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Settlement of CSR Project Disputes via Mediation – Scope and Limitations

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Abstract

Corporate Social Responsibility (CSR) in India has undergone a significant transformation with the enactment of Section 135 of the Companies Act, 2013, making CSR expenditure mandatory for eligible companies. This statutory framework has resulted in large-scale implementation of CSR projects across diverse sectors such as education, healthcare, environment, and rural development. However, the multi-stakeholder nature of CSR initiatives—including corporates, non-governmental organisations, implementing agencies, local communities, and government authorities—often leads to disputes. These conflicts may stem from mismanagement of funds, deviation from project objectives, delays in execution, or dissatisfaction among beneficiaries.

Conventional dispute resolution mechanisms like litigation or arbitration are often unsuitable for CSR disputes. Litigation is time-consuming, adversarial, and may adversely affect the company's public image, while arbitration, although private, can be expensive and less flexible in addressing community concerns. Mediation, with its emphasis on collaboration, confidentiality, and preserving relationships, offers a more suitable approach for CSR-related conflicts. The recent enactment of the Mediation Act, 2023, provides a formal legislative framework for mediation in India, potentially opening new avenues for resolving CSR disputes efficiently.

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This paper examines the scope of mediation in CSR disputes by analysing the legal framework, stakeholder perspectives, and practical advantages. It also critically evaluates the limitations, including enforceability issues, low awareness among stakeholders, and challenges in mediating disputes involving non-contractual community groups. Comparative insights from other jurisdictions are explored to identify best practices. The study proposes a tailored framework for adopting mediation in CSR project disputes, ensuring that social objectives are not compromised by unresolved conflicts.

Key Words: Corporate Social Responsibility (CSR), Mediation, Companies Act, 2013, Dispute Resolution, Stakeholder Engagement

Introduction

Corporate Social Responsibility (CSR) has evolved from being a voluntary philanthropic activity to a statutory obligation in India. The introduction of Section 135 of the Companies Act, 2013, along with the Companies (Corporate Social Responsibility Policy) Rules, 2014, marked a paradigm shift by making CSR spending mandatory for companies meeting specified financial thresholds. Under this framework, qualifying companies are required to spend at least 2% of their average net profits from the preceding three years on CSR activities such as education, healthcare, environmental sustainability, rural development, and other notified causes. This legislative move reflects an intent to integrate social responsibility into corporate governance and to ensure that business growth is aligned with sustainable and inclusive development.

However, while the CSR mandate has expanded the scope and scale of social impact projects across India, it has also given rise to a unique set of disputes. CSR projects typically involve multiple stakeholders—corporate entities, non-governmental organisations (NGOs), implementing agencies, community groups, and sometimes local or state authorities. Disagreements may arise over fund utilisation, deviations from agreed deliverables, delays in execution, differing interpretations of project objectives, and dissatisfaction from beneficiary communities. In certain cases, disputes also stem from conflicts between a company's CSR vision and the ground realities faced by implementing agencies.

Traditionally, disputes in CSR projects have been either ignored, informally resolved, or escalated into litigation or arbitration when contractual relationships are involved. Litigation, however, is often protracted, adversarial, and may damage the reputation of a company committed to social good. Arbitration, while more flexible, may still be costly and not necessarily preserving relationships. In contrast, mediation offers an alternative approach that is collaborative, confidential, and focused on restoring trust between stakeholders.

Mediation, as defined in the Mediation Act 2023, is a structured process in which a neutral third party assists the disputing parties in reaching a mutually acceptable settlement. Its non-adversarial nature makes it particularly suitable for CSR disputes, where ongoing relationships, community goodwill, and project continuity are important considerations. Through mediation, parties can discuss their grievances openly, explore creative solutions, and arrive at outcomes that are both legally and socially acceptable.

Despite these advantages, the application of mediation to CSR disputes remains relatively underexplored in India. There is limited awareness among corporates and NGOs about how mediation can be used in this context. Furthermore, the enforceability of mediated settlements, especially when they involve non-contractual community stakeholders, can be complex. Questions also arise regarding the voluntary nature of CSR spending and whether disputes related to such obligations fall squarely within the ambit of formal mediation frameworks.

