

**Environmental Issues and Corporate Social  
Responsibility.**

**A DISSERTATION TO BE SUBMITTED IN PARTIAL  
FULFILMENT OF THE REQUIREMENT FOR THE  
AWARD OF DEGREE OF MASTER OF LAWS**

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**SESSION 2022-23**

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This is to certify that the dissertation titled, “**ENVIRONMENTAL ISSUES AND CORPORATE SOCIAL RESPONSIBILITY**” is the work done by **PRIYA BISARIA** under my guidance and supervision for the partial fulfilment of the requirement for the Degree of **Master of Laws** in School of Legal Studies Babu Banarasi Das University, Lucknow, Uttar Pradesh.

I wish her/his success in life.

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# **ABBREVIATIONS**

NCLT: National Company Law Tribunal

NCLAT: National Company Law Appellate Tribunal

OECD: Organization for Economic Corporation and Development

CSR: Corporate Social responsibility

DBR: Department Budget Request

UNIDO: United Nations Industrial Development Organization

UN: United Nations

BSR: Business for Social Responsibility

## List of Cases

1. Apurvanatvar & Company India (P) Limited VS Registrar of companies, Mumbai
2. M/S Mira Power & Steal Limited – NCLT, Mumbai
3. M/S Shri Santosh Minakshi Textiles(P) Ltd VS ROC Tamil Nadu [NCLT,Mumbai]

Sources: <http://nclat.nic/useradmin>

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# **CHAPTER-1**

## **INTRODUCTION**

# INTRODUCTION

Today's corporate era is a basket full of opportunities as well as challenges. Globalization has not only infected a desire for development but has also created a platform which is at par available for every business irrespective of its industry and size. As a result the competition among business has also grown to stature where survival is an everyday flight. The aftermath of this competition of resources (whether natural or man-made), thereby impacting our environment in severely adverse way.

We as a Society have reached to the point where we need to be vigilant and responsible to take every step which can save environment from deterioration and enhance sustainable development.

India has the philosophy of giving back rooted in its culture, which is now a part of culture as well. Integration of ethical and environmental responsibilities as a part of good corporate governance not only helps environment, term success, positive stakeholders' relation and preference of products and services by customers.

The concept that lays the foundation of Corporate Social Responsibility is that when corporate grow large size, apart from earning profits, there are certain other responsibilities on their shoulders which arises as an expectation of society which has directly or indirectly helped them acquire this position.

**Business for Social Responsibilities, (BSR)** defines "corporate social responsibility is operating a business in a manner which meets or exceeds the ethical, legal, commercial and public expectations that a society meets and public expectations that a society has from the business."

CSR helps an entity to make a posture an entity to make a posture impact on the society by an appropriate mix of social, environmental and economic imperatives.

## **Overview of Research**

Presently, the world and environment has reached to a point where our planet is giving alarming signals about taking immediate and requisite steps for its protection.

The Research on topic “Environmental issues and corporate Social Responsibility” is intended to cover the grey areas of corporates and legal implications by highlighting which corporate social responsibility can be channelized in an effective manner which can contribute in maintaining and sustaining the environment the environment .

The study is an effort to cover four main topics-

### **1) Channelizing the CSR in environment protection and sustainable development –**

CSR today is a statutory compliance for all the companies whose Turnover, on net profit on net worth is above the prescribed limit. As the net profits of these companies are significantly high, the amount of CSR is also adequate enough to meet the monetary requirements of the projects.

The study under this topic is an effort to highlight the ways by which these amounts can be channelized in way that environment is benefitted the most and changes in our environment.

### **2) Studying the impact of corporates on Environment-**

With the throat cut competition, every company is juggling in the industry to maintain its stature and provide customers with innovative products and services for the desired results corporates imply a lot of natural resources and emit a significant degree of wastage. The Study aims at analyzing the impact of these corporate actions on environment and potential threats of them.

### **3) Interrelation between CSR and Environment-**

Corporate Social Responsibility is a method where companies have an obligation to return back to the society what they take in some form on the other. The study aims to analyze the interrelation between environment and CSR.

#### **4) Challenges in Implementation of CSR policies-**

The study will aim to study the challenges faced by legislative and executive in implementation of these CSR policies formulated.

### **Aims and Objectives of Study**

#### **1) To understand the concept of CSR**

CSR is a talk of town but it still many people are unaware of this concept in India. The part of country which is educated only knows about the term „Corporate Social responsibility“ but vast part of citizens are still not familiar with the existence of CRS, and CSR legislation in India.

The objective of this study is to

- (i) make the reader understand the concept of CSR, its role and importance for protecting, upgrading and conserving our environment
- (ii) provide a clarity regarding regulatory framework in India.

#### **2) To Study Current practices adhered and adopted by companies to implement CSR**

Theoretical studies are best admired when they have examples to support. By this study, the aim will be to analyze the CSR adopted by companies to attain profits with adherence to social responsibility, so the upcoming corporates can follow the footsteps.

#### **3) Evaluate Potential Tools that can catalyze CSR**

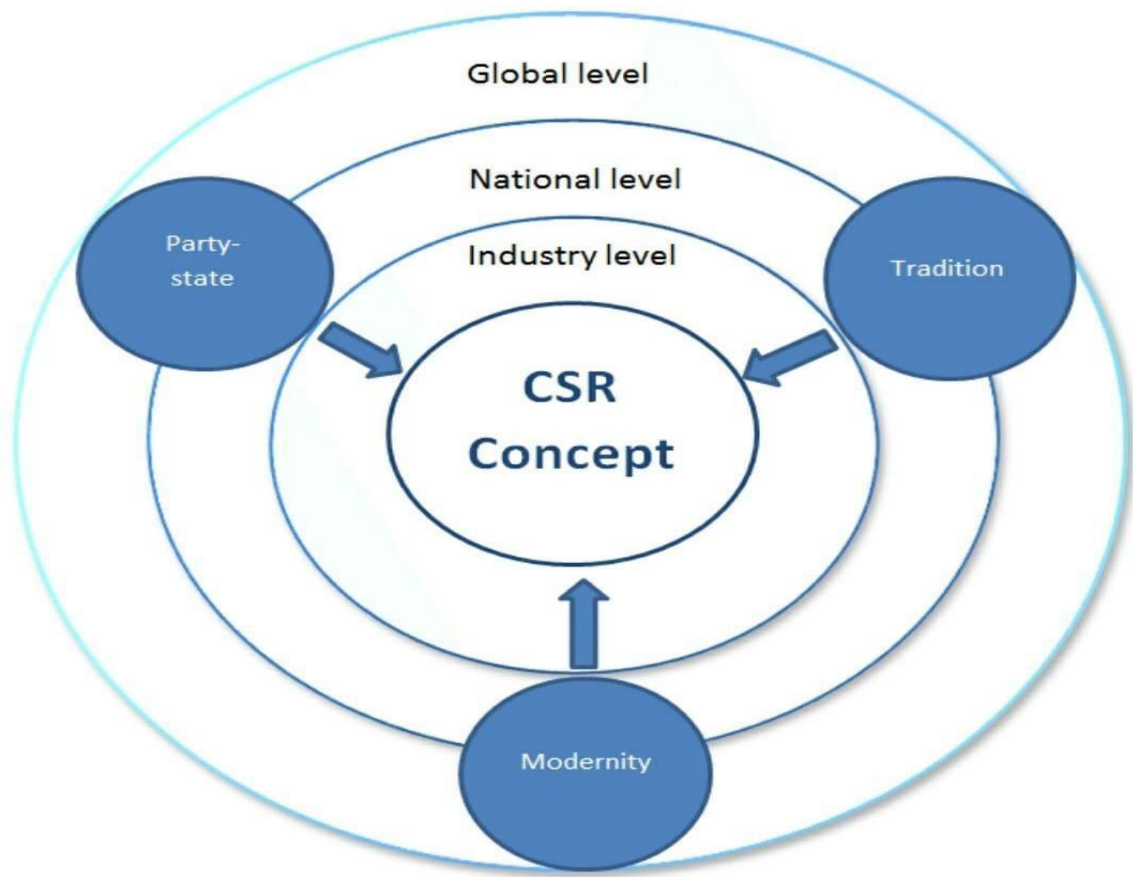
The Study aims to find and bring forth the tools which can be a catalyst in accelerating the CSR in the field of environment protection. The study will initiate to cover the grey areas of CSR so the global issues of the Environment protection. The study will environment degradation can be addressed through CSR.

## **Review of Literature**

- 1) Corporate social responsibility Law and Practice by Rajesh Kadakia
- 2) Corporate Social Responsibility and Sustainability by Dr. Srikant Waghulkar
- 3) Corporate Social Responsibility by K.S Ravichandran
- 4) Multinationals and Corporate Social Responsibilities by Jennifer A.Zerk

## **Methodology of Study**

The approach adopted for this study and work ancillary is Doctrinal. The aim of the study is to study emergence and purpose of CSR and what are the potential opportunities in field of CSR that can help in saving, protecting and sustaining environment.



## **CHAPTER-2**

# **Meaning of CSR**

## **Meaning of CSR**

Corporate Social Responsibility is a concept where companies not only consider their profitability but they also take due consideration of interest of society and the environment by taking responsibility of the impact of their corporate activities on stake holders, environment, employees and communities.

CSR is a way by which a company achieves balance of economic environmental and social imperatives and also addressing and working on expectations of shareholders. The emergence and success of any company is achieved through the utilization of resources of the society.

Corporate Social Responsibility is described by UN as “a management concept whereby companies integrate social and environmental concerns in their stakeholders.

## **Benefits of CSR**

Corporate S.R led business is always can be profitable and perform more effectively and efficiently. CSR led business not only makes proper usage of natural resources but is also able to achieve the benefits of cost cutting due to minimum possible wastage of its own resources.

Many successful companies have show that over the years CSR has helped to build their story and create „brand image“ and its benefits are enjoyed by the organization over the years.

The following benefits are reasons for companies to embrace CSR

### **Public trust and Confidence-**

CSR helps to embrace the public trust for the companies studies have shown that the consumers are ready to pay pay more for products pf companies who are involved in societal benefits.

Employees are also connected emotionally to the company if its moral, ethical values are core of its working. Shareholders and Investors also feel a sense of belonging and part of good work.

### **Long Term Relationship-**

The CSR driven company is able to maintain long term relations with its investors, partners, shareholders and government.

Even if the company is going through financial turbulence, investors do not leave its hand. Sick companies who have adhered to CSR in the past get many partners for merger and amalgamation

### **Sustainability-**

The company that flocks for profit is like a ball going up but without fuel of overall development of society, the company is tend to come down with same speed.

Sustainability allows company to win the race slowly and gradually.



## **Maximizing Profits-**

The overall development and customer satisfaction allows company to grow and earn profits,

On legal front, government allows numerous subsidies, schemes tax rebate to companies who work for environment and social welfare.

## **Evolution of CSR**

The term „corporate Social Resp“ was coined in 20<sup>th</sup> century evolving from the history of Industrial revolution, which was a period of labour movement. The movement led to the deep awakening among institutions who could bring relevant changes in society by their efforts coupled with financial resources.

The very ideas were giving „human purpose“ to the business efforts and cultivating a culture among corporates which is ahead of idea of just profit earning“. The purpose which makes corporates socially, environmentally and ethically responsible.

## **Inception of Socially Responsible Corporates**

Till 1800, the human faces in the factories were nothing more than a factor of production that was not even at par with lifeless machinery.

This mistreatment and exploitation of workers had reached such saturation that gave alarming changes.

The growing criticism was first seen in USA, where this unethical treatment of human at workplace has created poverty which made the labourforce discontented from their organizations. This led to many industrial and welfare movements.

1800 was also the year of raising Philanthropy, in industrial sector. Andrew Carnegie was a well-known name in steel Industry not only for high profits but for Donations made in field of Education and Scientific Reserch, which made tycoon of Oil Industry John D. Rockefeller follows this socially responsible behavior

This, a lamp of socially Responsible corporates was lighted in late 1800.

## **Corporate Social Responsibility**

The word „Corporate Social Responsibility“ was coined by Howard Bowen in 1953. His writing- Social responsibilities of the Businessman. He is also referred as Father of CSR.

Till 1970, CSR was only a concept but in 1971 it was stated to be viewed as a „Social Contract“. This term for time gave altogether a new perspective and dimension to CSR.

It was now viewed as an „Obligation“ rather than charity. The very idea behind this concept was that the fuel which leads to smooth functioning of industries is the resources of the society. No industry can exist or operate without consent of the society.

This consent makes an obligation on the Industries to give something in return to the society as consideration. This concept of „Social Contract“ given by Committee for Economic Development made an obligation to contribute the needs of society.

In late 1980s, CSR was much evident among many other organizations. A culture of responsive behavior towards all stakeholders and social; interest was developed creating an expectation among people from successful organizations to be more vigilant about social, ethical responsibilities.

