

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 1743
ANSWERED ON Monday, March 10, 2024**

Influence of Large Corporate Houses on Policy Decisions

1743. Shri K Radhakrishnan:

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

- (a) the measures taken/being taken to strengthen corporate governance and prevent fraud in large corporations, particularly in the light of recent financial scandals;**
- (b) whether the Government is considering strict Corporate Social Responsibility (CSR) regulations to ensure that companies contribute meaningfully to social welfare; and**
- (c) if so, the details thereof?**

ANSWER

Minister of State in the Ministry of Corporate Affairs; Minister of State in the Ministry of Road Transport and Highways.

(Shri Harsh Malhotra)

(a): The Companies Act, 2013 (Act) and Rules made thereunder contain adequate provisions for strengthening corporate governance and transparency in the management of companies, including large corporations. It provides for accountability for management of companies through key managerial personnel, Board of directors and shareholders. The Act & Rules require companies to maintain books of account, various returns and registers etc in the prescribed form and keep them at their registered offices. Compliances with applicable accounting standards has also been mandated under the Act. The companies are also required to forward notices for the general meetings along with explanatory statements as well as other attachments for information and decision making by the shareholders. Annual financial statements are also required to be forwarded to shareholders. In addition, the companies are required to file various documents, copies of resolutions, returns etc with the Registrar. The disclosures in the Board's report including on risk management, financial statements and annual returns have also been mandated to ensure that every relevant information is available to the stakeholders as well as in the Registry. Accordingly, whenever any

irregularity in financials of the Companies is reported, regulatory action under Companies Act, 2013 is taken.

(b) & (c): The legal framework for Corporate Social Responsibility (CSR) has been provided through Section 135 of the Companies Act, 2013 ('Act'), Schedule VII of the Act and Companies (CSR Policy) Rules, 2014. Schedule VII of the Act indicates the eligible list of activities that can be undertaken by the companies as CSR. The CSR mandated companies can undertake any of the activities mentioned in Schedule VII subject to fulfilment of provisions as contained in 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 CSR framework is disclosure based and companies are required to file details of CSR activities annually in the MCA21 registry. The CSR mandated companies are required to provide information in their Annual Financial Statement regarding the amount of expenditure incurred on CSR activities. The Ministry has also 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 details of CSR activities, Impact Assessment etc. is to be reported by the companies in the 'Annual Report on CSR' including an annual action plan 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. Whenever any violation of CSR provisions is reported, that is dealt as per provisions of the Act after due examination of records and following due process of law. 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, filing of forms etc. provide an adequate mechanism for effective use of CSR fund/activity and enhance transparency on the part of Companies.
