



Gujarat CSR Authority

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With the legislation of Companies Act, 2013, Corporate Social Responsibility (CSR) has now assumed greater significance. The Government of Gujarat, with a view to optimally utilise the CSR funds of public and private sector companies for the welfare of the State, set up the Gujarat CSR Authority (GCSRA). The Authority has been established under the Industries and Mines Department, Government of Gujarat for the purpose of managing CSR funds and for coordinating, monitoring and implementing the various CSR activities in the State.

Frequently Asked Questions

1. What is CSR?

Corporate social responsibility (CSR) is a term applied to initiatives a company takes from the profits it makes for environmental and social well being.

2. How is CSR different from philanthropy?

CSR is not philanthropy. The concept of CSR has evolved and it is now a more integral part of the company's business strategy for addressing social and environmental impacts of businesses. CSR is the means through which the company can achieve a balance between its economic, environmental and social obligations while seeking to meet the expectations of its stakeholders.

3. Do CSR initiatives really help society?

There are a number of individuals and companies globally who are known for their generosity towards society and CSR efforts. Some examples are:

- **John D. Rockefeller from Standard Oil** changed the face of his country through charity and notable initiatives for the society. He donated USD 531 million in 1855-1934; created the Rockefeller Foundation and Laura Spelman Rockefeller Memorial; and supported the development of women & children and education.
- **Andrew Carnegie** donated USD 350 million to the country by 1919; established around 2,800 libraries and technical schools (later Carnegie-Mellon University); and set up the Carnegie Foundation.
- **Henry Ford of Ford Motors** donated a third of his personal income towards philanthropic efforts and set up a home for orphans over 80 acres; the Henry Ford Hospital and the Ford Foundation.
- **W. K. Kellogg** invested USD 66 million in charities; and established the Fellowship Corporation and WK Kellogg Foundation, new hospitals and Ann J Kellogg School for Children with Disability; and initiated the Michigan Community Health Project.



4. What are the notable CSR efforts in India?

Donor	Organisation	Contribution (Rs. in Cr.)	Cause
Azim Premji	Wipro	27,514	Education
Nandan & Rohini Nilekani	Infosys	2404	Urban Governance
NR Narayana Murthy	Infosys	1322	Social dev
K Dinesh & Family	Infosys	1238	Education
Shiv Nadar	HCL	535	Healthcare
Mukesh Ambani	Reliance	345	Healthcare
Sunny Varkey & Family	GEMS	326	Education
Ronnie Screwvala	UTV Group	158	Education
Rahul Bajaj & Family	Bajaj Auto	139	Social Development
Pallonji Mistry	Shapoorji Pallonji Gp.	96	Social Development

Sources: Hurun India Philanthropy List 2015 & Economic Times, Ahmedabad edition, January 9, 2015



5. What is special about the Companies Act, 2013?

CSR has now assumed importance in India with the new Companies Act, 2013, which regards it as one of the core operations of a business, and not simply a philanthropic activity. The new provisions have come into effect from 1 April, 2014 through the notification by the Ministry of Corporate Affairs under Section 135 and Schedule VII of the Companies Act and the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014. In the earlier Companies Act, companies could voluntarily contribute upto 5% of their profits towards CSR. In the new Act of 2013, it is mandatory for companies to contribute 2% of the profits for CSR.

6. Which companies have to implement CSR?

With effect from April 1, 2014, it is mandatory for the following private or public limited companies to spend at least 2% of their average net profit for the immediately preceding three financial years on CSR activities:

- Companies with a net worth of Rs 500 crore; or
- Turnover of Rs. 1,000 crore; or
- Net profit of Rs. 5 crore.

The net worth, turnover and net profits should be computed as per Section 198 of the 2013 Act according to the profit and loss statement prepared by the company in terms of Section 381 (1) (a) and Section 198 of the 2013 Act.



7. Would SMEs also have to implement CSR?

The CSR clause in the Companies Act, 2013 includes all companies that have a net profit of Rs. 5 crore or more. Thus, it is expected that several small and medium enterprises (SMEs) will also come under the ambit of the new CSR criteria.



8. What activities can be undertaken by a company to fulfil its CSR obligations?

The activities that can be done as CSR are mentioned in Schedule VII of the Companies Act, 2013. These are:

- Eradication of extreme hunger and poverty
- Promotion of education
- Gender equity and women's empowerment
- Reducing child mortality and improving maternal health
- Combating HIV, AIDS, malaria and other diseases
- Contribution to Prime Minister's Relief Fund and other such state and central funds
- Environmental sustainability
- Social business projects
- Employment enhancing vocational skills
- And such other matters as may be prescribed



9. How can SMEs and companies with small CSR funds contribute meaningfully when their CSR budgets would be rather small?

Although SMEs usually have only a small quantum of revenue for CSR activities, if several eligible companies pool in their resources, they can create a sizeable CSR fund. Collaborative efforts by SMEs are likely to maximise the impact of CSR initiatives while also reducing the operational costs of implementing the activities.

