

# COMPANIES ACT, 2013



- **Directors (Incl. Independent Directors),**
- **Appointment & Remuneration of Managerial Personnel,**
- **Declaration & Payment of Dividends (Including Schedule V),**
- **CSR.**

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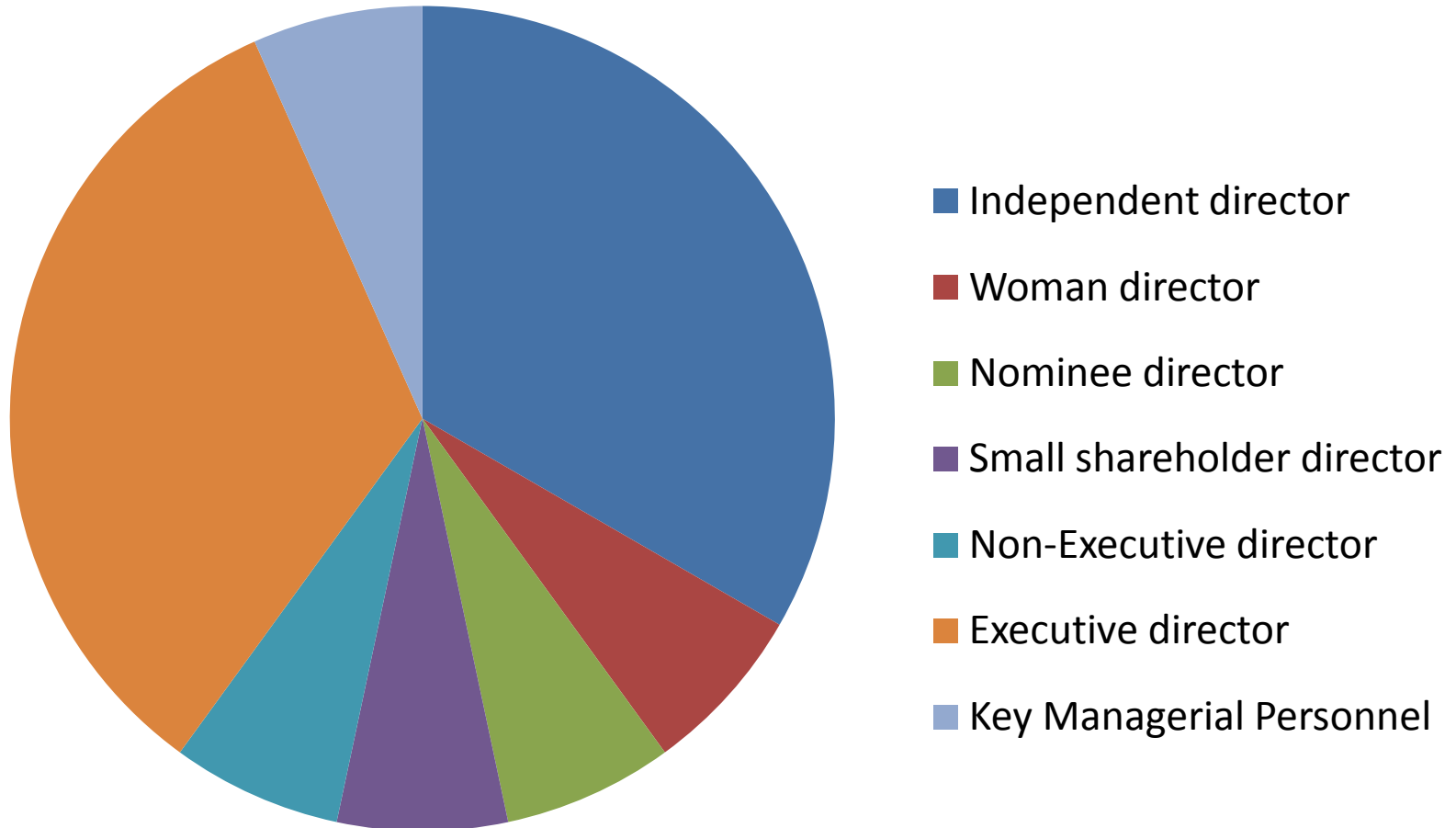
# Silent features of The Companies Act, 2013:

<u>Companies Act, 2013</u>	<u>Companies Act, 1956</u>
29 Chapters	13 Parts
470 Sections	658 Sections
7 Schedules	15 Schedules
<ul style="list-style-type: none"> <li>• Till date total 282 Sections &amp; Rules for 23 chapters are notified</li> <li>• Substantial part of the Act is from Rules (418 places it has prescribed word)</li> </ul>	

