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Rethinking CSR: Transforming Corporate Compliance into Sustainable Development Commitment

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Rethinking CSR: Transforming Corporate Compliance into Sustainable Development Commitment

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Abstract

Corporate Social Responsibility (CSR) has evolved from a voluntary ethical commitment to a statutory obligation in India, particularly under the Companies Act, 2013. This research paper examines the transition of CSR from mere regulatory compliance to a meaningful commitment towards sustainable development. It critically analyses the effectiveness of CSR initiatives in addressing social, environmental, and economic challenges, and evaluates whether corporations are genuinely contributing to long-term sustainability or merely fulfilling legal mandates.

The study explores the conceptual linkage between CSR and sustainable development, drawing upon global frameworks such as the United Nations Sustainable Development Goals (SDGs). It assesses the implementation of CSR policies in India, focusing on issues such as accountability, transparency, impact assessment, and stakeholder engagement. While CSR has facilitated increased corporate participation in developmental activities, the research identifies significant concerns, including tokenism, lack of strategic alignment with sustainability goals, and insufficient monitoring mechanisms.

Through a doctrinal and analytical approach, the paper argues that for CSR to move beyond compliance, corporations must integrate sustainability into their core business strategies rather than treating it as a peripheral obligation. It concludes that strengthening regulatory frameworks, enhancing reporting standards, and promoting ethical corporate culture are essential to ensure that CSR serves as a genuine tool for sustainable development rather than a mere checkbox exercise.

Keywords: *Corporate Social Responsibility, Sustainable Development, Companies Act, 2013, CSR Compliance, SDGs, Corporate Governance, Sustainability, India, Ethical Business.*

Introduction

Today, the idea of "Corporate Social Responsibility" (CSR) is an important part of business thought and practice all over the world. CSR has long been a component of Indian business. Government and the business sector have made attempts in the distant and recent past to integrate ethical business practices into our corporate culture. However, these initiatives haven't been well-organized, have focused on a single person or institution, and may lack a clear direction and goal. There are signs that the situation is shifting recently. A number of factors, including the expansion of global company activities, the prominence of the climate change agenda, the adoption of the Millennium Development Goals, and others, have increased concern for and dedication to the concept of corporate social responsibility. The new Companies Act, which was implemented in 2013 and requires CSR spend for a specific category of corporate companies, reflects the government's intentions. This has significantly boosted corporate CSR programmes, many of which have gone above and beyond the letter of the law. Additionally, there have been attempts to integrate CSR into corporate strategy and use it as a tool for gaining and maintaining a competitive edge in the marketplace, in line with worldwide practice. The proposed paper will examine the development of CSR in India, government efforts to integrate CSR into corporate operations there, and new business trends in India that view CSR as a tool for competitive strategy¹.

Business are urged to follow not just to commercial rationale but also established cultural norms and ethical codes of conduct as part of CSR, which places a strong emphasis on ethical behaviour. CSR goes beyond the legal obligations outlined in national laws that govern corporate activity and promotes business to surpass compliance with the law to follow societal goals and values enshrined in institutional, political, and economic contexts as well as react to shifting social issues. Company social responsibility (CSR) is an optional practise that is not mandated by law. It encompasses corporate acts that go beyond obligations to shareholders to benefit customers, employees, suppliers, and communities. Carroll proposed that a company's CSR is made up of four different types of social responsibility, which are grouped in the shape of a pyramid and include economic, legal, ethical, and discretionary or charitable.

The foundation of the CSR pyramid is economic responsibility, which is the primary function of business in society. This job is to produce goods and services that consumers need and want while still making a respectable profit. Legal responsibility is the next level up since businesses must "comply with the laws and regulations imposed by federal, state, and municipal governments."²

¹ DesJardins, Joe. "Corporate Environmental Responsibility." *Journal of Business Ethics*, vol. 17, no. 8, 1998, pp. 825–38. JSTOR, <http://www.jstor.org/stable/25073128>. Accessed 6 Apr. 2024.

² Lindgreen, Adam, et al. "Introduction: Corporate Social Responsibility Implementation." *Journal of Business Ethics*, vol. 85, 2009, pp. 251–56. JSTOR, <http://www.jstor.org/stable/40294839>. Accessed 6 Apr. 2024.

