Corporate Social Responsibility and Stakeholder Interests: A Cross-Jurisdictional Study on Contrasting Statutory Mandates in India and the United Kingdom

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Abstract

Corporate Social Responsibility (CSR) has emerged as a critical aspect of ethical and sustainable business conduct, reflecting the growing societal expectation that corporations operate beyond profit-making motive to serve broader economic, social and environmental goals. The concept emphasizes the significance of aligning business practices with interests of stakeholder, transparency, accountability, and inclusive growth. By adopting a qualitative and descriptive research approach, the study undertakes a comparative legal analysis of CSR obligations and stakeholder protection in two jurisdictions with complement regulatory models. This paper compares how India and the United Kingdom regulate CSR, highlighting its mandatory nature in India and voluntary approach in the UK. It draws on secondary legal sources, including legislative texts, policy reports, and scholarly literature, to examine whether CSR is positioned as a binding duty or a voluntary principle. The study concludes that while India's model ensures compliance through legal obligation and the UK fosters ethical internalization through voluntary norms, a hybrid approach may offer the most balanced and effective framework for meaningful CSR.

KEYWORDS - Ethical business conduct, sustainable development, transparency, inclusive growth, comparative legal analysis, qualitative research, descriptive approach, legal obligation.

INTRODUCTION

Corporate Social Responsibility (CSR) is a self-regulating business model through which companies commit to being socially accountable to themselves, their stakeholders, and public. It is widely acknowledged as the ethical behaviour of businesses toward society, where organizations go beyond mere profit-making to contribute positively to economic, social, and environmental well-being. By integrating it into their core operations, corporates ensure that their activities are not only legal and ethical but also beneficial to all stakeholders involved. It emphasizes the importance of doing good for society and ensuring a balanced development that meets the needs of various groups such as customers, employees, suppliers, investors, business partners, and government bodies. The goal is to create a positive impact by managing business processes in a way that produces overall societal benefits. This includes providing adequate services, promoting ethical workplace behaviour, protecting the environment, and contributing to social welfare programs.

In the Indian context, CSR has become increasingly significant. With growing societal expectations and regulatory frameworks, companies now recognize the importance of establishing trustworthy and sustainable relationships with the community at large. The implementation of its provisions in the Companies Act, 2013 has further institutionalized the practice by mandating certain companies to allocate a portion of their profits toward socially beneficial activities. As a result, CSR is no longer just an optional initiative; it is a strategic and legal responsibility that plays a vital role in shaping the long-term success and credibility of a business. Moreover, CSR covers areas such as ethical governance, stakeholder engagement, environmental protection, and inclusive growth. Organizations that engage in genuine CSR not only gain public trust but also enhance their brand image and contribute to national development goals. By aligning business values with social good, CSR has evolved into a vital pillar for sustainable business growth in the modern corporate world.

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND ITS STAKEHOLDERS

It refers to the ethical and responsible behaviour of businesses toward society. It involves a company's commitment to operate in an economically, socially, and environmentally sustainable manner while recognizing the interests of stakeholders. It is not limited to charitable acts but extends to how businesses manage their operations and relationships to positively impact society. Companies practicing CSR adopt self-regulatory principles and strive to be accountable for the effects of their actions on people, communities, and the environment. The core idea is to go beyond profitability and actively contribute to the well-being of society through sustainable and inclusive development.

Major Stakeholders of CSR

- Customers are central to any business. It aims to protect their interests by ensuring product safety, quality, transparency in dealings, and ethical marketing. Companies also engage in fair pricing, responsible advertising, and grievance redressal systems to maintain trust.
- Employees are internal stakeholders, whose well-being significantly affects business success. It policies promote fair wages, equal opportunities, skill development, safe working conditions, and employee welfare programs to improve morale and productivity.
- Ethical sourcing, fair trade practices, timely payments, and long-term cooperation with suppliers and partners are integral CSR concerns. Businesses are expected to avoid exploitative supply chains and support sustainable practices.
- Transparency, good corporate governance, and accountability are essential for maintaining investor confidence. It includes honest financial reporting, risk management, and aligning business operations with long-term social goals.
- The government sets the legal framework for CSR compliance, especially in countries like India where certain expenditures are mandated. A responsible company adheres to laws, pays taxes timely, and contributes to national development agendas.
- It also encompasses contributions to social development such as education, healthcare, environmental conservation, rural development, and gender equality. By doing so, businesses gain a social license to operate and foster goodwill.