Against this backdrop, this paper seeks to examine the scope of mediation in resolving CSR project disputes and to critically assess its limitations. The analysis will include a review of existing legal provisions, case examples, stakeholder perspectives, and comparative practices from other jurisdictions. Ultimately, the objective is to propose a practical and legally sound framework that enables mediation to function as an effective tool for CSR dispute resolution, thereby ensuring that the social objectives of CSR initiatives are met without being derailed by avoidable conflicts.

Corporate Social Responsibility in India: Legal and Policy Framework

Corporate Social Responsibility (CSR) in India has evolved from being a philanthropic activity to a statutory mandate aimed at integrating social, environmental, and ethical considerations into corporate functioning. Prior to legislative intervention, CSR in India was primarily voluntary, guided by company policies or philanthropic traditions of business houses such as the Tata Group, Birla Group, and Infosys Foundation. However, the absence of uniformity, accountability, and transparency in CSR activities led policymakers to incorporate CSR obligations into the corporate regulatory framework.

The landmark shift occurred with the enactment of the Companies Act, 2013, particularly Section 135 and the Companies (Corporate Social Responsibility Policy) Rules, 2014. This made India the first country in the world to mandate CSR spending for companies meeting certain financial thresholds. Under Section 135, CSR obligations apply to companies having:

- Net worth of ₹500 crore or more, or
- Turnover of ₹1,000 crore or more, or
- Net profit of ₹5 crore or more during any financial year.

Such companies are required to constitute a CSR Committee comprising at least three directors (including one independent director) to formulate, recommend, and oversee CSR policies. The Act mandates an annual CSR expenditure of at least 2% of the average net profits of the three preceding financial years.

Permissible CSR activities, listed in Schedule VII of the Act, include projects related to eradicating hunger and poverty, promoting education, gender equality, environmental sustainability, protection of national heritage, measures for armed forces veterans, rural development, disaster management, and contributions to government funds for socio-economic development. Importantly, CSR projects must be undertaken in India, and activities benefitting employees exclusively are excluded from qualifying as CSR.

The CSR Rules were amended in 2021 to introduce greater compliance requirements. Notably:

- **Mandatory spending**: Any unspent CSR amount relating to ongoing projects must be transferred to a special "Unspent CSR Account" within 30 days from the end of the financial year and utilised within three years. Failing this, the unspent amount must be transferred to a Fund specified in Schedule VII.
- **Impact assessment**: Companies with an average CSR obligation of ₹10 crore or more in the three preceding financial years must conduct an impact assessment of certain projects through an independent agency.

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- **Penal provisions**: Non-compliance attracts monetary penalties for both the company and its officers.

From a policy perspective, CSR in India reflects a blend of voluntary spirit and legal compulsion. The statutory framework is intended to promote accountability, transparency, and measurable social impact. The Ministry of Corporate Affairs (MCA) plays a key role in issuing clarifications, monitoring disclosures through CSR reporting formats, and ensuring compliance. Additionally, sector-specific regulators like SEBI have incorporated CSR disclosure requirements for listed companies as part of broader Environmental, Social, and Governance (ESG) norms.

In conclusion, the Indian CSR framework is a pioneering model that marries corporate governance principles with sustainable development goals. However, the complex multi-stakeholder environment in CSR project implementation often leads to disputes, highlighting the need for structured dispute resolution mechanisms such as mediation to preserve the social objectives while resolving conflicts efficiently.

Nature and Causes of CSR Project Disputes

Corporate Social Responsibility (CSR) projects, while designed to promote social welfare, inherently involve multiple stakeholders with diverse interests, expectations, and priorities. These include funding corporate entities, implementing agencies (such as NGOs or social enterprises), local communities, government authorities, and, in some cases, independent auditors or consultants. The collaborative nature of CSR initiatives, coupled with the statutory obligations under the Companies Act, 2013, often creates a complex operational environment in which disputes can arise.

Nature of CSR Disputes

CSR disputes are typically non-commercial in their primary objective but can have significant financial, reputational, and legal implications. They often involve:

- **Contractual disagreements** between companies and implementing agencies over terms of project execution.
- **Community grievances** about unmet promises, substandard project delivery, or lack of consultation.