The Act provides that the Company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility. The Company will thus give preference to conducting CSR activities in the state of Bihar herein the Company has/will have its operations. However, the Committee may identify such areas other than stated above, as it may deem fit, and recommend it to the Board for undertaking CSR activities³.

Corporate social responsibility policy) Rules, 2014 has defined the term “corporate social responsibility (CSR)” as follows: “corporate social responsibility means and includes but is not limited to:

- projects or programs relating to activities specified in schedule VII to the Act;
- projects or programs relating to activities undertaken by the board of directors of a company (board) in pursuance of recommendations of the CSR committee of the board as per declared CSR policy of the company subject to the condition that such policy will cover subjects enumerated in schedule VII of the Act.

Current Corporate Social Responsibility Perspective

The preceding section discusses CSR's unintended negative consequences. The current perspective on CSR opportunities is discussed in this section. These are as follows: Stakeholder proposition: it broadens the conversation to include suppliers, employees, customers, and others, making them legitimate partners in the corporation's dialogue with its owners. It goes beyond the language of rights and responsibilities to focus on the caring proposition, which recognises the needs of stakeholders and is aimed at mutual support and unparalleled human achievement. Pragmatist proposition: pragmatic refers to being rational or logical. CSR emphasises "self-creation" and "innovation" projects and assists in realising that creation is less a matter of economics and politics and more a matter of history, culture, and literature in which humans will thrive and flourish for their individual and collective good. The following section delves deeper into the history and evolution of CSR to help you fully grasp the concept.

Corporate Social Responsibility Approaches

Despite the fact that CSR has been variously defined, it remains a nascent and debatable concept (Windsor, 2006). As discussed below, there are three major approaches to CSR.

³ Herrmann, K. ristina K. “Corporate Social Responsibility and Sustainable Development: The European Union Initiative as a Case Study.” *Indiana Journal of Global Legal Studies*, vol. 11, no. 2, 2004, pp. 205–32. JSTOR, <https://doi.org/10.2979/gls.2004.11.2.205>. Accessed 6 Apr. 2024.

1. Ethical accountability:

This theory advocates strong corporate self-control and altruism (the principle of putting the welfare of others ahead of one's own), duties. According to the CSR pyramid (Carroll.A., 1979), ethical responsibilities fall between mandatory compliance (economic and legal) and desirable philanthropy dimensions. However, ethical behaviour is still regarded as purely voluntary and independent of any legal requirements (Wilson, 1989).

2. Economic responsibility:

According to this theory, market wealth creation should be subject to minimal public policy and perhaps customary (as the norm requires) business ethics. The economic perspective argues that social initiatives should be limited in the sense that no costly responsibility action should be undertaken voluntarily. The profit objective of firms focusing on economic performance through minimum public policies was heavily emphasised in the economic perspective (Smith, 1776). (Friedman, 1970). However, the revitalised economic perspective emphasises long-term and sustainable wealth creation through an informed stakeholder management policy (Jensen, 2000).

3. Corporate citizenship:

Corporate citizenship is an extension of the CSR concept for conceptualising business's role in society (Carroll.A, 1999). The language employs a political metaphor that neither provides a true intermediate position nor theoretical synthesis. The literature on corporate citizenship is extensive, and it is further divided into models to better understand the various motivations and beneficiaries of the concept (Locke). The metaphor of corporate citizenship falls into the conceptual gap between ethical and economic perspectives. Citizenship is neither a true middle ground nor an adequate theoretical synthesis. It is not conceptually equivalent to the other two theoretical approaches⁴.

Globalisation and Corporate Social Responsibility

Globalization is a major notion that over the course of the past few decades has emerged as the primary influence in the world of business. This phenomenon has a variety of repercussions, not just on the economy and the corporate world, but also on society and the environment. Almost every company has been impacted by these shifts in some manner. These shifts are mostly attributable to the intensifying rivalry as well as the quickening pace of technological advancement and the dissemination of knowledge. Because of this problem, businesses are increasingly focused on making a profit rather than developing into long-term and sustainable organisations. Nevertheless, companies are an essential component of society, and in order to function effectively, good organisation is required. Because of this, we require some social norms, regulations, and

⁴ Palmer, Robert J. "Foreign Affairs 50-Year Index." *Foreign Affairs*, vol. 50, 1972, pp. 1–1279. JSTOR, <http://www.jstor.org/stable/20037954>. Accessed 6 Apr. 2024.

principles in both society and business life in order to behave in a manner that is socially responsible.

