Unlisted public companies*** – Three or more directors, out of which at least one shall be an independent director. However, if there is no requirement of having an independent director in the company, two or more directors.
- ***Private companies*** – Two or more directors. No independent directors are required as mentioned in the proviso under section 135(1).
- ***Foreign company*** – At least two persons out of which: (a) one shall be as specified under clause (d) of subsection (1) of section 380 of the Act, and (b) another shall be nominated by the foreign company.

Gyaan ki baat……

Where the amount required to be spent by a company on CSR does not exceed fifty lakh rupees, the requirement for constitution of the CSR Committee is not mandatory and the functions of the CSR Committee, in such cases, shall be discharged by the Board of Directors of the company.

Rule 5(2) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 states that CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following, namely: -

(a) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;

(b) the manner of execution of such projects or programmes as specified in sub-rule (1) of rule 4;

(c) the modalities of utilisation of funds and implementation schedules for the projects or programmes;

(d) monitoring and reporting mechanism for the projects or programmes; and

(e) details of need and impact assessment, if any, for the projects undertaken by the company:

Provided that Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.

8. CSR EXPENDITURE

According to Rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 the board shall ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the company for the financial year.

Any surplus arising out of the CSR activities shall not form part of the business profit of a company and shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and annual action plan of the company or transfer such surplus amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

Where a company spends an amount in excess of requirement provided under sub-section (5) of section 135, such excess amount may be set off against the requirement to spend under sub-section (5) of section 135 up to immediate succeeding three financial years subject to the conditions that –

a. the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any, in pursuance of sub-rule (2) of this rule.

b. the Board of the company shall pass a resolution to that effect.

The CSR amount may be spent by a company for creation or acquisition of a capital asset, which shall be held by –

(a) a company established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number under sub-rule (2) of rule 4; or

(b) beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or

(c) a public authority

It may be noted that any capital asset created by a company prior to the commencement of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, shall within a period of one hundred and eighty days from such commencement comply with the requirement of this rule, which may be extended by a further period of not more than ninety days with the approval of the Board based on reasonable justification.

9. CSR REPORTING

- Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 states that Board's Report of a company covered under CSR Rules pertaining to any financial year shall include an annual report on CSR containing particulars specified in Annexure I or Annexure II, as applicable.
- As per Rule 8(2), in case of a foreign company, the balance sheet filed under clause (b) of sub-section (1) of section 381 of the Act, shall contain an annual report on CSR containing particulars specified in Annexure I or Annexure II, as applicable.

IMPACT ASSESSMENT

- According to Rule 8(3)(a), every company having average CSR obligation of ten crore rupees or more in pursuance of subsection (5) of section 135 of the Act, in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study.
- The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.
- A Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed two per cent of the total CSR expenditure for that financial year or fifty lakh rupees, 3 [whichever is higher]

10. CSR: AN INTERNATIONAL PERSPECTIVE

The Corporate Social Responsibility is not only extended to India but it has a worldwide accepted concept. There are other countries that also follow the concept of Corporate Social Responsibility in their country in their own way. The international perspective to Corporate Social Responsibility to other countries like Singapore, Malaysia, South Africa and UK that practices CSR are discussed hereunder. In the international level many countries come and meet for discussion on many other different matters. One of the matters is Social Responsibility for which conventions are held globally. The selected standards, codes and guidelines at the global level are as follows:

10.1 SUSTAINABLE DEVELOPMENT GOALS

The 2030 Agenda for Sustainable Development, with 17 Sustainable Development Goals (SDG) at its core, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership.

The 17 Sustainable Development Goals are as under:

1. No Poverty
2. Zero Hunger
3. Good Health and Well-Being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production.
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace, Justice and Strong Institutions
17. Partnerships for the Goals

As the name Corporate Social Responsibility indicates, enterprises focus both on the pursuit of monetary interests and productive relationships with stakeholders as well as show a concern for the environment and overall economy as well. A company will take responsibility to promote positive growth in society, and mainly focus on their individual "enterprise" as compared to the "global" goals of Sustainable Development Goals.

