

AS INTRODUCED IN THE RAJYA SABHA  
ON THE 26TH FEBRUARY, 2016

**Bill No. V of 2016**

THE COMPANIES (AMENDMENT) BILL, 2016

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BILL

*further to amend the Companies Act, 2013*

BE it enacted by Parliament in the Sixty-seventh Year of the Republic of India as follows:—

1. (1) This Act may be called the companies (Amendment) Act, 2016.
- (2) It extends to the whole of India.
- 5 (3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.
2. In section 135 of the Companies Act, 2013.

Short title,  
extent and  
commence-  
ment.

Amendment  
of section  
135.

(i) in sub-section (3), after clause (c), the following clause shall be inserted, namely:—

“(d) Undertake the responsibility to include the process of Social Impact Assessment study in such manner as may be prescribed, for evaluating the performance of the Corporate Social Responsibility Policy of the company and submit a Social Impact Assessment Report undertaken by a third party of its findings to the Board every financial year.” 5

(ii) in sub-section (4), after clause (b), the following clause shall be inserted, namely:—

“(c) after taking into account the findings forwarded by the Corporate Social Responsibility Committee, analyze the Social Impact Assessment Report for the company and disclose the findings of this report in its Annual Report and also make it available for the general public including placing it on the company's website, if any, in such a manner as may be prescribed” 10

Power to make  
Rules.

**3.** The Central Government may, by notification in the Official Gazette, make rules for carrying out the purposes of this Act.

## STATEMENT OF OBJECTS AND REASONS

Social impact assessment (SIA) presents an important opportunity to draw cross-cultural encounters arising from project-based development efforts into wider procedures of engagement and negotiation that might address the imbalance in relationships between local communities, project proponents and Government. Social impact assessment helps organizations to plan better, to implement more effectively and successfully bring initiatives to scale.

Inter-organizational Committee on Principles and Guidelines for Social Impact Assessment IOCPGSIA (2003:231) defines social impacts as "the consequences to human populations of any public or private actions that alter the ways in which people live, work, play relate to one another, organize to meet their needs, and generally cope as members of society. The term also includes cultural impacts involving changes to the norms, values, and beliefs that guide and rationalize their cognition of themselves and their society." Social Impacts are both positive and negative.

Social impact assessment is not only necessary but critical. The social sector's commitment is to serve its constituents and, while their lives cannot be measured in outputs and outcomes, they are ultimately the purpose that the work should be assessed. Social Impact Assessment as a process and as a methodology has the potential to contribute greatly to the planning process of impact sector initiatives taken by the Corporate Social Responsibility, giving it more accountability.

Social Impact Assessments are instrumental in ensuring that corporates create a positive impact in the community, and information gathered as part of Social Impact Assessment exercise can be a vital interest to organizations conducting business or development projects in India. The long-term benefits of conducting Social Impact Assessment outweigh their initial costs, as positive relations with the community can lead to increased business productivity and recognition.

Hence, this Bill.

AVINASH PANDE

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 3 empowers the Central Government to make rules for carrying out the purposes of the Bill. As the rules will relate to matters of details only, the delegation of legislative power is of a normal character.

EXTRACTS FROM THE COMPANIES ACT, 2013

**135. Corporate Social Responsibility**

(1) \*\* \*\* \*\* \*\*

(2) \*\* \*\* \*\*

(3) The Corporate Social Responsibility Committee shall,—

(a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;

(b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and

(c) monitor the Corporate Social Responsibility Policy of the company from time to time.

(4) The board of every company referred to in sub-section (1) shall,—

(a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and

(b) ensure that the activities as the included in Corporate Social Responsibility Policy of the company are undertaken by the company.

RAJYA SABHA

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*(Shri Avinash Pande, M.P.)*