- **Globalization**

One definition of globalisation is the unrestricted flow of people, goods, and money around the world. This definition does not take into account all of the facets of globalisation or the change of the global environment. In addition, globalisation ought to be a process that brings together the economies, cultures, technologies, and governments of the world. This is due to the fact that globalisation also includes the movement of skilled workers, the exchange of information and technology, the flow of financial funds, and geographic arbitrage between rich countries and developing countries. In addition, aspects like as religion, the environment, and society are affected by globalisation. Globalization encompasses every facet of the world's economy, ecology, and society in order to account for the wide range of its potential effects. In addition to this, it can be seen all over the world, and the world itself is undergoing significant change. Every nation's government bears the obligation to safeguard the entirety of its economy and domestic market from the effects of accelerated change⁵.

- **Competition**

Competition levels are expected to rise as a result of globalisation. (An increase in competition is one of the side effects of globalisation.) This competition might be related to the cost and pricing of products and services, the target market, technical adaptation, quick response and quick production by enterprises, etc. If a corporation can make their goods at a lower cost and sell them at a lower price, they will be able to grow their share of the market. Customers today have an overwhelming number of options available to them, and they are looking for ways to get goods and services that are both speedier and more cost-effective. In addition to this, they anticipate a high-quality product at an affordable price, both of which they are prepared to pay for. To meet all of these expectations, the corporation needs to provide a reaction; otherwise, the company's sales will fall, and they will incur losses in both profit and market share. Due to the fact that all of these factors are necessities of the global market, a company must always be prepared for changes in price, product, and service, as well as client preferences.

- **Transfer of Technology**

The utilisation of new technology by enterprising and internationally oriented businesses in order to capitalise on new business prospects is one of the most dramatic effects of globalisation. Internet and e-commerce practises present a unique opportunity for small and medium-sized businesses that are looking to expand their presence in new international markets (Wrighta & Etemad, 2001). Technology is one of the most important tools for ensuring quality in both products and services offered by businesses. On the other side, it will result in a

⁵ Mitra, Rahul. "My Country's Future": A Culture-Centered Interrogation of Corporate Social Responsibility in India." *Journal of Business Ethics*, vol. 106, no. 2, 2012, pp. 131–47. JSTOR, <http://www.jstor.org/stable/41426662>. Accessed 6 Apr. 2024.

significant amount of additional costs for the organisation. For the sake of both increased sales and improved product quality, the corporation must implement the most recent technological developments. The rate at which new technologies are developed and existing ones are transferred has accelerated as a result of globalisation. The expectations of consumers are currently driving markets. The majority of businesses operating in capital-intensive industries are susceptible to risk, which is why these businesses need to be able to rapidly react to changing customer and market expectations. These businesses are required to have effective research and development management in addition to effective technology management⁶.

- **The dissemination of information and knowledge**

Information is a production factor that is both extremely expensive and extremely useful in the current context (presently/currently/at the present time). Information may be easily moved and traded from one country to another. If a company has the opportunity to put its expertise and information to use, it demonstrates that it has the capability to adjust to the ongoing global change. This problem is comparable to the one involving the transfer of technology in international markets. The fast-paced evolution of the market necessitates not just the rapid dissemination of information but also the effective application of that information and knowledge.

- **Investments in one's portfolio (Financial fund flows)**

The proliferation of overseas portfolio investments is facilitated by globalisation. In addition to this, overseas capital flows have been given a greater opportunity to access domestic financial markets. Because of this, one of the most significant challenges faced by growing economies is investment portfolio management. Attracting foreign investment is almost the only method for developing nations to increase the liquidity of their markets and economy, hence it is essential that these nations do so. This investment has such a short time horizon that it can have a significant and dramatic impact on the financial markets⁷.

