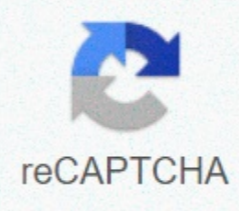




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Dpe guidelines on csr

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Complex Lodhi Road, New Delhi- 110 003 Dated October 21, 2014 OFFICE MEMORANDUM Subject: Guidelines for Corporate Social Responsibility and Sustainability for Central Public Sector Companies. The signed guidelines are directed to flank the Corporate Social Responsibility and Sustainability Guidelines for Central Public Sector Companies. This guideline will replace the guidelines on Corporate Social Responsibility and Sustainability issued by DPE vide OM No. 15 (7)/2012-DPE (GM)-GL-104 dated April 12, 2013. These guidelines will complement the CSR Rules (based on the Company Law, 2013) which are notified by the Ministry of Corporate Affairs and issued in consultation with them. This Manual has the approval of the Minister (Heavy Industries & Public Enterprises) and effective from 1.4.2014. All Ministries/Administrative Departments are required to bring these guidelines to CPS notice under their respective jurisdictions for the necessary action. End: as above (Umesh Dongre) Director of Telefax: 24363066 To, Secretary of all Ministries /Administrative Departments concerned with CPSEs. Copy to: Chief Executive of all CPSEs. _____ The Guidelines for Corporate Social Responsibility and Sustainability for Central Public Sector Companies with 01.04.2014 Department of Public Companies 1.0. Background 1.1. The Government of India enacted the Company Act 2013 in August 2013. Article 135 of the Corporate Law 2013 (hereinafter referred to as the 'Law) relates to the subject of Social Responsibility (CSR). It's lying down eligible criteria based on net worth, turnover, and net profit for companies required to conduct CSR activities and, interalia, determine the modality of selection, implementation and monitoring of extensive CSR activities by the Board of Directors of the company. Activities that can be included by companies in their CSR policies are contained in Schedule VII of the Act. The provisions of Article 135 of the Law and Schedule VII of the Act apply to all companies, including CPSEs. 1.2. The Ministry of Corporate Affairs has formulated the CSR Rules (hereinafter referred to as the 'CSR Rules')based on the provis ounce of the Law and issued the same on 27.2.2014. CSR rules apply to all companies, including CPSEs w.e.f. 1.4.2014. 1.3 All CPS must comply with the provisions of the CSR Laws and Rules. Any amendments notified by the Ministry of Corporations in csr rules, or in Schedule VII of the Act will also bind CPSEs. 1.4 Prior to the notification of csr rules, dpe guidelines on CSR and sustainability issued in December 2012, apply to CPSEs w.e.f. 01.04.2013. In the DPE guidelines, CSR and sustainable development are treated as complements and, therefore, handled together. CSR is seen as an important constituent of a comprehensive sustainability framework. The current DPE guidelines are also intended to strengthen CSR and sustainability complements and advise the CPS not to ignore larger sustainable development goals in conducting business and in pursuing CSR agendas. 2.0. DPE Guidelines on CSR and Sustainability for CPSEs 2.1. Provisions of CSR Law, Schedule VII of the Law, and CSR Rules can not be disturbed guol. However, in addition to the provisions of the CSR Law and CSR Rules, the Department of Public Business (DPE) has formulated csr and sustainability guidelines (hereinafter referred to as 'Guidenes') that apply to CPSEs. It is clarified that the Guidelines do not replace or override any provision of the Act, or Schedule VII of the Act, or the CSR Rules, but will only supplement it. These guidelines are initiatives or efforts expected by cps key stakeholders in the release of their Corporate Social Responsibility. Any situation that may occur where there may be a conflict between the CSR Rules and the Guidelines, is not considered. However, it is clarified that in the event of a perceived conflict between the CSR Rules and the Guidelines, the first will apply in all circumstances. 2.2 The term Sustainability has been used in co-operation with CSR in the title DPE Guidelines because CSR activities considered in the Act and in the CSR Rules can be supplemented with sustainability initiatives as both aim to achieve sustainable development goals. In the Guidelines the need to take sustainability initiatives is emphasized in addition to mandatory compliance requirements for CSR Rules. These guidelines are aimed at providing a more curved sustainability framework in which CSR is firmly embedded. Therefore, CPSEs is advised to read the CSR Rules along with the Guidelines to clearly understand what is expected of them by stakeholders. 2.3 The Act orders all companies to have CSR policies, and information that needs to be supplemented in CSR policies is specified in the CSR Rules. There is no deviation from the mandatory provisions of the Law and CSR Rules in this case. However, the CSR policy document from the CPSE should also include a vision and mission statement on how the CPSE proposes to comply with the Guidelines. The broad sustainability initiative cspe wants to do must also find a mention in it. Since CSR and Sustainability issues are complementary, and both will be mentioned in the policy document, it is recommended that it be referred to as the 'CSR and Sustainability' policy. Changes in policy document nomenclature and information expansion will not reduce CPS E's commitment to CSR, or dilute its content. Instead, it will only demonstrate the CPSE's willingness to voluntarily take some additional steps to address social, economic and environmental issues, which may be outside the REALM of CSR as considered in the CSR Laws and Rules, but still deserve attention for the promotion of sustainable development in its diverse dimensions. 