

OBLIGATION ON THE COMPANIES RELATING TO CSR (Corporate Social Responsibility)

By DTSM for COEP's Bhau Institute

1. What is Corporate Social Responsibility (CSR), and what are its key objectives, principles, and activities that companies are expected to undertake?

Corporate Social Responsibility (CSR) refers to the ethical obligation of companies to contribute positively to society while conducting their business. It is a self-regulating business model that ensures a company is socially accountable—to itself, its stakeholders, and the public. CSR goes beyond profit-making to include practices that promote environmental sustainability, social equity, and economic development.

Key Objectives of CSR:

1. **Ethical Business Practices:** Operate in a way that is fair, transparent, and ethical.
2. **Social Development:** Improve the quality of life of employees, communities, and society at large.
3. **Environmental Sustainability:** Reduce negative environmental impact and promote eco-friendly practices.
4. **Stakeholder Engagement:** Build trust and maintain good relationships with all stakeholders.
5. **Long-Term Value Creation:** Foster sustainable economic performance that benefits both business and society.

Core Principles of CSR:

1. **Accountability:** Taking responsibility for the company's social and environmental impact.
2. **Transparency:** Openly sharing information related to business practices and CSR efforts.
3. **Sustainability:** Focusing on long-term solutions that do not harm future generations.
4. **Respect for Stakeholder Interests:** Considering the needs and expectations of all parties affected by the company's actions.
5. **Compliance with Legal Standards:** Meeting all legal obligations and often going beyond them.
6. **Ethical Behavior:** Adhering to moral norms in business operations.

Typical CSR Activities:

1. Environmental Initiatives

- Reducing carbon footprint
- Recycling and waste management
- Investing in renewable energy
- Sustainable sourcing and eco-friendly packaging

2. Philanthropy and Community Engagement

- Donating to charities and nonprofits
- Supporting education and healthcare programs
- Volunteering in community projects

3. Ethical Labor Practices

- Providing fair wages and benefits
- Ensuring a safe and inclusive workplace
- Opposing child labor and forced labor

4. Corporate Governance and Transparency

- Publishing CSR or sustainability reports
- Implementing ethical guidelines and compliance mechanisms
- Engaging in anti-corruption measures

5. Customer and Supplier Relations

- Promoting ethical marketing
- Ensuring product safety and quality
- Working with suppliers that adhere to CSR standards

2. What type of funds does COEP's Bhau receive as an implementing agency for CSR projects or activities, and from which sources (e.g., companies, government, etc.)?

As an implementing agency, COEP's Bhau is entitled to receive funding or grants from various sources, such as:

1. Government agencies
2. Corporate donors (CSR funds)
3. Foundations
4. International organizations

These funds support specific projects or initiatives aligned with COEP's Bhau's objectives and the donor's goals.

3. Does COEP's Bhau have a specific CSR policy in place as an implementing agency, and if so, what are the key components, objectives, and guidelines outlined in the policy for CSR project implementation and fund utilization?

While COEP's Bhau Institute does not have its own standalone CSR policy, it operates within the standard CSR framework of COEP and COEP Alumni Association. It effectively functions as a CSR implementation unit by:

- Receiving CSR funding from corporates for thematic innovation programs,
- Applying those funds transparently toward startup incubation and support,
- Ensuring alignment with corporate objectives and Schedule VII compliance.

Key Components of a CSR Policy/Framework for an Implementing Agency:

1. Vision and Mission Alignment

- A clear statement on how the CSR projects align with the agency's mission.
- Commitment to sustainable development and measurable impact.

2. Scope of Work

- List of thematic areas (e.g., education, health, skill development, environment).
- Geographic focus or priority regions.

3. Project Planning and Design

- Baseline assessment guidelines.
- Need assessment processes.
- Community/stakeholder engagement methodology.

4. Partnership and Fund Management

- Process for onboarding corporate partners.
- Fund utilization norms (including direct vs. indirect cost caps).
- Guidelines for maintaining transparency and accountability.
- MoU and legal agreements outlining deliverables, timelines, and budgets.

5. Implementation Strategy

- Activity-wise implementation plan.
- Resource deployment (HR, materials, logistics).
- Risk mitigation strategies.

6. Monitoring and Evaluation (M&E)

- Framework for outcome and impact assessment.
- Reporting frequency (monthly/quarterly/annual).
- Use of MIS (Management Information System) tools.
- Third-party audits or evaluations.