- **Regulation/deregulation and international standards**

The economy and the markets need to be more strictly regulated to accommodate globalisation. Because of the effect of globalisation, the market contains a multitude of brand-new and intricate procedures and financial instruments, and such instruments are able to be transferred to and traded in other nations with relative ease. In order to identify the scope of an impact area for a newly developed system, instrument, or tool, new rules and regulations are required. These restrictions are also required in order to safeguard nations against dangers and catastrophes on a worldwide scale. The phenomenon that we refer to as the

⁶ Sheehy, Benedict. "Defining CSR: Problems and Solutions." *Journal of Business Ethics*, vol. 131, no. 3, 2015, pp. 625–48. JSTOR, <http://www.jstor.org/stable/24703631>. Accessed 6 Apr. 2024.

⁷ Utting, Peter, and Kate Ives. "The Politics of Corporate Responsibility and the Oil Industry." *St Antony's International Review*, vol. 2, no. 1, 2006, pp. 11–34. JSTOR, <http://www.jstor.org/stable/26227021>. Accessed 6 Apr. 2024.

contagion effect occurs when a crisis originates in one nation and then spreads to other nations through various means, such as trade and financial networks.

- **Market integration**

In fact, globalization leads to the integration of various economies and markets into one large economy and one large market. The main focus of many of the international standards and regulations is to eliminate regulations in each of these markets ultimately. The current financial systems must be modified to handle the higher levels of risk created in the current economy. As a result, the financial market must have certain criteria to be comprehensive, efficient, and liquid, whereas only the United States' financial markets now meet all of these criteria on a global scale⁸.

This change includes the incorporation of global stock market projections as well as pan-European stock market projections. There are numerous examples in the current scenario that are comparable to those described above for market integration. These examples are also the direct outcome of increased levels of competition in the economy. In the context of firm mergers and acquisitions, integration examples play a key role as well.

- **Qualitative Intellectual capital mobility**

One of the causes is that international and multinational firms have branches, partners, and agencies located in a variety of nations throughout the world. In order to provide proper worldwide business practise, they require foreign personnel that are both skilled and experienced, in addition to rotation from country to country. Because of these shifts, employers need to find ways to attract and retain workers that are flexible, highly educated, and competent, as well as able to quickly adjust to new market conditions.

- **Financial crisis-contagion effect-global crisis**

Most financial crises are caused either directly or indirectly by globalisation, which has a significant impact on the world economy. In point of fact, this explanation is rather accurate. The realm of finance has been a witness to a number of different occurrences of crises. A crisis in one country can easily snowball into a catastrophe affecting the entire world and pose a systemic risk. The term "systemic risk" refers to the possibility that a financial crisis could spread from one nation to another. In certain instances, crises can spread even between countries that do not appear to share any underlying economic problems or concerns with one another⁹.

⁸ Mori, Renzo, et al. "Sustainability Reporting and Assurance: A Historical Analysis on a World-Wide Phenomenon." *Journal of Business Ethics*, vol. 120, no. 1, 2014, pp. 1–11. JSTOR, <http://www.jstor.org/stable/42921315>. Accessed 6 Apr. 2024.

⁹ Utting, Peter, and Kate Ives. "The Politics of Corporate Responsibility and the Oil Industry." *St Antony's International Review*, vol. 2, no. 1, 2006, pp. 11–34. JSTOR, <http://www.jstor.org/stable/26227021>. Accessed 6 Apr. 2024.

Legal Framework Surrounding Environmental Social and Governance (ESG)

1. Constitutional Provisions

The Constitution of India (1950) defines the Nation as socialist, according to the preamble. It states that the government's purpose is to ensure the welfare of its citizens rather than to benefit the capitalist economy. The term "socialist" was added to the Preamble of the Constitution by the 42nd Amendment in 1976, during a worldwide rise in environmental discourse. Section 1 of the Preamble states that "the Government shall ensure the well-being of the People". Article 48A states that it shall be the "responsibility of the State" to "safeguard and improve the environment" and "protect the forests and wild animals of the Country". Additionally, Article 47 of the Constitution mandates that the State shall "endeavour to raise the standard of living of the People" and "improve the nutrition of the People". Furthermore, Article 51A (g) sets out certain combined obligations of the State and its citizens concerning Environmental Protection. In summary, this means that Environmental Protection is a joint-solution approach rather than an individual (or State) approach and therefore requires both the commitment and involvement of all parties to achieve the goal of "Environmental Protection".

