

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 1041
ANSWERED ON MONDAY, DECEMBER 02, 2024
AGRAHAYANA 11, 1946 (SAKA)**

STANDARD PROTOCOL FOR NGOs RECEIVING CSR FUNDS

QUESTION

1041. SHRI HIBI EDEN:

Will the Minister of CORPORATE AFFAIRS be pleased to state:

(a) whether the Government plans to establish criteria or a standard protocol for NGOs receiving Corporate Social Responsibility (CSR) funds to avoid bias in beneficiary selection and ensure that CSR benefits reach the most deserving sections of the society and if so, the details thereof and if not, the reasons therefor;

(b) whether the Government is aware of instances where NGOs and organizations funded by CSR contributions have selected beneficiaries for CSR projects without any transparent, equitable, or effective selection process and if so, the details thereof and if not, the reasons therefor;

(c) whether the Government proposes to issue guidelines to ensure that NGOs and organizations receiving CSR funds follow a fair and transparent selection process for beneficiaries, adhering to principles of equality and inclusiveness; and

(d) if so, the details thereof and if not, the reasons therefor?

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) to (d): 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. Under the Act, every CSR mandated company has to constitute a CSR Committee comprising three or more directors, out of which at least one director shall be an independent director. 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 of the Act read with Rule 4(1) of the Companies (CSR Policy) Rules, 2014 prescribes that the Board of the company is empowered to undertake its CSR activities either by the Company itself or through: -

- i. A company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961 (43 of 1961), which is -**

- established by the company, either singly or along with any other company;
 - or
 - having an established track record of at least three years in undertaking similar activities
- ii. A company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government;
 - or
 - iii. Any entity established under an Act of Parliament or a State legislature.

The registration of above entities with the Central Government has been made mandatory w.e.f 1st April, 2021.

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 all the companies in the 'Annual Report on CSR' including annual action plan on CSR which is part of the Company's Board Report. 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. 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 CSR activities implemented by the companies. 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.