## **CSR in today's Globalized World**

The 21<sup>st</sup> century has been an era of well-established CSR practices among companies around the world. The inter-dependence of nations has enlarged the boundaries of multinational trade boundaries of multinational trade. The evident role of social media and virtual approach towards the Whole World has made not only stakeholders but a common by man aware and prudent. The Culture of CSR started from West where it is organized through vigilant governance systems and now it is practiced in eastern countries through institutional and regulatory orders. The Guy Co-operation Council (GCC) Business activities are embedded in middle east due to its geographical connection to three continents. Thus the impact of CSR of West has also been adopted by Middle eastern countries. The awareness, education and logics are more approachable due to social media.

The globalization in eastern countries is also evident as demand for sustainable development is now the immensely and in fact highly required. The degradation of environment has led to such serious problems which are now making life and sustainability harder every day. Today, countries as a State and accountable and CSR practicing is necessity for survival in fast competing world.

Corporations which are not specially responsible, ethically governed tend to lose faith of the consumers. It has been observed that corporations which are actively working for social upliftment are supported and stay connected with consumers. Stakeholders are ready to pay more for supplies of companies who follow CSR practices in true letter and spirit.

## **CSR: The Indian Scenario**

The motive of service and working selflessly for the society has been an integral part of Indian culture. The principles of non-wastage, optimum utilization of available resources, worshipping nature and regarding earth as our „Mother” is rooted back from ancient India and common practice even in houses today. Indian business houses have been socially and ethically responsible as a part of our heritage. Most of the business houses have shown their efforts in par with excellence.

Still, importance of Corporate Social responsibility cannot be overlooked. The rapid growth of industries, excessive use of natural resources, degradation of environment and lowering ethical values are slowly making way in Indian value system, which is inclusive of industrial sector. Induced competition has compelled organizations to adopt every possible step for sustaining in market, even at the cost of adopting unfair means. It was now viewed as an „obligation” rather than charity. The very idea behind this concept was that the fuel which leads to smooth functioning of industries is the resources of the society. No industry can exist or operate without consent of the society.

This consent makes an obligation on the Industries to give something in return to the society as Consideration. This concept of „Social Contract” given by committee for Economic Development made an obligation to contribute to the needs of society. In late 190s, CSR was much evident among many other organizations. A culture of responsive behavior towards all stakeholders and social interest was developed creating an expectation among people from successful organizations to be more vigilant about social, ethical responsibilities.

Therefore in order to integrate CSR in the core values of businesses in India, Government has made it mandatory for companies in India to contribute a certain criteria laid down by the statutory norms. The need for implementation in India is much needed due to the rapid development of industrial sector coupled with trade international relations.

Today, India stands at Tenth position in terms of Business Environment for the period 2022-27. The position of India in terms of Ease of Doing Business is the evidence of its leap in terms of development of business sector. A major concern for India is also its population. We rank number 1 acquiring position of World's Most Populated country, something not to be proud of this is a clear indication that providing employment to every individual will be a challenge. To overcome this challenge, the Government has been making a lot of endeavors to encourage entrepreneurship in India.

## **Ease of Doing Business Index By World Bank** **for India**

The World Bank's report (DBR 2023), India secures 10<sup>th</sup> rank from 14<sup>th</sup> for the periods 2023-27.

This improvement is credited to its Market opportunities, large intensified domestic market and globally enhanced harmonious trade relations.

As per the Report,

“Over the last decade, global manufacturing supply chains have been through a period of turbulence. Geopolitics strains between US and China, the rapid adoption of e-commerce the covid-19 Pandemic and the Russia-Ukraine War have led to a rethinking of strategies for restoring sources, the diversification of supply routes and localization of manufacturing. Many companies have become wary of supply-chain over reliance on China- “the world’s factory” and implementing on considering “China plus one” strategies aimed at building across multiple markets”.

The Government of India has started programmes like- Make in India, Standup India, Startup India, Skills India to incubate, develop Entrepreneurial skills and corporate culture in India. Indian market has become a hub for multinational countries due to manifold reasons. Firstly, the lucrative and business friendly norms and secondly, shift of countries from China as a choice of business. Thirdly, factors related to Russia-Ukraine War.

These market conditions have led to the growth of corporates not only domestically but also internationally in India. Though, at one side of the coin, it is a growth catalyst for India but at the other side, it also requires heavy input of resources leading to future scarcity. Also addition of numerous new organizations will lead to heavy wastage as production consequences and increased Pollution.

If India puts an end to such effort, it will mean end of all developments Therefore, there is a need to strike a balance between developments. Therefore of India and sustaining the development by causing least resource wastage and minimum harm to the environment.

There needs in some on the other way for benefit of society, if there is utilization of society's resources.

## **Factors Influencing CSR in India**

There are many factors behind the increased attention towards CSR by India.

- 1- Globalization and cross border trade, global supply chains have raised the CSR concerns related to human resources practices, environmental protection, health is safety and many others.
- 2- Government and Regulatory Bodies, especially after J.J.Irani Committee Report which incorporated CSR as necessarily to be a part of regulatory framework have become much strict in outlining social norms for acceptable conduct by corporates. Companies Act 2013 has mandated CSR as a part of statutory requirement.
- 3- Advanced Communication technology, such as Internet, Cellular phones and e-filings have made it easier to track the working of the companies Moreover, non-government agencies also bring CSR issues and misconduct of companies on social platforms.
- 4- Consumers and Investors have also shown responsible behavior towards making companies accountable for transparency.
- 5- Breaches for corporate ethics have leads to mistrust of stakeholders, which has now demanding for accountable corporates.



# **CHAPTER-3**

## **Corporate Social Responsibility and Environment**



# **Corporate Social Responsibility and Environment**

## **3.1 Basic terms related to Environment**

### **1) Environmental pollution-**

The Contamination of the physical and biological components of the earth or atmosphere to the extent that normal environmental processes are affected. Environment is the basic support system of life and its degradation can hamper living of every organism.

### **2) Environmental Pollutant –**

It is the presence of any solid, liquid or gaseous substance adversely affecting health, or any other damage.

### **3) Sustainable Development –**

Sustainable means „Still running and alive in ten years”

Sustainable Development means is an organizing principle that enables development of humans as well as natural systems so that they are available for future generations as well.

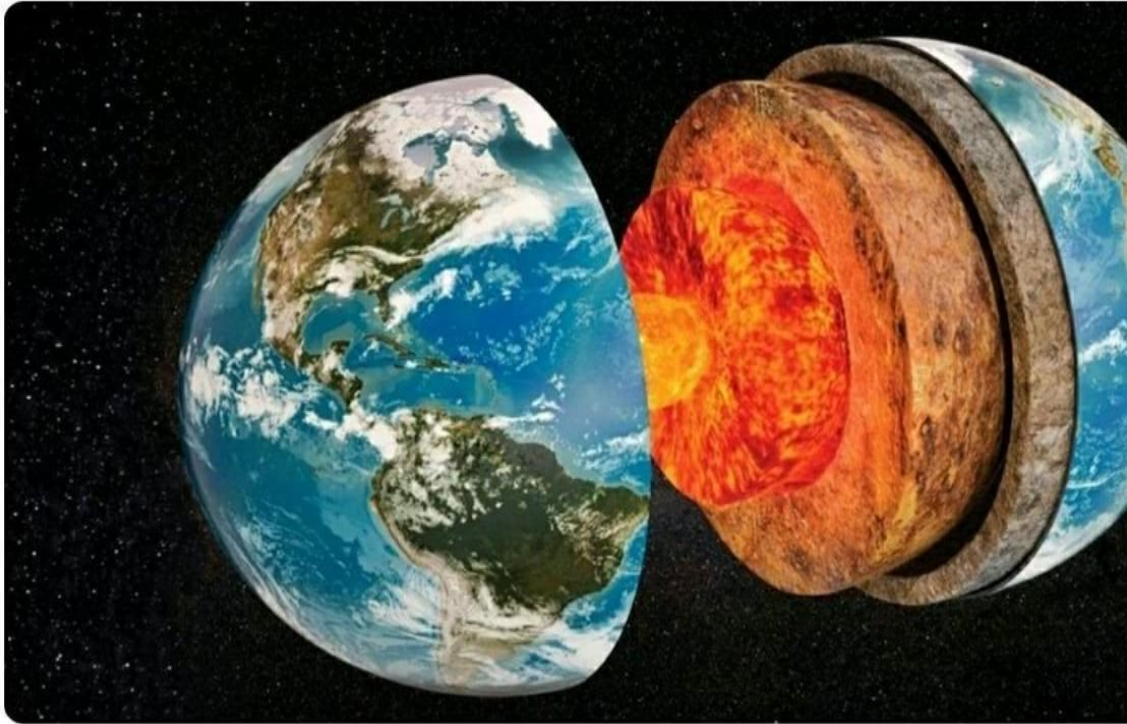
### **4) Industrial Pollution –**

Any Pollution whose source originates directly from industry. Factories in the process of production release wastage and thereby effect the environment adversely causing pollution.

This is called Industrial Pollution.

### **5) Flora and Fauna –**

It refers to the animal and plant species on our plant. Flora refers to plant life present in particular region on time, Fauna are animals of a geological period on region.



*The position of Earth's rotational pole changes*

### **3.2 Degradation of Environment: Industrial Backdrop**

The environment has in the past decades shown extreme degradation. The changes in weather, poor quality of life, emergence of several diseases, reduced life expectancy has been the biggest threat for upcoming generations.

Planet earth is giving alarming signals to the whole world to bring necessary changes in the way we look ahead.

The development of every sphere and a variety of innovation products and services has no doubt made over life easy and convenient but it has also led to the usage of resources in advance by the corporates to bring this lifestyle at our doorstep.

Environment is the most suffered content in this process of industrial development.

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<sup>1</sup> Indiatoday.in

2. Blog.summittable.com

## **Causes of Industrial Pollution**

- 1) Smoke containing hazardous gases emitted by factories in process of production.
- 2) Lack of stringent laws and poor regulations leading to poor to waste management by factories.
- 3) Growth of industries in the urban areas without check and balance.
- 4) Lack of operational capital to implement proper waste management policies by small is medium Enterprises.
- 5) Release of heated water from factories into natural sources of water creating imbalance in marine life and whole ecosystem.
- 6) Large amount of waste paper, non-required items released and dumped as waste by the administrative offices of companies.

At the inception of corporate culture, the number of companies as well as companies, the number of factories were limited and pollution caused by them was also not significant enough to cause environmental degradation.

But today, full fledged large scale industries working double shift has made our earth suffer. The high released wastage, smoke and gases in the atmosphere is a big problem for this generation as well as future.

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<sup>2</sup> Environmental magazine  
edinburghsensors.com

## **Rise and Expansion of Every Sector**

### **1) Hotel industry-**

The hotel industry and large number of restaurants and food hubs has shown rapid growth of hotel industry. The large number of hotels has on the one hand it has surged the demand for agricultural, dairy products, land, water, requirements.

To meet this surge in demand the crops are grown using harmful pesticides in large number, which is even wasted a lot at these places. Dairy products are also manufactured on large scale creating price like.

### **2) Tourism Sector –**

Tourism has increased requirement of hotels and stay places, thereby using large lands and resources.

The biggest sufferer of this sector are the hilly areas and mountains who face large tourist and maximum occupancy every year, creating lack of water, high temperature due to pollution.

### **3) Recreational Centre and Amusements Parks –**

Water Parks, Amusements Parks are seeing high increase of visitors everyday. This leads to large amount of water requirement. The water used in these parks is of no use later and usually drawn from rivers and lakes.

### **3.3 Real Estate**

The development of real estate sector has also been a big adverse effect cause to the environment. The effect cause to the environment. The emergence of nuclear families thereby require individual houses. This has surged demand for real estate industry to expand.

The „Flat Culture“ has led to digging of land due to safety requirement of foundation. Plus, Amenities like swimming pool in Apartments has also increased water wastage.

#### **Infrastructure development-**

The Connecting roads, tunnels to make distance shorter, has proved to be a blessing for Defense forces but this is done at the cost of our nature.

Demands for widening of roads, bridges, dams, flyovers has make scope of infrastructure corporate i.e. IFSC <sup>4</sup>have grown to a very larger extent.

The expansion of Corporates in every sector has widen the scope of every industry creating large companies of every sort. This expansion has also induced usage and exploitation natural resources to such an extent that its consequences are born by whole environment.

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<sup>4</sup> IFSC-International Financial Service Centre

## **Effects of Technology on Environment**

The term „Technology“ refers to the application of scientific knowledge for practical purpose, the result of which is machines and devices. The most widely required concept of technology is innovation. This constant need of „what new“ has made the requirement of constant changing technology has made environment degrade substance like gold, aluminum.