2. Corporate and Banking Laws

Instead of being contained in one piece of legislation containing all environmental, social and governance regulations, multiple pieces of legislation must be referenced when seeking guidance on ESG regulations. Comprising an amalgamation of different legal instruments, there are numerous references to standards for environmental matters, such as the Companies Act of 2013 (the 2013 Act), the regulations created by the Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI), etc. The Supreme Court has subsequently confirmed this in *M.K. Ranjitsinh v Union of India* (2021) by clarifying that the aforementioned provision "imposes an obligation upon the Company's director to act in good faith, and with regard to the protection of the environment, as well as the best interest of the Company, employees, shareholders, and community." The aforementioned provision does not create any hierarchy in the responsibility that a Company's director must treat their obligation to the Company and its other stakeholders. As such, directors of Indian companies do not have discretion, but rather a "mandatory duty" to address environmental factors such as, but not limited to; climate risk and environmental sustainability, and failing to do so could expose them to significant penalties.

A. Corporate Social Responsibility Committee

Under Section 135(1), companies that meet certain financial thresholds—namely a net worth of ₹500 crore or more, a turnover of ₹1000 crore or more, or a net profit of at least ₹5 crore during any financial year—are required to constitute a

Corporate Social Responsibility (CSR) Committee. This committee must consist of a minimum of three directors, including at least one independent director.

Further, as mandated by Section 134(3), the Board of Directors must disclose the composition of the CSR Committee in its report, which is presented to the shareholders at the company's annual general meeting.

The Board must also ensure that the company effectively implements the activities outlined in the policy; failure to do so would defeat the purpose of the statutory CSR framework¹⁰.

Contribution Towards Corporate Social Responsibility Policy

Section 135(5) of the Companies Act, 2013 imposes a statutory obligation on qualifying companies to allocate a portion of their profits towards Corporate Social Responsibility (CSR).

1. Amounts to be Credited
2. Amounts Not to be Credited
3. Permissible Deductions
4. Items Not Deductible

Schedule VII: Permissible CSR Activities

Schedule VII of the Companies Act provides an indicative list of activities that may be undertaken as part of CSR initiatives. These broadly include:

- Eradication of hunger, poverty, and malnutrition, along with healthcare and sanitation efforts;
- Promotion of education, including vocational training and special education;
- Advancing gender equality and supporting women's empowerment;
- Ensuring environmental sustainability and conservation of natural resources;
- Protection of national heritage, art, and culture;
- Welfare measures for armed forces veterans and their families;
- Promotion of sports, including rural and Olympic-level sports;
- Rural development and slum area improvement projects.

In addition to corporate liability, individual accountability is also imposed. Officers in default may be subject to a penalty of up to ₹2 lakh or one-tenth of the amount that the company was required to transfer, whichever is lower. This reflects a shift towards holding managerial personnel responsible for ensuring compliance.

Failure to transfer unspent CSR amounts is treated as a civil default and attracts specific penalties. In such cases:

¹⁰ HÖLLERER, MARKUS A. "Corporate Social Responsibility (CSR)." Between Creed, Rhetoric Façade, and Disregard: Dissemination and Theorization of Corporate Social Responsibility in Austria, NED-New edition, Peter Lang AG, 2012, pp. 29–66. JSTOR, <http://www.jstor.org/stable/j.ctv9hj7c3.7>. Accessed 28 Apr. 2024.

- The company is liable to pay either ₹1 crore or twice the unspent amount required to be transferred, subject to the prescribed limit.
- Every officer in default may be penalized with ₹2 lakh or one-tenth of the unspent amount, whichever is less.

CSR Methodology

Corporate Social Responsibility is not merely a legal obligation but a systematic approach to assessing and managing a company's impact on society. It involves evaluating the organisation's relationships with key stakeholders, including:

- Suppliers
- Customers
- Local communities
- The environment
- Employees and workforce

Effective CSR strategies go beyond mere compliance and aim to create sustainable value. This includes investing in community development, environmental conservation, and socially beneficial initiatives. Importantly, CSR activities should be designed in a manner that allows continuity without undermining the company's core business objectives.

In India, CSR has gradually evolved from a philanthropic practice to a structured and strategic function within corporate governance. Many companies now maintain dedicated CSR departments responsible for planning, implementation, and monitoring of initiatives. These activities are often aligned with the company's core values and sector-specific expertise, thereby enhancing their effectiveness and long-term impact.

