

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 169
ANSWERED ON MONDAY, JULY 22, 2024/ASHADHA 31, 1946 (SAKA)**

Mandatory Spending of CSR Fund

QUESTION

169. SHRI HANUMAN BENIWAL:

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) Whether only directive provisions have been made at present to spend the CSR funds of the companies on the development work of its area of operation;**
- (b) Whether the Government proposes to formulate any mandatory provision making it necessary to spent the CSR funds of the companies in Gas, Refinery, Cement and Mining sector only in their areas of operation;**
- (c) If so, the details thereof along with timeline and if not, the reasons therefor;**
- (d) Whether the Government has received any complaints regarding forged expenditure or non-utilisation of CSR fund and if so, the details of the companies against which such complaints have been received; and**
- (e) The action taken by the Government thereon?**

ANSWER

MINISTER OF STATE IN THE MINISTRY OF CORPORATE AFFAIRS AND MINISTER OF STATE IN THE MINISTRY OF ROAD TRANSPORT AND HIGHWAYS

[SHRI HARSH MALHOTRA]

(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 of the company based on the recommendation of its CSR Committee. The Government does not issue any specific direction to the companies to spend in any particular geographical area or activity.

Section 135 (5) of the Act provides that the company shall give preference to the local area and areas around where it operates. However, in order to ensure an all India spread of CSR expenditure, the emphasis on local area is only directory and not mandatory in nature and companies need to balance local area preference with national priorities. It has been further clarified that the activities mentioned in Schedule VII are broad based and can be interpreted liberally.

(b) & (c): There is no such proposal.

(d) & (e): The CSR framework is disclosure based and expenditure on CSR activities is required to be audited by the statutory auditors of the company. Further, Ministry has notified the Companies (Auditor's Report) Order, 2020, ("CARO, 2020") applicable from FY 2021-22 which requires auditors to state details of any unspent CSR amount.

The Board of the company is also required to disclose the CSR Policy implemented by the company in its Board report. Under Rule 4(5) of the Companies (CSR Policy) Rules, 2014 the Board of the company has to satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it, and the Chief Financial Officer or the person responsible for financial management shall certify to the effect. Thus, 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 adequate safeguards for CSR activities implemented by the companies.

The CSR related disclosures are filed by the companies in the MCA 21 portal. Whenever 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.