It is nothing but, a multi-dimensional concept that revolves around creating long-term value for all stakeholders. It recognizes that business success is intertwined with the well-being of its stakeholders and society as a whole. By effectively engaging stakeholders, companies not only enhance their reputation and trust but also drive sustainable economic and social growth.

CONCEPTUAL FRAMEWORK OF CORPORATE SOCIAL RESPONSIBILITY

The conceptual framework of CSR defines how businesses align their operations with societal expectations, ethical norms, and sustainable development goals. It recognizes that a company's responsibility extends beyond profit-making to include its social, legal, environmental, and economic impact. CSR serves as a self-regulating mechanism that embeds ethical behaviour and social accountability into business strategies. This framework is built on four main dimensions: economic, legal, ethical, and philanthropic responsibilities. Economic responsibility involves being profitable and financially sustainable, but without neglecting ethical or social duties. Legal responsibility emphasizes compliance with laws and regulations, along with transparency and accountability. Ethical responsibility refers to doing what is morally right—such as treating employees fairly, practicing honesty, and acting with integrity. Philanthropic responsibility includes voluntary efforts to support social welfare, such as community development and environmental sustainability. A key element of CSR is its stakeholder-focused approach, which involves considering the interests of all parties affected by business operations, including employees, customers, investors, regulators, and the broader community. For CSR to be effective, it must be integrated into core business practices through ethical policies, sustainable initiatives, and continuous evaluation of outcomes. In some countries, like India, CSR has a legal dimension under the Companies Act, 2013, which requires qualifying companies to allocate a portion of profits to social initiatives. Ultimately, CSR enhances reputation, builds trust, supports compliance, and contributes to inclusive and sustainable growth.

In conclusion, this encourages organizations to function not just as economic entities but also as responsible social actors, thereby contributing to long-term value creation for both the business and the community.

JUSTIFICATION OF CSR

- **Social Obligation** - Businesses operate within society and depend on various public resources such as labour, infrastructure, and natural assets. Therefore, they have a moral and social obligation to give back to society. This ensures that companies act responsibly toward the community that supports their existence.
- **Stakeholder Expectations** - Modern businesses are accountable not only to shareholders but also to multiple stakeholders including customers, employees, suppliers, government, and local communities. It's helps companies address stakeholder expectations, which are increasingly focused on ethical behaviour, social impact, and transparency.
- **Enhanced Brand Image and Reputation** - Companies that engage in these activities are often seen as more trustworthy and credible. A positive image leads to stronger customer loyalty, better investor relations, and overall goodwill in the market.
- **Legal Compliance and Risk Management** - In countries like India, CSR has become a legal requirement under the Companies Act, 2013. Fulfilling obligations helps companies avoid penalties and maintain good relations with regulatory authorities, while also reducing risks related to non-compliance and unethical conduct.
- **Employee Engagement and Retention**– It initiatives contribute to a better work culture by promoting values such as inclusivity, fairness, and social responsibility. Employees feel proud to be associated with organizations that care about societal issues, leading to increased motivation, productivity, and retention.

- **Long-Term Profitability and Sustainability** - CSR is not just a cost; it is an investment in the future. By addressing environmental and social concerns, businesses ensure long-term sustainability, which ultimately leads to stable growth and profitability over time.
- **Ethical Responsibility** - Beyond legal and economic duties, businesses have an ethical responsibility to do what is right and fair. It reflects the company's commitment to integrity, honesty, and respect for human rights and environmental stewardship.
- **Support for National Development** - In developing countries, it can play a vital role in supporting government efforts in education, health, infrastructure, and poverty alleviation. Corporate involvement complements public programs and accelerates inclusive development.
- **Improved Customer Relationships** - Consumers today prefer to engage with brands that are socially conscious. It strengthens customer trust and satisfaction by demonstrating a commitment to ethical practices and societal well-being.
- **License to Operate** – It's activities help businesses build social capital and earn the informal "license to operate" from the public. Communities are more likely to support and cooperate with companies that act in their best interest.