10.2 UNITED NATIONS GLOBAL COMPACT

The United Nations had initiated in 2000 a Global Compact to encourage the businesses to adopt sustainable and social responsibility policies and to report on their implementation. This is a framework based on the Principles in the areas of Human Rights, Labour, Environment and Anti-Corruption. Under the Global Compact the companies are brought into through the cities program with UN Agencies. There are 193 United Nations Member States in the United Nations.

The UN Global Compact is the world's largest corporate citizenship initiative with two objectives: "Mainstream the ten principles in business activities around the world" and "Catalyse actions in support of broader UN goals". The UN Global Compact was announced by then UN Secretary-General Kofi Annan in an address to the World Economic Forum on January 31, 1999, and was officially launched at UN Headquarters in New York on July 26, 2000.

The Following are the Ten Principles which are recommended by the United Nations Global Compact:

Human Rights:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standard:

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment:

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption:

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

10.3 INTERNATIONAL ORGANIZATION FOR STANDARDIZATION

1) ISO (International Organization for Standardization) is an independent, non-governmental body made up with the members of the National Standard Bodies around the world.
2) In 1947, ISO officially comes into existence and its Secretariat is in Geneva, Switzerland.
3) Through its members, it brings together experts to share knowledge and develop voluntary, consensus-based, market relevant International Standards that support innovation and provide solutions to global challenges.

4) International Standards give world-class specifications for products, services and good practice, to ensure quality, safety and efficiency. And because they are developed through global consensus, they help to break down barriers to international trade.

5) ISO standards are internationally agreed by experts. It could be about making a product, managing a process, delivering a service or supplying materials – standards cover a huge range of activities.

6) Standards are the distilled wisdom of people with expertise in their subject matter and who know the needs of the organizations they represent – people such as manufacturers, sellers, buyers, customers, trade associations, users or regulators.

ISO 26000: SOCIAL RESPONSIBILTY

For businesses and organizations committed to operating in a socially responsible way, there's ISO 26000. It provides guidance to those who recognize that respect for society and environment is a critical success factor. As well as being the "right thing" to do, application of ISO 26000 is increasingly viewed as a way of assessing an organization's commitment to sustainability and its overall performance.

ISO 26000 provides guidance on how businesses and organizations can operate in an ethical and transparent way that contributes to sustainable development while taking into account the expectations of stakeholders, applicable laws and international norms of behavior.

In terms of ISO 26000, the following are the 7 core subjects that socially responsible organizations should address in their policies:

1. **Organizational governance** – Practicing Organization accountability and transparency at all levels; leadership promotes responsibility
2. **Human rights** – treating all individuals with respect; making special efforts to help members of vulnerable groups
3. **Labour practices –** providing just, safe and healthy conditions for workers; engaging in two-way discussions to address workers' concerns
4. **Environment** – identifying and improving environmental impacts of your operations, including resource use and waste disposal

5. **Fair operating practices** – respecting the law; practicing accountability and treating all partners fairly, including suppliers
6. **Consumer issues** – providing healthy and safe products, giving accurate information, and promoting sustainable consumption
7. **Community involvement and development being involved as a good neighbour for the betterment of local community.**

10.4 ISO STANDARDS HELP MEET THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)

The SDGs represent an ambitious plan to enhance peace and prosperity, eradicate poverty and protect the planet. They are recognized globally as essential to the future sustainability of our world. This plan of action calls on the contribution from all elements of society, including local and national governments, business, industry and individuals. To be successful, the process requires consensus, collaboration and innovation.

ISO has published more than 22 000 International Standards and related documents that represent globally recognized guidelines and frameworks based on international collaboration. Built around consensus, they provide a solid base on which innovation can thrive and are essential tools to help governments, industry and consumers contribute to the achievement of every one of the SDGs. For each Goal, ISO has identified the standards that make the most significant contribution. With ISO standards covering almost every subject imaginable, from technical solutions to systems that organize processes and procedures, there are numerous ISO standards that correspond to each of the SDGs.