- **Regulatory compliance disputes**, especially when CSR activities fail to meet the legal definitions under Schedule VII of the Companies Act, 2013.
- **Internal corporate disputes** between the CSR committee, management, and other business units regarding allocation, approval, and monitoring of funds.
- **Disputes over impact assessment results**, especially when independent evaluations contradict corporate reporting.

While many disputes may not initially be framed in strictly legal terms, they can escalate into litigation, arbitration, or regulatory proceedings if unresolved, potentially derailing the intended social benefits.

Common Causes of CSR Disputes

1. **Ambiguity in Agreements**
   Many CSR partnerships rely on Memoranda of Understanding (MoUs) or grant agreements that lack detailed dispute resolution clauses, performance metrics, or monitoring frameworks. This ambiguity can lead to conflicting interpretations of roles, responsibilities, and deliverables.
2. **Divergent Stakeholder Expectations**
   Corporates may prioritise brand visibility and measurable outcomes, while NGOs or community groups may focus on long-term capacity building or less tangible social change. Misalignment of goals often fuels disagreements.
3. **Funding and Resource Allocation Issues**
   Delays in disbursing funds, partial payments, or disputes over permissible expenditure categories can create friction between funders and implementers.
4. **Regulatory and Compliance Failures**
   CSR projects that do not strictly conform to Schedule VII activities or fail to meet reporting obligations may attract scrutiny from regulators or shareholders, leading to disputes over accountability.
5. **Cultural and Social Sensitivities**
   Projects implemented without adequate local consultation may face resistance from the community, especially when they conflict with traditional practices or land-use patterns.

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6. **Impact Assessment Discrepancies**
   Independent audits or impact assessments may reveal shortcomings in project execution, causing disputes over accuracy, methodology, or interpretation of findings.
7. **Operational Challenges**
   Logistical delays, natural calamities, or political interference can impede project timelines, prompting accusations of non-performance.

Implications of CSR Disputes

Unresolved CSR disputes can lead to:

- Loss of trust between stakeholders.
- Negative media coverage and reputational harm to corporates.
- Wastage of financial resources without achieving intended social impact.
- Potential penalties for non-compliance under the Companies Act, 2013.

Given these risks, there is a growing recognition of the need for alternative dispute resolution (ADR) mechanisms—especially mediation—that can address the unique blend of contractual, community, and compliance issues inherent in CSR projects while preserving relationships and ensuring project continuity.

Mediation as a Dispute Resolution Mechanism in CSR Disputes

Corporate Social Responsibility (CSR) projects in India, mandated under Section 135 of the Companies Act, 2013 and governed by the Companies (CSR Policy) Rules, 2014, involve collaborations between companies, implementing agencies, NGOs, and community stakeholders. These multi-stakeholder engagements often give rise to disputes relating to project implementation, fund utilisation, compliance reporting, and benefit-sharing. Given CSR's developmental and public interest orientation, adversarial proceedings like litigation or arbitration often prove counterproductive—diverting time, funds, and goodwill away from the intended beneficiaries. Mediation emerges as a more suitable, interest-based dispute resolution mechanism.

Why Mediation Fits CSR Disputes

1. **Alignment with CSR Objectives –** CSR aims at social welfare, community engagement, and sustainable development. Mediation, by fostering dialogue and collaboration, reinforces these values instead of creating rifts.
2. **Preservation of Relationships –** CSR projects often run for years and involve ongoing interaction between corporates and communities. Mediation ensures disputes are resolved without damaging long-term partnerships.
3. **Flexibility in Outcomes –** Unlike litigation, mediation can produce non-monetary solutions such as project redesign, additional capacity-building, or reallocation of resources—outcomes particularly relevant for CSR contexts.

