

**GOVERNMENT OF INDIA  
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA  
STARRED QUESTION NO. 192  
ANSWERED ON MONDAY, DECEMBER 09, 2024/ AGRAHAYANA 18, 1946 (SAKA)**

**TRANSPARENCY IN ALLOCATION OF CSR FUNDS  
QUESTION**

**\*192. Shri Sukhjinder Singh Randhawa:**

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

- (a) whether transparency is not being maintained by the companies in allocation of CSR funds;**
- (b) if so, the steps being taken or likely to be taken by the Government to enhance transparency and accuracy in the said work;**
- (c) whether discriminatory practices are being witnessed in allocation of CSR funds by the companies;**
- (d) if so, the corrective measures taken/likely to be taken by the Government in this regard;**
- (e) whether the Government proposes to set up any mechanism to monitor the CSR activities; and**
- (f) if so, the time by which it is likely to be set up and if not, the reasons therefor?**

**ANSWER**

**THE MINISTER OF FINANCE AND CORPORATE AFFAIRS  
(SHRIMATI NIRMALA SITHARAMAN)**

**(a) to (f): A Statement is laid on the Table of the House.**

\*\*\*\*\*

**STATEMENT REFERRED TO IN REPLY TO PART (a) to (f) OF LOK SABHA STARRED QUESTION NO. 192 (12<sup>th</sup> POSITION) FOR 09<sup>th</sup> DECEMBER, 2024 REGARDING 'TRANSPARENCY IN ALLOCATION OF CSR FUNDS'.**

**(a) & (b): There is no provision for allocation of funds under CSR framework. The legal 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 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.**

**Under the Act, every CSR mandated company has to constitute a CSR Committee. Further, Section 135(9) provides that the companies having CSR obligation below Rs. 50 lakhs are exempted from constituting a CSR Committee. The Committee shall formulate and recommend the CSR policy and the Board of the company plans, decides, executes and monitors the CSR activities of the company based on its recommendations. Section 135 (3) & (4) of the Companies Act, 2013, empower the CSR Committee and Board of the company to take decisions regarding distribution of their Corporate Social Responsibility (CSR) funds for items listed in Schedule VII of the Act.**

**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. Thus, the CSR framework provides adequate transparency in CSR spending by the Companies.**

**The Board of the company is required to disclose the CSR Policy implemented by the company in its Board report and 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. Further, in case of ongoing project, the Board of a Company shall monitor the implementation of the project with reference to the approved timelines and year-wise allocation and shall be competent to make modifications, if any, for smooth implementation of the project within the overall permissible time period. The details of CSR activities, Impact Assessment etc. are required to be reported by the companies in the 'Annual Report on CSR' including annual action plan on CSR which is part of the Company's Board Report. The CSR framework is disclosure based and expenditure on CSR activities is required to be audited by the statutory auditors of the company. The 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 Government does not issue any direction on which activity or area Company shall spend.**

**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 transparency and accuracy of CSR activities implemented by the companies.**

**(c) & (d): Section 135 (3) & (4) of the Companies Act, 2013, empower the CSR Committee and Board of the company to take decisions regarding distribution of their Corporate Social Responsibility (CSR) funds for items listed in Schedule VII of the Act. Rule 4 of the Companies (CSR Policy) Rules, 2014 prescribes that the Board of the company is empowered to undertake its CSR activities either by itself or through Implementing Agencies as prescribed in the said rule. As CSR activity is undertaken, managed and monitored by a Corporate, the Government does not issue specific directives to the companies regarding spending in any particular geographical area or activity. Furthermore, 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.**

**(e) & (f): Under CSR legal framework, every CSR mandated company as mentioned under section 135(1) is obligated to comply with the CSR provisions. As of now, there is no proposal for any new mechanism.**

\*\*\*\*\*