7. Governance and Compliance

- Adherence to Section 135 of Companies Act and CSR Rules.
- Compliance with FCRA (if receiving foreign funds).
- Internal audit protocols and ethical standards.
- Anti-corruption, anti-fraud, and grievance redressal policies.

8. Transparency and Reporting

- Regular reports to donors/CSR sponsors.
- Publishing results in annual reports or websites.
- Maintaining donor and beneficiary confidentiality as needed.

4. What is the timeline specified under the Companies Act for utilizing CSR funds received by COEP's Bhau as an implementing agency, and are there any specific deadlines or requirements for spending these funds?

Under the **Companies Act, 2013**, the timeline and rules for utilizing CSR funds—whether by a company or an implementing agency like **COEP's Bhau Institute**—are clearly defined. Since Bhau acts as an *implementing agency*, it must comply with the deadlines and obligations laid out for such entities. Here's a concise breakdown:

CSR Fund Utilization Timeline & Deadlines (as per Companies Act, 2013)

1. Timeline for Spending CSR Funds

- **Annual Obligation:** A company must spend the allocated CSR funds **in the same financial year** in which they are budgeted.
- **Unspent CSR Funds:**
 - If a company cannot spend the full amount in a financial year, it must **transfer the unspent amount** to a specified account:
 - For **ongoing projects**, the unspent funds must be transferred to the **"Unspent CSR Account"** within **30 days from the end of the financial year**.
 - The funds in this account must be **utilized within 3 years** from the date of transfer.
 - If not spent within 3 years, the amount must be transferred to a government-specified **CSR Fund** (e.g., PM CARES).

2. Requirements for Implementing Agencies like Bhau

Bhau, acting on behalf of a company for CSR implementation, must:

a. Execute projects in a timely manner

- Follow the **approved project timeline** (generally within 1–3 years if marked as “ongoing”).
- Spend the funds **only for approved CSR purposes** as defined in **Schedule VII** of the Act.

b. Report Utilization

- Submit **periodic utilization reports** and **impact assessments** (if applicable) to the funding company.
- The company remains responsible for ensuring Bhau's **timely and compliant use** of CSR funds.

c. Registration Requirement

- Implementing agencies like Bhau **must be registered on the MCA portal** under CSR Rules.
- This includes obtaining a **CSR Registration Number**, which Bhau operates under COEP Alumni's registered CSR unit (Reg. No. CSR00007536).

5. How will CSR funds received from a company be utilized by COEP's Bhau, and what are the procedures and guidelines for spending these funds on approved projects or activities?

CSR funds received by an implementing agency like COEP's Bhau are typically spent on:

1. Project implementation and management
2. Program activities and interventions
3. Capacity building and training
4. Monitoring and evaluation
5. Administrative expenses (within permissible limits)

The agency ensures funds are utilized efficiently, effectively, and transparently, aligning with the project's objectives and the company's CSR policy.

6. What are the rules and regulations governing the utilization of CSR funds received by COEP's Bhau as an implementing agency, and what are the specific requirements for accounting, reporting, and deployment of these funds?

As an implementing agency, COEP's Bhau receives CSR funds for specific projects or initiatives. The applicability of these funds is typically governed by:

1. Project objectives and scope
2. Agreement with the company providing CSR funds
3. CSR regulations and guidelines (e.g., Companies Act 2013)

The funds are utilized for:

1. Specified project activities
2. Beneficiaries or target groups
3. Geographic locations

Ensuring transparency, accountability, and effective utilization of CSR funds.

7. If COEP's Bhau receives CSR funds in the financial year 2024-2025 but doesn't spend the entire amount within that year, what actions need to be taken? What are the timelines and procedures for utilizing the unspent amount, and are there any specific compliance requirements

If COEP's Bhau, as an implementing agency, receives CSR funds in the financial year 2024-2025 and doesn't spend the entire amount within that year, the following actions need to be taken:

Unspent CSR Amount:

As per the Memorandum of Understanding (MOU) with the company providing CSR funds COEP Bhau has to utilize the funds for the activities for which it is granted, in case of other than ongoing project the funds need to be utilized within the close of financial year and the utilization certificate is to be provided to the Company giving CSR funds. Obligation is cast on the Company to obtain

utilization of funds certificate and the balance if any unutilized is treated as unspent and they are required to transfer the amount to separate bank account or transfer the specified fund.