The Paris Agreement,<sup>5</sup> signed in 2016 has made it obligatory for countries to make efforts to combat climate change by keeping the rise in global temperature at less than 2°C above pre-industrial levels.

### **Positive Effects**

Technology especially social media, use of mobile phones has been played the most significant part in creating awareness about atmosphere and environment degradation. The use of internet has made the passing of information about the environment easy and accessible. The Wi-Fi connections, World Wide Web 24\*7 availability of media has made every information accessible in most parts of the world. Therefore creating awareness and providing information is task of a „Click“.

### **Negative Effects**

The most negative of technology is „Sky Pollution“ Satellites reflect light of the sun causing streaks of light across the sky where darkness is needed by astronomers to study space. The second most significant problem of technology on environment is radiation caused to towers of internet for networks. This problem is again double due to providing networks for internet and cable connections.

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<sup>5</sup> - United Nations Report

## **Inter-Relation of CSR and Environment**

According to United Nations industrial Development Organization <sup>6</sup>(UNIDO), CSR means-  
pg.272 icsi”

The basics concept of CSR is recognized as an ethical mandate of companies to return the resources of society used by corporations in the production process in some or the other manner which is significantly useful for society.

CSR is the bridge that fills the gap between society and company by reduction of adverse effects on environment

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<sup>6</sup> United Nations industrial Development Organization



## **Environmental Pillar-**

Environmental Pillar is the dedication of a company towards reduction of waste and their carbon footprint. This pillar directly impacts social and economic pillars.

The most abundantly exploited and exposed thing by a business is environment and lately, climate change has become an urgent issue, Environment is the primary focus of CSR now.

As we have already seen, expansion of every industry and uncontrolled development has led to imbalances in climate and weather. The development has led to imbalances in climate and weather. The development has led to the forces of nature become impure and has degraded quality of life.

The environment wildlife, marinelife, ecosystem have paid price and suffered immense loss due to unstoppable development. The effect of the pollution can be seen in extinction of many species, degradation of historical monuments, lowered range of forests, large amount of cutting of trees.

The high surge in tourism leading to demand for resorts, increased population resulting in expansion of residential areas with widening of Real Estate sector is a one of reasons of soil erosion, leading to earthquakes, floods.

The production in factories releasing high amounts\ of toxic gases and smokes has increased temperature and melting of snow is its consequences. This leads to increase in sea level.

## **CSR: As a Corrective Measure**

Corporates have doubtfully played the most significant role in degradation of the environment. Through, this development has improved everyone life but the biggest beneficiary from this development have been the owners of companies.

The large Net Profits, Expansions, Numerous Branches Office and Diversified factories are the result of entrepreneurial skills combined with use of natural resources.

In 2013, India become the first country in the World to make CSR mandatory through company law and may countries have followed India's footsteps.

Data shows CSR spending by Corporates have significantly increases since 2014 With 47% contributing US\$ 1 billion to CSR initiatives.

If this huge amount spent can be channelized property changes to bring many positive changes to the global issue of debting environment.

Corporate can bring many changes not first by spending of statutory amount but also making changes at ground level by incorporating ethical practices in the whole organizations toward environment.

## **CSR can bring changes in environment in many ways**

### **1) CSR at organizational level to enhance responsibility towards Environment**

If we want to inculcate responsible, it needs to be practices first and then reached. CSR can be practiced first and then preached. CSR can be practiced in the organization itself by culminating small initiatives at part of employee as well as owners.

Small Steps can be:

- Switching off lights when unrequired in the Organization in the organization to reduce burden of generating electricity.
- Usage of softcopies instead of hardcopies upto maximum possible extent to reduce heavy requirement of heavy infrastructure.
- Adopting „Work from Home“ means for computer related jobs reduced requirement of heavy infrastructure.

### **2) Steering environmental CSR Policy in Corporate Strategy**

If the policy of company and the CSR strategy could harmonize and move in a single direction, the success of company and CSR initiative can bring very fruitful results.

As an example Tata is a company which adopts the whole, village where it lays its plant. As a result, the employees feel a sense of belonging and development and company gets benefit of higher dedication from employees and high retention of them.

### **3) Sustainability of Corporate and Environment should flourish together**

Environment needs to be prioritized by the corporates. If a company makes endeavors to assess the aftereffects beforehand of any project on the environment, the damage can be controlled to a large extent.

Following steps can be taken by companies-

- Understand the usefulness of the product or innovation before wasting resources on mindless inventions.
- If the product is useful, try to find ways of minimal resource allocation of nature.
- No matter how much invention brings development, its very existence is dangerous if it brings disharmony, imbalances in environment or is likely to cause harm to wildlife, marine life and human beings.

### **How to Make CSR more Effective in handling Environmental issues**

#### **Smartly**

#### **1) Celebrity led Culture –**

Today, most of the people spend their time on social media, checking the latest trends and what is going on in the life of celebrities.

This means people are very much influenced by them. Thus, companies and government can take their involvement to inculcate the habits of responsibility in normal people.

## **2) Build story from CSR Policy**

The common people connect more intensely to the stories rather than Projects.

Behind the success of House of Tata, there are so many stories that makes people believe in them and admire them for their work.

For example, Nano was a long term strategy of Ratan Tata which incepted when he saw a two wheeler carrying four members of family and falling down. Their CSR Policies also have a story that makes people connect to them.

## **3) Partnerships for CSR**

A corporate cannot be a joke of all trades therefore if a company is unable to implement effective CSR policy or initiate a project then it should rope in for partners who specialize in the field in which company wants to implement CSR.

It can be a company, LLP<sup>7</sup>, OPC<sup>8</sup> or any other agency.

## **4) Take Steps in time of Need-**

Whenever a society is hit by negative circumstances, the corporates are one of the sources who is looked forward and network. Therefore, as a part of CSR companies should come forward in times of natural calamities, economic breakdowns.

## **5) Attract Youth-**

Youth are the future of tomorrow. If they have been inculcated with ethical values, the value will reflect in their today and will be transferred to tomorrow's generation. Youth should endeavor to channelize these energies. Company should endeavor to channelize these energy in CSR implementation.

<sup>7</sup> LLP-Limited Liability Partnership

<sup>8</sup> One Person Company

## **6) Effective Communication-**

Dialogue and communicate is necessary for spreading the value of CSR. Disclosure in director's Report, Publishing in Newspaper are statutory requirements. Apart from this Corporates should try to put extra in field of CSR.

## **7) Measure your Efforts -**

CSR policies need to be mentioned at periodic intervals and after implementation, efforts of corporates should be assessed by them and if desired results are not visible, policies should are not visible, policies should be changed to get needed results.

## **8) Innovation –**

CSR is now every Companies part whether at small scale or large. Thus, before formulating CSR policy, a Research should be done to make sure that company does not formulates repetitive projects which are already undertaken by many companies.

## **Areas that can be adopted by legislation in field of Environmental CSR**

### **1- Widening ambit of CSR-**

Through CSR is growing fast in India but if we can widen the ambit of CSR by encouraging small companies which are legally out of its ambit, the contribution towards can increase doubly

## **2- Public Suggestions -**

The Companies Act 2013 is a perfect example where the Government was able to achieve amazing, meritorious result when public was asked through electronic medium to suggest about company Legislation. Following this, if CSR suggestions and new methods can be asked by public on regular basis, it can give hundreds of new methods every hour. Companies themselves can communicate with public through social media inviting suggestions on CSR.

## **3- Education of CSR to Startups-**

Start-up should not be waited to grow in large institutions to implement CSR. They should be made aware from very inception about CSR.

Start-ups are supported by government through incubators, Training Centre, Workshops and Exhibitions. CSR should also be made Exhibitions. CSR should also be made a part of this imparting of knowledge.

## **4- Heavy penalties for government officials for irresponsible checking -**

The Penalties for non-fulfillment of CSR by Companies who are mandated to do it is very heavy but nature on the officers responsible for checking the execution of CSR. Apart from CSR it should also be made sure that any negligence on the part of officer for checking the waste management, degree of emitted smoke should be heavily penalized.

## **5- CSR initiative feasibility Report by experts – CSR Audit**

CSR Audit should be conducted statutory in a more vigilant manner to ensure that default is not made on part of company on officer in charge in execution of his duty.



# **CHAPTER-4**

## **CSR and Company**



## **4.1 Penal Provision of CSR**

### **CSR under Indian Legislation**

The importance of inclusive growth is widely recognized as an essential part of India's quest for development. It reiterates the commitment to include those sections of the society in the growth process, which had hitherto remained excluded from the mainstream of development.

In line with this national endeavor, Corporate Social Responsibility (CSR) was conceived as an instrument for integrating social, environmental and human development concerns in the entire value chain of corporate business.

The Ministry of Corporate Affairs has been taking various initiatives for ensuring responsible business conduct by companies. As a first step towards mainstreaming the concept of business responsibility, the 'Voluntary Guidelines on Corporate Social Responsibility' were issued in 2009.

These guidelines were subsequently revised as 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011 (NVGS)' after extensive consultations with business, academia, civil society organizations and the government. The NVGs<sup>9</sup> were developed based on India's socio-cultural context and priorities as well as global best practices.

There have been various national and international developments in the past decade that have nudged businesses to be sustainable and more responsible, prior most being the United Nations Guiding Principles on Business & Human Rights (UNGPs).

These became the key drivers for further revision of the guidelines. Some of these include the thrust of Companies Act, 2013 on businesses to be more mindful of their stakeholders.

The Act casts fiduciary duties on the Directors of a Company (Section. 166) requiring them to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment. There was also a need to demonstrate more visibly India's implementation of the UNGPs based on UNHRC's 'Protect, Respect & Remedy' Framework and also make evident India's commitment to Sustainable Development Goals (SDGs).

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011 (NVGs) have been revised by the MCA and formulated the National Guidelines on Responsible Business Conduct (NGRBC) in the year 2019. These guidelines urge businesses to actualize the principles in letter and spirit.

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<sup>9</sup> National Voluntary Guidelines

These principles are:

Businesses should conduct and govern themselves with integrity in a manner that is Ethical, Transparent and Accountable. Businesses should provide goods and services in a manner that is sustainable and safe. Businesses should respect and promote the well-being of all employees, including those in their value chains. Businesses should respect the interests of and be responsive to all their stakeholders. Businesses should respect and promote human rights. Businesses should respect and make efforts to protect and restore the environment.

Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent. Businesses should promote inclusive growth and equitable development. Businesses should engage with and provide value to their consumers in a responsible manner.

The 21<sup>st</sup> 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 prescribe the format in which such disclosure is to be made.

<b>SIGNIFICANT MILESTONES IN EVOLUTION OF RESPONSIBLE BUSINESS CONDUCT IN INDIA</b>	
2009	Corporate Voluntary Guidelines released to encourage corporates to voluntarily achieve high standards of Corporate Governance.
2011	Endorsement of United Nations Guiding Principles on Business & Human Rights by India.
2011	National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released to mainstream the concept of

2012	Securities and Exchange Board of India (SEBI) mandates top 100 listed companies by market capitalization to file Business Responsibility Reports (BRR) based on NVGs.
2013	Enactment of the Companies Act, 2013.
2014	Section 135 of Companies Act, 2013 on Corporate Social Responsibility (CSR) comes in to force.
2015	High Level Committee on CSR (HLC-2015) under the chairmanship of Shri. Anil Bajjal makes Recommendations on the CSR framework and stakeholder concerns.
2015	The SEBI extends BRR reporting to top 500 companies by market
2016	The Companies Law Committee reviews the recommendations of HLC-2015 for adoption.
2018	The second High Level Committee on CSR constituted under the Chairmanship of Shri. Injeti Srinivas, Secretary, Corporate Affairs to review
2018	Committee on Business Responsibility reporting constituted under the chairmanship of Shri. Gyaneshwar Kumar Singh, Joint Secretary, Corporate Affairs.
2018	Zero Draft of National Action Plan on Business and Human Rights released by Ministry of Corporate Affairs.
2019	National Guidelines on Responsible Business Conduct released .
2019	The Companies (Amendment) Act, 2019 amended the CSR provisions.
2020	The CSR (Amendment) Rules, 2021 and the Companies (Amendment) Act, 2020 has decriminalized and brought a revolutionary changes in the CSR provisions.

### **CSR under the Companies Act, 2013**

The 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. The inclusion of CSR is an attempt by the government to engage the businesses with the national development agenda. With the introduction of new Act, there is a statutory obligation for the corporates to take initiatives towards Social, Environmental and Economic Responsibilities.

## **Applicability**

As per section 135(1)<sup>10</sup> of the Companies Act 2013, the CSR provision is applicable to companies which fulfills any of the following criteria during the immediately preceding financial year:-

- Companies having net worth of Rs.500 crore or more; or
- Companies having turnover of Rs.1000 crore or more; or
- Companies having a net profit of Rs.5 crore or more.

