



**H.K. Trade International Limited**

**Registered office:** Office No. 9, 2nd Floor, Bharat House, 104, Mumbai Samachar Marg,  
Fort, Mumbai – 400 001, Maharashtra, India

**Email :** [info@hktrade.in](mailto:info@hktrade.in) **Website:** [www.hktrade.in](http://www.hktrade.in) **Tel No.:** 022-22676700

**CIN No:** U25203MH2013PLC244911

## **Corporate Social Responsibility Policy Document**

### **Prelude**

For years, several large companies in India have been supporting various causes dear to them and many such companies are known to extend support to community activities in and around their area of operation. However, for quite sometime now the Central Government had been advocating that the corporate sector in India should play a more active role in the sphere of social development activities in the country. In furtherance of that objective, the Ministry of Corporate Affairs (MCA), Government of India, during the India Corporate Week celebrations (Dec. 14-21) in the year 2009, announced the launch of “Corporate Social Responsibility – Voluntary Guidelines, 2009”.

The core elements of the said guidelines as enunciated by the MCA were as under:

#### **1. Care for all Stakeholders**

#### **2. Ethical functioning**

### **3. Respect for Workers' Rights and Welfare**

### **4. Respect for Human Rights**

### **5. Respect for Environment**

### **6. Activities for Social and Inclusive Development**

#### **New Provision**

With a view to enlarge the scope of the guidelines as also its reach, the Government decided to give teeth to the guidelines by making it mandatory for certain class of companies to undertake corporate social responsibility. Accordingly, a new section 135 has been added to the Companies Act, 2013.

#### **Applicability**

Section 135 stipulates that:

1. Every Company having net worth of Rs. 500 crore or more,  
or
  2. Every Company with a turnover of Rs. 1000 crore or more or
  3. Every Company having a net profit of Rs. 5 crore or more
- during any financial year has to comply with the requirements stipulated in the section.

The section also applies to every Holding Company, Subsidiary Company and a Foreign Company having a branch in India.

## **Corporate Social Responsibility Committee**

Every company that falls within the ambit of section 135 has to constitute a committee of the Board called ‘Corporate Social Responsibility Committee **(CSR Committee)**’.

### **Composition of the CSR Committee**

The CSR Committee should consist of atleast three directors, out of which at least one director has to be an independent director.

There is no upper limit on the number of directors who can be members of the Committee.

### **Disclosure**

The composition of the Corporate Social Responsibility Committee has to be disclosed in the report of the Board of Directors that is annexed to the Financial Statements of the Company [Section 134 (3)].

### **What is the Role of CSR Committee?**

#### **The CSR Committee has to—**

1. Formulate and recommend to the Board, a Corporate Social Responsibility Policy (CSR Policy).
2. The CSR Policy should indicate the activities to be undertaken by the company as specified in Schedule VII annexed to the Companies Act, 2013.

3. Recommend the amount of expenditure to be incurred on the CSR activities.
4. Monitor the CSR Policy of the company from time to time.

### **CSR Duties of the Board**

The Board of directors has to perform the following functions:—

- (a) Approve the Corporate Social Responsibility Policy for the company (after taking into account the recommendations made by the CSR Committee)
- (b) Disclose contents of the CSR Policy in its report and also place it on the company's website (as prescribed).
- (c) Ensure that the activities as are included in CSR Policy of the company are undertaken by the company.
- (d) To ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years.
- (e) To ensure that the amount is spent in pursuance of the Company's CSR Policy.
- (f) To ensure that while spending the amount earmarked for CSR activities, the company gives preference to the local area and areas around it where it operates.

(g) When the Company has been unable to spend the required amount, to disclose the same in the Board's report specifying the reasons for not spending the amount.

(h) To ensure that for the purpose of CSR, the "average net profit" is calculated in accordance with the provisions of section 198 of the Act.

### **CSR Activities**

The Company can undertake only such CSR activities as are stated in the Company's CSR Policy.

These would include all the projects, programs or other activities, which could be either new or existing activities. However, any project, program or activity undertaken in pursuance of its normal course of business will have to be excluded from the CSR activities.

The list of project, programs or activities the Company can undertake as a part of its CSR initiative are those activities which are enumerated in Schedule VII to the Companies Act, 2013. Following are the activities provided in the said Schedule:

### **SCHEDULE VII**

"(i) eradicating hunger, poverty and malnutrition, promoting preventive health care and 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 maintain quality of soil, air and water;

(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 arts and handicrafts;

(vi) measures for the benefit of armed forces veterans, war widows and their dependents;

(vii) training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports;

(viii) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;

(ix) contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;

(x) rural development projects”

## **Implementation of CSR Activities**

The Company has to create / devise a mechanism for implementing its CSR activities that the Company may wish to undertake. The CSR rules provide for various options to a Company so as to create such a structure that would give optimum benefits while implementing the CSR activities.

### **A. Departmental Implementation**

The Company may create a separate department within the existing organisational structure staffed with the requisite personnel who are qualified and trained in CSR or CSR related activities that are proposed to be undertaken by the Company. Such personnel would lead the charge for implementing the Company's foray into CSR activities.