10. Can donations to a trust or a society by a company be treated as a CSR activity?

Such contributions can be treated as CSR if:

- the Trust/Society/Section 8 company etc has been exclusively formed for undertaking CSR activities
- the corpus has been exclusively created for the purpose directly related to the subject covered in Schedule VII of the Companies Act, 2013

11. Do programmes and activities exclusively for the benefit of employees and their families qualify as CSR?

No.

12. How will the company choose the geographical area for implementing its CSR activities?

The Companies Act, 2013 mandates that a company should give preference to the local area and the areas around where it operates for its CSR activities. In case the company operates in multiple locations, it can exercise discretion in choosing the area in which it wishes to implement its CSR activities.

13. What are the methods by which a company can implement its CSR activities?

The draft rules of September 2013 of the Companies Act, 2013 prescribe the following methods to a company for implementing its CSR projects:

- Direct implementation by the company
- Through the company's own non-profit foundation that has been set up to facilitate its CSR initiative
- Through independently registered non-profit organisations that have a record of at least three years in similar/related projects
- Collaborating or pooling their resources with other companies





14. Does the company have to follow any prescribed guidelines while developing its CSR programme?

Clause 135 of the Companies Act, 2013 lays down the guidelines to be followed by the company in developing the CSR programme. According to these guidelines, CSR activities require the involvement of the company's board and its CSR committee.

15. What is the role of the board and the CSR committee in a company with regard to CSR activities?

The role of the board is to:

- Form a CSR committee
- Approve the CSR policy recommended by the CSR committee
- Ensure activities under CSR are implemented
- Ensure 2% of average net profit is spent towards CSR
- Disclose reasons for not spending 2% if company has not been able to comply

The features of the CSR committee are:

- Comprise three or more directors with at least one independent director
- Formulate and recommend a CSR policy to the board
- Prepare a detailed plan on CSR activities, including the expenditure, type of activities, and roles and responsibilities of various stakeholders
- Develop a monitoring mechanism for the CSR activities

However, CSR Rules exempt unlisted public companies and private companies from having an independent director as a part of their CSR Committee and stipulates that the Committee for a private company and a foreign company need have a minimum of only two members.

16. If the company has appointed personnel exclusively for its CSR activities, can the expenditure incurred towards their staff cost, etc be considered as part of its CSR obligations?

Upto 5% of the CSR budget can be used towards administrative costs for implementing CSR activities.

17. Is the company obliged to disclose its expenditure towards CSR activities?

The company would need to include an annual report of the CSR activities of the company in the report published by its Board of Directors. If the company has a website, the CSR policy of the company also needs to be disclosed on this website.

18. What happens if a company cannot fulfil its CSR obligations?

If the company has been unable to spend the minimum required towards its CSR initiatives, the reasons for not doing so are to be specified in the Board Report.

19. What is GCSRA?

Gujarat CSR Authority (GCSRA) was established by the Government of Gujarat in December, 2014. GCSRA has been created as a credible platform for launching CSR initiatives in Gujarat. It seeks to improve the outcomes of the various CSR initiatives being undertaken by companies across the state through the exchange of experience.

It is registered as a Society since April, 2015 where:

- Its Advisory Body is headed by the Hon. Chief Minister of Gujarat
- Its Governing Body is headed by the Chairperson of GCSRA
- Its Authority is headed by a highly experienced, retired IAS officer



20. How can GCSRA help companies to fulfil their CSR obligations?

GCSRA's mandate is to help companies comply with their CSR obligations while also aiming to ensure the effective utilisation of their earmarked CSR funds. GCSRA does this by:

- Bringing clarity to the new CSR regime
- Facilitating optimal utilisation of CSR funds available in Gujarat
- Coordinating, monitoring and implementing various CSR activities in Gujarat
- Creating a portal to highlight and facilitate CSR activities in the State
- Channelising CSR funds as the Human Development Index (HDI)-based priorities and 50 most backward talukas in Gujarat
- Creating a CSR fund by receiving contributions from various companies
- Creating a reliable database of credible implementing agencies
- Setting standards for training, capacity building, advocacy and rating of CSR initiatives
- Addressing policy and implementation issues faced by companies





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