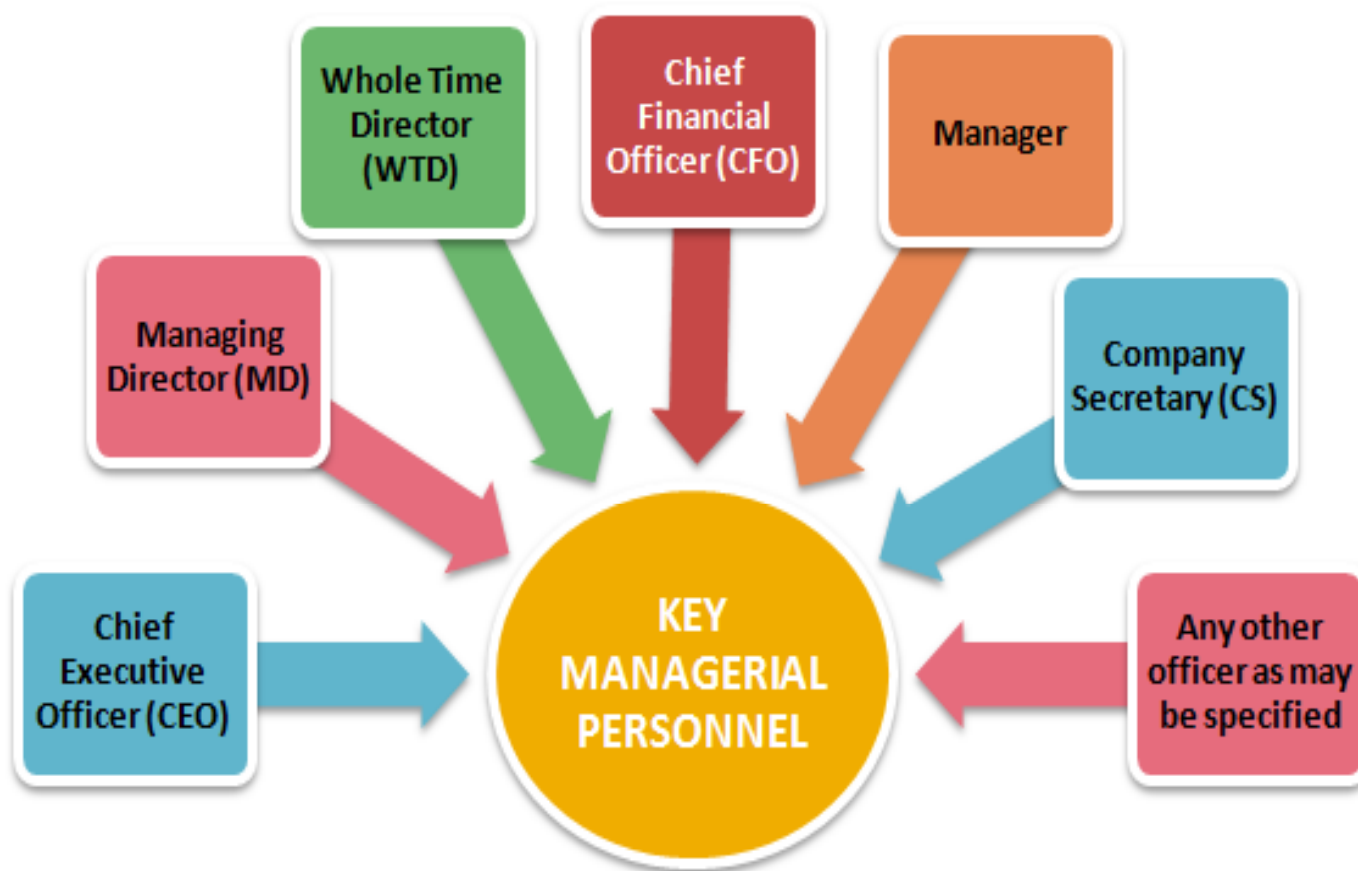
<u>New chapters added</u>	<u>Chapter number</u>
Registered Valuers	Chapter 17
Government Companies	Chapter 23
Companies to Furnish Information or Statistics	Chapter 25
Nidhis	Chapter 26
National Company Law Tribunal & Appellate Tribunal	Chapter 27
Special Courts	Chapter 28

# Board Composition under new Act:

## Listed Company-BOD Composition



# Who is a Key Managerial Personnel? Sec 2(51):



# Key definitions relating to KMP:

**CEO**

- Section 2(18)
- “Chief Executive Officer” means an officer of a company, who has been designated as such by it;*

**CFO**

- Section 2(19)
- “Chief Financial Officer” means a person appointed as the Chief Financial Officer of a company;*

**CS**

- Section 2(24)
- “company secretary” or “secretary” means a company secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 who is appointed by a company to perform the functions of a company secretary under this Act;*

**MANAGER**

- Section 2(53)
- “manager” means an individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of a company, and includes a director or any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not*