ARGUMENTS FOR AND AGAINST CORPORATE SOCIAL RESPONSIBILITIES

The argument in favour of social responsibility stems from the belief that businesses are an integral part of society and therefore have a duty to contribute to its welfare. Companies depend on public resources, human capital, and social stability for their operations, and in return, they are expected to act responsibly toward the environment, communities, and stakeholders. Advocates of social responsibility argue that it helps businesses build a positive public image and earn the trust of consumers, investors, and employees. When companies act ethically and contribute to solving social problems such as poverty, education, and environmental degradation, they not only gain goodwill but also ensure long-term sustainability. Socially responsible companies attract loyal customers, enjoy better employee retention, and face fewer legal or regulatory issues. Moreover, in countries like India where CSR has been made mandatory under the Companies Act, 2013, social responsibility has become both a moral and legal expectation. It is no longer considered a philanthropic act alone but a strategic tool for sustainable development and inclusive growth. Many believe that businesses that ignore their social obligations risk losing public support, damaging their reputation, and facing backlash in an increasingly aware and socially conscious market.

On the other hand, critics of social responsibility argue that the primary purpose of a business is to generate profit for its shareholders. They believe that involving businesses in social issues distracts them from their core objectives of efficiency, innovation, and competitiveness. According to this view, social problems should be addressed by the government and non-profit organizations, which are better equipped for such tasks. Critics also point out that, it can increase costs and reduce profitability, especially for small and medium enterprises with limited resources. Additionally, some argue that not all businesses have the expertise to design and implement meaningful CSR programs, and when forced, these efforts may turn into symbolic gestures with little real impact. There is also concern that it may be misused for brand promotion or to gain political leverage rather than for genuine social benefit.

In conclusion, while there are arguments both for and against social responsibility, the modern corporate environment increasingly favours it as an essential part of business strategy. The interdependence of business and society makes it necessary for companies to contribute positively to social and environmental well-being. Rather than being a burden, it is now seen as a pathway to long-term success, trust, and sustainability in the eyes of stakeholders and society at a large scale.

SCOPE OF CORPORATE SOCIAL RESPONSIBILITY

The scope of CSR is both broad and dynamic, encompassing a diverse range of activities and obligations that go far beyond the traditional goal of profit maximization. It integrates ethical, legal, economic, and philanthropic responsibilities that businesses owe to a wide array of stakeholders, including employees, customers, investors, suppliers, communities, and the environment. It begins internally, with responsible corporate governance, fair labour practices, workplace safety, and employee welfare. Externally, it extends to customer satisfaction, ethical advertising, responsible sourcing, and active community engagement. In today's globally connected and socially aware environment, businesses are expected not only to avoid harm but also to contribute positively to addressing wider societal challenges such as poverty, inequality, environmental degradation, and climate change. A key component within the scope is environmental sustainability. Companies are increasingly held accountable for their environmental footprint and are expected to implement eco-friendly practices like waste reduction, pollution control, sustainable resource usage, and investment in renewable energy. It also plays a vital role in community development, with many companies investing in education, healthcare, skill development, rural infrastructure, and disaster relief efforts. In the digital age, it further extends to areas such as data privacy, digital inclusion, and transparency in online operations, recognizing the growing importance of digital ethics.

Importantly, it has a legal dimension as well. In countries like India, the Companies Act, 2013 mandates that certain companies allocate a specific portion of their profits to initiatives, thereby transforming it from a voluntary effort into a statutory obligation. Alongside this, ethical business conduct, financial transparency, legal compliance, and the protection of stakeholder rights form critical aspects. In essence, CSR is not confined to charitable donations. It represents a comprehensive framework for responsible business practices from internal policies and employee relations to environmental stewardship and social equity. As societal expectations and global challenges evolve, so too does the scope of CSR, making it an indispensable pillar of sustainable and ethical business in the modern world.