Legal Provisions Supporting Mediation in CSR Disputes

1. **Companies Act, 2013 –**
   - **Section 135**: Mandates CSR expenditure and reporting. Disputes arising from non-compliance, misreporting, or stakeholder dissatisfaction can be mediated before escalating to regulatory action.
   - **Section 166**: Directors' duties to act in good faith towards stakeholders provide a legal backdrop for negotiated settlements.
2. **Mediation Act, 2023 –**
   - **Section 5**: Allows both institutional and community mediation, opening doors for CSR disputes involving local populations.
   - **Section 18**: Gives mediated settlement agreements the status of enforceable legal instruments, crucial for CSR agreements.
   - **Pre-litigation Mediation (Section 5(2))**: Encourages resolving disputes before approaching courts, preventing delays in CSR project execution.
3. **Code of Civil Procedure, 1908 (Section 89) –** Provides for court-referred mediation, which can be applied if CSR disputes reach a legal forum.
4. **SEBI (LODR) Regulations, 2015 –** Though not directly mandating mediation, these stress stakeholder engagement and grievance redressal, supporting mediation's role in reputation management for listed companies.

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Common CSR Dispute Scenarios for Mediation

- Disagreements between companies and NGOs over fund utilisation.
- Community objections to project implementation or environmental impacts.
- Delays or deviations from approved CSR plans.
- Misunderstandings about scope, timelines, or measurable outcomes.

Challenges Specific to CSR Mediation

- **Non-contractual Stakeholders**: Many community beneficiaries are not formal parties to CSR contracts, complicating enforceability.
- **Power Imbalances**: Corporates often have greater bargaining power; mediators must actively manage fairness.
- **Regulatory Overlap**: Some disputes may also trigger investigation by the Ministry of Corporate Affairs (MCA), limiting mediation's scope.

Mediation offers CSR stakeholders a legally recognised, confidential, and relationship-preserving pathway to resolve disputes. The Mediation Act, 2023 strengthens its enforceability, while provisions under the Companies Act, 2013 create a regulatory environment conducive to negotiated settlements. However, effective application requires trained mediators familiar with CSR law, processes for including community voices, and proactive corporate policies integrating mediation into CSR governance.

Advantages of Mediation in CSR Contexts

Mediation holds unique promise in the resolution of disputes arising in the Corporate Social Responsibility (CSR) domain. Its collaborative, non-adversarial nature complements the developmental and community-centric objectives of CSR projects mandated under Section 135 of the Companies Act, 2013.

a. Preservation of Relationships and Goodwill

CSR disputes often involve long-term partnerships between corporates, NGOs, local communities, and governmental authorities. Litigation or arbitration can strain these relationships irreparably. Mediation fosters open dialogue, enabling parties to rebuild trust while working towards a mutually acceptable solution. For example, if a CSR project in rural healthcare stalls due to

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disagreements over fund utilisation, mediation allows the corporate and implementing NGO to renegotiate timelines and priorities without publicly airing grievances.

b. Flexibility of Outcomes

Unlike court judgments or arbitral awards, mediated settlements can include innovative, non-monetary solutions tailored to the unique social objectives of CSR projects. Possible outcomes may include:

- Realignment of project goals
- Rescheduling timelines to address community concerns
- Additional capacity-building measures for local implementers Such flexibility ensures that the original intent of CSR—public welfare—is not lost in procedural rigidity.

c. Cost and Time Efficiency

The Mediation Act, 2023, emphasises speed and affordability, two critical factors in CSR work. Protracted disputes can cause project delays, leading to regulatory non-compliance and missed social impact opportunities. Mediation, being less formal and faster, reduces both direct legal costs and indirect losses from stalled implementation.

d. Confidentiality and Reputation Management

CSR disputes, if made public, can damage a company's reputation and erode community trust. Under Section 22 of the Mediation Act, 2023, mediation proceedings are confidential, allowing parties to resolve issues discreetly. This is particularly valuable for listed companies subject to SEBI's LODR Regulations, where public perception can affect market valuation.

e. Community-Centric Resolution

The Mediation Act provides for community mediation (Sections 43–48), which allows disputes involving community stakeholders to be resolved in a participatory manner. This approach aligns perfectly with CSR, where the primary beneficiaries are communities that may lack direct legal standing but whose voices are critical to project success.

f. Regulatory Alignment and Compliance Support

Mediation can help parties resolve disputes before they escalate into regulatory breaches under the Companies Act. For example, if a CSR project deviates from approved activities listed under

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Schedule VII, mediation can facilitate corrective action before the Ministry of Corporate Affairs imposes penalties.