In case of Ongoing project COEP Bhau has to spend the amount received from the Company as per MOU or agreement and has to provide utilization certificate for the amount received.

Duty is cast on the Company to recover the unutilized amount from implementing agency

As regards the unspent amount is for an ongoing project, it should be transferred to a special account called "Unspent Corporate Social Responsibility Account" within 30 days from the end of the financial year (FY 2024-2025). The amount then needs to be spent within 3 financial years from the date of transfer.

- If the unspent amount is for a non-ongoing project, it should be transferred to a fund specified in Schedule VII of the Companies Act 2013 within 6 months from the end of the financial year (FY 2024-2025). For example, the transfer should be made by September 30, 2025.

Consequences of Non-Compliance:

- Penalty of twice the amount required to be transferred if the company fails to spend the CSR amount or transfer it to the specified funds within the given timeframe.

8. What steps or efforts does COEP's Bhau take to ensure effective utilization and spending of CSR funds received for implementing projects or activities?

As an implementing agency, COEP's Bhau should make efforts to spend the CSR amount effectively, including:

1. Project planning and design
2. Budgeting and financial management
3. Implementation and execution
4. Monitoring and evaluation
5. Reporting and documentation

COEP's Bhau would strive to ensure:

1. Efficient utilization of funds
2. Achievement of project objectives
3. Transparency and accountability
4. Impact assessment and reporting

By taking these efforts, COEP's Bhau would aim to make a meaningful impact with the CSR funds.

Periodic review of the project to be undertaken to see that the utilization is as per the MOU /agreement and provide utilization certificate as of end of the financial year to the Company providing CSR funds.

9. Can CSR funds received by COEP's Bhau be provided as a loan to another organization or agency? If so, what are the implications and regulations governing such transactions, and how would the returned funds be treated?

As per CSR guidelines, CSR funds received by an implementing agency like COEP's Bhau should be utilized for specific projects or activities, not for lending or providing loans to other agencies.

Key Points:

1. CSR funds are meant for direct implementation of projects or activities.
2. Providing loans or financial assistance to other agencies is not considered a valid CSR expenditure.
3. If CSR funds are given as a loan, it may not be considered a legitimate CSR expenditure.

Returning Funds:

If the funds are returned to COEP's Bhau after being utilized for a legitimate CSR project, it should be utilized for CSR activities.

Compliance:

It's essential to ensure compliance with CSR regulations and guidelines to maintain transparency and accountability in CSR fund utilization.

10. Is it necessary for COEP's Bhau to maintain a separate bank account for CSR funds received from companies, or can these funds be pooled with our general funds? What are the best practices for managing CSR funds in terms of bank accounts?

As per CSR guidelines, it's recommended to maintain a separate bank account for CSR funds to ensure transparency and accountability.

This helps in:

1. Tracking CSR funds and expenditures
2. Ensuring segregation of CSR funds from other organizational funds
3. Compliance with regulatory requirements

Best Practice:

Maintaining a separate bank account for CSR funds is considered a best practice, enabling effective management and reporting of CSR activities.

11. Can unspent CSR funds received by a COEP's Bhau be invested temporarily? If so, who owns the interest earned on such investments, and is it mandatory to utilize the interest for CSR activities?

As per CSR guidelines, unspent CSR funds can be invested in specified instruments, such as:

1. Scheduled bank deposits
2. Government securities

Interest Earned:

Any interest earned on CSR funds is considered part of the CSR corpus and should be utilized for CSR activities.

Ownership and Utilization:

The interest earned belongs to the CSR corpus, and the implementing agency (COEP's Bhau) would need to utilize it for CSR activities as per the original objective.

However COEP Bahu has to see the effect of unspent amount on the Company providing CSR funds as they would be devoid of CSR spend.

12. What are the liabilities and obligations of a COEP's Bhau if CSR funds received from a company are not utilized within the specified timeframe?

If an implementing agency like COEP's Bhau doesn't spend the CSR amount during the year, the liability would typically include:

1. Returning unspent funds: The agency might need to return the unspent amount to the company or transfer it to a designated fund.
2. Compliance issues: Non-compliance with CSR regulations might lead to reputational damage or other consequences for the company.
3. Reporting requirements: The agency might need to provide explanations for the unspent amount in reports to the company or regulatory bodies.

The specific liability would depend on the MOU/agreement between COEP Bahu and the Company, as well as applicable CSR regulations.