LITERATURE REVIEW

Siddharth Rawat's paper, presents a structured comparison of CSR frameworks in both countries. The author emphasizes that while both India and the UK are pioneers in promoting CSR, their approaches differ significantly, India follows a mandatory model under the Companies Act 2013, whereas the UK adopts a voluntary, ethics-based model. The paper is grounded in the concept of the Triple Bottom Line (People, Planet, Profit) and argues that India's legal obligation focuses more on compliance, while the UK's CSR culture is integrated into corporate ethics and values. The paper effectively highlights the legal distinctions and strategic intents of CSR across jurisdictions but could have further elaborated on the impact assessment of CSR initiatives and also it fails to specify other laws related to CSR initiatives in both nations. Clayton Fonceca and Umesh Samuel Jebaseelan, in their article explore CSR as an evolving concept under increasing global scrutiny. Their work views CSR in a threefold manner: legal obligation, public relations strategy, and ethical concern. This paper critically discusses the Rajya Sabha's 2013 CSR mandate in India, contrasting it with the ethical and humanitarian lens through which CSR is viewed in the UK. The authors argue that Indian firms often treat CSR as a PR exercise, lacking genuine commitment, whereas UK companies embed it within core organizational values. Although the study provides early insight into CSR's formalization in India, it lacks empirical data and post-implementation analysis of India's Companies Act 2013.

The paper by Swetha Shivangini assesses CSR implementation challenges in light of the Indian Companies Act 2013 and the UK Companies Act 2006. The authors draw attention to CSR as a crucial business method for promoting public welfare and sustainable development, particularly through the Triple Bottom Line model. They point out that India, despite its robust legal framework, faces significant implementation and compliance gaps, while the UK's value-driven CSR model is well-recognized but lacks enforceable obligations. The paper makes a valuable contribution by exploring legislative frameworks and recommending that India focus not only on mandating CSR but also on ensuring qualitative outcomes and stakeholder engagement but the paper limits with more comprehensive legal framework Discussion.

OBJECTIVES OF THIS STUDY

The primary objective of this study is to undertake a comparative analysis of the legal frameworks governing CSR and the protection of stakeholder interests in India and the United Kingdom. The research specifically aims to: Compare the nature and enforcement of CSR regulations in India and the UK, with a particular focus on whether these frameworks adopt a mandatory or voluntary approach toward CSR implementation. Through this comparative study, the research seeks to highlight key similarities and divergences in the CSR landscape of the two countries, thereby contributing to a deeper understanding of how legal systems influence responsible corporate conduct and stakeholder engagement in diverse socio-economic and regulatory contexts.

RESEARCH METHODOLOGY

This study uses a qualitative, descriptive, and comparative approach to examine CSR and stakeholder protection in India and the UK. It analyses legal instruments like India's Companies Act, 2013 and relevant UK laws, codes, and soft law frameworks. The research focuses on whether CSR obligations are mandatory or voluntary and how stakeholder interests are safeguarded. It draws on secondary sources such as statutes, policy documents, academic literature, and official reports. Key comparison areas include the enforceability of CSR norms, stakeholder inclusion, reporting requirements, regulatory oversight, and socio-legal contexts. The aim is to offer a nuanced analysis of CSR frameworks in both jurisdictions.

FINDINGS

A. PROVISIONS RELATED TO CSR IN INDIA, AS PER THE LEGAL FRAMEWORK AND FINANCIAL REPORTING GUIDELINES

Table No - 1: summarizing the relevance of each section/rule to CSR under Indian Law:

Section/Rule	Relevance to CSR
Section 134	CSR disclosures in Board's Report
Section 135	Core section on CSR – applicability, spending, unspent rules
Schedule VII	List of permissible CSR activities
CSR Rules, 2014	Operational rules for implementing CSR
Accounts Rules	Reporting obligations in financial statements
Audit Rules	Auditor's responsibility related to CSR

