

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

LOK SABHA

UNSTARRED QUESTION NO. 2916

ANSWERED ON FRIDAY THE 3RD AUGUST, 2018/

SHRAVANA 12, 1940 (SAKA)

REVIEW OF CSR POLICY

QUESTION

2916. SHRI MALYADRI SRIRAM:

DR. A. SAMPATH:

**Will the Minister of CORPORATE AFFAIRS
be pleased to state:**

कारपोरेट कार्य मंत्री

- (a) whether the Government has decided to have a thorough review of the policy of Corporate Social Responsibility (CSR) of private sector/corporates and if so, the details thereof and the outcome thereof;
- (b) whether the Bajjal committee's report on CSR has not been implemented on a nation-wide basis and if so, the details thereof;
- (c) whether the CSR policy has been a failure with regard to social welfare policies and objectives and if so, the details thereof;
- (d) the total CSR funds spent in 2016-2017 across the country; and
- (e) whether the corporates have been diverting the CSR funds to the benefit of their own companies and if so, the details thereof along with the steps being taken by the Government for making the scheme more effective and result oriented?

ANSWER

**THE MINISTER OF STATE FOR LAW AND JUSTICE
AND CORPORATE AFFAIRS**

(SHRI P. P. CHAUDHARY)

**विधि और न्याय एवं कारपोरेट
कार्य मंत्रालय में राज्य मंत्री**

(श्री पी. पी. चौधरी)

(a) & (b): Every company having net worth of Rs. 500 crore or more or turnover of Rs. 1000 crore or more or net profit of Rs. 5 crore or more during the immediately preceding financial year shall ensure that company spends, in every financial year, at least 2% of the average net profits of the company made during the three immediately financial years on Corporate Social Responsibility (CSR) activities in areas or subjects specified in Schedule VII of the Companies Act, 2013 ('Act'). Further, every such

company will have a CSR Committee which will (i) formulate and recommend to the Board a CSR policy which shall indicate the activities to be undertaken by the company (ii) recommend the amount of expenditure to be incurred on such activities and (iii) monitor the CSR policy from time to time. Further, the Board of such company shall approve the CSR policy recommended by the CSR Committee and ensure that activities included in the CSR policy are undertaken by the company. Presently, there is no proposal before the Government to review the existing provisions of CSR and Schedule VII of the Act.

A High Level Committee (HLC) was set up by the Ministry of Corporate Affairs to suggest measures for monitoring the progress of implementation of CSR policies by companies. This Committee submitted its report on 22nd September, 2015. The report has been placed in the public domain on the Ministry's website (www.mca.gov.in).

Major recommendations of the Committee include, inter-alia, the following:

- It would be desirable to conduct a review of the CSR provision of the Act after three years.
- Ceiling on administrative overhead cost should be increased from 5% to not more than 10% of the CSR expenditure.
- Definition of the term “net profit” used under the Act and Rules needs to be clarified.
- Re-examination of reference to the ‘any financial year’ in Section 135 (1) of the Act with a view to making necessary amendment(s) either in Section 135 (1) or in the relevant rule.
- Board and the CSR Committee should manage and monitor their CSR at their level.
- Government should have no role to play in engaging external experts in monitoring the quality and efficiency of CSR expenditure of Companies.
- The unspent balance out of the CSR fund should be allowed to be carried forward with a sunset clause of five years, after which the unspent balance should be transferred to one of the funds listed in Schedule VII.
- An omnibus clause may be included in Schedule VII of the Act to suggest that CSR activities must be for larger public good and for any activity that serves public purpose and /or promotes the well-being of the people, with special attention to the needs of underprivileged.

- **All information related to implementation of CSR by companies including amount spent, activity undertaken, geographical area covered as reported by companies should be compiled by Ministry of Corporate Affairs and this should be placed in public domain.**

The Ministry has taken inter-alia the following actions on the recommendation of the HLC:-

- (i) Report of the HLC was referred to Company Law Committee (CLC).**
- (ii) Some of the recommendations such as definition of 'any financial year', definition of 'Net Profit' for the purpose of Section 135, were agreed to by the CLC and necessary amendments have been enacted by way of Companies (Amendment) Act, 2017.**
- (iii) A set of Frequently Asked Questions in the form of Clarificatory Circular have been issued by the Ministry on 12th January, 2016 and the same is placed in the public domain (www.mca.nic.in).**
- (iv) Information relating to CSR expenditure by companies has been collated and compiled.**

MCA launched a web portal National CSR Portal (www.csr.gov.in) for making public the information provided by companies in their filings on MCA21.

(c) to (e): Whenever, violation of CSR provisions is reported, the Registrar of Companies initiates action against such non-compliant companies after due examination of records. For the FY 2014-15, prosecution against 254 companies was sanctioned, out of which 33 companies have filed applications for compounding. In addition to this, the Ministry has established a Centralized Scrutiny and Prosecution Mechanism (CSPM) in April, 2018 from FY 2015-16 onwards on pilot basis for enforcement of CSR provisions. CSPM has been tasked to start with examination of records of top 1,000 companies mandated to spend on CSR. Based on scrutiny, preliminary notices have been issued to 272 companies. The details of state-wise CSR expenditure for the financial year 2016-17 is at Annexure.

ANNEXURE**ANNEXURE REFERRED TO IN REPLY TO LOK SABHA UNSTARRED QUESTION NO. 2916
STATE/UT-WISE CSR EXPENDITURE DURING FY 2016-17****CSR Expenditure (in Rs. Crores)**

Sl. No.	State/ UT	2016-17*
1	Andaman & Nicobar Islands	0.07
2	Andhra Pradesh	101.69
3	Arunachal Pradesh	7.98
4	Assam	38.28
5	Bihar	36.90
6	Chandigarh	4.17
7	Chhattisgarh	14.85
8	Dadar & Nagar Haveli	1.65
9	Daman & Diu	0.83
10	Delhi	229.87
11	Goa	10.54
12	Gujarat	152.04
13	Haryana	107.87
14	Himachal Pradesh	10.57
15	Jammu & Kashmir	27.83
16	Jharkhand	24.24
17	Karnataka	202.71
18	Kerala	50.94
19	Lakshadweep	0.00
20	Madhya Pradesh	213.48
21	Maharashtra	702.37
22	Manipur	6.03
23	Meghalaya	2.99
24	Mizoram	0.08
25	Nagaland	0.45
26	Odisha	191.43
27	Pondicherry	3.71
28	Punjab	20.17
29	Rajasthan	84.99
30	Sikkim	2.12
31	Tamil Nadu	202.53
32	Telangana	64.56
33	Tripura	0.60
34	Uttar Pradesh	120.34
35	Uttarakhand	30.74
36	West Bengal	121.12
37	Pan India**	1,928.26
	Grand Total	4,719.00

* Filings up to 30.11.2017 have been factored

**** Companies either did not specify the names of States or indicated more than one State where projects were undertaken.**
