

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 3625
ANSWERED ON MONDAY, DECEMBER 20, 2021/
AGRAHAYANA 29, 1943 (SAKA)**

NON-COMPLIANCE OF CSR RULES

QUESTION

3625. SHRI E.T. MOHAMMED BASHEER:

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

- (a) whether the Government has noticed that Corporate Social Responsibility (CSR) guidelines have not been strictly adhered to by all the companies, if so, the details thereof;**
- (b) whether the Government has noticed that some companies are spending CSR funds for Government schemes, if so, the details thereof; and**
- (c) whether the Government has modified the guidelines in respect of CSR spendings and if so, the details thereof?**

ANSWER

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION; MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF PLANNING AND MINISTER OF STATE IN THE MINISTRY OF CORPORATE AFFAIRS

[RAO INDERJIT SINGH]

(a): The broad framework for Corporate Social Responsibility (CSR) has been provided under Section 135 of the Companies Act, 2013 ('Act'), Schedule VII of the Act and Companies (CSR Policy) Rules, 2014. Under the Act, CSR is a Board driven process and the Board of the company is empowered to plan, decide, execute and monitor CSR activities based on the recommendations of its CSR committee. The corporate governance framework along with the existing legal provisions such as mandatory disclosures, accountability of the CSR Committee and the Board, provisions for statutory audit of accounts of the company etc. provide safeguards in this regard. Whenever any violation of CSR provisions is reported, action against such non-compliant Companies is initiated as per provisions of the Act after due examination of records and following due process of law. Earlier, CSR related defaults were compoundable offences. Now, the non-compliance of CSR provisions has been converted as a civil wrong w. e. f. 22nd January, 2021.

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(b): The Ministry vide General Circular No. 01/2016 dated 12th January, 2016 had clarified that CSR funds should not be used as a source of financing resource gaps in Government Schemes. The same has also been reiterated through Frequently Asked Questions (FAQs) on CSR issued vide General Circular no. 14/2021 dated 25.08.2021.

(c): Section 135 of the Act was amended vide Companies (Amendment) Act, 2019 and Companies (Amendment) Act, 2020. These amendments, inter-alia, provided for the transfer of unspent CSR amount and made the non-compliance of CSR provisions a civil wrong w. e. f. 22nd January, 2021. Further, Companies (CSR Policy) Rules, 2014 was also amended to strengthen the CSR eco-system by bringing more objectivity, transparency, entrusting more responsibility on the board and enhancing the disclosures by the companies.
