

Leveraging India's G20 Presidency to achieve SDGs through CSR: The Game Changer Role of Corporates & NGOs

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CSR for Nation Building

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India, the G20 Presidency and CSR to achieve SDGs



Source: www.g20.org

2007	2009	2010	2011	2012	2014
Adoption Of Inclusive Growth-11Th Five Year Plan	Voluntary Guidelines On Corporate Social Responsibility, 2009	Parliamentary Standing Committee On Finance-21st Report On Companies Bill, 2009	National Voluntary Guidelines(NVGs) On Social, Environmental & Economic Responsibilities Of Business, 2011	Business Responsibilities Reporting	Mandatory Provision Of CSR Under Section 135 Of The Companies Act, 2013 Coming Into Effect From 01/04/2014

Source: www.csr.gov.in

India, the G20 Presidency and CSR to achieve SDGs

- The Challenge of achieving SDGs in the Decade of Action (2020 - 2030) accentuated by Covid 19 and Global Slowdown
- **Green Growth with focus on Sustainable Development** as the Way Forward
- India's G20 Presidency comes at a **crucial time**
- Our theme aligns to the global need:
 - “Vasudhaiva Kutumbakam” or **“One Earth · One Family · One Future”**
 - The concept of LiFE (<https://www.mygov.in/life/>) - Lifestyle for Environment - environmentally sustainable and responsible choices, both at the level of individual lifestyles as well as national development, leading to globally transformative actions resulting in a cleaner, greener and bluer future

India, the G20 Presidency and CSR to achieve SDGs

India's G20 Priorities for SDGs during Decade of Action (2020 - 2030)

- **Green Development**, Climate Finance & LiFE
- Accelerated, Inclusive & Resilient Growth
- **Accelerating progress on SDGs**
- Technological Transformation & Digital Public Infrastructure
- **Women-led development**: inclusive growth and development with focus on bringing women to the fore, and **in leading positions**, in order to boost socio-economic development and achievement of SDGs.

India, the G20 Presidency and CSR to achieve SDGs

Indian CSR can be the **Game Changer again** in the Decade of Action to facilitate achievement of SDGs, its G20 Presidency in 2022-23 can be the jump-starter:

- Become the **catalyzing force multiplier** like it did from 1 April 2014 till date
- Role of Government: Rollout of **enabling Policy Frameworks for Green Development**
- Role of Corporate India: CSR Policy change can embed **Green Growth CSR** as a key enabler to direct CSR investments in this direction, in **partnership with Government**
- Role of NGOs: Implementers as **last mile change makers** to align growth and human development to climate change and conservation, with **active peoples participation**

So, what is CSR - Section 135, Companies Act 2013 – A quick recap

Companies incorporated in India and having either of the following in any of the **immediately preceding financial year**

Net worth of INR 500 Cr or more

Turnover of INR 1000 Cr or more

Net profit of INR 5 Cr or more

CSR Budget = Every financial year, at least 2% of the average net profits made during the **immediately 3 preceding financial years**

CSR Is a Board level function since 1st April 2014 – The Board of each Qualifying Corporate must form a CSR Committee of the Board

Role of the Board of the Company

1. Approve and disclose CSR Policy in the Annual Directors' Report and on company website

2. Ensure implementation of CSR activities as per the Policy

3. Report on actual spending /utilization

4. Directors' Report to specify reasons incase the specified amount is not spent

CSR Committee of the Board

1. Comprising of 3 or more directors with at least one independent director

2. Composition to be disclosed in the Annual Board of Directors' Report

3. To formulate CSR Policy for the company, clearly stating budget and activities

4. To monitor implementation of this CSR Policy

CSR can be undertaken in a number of ways besides directly by the qualifying Company as per Schedule VII of the Act

1. Company Vehicle/NGO/
Foundations
(Can be new)
Activities Route

Form CSR1; 12A or 10(23C) & 80G

2. External Vehicle/NGO
(Min 3 years old)
Activities Route

Form CSR1; 12A or 10(23C) & 80G

3. Central/State Govt Vehicle
(Can be new)
Activities Route

Form CSR1

- Registered Trust
- An 1860 Society
- A Section 8 Company

4. Parliament/State Legislature
established Entity
(Can be new)
Activities Route

Form CSR1

5. PM-CARES

- PM National Relief Fund
- Any Central Govt Fund for SC, ST, BCs
 - Swachh Bharat Kosh
 - Clean Ganga Fund
- Above are all Contributions Route

6. Qualifying Incubators & Research & Development Projects in STEM

- Qualifying Institutions in STEM research for achieving SDGs
 - Above are all Contributions Route

SCHEDULE VII

(See [Section 135](#))

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

¹[(i) Eradicating hunger, poverty and malnutrition, ²["promoting health care including preventive health care"] and sanitation ⁴[including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water.

(ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.

(iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.

(iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water ⁴[including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga].

(v) 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 art and handicrafts;

(vi) measures for the benefit of armed forces veterans, war widows and their dependents, ⁹[Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows];

(vii) training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports

(viii) contribution to the prime minister's national relief fund ⁸[or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)] or any other fund set up by the central govt. for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women;

¹⁰[(ix) (a) 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

(b) 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 Organisation (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).]

(x) rural development projects]

³[(xi) slum area development.

