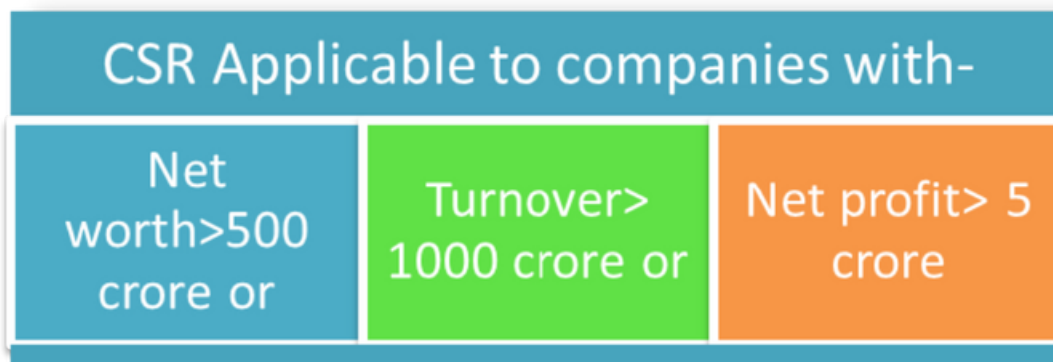


# CSR

Corporate Social Responsibility is the social responsibility of a company towards the community at large. It is the idea that businesses should voluntarily work to improve society and the environment. Companies should incorporate social and other beneficial considerations into their daily operations for the benefit of their stakeholders and the society at large. Many activities which can be undertaken by the Companies under CSR also fall in line with ESG. By undertaking activities of CSR, a company the objectives of ESG are fulfilled simultaneously. In India, CSR is mandatory for some companies and the provision is laid down under Section 135 of the Companies Act, 2013.

CSR is important for any corporate entity as it boosts a company's reputation by drawing attention to its initiatives for a better world and raising its likelihood of winning over customers. By fostering a strong social connection with customers, CSR raises the value of the company's brand. It enhances media coverage since good media attention highlights the organization. CSR makes the corporate entities stand out from the competitors.

As per Section 135, every business that must abide by the CSR regulations must spend 2% of the average net profits generated over the previous three years in accordance with the CSR policy. According to Section 198 of the 2013 Companies Act, the calculation of net profit for CSR is conducted.



Companies which do not abide by the CSR Regulations are liable to pay penalty of “twice the amount required to be transferred by the company to the Fund specified in Schedule VII or the Unspent Corporate Social Responsibility Account, as the case may be, or one crore rupees, whichever is less, and every officer of the company who is in default shall be liable to a penalty of one-tenth of the amount required to be transferred by the company to such Fund specified in Schedule VII, or the Unspent Corporate Social Responsibility Account, as the case may be, or two lakh rupees, whichever is less<sup>1</sup>.”

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<sup>1</sup> Section 135(7), Companies Act, 2013

Corporate Social Responsibility Committee is the committee responsible for formulating the CSR policy and making a recommendation to the Board, suggesting how much money should be spent on CSR activities, periodically check the company's CSR policy, developing and making recommendation to the Board for an annual action plan in line with its CSR policy <sup>2</sup>.

The activities which are permitted under CSR Regulations are specified under Schedule VII of the Companies Act, 2013.



<sup>2</sup> Section 135(3), Companies Act, 2013.