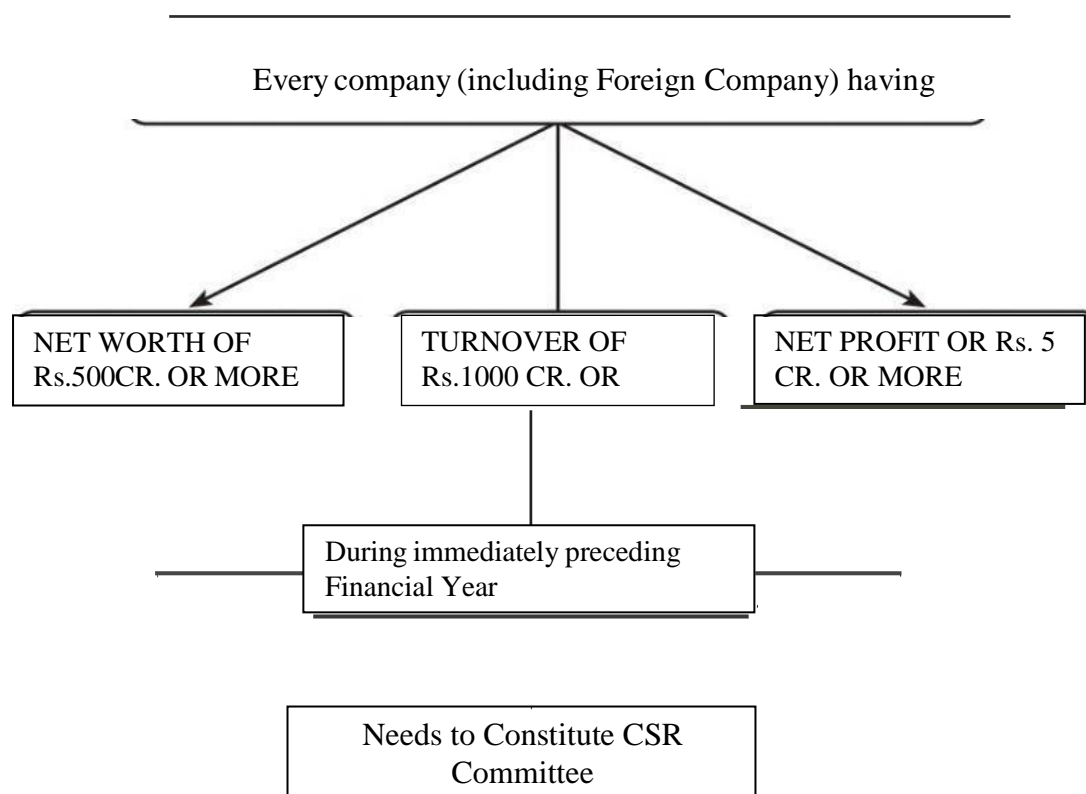
The Companies (Corporate Social Responsibility Policy) Rules, 2014 have widen the ambit for compliance obligations to include the holding and subsidiary companies as well as foreign companies whose branches or project offices in India which fulfills the criteria specified above.

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<sup>10</sup> section 135(1)- Applicability of CSR Committee

According to the Rule 3 of the CSR Rules, the CSR provision will also be applicable to every company including its holding or subsidiary, and a foreign company having its branch office or project office in India having net worth of Rs. 500 crore or more, or turnover of Rs. 1000 crore or more or a net profit of Rs. 5 crore or more during the immediately preceding financial year.

### Companies Falling under CSR Preview<sup>11</sup>



Where the amount to be spent by a company under Section 135 (5) of the Companies Act, 2013 does not exceed Rs. 50 Lakh, the requirement under Section 135 (1) for constitution of the Corporate Social Responsibility 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.

<sup>11</sup> Fig.4.1- Force Source

Sources- [www.icsi.edu](http://www.icsi.edu)

## **Cessation [Rule 3 of the CSR Rules<sup>12</sup>, 2014]**

Rule 3 of the CSR Rules, 2014 specify that every company which ceases to be a company covered under sub-section

(1) of section 135 of the Act for three consecutive financial years shall not be required to:

- a. constitute a CSR Committee; and
- b. Comply with the provisions contained in [sub-section (2) to (6)) of Section 135

Till such time it meets the criteria specified in sub-section (1) of section 135.

Thus, company which does not satisfy the specified criteria for a consecutive period of three financial years is not required to comply with the CSR obligations, implying that a company not satisfying any of the specified criteria in a subsequent financial year would still need to undertake CSR activities unless it ceases to satisfy the specified criteria for a continuous period of three years.

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<sup>12</sup> Rule 3 of Companies Amendment Act

**Important Definitions under CSR [Rule 2 of the CSR Rules, 2014, {Amended by the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021}]**

- "Administrative overheads" means the expenses incurred by the company for 'general management and administration' of Corporate Social Responsibility functions in the company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme;
- "Corporate Social Responsibility (CSR)" 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 these rules, but shall not include the following, namely:-
  - (i) activities undertaken in pursuance of normal course of business of the company. However, 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 organizations 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;
  - (iii) contribution of any amount directly or indirectly to any political party under section 182 of the Act;



- (iv) activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019 (29 of 2019);
- (v) activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services;
- (vi) Activities carried out for fulfillment of any other statutory obligations under any law in force in India.



## Corporate Social Responsibility

- "CSR Committee" means the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Act;
- "CSR Policy" means a statement containing the approach and direction given by the board of a company, taking into account the recommendations of its CSR Committee, and includes guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan;
- "International Organisation" means an organisation notified by the Central Government as an international organisation under section 3 of the United Nations (Privileges and Immunities) Act, 1947 (46 of 1947), to which the provisions of the Schedule to the said Act apply;
- "Ongoing Project" means a multi-year project undertaken by a Company in fulfillment of its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced, and shall include such project that was initially not approved as a multi-year project but whose duration has been extended beyond one year by the board based on reasonable justification

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Does the term 'ongoing project' mean projects involving capital assets like Building, Hospital and any other Infrastructure related CSR Project which generally takes more than a year to complete?

Ongoing project has been defined under Rule 2(i) of the amended Rules so as to mean a multi-year project undertaken by a company in fulfilment of its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced and shall include such project that was initially not approved as a multi-year project but whose duration has been extended beyond one year by the board based on reasonable justification.

Such ongoing project may or may not involve capital assets or development of any other infrastructure.

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"Public Authority" means 'Public Authority' as defined in clause (h) of section 2 of the Right to Information Act, 2005

### **CSR Committee**

- Companies that trigger any of the aforesaid conditions must constitute a Corporate Social Responsibility Committee of the Board to formulate and monitor the CSR policy of a company. Section 135(1) of the Act requires the CSR Committee to consist of three directors more, including at least one independent director.

Where a company is not required to appoint an independent director under sub-section (4) of section 149, it shall have in its Corporate Social Responsibility Committee two or more directors.

Rule 5 of CSR Rules, 2014 further state that, where a private company has only two directors on the Board, the CSR Committee can be constituted with these two directors.

The CSR Committee of a foreign company shall comprise of at least two persons of which one person should be resident in India and the other person nominated by the foreign company.

The Board's report shall disclose the composition of the Corporate Social Responsibility Committee.

## The functions of CSR Committee



The CSR Committee shall formulate CSR policy and establish the steps for the effective implementation, maintenance, periodic review and improvement of CSR system

### The role and responsibilities of the CSR Committee are:

- To formulate and recommend to the Board, a CSR Policy which would indicate the activities to be undertaken by the company in areas or subject, specified in Schedule VII of the Act.
- To recommend the amount of the expenditure to be incurred on the activities undertaken in pursuance of the CSR policy.
- To monitor the CSR policy of the company time to time

{As per Rule 5(2) of the CSR Rules, 2014: The 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 programs 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 programs as specified in sub-rule (1) of rule 4;
- (c) the modalities of utilization of funds and implementation schedules for the projects or programs ;
- (d) monitoring and reporting mechanism for the projects or programs; and
- (e) details of need and impact assessment, if any, for the projects undertaken by the company.

However, the 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. {Amended by the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 Dated 22.01.2021; Effective date 22nd January 2021}.

## **Meeting of CSR Committee**

**Number of CSR Meetings:** Law is silent w.r.t. number of CSR Committee meetings in a year. But as per Secretarial Standard 1 "Committees shall meet as often as necessary subject to the minimum number and frequency stipulated by the Board or as prescribed by any law or authority."

**Quorum for CSR Meetings:** Law is also silent w.r.t.<sup>13</sup> quorum<sup>14</sup> for the committee meeting. But as per Secretarial Standard 1: The presence of all the members of any Committee (applicable to CSR Committee also) constituted by the Board is necessary to form the Quorum for Meetings of such Committee unless otherwise stipulated in the Act or any other law or the Articles or by the Board

A member of the Committee appointed by the Board or elected by the Committee as Chairman of the Committee, in accordance with the Act or any other law or the Articles, shall conduct the Meetings of the Committee. If Chairman has been so elected or if the elected Chairman is unable to attend the Meeting, the Committee shall elect one of its members present to chair and conduct the Meeting of the Committee, unless otherwise provided in the Articles.

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<sup>13</sup> w.r.t- with respect to

<sup>14</sup> quorum- rule 2014

## Functions and Responsibilities of the Board

The Board of the Company shall be fully accountable and responsible for the execution and implementation of the CSR policy and all of the projects that are formulated thereunder and ensure:

- i) Provisions of the resources for the establishment, implementation, maintenance and continual improvement of the system required for CSR;
- ii) Involvement of all concerned stakeholders in CSR Implementation;
- iii) Awareness and promotion of CSR as an integral part of the business and culture.

### **CSR Implementation [Rule 4 of the Companies (Corporate Social Responsibility Policy) Rules, 2014] [Amended by the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021]**

**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 Companies Act, 2013 or a registered public trust or a registered society, registered under section 12A<sup>15</sup> and 80 G of the Income Tax Act, 1961(43 of 1961), established by the company, either singly or along with any other company; or
- b) a company established under section 8 of the Companies Act, 2013 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 Companies Act, 2013, or a registered public trust or a registered society, registered under section 12A and BOG of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.

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<sup>15</sup> ambit of total income

Mandatory Registration of CSR Entity: Every eligible entity 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:

However, the provisions of this sub-rule shall not affect the CSR projects or programmes approved prior to the 01st day of April 2021.

Certification of Professional: Form CSR-1<sup>16</sup> shall be signed and submitted electronically by the entity and shall be verified digitally by a Chartered Accountant<sup>17</sup> in practice or a Company Secretary<sup>18</sup> in practice or a Cost Accountant in practice.

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

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Example: Company A carries out its CSR project X through an implementing agency during the FY 2020-21. Company A intends to start a new CSR project Y in the FY 2021-22. The implementing agency will have to register itself for project Y by filing form CSR-1. As project X is an ongoing project, the implementing agency is not required to file form CSR-1.

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<sup>16</sup> mca21.gov.in

<sup>17</sup> Chartered accountants Acts, 1949

<sup>18</sup> Company Secretaries Acts, 1980

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

**A collaboration of other Companies for CSR Expenditure:** A company may also collaborate with other companies for undertaking projects or programs 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 programs in accordance with these rules.

**CFO Certification:** The Board of a company shall satisfy itself that the funds so disbursed have been utilized 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.

**Ongoing Projects:** IN case of ongoing project, the Board of a Company <sup>19</sup>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.

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<sup>19</sup> Section 149 of companies Act, 2013

### **List of CSR Activities [Schedule VII of the Companies Act, 2013)**



Some activities are specified in Schedule VII as the activities which may be included by companies in their Corporate Social Responsibility Policies. The entries in the said Schedule VII must be interpreted liberally so as to capture the essence of the subjects enumerated in the said Schedule. The items enlisted in the amended Schedule VII of the Act, are broad-based and are intended to cover a wide range of activities as illustratively. These are activities related to:

eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water; promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects;

promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups; ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air, land, water included in contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;

protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;

measures for the benefit of armed forces veteran, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows; training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports;

contribution to the Prime Minister's National Relief Fund or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM Cares 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;

Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organization (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs) -Substituted by Notification dated 24th August,2020].

- xi) rural development projects;
- xii) slum area development where 'slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force;
- xiii) Disaster management. Including relief, rehabilitation and reconstruction activities.
- xiv) However, in determining CSR activities to be undertaken, preference would need to be given to local areas and the areas around where the company operates.