Section 450	General penalty provision

Section 134 of the Companies Act, 2013 is closely connected to CSR through its requirement that the Board of Directors must disclose the company's CSR efforts in its annual report. Specifically, sub-section (3)(o) mandates that the Board's Report should include details of the policy developed and implemented by the company on CSR initiatives taken during the financial year. This provision ensures that companies falling under the criteria mentioned in Section 135 of the Act are not only undertaking CSR activities but are also transparently reporting them. The Board's Report must describe the CSR policy, the nature of the CSR projects, the amount allocated and spent, and the outcomes achieved. If the CSR policy is published on the company's website, then the Board's Report can mention the salient features of the policy along with the website address where the full policy is available. This reduces redundancy while maintaining transparency. In case the company fails to provide the required CSR disclosures in the Board's Report, it is considered non-compliance with Section 134 and may attract penalties as prescribed under sub-section (8). This provision emphasizes that CSR is not just a voluntary gesture but a statutory obligation for qualifying companies, and the disclosures under Section 134 act as a monitoring mechanism to ensure compliance with Section 135. Thus, Section 134 plays an important role in reinforcing the legal accountability of CSR by making it a part of the Board's formal reporting responsibilities.

Section	Content	CSR Relevance
134(3)(o)	Board's Report must include CSR policy & activities	Mandates CSR disclosure
Proviso to 134(3)	If CSR policy is on website, a brief mention + URL is enough	Enables web-based disclosure
134(8)	Penalty for non-compliance with Sec 134	Non-disclosure of CSR = penalty
Link to Sec 135	Defines CSR applicability and duties	134 ensures reporting of 135's compliance

Section 135 of the Companies Act, 2013, which deals with Corporate Social Responsibility (CSR) in India, effective from April 1, 2014: Section 135 mandates that every company meeting specific financial thresholds must participate in CSR. If a company has a net worth of ₹500 crore or more, a turnover of ₹1000 crore or more, or a net profit of ₹5 crore or more in the previous financial year, it must form a CSR Committee of at least three directors, including at least one independent director. If the company is not required to appoint an independent director as per Section 149(4), then only two directors are sufficient in the committee.

The CSR Committee is responsible for drafting a CSR Policy, recommending the expenditure, and monitoring the implementation of the policy. The Board of Directors must approve this policy, disclose it in the board's report as per Section 134(3), and publish it on the company's website.

The Board is also required to ensure that the company spends at least 2% of the average net profits of the past three years on CSR activities listed in Schedule VII. Preference must be given to local areas where the company operates. If the company fails to spend the amount, the reasons must be disclosed in the Board's report. Unspent amounts must either be transferred to a specified fund (if not linked to an ongoing project) within six months of the financial year's end, or, in the case of ongoing projects, transferred to a special "Unspent CSR Account" within 30 days and spent within three years, failing which the amount must be moved to the specified fund. Excess CSR spending may be carried forward and adjusted in future years. Non-compliance leads to financial penalties for both the company and its defaulting officers. If the CSR obligation is ₹50 lakh or less, the company is exempt from forming a CSR Committee; in such cases, the Board itself handles CSR responsibilities. The Central Government holds the power to issue directions to ensure compliance with CSR provisions.

Particulars	Details
Applicability	Companies with either: • Net worth ≥ ₹500 crore • Turnover ≥ ₹1000 crore • Net profit ≥ ₹5 crore in the preceding financial year
CSR Committee	Minimum 3 directors (including 1 independent director) If independent director not required under Section 149(4), then at least 2 directors
Exemption from CSR Committee	If CSR obligation ≤ ₹50 lakh, no committee needed; Board discharges CSR functions
Functions of CSR Committee	Formulate and recommend CSR Policy Recommend CSR expenditure Monitor implementation of CSR Policy
Board's Role	Approve CSR Policy Disclose in Board's Report (Section 134) • Publish on company's website Ensure implementation of CSR activities
CSR Spending Requirement	At least 2% of average net profits of the past 3 financial years (as per Section 198)
Local Area Preference	Priority to be given to local area where the company operates
Unspent CSR Amount (Non-ongoing Project)	Transfer to a Fund in Schedule VII within 6 months of financial year end
Unspent CSR Amount (Ongoing Project)	Transfer to "Unspent CSR Account" within 30 days from year-end; utilize within 3 years or transfer to a Fund in Schedule VII
Excess CSR Spending	Can be carried forward and set off in succeeding years as per rules
Non-Compliance Penalty	Company: Lesser of 2x unspent amount or ₹1 crore Officer in default: Lesser of 1/10th of unspent amount or ₹2 lakh
Central Government Power	May issue general or special directions for ensuring compliance