10.5 GLOBAL REPORTING INITIATIVE

The Global Reporting Initiative (GRI) is a large multi-stakeholder network of thousands of experts, in dozens of countries worldwide, who participate in GRI's working groups and governance bodies, use the GRI Guidelines to report, access information in GRI-based reports, or contribute to develop the Reporting Framework in other ways – both formally and informally. The Sustainability Reporting Guidelines developed by the Global Reporting Initiative (GRI), the Netherlands, is a significant system that integrates sustainability issues in to a frame of reporting.

The Global Reporting Initiative (GRI) aims to make reporting on economic, environmental and social performance as routine and comparable as financial reporting in all organizations. The idea for developing a framework for sustainability reporting was conceived in 1997, with the draft GRI Sustainability Reporting Guidelines released in 1999. Initially twenty organizations based their sustainability reports on the guidelines. In 2006, more than 850 organizations worldwide released sustainability reports based on the GRI Sustainability Reporting Framework and Guidelines.

The framework has been continually revised over the years, the Fourth generation of Sustainability Guidelines; the GRI G4 Sustainability Guidelines were released in May, 2013. The GRI Reporting Framework Principles are divided into two parts: Principles for defining report content and Principles for defining report quality.

10.6 PRINCIPLES FOR DEFINING REPORT CONTENT:

The Principles for Defining Report Content describe the process to be applied to identify what content the report should cover by considering the organization's activities, impacts, and the substantive expectations and interests of its stakeholders. These principles are used in connection to define the report content. The principles to define the report content are the following:

Stakeholder Inclusiveness: stakeholders are those persons who are directly and indirectly connected to the business of the organization and includes shareholders, employees, suppliers and other who has interest in the working of the business. It is the responsibility of the organization to identify, explain and respond to the expectations and interest of the stakeholders.

Sustainability Context: The principle is that the organization should represent the report in wider context of sustainability. The underlying question is that how an organization contributes, or aims to contribute in the future, to the improvement or deterioration of economic, environmental and social conditions, developments, and trends at the local, regional or global level. Reports should therefore seek to present performance in relation to broader concepts of sustainability. This involves discussing the performance of the organization in the context of the limits and demands placed on environmental or social resources at the sector, local, regional, or global level.

Materiality: Materiality means that the information in a report should cover topics and indicators that reflect the organization's significant economic, social and environmental impacts and that too substantially influence the assessments and decisions of stakeholders. There are wide range of topics that organization deals with and some relevant topics are those which reasonably consider for reflecting the organization's social, economic and environment impacts or influence the stakeholders decisions.

Completeness: The report should include coverage of material aspects and their boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organization's performance in the reporting period. Completeness primarily encompasses the dimensions of scope, boundary, and time. The concept of completeness may also be used to refer to practices in information collection and whether the presentation of information is reasonable and appropriate.

10.7 PRINCIPLES FOR DEFINING REPORT QUALITY:

The Principles for Defining Report Quality guide choices on ensuring the quality of information in the sustainability report, including its proper presentation. The quality of the information is important to enable stakeholders to make sound and reasonable assessments of performance, and take appropriate actions. These principles reflect the quality of information in the report. All these principles are fundamental to achieve the transparency. The quality of the information is important to enable stakeholders to make sound and reasonable assessments of performance, and take appropriate actions. The following are the principles:

Balance: The report should reflect positive and negative aspects of the organization's performance to enable a reasoned assessment of overall performance. The overall presentation of the report's content should provide an unbiased picture of the organization's performance. The report should avoid selections, omissions, or presentation formats that are reasonably likely to unduly or inappropriately influence a decision or judgment by the report reader.

Comparability: The organization should select, compile and report information consistently. The reported information should be presented in a manner that enables stakeholders to analyze changes in the organization's performance over time, and that could support analysis relative to other organizations. Comparability is necessary for evaluating performance. Stakeholders using the report should be able to compare information reported on economic, environmental and social performance against the organizations past performance, its objectives, and, to the degree possible, against the performance of other organizations.

Accuracy: The reported information should be sufficiently accurate and detailed for stakeholders to assess the organization's performance. Responses to economic, environmental and social DMA and Indicators can be expressed in many different ways, ranging from qualitative responses to detailed quantitative measurements. The characteristics that determine accuracy vary according to the nature of the information and the user of the information.