As per Clarification issued by MCA<sup>20</sup> on 18th June, 2014; following may be noted with regard to provisions mentioned under section 135:

- One-off events such as marathons/ awards/ charitable contribution/ advertisement/ sponsorships of TV programs etc. do not be qualified as part of CSR expenditure.
- Expenses incurred by companies for the fulfillment of any Act/ Statute of regulations (such as Labor Laws, land Acquisition Act etc.) are not count as CSR expenditure under the Companies Act

### **How has the CSR spending pertaining to COVID-19 been inculcated in the Companies Act, 2013?**

As per item no. (viii) of the Schedule VII of the Companies Act, 2013, which enumerates activities that may be undertaken by companies in discharge of their CSR obligations, inter alia provides that contribution to any fund set up by the Central Government for socio-economic development and relief qualifies as CSR expenditure. The PM-CARES Fund has been set up to provide relief to those affected by any kind of emergency or distress situation such as that posed by COVID 19 pandemic. Accordingly, it is clarified that any contribution made to the PM CARES Fund shall qualify as CSR expenditure under the Companies Act 2013. [eF. No. CSR-05/ 1/2020-CSR-MCA OFFICE MEMORANDUM dated 28.03.2020).

Keeping in view the spread of novel corona virus (COVID-19) in India, its declaration as pandemic by the world health organization (WHO), and decision of Government of India to treat this as a notified

### **Computation of net profit**

"Net profit" as per explanation of Section 135(5) shall not include such sums as may be prescribed, and shall be calculated in accordance with the provisions of section 198. The net worth, turnover and net profits are to be computed in terms of Section 198 of the Companies Act, 2013 as per the profit and loss statement prepared by the company in terms of Section 381(1) (a) and Section 198 of the Companies Act, 2013. Every company will have to report its standalone net profit during a financial year for the purpose of determining whether or not it triggers the threshold criteria as prescribed under Section 135(1) of the Companies Act.

- Indian company: The CSR Rules have clarified the manner in which a company's net worth will be computed to determine if it fits into the 'spending' norm. In order to determine the 'net profit', dividend income received from another Indian company or profits made by the company from its overseas branches have been excluded. Moreover, the 2% CSR is computed as 2% of the average net profits made by the company during the immediately preceding three financial years.
- Foreign company: The CSR Rules prescribe that in case of a foreign company that has its branch or a project office in India, CSR provision will be applicable to such offices. CSR Rules further prescribe that the balance sheet and profit and loss account of a foreign company will be prepared in accordance with Section 381(1)(a) and net profit to be computed as per Section 198 of the Companies Act, 2013. It is not clear as to how the computation of net worth or turnover would be arrived at in case of a branch or project office of a foreign company.

Profits from any overseas branch of the company, including those branches that are operated as a separate company would not be included in the computation of net profits of a company. Besides, dividends received from other companies in India which need to comply with the CSR obligations would not be included in the computation of net profits of a company.

CSR Expenditure-Rule 7 of the CSR Rules, 2014 [Amended by the Companies CSR(Amendment) Rules, 2021]

The Board of every eligible company u/s 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, this amount will be CSR expenditure.

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.

### **Administrative Overheads**

The board shall ensure that the administrative overheads shall not exceed 5% of total CSR expenditure of the company for the financial year

Surplus arising out of the CSR Activities

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.

This means in case the project is income generating byway of fees etc., such income should be ploughed back into the same project but not form part of the business profit of the company.

Excess CSR spends may be set off Where a Company spent on CSR in excess of the requirement (i.e. 2%), such excess amount may be set-off against the requirement of the CSR Spending u/s 135(5) upto the immediate succeeding 3 financial year subject to the conditions that:

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;

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

### **Acquisition of Capital Assets**

- The CSR amount may be spent by a company for creation or acquisition of a capital asset, which shall be held by –
  - a. Section 8<sup>21</sup> Company, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number
  - b. beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities;
  - c. a public authority

However, 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.

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<sup>21</sup> Charitable Companies

## **Spending mandate and consequences of not spending (Change in CSR regime from Voluntary to Mandatory)**

Second proviso to sec. 135 (5), read with section 135 (6), elaborates the mandatory spending requirement:

- If the company fails to spend the CSR target, the Board in its report shall specify the reasons for not spending the amount.
- Analysis of the "unspent amount" related to ongoing project:
  - a) Unspent amount relating to an ongoing project, undertaken by a company in pursuance of its Corporate Social Responsibility Policy, shall be transferred by the company within a period of 30 days from the end of the financial year to a special account (Unspent CSR Account) to be opened by the company in that behalf for that financial year in any scheduled bank, and such amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of 3 financial years from the date of such transfer.
  - b) failing which, the company shall transfer the same to a Fund specified in Schedule VII of the Companies Act, 2013, within a period of thirty days from the date of completion of the third financial years or else,
- Unspent amount not relating to ongoing projects to be transferred to Funds notified in Schedule VII of the Companies Act, 2013 within a period of 6 months of the end of the financial year.

## 4.2 Penal Provisions of CSR

### PENALTY

CSR Amendments- from 'comply or explain' to 'comply or suffer' to 'comply or pay'

- Earlier CSR provisions was following "comply or explain" approach-If a company did not comply, it only had to mention the reasons for non-compliance in their Board Report.
- Since there were serious compliance gaps, the Companies (Amendment) Act 2019 introduced Penalty for Non-Compliance of Section 135(5) & (6) that included imprisonment, and hence, the approach shifted to "comply or pay fine", but it was not notified.
- However, it is again amended by subsequent amendments brought in by the Companies (Amendment) Act, 2020 which in view of Decriminalisation and Ease of Doing Business, has removed the prosecution provision.
- The respective provision of the Companies (Amendment) Act, 2019 never came into force as both 2019 & 2020 Companies (Amendment) Act provision related to penal provisions of CSR came to force on the same day i.e. 22nd January, 2021.

Section 135(7) of the Companies Act, 2013, clearly states that, If a company is in default in complying with the provisions of Section 135(5) or 135(6) of the Companies Act, 2013:

### **Penalty on the Company:**

- Upto 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
- Rs.1Crore, whichever is less,

### **Penalty on every officer of the company who is in default**

- 1/10th of the amount required to be transferred by the company to such Fund specified in Schedule VII of the Companies Act, 2013, or the Unspent Corporate Social Responsibility Account, as the case may be, or
- Rs.2 Lakhs, whichever is less.

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 or class of companies shall comply with such directions.

CSR Reporting (Rule 8 of CSR Rules, 2014) [Amended by the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021)

#### **Preparation of CSR Report**

It is mandatory to include an Annual Report on CSR in the prescribed format, in the Board's report of the Company. The report containing the details of CSR Activities undertaken by the company and contents of CSR policy shall be made available on Company's website.



## **Directors Report:**

The Company shall annex with its Board Report an annual report on CSR containing particulars specified in Annexure I (for F.Y. Commenced prior to 1st day of April, 2020) or Annexure II (w.e.f. F.Y. Commencing on or after 1st day of April, 2020), as applicable.

In case of a Foreign Company:

The Balance sheet filed u/s 381(1) (b) of the Companies Act, 2013 shall contain 'an annual report on CSR containing particulars specified in Annexure I (for F.Y. Commenced prior to 1st day of April, 2020) or Annexure II (w.e.f. F.Y. Commencing on or after 1st day of April, 2020), as applicable.

Impact Assessment for big CSR projects in terms of the provisions of Rule 8(3)(a) of the Companies (Corporate Social Responsibility Policy) Rules, 2014

Companies with average CSR obligation of Rs.10 Crore or more in the 3 immediately preceding financial years shall undertake impact assessment through an independent agency of their CSR projects having outlays of Rs.1crore rupees or more which have been completed not less than 1year 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.

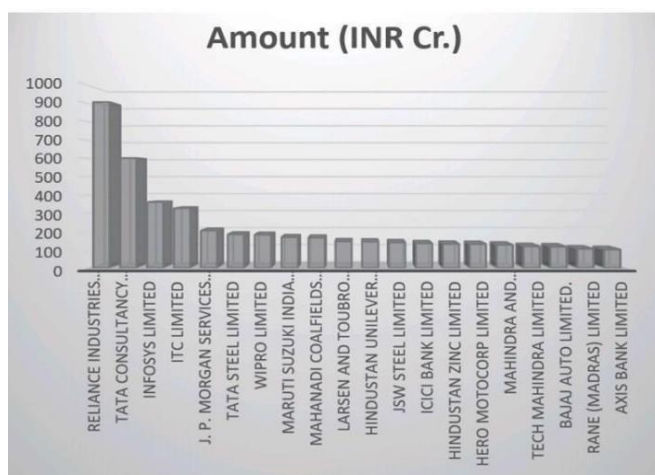
A Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed five percent of the total CSR expenditure for that financial year or Rs.50 Lakh, whichever is less.

## Website Disclosure (Rule 9 of the CSR Rules, 2014) [Amended by the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021]

The Board of every eligible company referred to in sub-section (1) of Section 135 shall, 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 and ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company. The Board of Directors of the Company shall ensure essential disclosure of the following on the website of the Company if any:

The composition of the CSR Committee  
CSR Policy and Projects approved by the Board  
CSR Spent: Top Companies (2019-20)

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<sup>22</sup> fig 4.2 source

[www.csr.gov.in/index](http://www.csr.gov.in/index)

## **TAX BENEFITS UNDER CSR**

No specific tax exemptions have been extended to CSR expenditure per se. The Finance Act, 2014 also clarifies that expenditure on CSR does not form part of business expenditure. While no specific tax exemption has been extended to expenditure incurred on CSR, spending on several activities like contributions to Prime Minister's Relief Fund, scientific research, rural development projects, skill development projects, agricultural extension projects, etc., which find place in Schedule VII, already enjoy exemptions under different sections of the Income Tax Act, 1961.

## **ON APPLICABILITY OF CSR PROVISIONS ON SPECIFIED COMPANIES**

In case of Specified IFSC Public Company/Specified IFSC Private Company - Section 135 shall not apply for a period of five years from the commencement of business of a Specified IFSC public company/ Specified IFSC Private Company - Notification Dated 4th January, 2017.

### **CSR Portal**

The National Corporate Social Responsibility Data Portal is an initiative by Ministry of Corporate Affairs, Government of India to establish a platform to disseminate Corporate Social Responsibility related data and information filed by the companies registered with it.

The CSR ambit is getting bigger and for upcoming years it would turn as a unique knowledge base for analyzing and achieving sustainability goals as among various large economies India is a country which has assured by mandating CSR through its legislative action

## **The National CSR Awards**

Ministry of Corporate Affairs, Government of India has instituted National Corporate Social Responsibility (CSR) Awards to recognize companies that have made a positive impact on the society through their innovative & sustainable CSR initiatives.

The National CSR Awards seek to:

Recognize the companies that have positively impacted both business and society by taking a strategic approach to CSR through collaborative program.

Recognize the companies that are leading transformation by integrating sustainability in their core business model.

Recognize companies for implementing measures for conservation and sustainable management of the biodiversity and ecosystem in the value chain.

Identifying innovative approaches and employing application and technologies that will help to build a robust CSR programs to further the cause of inclusive and sustainable development.

This Award seeks to recognize the companies that have made a transformative impact on society. The NCSRA seeks to recognize outstanding projects in following three categories:

- Four awards for excellence in CSR, based on CSR spend
- Five awards for CSR projects in Aspirational Districts
- Eleven awards for CSR projects in National Priority Areas.
- Three separate awards are for micro, small and medium enterprises (MSMEs).

## **What are the various other aspects that may be kept in mind while undertaking CSR?**

- (i) It should be noted that companies, while undertaking Corporate Social Responsibility activities under provision of the Companies Act, 2013, shall not contravene any other prevailing laws of the land including

Cigarettes and Other Tobacco Products Act (COTPA), 2003. [General Circular No. 05/2016 dated 16th May, 2016].

- (ii) Contribution and involvement of employees in CSR activities of the company will no doubt generate interest/ pride in CSR work and promote transformation from Corporate Social Responsibility (CSR) as an obligation to Socially Responsible Corporate (SRC) in all aspects of their functioning. Companies therefore, should be encouraged to involve their employees in CSR activities. However monetization of pro bona services of employees would not be counted towards CSR expenditure. {General Circular No. 1/2016 dated 12th January, 2016}.

- (iii) It is further clarified that CSR activities should be undertaken by the companies in project/ programme mode [as referred in Rule 4 (1) of Companies CSR Rules, 2014].

One-off events such as marathons/ awards/ charitable contribution/ advertisement/ sponsorships of TV Programmes etc. would not be qualified as part of CSR expenditure. {General Circular No. 21/2014 18th June, 2014}

- (iv) Expenses incurred by companies for the fulfillment of any Act/ Statute of regulations (such as Labour Laws, Land Acquisition Act etc.) would not count as CSR expenditure under the Companies Act. {General Circular No. 21/2014 18th June, 2014- also covered in rules}.