Functions of the CSR Committee

The CSR Committee plays a central role in ensuring compliance and effective implementation. Its key functions include:

- Formulating and recommending a CSR Policy to the Board;
- Recommending the amount of expenditure to be incurred on CSR activities;
- Monitoring the implementation of the CSR Policy on a periodic basis.

Responsibilities of the Board of Directors

The Board holds ultimate responsibility for CSR compliance and must:

- Approve the CSR Policy based on the Committee's recommendations and disclose it in the Board's report as well as on the company's website;
- Ensure that CSR activities are implemented in accordance with the approved policy;

- Ensure that the company spends at least 2% of its average net profits (calculated over the preceding three financial years) on CSR activities, while giving preference to local areas where it operates.

CSR & Sustainable Development: Interlinkage

The incorporation of principles that are derived from international environmental law into the context of corporate social responsibility is an intriguing aspect of the more recent comments on corporate social responsibility. For instance, according to the OECD Guidelines, multinational corporations are obligated to demonstrate respect for the "broader goal of sustainable development" and to "assess, and address" the environmental consequences that are caused by processes and products during their "full life cycle."

At the World Summit on Sustainable Development (WSSD), which took place in Johannesburg in September 2002, one of the primary topics that was discussed was the role that businesses play in achieving sustainable development goals. This topic was specifically mentioned in the final Political Declaration, which stated, "We agree that in pursuit of its legitimate activities, the private sector, including both large and small companies, has a duty to contribute to the evolution of equitable and sustainable communities and societies."¹¹

It is abundantly obvious that the principles of sustainable development are having a considerable influence on the formulation of national and international policy in relation to multinational corporations. However, despite the fact that the World Sustainable Development Goals Declaration makes reference to the 'responsibility' of multinational corporations to contribute to sustainable development, there is no concrete evidence that this constitutes a positive legal obligation as of yet. In spite of this, the participation of the private sector is today considered to be of the utmost importance in order to achieve the primary sustainable development goals that have been established by the international community, such as the Millennium Development Goals. In turn, this has resulted in the emergence of a number of new projects that are referred to as "enabling" initiatives. These initiatives are aimed to assist in connecting multinational corporations with international development policy¹².

The obligations to warn of dangers and to engage with individuals who may be affected by potential risks are already a part of the customary international law that governs interactions between nations. In what ways may multinational corporations be subject to obligations that are comparable to those imposed by international law? Provisions to this effect are already present in important 'soft law' documents on corporate social responsibility (CSR), and as will be described

¹¹ Kitzmueller, Markus, and Jay Shimshack. "Economic Perspectives on Corporate Social Responsibility." *Journal of Economic Literature*, vol. 50, no. 1, 2012, pp. 51–84. JSTOR, <http://www.jstor.org/stable/23269969>. Accessed 7 Apr. 2024.

¹² FU, Hsiu-Jen, and Shu-Yi HO. "CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE IMPACT ON FINANCE PERFORMANCE." *Acta Oeconomica*, vol. 64, 2014, pp. 69–77. JSTOR, <http://www.jstor.org/stable/24857563>. Accessed 7 Apr. 2024.

in further detail below, similar provisions are also a prominent part of treaties pertaining to hazardous wastes and chemicals. In addition, multinational corporations are required to "promote consultation and cooperation between employers and employees on matters of mutual concern" and "provide information to employee representatives that is needed for meaningful negotiations on conditions of employment" in accordance with the OECD Guidelines. Multinational corporations are also required to "provide information to employee representatives." Regarding the environment, it is requested that multinational corporations provide the general public and their employees with sufficient and timely information regarding the potential impacts that the activities of the enterprise may have on the environment, health, and safety. This may include reporting on the progress that has been made in improving environmental performance... and... engage in communication and engagement with the communities that are directly affected by the environmental, health, and safety policies of the organisation and by the implementation of those policies in a manner that is both adequate and timely.

As far as consumers are concerned, multinational corporations are urged to "provide accurate and clear information regarding their content, safe use, maintenance, storage, and disposal, sufficient to enable consumers to make informed decisions," and to "provide transparent and effective procedures that address consumer complaints and contribute to fair and timely resolution of consumer disputes without undue cost or burden." This is in accordance with the phrase "as appropriate to the goods or services." This is in addition to the requirement that the ILO Tripartite Declaration stipulates that "the highest standards of safety and health" be adhered to. It is especially important for them to make people who are concerned aware of any unique dangers and precautionary measures that are linked with the introduction of new products and procedures¹³.