Timeliness: The organization should report on a regular schedule so that information is available in time for stakeholders to make informed decisions. The usefulness of information is closely tied to whether the timing of its disclosure to stakeholders enables them to effectively integrate it into their decision-making. The timing of release refers both to the regularity of reporting as well as its proximity to the actual events described in the report.

Clarity: The organization should make information available in a manner that is understandable and accessible to stakeholders using the report. Information should be presented in a manner that is comprehensive to stakeholders who have a reasonable understanding of the organization and its activities.

Reliability: The organization should gather, record, compile, analyze and disclose information and processes used in the preparation of a report in a way that they can be subject to examination and that establishes the quality and materiality of the information. Stakeholders should have confidence that a report can be checked to establish the veracity of its contents and the extent to which it has appropriately applied Reporting Principles.

The GRI reporting Framework also defines the following General Standard Disclosures:

- Strategy and Analysis
- Organizational Profile
- Identified Material Aspects and Boundaries
- Stakeholder Engagement
- Report Profile
- Governance
- Ethics and Integrity

Specific Standard Disclosures are:

- Disclosures on Management Approach
- Indicators

11. ASEAN CSR NETWORK

ASEAN CSR Network -CSR Policy Statement:

The ASEAN has adopted the Roadmap for ASEAN Community 2009 - 2015 which contains blueprints for an ASEAN Socio - Cultural Community, with its strategic objectives to "ensure that Corporate Social Responsibility (CSR) is incorporated in the corporate agenda and to contribute towards sustainable socio - economic development in ASEAN Member States." The ASEAN CSR Network, launched on 11 January 2011, aims to provide opportunities for networking and exchange, to be a venue for discussing and addressing regional issues and concerns, and to be advocate and capacity builder for acceptance of international norms of CSR behaviour. It also seeks to serve as a centralised repository of all the information gathered and provide easy access to participating organisations and partners in the region.

ASEAN CSR Network -CSR Policy statement outlines how businesses in the participating countries of the ASEAN CSR Network should take account of their economic, social and environmental impact in the way they operate. With commitment to CSR, businesses are expected to align their vision and business strategy with the needs and expectations of stakeholders while embedding such principles into their daily operations. Companies should also seek to contribute to achieving the following United Nations 17 Sustainable Development Goals (SDGs).

1. End poverty in all its forms everywhere
2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
3. Ensure healthy lives and promote well-being for all at all ages
4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5. Achieve gender equality and empower all women and girls
6. Ensure availability and sustainable management of water and sanitation for all
7. Ensure access to affordable, reliable, sustainable and modern energy for all
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
10. Reduce inequality within and among countries
11. Make cities and human settlements inclusive, safe, resilient and sustainable
12. Ensure sustainable consumption and production patterns
13. Take urgent action to combat climate change and its impacts
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
17. Strengthen the means of implementation and revitalize the global partnership for sustainable development

This Statement supports the UN Global Compact principles and ISO26000, and defines business approach as engaging with stakeholders to achieve the greater goal of sustainable development.

1. Environment

In this policy statement businesses should be committed to:

- Support a precautionary approach to environmental challenges;
- Undertake initiatives to promote greater environmental responsibility;
- Encourage the development and diffusion of environmentally friendly technologies.

The Management will ensure that the business reduces the environmental impact of the Company by:

- Developing and implementing awareness-raising activities and emergency response procedures to reduce and mitigate environmental, health and safety impacts caused by accidents;
- Reducing materials, water and energy use;
- Implementing sustainable procurement in its purchasing decisions;
- Assessing the environmental impact prior to the execution of a new project;
- Using environmentally sound technologies and practices;
- Continuously monitor and improve the environmental management;
- Raising the awareness of the climate change within the organisation.

2. Labour

In this policy statement businesses should be committed to:

- Uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Eliminate all forms of forced and compulsory labour;
- Eliminate child labour;
- Eliminate discrimination in respect of employment and occupation.

The Management will ensure that the business

- Recognises the importance of secure employment to both the individual worker and to society; Ensures equal opportunities for all workers and not discriminate either directly or indirectly in any labour practice;
- Pays wages at least adequate for the needs of workers and their families;
- Respects the right of workers to adhere to normal or agreed working hours established in laws, regulations or collective agreements;
- Develops, implements and maintains an occupational health and safety policy based on the principle that strong safety and health standards and organizational performance are mutually supportive and reinforcing.