## 4.3 Leading Judgement

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### CSR: Case Studies

13.11.2019 Apurvanatvar & Company India (P) Limited vs. Registrar NCLT,  
*OF Companies Mumbai* *Mumbai*

Company Violated provisions of Section 135 read with Section 134(3) of the Companies Act, 2013

#### Background

Apurva Natvar Parikh & Co Private Limited is a Private incorporated on 26th June 1959. It is classified as Non-govt. company and is registered at Registrar of Companies, Mumbai. It is involved in supporting and auxiliary transport activities; activities of travel agencies. The Company had violated the provision of Section 135 read with Section 134(3) (0) of the Companies Act, 2013 read with Rule 8 of Companies (Corporate Social Responsibility Policy) Rules, 2014 wherein the Company had not made CSR Expenditure and has not explained the reasons in Board's Report of F. Y. 2014-15 for non-spending of the CSR amount along with other disclosure as required under Section 135(2) of the Act.

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### Timeline of Events

Apurva Natvar Parikh & Co Private Limited filed a compounding application with NCLT, Mumbai on January 10, 2017 as it has violated the CSR provisions. It received a notice dated December 8, 2017 from ROC, Mumbai stating that the Company has not complied with the provisions of Section 135 read with Section 134(3)(0) of the Companies Act, 2013 by not disclosing the details in the Financial Year 2014-15, the Composition of CSR Committee of the Company and/or not specifying any reasons for under spending the CSR amount in its Boards Report for F.Y. 2014-15 as required under Section 135 r/w Section 134(3) (0) of the Act and with Rule 8 of Companies (Corporate Social Responsibility Policy) Rules, 2014 r/w <sup>24</sup>General Circular 21/2014 issued by the Ministry of Corporate Affairs. Pursuant to the receipt of the Notice, the Company sent a reply dated December 16, 2017 to Registrar of Companies enclosing the Directors Report of the Company dated September 2, 2015, Issued by the Board of Directors of the Company in respect of the Company's activities for the F.Y. 2014-15.

<sup>24</sup> Read with

Thereafter, on February 01, 2018, the Applicants received another notice from the ROC dated January 3, 2018 wherein the ROC has asked the Company and the officers in default to file the Necessary application in order to compound the above-mentioned offence committed by them as Per the procedure prescribed, under the Companies Act, 2013.

It is submitted that as per Section 135 of the Act, the Company was required to spend an amount of Rs 5,26,047.30 towards its Corporate Social Responsibility objectives in the F.Y. 2015-16. In Compliance with the provisions of the Act, the Company spent an amount of Rs. 35, 08,500/ Towards its Corporate Social Responsibility objectives in the F.Y. 2015-16. However, in spite of Having spent the requisite amount, the Company inadvertently did not attach the CSR Policy of The Company to the Director's Report for the F.Y. 2015-2016. In order to rectify the inadvertent error. The Company has written to the ROC vide letter dated February 9, 2018, whereby the Company has informed the ROC of the said violation of Section 134(3) (0) of the Act.

It is further submitted that to make default good the Board in its Board Meeting held of July 18, 2014 framed the CSR Policy in accordance with the Schedule VII of the Companies Act, 2013.

It is further submitted that the Company had constituted the CSR Committee, framed the CSR Policy as per the provisions of the Act and made the necessary disclosures as required under Section. 134 (3) (o) in the Board of Directors Report for the F. Y. 2015-16. Consequently, the Default has been made good. Provisions of Companies Act, 2013

### **Section 135(5)**

According to the provision of Section 135 (5) of the Act, the Board of the Company was required to spend, in every financial year; at least 2% of the average net profit of the Company during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility (CSR) policy, applicable to every company having net worth of Rs. Five Hundred Crore or more, or turnover of Rs. One thousand crore or more or having net profit of Rs. Five Crore or more, during Financial Year.

### **Section 134(3) (0)**

Further the provision of Section 134 (3) (o) provides that, if company fails to comply with the provision of Section 135 (5), then the Board in its report shall specify the reasons for not spending the amount.

## **Judgment**

The Bench gone through the pleadings on record and the submissions made by the ApurvaNatvar Parikh & CoPrivate Limited and ROC reply herein and said that the Applicants/Defaulters had violated the provision of S. 134 (3) (o) of the Act, and for the said violation the punishment is provided u/Section 134 (8) of Companies Act, 2013.

The ROC has also reported that, the Company has made the said default good by formulating the Corporate Social Responsibility (CSR) Policy, constituting the CSR Committee and giving the requisite disclosure as per the relevant provisions of the Act, in the Board Report of the Company for the F.Y. 2015-16 and onwards.

The bench considered the entire records, pleadings of the Applicants and submissions of the Ld. Authorised Representative and imposed a Compounding Fee of Rs 1,00,000/- on the Company and Rs.1,00,000/- each on the Directors of the Company that the Compounding fee should be paid within a period of three weeks from the date of order in the account of "Prime Minister's National Relief Fund."

The determination of the Quantum of the CSR responsibility can only be ascertained after the finalization of accounts at the close of the Books of Accounts of a particular financial year.

### **Background**

Hira Power & Steels Limited, promoted by the Agrawal family is a leading player in the Steel Segment in Central India. The Company's main business interests are in Ferro Alloys, Power and Mining and it has its manufacturing facilities in Chhattisgarh, India, an area known for low cost production of Steel due to the easy availability of Raw Materials, Cheap Labour and Supportive Government Policies. The Company filed a Compounding application before Registrar of Companies (ROC), Chhattisgarh and the same has been forwarded to the NCLT, Mumbai along with ROC Report.



## **Timeline of Events**

ROC had informed that, this application was filed because the Company had violated the provision of Section 134 (3) (o) of the Companies Act, 2013 read with Rule 8 of Companies (Corporate Social Responsibility Policy) Rules, 2014 wherein the Company fails to give explanation for the non-spending of the CSR amount for the Financial Year 2014-15 in Director's Report.

Hira Power & Steels Limited submitted that due to inadvertent mistake the Company has failed to comply with the provisions of the S. 134 (3) (o) and were willing to comply with the provisions of the Act bona fide. They had made all endeavors to comply with the provisions of the Act however, because of number of Circulars which were issued by the Ministry of Corporate Affairs with respect to CSR there was ambiguity in the correct implementation of the provisions.

It is further stated that the Company had constituted the CSR Committee as per the provisions of the Act on August 05, 2015 and made the necessary declarations as per Section 134 (3) (o) in the Director's Report for the F. Y. 2015-16. Consequently, the Default has been made good.

It is also submitted that, due to number of Circulars / Notifications issued by the Government the Applicants / Defaulters herein, could not ascertain the actual position of the CSR amount to spend and therefore the said contravention has happened.

In light of above submissions it is submitted that since, the Applicants / Defaulters herein had not deliberately contravened the provisions of the Companies Act, 2013 and subsequently, after ascertaining the correct position, made the committed default hence, this Application may be allowed and minimum Compounding Fee may be imposed.

## Judgment

The Bench said that, this provision regarding CSR is newly incorporated in the Statute and thereafter number of circulars was issued and as a result of those circulars no clear clarification regarding the provision can be recorded by the Company or its Directors. It is also noticed that the Company had made the default good by constituting the CSR committee and by furnishing declaration in the Director's Report for the F. Y. 2015-16.

The determination of the Quantum of the CSR responsibility can only be ascertained / quantified after the finalization of accounts at the close of the Books of Accounts of a particular financial year. As a result, the amount to be contributed for charitable purpose as CSR responsibility can be intimated to the concerned authorities thereafter only i.e. after the finalization of accounts of a particular financial year. Compounding Fee of Rs. 10,000/- by the each Applicant / Defaulter herein (i.e. Rs. 50,000/- in total) was levied on the Company.

CSR Committee must be constituted if net profit exceeds the prescribed threshold limit Background. Shree Santhosh Meenakshi textiles private limited is established at thekkalur, the Manchester of South India. The company has carved niche of its own in the competitive yarn market. Shri Santosh Meenakshi Textiles Pvt Ltd. filed an appeal under Section 421 of the Companies Act, 2013 against the impugned order of National Company Law Tribunal, Chennai by which the appellant company is held liable to spend the amount of Corporate Social Responsibility (CSR) for the FY 2014-15 taking into account only the net profit for the FY 2013-14; the appellant company is held liable to adhere to the other provisions of Section 135 of the Act and the company is permitted to file an application for revision of financial statement or Board report after incorporating the information of CSR

When the appellant filed its financial statement along with Board Report with the ROC, the ROC observed the same and issued a Show Cause Notice to the Company as to why they have not complied with Section 135(1), 135(5) and Section 134(3)(0) of the Companies Act, 2013. The appellant filed Company Petition before the NCLT, Chennai under Section 131 of the Companies Act, 2013 and the NCLT passed the impugned order wherein it held that -".....Petitioner Company is liable to spend the amount on account of CSR for FY 2014-15 taking into account only the net profit before tax for the FY 2013-14 "

## Issues involved

NCLAT identifies the issue involved as whether the appellant is covered under Section 135(1) of the Act or not. NCLAT observes that as per the appellant's own calculation the net profit is Rs.5,68,70,023/- for the FY 2013-14 which is apparently more than Rs. 5 crores i.e. threshold limited prescribed under Section 135(1) of the Act. Therefore, the company is covered under Section 135(1) of the Act and as such appellant was liable to constitute Corporate Social Responsibility Committee of the Board in the year 2014-15. Section 135(5) of the Act stipulates that Board of every company who comes under Section 135(1) of the Act shall ensure that the company spends in every year at least 2% of the average net profit of the company made during the three immediately preceding financial years in pursuance of the CSR. The net profit will be calculated as per Section 198 of the Companies Act, 2013 and that the profit before tax will be taken as 'Net Profit'.

Further, NCLAT examines the next issue argued by the appellant that even if it is the company is deemed to be covered under Section 135(1) of the Act, then also it is not liable to expend any sum towards CSR in as much since the company had incurred losses in FY 2011-2012 and 2012-13 and the average net profit calculated for the three FY comes in negative. NCLAT disagrees with the observations of the NCLT which directed the appellant herein to spend the amount on account of CSR for the FY 2014-15 taking into account only the net profit before tax for the FY 2013-14 as it is clearly against the mandate of law that the amount to be spent is to be at least 2% of the average net profit of the company made during the three immediately preceding financial years in pursuance to its CSR Policy. NCLAT observes that the calculations submitted by the appellant shows that in the last three years the company is made a profit of Rs.1,38,69,595/- and average net profit of three years will come to Rs.46,23, 198/- and further that the company would never be covered under the average net profit of three preceding years.

NCLAT observed that that the appellant has resorted to deducting the losses twice over to somehow arrives at a negative figure to show that it is not required to spend any amount on the CSR for the FY 2014-15. NC LAT states that the method of calculation of average net profit for immediately preceding three years as directed by the NCLT will not be applicable. NCLAT further observes that the company is a defaulter for spending an amount on CSR activities during the year 2014-15 since company has not constituted the CSR Committee and no proof substantiating the amount spent by the company on CSR activities has been placed.

## Judgment

NCLAT <sup>25</sup> passes an order modifying the impugned order holding that the appellant is liable to constitute Corporate Social Responsibility Committee of the Board in terms of Section 135(1) in 2014-15 as net profit of the company in the preceding year was more than Rs.5 crores; and further prescribes a method of calculation for the purpose of Section 135(5).

NCLAT holds appellant liable to constitute CSR committee of the Board in terms of Section 135(1) as the net profit of the company exceeds the threshold limit under Section 135(1) of the Act; prescribes method for calculation of average net profit for immediately preceding three years for the purpose of Section 135(5).

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<sup>25</sup> 1 <http://nclat.nic.in>



# **CHAPTER-5**

# **CONCLUSION**

## Conclusion



India is a country rich in culture, heritage, values, and rich climate conditions for agriculture. But the fact cannot be overlooked that people living below the poverty line are highest in India. We are the third-biggest generator of Greenhouse gases which are also called climate-affecting gases.

With due conditions, we cannot overlook the fact that for progressive steps to be taken, India has always been a paramount paradigm of adopting changes and taking initiatives.

The legislative change made by Companies Act, has assisted in financial need of government to initiate environmental policies and made corporates see the mirror of the impact of their activities and execute their social responsibility.

Our country is known for minimum economic wastage with every house successful in finding an innovative way of mitigating waste.

India was a key player in shopping Paris Agreement which resulted 2016 Paris Agreement which resulted in dialogue for policy measures.

As per Reports, 2014 was the year the year of increase in CSR spending. In 2018, companies spent 50% more than 2015 on CSR.

Listed Companies had spent US\$1.4 billion on various CSR activities in field of education, social welfare, and healthcare and environment conservation.

The Prime Minister's Relief Fund had an increase of 139% in CSR. Education sector 38%, Poverty and healthcare 25%, Environment Sustainability 12%. Industry Research on CSR compliance improvement ranged 97%.