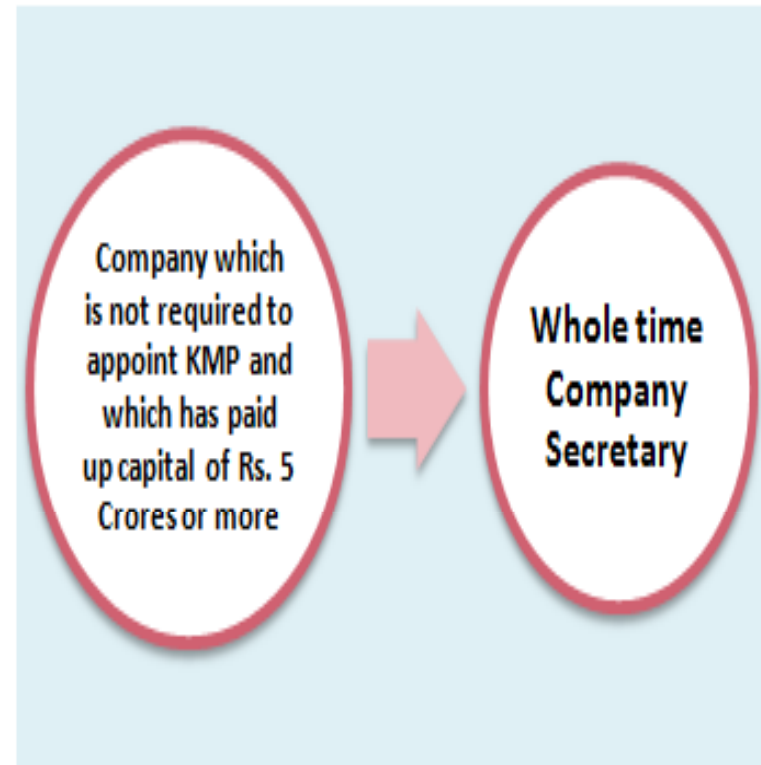
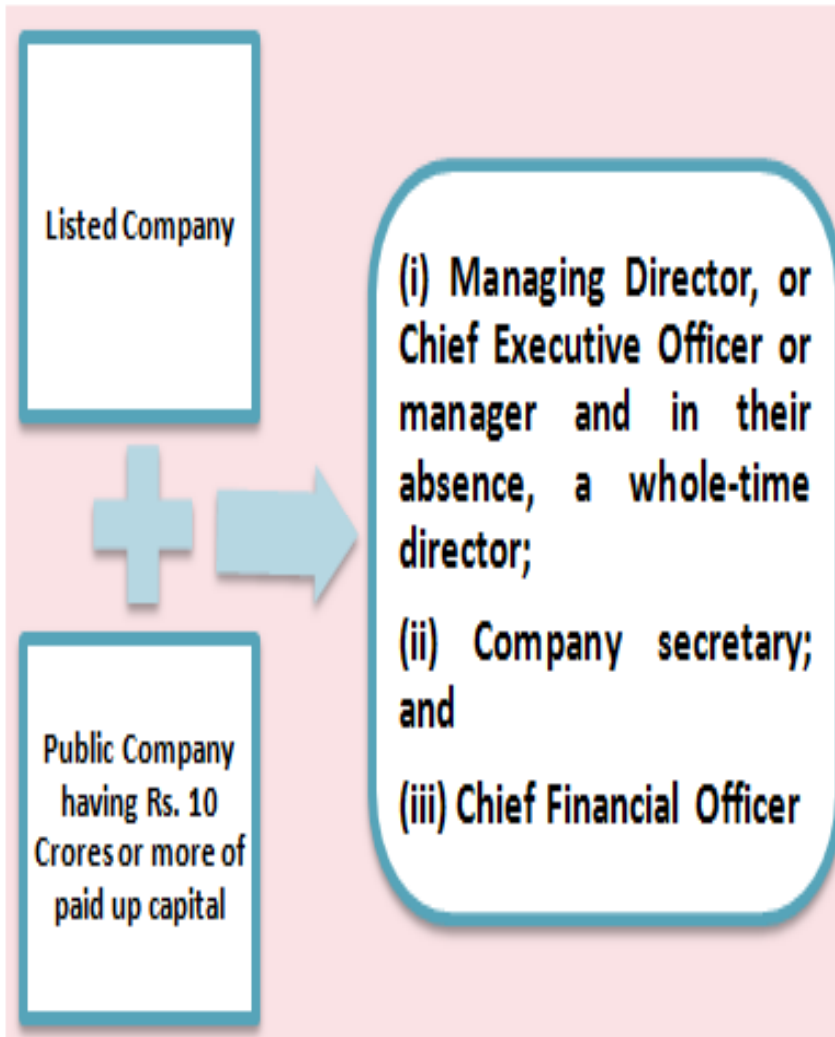
**MD**

- Section 2(54)
- “managing director” means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called*

**WTD**

- Section 2(94)
- “whole-time director” includes a director in the whole-time employment of the company;*

# KMP-Applicability:



# KMP-Appointment and Restriction:

## Manner of Appointment:

- Every whole-time key managerial personnel of a company shall be appointed by means of a resolution of the Board containing the terms and conditions of the appointment including the remuneration.
- In the case of office vacated by such person, the same shall be filled-up by the Board at a meeting of the Board within a period of six months from the date of such vacancy.

## Restrictions regarding appointment:

- Same person should not act as both Chairman and Managing Director or Chief Executive Officer of the company. Exception to this rule:
  - ✓ Articles of the Company contain provision for appointment of same person
  - ✓ When the Company is engaged in multiple business. MCA through notification clarified that public companies having paid-up share capital of Rs.100 cr. or more and annual turnover of Rs. 1,000 cr. or more and have appointed CEO for each multiple business, can have common Chairman and CEO of the Company.
- A Whole time KMP shall not hold office in more than one company at the same time except: **Section 203(3):**
  - ✓ In the company's subsidiary company
  - ✓ As a director of any other company with the permission of the Board.

A whole time KMP holding office in more than one company at the same time on the date of commencement of this Act, shall within a period of 6 months choose one company, in which he wishes continue to hold the office as KMP.

# KMP-Appointment and Restriction:

## No Bar to appointing MD or Manager of one company as MD in another company:

- As per third proviso of Sec-203(3), any person holding the position of MD or Manager of one company can be appointed as MD in another provided that such appointment is approved unanimously by all the Directors of the company at a meeting convened for the purpose.
- Can the same person hold office of CFO/MD and CS/CFO in the same company? Nothing expressly debars such an arrangement. Positive inference can be drawn from reading of the above sec 203(3) and third proviso.

