THE COMPANIES ACT OF 2013, INDIA

Effective April 1, 2014, eligible companies in India are required to comply with the provisions of the Companies Act, 2013 and the CSR (Corporate Social Responsibility) Rules. Section 135 of the Act provides guidelines for drafting and implementing a CSR program. The following are some of the highlights:

KEY COMPLIANCE REQUIREMENTS

Constitute a CSR Committee consisting of three or more directors, out of which at least one should be an independent director.

Develop and make a CSR policy available on company website.

Director’s report must contain an annual report on CSR activities.

Spend 2% of average net profit annually on CSR activities, where capacity building expenses may not exceed 5% of the total spend.

Look on the next page for the full text of Section 135.

HOW SILICON VALLEY COMMUNITY FOUNDATION CAN SUPPORT YOU

- Conduct site visits in India with NGO partners and prospects
- Identify credible NGO partners and signature partners
- Develop program strategy
- Conduct due diligence and program evaluation
- Process payments to NGOs of choice
- Train company CSR staff on grantmaking, employee engagement and other CSR programs
- Train NGO staff on company’s reporting and program requirements
- Develop CSR policy for your company
- Draft annual CSR report tailored to match government requirements

CONTACT US TO GET STARTED

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COMPANIES ACT, 2013

SECTION 135

(1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

(2) The Board’s report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

(3) The Corporate Social Responsibility Committee shall,—

(a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
(b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
(c) monitor the Corporate Social Responsibility Policy of the company from time to time.

(4) The Board of every company referred to in sub-section (1) shall,—

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

(5) The Board of every company referred to in sub-section (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, in pursuance of its Corporate Social Responsibility Policy:

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

Explanation.—For the purposes of this section “average net profit” shall be calculated in accordance with the provisions of section 198.

SCHEDULE VII

Activities which may be included by companies in their Corporate Social Responsibility Policies Activities relating to: —

(i) eradicating extreme hunger and poverty;
(ii) promotion of education;
(iii) promoting gender equality and empowering women;
(iv) reducing child mortality and improving maternal health;
(v) combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
(vi) ensuring environmental sustainability;
(vii) employment enhancing vocational skills;
(viii) social business projects;
(ix) contribution to the Prime Minister’s National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
(x) such other matters as may be prescribed.