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Injeti Srinivas Committee Report on CSR

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The committee chaired by **Injeti Srinivas**, secretary, corporate affairs ministry, has submitted its **recommendations on Corporate Social Responsibility (CSR)** to the Minister of Corporate Affairs (MCA).

Corporate Social Responsibility (CSR)

- The term "Corporate Social Responsibility" in general can be referred to as **corporate initiative to assess and take responsibility for the company's effects on the environment** and impact on social welfare.
- In India, the concept of CSR is governed by **clause 135 of the Companies Act, 2013**.
- India is the **first country in the world to mandate CSR spending** along with a framework to identify potential CSR activities.
- The CSR provisions within the Act is **applicable** to companies with **an annual turnover of 1,000 crore and more**, or a **net worth of Rs. 500 crore and more**, or a **net profit of Rs. 5 crore and more**.
- The Act requires companies to setup a CSR committee which shall recommend a Corporate Social Responsibility Policy to the Board of Directors and also monitor the same from time to time.
- The Act encourages **companies to spend 2% of their average net profit in the previous three years** on CSR activities.

- The indicative activities, which can be undertaken by a company under CSR, have been specified under **Schedule VII** of the Act. The activities include:
 - Eradicating extreme hunger and poverty,
 - Promotion of education, gender equality and empowering women,
 - Combating Human Immunodeficiency Virus, Acquired Immune Deficiency Syndrome and other diseases,
 - Ensuring environmental sustainability;
 - Contribution to the **Prime Minister's National Relief Fund** or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women etc.

Recommendations

- The **expenses towards CSR should be eligible for deduction** in the computation of taxable income.
- A clarification may be issued that for newly incorporated companies, the CSR obligation under Section 135 of the Companies Act shall lie only after they have been in existence for three years.
- A provision to **carry forward unspent CSR balance for three to five years** .
 - CSR should not be used as a “means of resource-gap funding for government schemes”.
 - The Companies (Amendment) Act, 2019 provides that the CSR expenditure which remains unspent in three years would be transferred to any fund specified in Schedule VII of the Companies Act such as the Swachh Bharat Kosh, the Clean Ganga Fund, and the Prime Minister’s Relief Fund.
 - The committee report said that the central government funds should be discontinued as CSR spend, and instead a **special designated fund** should be created for transfer of **unspent CSR money beyond three to five years**.
- **Aligning Schedule VII** of the Companies Act with the United Nations Sustainable Development Goals.
- The companies having CSR-prescribed amount below ₹50 lakh may be exempted from constituting a CSR Committee.
- The **violation of CSR compliance may be made a civil offence** and shifted to the penalty regime.

This is a departure from the recent policy change which had provided for a three-year jail term for violating CSR norms.
- Introducing impact assessment studies for CSR obligations of ₹5 crore or more.
- CSR spending has to be a “board-driven process to provide innovative technology-based solutions for social problems” and that the board has to assess the credibility of an **implementation agency**, which have to be **registered with the MCA** to carry out CSR activities.

- **Developing a CSR exchange portal to connect contributors,** beneficiaries and agencies, allowing CSR in social benefit bonds and promoting social impact companies.

Source: TH