India has also played significant role in creating Mind and Body Wellness by creating awareness about Yoga. By efforts of India, Yoga attained international recognition by declaration of 21<sup>st</sup> June as „International Yoga Day“. This move of India not only recognized India as Yoga's place of origin but also identified India as Source of Natural well-being and „Protector of environment“.

Not only Yoga but India also represented Ayurveda as primary treatment and cure for many diseases, thereby encouraging eco-friendly treatment with maximum connectivity with nature. This movement of India has advocated India's environmental friendly approach.

Years before the concept of CSR, Mahatma Gandhi advocated the “Trusteeship Concept” saying that “one holds large wealth only as a Trustee of Society”

In the recent years, India has witnessed considerable growth in its social enterprise activity. Growing awareness, support and training is the reason of success of social entrepreneurs.

Amul and Fab India are biggest examples of social business models working since 1950. Federation of Indian Chamber of Commerce and Industry of India, Confederation of Indian Industry have made sure that innovators are able to pioneer sustainable approaches.



## **TATA STEEL- A COMPANY THAT ALSO MAKES STEEL**

Tata Steel's Vision strikes a balance between economic value as well as ecological and societal value by aspiring to be a Global Benchmark in Value Creation and Corporate Citizenship". In the initial years, Tata Steel's CSR interventions were more as a 'provider' to society where the community was given support for its overall needs, both for sustenance and development. Gradually, the shift in approach led to Tata Steel being an 'enabler' focusing on building community capacity through training programmes; focusing on providing technical support rather than giving aid. At present, CSR interventions of Tata Steel focus on 'sustainable development' to enhance the quality of life of people. It guides the Company in its race to excel in all areas of sustainability. J. R. D. Tata, the Chairman of the Tata Group, believed that, "to create good working conditions, to pay the best wages to its employees and provide decent housing to its employees are not enough for the industry. The aim of an industry should be to discharge its overall social responsibilities to the community and the society at large, where industry is located

Guided by this mandate, Tata Steel has for decades used its skills and resources, to the extent it can reasonably afford, to give back to the community a fairshare of the product of its efforts

It was the first to establish labor welfare practices, even before these were made statutory laws across the world. The Company also instituted an eight-hour workday in 1912, free medical aid in 1915, a Welfare Department in 1917. Leave with pay, Workers Provident Fund and Workmen's Compensation in 1920 and Maternity Benefit for ladies in 1928.

The Company supports and propagates the principles of the United Nations Global Compact as a Founder Member, is a signatory to the World Steel Sustainability Charter and supports the Affirmative Action programme of the Confederation of Indian Industry.

Tata Steel's approach to business has evolved from the concept that the wealth created must be continuously returned to society. The responsibility of combining the three elements of society· social, environmental, and economic· is of utmost importance to the way of life at Tata Steel. Today, Tata Steel's CSR activities In India encompass the Company's Steel Works, Iron ore mines and collieries, reaching out to the city of Jamshedpur, its peri·urban areas and over 800 villages in the states of Jharkhand, Odisha and Chhattisgarh Community involvement is a characteristic of all Tata Steel Group companies around the world. It can take the form of financial support, provision of materials and the Involvement of time, skills and enthusiasm of employees The Group contribute to a very wide range of social, cultural, educational, and sporting. Charitable and emergency assistance programmes.

The Company works in partnership with the Government, national and international development organizations, local NGOs and the community to ensure sustainable development. The Corporate Services Division delivers these responsibilities through several institutionalized bodies:

Tata Steel Corporate Social Responsibility and Accountability Policy I Corporate Social Responsibility

Tata Steel Rural Development Society (TSRDS) Tribal Cultural Society (TCS)

Tata Steel Family Initiatives Foundation (TSFIF) Tata Steel Skill Development Society (TSSDS) Education

Medical Services Urban Services Sports Department

Tata Steel Adventure Foundation

JUSCO

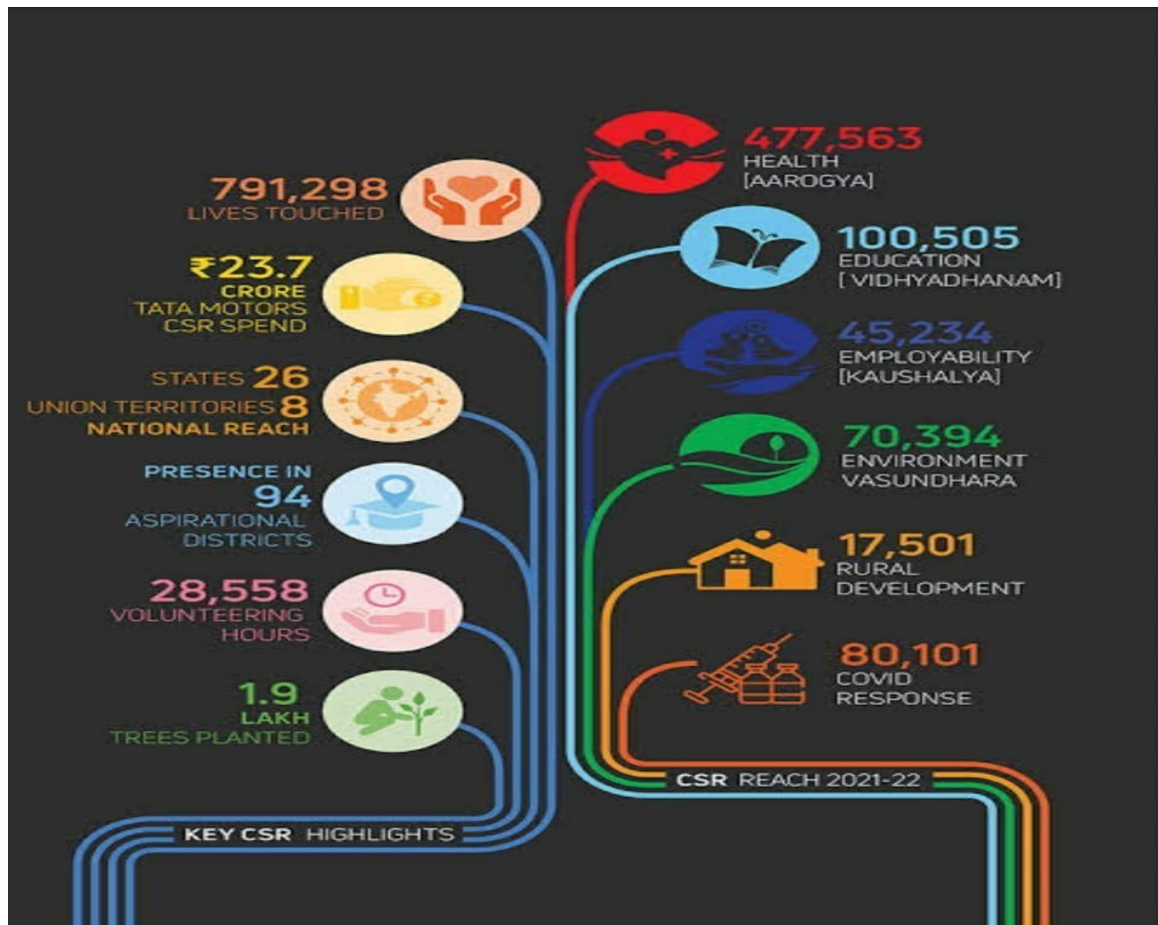
Other societies like Ardeshir Dalal Memorial Hospital, Blood Banks, Kanti Lal Gandhi Memorial Hospital etc)

Tata Relief Committee

- The charities Advisory trust, a UK group, has set the hotel up as a model of sustainable tourism with all profits distributed to charitable and environmental projects in India. It incorporates energy-saving features, including solar panels and recycled water for the garden. By finding an economic use for the palace and its historic garden, it has been saved it from demolition and redevelopment of the site. An added and wonderful feature is that the hotel's coffee shop, The malgudi, is run by women- perhaps the first of its kind in the country.;
- Dabur India Ltd. This is one of the world's largest Ayurvedic and natural health care companies, built on a legacy of over 135 years. The story of Dabur began with the visionary Dr SK Burman, a Bengali physician who wanted to provide effective and affordable treatments for people in remote villages. He started preparing natural cures for the killer diseases of those days, like cholera, malaria and the plague. As news of his treatments spread, he came to be known as the trusted 'daktar,' or doctor.

In 1884, Burman set up Dabur to produce and dispense Ayurvedic medicine. to people who had no access to proper treatment. His commitment and passion grew the company from a fledgling medicine mixer in a small Calcutta house to a trusted household name, known for reliability). Dabur's CSR policy is inspired by a question posed by Burman: "What is that life worth "which cannot bring comfort to others?" in pursuing its business strategy of introducing products that give consumers health and wellness, Dabur continues to generate an attractive return for shareholders while minimizing.

# Tata Motors CSR spending



- **The Green Hotel**

The Chittaranjan Palace in Mysore has been lovingly restored using traditional Indian crafts, providing employment for traditional craftsmen, many of them national award winners its environmental impact and lending a helping hand to the community.

Water-positive and solid waste recycling-positive for over a decade. The company has generated sustainable livelihood opportunities for some six million people through its activities. Its e-Choupal programme connects rural farmers through the internet for procurement of agriculture products. It covers 40,000 villages and supports over four million farmers; its social and farm forestry programme assists farmers in converting wasteland to pulpwood plantation. Meanwhile, its social empowerment programmes for micro-enterprises and loans have created suitable livelihoods for over 40,000 rural women. Nearly 41% of the total energy consumed at ITC is from renewable sources, and its luxury hotels have the unique distinction of being LEED Platinum certified.

- **ITC Group**

This conglomerate, with business interests across the hotel, consumer goods, agriculture, IT and packaging sectors, is focused on creating sustainable livelihood and environment protection programmes. ITC's Nation First: „Sab Saath Badien“ philosophy underlines its core belief in building a globally competitive and profitable Indian enterprise while championing societal values and serving larger national priorities. It has an excellent global record in sustainability, and has been carbon-positive,

As a matter of fact, it cannot be desired that Corporate Social Responsibility has brought significant changes to every social aspect but the danger and depletion of environment is far more significant.

Study published in Geophysical research letters states that an important anthropogenic contribution is Sea level rise due to ground water depletion. “Earth's pole has Shifted 64.16 degree E at a speed of 4.36cms per year during 1993-2010 due to ground water depletion.

Any effort in the field of CSR will go in vain if the environment and make sure that corporate development and advancements are not done at the cost of nature and harm to the environment.

Today, regulatory authorities need to make sure that the Total amount of CSR should be channelized to all social factors. There should be fixed amount of CSR out of total CSR to be appointed to Environment is sacrificed for the sake of development is sacrificed, the end of this planet is not far away.

Covid-19, the Pandemic which took lives of millions is an example of carelessness

price paid by humanity. A virus that awakens us shaken our conscious, where countries have realized that protection of environment and due care in process of development is the need of today.

India, the nation which is still developing as an economy and has highest population was able to fight with the Covid-19 virus with help of nature only when the most advance medical treatments failed, Indian houses were able to failed, Indian Houses were able to fight the pandemic with natural remedies and herbs, most of them not even visiting hospitals.

The environment has taken care of us from millions of years, which is why we called „Mother earth“. Today, earth and its environment is in this state due to damage caused by Industries.

Therefore, it is Moral ethical responsibility of corporate to design such effective CSR policies for environment is cured, treated and improved in such a way that upcoming generations find this planet and accomplished with life supporting environment, resources, richness in greenery and development which shows our achievements to future generations and not the damage which is lamented by us and upcoming human race.



## **The Future Ahead**

Covid-19 has taught each one of us that prediction of future is impossible. No matter how much we strive for development or better future, at times nature has its own plan.

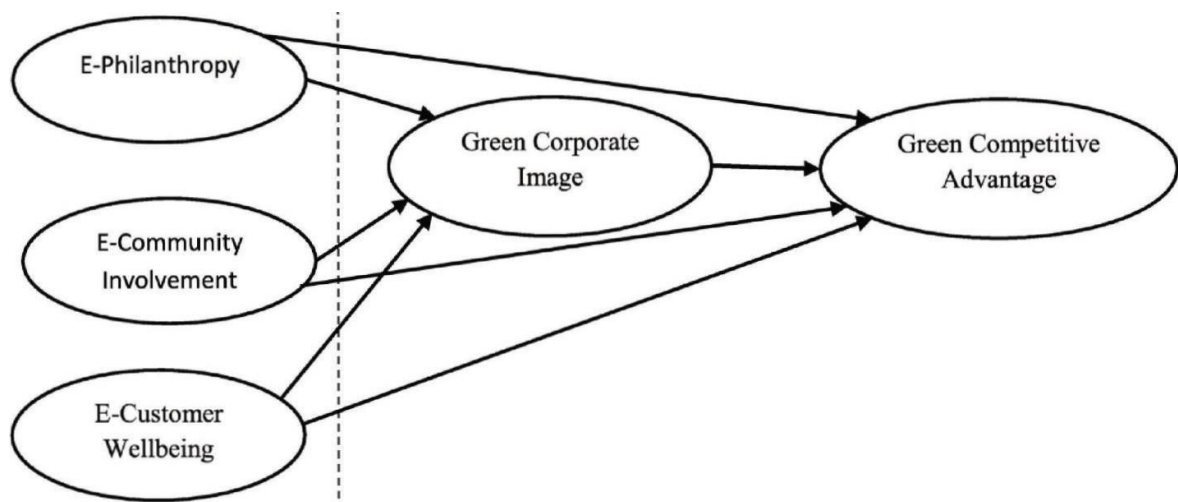
The leakage of virus and the way it spread was beyond imagination of any human but it made an awakening. Humanity was the only factor that made all of us come out of the disastrous phase. Doctors risked their lives attending the patients. Many hospitals arranged for treatments. Many companies came up with financial assistance to support the government in fighting with the pandemic.