When it comes to environmental concerns, multinational corporations are obligated to "take appropriate measures in their activities to reduce the risk of accidents and damage to the environment by adopting best management practices and technologies." These measures and technologies include "sharing of technology, knowledge, and assistance, as well as through environmental management systems, sustainability reporting, and reporting of anticipated or actual releases of hazardous and toxic substances."¹⁴

As was said earlier, the obligations of nations under customary international law already include regulations regarding the dissemination of information, consultation, and the provision of warnings. This does not necessarily imply that

¹³ Joseph, Amita V. "Successful Examples of Corporate Social Responsibility." *Indian Journal of Industrial Relations*, vol. 44, no. 3, 2009, pp. 402–09. JSTOR, <http://www.jstor.org/stable/27768213>. Accessed 7 Apr. 2024.

¹⁴ Steurer, Reinhard, et al. "Corporations, Stakeholders and Sustainable Development I: A Theoretical Exploration of Business-Society Relations." *Journal of Business Ethics*, vol. 61, no. 3, 2005, pp. 263–81. JSTOR, <http://www.jstor.org/stable/25123621>. Accessed 7 Apr. 2024.

these requirements should be expanded to apply to multinational corporations directly, nor does it necessarily follow that this should be the case. On the other hand, the fact that these principles have been consistently affirmed in a succession of instruments dealing to multinational corporations, in addition to the fact that they are relatively devoid of ambiguity, makes it quite probable that they will become a part of the customary law of corporate social responsibility. At the very least, it is highly probable that measures of this kind will play a significant role in any further treaty-based solutions that may be implemented in the future.

Key Components of Corporate Social Responsibility Initiatives

- a. Environmental Sustainability:** Companies need to lessen their impact on the environment by encouraging energy efficiency and green practices.
- b. Social Welfare:** Corporate social responsibility initiatives often aim to help the communities where businesses operate by forming partnerships with local nonprofits, making charitable pledges, and carrying out community improvement projects¹⁵.
- c. Stakeholder Engagement:** To better understand their challenges and incorporate their input into their CSR initiatives, organizations reach out to partners. This makes sure that the projects address the things that are really important to the partners and that their needs are met.
- d. Augmenting Government Efforts:** Just considering the sheer number of people living in India makes it nearly impossible for the government to meet everyone's unique needs and provide comprehensive solutions to issues.
- e. Addressing Resource Constraints:** Corporate social responsibility (CSR) programs are vital in getting more money to solve important problems when the government doesn't have much to spend. Organizations can bridge gaps in basic administrations and framework through their Corporate Social Obligation initiatives, promoting achievable improvement in areas where resources may be few.¹⁶
- f. Social Reciprocity:** Social reciprocity is at the heart of corporate social responsibility initiatives. The audience they serve is a key factor in an organization's success and development. Businesses feel a sense of responsibility to their communities and make an effort to give back through CSR initiatives¹⁷.
- g. Environmental Stewardship:** Due to their production of fossil fuel byproducts and other environmental impacts, certain massive assembly organizations exacerbate natural problems. Initiatives aimed at reducing these

¹⁵ Amarchand Mangal Das, and Suresh Shroff, Corporate Governance – “Benefits, Models and Best Practices, (Wolters Kluwer India Private Ltd, 2009)”.

¹⁶ Ioannou, I., & Serafeim, G. (2017). “The consequences of mandatory corporate sustainability reporting”.

¹⁷ Gatti, L., Caruana, A., & Snehota, I. (2012). “The role of corporate social responsibility, perceived quality and corporate reputation on purchase intention: Implications for brand management”. *Journal of Brand Management*, 20(1), 65-76.

negative effects are part of corporate social responsibility programs in these instances.

Conducting Change, Preparing for Positions, and Local Areas It has been possible to gain employment inside networks or at large through a number of Corporate Social Responsibility initiatives. In addition to being manageable, these positions bring in long-term employment for the designated networks, which in turn improves their access to healthcare, education, and foundational resources. This helps them break the cycle of poverty and social stereotypes, influences behavior change, and promotes friendly value.