Limitations and Challenges in Using Mediation for CSR Disputes

While mediation offers significant advantages in the CSR context, its application is not without limitations. These challenges are both legal and practical, arising from the unique nature of CSR obligations, stakeholder diversity, and regulatory oversight.

a. Absence of Mandatory Mediation in CSR Disputes

Although the Mediation Act, 2023 provides a legal framework, there is no statutory mandate requiring mediation for CSR-related disputes. Unless parties have contractually agreed to mediation in their CSR partnership agreements or MoUs, initiating the process depends on voluntary consent, which may not be forthcoming when relationships have already deteriorated.

b. Non-Contractual Stakeholders and Enforceability Issues

A large portion of CSR disputes involves beneficiaries or local communities who are not formal parties to the CSR agreement between a company and its implementing agency. While the Mediation Act recognises settlements as binding (Section 18), enforceability becomes problematic when one or more parties to the dispute were never signatories to a formal contract. In such cases, even after mediation, legal enforceability against non-contractual stakeholders remains unclear.

c. Power Imbalances Between Parties

Corporates, with their financial resources and legal teams, often have greater bargaining power compared to NGOs or community groups. Without safeguards, this imbalance could result in mediated outcomes that appear consensual but are substantively unfair. Mediators in CSR disputes must be trained to actively manage such asymmetry, a requirement not yet institutionalised in India.

d. Limited Awareness and Acceptance Among Stakeholders

While mediation is gaining traction in commercial disputes, awareness of its applicability in CSR contexts remains low. Many NGOs and community organisations are unfamiliar with mediation procedures or distrust them, perceiving them as biased towards corporates. This cultural and informational gap can make it difficult to initiate the process.

e. Overlap with Regulatory or Criminal Investigations

Some CSR disputes involve allegations of fund misappropriation or violations of the Companies Act, which may trigger Ministry of Corporate Affairs inquiries or even criminal proceedings under the **Indian Penal Code** (e.g., cheating, breach of trust). In such cases, mediation may have limited scope, as regulatory or criminal processes cannot be contracted away through private settlement.

f. Lack of Specialised Mediators for CSR Contexts

CSR disputes require mediators with not only dispute resolution skills but also familiarity with corporate governance, regulatory compliance, and community development practices. At present, India has no dedicated panel of CSR-trained mediators. Without sector-specific expertise, mediators may struggle to craft solutions that are legally sound and socially relevant.

g. Risk of Delay in Urgent Matters

Although mediation is generally faster than litigation, it still requires the cooperation of all parties. In urgent situations—such as when a stalled CSR project is tied to seasonal agricultural cycles—protracted negotiations, even in mediation, can lead to missed opportunities for social impact.

h. Perception of Mediation as Non-Binding or "Soft"

Despite statutory backing under the Mediation Act, mediation still suffers from a perception problem in India, where stakeholders may view it as a "soft" process without teeth. This perception can discourage parties from investing serious effort into negotiations, particularly if one side believes it can achieve a better outcome through litigation.

The advantages of mediation in CSR contexts—relationship preservation, flexibility, cost-effectiveness, confidentiality, and community engagement—make it a powerful tool for resolving disputes without undermining the social objectives of CSR. However, its successful application faces significant barriers, including lack of mandatory frameworks, enforceability issues with non-contractual parties, power imbalances, and low awareness among stakeholders.

Overcoming these challenges will require:

- Embedding mediation clauses in CSR agreements
- Training specialized mediators in CSR law and community engagement
- Conduct awareness programs for NGOs and local communities

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- Encouraging the Ministry of Corporate Affairs to promote mediation as part of CSR compliance guidance

By addressing these limitations, mediation can evolve from an optional process into a mainstream dispute resolution mechanism for CSR projects, ensuring that conflicts do not derail corporate contributions to social development.

