

## **PART 1: INTRODUCTION TO CSR**

### **1.0 What is Corporate Social Responsibility (CSR)?**

Corporate Social Responsibility is the concept whereby companies act to balance their own economic growth with the sustainable social and environmental development of the country. A company performing highly in CSR is one that goes beyond compliance with the legal framework to actively pursue positive impacts on local communities and the environment.

### **2.0 Who is liable to CSR?**

As from 1 January 2012, every profitable company is required annually to set up a CSR Fund equivalent to 2% of its profits chargeable to income tax, derived during the preceding year. However, for accounting periods prior to this date the CSR Fund is calculated on the adjusted book profit<sup>1</sup> after tax.

### **3.0 Objective of Corporate Social Responsibility**

All profitable companies are required to use their CSR Fund on approved programmes, as defined in Part 2 of the CSR Guidelines that contribute to the social and environmental development of the country.

As from January 2012, companies are required to spend 50% of their CSR Fund on the 4 priority areas as defined under paragraph 9.0 of Part 1 of the CSR Guidelines.

### **4.0 How can the CSR Fund be utilised?**

A company may use its CSR Fund in the following ways:

- (i) Implement an approved programme by the company;
- (ii) Finance the project of an approved NGO; or
- (iii) Implement an approved programme under the National Empowerment Foundation, and
- (iv) Implement projects in collaboration with public sector organisations.

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<sup>1</sup> Adjusted book profit means the profit computed in accordance with the International Financial Reporting Standards, after income tax and:-

- (a) as reduced by profit or loss on revaluation of fixed assets, where any such profit or revaluation is credited to profit and loss account; and
- (b) as increased loss on disposal or revaluation of fixed assets, where any such loss or revaluation is debited to profit and loss account.

## **5.0 Remittance of Unspent CSR Fund to MRA**

Where, in respect of a year, the amounts paid out of the CSR Fund is less than the amount provided under the Fund, the difference shall be remitted to the MRA at the time the company submits its return of income under Section 116 of the Income Tax Act.

## **6.0 Entities Not Subjected To CSR**

The following are excluded from the obligation of the payment of the 2% CSR contribution:

- (i) A company holding a Global Business Licence Category 1 under the Financial Services Act.
- (ii) Incomes of banks derived from transactions with non-residents and corporation holding a Global Business Licence.
- (iii) An IRS company
- (iv) A non-resident societe, a trust or a trustee of a unit trust scheme.

Extract of the relevant sections of the Income Tax Act is available on [www.nef.mu/csr](http://www.nef.mu/csr)

## **7.0 CSR Certificate**

All companies and SPVs with a CSR Fund of Rs. 500,000 and above should submit an Audit Report duly signed by an independent auditor certifying that all disbursements from the CSR fund complies with:

- (i) the Corporate Social Responsibility guidelines; and
- (ii) the Income Tax Act

The report should be sustained, respectively, by the fully filled in Monitoring Form 5 for corporate and Monitoring Form 6 for SPVs of the NCSR Committee.

A copy of the document should be filed with the NCSR Committee

## **8.0 Approved Programmes**

The National CSR Committee has published a list of approved programmes that qualify for financing through a CSR Fund. The list of approved programmes is set out in Part 2 to the guidelines. The approved programmes should fall in one of the following areas of intervention.

- Socio economic development - Code 200
- Health - Code 300
- Leisure and sports – Code 400
- Environment – Code 500
- Education & training - Code 600
- Catastrophe - Code 700

## **9.0 Priority Areas**

As from 1st January 2012, all companies should utilize 50% of their CSR Fund (equivalent to half of the CSR Fund) to finance one or any of the four priority areas.

These are:

- (a) Social housing;
- (b) Absolute poverty and community empowerment;
- (c) Welfare of children from vulnerable groups; and
- (d) Prevention of non-communicable diseases.

Programmes which qualify as priority areas are set out in Part 2 of the Guidelines, and the notes thereto. Such programmes are implemented in a similar manner to other approved CSR programmes.

## **10.0 Non-Qualifying Activities**

The following activities do not qualify for funding under CSR:

- (i) Contribution for religious activities
- (ii) Contribution to activities discriminating on the basis of race, place of origin, political opinion, colour or creed.
- (iii) Contribution to trade unions
- (iv) Sponsorship for marketing purposes
- (v) Contribution to political parties
- (vi) Shareholders and senior staff benefits (schemes benefiting staff and/ or their family members and shareholders holding more than 5% of shareholding)
- (vii) Staff welfare (including e.g. current and future staff training costs),
- (viii) Activities which are against public safety and national interest.

## **11.0 Vehicles Used In Implementing an Approved Programme by a Company**

A company can implement a programme approved by the NCSR either directly or by making use any of the following vehicles:

- i. An approved NGO (paragraph 12.0 refers)
- ii. A special purpose vehicle (paragraph 13.0 refers)
- iii. A corporate partner (paragraph 14.0 refers)
- iv. A Housing Development Trust (paragraph 15.0 refers)

## 12.0 An Approved NGO

An approved NGO is an NGO accredited by the NCSR. Companies and special purpose vehicles may finance approved NGO's for the implementation of any project which complies with Part 2 of the CSR Guidelines.