Conclusion

The concept of Corporate Social Responsibility (CSR) has developed significantly over time, with one of the most influential frameworks being the CSR pyramid proposed by Archie B. Carroll. This model outlines four layers of responsibility that businesses are expected to fulfil. At its foundation lies economic responsibility, which emphasises that companies must operate profitably and efficiently to sustain themselves. Without financial viability, businesses cannot contribute meaningfully to society. The second layer is legal responsibility, requiring organisations to comply with laws and regulations, thereby ensuring fairness and accountability in their operations.

The third layer, ethical responsibility, goes beyond legal obligations and reflects societal expectations of fairness, honesty, and integrity. It requires companies to act morally even in areas where the law may be silent. At the top of the pyramid is philanthropic responsibility, which includes voluntary contributions to social welfare, such as charitable donations, community development programmes, and support for education and healthcare. Together, these layers present CSR as a balance between economic goals and social obligations.

In the context of developing countries, this traditional model has been reinterpreted. Wayne Visser highlights that in countries like India, economic and philanthropic responsibilities often take precedence due to urgent developmental challenges such as poverty and lack of infrastructure. Additionally, there is increasing recognition that environmental responsibility should be treated as a central aspect of CSR, especially given concerns like climate change and environmental degradation. As a result, CSR is now broadly understood to include economic, legal, ethical, social, and environmental dimensions.

In developing countries like India, CSR plays a particularly important role. Governments often face limitations in addressing socio-economic challenges, making it necessary for businesses to contribute to development efforts. This includes improving living conditions, supporting community welfare, and adopting environmentally sustainable practices such as waste management and pollution control.

CSR reflects a broader concept of corporate accountability that extends beyond shareholders to a wide range of stakeholders. It requires companies to move

beyond mere legal compliance and incorporate ethical, social, and environmental considerations into their operations. When effectively implemented, CSR promotes responsible business practices and supports inclusive and sustainable development.

CSR is closely connected to the idea of sustainable development, encouraging businesses to evaluate not only economic performance but also their social and environmental impact. This approach redefines corporate success by balancing profit with responsibility toward society and the environment.

Despite its importance, CSR is sometimes criticised as a tool for image-building rather than genuine commitment. Some companies focus on visible philanthropic activities to enhance their reputation, creating a gap between declared values and actual practices.

In India, CSR has gained legal backing through the Companies Act, 2013, which mandates certain “companies to spend at least 2% of their average net profits on CSR activities”. While this framework allows flexibility in choosing sectors, it has encouraged businesses to adopt more structured and strategic CSR initiatives.

Recommendations For Enhancing CSR Legal Framework and Implementation

To guarantee that businesses make ethical contributions to society, Corporate Social Responsibility (CSR) has become an essential part of contemporary business practices. In India, the legal framework for CSR has evolved significantly, but there are areas where further enhancement can lead to better implementation and outcomes.

Here are some recommendations for strengthening the CSR legal framework and its implementation:

1. Clarify and Simplify Regulations:

The current CSR regulations in India can be complex and difficult for companies to navigate. Simplifying these regulations and providing clear guidelines can help businesses understand their obligations better and ensure compliance. This includes providing specific examples of qualifying activities and standardizing reporting requirements.

2. Incentivize Compliance:

Offering tax incentives or recognition awards for companies that excel in their CSR initiatives can encourage more businesses to actively participate in CSR activities. These incentives can be tiered based on the impact and sustainability of the CSR projects undertaken.

3. Enhance Monitoring and Evaluation:

Establishing an independent body to monitor and evaluate CSR activities can ensure that companies are genuinely contributing to societal welfare and not merely complying with the letter of the law. This body can also provide feedback and support to companies to help improve their CSR strategies.

4. Promote Transparency and Accountability:

Requiring companies to publish detailed CSR reports, including financial expenditures, project outcomes, and beneficiary feedback, can enhance transparency and accountability. These reports should be audited to ensure accuracy and reliability.

5. Support Collaboration:

Encouraging partnerships between companies, non-profits, and government agencies can amplify the impact of CSR activities. Collaborative efforts can pool resources, expertise, and reach to address larger social issues more effectively.

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