3. Anti-corruption

In this policy statement businesses should be committed to work against corruption in all its forms, including extortion and bribery.

4. Human Rights

In this policy statement businesses should be committed to:

- Support and respect the protection of internationally proclaimed human rights;
- Make sure that they are not complicit in human rights abuses.

The Management will ensure that the business

- Respects all individual civil and political rights including life of individuals, freedom of opinion and expression, the right to own property and freedom of peaceful assembly and of association;
- Facilitates access to, and where possible providing support and facilities for, education and lifelong learning for community members;
- Regularly assesses the impact of its policies and activities on promotion of equal opportunities and non-discrimination.

Every employee in the business is expected to give their full commitment to the above principles in their activities at work. Partners, vendors and suppliers are also expected to respect such principles. The effectiveness of the Policy Statement will be reviewed at least annually by the Management to monitor the business' continuous compliance with any relevant legislation and to identify areas in need of further improvement and revision.

The ISO26000, international guidance on social responsibility, can be supplementary to this policy statement in implementing CSR principles. In communicating businesses' CSR effort with stakeholders, the Global Reporting Initiative (GRI) provides universal reporting framework and guidelines. The business will also ensure that all areas are communicated among individual staff as necessary.

12. THE EGYTIAN CORPORATE RESPONSIBLY CENTER (ECRC)

Egyptian Corporate Responsibly Center become one of the leading promoters of the principles of the United Nations Global Compact in Egypt. the ECRC was designed as part of a follow up to the recommendations of the United Nations Development Programme 2007 Business Report in an attempt to encourage sustainable business practices in Egypt. It was the focal point of the UNGC in Egypt, and represented a joint initiative between the United Nations Development Programme and the Industrial Modernization Center (IMC) tasked with supporting companies in their efforts to implement the Ten Principles of the United Nations Global Compact, as well as supporting the Millennium Development Goals (MDGs) in Egypt. ECRC activities include providing business development advisory services, and capacity building and training for private sector companies, with the objective of improving the national capacity to design, apply and monitor sustainable CSR policies as well as promote gender equality at the workplace. The ECRC also promotes inclusive business models encouraging major multi-national corporations to expand their sales and production operations in order to include "the poor" at the "base of the pyramid" (BOP) as employees, consumers or entrepreneurs.

13. CORPORATE SOCIAL RESPONSIBILITY IN SOUTH AFRICA

For purposes of dealing with CSR in a South African context, the guiding principles are summarised in The King Report on Governance for South Africa 2009 ("The King Report"). South Africa applies the King Report on Corporate Governance (South Africa 2009 - King III). This code promotes good social and environmental practices as part of good corporate governance, which is closely oriented to the standards of international corporate governance. King III applies to "all entities regardless of the manner and form of incorporation or establishment and whether in the public, private or non-profit sectors."

What is referred to as 'King III' really comprises the King Report on Governance for South Africa 2009 ("the Report"), the King Code of Governance Principles for South Africa 2009 ("the Code") and Practice Notes to King III issued by the Institute of Directors which provide guidance in regard to the implementation of the Code. The Code deals with a number of governance elements, each of which is broken down into different principles which must be applied. In applying these principles there are best practice recommendations in the Code, which are amplified in the Report. The King III report describes Sustainability and Corporate Citizenship as follow:

Sustainability is the primary moral and economic imperative of the 21st century. It is one of the most important sources of both opportunities and risks for businesses. Nature, society, and business are interconnected in complex ways that should be understood by decision-makers. Most importantly, current incremental changes towards sustainability are not sufficient – we need a fundamental shift in the way companies and directors act and organize themselves.

The concept of corporate citizenship which flows from the fact that the company is a person and should operate in a sustainable manner. Sustainability considerations are rooted in the South African Constitution which is the basic social contract that South Africans have entered into. The Constitution imposes responsibilities upon individuals and juristic persons for the realization of the most fundamental rights.