## Other provisions regarding KMP:

- A return of every appointment and change in KMP has to be filed with the ROC within 30 days of appointment or change as the case may be.
- The KMP shall have the right to be heard in the meeting of Audit Committee when it considers audit report but shall not have right to vote.
- KMPs are prohibited to make forward dealings and insider trading in securities of the Company.
- Compliance of the section is not prospective and it was effective from 1<sup>st</sup> April.

## Penalty for contravention:

- On company: fine which shall not be less than Rs 1 Lakh but which may extend to Rs. 5 Lakh.
- On every KMP or director who is in default: Fine up to Rs. 50,000 and Rs. 1,000 for every day of continuous default.



# Specific provision for WTD, MD or Manager: Sec-196 & Schedule V:

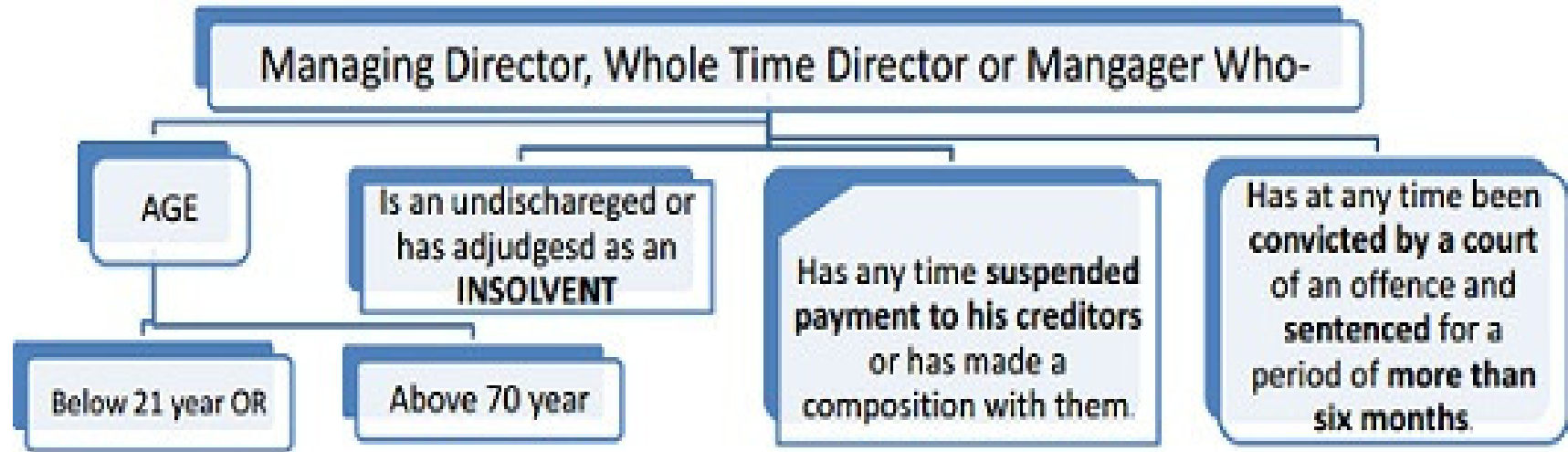
**Applicability:** This section applies to both public and private companies. A company can appoint either Managing Director or Manager (NOT BOTH).

## **Tenure & Reappointment:**

- Appointment of MD, WTD or Manager shall not for a term exceeding 5 years at a time.
- No reappointment shall be made earlier than one year before the expiry his term.
- BOD shall decide and approve terms and condition of appointment of such person by passing a resolution in a Board Meeting which shall be subject to approval by a resolution at the next general meeting of the company.
- Appointment should be in accordance with Section 197 and Schedule V. If not, Central Government approval require.
- Where appointment of WTD, MD or Manager is not approved by the company at a general meeting, any act done by him before such approval shall not be deemed to be invalid.

