

## **Accountability of non-executive directors for CSR non-compliances**

Two Indian companies have recently been levied with penalties for their failure to comply with the Corporate Social Responsibility (“**CSR**”) provisions of the Companies Act, 2013 (“**CA 2013**”). The registrar of companies (“**ROC**”) has taken a stance, imposing penalties on the companies and holding their directors (including non-executive directors) accountable.

In both instances, the ROC upon examining the compounding applications filed by the underlying companies, levied penalties on the company and each director (irrespective of the director holding a non-executive position). While levying penalties, the ROC emphasized that compliance with the CSR obligations is a board of directors (“**Board**”) driven process i.e., it is the responsibility of the Board to comply with the CSR provisions, irrespective of the directors' role or position (as the law does not make any distinction or segregation in this regard). It also relied on the *Frequently Asked Questions on Corporate Social Responsibility (CSR)* (issued vide General Circular 14/2021 dated August 25, 2021) to support its reasoning that the responsibility of ensuring compliance with the CSR provisions is on the entire Board (which would include the non-executive directors).

These cases highlight the importance of CSR in corporate practices and specifically brings out the responsibility of the Board to fulfil its CSR commitments under the CA 2013. Given that the CSR provisions aim to encourage businesses to actively contribute to the welfare of society and address pressing social issues, the decisions taken by the ROC highlight a new trend being adopted vis-à-vis non-executive directors' accountability in CSR compliances. The penalties imposed serve as a reminder to the Board of the consequences of negligence and reinforce the significance of its role in promoting responsible business practices.

## Corporate Practice

JSA's corporate practice is centered around transactional and legal advisory services including day-to-day business, regulatory issues, corporate and governance affairs. We have an expert team of attorneys who advise on legal issues concerning inbound and outbound investments, strategic alliances, collaborations and corporate restructurings. We advise clients through all stages of complex and marquee assignments including restructuring, mergers and acquisitions (including those in the public space) to private equity and joint ventures. Our vast clientele includes multinational corporations and large Indian businesses in private, public and joint sector. We work closely with in-house counsel teams, investment banks, consulting and accounting firms along with multilateral agencies and policy making institutions on development of policy and legal frameworks. We provide assistance and counsel to start-ups and venture backed companies by drawing upon our in-depth understanding of how companies are incorporated, financed and grown. With an in-depth understanding of the industry combined with years of expertise, our attorneys provide innovative and constructive solutions to clients in complex transactional engagements. We emphasize teamwork across our wide network of offices across India. This allows us to benefit from the various specialisations available for the ultimate benefit of our clients. We also provide assistance in dealing with diverse corporate governance and compliance issues including FCPA /Anti-Bribery/Anti-Corruption matters and investigations.

### This Prism has been prepared by:



**Anirudh Kapoor**  
Partner



**Sanjay Chopra**  
Company Secretary



17 Practices and  
24 Ranked Lawyers



16 Practices and  
11 Ranked Lawyers



7 Practices and  
2 Ranked Lawyers



11 Practices and  
39 Ranked Partners  
**IFLR1000 APAC  
Rankings 2022**

-----  
Banking & Finance Team  
of the Year

-----  
Fintech Team of the Year

-----  
Restructuring & Insolvency  
Team of the Year



Among Top 7 Best Overall  
Law Firms in India and  
9 Ranked Practices

-----  
11 winning Deals in  
IBLJ Deals of the Year

-----  
10 A List Lawyers in  
IBLJ Top 100 Lawyer List



Banking & Financial Services  
Law Firm of the Year 2022

-----  
Dispute Resolution Law  
Firm of the Year 2022

-----  
Equity Market Deal of the  
Year (Premium) 2022

-----  
Energy Law Firm of the  
Year 2021



**Ranked #1**  
**The Vahura Best Law Firms to**  
**Work Report, 2022**

-----  
Top 10 Best Law Firms for  
Women in 2022

For more details, please contact [km@jsalaw.com](mailto:km@jsalaw.com)

[www.jsalaw.com](http://www.jsalaw.com)



Ahmedabad | Bengaluru | Chennai | Gurugram | Hyderabad | Mumbai | New Delhi



This prism is not an advertisement or any form of solicitation and should not be construed as such. This prism has been prepared for general information purposes only. Nothing in this prism constitutes professional advice or a legal opinion. You should obtain appropriate professional advice before making any business, legal or other decisions. JSA and the authors of this prism disclaim all and any liability to any person who takes any decision based on this publication.