Comparative Perspectives: Mediation in CSR Disputes in Other Jurisdictions

The experience of other jurisdictions provides valuable insights into how mediation can be deployed effectively in CSR-related disputes. While India has recently provided a legislative framework for mediation under the Mediation Act, 2023, comparable practices in other countries highlight the importance of institutional design, stakeholder inclusion, and enforceability of outcomes.

1. United States: CSR as Stakeholder Engagement

In the United States, CSR is largely voluntary but strongly influenced by shareholder activism, ESG (Environmental, Social and Governance) disclosures, and community expectations. Disputes often arise in relation to environmental projects, indigenous rights, and labour practices. Mediation has been successfully used in the context of environmental and community conflicts, such as under the Environmental Protection Agency's (EPA) Environmental Conflict Resolution (ECR) framework. The ECR mechanism emphasises collaborative mediation between corporations, local communities, and regulators. While not explicitly CSR-driven, the process demonstrates how mediation provides legitimacy and avoids litigation in socially sensitive disputes.

2. United Kingdom: Statutory CSR-like Duties and Mediation

The UK Companies Act, 2006 introduced a broader duty on directors (Section 172) to "promote the success of the company" while considering community, environment, and stakeholder interests. Although CSR is not statutorily mandated in terms of spending, companies engage in significant CSR activity. Disputes arising from CSR-like commitments have been addressed through the Centre for Effective Dispute Resolution (CEDR), which has tailored mediation processes for corporate-community conflicts. UK courts also encourage mediation before litigation, reflected in Halsey v Milton Keynes NHS Trust (2004), where refusal to mediate was deemed unreasonable and could impact costs.

3. South Africa: CSR through Broad-Based Black Economic Empowerment (B-BBEE)

In South Africa, CSR has been embedded within the transformative framework of B-BBEE legislation, requiring corporates to contribute to social equity and empowerment initiatives. Disputes often involve the implementation of development projects or disagreements between corporates and beneficiary communities. The Commission for Conciliation, Mediation and Arbitration (CCMA) has extended mediation processes to cover disputes in socio-economic initiatives, offering a precedent where mediation is institutionally linked to development-driven obligations.

4. Brazil: CSR in Extractive Industries and Mediation in Community Disputes

Brazil, with its extractive industries, has faced frequent CSR-related disputes concerning indigenous communities and environmental degradation. The Brazilian National Mediation Law (2015) allows for court-annexed and institutional mediation. In projects involving hydroelectric dams and mining, mediation has been utilised to negotiate compensation, relocation, and environmental restoration, offering a participatory model for CSR-related disputes in resource-rich but conflict-sensitive regions.

5. Lessons for India

The comparative study reveals that:

- Institutional support (EPA in the US, CEDR in the UK, CCMA in South Africa) enhances credibility of mediation in CSR contexts.
- Stakeholder inclusivity is central—particularly the active role of local communities.
- Legal recognition of mediation outcomes strengthens enforceability and acceptance.
- Jurisdictions that integrate CSR obligations into broader social policy (South Africa, Brazil) highlight the role of mediation as a bridge between corporate duties and community rights.

India can draw from these experiences by embedding mediation into the CSR ecosystem, linking it with both statutory compliance and community development goals.

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Proposed Framework for Effective CSR Dispute Mediation

To make mediation a viable tool for CSR project disputes in India, a structured framework must be devised, aligning legal provisions, stakeholder needs, and institutional capacity.

1. Legislative Integration

- The Mediation Act, 2023 should be explicitly extended to cover CSR disputes, recognising them as “commercial disputes” where corporates, NGOs, or implementing agencies are parties.
- A schedule could be added under the Companies Act, 2013, mandating reference to mediation in cases of CSR-related disagreements before parties seek litigation or arbitration.
- The Companies (CSR Policy) Rules, 2014 may incorporate a clause requiring mediation clauses in all CSR project agreements.

2. Institutional Mechanism

- CSR Mediation Cells could be set up under the aegis of the National CSR Exchange Portal and at state-level CSR authorities.
- Panels of trained mediators with expertise in community engagement, development economics, and corporate law should be maintained.
- A fast-track CSR mediation process with a maximum 90-day resolution period could ensure time-bound settlements, avoiding prolonged disputes that delay project outcomes.