# Disqualification of WTD, MD or Manager:

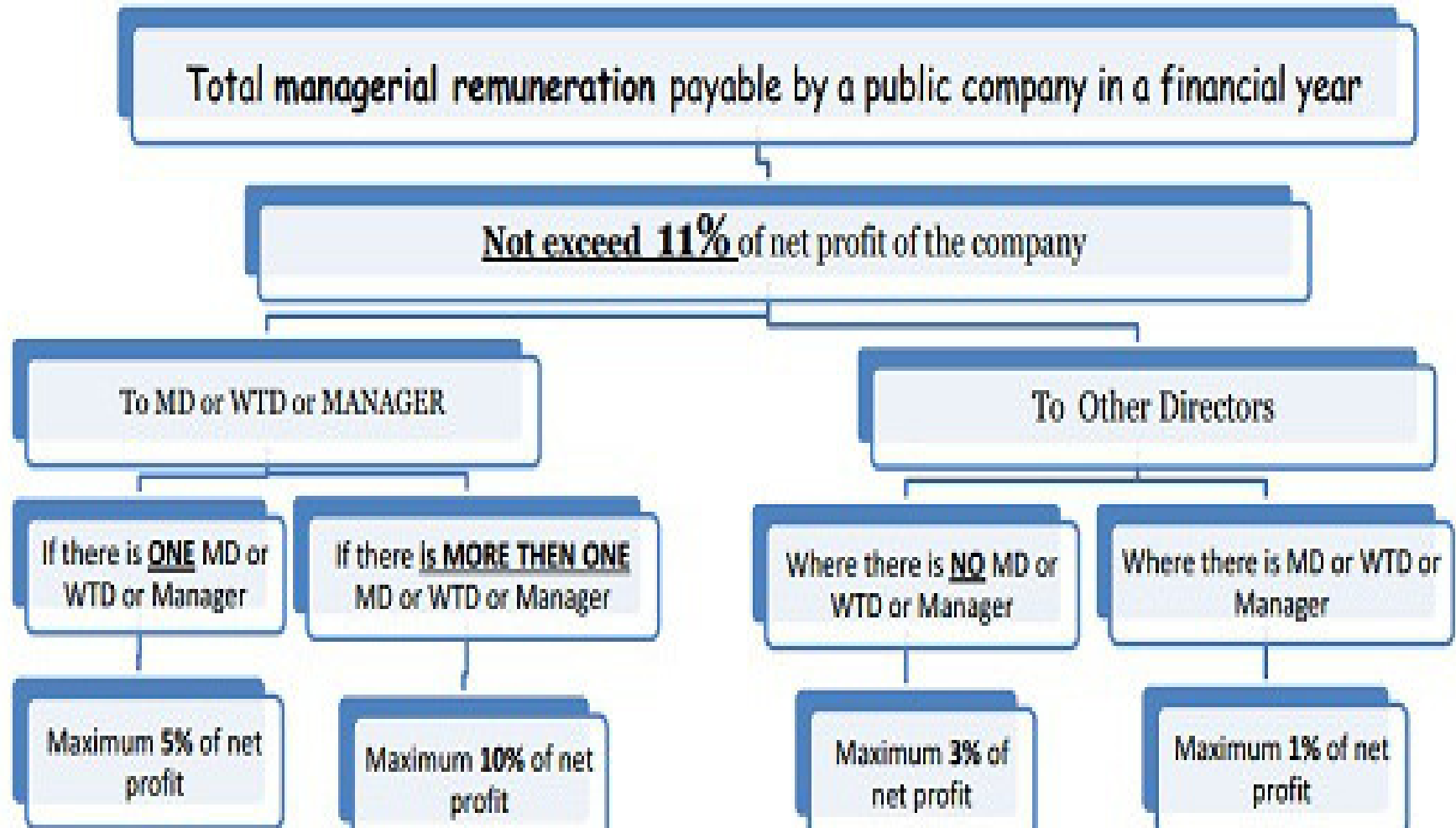
As per Section 196(3):



As per part I - Schedule V: A person should satisfy the following conditions:

- He has not been sentenced to imprisonment for any period or to a fine exceeding Rs. 1,000 for conviction of an offence under 26 Acts listed in schedule
- He had not been detained for any period under Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974.
- If he is drawing managerial remuneration from more than one company subject to the ceiling provided in schedule V of Pat II.
- He is resident of India. (Resident include a person who has been staying in India for a continuous period of not less than 12 months immediately preceding the date of his appointment.

# Managerial Remuneration:Sec-197: (in the case of adequate profit)



# Managerial Remuneration:Sec-197:

In the case of inadequate or no profit, a company may pay to a managerial person without CG approval higher of the following two limits:

(subject to that the company has not made any default in repayment of its debt (including public deposit) or debenture or interest there on for a continuous period of 30 days in preceding FY.

Limit A: with approval of company by Ordinary Resolution in General Meeting: (if passed a special resolution by shareholders the below limit shall be doubled)

Where effective capital is	Limit of yearly remuneration payable shall not exceed
Negative or less than Rs. 5 Crore	30 Lakhs
5 Crores and above but less than 100 Crores	42 Lakhs
100 Crores and above but less than 250 Crores	60 Lakhs
250 Crores and above	60 lakhs plus 0.01% of the effective capital in excess of Rs. 250 crores

## Limit B:

In the case of managerial person who was not a security holder holding nominal value of securities of Rs. 5 lakh or more, employee or a Director of the company or not related to any director or promotor at any time during the two years prior to his appointment as managerial person- 2.5% of the current relevant profit.

If a special resolution is passed by the shareholders, this limit shall be doubled.

# Directors-Appointment and qualification (Key Changes)

## **Maximum number of directors - Section 149(1):**

Maximum number of directors have been increased from 12 to 15. A Company may appoint more than 15 directors after passing special resolution at its General Meeting and no approval from Central Govt. is required.

## **Maximum number of Cap on directorship- Section -165)**

Maximum number of directorship can be 20 (should not exceed 10 public companies- Public company covers holding and subsidiary of a public company). However by way of special resolution in general meeting a company can specify any lesser number of directorship.

As per revised Clause-49, applicable from October 1, 2014, a person shall not serve as Independent Director in more than 7 listed company or if he is WTD in any listed company, he can not serve more than 3 listed company as Independent Director.

## **Woman director mandatory - Section 149(1):**

- Women director is mandatory for listed company, public limited company having paid up share capital Rs 100 crore or more or turnover of Rs 300 crore or more as on last audited financial statement.
- A transitional period of one year has been provided from April 1, 2014.
- It will ensure gender diversity on the Boards and may improve the quality of decision making.
- Company incorporated under new Act, should appoint woman director with in six months of its incorporation.
- Vacancy shall be filled-up by the Board with in 3 months from the date of such vacancy or on immediate next board meeting whichever is later.