During the pandemic, due to lockdown worldwide, we also saw a very positive change: REPAIRING of our environment within 10-15 days of lockdown, we were able to see the clear sky, free of pollution. Animals were feeling safe in the city and no noise pollution made us listen to the sound of nature, birds and our inner voice.

We cannot deny the facts that such kind of lockdown will put an end to all programs made but at least we can find a mid way between programs and sustainability. A program which is made blindly without analyzing its aftereffects is sure to bring adverse effects in future. The adverse effects will be so disastrous now that future will darken. Therefore, endeavor should be made to offset the damage caused in this process of development.

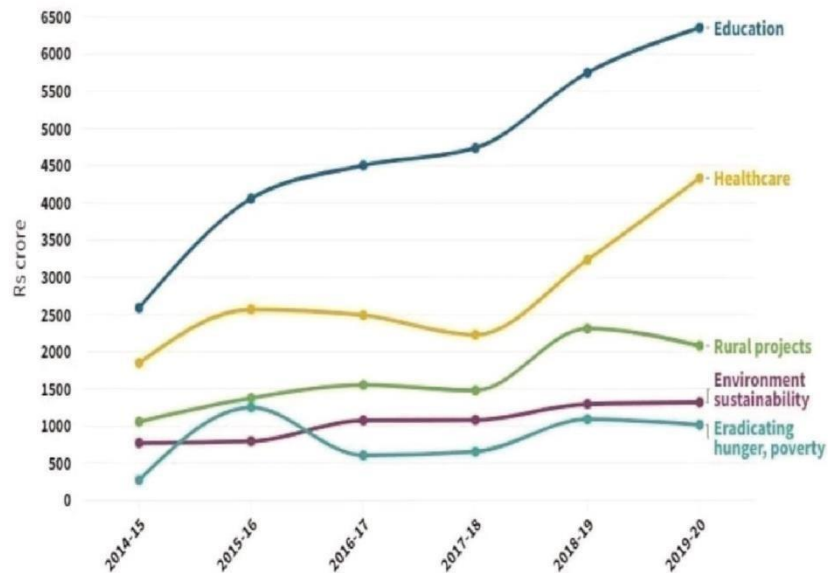
Now, the upcoming generation is also aware and educated. Their questions are straight and fearless and answerability is unescapable. Companies now have stakeholders who are aware of their rights as well as Company's perspective.

Earlier, the purpose of investing in a company by shareholder was to earn profit but now the purpose is create an association which is pure and with someone who is ethical in its objectives. If corporates will not adopt the sustainable and environment friendly process, they are sure to lose the stakeholders.



## Research Framework

## CSR spending in sustainability up over years but still marginal



Source: Source: Japan International Cooperation Agency - CSR Trends and Opportunities in India, CNBCTV18.com

## Suggestion

Environmental friendly approach by any organisation is not only beneficial for the planet but also for the profits of the company

Ways to reduce impact of Production by Corporates by working Responsibility.

## **1- Enhancing Product Life Cycle -**

Companies need to think with long term perspective. They should offer products with large life cycle to avoid unnecessary with large life cycle to avoid unnecessary wastage of resources on production again and again. Profits will also go up as people tend to buy such products.

## **2- Using Recycled Materials-**

The use of recycled materials for the benefit of society is beneficial for company as well.

The reached used should be highlighted by the companies to help build brand image customers are always connected more to products that are environmental friendly.

## **3- Reduce Transportation for Raw Materials**

The raw material should be purchased from local supplier to the extent possible to reduce wastage of fuel in covering long distances.

Reduced cost of fuel will also decrease cost of production and the price of products will also be less enhancing sales which will be beneficial for company's profits.

## **4-Reduce Packaging-**

Packaging done by proper should be done in most efficient manner. Products that can sustain climate without determination packets rather than plastic.

### **5- Use Traditional Methods wherever feasible-**

People are now shifting towards old methods of cooking after effects of plastic used in Microwave were brought up by Medical Associations.

Even in field of construction, people research about old methods keeping house cool by using material that have such properties.

This is a clear indication of shift in mindset. These methods should be used by different industries to reduce impact on environment by wastage of electricity, fuel.

### **6- Practice and Promote Planting-**

Companies should practice planting of trees. Greenery should be enhanced in the premises also to encourage the practice.

Studies have shown that the green environment in our surrounding helps in positive thinking. This effect will also be seen in employees. Effort should also be made through seminars, events to propagate planting.

### **7- Use Natural Light and Energy Efficient Lights**

The structure of the office building as well as factory should be such that it well as factory should be such that it allows sunlight whole day. Windows and roofs should be crafted to allow natural light. If lights need to be used, they should be energy saving lights. Use of solar panels should also be encouraged.

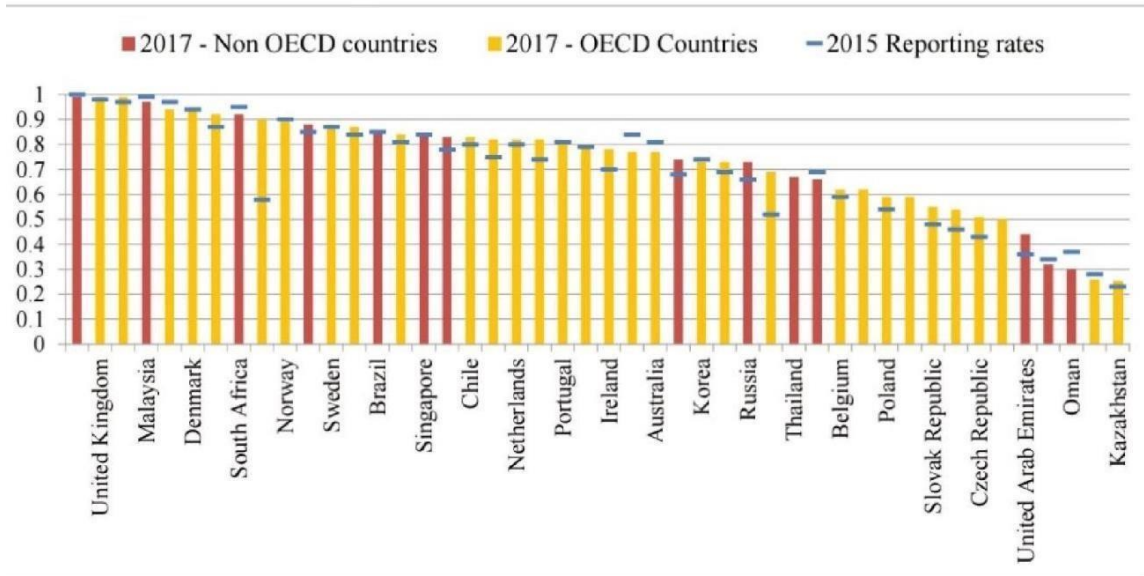
## 8- Increase Clean Energy by buying Carbon offset-

If space for solar panels is not available, or if there is lack of capital for such installations, companies can purchase carbon offsets to reduce their carbon footprint.

# Corporate Social Reporting

Figure 1.1. Corporate social responsibility reporting

Percentage of N100 firms reporting on corporate social responsibility in each country, 2015 and 2017



This includes the 2018 OECD Due Diligence for Responsible Business Conduct, which applies to all business in all sectors. Sector-specific due diligence guidance is also available for minerals, agriculture, and garment and footwear sectors, with work ongoing for the financial sector. Business for Inclusive Growth Platform Operating from the Office of the Secretary General, the OECD's Business for Inclusive Growth Platform aims to better align business actions and government policies on inclusive growth. The objective is to identify complementary actions, and factors that might influence the adoption of such actions; better understanding the "business case" for inclusive growth; encouraging more companies to adopt good practices through case studies and best practice dissemination ; and exploring how the private sector and governments can work together to tackle the structural issues hindering inclusive growth (for example, demographic changes, digitalization, the future of work, gender inequality, business dynamism and productivity growth).

The Platform will also serve as an "incubator" for businesses and governments to test new policies and ideas to promote inclusive growth. Through a web portal and regular workshops and conferences, it will provide a virtual and physical space to discuss, experiment and test new ideas and policies on corporate governance models, business impact metrics and accounting standards, Programmes and activities, and public-private partnerships. The Platform will help develop positive feedback loops between the private and public sectors on inclusive growth actions that can then be disseminated and promoted to industry and government. Social Enterprises and Entrepreneurship.

The OECD, through its Local Employment and Economic Development (LEED) Committee, started to work on social entrepreneurship and social enterprises in the mid-nineties, with specific work on measuring social impacts. The OECD defined social enterprises as "private activities conducted in the public interest, organized with an entrepreneurial strategy, whose main purpose is not the maximization of profit but the attainment of certain economic and social goals" having "the capacity for bringing innovative solutions..." to socio-economic and/or environmental problems (OECD, 1999).

The OECD Policy Brief on "Social Impact Measurement for Social Enterprises" notes that the growing number and influence of social enterprises around the world makes measuring their social impact a priority for all relevant stakeholders, including public authorities, investors, beneficiaries, users and social enterprises themselves (OECD, 2015). Identifying their impact is important to better target public financial support, but can also be a means to attract private investments.

Measuring social impact should not be primarily driven by investors' needs, but rather an ongoing process co-constructed with relevant stakeholders involved in the social enterprise. Social enterprises face challenges related to their specific nature. For example, multi-directional accountability systems focusing not only on the economic bottom-line but also on the social outcomes are needed, although this often proves to be challenging. Limited human and financial

Resources is another reason why social impact measurement remains limited among social enterprises, especially small ones and early stage ones.

## **Foreign Direct Investment Qualities**

The OECD recently launched a project on measuring and understanding how Foreign Direct Investment (FOi) might impact on sustainable development and the SDGs. A key deliverable of the project will be a "FOi Qualities Toolkit" which will include indicators on the qualitative outcomes of FOi in six areas (productivity and innovation; quality jobs; human capital and skills; gender inclusion; carbon emission and energy efficiency; and renewable energy) and checklists of policies that relate to these six areas. The Toolkit will allow policy makers to engage in detailed national or regional assessments to identify policies that harness FDI potential for progress towards defined priorities. To support the project, a policy network for multi-stakeholder dialogue on FOi qualities is being established. The network includes representatives from OECD and non-OECD governments, international organizations, core OECD stakeholder bodies (BIAC, TUAC, OECD Watch), multinational enterprises (MNEs), NGOs and academia, as well as experts across OECD directorates. Social Impact Investment.

Social Impact Investment (Sil) is defined as the provision of finance to organisations addressing social needs with the explicit expectation of a measurable social or environmental, as well as of financial return (OECD, 2015). Sil has become increasingly popular with a growing number of high net worth individuals, foundations and institutional investors interested in investing in businesses and small enterprises that deliver both a social and a financial return. Sil can bring greater effectiveness, innovation, accountability and scale for the economic and social benefit of the world's poor populations. While these approaches will not replace the core role of the public sector, Sil has the potential to attract new types of capital and investors, sharing experiences, policies and approaches, in particular, to address the pressing issues framed by the SDGs.



Broader evidence is needed to inform stakeholders such as governments, development finance institutions, private sector investors, social entrepreneurs and businesses. Greater transparency, measurement and accountability for outcomes and impacts are critical in scaling up social impact investment to improve people's well-being. The OECD has undertaken and is pursuing further work in this area.

The OECD's Social Impact Investment Initiative published its phase one report, *Social Impact Investment: Building the Evidence Base*, in 2015, with a second report expected in early 2019. The OECD will also pursue work on measuring the impact of investments. Over the next few years, the OECD aims to establish a common lexicon and framework for measuring the impact of investments targeting sustainable development, to provide guidance to improve the quality and standardisation of impact metrics, and to build a global consensus for creating impact measurement standards.

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