Summarizing Schedule VII of the Companies Act, 2013 — which lists the activities eligible for Corporate Social Responsibility (CSR) spending under Section 135:

Activity No.	CSR Activity Description
(i)	Eradicating hunger, poverty, and malnutrition; promoting healthcare (including preventive health); sanitation (including contributions to Swachh Bharat Kosh); and making safe drinking water available
(ii)	Promoting education, including special education and vocational skills especially for children, women, elderly, differently-abled; livelihood enhancement projects
(iii)	Promoting gender equality, empowering women, setting up homes/hostels for women and orphans, old age homes, day care centers, and reducing inequality among socially and economically backward groups
(iv)	Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources, and maintaining soil, air, and water quality (including contributions to Clean Ganga Fund)
(v)	Protection of national heritage, art and culture; restoration of heritage sites and works of art; setting up public libraries; promotion of traditional arts and handicrafts
(vi)	Measures benefiting armed forces veterans, war widows, and their dependents; also includes veterans and dependents of Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF)
(vii)	Training to promote rural sports, nationally recognized sports, Paralympic sports, and Olympic sports
(viii)	Contribution to the Prime Minister's National Relief Fund, PM CARES Fund, or other funds set up by Central Government for welfare of SCs, STs, OBCs, minorities, and women
(ix)	(a) Contribution to incubators or R&D projects in science, technology, engineering, and medicine funded by the Government or its agencies
	(b) Contribution to public-funded institutions like IITs, NITs, National Labs, and autonomous bodies under DAE, DBT, DST, DRDO, ICMR, ICAR, CSIR, etc. for research promoting Sustainable Development Goals (SDGs)

The Companies (Corporate Social Responsibility Policy) Rules, 2014 were notified by the Ministry of Corporate Affairs on 27th February 2014 and came into effect from 1st April 2014. These rules were framed under Section 135 and Section 469 of the Companies Act, 2013 and provide a detailed framework for the implementation, monitoring, and reporting of CSR by companies in India. The rules are applicable to every company including its holding and subsidiary companies, as well as foreign companies having a branch or project office in India, provided they meet the financial criteria mentioned in Section 135(1) of the Companies Act. This means that companies with a net worth of ₹500 crore or more, turnover of ₹1,000 crore or more, or net profit of ₹5 crore or more in the preceding financial year must comply with these CSR requirements. CSR, as defined under these rules, refers to activities undertaken by companies in accordance with their CSR policies and aligned with the areas specified in Schedule VII of the Companies Act. These areas include a wide range of social, economic, and environmental causes such as eradicating hunger, promoting education and healthcare, ensuring environmental sustainability, and contributing to rural development. The definition of CSR excludes activities undertaken in the normal course of business and any contribution to political parties under Section 182 of the Act. The CSR policy of a company must detail the list of CSR projects or programs it plans to undertake, the manner of execution, timelines for implementation, and monitoring mechanisms. The policy must also state that any surplus generated from CSR activities shall not form part of the business profits of the company. The CSR projects must be implemented either by the company directly or through eligible implementing agencies such as a Section 8 company, a registered trust, or a registered society. These implementing agencies must have a proven track record of at least three years in conducting similar projects if they are not established by the company or government. A company covered under CSR provisions must constitute a CSR Committee of the Board. This committee is responsible for recommending CSR policy, identifying suitable CSR activities, estimating the budget, and monitoring the implementation of these activities. The composition of the committee depends on the type of company. For instance, private companies with only two directors can form the committee with those two directors. Foreign companies must constitute the committee with at least one person resident in India and another nominated by the foreign company. The rules clearly state that only those expenditures directly related to CSR activities and approved by the Board on the recommendation of the CSR Committee will be considered as CSR expenditure. Any amount spent on activities that do not align with Schedule VII will not qualify. Furthermore, administrative overheads and capacity building expenses are capped at five percent of the total CSR expenditure for the financial year. Any CSR activities that are limited to the benefit of company employees and their families are not considered valid CSR activities. For transparency and accountability, companies are required to include a detailed report on CSR in their Board’s Report for every financial year. The report must include the average net profit of the company over the last three financial years, the prescribed CSR expenditure (which is two percent of that average), the amount actually spent, and reasons for any unspent amount. The report must also provide a project wise breakdown of the amount spent, including the location and method of implementation. Foreign companies must also file a similar report as an annexure to their balance sheet. The CSR policy and related information must be disclosed publicly on the company’s official website. This includes details of the CSR policy and the specific projects or programs undertaken. Such public disclosure ensures greater transparency and enables stakeholders to assess the company’s commitment to social and environmental development. Over the years, the CSR Rules, 2014 have been amended several times to address implementation challenges, improve clarity, and ensure that the spirit of CSR is upheld. The amendments have refined definitions, clarified the scope of eligible implementing agencies, tightened reporting norms, and enhanced regulatory oversight to ensure meaningful and effective CSR practices. These rules mark a significant step in making CSR a statutory obligation in India, placing the country among the few in the world with a mandatory CSR regime.