# Directors-Appointment and qualification (Key Changes)

## Small share holder - Section 151

- As per Old Act, public company having paid up capital INR 5 Crore or more and having 1000 or more small share holders is required to appointment small share holder director. As per New Act, only listed company is required to do so irrespective of paid up capital, upon notice by not less than 1000 small shareholders or 1/10<sup>th</sup> of total number of small shareholders.
- Small shareholder: who holds not more than nominal value of shares of Rs. 20,000.
- Small shareholder can be counted as Independent director subject to fulfilling other requirements.
- Small shareholder shall not be liable for rotation of director clause.
- Small shareholder's tenure can not be more than 3 consecutive years and on expiry he shall not be eligible of re-appointment as director or any other capacity with the Company either directly or indirectly.
- No person shall hold such directorship position of more than 2 companies which are having in similar business.

## Domicile of director - Section 149(3):

Every company shall have at least one director who has stayed in India for a total period of not less than 182 days in the previous calendar year. (For 2014-15: The requirement will thus be pro-rated to at least 136 days of residence in the country for the first year, according to General Circular No. 25/2014)

Companies incorporated in between April 2014 to September 2014 should have resident director either on the date of incorporation or within six months from that date.

# Directors-Appointment and qualification (Key Changes)

## New grounds for disqualification of director:

- Permanently debars from directorship of a company if a person has been convicted of any offence and sentenced to imprisonment of 7 years or more. (Section-164)
- Two new grounds for disqualification of directors has been introduced:
  - convicted of the offence dealing with RPT at any time during last 5 years.
  - He has not obtained Director Identification Number (DIN)
- Now conditions mentioned under earlier provision Sec-274(1)(g) also applicable to private company.

## Vacation and resignation of director:

- Vacation of officer of director if he absents himself from all the board meetings held during a period of 12 months with or without obtaining leave of absence (Section 167). As per Sec-283 of Old Act authorised the Board to sanction a director's absence for any period of time which is not possible now.
- There was no such provision for resignation of director in Old Act. As per new provision the resignation of shall take effect from the date on which the notice is received by the company or the date specified by the director in the notice, which ever is later.
- The director also required to forward a copy of this resignation along with detailed reasons for resignation to ROC within 30 days.
- When all the directors of a company vacate and resign their offices as above, the promoter or in his absence, the CG shall appoint the required number of directors.

# Directors-Appointment and qualification (Key Changes)

## Right of a person other than retiring director to stand for directorship: Section-160

- Corresponding to section 257 of Companies Act, 1956, it was only applicable to public companies. The new provision applies to all companies.
- Deposit under previous act was Rs. 500. As per new provision, it is Rs.100,000.
- Deposit shall now be refunded even if candidate gets more than 25% of total vote case either on show of hands or on poll.

## Other restrictions:

- Purchase/sale of properties by director and others for consideration other than cash requires approval of members.
- Directors or Key Managerial Personnel (KMP) are prohibited from entering into forward contract in shares or debentures of the company or holding/subsidiary/associate company.
- A total bar is placed on insider trading by any director, KMP or other officers of the company.



# Key changes made on Board Composition:

## Other key changes:

- Appointment of each director to be voted individually. (Section - 162).
- Consent to act as director to be filed with ROC within 30 days otherwise such person shall not be able to act as director. (Section-152).
- Directors or members who is interested in any contract can not cast his vote on that matter.
- Board of directors shall not appoint a person who fails to get appointed as a director in a general meeting as an additional director. (Section -161)
- Appointment of Alternate Director for a director during his absence from India (Old Act referred to State) for a period of not less than 3 months. (Section -161). Alternate director for an independent director should be qualified to act as an independent director.
- Appointment of Managing Director, Whole Time Director or Manager to be approved by special resolution in a General Meeting.
- Provisions relating to appointment of Managing Director is also applicable to Private Companies. Meaning MD, WTD or Manager can not be appointed for a term exceeding 5 years at a time. (Section-196)
- Independent directors not to be included in the total number of directors for the purpose of rotation i.e.  $2/3^{\text{rd}}$  of the total number of directors in the case of public company.

# Independent directors: (Legal Requirement)

## As per Companies Act, 1956:

- Not applicable to unlisted companies (Both private and public)
- As per SEBI Listing agreement which is only applicable to listed company:
  - ❑ If chairman is executive - 1/2 of total directors
  - ❑ If chairman is non-executive - 1/3<sup>rd</sup> of total directors. (provided non-executive chairman shall not be promoter or related to promoter group)

## As per Companies Act, 2013:

- Requirement:

1/3 or 1/2 of total directors to be independent in the case of listed company or minimum 2 Independent directors in the case of unlisted public company.
- Applicability:
  - ❑ To all listed Companies (As per SEBI listing agreement)
  - ❑ Companies notified by Central Govt.
    - a) Public company having paid up share capital Rs. 10 Cr or more, Or
    - b) Public company having turnover of Rs. 100 Cr or more, Or
    - c) Public Company have, in aggregate, outstanding loans, debentures and deposits, exceeding Rs. 50 Cr
  - ❑ Transition period to comply the above provision - till 31<sup>st</sup> March, 2015.
  - ❑ Vacancy shall be filled-up by the Board with in 3 months from the date of such vacancy or on immediate next board meeting whichever is later.
  - ❑ Out of this provision- when 3 consecutive years are not covered.