2.4 The following guidelines applicable to all CPSEs are generally guiding principles. This Manual contains certain additional requirements as stated below: i) Mandatory for all PROFIT-generating CPSEs to perform CSR activities in accordance with the provisions of the CSR Laws and Rules. Even CPSEs that are not covered by the eligibility criteria based on the threshold of net worth, turnover, or net income as stipulated by Article 135 (1) of the Act, but which made a profit in the previous year, will also be required to take CSR activities as specified in the CSR Laws and Rules, and such CPSEs will be expected to spend at least 2% of the profit made in the previous year on CSR activities. ii) All CPS shall adopt CSR and Sustainability Policies specifically for their companies upon the approval of the Board of Directors. The philosophy and spirit of CSR and Sustainability must be ingrained in policy and must be consistent with the provisions of CSR Law, Schedule VII of the Law, CSR Rules, Guidelines, and policy direction issued by the Government from time to time CSR and CPSE Sustainability policy should serve as reference documents for planning its CSR activities in accordance with Schedule VII and provide a road map for the formulation of a plan that can be put down. iii) If the CPS feels the need to take new CSR activities/projects for a year, which in addition to CSR activities that have been incorporated in the Csr Policy of the Board's corporate expertise for additional CSR activities will be treated as a change in the policy. iv) It is mandatory for all CPS who meet the criteria as stipulated in Article 135(1) of the Act, to spend at least 2% of the average net profit of the three immediately ahead of the financial year in pursuit of their CSR activities as stipulated in the CSR Law and Regulations. This set percentage of average net income must be spent annually in the manner specified in the CSR Laws and Rules. If the company fails to spend the amount, it must determine the reason for not spending it. However, in the case of CPSEs just reporting and explaining the reasons for not spending this amount in a given year will not be enough and the amount of CSR that does not occur in a given year will not lapse. It will instead be passed on to the next year for utilization for allocated purposes. v) While selecting CSR activities/projects from the activities listed in Schedule VII of the Law, CPSEs must prioritize issues of primary concern in the national development agenda, such as safe drinking water for all, provision of toilets especially for girls, health and sanitation, education, etc. The main focus of CPSEs CSR and Sustainability policy should be on sustainable development and inclusive growth, and to address the basic needs of the deprived, less privileged, neglected and weaker parts of society consisting of SC, ST, OBC, minorities, BPL families, old and old, women/girls, physically challenged, etc. vi) For CPSEs to fully exploit their core competencies and mobilize their resource capabilities in the implementation of CSR activities/projects, they are advised to align their CSR and Sustainability policies with their business policies and strategies as far as possible, and choose such CSR activities/projects that can be better monitored through vii) All CPS are expected to act socially, economically, and environmentally sustainable at any time. Even in their normal business activities, public sector companies should strive to promote sustainable development through sustainability initiatives by running businesses in a way that benefits both businesses and communities. They are advised not to lose their social and environmental responsibilities and their commitment to sustainable development even in the activities carried out in pursuit of their normal business path. National and global sustainability standards that promote ethics, transparency, and in business can be referred to as a guide framework for planning, implementing, monitoring, and reporting sustainability initiatives. But the amount spent on sustainability initiatives in pursuit of sustainable development while conducting normal business activities will not be part of csr expenditures of 2% profit as stipulated in the CSR Laws and Rules. viii) As part of their sustainability initiatives, CPSEs are expected to provide essential for environmental sustainability even in their normal mainstream activities by ensuring that their internal operations and processes promote renewable energy sources, reduce/reuse/recycle waste materials, replenish groundwater supplies, protect/conserves/restore ecosystems, reduce carbon emissions and assist in discharge the supply chain. KPS is expected to behave responsibly by producing goods and services that are safe and healthy for consumers and