In order to be eligible for accreditation, as 'approved NGO', an NGO must meet the following criteria:

- i. It should have a legal status.
- ii. It should be run on non-profit making basis.
- iii. It should have a proven track record of at least 2 years.
- iv. It should operate on a non-sectarian basis and should not discriminate on the basis of race, place of origin political opinion, colour or creed.
- v. A project to be financed from a CSR Fund should not include administrative costs<sup>2</sup> greater than 15% of the total project costs.
- vi. Expenses on local training and capacity building aimed at improving services, may be included, provided these combined do not exceed 5% of total project costs.
- vii. It should keep proper books and records and should submit certified/ audited financial statements.
- viii. It should implement programmes approved by the NCSR Committee (Part 2 of CSR Guidelines); and
- ix. It should not be involved in any Non- Qualifying activities (as defined at para. 10.0) above

The books and records of NGOs will be subject to periodical review and monitoring by the National CSR Committee or any assigned officer for that purpose.

Procedure for accreditation of NGO by the NCSR Committee is set out in Part 5 Administrative procedures.

## 13.0 A Special Purpose Vehicle (SPV)

A company or group of companies with a CSR Fund totaling more Rs 2 million can make use of a 'Special Purpose Vehicle' for the implementation of its CSR projects.

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<sup>2</sup> Administrative costs are costs incurred in controlling and directing an organization, not directly identifiable with the provision of a service. They are normally related to the organisation as a whole. For instance, the salaries of senior executives and costs of general services (such as accounting, contracting, and industrial relations) fall under this heading.

However, expenses directly related to the provision of a service will be treated as part of the project costs (e.g., salaries of carers for a home or salaries of teachers for an after school care centre).

A Special Purpose Vehicle, often called a foundation, should satisfy the following criteria:

- i. It should have a legal status;
- ii. It should be run on non-profit making basis;
- iii. It should operate on a non-sectarian basis and should not discriminate on the basis of race, place of origin political opinion, colour or creed.
- iv. The administrative costs of the Special Purpose Vehicle should not exceed 15% of the total expenditure of its projects for a CSR Fund of up to Rs. 20 million; (**Note 1**)
- v. It should keep proper books and records should submit certified/ audited financial statements;
- vi. It should implement programmes, approved by the NCSR Committee (Part 2 of CSR Guidelines); and
- vii. It should not be involved in any non- qualifying activities (as defined at para. 10.0).

As a special measure, an SPV is allowed to carry forward to the following year, a maximum of 20% of the value of its CSR projects. Any amount unspent amount after this period should be remitted to the MRA.

The books and records of SPV will be subject to periodical review and monitoring by the National CSR Committee or any assigned officer for that purpose.

The procedure for accreditation of an SPV by the NCSR Committee and approval of programmes is set out in Part 5 Administrative procedures.

**Note 1:** A limit of 15% of administrative costs is allowable to SPV for CSR Fund of Rs. 20 million. However, an SPV is eligible for an additional 5% administrative cost on all incremental CSR Fund above Rs 20m. up to a maximum of Rs. 5 million. For instance an SPV with a CSR Fund Rs. 30 million is eligible for an administrative cost of (15% of Rs 20M and 5% of Rs. 10M) Rs. 3.5M.

## **14.0 Corporate Partners**

In implementing approved programmes, companies may work in collaboration with local organisations, known as Corporate Partners. A Corporate Partner needs to satisfy the following criteria:

- i. It should operate on non-profit making basis;
- ii. It should operate on a non-sectarian basis and should not discriminate on the basis of race, place of origin political opinion, colour or creed;
- iii. It should keep proper books and records;

- iv. The administrative costs of the Corporate Partner should not exceed 15% of its total project(s) costs.
- v. It should implement programmes as per the CSR Guidelines.; and
- vi. It should not be involved in any non- qualifying activities (as defined at Para. 10.0).

A company or an SPV is allowed to spend an amount not exceeding 25% of its CSR Fund on projects implemented by a corporate partner.

The books and records of corporate partners will be subject to periodical review and monitoring by the National CSR Committee or any assigned officer for that purpose.

The procedure for approval of programmes for corporate partner is set out in Part 5 Administrative procedures.

## **15.0 Housing Development Trust**

A company or groups of companies or SPVs can set up a Housing Development Trust (HDT) for the implementation of its CSR programme in housing sector. A HDT needs to satisfy the following criteria:

- (i) It should have a legal status;
- (ii) It should be run on non-profit making basis;
- (iii) It should operate on a non-sectarian basis and should not discriminate on the basis of race, place of origin political opinion, colour or creed.
- (iv) It should keep proper books and records should submit certified/ audited financial statements;
- (v) It should implement programmes, approved by the NCSR Committee (Part 2 of CSR Guidelines); and

The books and records of SPV will be subject to periodical review and monitoring by the National CSR Committee or any assigned officer for that purpose.

The procedure for accreditation of the HDF by the NCSR Committee and approval of programmes is set out in Part 5 Administrative procedures.

## **16.0 In-kind CSR contributions**

Companies are allowed to make in- kind contributions to approved NGOs and own programmes. However, the value of the contribution should not exceed 10% of its CSR Fund and should be at cost price, except for land provided for the construction of social houses under the Scheme 3 of the Social Housing Programme.

### **17.0 Collaboration between public and private sector organisations and/or civil society:**

Private sector companies and public sector organisations, including government ministries and departments and parastatal bodies, may pool their financial and human resources to carry out projects approved under the CSR guidelines and which are funded partly under CSR and partly by public funds.

### **18.0 De-registration**

SPVs, approved NGOs and Corporate Partners not operating in compliance with the CSR Guidelines will be subject to compulsory de-registration by the National CSR Committee.

De-registered entities can make an appeal to the Minister responsible for Social Integration and Economic Empowerment.