# Independent directors "IDs": (Presence under Statute)

No.	As per Clause 49 (SEBI)	As per Companies Act, 2013 (Section 2-47) & Section 149 (6)
1)	<p>apart from receiving director's remuneration does not have any <u>material pecuniary relationships</u> or transactions with the company, promoters, senior management, holding company or subsidiary or associates which affect their independence;</p> <p><u>(subsidiary, associate defined as per Accounting Standards, JVs not included)</u></p>	<p>Who or <u>whose relatives</u> has or had no <u>pecuniary relationship</u> with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the <u>two immediately preceding financial years</u> or during the current financial year;</p> <p><u>(No materiality prescribed, however in the case of relatives-transactions 2% or more of turnover or Rs 50 Lacs whichever is lower)</u></p> <p><u>(definition of subsidiary covers 51% of total share capital including convertible preference shares and Associate means 20% of share capital and includes JVs.)</u></p>
2)	<p>is not related to promoters or persons occupying management positions at the board level or at one level below the board;</p>	<p>who is or was not a promoter or not related to promoters or directors in the company or its holding, subsidiary or associate company;</p>

## Independent directors "IDs": (Presence under Statute)

No.	As per Clause 49 (SEBI)	As per Companies Act, 2013
3)	has not been an executive of the company in the immediately preceding three financial years;	Who, neither himself nor any of his relative: holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the 3 financial years immediately preceding the financial year in which he is proposed to be appointed;
4)	<p>is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:</p> <ul style="list-style-type: none"> <li>➤ the statutory audit firm or the internal audit firm that is associated with the company, and</li> <li>➤ the legal firm(s) and consulting firm(s) that have a material association with the company.</li> </ul>	<p>Who, neither himself nor any of his relative:</p> <ul style="list-style-type: none"> <li>➤ is or has been an employee, partner of a firm of auditors, Company secretary, cost auditor of the company, its holding, subsidiary and associate in any of the 3 preceding financial years.</li> <li>➤ is or has been an employee, partner of any legal or consulting firm of the company, its holding, subsidiary and associate in any of the 3 preceding financial years and having transaction 10% or more of Turnover of such firm.</li> </ul>

## Independent directors "IDs": (Presence under Statute)

No.	As per Clause 49 (SEBI)	As per Companies Act, 2013
5)	does not own two percent or more of the voting shares of the Company	holds together with his relatives two per cent or more of the total voting power of the company;
6)	is not less than 21 years of age.	Not prescribed
7)	Nominee directors appointed by Financial Institutions, shall be deemed to be ID's.	Managing Director or Whole time Director or a Nominee Director will not be counted for the purpose of ID's. Small shareholder director can be counted as ID.
8)	No such condition	Who, neither himself nor any of his relative, is a Chief Executive or director, of any non-profit organization that receives 25% or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds 2% or more of the voting power of the company.

# Independent directors "IDs": (cont'd)

## Qualification of ID's:

- An ID shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, Corporate Governance, technical operations or other disciplines related to the Company's business.

## Term:

- **Up to 5 years** original term + 5 years additional term subject to passing of a special resolution and disclosure of such appointment in the Board's report.
- Cooling period of 3 years after completion of two terms. Provided he shall not be appointed and associated with the company in any other capacity, either directly or indirectly during the said 3 years period.
- Any tenure of ID's which has been already served till March 31, 2014 will not be counted. Vs. As per SEBI revised listing agreement, tenure shall be counted.

## Code of conduct under Companies Act, 2013:

- Schedule IV prescribes code of conduct for the role, responsibilities and functions of the ID's. Guidelines prescribed for manner of appointment, reappointment, resignation and removal of ID's.
- All ID's together shall hold at least one meeting in a year without the attendance of non-independent directors. ID's shall review the following:
  - a. the performance of non-independent directors and Board as whole, including the chairperson of the company
  - b. to assess the quality and timely flow of information between management and board.

# Analysis of key changes:

- Listing agreement has been amended inline with the new requirements of Companies Act 2013 regarding appointment of Independent directors.
- Listed companies have to revisit the appointment of ID's. As per Act, 2013, ID's to be selected from a data bank maintained by a body and Institute Association. However, no time frame has been prescribed under the Law;
- Mandatory rotation of ID's is a significant change and could pose challenges in its implementation regarding availability of Independent Directors.
- As per New Act, ID's are not entitled to any stock options of the company. No clarity provided for stock options granted in the past and remaining outstanding till date.
- Key attributes prescribed for ID's in the Code of conduct are qualitative in nature.
- Introduction of Class Action suit provides empowerment to minority stakeholders to come together and seek action against the company, directors, external consultants. This will enforce more responsibilities into the role of director.
- ID's are liable only for acts with knowledge and attributable through Board Process and with his consent or connivance or not having acted diligently.

# Duties of directors:

There are no provisions regarding duties of directors in the Old Act. Section 166 of the Companies Act, 2013 provides the following duties of directors:

- shall act in accordance with the articles of the company;
- Shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interest of the company, its employees, the community and for the protection of the environment;
- shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment;
- shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company;
- shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
- shall not assign his office and any assignment so made shall be void.