### **B. Through a Separate Organisation promoted by the Company**

The Board of directors has the option to undertake the Company's CSR activities through a separate body specifically created for the purpose of implementing those activities.

Following are the three types of organisations available for implementing CSR activities:

1. A Registered Trust or
2. A Registered Society or

3. A Company established either by the company itself or any associate company under section 8 of the new Act (earlier it was called section 25 company).

#### C. Through Collaboration with Other Companies

- a) If the Company has a holding company, subsidiary company or associate company then CSR activities can be undertaken by the Company jointly with any one or more of the companies within the group.
- b) The group companies may decide to create a separate entity as mentioned at clause 'B' above or do the CSR projects / programs departmentally.
- c) Alternatively, the Company may join hands with any other company outside the group and do joint CSR activities.
- d) In either case, each of the companies will have to respectively comply with all the requirements of section 135 and the concerned rules relating to CSR activities in such a manner that they are able to report to their respective companies of due compliance with the CSR Rules.

#### **D. Through Third Party Agencies (Outside NGOs)**

The Company has the option of appointing any outside agency, an NGO to undertake the company's CSR activities.

Such an agency or an NGO could be a registered Trust, registered Society or a Company established to conduct CSR activities.

### **Conditions**

(i) If the Company intends to carry out its CSR activities through third parties as mentioned in this clause, the Company has to ensure that the agency has at least a 3 years track record of undertaking similar projects / programs.

(ii) The Company has to specify the projects or programs to be undertaken through these entities.

(iii) The Company has to lay down the modalities of utilization of funds on such projects and programs.

(iv) The Company has to lay down the monitoring and reporting mechanism, so that the concerned entities are not only accountable but provide regular and timely reports.

### **Developing Personnel for Implementation**

1. The CSR Rules permit the Company to build its own CSR capacities by appointing and imparting training to its own personnel.

2. The rules also permit to extend the similar facility of augmenting manpower resources of the outside Implementing agencies that are going to handle the CSR activities for the Company. The only condition specified by the CSR Rules is that such implementing agencies should have a minimum track record of at least three financial years.
  
3. The CSR Rules stipulate that the maximum expenditure that the Company can spend on training of such personnel should not exceed five percent of total CSR expenditure of the company in one financial year. This limit is also applicable while imparting training to personnel of implementing agencies.

### **CSR Expenditure**

According to the CSR rules, the CSR expenditure would include all such amounts that are incurred by the Company for or in connection with any of the projects or programs forming a part of the CSR activities that have been approved by the Board of directors of the Company. It should be noted that the CSR activities have to be recommended by the CSR Committee.

Incidentally, even a contribution to the corpus created for any project or program being a part of the approved CSR activity will be treated as expenditure incurred for CSR activities.

In case the Company is unable to spend the specified two percent of the average net profit calculated as per the CSR rules, the Company will have to disclose the same in its annual report and give the reasons for its inability to spend the said amount.

It is hereby specified that the surplus, if any, arising out of the CSR projects or programs or activities shall not form part of the business profit of the Company.

### **Monitoring Framework**

The CSR Committee shall monitor the implementation of the CSR Policy through periodic reviews of the activities undertaken. In compliance with the Act and to ensure funds spent on CSR programs are creating the desired impact on the ground, a comprehensive framework will be put in place which will ensure that:

- i) the CSR policy is implemented as per the Act and the Rules.
- ii) the CSR policy is implemented ensuring that all projects/programs as budgeted are duly carried out
- iii) the CSR spends are closely monitored and funds are released as per the approved work plans.
- iv) The CSR expenditure is audited in an accountable and transparent manner
- v) There is periodic reporting and review by the CSR committee and periodic reviews by the Board.

## **Annual CSR Reporting**

The CSR rules have provided the format in which the Board of directors of the Company will have to make its annual report in respect of the CSR activities including various projects and programs conducted during the financial year.

The first annual report on the CSR activities of the company will be the financial year 2014-15, which will form a part of the directors' report.

The format of the annual report is given as a separate annexure.

## **What is not a CSR Activity**

1. The CSR projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR activities as envisaged in section 135 of the Act.
2. Any activities undertaken by the Company in its normal course of business will not qualify as CSR activities pursuant to section 135.
3. Any contribution irrespective of the amount, directly or indirectly, to any political party will not be considered as a CSR activity.

## **When will the CSR Rules not apply to the Company**

According to the CSR Rules, once the CSR rules are applicable to the Company, the Company has to continue to comply with the requirements of section 135 and the CSR Rules.

However, if for three consecutive financial years the Company ceases to be a company covered under section 135 of the Act i.e. the Company no more attracts the provisions of section 135, then the Company will be exempted from:

- (a) Constituting a CSR Committee;
- (b) Complying with the provisions contained under section 135 of the Act.

The aforesaid exemption will be available only so long as the Company does not fall within the ambit of any of the three criteria for applicability mentioned in section 135.

\*\*\*\*\*