Corporate responsibility is the responsibility of the company for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that: contributes to sustainable development, including health and the welfare of society; takes into account the legitimate interests and expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and is integrated throughout the company and practiced in its relationships. The King reports constitute accepted guidance of best practices in corporate governance in South Africa, focusing on social, environmental and economic concerns. The King reports' clauses are not mandatory, but they take a "comply/ apply or explain" approach that somewhat forces corporations to apply CSR programs or justify why they have not adopted them.

King III has 'apply or explain' approach to its principles and recommended practices. It is the legal duty of directors to act in the best interests of the company. The 'apply or explain' regime shows an appreciation for the fact that it is often not a case of whether to comply or not, but rather to consider how the principles and recommendations can be applied.

In contrast to the King I and II codes, King III applies to all entities regardless of the manner and form of incorporation or establishment and whether in the public, private sectors or non-profit sectors. We have drafted the principles so that every entity can apply them and, in doing so, achieve good governance. All entities should apply the principles in the Code and consider the best practice recommendations in the Report. All entities should by way of explanation make a positive statement about how the principles have been applied or have not been applied.

Integration of social, environmental and economic issues

The proliferation of initiatives, tools and guidelines on sustainability is evidence of the growing awareness of sustainability issues. Because the company is so integral to society, it is considered as much a citizen of a country as is a natural person who has citizenship. It is expected that the company will be and will be seen to be a responsible citizen. This involves social, environmental and economic issues – the triple context in which companies in fact operate. Boards should no longer make decisions based only on the needs of the present because this may compromise the ability of future generations to meet their own needs.

A key challenge for leadership is to make sustainability issues mainstream. Strategy, risk, performance and sustainability have become inseparable; hence the phrase 'integrated reporting' which is used throughout this Report. Sustainability is, however, about more than just reporting on sustainability. It is vital that companies focus on integrated performance.

The board's role is to set the tone at the top so that the company can achieve this integrated performance.

Inclusive stakeholder approach

This Report seeks to emphasise the inclusive approach of governance. It is recognised that in what is referred to as the 'enlightened shareholder' model as well as the 'stakeholder inclusive' model of corporate governance, the board of directors should also consider the legitimate interests and expectations of stakeholders other than shareholders. The way in which the legitimate interests and expectations of stakeholders are being treated in the two approaches is, however, very different.

In the 'enlightened shareholder' approach the legitimate interests and expectations of stakeholders only have an instrumental value. Stakeholders are only considered in as far as it would be in the interests of shareholders to do so.

In the case of the 'stakeholder inclusive' approach, the board of directors considers the legitimate interests and expectations of stakeholders on the basis that this is in the best interests of the company, and not merely as an instrument to serve the interests of the shareholder. The King IV Report on Governance for South Africa 2016 encapsulates the South African context of CSR characteristic.

14. CORPORATE SOCIAL RESPONSIBILTY IN UNITED KINGDOM

The United Kingdom had played a pioneering role in shaping internationally understanding on how to address issued associated with both the positive and negative impact of businesses on the society. The most of UK's largest companies follow a dual strategic leadership pattern. This implies that the role of the CEO and the chairman of the company board are separated. There is a control of Institutional Investors about 80 percent of the UK equity market. Earlier the companies were mostly skeptical or cynical about CSR, whereas there is a genuine consensus and effort today to consider CSR as a mainstream activity. There is a movement towards the developing company-Specific CSR to emerge as a preferred company in the market through a deeper comparative understanding of the investment goals and engagement practices. If the government of the United Kingdom is to play a stronger, more active role in promoting CSR, it needs to intervene in the marketplace for the benefit of the society. Progressive coalitions are already emerging on an issue specific basis- for example the Business Leaders Initiative on Climate Change and the Business Leasers Initiative on Human Rights.

CSR is a dynamic idea and would be under continuous flux. Therefore, constant updation of CSR initiatives has to happen from all the partners in group. These partners are from all the stakeholders of business and each of them needs to create their own credibility. There is a strong presence of CSR-training related to social and environmental issues in the management leadership in management of the firm.