# Duties of directors:

Additional disclosures in the Directors' responsibility statement:

- The boards would have to devise proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively
- the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively
- Policy on directors' appointment and remuneration has to be articulated
- The Board would have to explain if there are any qualifications in the secretarial audit report
- The boards would have to lay down the manner of formal evaluation of performance of the board, its committees and individual directors for listed and public companies
- The boards would have to lay down its policies for regulatory compliance and risk management and ensure these are operating effectively

# Declaration and payment of dividend:

## Declaration of dividend as per Companies Act, 2013: (Sec. 123):

- When there is adequate profit, dividend may be declared out of:
  - the profits of the company for that year arrived after providing for depreciation as per schedule II, And / Or
  - the accumulated profits or free reserves for any previous financial years after providing for depreciation.
- In the event of inadequacy or absence of profits in any year, a company may declare dividends out of free reserves subject to the following:
  - The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the three years immediately preceding that year. Provided that this shall not apply to a company, which has not declared any dividend in each of the three preceding financial year.
  - The total amount to be drawn from such accumulated profits shall not exceed one-tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.
  - The amount so drawn shall first be utilized to set off the losses incurred in the financial year in which dividend is declared before any dividend in respect of equity shares is declared.
  - The balance of reserves after such withdrawal shall not fall below fifteen per cent of its paid up share capital as appearing in the latest audited financial statement.
- However, no company shall declare dividend unless carried over previous year losses and depreciation not provided in previous years are set off against profits of the company of the current year.

# Declaration and payment of dividend:

**Interim dividend:** A company may declare interim dividend out of profit of the financial year in which such dividend is sought to be declared. In the case of loss incurred till period ended, such interim dividend shall not be declared at a rate higher than the average dividends declared by the Company during immediately preceding 3 financial years.

**Time limit for deposit of dividend:** Amount of dividend including interim dividend must be deposited in a scheduled bank in a separate account within 5 days from the date of declaration of such dividend. Any unpaid or unclaimed dividend remaining after expiry of 30 days have to be transferred to a Special account called “Unpaid Dividend Account” to be opened with any scheduled bank within 7 days of expiry of said 30 days. The Company within period of 90 days of transfer to special account, shall prepare a statement and display in company’s website and also on the website of the CG.

If the company fails to transfer dividend to special account, it shall be liable to pay interest @12% per annum. Dividend declared and not paid, director shall be punishable with imprisonment up to 2 years and a fine of Rs. 1000 per day till default period. Company also shall be liable to pay interest @18% per annum.

## Key changes as per New Act:

Points of comparison	As per New Act. (Sec-123)	Old Act (Sec-205, 205A & 206)
<ul style="list-style-type: none"> <li>Whether dividend declaration / payment barred if company is in default of repayment of deposits and interest there on?</li> </ul>	Yes	No such bar
<ul style="list-style-type: none"> <li>Dividend only from free reserves and not from other reserves</li> </ul>	Yes	No such bar
<ul style="list-style-type: none"> <li>Power of central government to permit declaration of dividend without providing depreciation.</li> </ul>	No such power	CG had power
<ul style="list-style-type: none"> <li>Whether transfer to reserves compulsory?</li> </ul>	No. It is now optional.	Yes.
<ul style="list-style-type: none"> <li>Payment of dividend though electronic mode to registered share holder</li> </ul>	Expressly allowed	No express provision.
<ul style="list-style-type: none"> <li>As per new Act, sale proceeds of fractional shares arising out of issue of bonus shares, merger and amalgamation and redemption amount of preference shares remaining unclaimed and unpaid for 7 years are also required to transfer to Investor Education and Protection fund in addition to other amounts.</li> <li>Claim of dividend of an investor or any benefit from a security out of the above fund will not be extinguished as per New Act.</li> </ul>		

# Corporate Social Responsibility (whether desirable for brand building):

Corporate Social Responsibility (CSR) Obligations have been introduced under section 135 of the Companies Bill, 2013. The companies will have to mandatorily spend 2% of their average net profits during the three immediately preceding financial years for CSR activities.

- **CSR Provisions in Companies Act 2013 applicable to every company including foreign company having;**
  1. Net worth of Rs. 500 Crore or more, or
  2. Turnover of Rs. 1,000 Crore or more or
  3. Net profit of Rs. 5 Crore or more
- CSR committee shall have 3 or more directors and shall have minimum 1 independent director which shall -
  - Formulate and recommend policy and choose activities out of schedule VII
  - Recommend amount of expenditure to be incurred and Monitor such policy
- Board approved policy - content to be disclosed in Board's report and on Company's website.

# CSR:

- Net profit should be calculated in accordance with section 198 of Companies Act, 2013
- Net profit should be before tax and shall not include profits from overseas branches
- Net profit shall not include any dividend received from other companies in India, which are covered under and complying with the CSR provisions
- Contribution can be given to a trust formed by the Company provided:
  - It is for specific projects or programmes
  - There is monitoring mechanism in place
- Company can contribute to unrelated trust having track record of at least 3 years in carrying such activities in related areas.
- Company can be out of CSR ambit only if the conditions given are not satisfied for 3 consecutive years.
- CSR activities that benefit only the employees of the company and their families shall not be considered as CSR activities.

# CSR:

- Contribution directly and indirectly to any political party shall not be considered as CSR activity.
- CSR Policy shall include the following:
  - A list of CSR projects, specifying modalities of execution of such project or programs and implementation schedules for the same
  - Monitoring process of such programs and projects
  - CSR policy shall specify that the surplus arising out of the CSR projects or programs shall not form part of the business profits of the company.
- 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.
- If the company fails to spend such amount, the Board shall, in its report specify the reason for not spending the amount.
- Whether provision required in the P&L account?



# Thank You

**Partner, Audit and Assurance  
Kanu Doshi & Associate**