CSR 3.0

5 Mega trends in CSR Compliance that all MUST KNOW

1. CSR spending is now MANDATORY
2. Spending timeframes are now FINITE TIME PERIODS
3. NGOs are partners in implementation & COMPLIANCE
4. Government/Ministry of Corporate Affairs (MCA) is CLOSELY MONITORING CSR SPENDING & COMPLIANCE
5. Government is actively utilizing CSR for NATION-BUILDING and DISASTER MANAGEMENT; **Green Growth CSR can get impetus at India's G20 Presidency**

Deeper Dive into Macro trends in CSR Compliance For Corporates

1. CSR High Level Committee (HLC) Recommendations getting implemented
2. Comply or Explain is NOW Comply & Spend. Thus, CSR spending is now mandatory
3. Higher Board Level Accountability - Transparency, Monitoring, Approvals, Reporting
4. Spending = Allocation + transfer + utilization with CA Certificate
5. Ongoing Projects defined to give elbow room to spend over a 1+3 year period
6. Annual Action Plan (AAP) made mandatory - to sync Grant Cycle to FY Cycle
7. Clarity presented on some unclear areas like Admin Overheads, Surplus, Set-off etc.
8. Role of CFO now becomes particularly important. Key collaboration must now be between CFO, CSR Head, CA and CS.
9. Treatment / Reporting of Capital Assets defined
10. Impact Assessment now part of Compliance as per stated criteria
11. Business / for-profit activities must be clearly kept away from CSR activities.
12. Non-Compliance - Civil Offence with monetary penalty on all concerned

Deeper Dive into Macro trends in CSR Compliance Implementing Agencies (NGOs)

Implementing Partners / NGOs are NOW PARTNERS IN COMPLIANCE TOO

1. Key role for NGO Leaders to be pro-active
2. Must spend/utilize in timely manner within FY/1+ 3 years for Ongoing Projects
3. Registration u/s 12A or 10 (23C), and 80G of IT Act 1961 made mandatory
4. Form 10BD is to be filed by 31st May of the next FY u/s 80G. Form 10BE must be obtained by the donor from NGO/donee to avail tax exemption.
5. Registration at Form CSR-1 helps bring donor and donee within the same umbrella of Ministry of Corporate Affairs; likely in future - NGO reporting on CSR Utilizations against allocated Form CSR-1 Registration
6. **Lack of Compliance support to Corporates = Who moved my Cheese!!**

CSR Spending Distribution Chart - Broad activities as per Companies (Corporate Social Responsibility) Amendment Rules 2021 and September 2022

	5% of CSR Expenditure out of CSR Obligation for given FY	2% (if applicable, else part of Actual CSR Spends) of CSR Expenditure out of CSR Obligation for given FY	Actual CSR Spends (93% if Column B applicable else 95% of CSR Obligation)		
	A	B	C	D	E
Budget Heads As per CSR Rules 2021	5% admin overheads - General Management and Administration of CSR	Impact Assessment - 2% of CSR Expenditure in the FY or Rs. 50 lacs whichever is higher, for qualifying companies can be used for Impact Assessment	Designing of CSR projects and programs	Implementation of CSR projects and programs Direct by Company, an 1860 Society, Trust or Section 8 Company or as per other entities under CSR Rule 4(1) (a) to (d)	Monitoring and Evaluation (M&E) of CSR Projects
Activity sub-heads that may qualify under stated Budget Heads**	Board level compliances like CSR Policy, Strategy, Annual Action Plan, Management of Board Agenda and documentation of Board Minutes, Action Points & related Follow-ups etc.; CFO compliances, HQ employee costs, legal and audit expenses, office supplies, stationary, admin related HR, travel etc - all as part of General management and administration of CSR; Mandatory CSR Reporting etc.	As required/Applicable; to be undertaken by an independent agency (not part of implementation) commissioned by the qualifying Corporate.	May include - Need assessment, RFP (Request For Proposal), Project design, Due diligence and Selection of NGOs, MoU, Budget plan, Theory of Change, Model of Intervention, Baseline & Endline Surveys etc.	1) Activities Route: Actual implementation of CSR Projects and Programs by above entities - All of these must be registered under Form CSR-1 with effect from 1 April 2021, and non-government ones amongst these must also be Registered u/s 12A or 10 (23C) of the Income Tax Act 1961, and 80G of the Income Tax Act 1961. 2) Contribution to Funds Route: via contribution to various funds specified in Sc VII. 3) Contribution to incubators and R&D projects as per Sc VII (ix)(a) and (ix)(b). Note: for bullet 2) above, Budget Heads in Columns C, D & E will not apply.	M&E plugged into Project budget; can be spent via partner NGOs or taken up by Company itself/third party or both.

*Note: 1) ** Activity sub-heads stated are indicative, and may include other related activities also that align with concerned Budget Head/s as per applicable CSR Rules; 2) CSR Obligation = 2% CSR as per Section 135(5) + Surplus (like interest on SB A/C) + Set-off (CSR spend over and above 2% in a given FY); 3) This excel chart must be read in conjunction with applicable CSR legislation & CSR Rules.*

Impact of CSR projects as part of Compliance.

Every company having average CSR obligation of ten crore rupees or more in pursuance of subsection (5) of section 135 of the Act, in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study.

The impact assessment Executive Summary should be part of the CSR Report along with weblinks of Impact Assessment Reports.

A Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed two percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is more.

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Thank You

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