3. Stakeholder Representation

- Mediation frameworks must ensure inclusion of community representatives, not only corporates and NGOs.
- Local government bodies such as Panchayati Raj institutions may act as facilitators or observers, ensuring accountability.
- Civil society organisations could be recognised as neutral support actors in multi-party mediations.

4. Enforceability of Mediation Settlements

- Under the Mediation Act, 2023, a mediated settlement has the status of a court decree. However, explicit mention that this applies to CSR disputes will enhance confidence.

- Settlement terms may also be reported in the company's CSR annual disclosures under Section 135, ensuring transparency and compliance.

5. Awareness and Capacity-Building

- CSR stakeholders—including company CSR boards, NGOs, and community leaders, should undergo training in mediation processes.
- Awareness campaigns must emphasise that mediation is not merely a compromise but a collaborative problem-solving tool preserving both compliance and community trust.

6. Funding and Accessibility

- Companies could allocate a small percentage of their CSR budget towards a Dispute Resolution Fund for mediation expenses.
- Subsidised mediation services through state legal services authorities (under the Legal Services Authorities Act, 1987) may be extended to community stakeholders.

This framework would institutionalise mediation as a first resort mechanism for CSR disputes, aligning with both statutory CSR compliance and India's policy goal of inclusive development.

Conclusion and Recommendations

CSR in India represents a paradigm shift from voluntary philanthropy to statutory corporate obligation under Section 135 of the Companies Act, 2013. However, the implementation of CSR projects is fraught with disputes involving corporates, implementing agencies, and local communities. Such conflicts, if left unresolved or handled through adversarial litigation, undermine not only the social impact of CSR but also corporate reputation and community trust.

Mediation emerges as a contextually appropriate mechanism, balancing the flexibility required in social projects with the enforceability now guaranteed under the Mediation Act, 2023. Its advantages, confidentiality, participatory decision-making, relationship preservation, and cost-effectiveness—make it ideally suited for CSR disputes. Nevertheless, challenges such as low awareness, reluctance of corporates to submit to non-adjudicatory processes, and enforceability concerns in multi-stakeholder contexts remain significant.

The comparative study reveals that jurisdictions like the US, UK, South Africa, and Brazil have effectively used mediation in socially embedded corporate disputes by ensuring institutional support, inclusivity, and legal recognition. India can borrow these best practices to strengthen its CSR dispute resolution system.

Key Recommendations

1. **Statutory Integration:** Amend the Companies (CSR Policy) Rules, 2014 to mandate mediation clauses in CSR project contracts.
2. **Institutionalisation:** Establish CSR Mediation Cells under SEBI, MCA, and State CSR Authorities, akin to CEDR (UK) or EPA's ECR framework (US).
3. **Capacity Building:** Train mediators in CSR-specific contexts, involving community dispute dynamics, development goals, and corporate compliance.
4. **Inclusivity:** Ensure that community voices are not marginalised in mediation. Representation of beneficiaries and local governance structures should be mandatory.
5. **Transparency and Accountability:** Mandate disclosure of mediated settlements in annual CSR reports to improve compliance and reduce misuse of funds.
6. **International Collaboration:** Engage with global best practices and possibly develop model guidelines through platforms like UNCITRAL to integrate CSR mediation within the broader discourse on sustainable business.
7. **Judicial Recognition:** Courts and tribunals dealing with CSR-related disputes (e.g., under NCLT jurisdiction) should actively encourage mediation, following the precedent set in cases like Afcons Infrastructure Ltd. v. Cherian Varkey Construction Co. (2010), where the Supreme Court promoted mediation as a legitimate dispute resolution tool.

Closing Remarks

The success of CSR as a tool for inclusive growth depends not only on statutory spending but also on the resolution of inevitable conflicts arising in its execution. Mediation, as a collaborative, non-adversarial mechanism, offers a pragmatic solution. If embedded within India's CSR and corporate governance framework, mediation can ensure that CSR projects achieve their intended social outcomes without being derailed by disputes. In this sense, mediation is not merely a dispute

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resolution tool but a social justice mechanism that harmonises corporate accountability with community development.

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