CSR DISCLOSURE FRAMEWORK

QUESTION

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Will the Minister of CORPORATE AFFAIRS be pleased to state:

(a) the reasons and rationale for introduction of Corporate Social Responsibility (CSR) disclosure framework;
(b) the details of the steps taken, if any, to tackle the burden of increased compliance put by the detailed CSR disclosure framework, if so, the details thereof, if not, the reasons therefor;
(c) the details of the steps taken to increase transparency and disclosures around CSR activities;
(d) whether such increased compliance will have any financial impact on recently incorporated companies coming under the ambit of MSME or startups, if so, the details thereof;
(e) whether there is an overlap on what the company is already required to disclose on its website and in the board and annual reports, if so, the details of the reasons for the overlap and the steps taken to assuage them to reduce the financial strain on companies; and
(f) whether such overlap adversely affects the ease of doing business index 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. Section 135 of the Act mandates every company including MSME and startups 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, to spend at least two per cent of the average net profits of the company made over immediately preceding three financial years towards CSR as per the CSR Policy of the Company.

Contd.....2/-
Under the Act, CSR is a Board driven process and the Board of the company is empowered to plan, decide, execute and monitor the CSR activities of the company based on the recommendation of its CSR committee. The CSR framework is disclosure based and CSR mandated companies are required to file details of CSR activities annually in MCA21 registry. The CSR disclosures are essential as the Government monitors the compliance of CSR provisions through the disclosures made by the companies in the MCA 21 portal. The CSR disclosures are also essential for compliance of legal requirement of the Act driving accountability & transparency and developing a data base on CSR for the benefit of different stakeholders including general public.

(b) to (d): It is imperative that reporting of CSR activities be holistic and granular capturing requisite details. At the same time, it is also essential that the disclosures are technology driven as technology based assessments such as machine readable disclosure format not only ease the burden of compliance on the companies but also facilitate monitoring of such compliances for the regulators. Recently, the reporting for CSR has been strengthened with enhanced disclosures with respect to selection of projects, locations, implementing agencies etc. to facilitate better monitoring, greater transparency and information dissemination. The Ministry had launched a National CSR Data Portal in 2018 to bring transparency through wider dissemination of information on CSR to public at large. All data related to CSR as filed by companies in MCA21 registry is available in public domain and can be accessed at www.csr.gov.in.

Section 135 of the Act was amended vide the Companies (Amendment) Act, 2019 and the Companies (Amendment) Act, 2020. These amendments 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 which have strengthened the CSR eco-system by bringing more objectivity, transparency, entrusting more responsibility on the board and enhancing the disclosures by the companies. In order to reduce the financial burden on companies, the amendments also allow the companies to spend 5% of their CSR expenditure on administrative overheads and another 5% if company undertakes any impact assessment of their CSR projects. Further, to ease the burden of CSR compliances on small companies, the companies having CSR obligation below Rs. 50 lakhs are exempted from constituting a CSR Committee.

(e) & (f): Under the Act, the details of CSR activities are required to be reported by all companies in the ‘Annual Report on CSR’ which is part of the Company's Board Report. The Board’s Report including Annual Report on CSR is an important tool of communication by the Board of a company to its shareholders. Further, those companies who have their websites are required to make disclosures such as composition of CSR Committee, CSR Policy and CSR projects approved by Board on their website for public access and transparency.

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