



## HUMAN RIGHTS LAW ALERT

### New Corporate Social Responsibility Rules – An Opportunity for NGOs

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The “Corporate Social Responsibility” (“CSR”) provision of The Companies Act, 2013, contained in §135 of the Act, requires companies having a certain net worth to create a CSR committee for the purpose of formulating a CSR policy and undertaking activities in promotion thereof. Some examples of CSR projects include activities to eradicate hunger and poverty, to promote education and gender equality, and to ensure environmental sustainability. This CSR provision and accompanying rules may make Indian companies more receptive to funding and otherwise working with NGOs focused on these issues.

The Central Government recently enacted The Companies (Corporate Social Responsibility Policy) Rules, effective as of April 1, 2014, in furtherance of §135 of the Act. The Rules specify that foreign companies are also subject to this provision and set forth the manner of computing the net worth of a foreign company for purposes of §135 of the Act. The Rules further state that any company ceasing to meet the net worth requirement for three consecutive years will no longer be subject to this provision.

The Rules explain that a company is permitted to undertake its CSR activities through a registered trust or other entity established by the company for this purpose, so long as certain requirements are satisfied. A company is also permitted to collaborate with other companies for undertaking CSR activities, so long as the respective CSR committees for each company can make separate reports in accordance with the Rules. Making contributions to political parties is not considered CSR activity.

The Rules specify that the stated CSR Policy of a company must include: (1) a list of CSR projects that the company plans to undertake, with the requirement that all projects fall within the purview of Schedule VII of the Companies Act, and (2) the monitoring process for such projects. The CSR Policy must further specify that any surplus arising out of CSR projects shall not be included in the business profit of the company.

Finally, the Rules require a company to file an annual report of its CSR activities in the format specified therein.

For more information about the CSR Rules contact the Justice Ventures International Project at [info@justiceventures.org](mailto:info@justiceventures.org).

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