The UK, Companies Act 2006 has incorporated some provisions relating to Corporate Social Responsibility. According to section 172 of the companies act 2006 of UK, (1) A director must act in a way to promote the success of the company for the benefit of the members as a whole and doing so having in regard to –

a. The likely consequences of any decision in the long term,
b. The interests of the company's employees,
c. The need to foster the company's business relationships with suppliers, customers and others,
d. The impact of the company's operations on the community and the environment,
e. The desirability of the company maintaining a reputation for high standards of business conduct, and
f. The need to act fairly as between members of the company.

(2) Where or to the extent that the purposes of the company consist of or include purposes other than the benefit of its members, subsection (1) has effect as if the reference to promoting the success of the company for the benefit of its members were to achieving those purposes

(3) The duty imposed by this section has effect subject to any enactment or rule of law requiring directors, in certain circumstances, to consider or act in the interests of creditors of the company.

Section 417 of the Companies Act 2006 of UK requires the contents of the Director's Report, a business review to inform the members of the company and help them to assess how well the directors have performed their duties in promotion of success of the company as under section 172 of the act. The following key points are required to be noted in fulfilling the section 417:

i. The business review must contain a fair review and full description of the principal risks and uncertainties facing the company.

ii. The review required is a balanced and comprehensive analysis of development and performance of the company's business during financial year, and Position of the company's business at the end of financial year.

iii. The review must contain, for an understanding of the development, performance and position of the company's business, analysis using financial key indicators.

iv. The review must, wherever necessary, include reference to, explanation of and amounts included in the company's annual report. V. Where the company is a quoted company (Listed company) the business review must include the following point:

(i) the main trends and factors likely to affect the future development, performance and position of the company's business; and

(ii) information about –

(a) environmental matters (including the impact of the company's business on the environment),

(b) the company's employees, and

(c) social and community issues, including information about any policies of the company in relation to those matters and the effectiveness of those policies; and

(d) Subject to subsection (11), information about persons with whom the company has contractual or other arrangements which are essential to the business of the company.

15. NETHERLANDS ENTERPRISE AGENCY

The Dutch government expects Dutch companies that do business abroad to follow Corporate Social Responsibility (CSR). To do so, they must follow the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human

Rights. The government promotes International Corporate Social Responsibility (ICSR) in many different ways. Companies following the OECD Guidelines can apply for funding.

The meaning of CSR

CSR means taking responsibility for the effects of your business activities on the world around you. It also means respecting people, animals, the environment and society. There are various ways to do this; for example, you can:

- lower your CO2 emissions;
- treat men and women the same;
- ensure good working conditions;
- ensure transparency;
- ask your supply chain to help you with CSR.

The benefits of CSR

Your company may benefit from applying CSR. It can help you build a good reputation and stand out from your competitors. A pleasant working environment often makes companies more innovative and productive.

Identifying CSR risks

Companies that do business abroad are not always aware of the social risks. The MVO Nederland CSR Risk Check Tool gives you an idea of the risks in other counties and industries. Identifying the risks can help you create a specific action plan.

More CSR tools

Use the tools below to find out if your company is CSR-proof.

CSR risk management in 6 steps

The Social and Economic Council of the Netherlands (SER) offers a practical step-by-step guide to make your company CSR-proof.

CSR scan and ISO 26000 guide

Find out in 10 minutes how much progress your company has made on CSR by following the CSR guideline ISO 26000.

CSR passport (pdf)

An overview of important CSR terms, information and organisations.