the environment, resource efficient, consumer-friendly, and environmentally friendly throughout their life cycle, namely from the extraction stage of raw materials to production, use/consumption, and landfill. However, such sustainability initiatives will not be considered AS CSR activities as specified in the CSR Rules, and the expenditures incurred therein will also not be part of CSR. However, CPSEs are encouraged to take such sustainability initiatives from their normal budget expenditures as they will demonstrate their commitment to sustainable development. ix) The sustainability initiative will also include measures taken by CPSEs to promote the well-being of employees, especially women, who are physically challenged, in the SC/ST/OBC category, by addressing their concerns about safety, security, professional enrichment and healthy working conditions beyond what is mandated by law. However, spending on such sustainability initiatives will not qualify as CSR expenses. x) The philosophy and spirit of CSR and Sustainability must be understood and embedded by employees at all levels and embedded in the company's core values. xi) CPSEs should expand their reach and oversight throughout the supply chain to ensure that as far as possible suppliers, vendors, service providers, clients, and partners are also committed to the same principles and standards of corporate social responsibility and sustainability as the company itself. CpS is encouraged to start and implement measures aimed at greening the supply chain. <p style=text-align: justify;>xii) As stated in the Act, CPSEs must give preference to 'local areas' in choosing the location of their CSR activities. It is desirable that the Board of Directors of CPSEs scope of the location area of their units/factories/commercial projects, keeping in view of the nature of their commercial operations, the extent of the impact of community and environmental operations, as well as the advice/demands of key stakeholders, especially those directly affected by the company's operations/commercial activities The definition of 'local area' may form part of cpse CSR policy. xiii) After giving preference to the local area, CPSEs may also conduct CSR activities anywhere in the country. The Board of Directors of each CPSE may also decide on the indicative ratio of CSR expenditures between local areas and beyond, and this can be mentioned in the CPSE CSR policy. CPSEs, which on the nature of their business do not have a specific geographic area of commercial operations, can take CSR activities/projects at any location of their choice within the country. xiv) As far as possible, CPSEs should take CSR activities in the project, which require planning the execution stages in advance by improving targets at different milestones, with quantum pre-estimation of the resources required within the allocated budget, and have a definite timeframe to achieve the desired results. xv) CPSEs should develop a communication strategy for dialogue and regular consultation with key stakeholders to ensure their views and suggestions regarding CSR activities and sustainability initiatives carried out by however, the final decision in the selection and implementation of CSR activities is that of the CPSE Board. xvi) In accordance with CSR Rules, all companies are required to include an annual report on CSR in their Board Report. Templates / formats or reports on CSR activities as determined by the CSR Rules must be strictly adhered to. However, CPSEs should also include in the Board Report a brief narrate of the actions taken for the implementation of the Guidelines so that stakeholders are notified of not only CSR activities but also sustainability initiatives taken by CPSEs. CPSEs are further advised to prepare an Annual Sustainability Report, which will greatly assist in providing greater transparency and accountability to the company's operations, in addition to improving the brand image. xvii) It is desirable that CPSEs obtain a basic assessment survey / needs conducted before the selection of any CSR activities. It is also desirable that CPSEs should obtain an impact assessment study conducted by external institutions of CSR activities/projects carried out by them. Mandatory impact assessment for mega projects, threshold values that can be determined by the CPSE Board and determined in its CSR and Sustainability policies. However, expenses incurred on basic surveys and impact assessment studies must be within the overall limit of 5% of the administrative overhead of CSR expenditures as provided under the CSR Rules. xviii) In the provisions of the Law, Schedule VII of the Law, and CSR Rules, encouraged to take CSR activities/projects in collaboration with other CPSEs for greater social, economic and environmental impacts of their CSR activities/projects. xix) CSR projects taken by CPSEs in 2013-14 based on DPE guidelines on CSR & Sustainability, effective from April 1, 2013, can continue until its completion. However, CPSEs to ensure that all new CSR activities/projects comply with csr rules. xx) CPSEs which are statutory corporations must also comply with the provisions of the Law, CSR Rules and Guidelines. xxi) These guidelines will replace the guidelines / circulars / instructions previously issued by DPE on the subject of CSR and Sustainability. Sustainability.