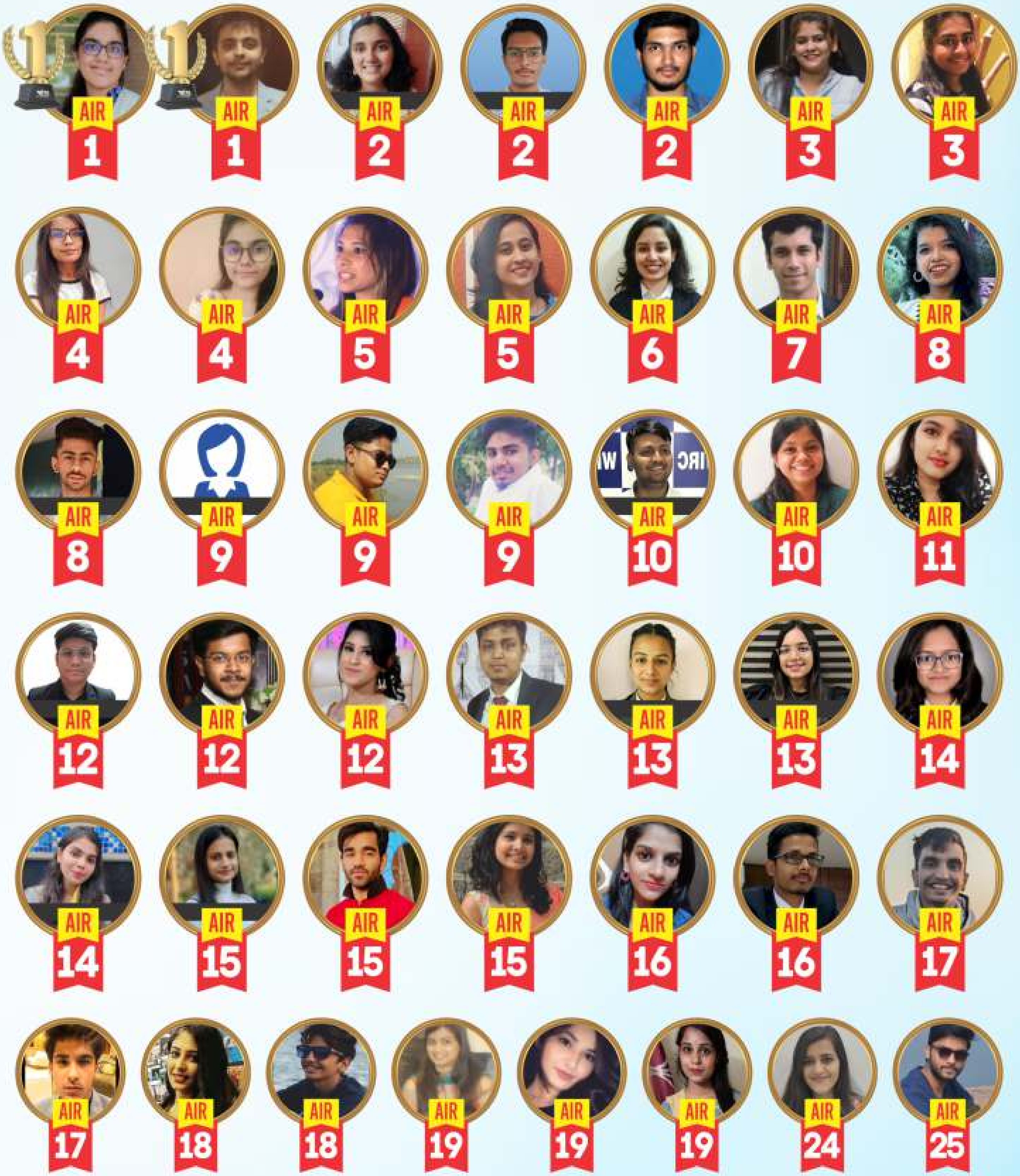
Helpful CSR organisations

- MVO Nederland is your starting point for CSR. MVO Nederland offers ICSR vouchers that give you a discount on advice for your company and products.
- MVO Platform is a network of CSR organisations.
- Global Compact is a partnership between United Nations organisations, trade unions, civil society organisations and companies. It aims to contribute to CSR and the broader UN goals, such as the Sustainable Development Goals.

Make your own notes.........

Universe of
ALL INDIA RANKERS

YES ACADEMY
CS | LAW



& many more

CS Muskan Gupta

Muskan is a graduate from ILS Law College, Pune. She Qualified as a Company Secretary at the age of 21 with AIR 15 in Foundation Programme. She has completed her masters in Constitutional Laws from Bhartiya Vidyapeeth, Pune.

She has worked with esteemed lawyers and firms and has always shown great interest in subjects like Crpc, CPC, Constitution of India and Corporate Laws.

She has authored and published research papers in the field of Intellectual Property Rights, Cyber Law, Corporate Laws, etc. She has an inherent passion for teaching and firmly believes-

"Keep working hard, until you are insanely proud of yourself"