The audit rules for CSR as outlined in the Handbook on Audit of CSR Activities by the Institute of Chartered Accountants of India (ICAI) are designed to ensure accountability, transparency, and compliance in the management and reporting of CSR expenditures by companies. The Companies Act, 2013 under Section 135 makes it mandatory for companies meeting certain thresholds to undertake CSR initiatives. While the Act does not explicitly require a statutory audit of CSR activities, the Companies CSR Rules, 2014 impose obligations related to monitoring, transparency, and reporting that effectively necessitate audit mechanisms. This means that although a CSR audit is not legally mandated as a standalone requirement, companies must establish internal controls and monitoring processes, and often obtain third-party verification to ensure proper fund utilization, especially when CSR activities are conducted through external implementing agencies. CSR audit becomes essential in two main scenarios. First, when a company executes CSR projects directly, the statutory auditor of the company is expected to examine whether the activities are permissible under Schedule VII of the Companies Act. The auditor must also ensure that CSR expenditure is correctly presented and disclosed in accordance with Schedule III of the Act, and that the accounting standards and auditing standards are followed. This includes compliance with SA 250 which addresses the auditor's responsibility in considering laws and regulations during an audit, and SA 720 (Revised) which relates to the auditor's responsibility for other information presented in documents such as the Board's report. Additionally, the auditor must apply the Guidance Note on Audit of Expenses issued by ICAI, which provides detailed guidance on verification of such outflows. The second scenario arises when CSR activities are carried out through third-party entities such as Section 8 companies, registered trusts, or societies. In such cases, the company is responsible for ensuring that the third party has a credible track record of at least three years and that all the activities fall within the scope of Schedule VII. The company must define the projects, the modalities for fund utilization, and establish a monitoring and reporting mechanism. To comply with these expectations, the company must obtain an Independent Practitioner's Report or a Utilization Certificate from the statutory auditor of the third-party agency. This report must confirm that the CSR funds were spent in accordance with the requirements under Section 135 and related rules. The certificate should be based on an examination of financial records, verification of expenditures, bank transactions, and compliance with the terms and conditions of fund allocation. Further, the Companies Auditor's Report Order (CARO) 2020, under Clause XX, has introduced specific reporting requirements for CSR. It requires statutory auditors to report on whether unspent CSR funds for non-ongoing projects were transferred to the specified funds mentioned in Schedule VII within six months of the financial year-end. Similarly, if the unspent amount relates to ongoing projects, the auditor must report whether the company transferred such funds to a special Unspent CSR Account within 30 days from the financial year-end. This provision has made CSR spending and related compliance a direct area of statutory audit scrutiny. The CSR Committee of the company is responsible for instituting a transparent monitoring mechanism, and the company's CSR policy must include the monitoring process as well. Auditors must evaluate these aspects as part of their review. When reporting on third-party utilization, the auditor follows the Guidance Note on Reports or Certificates for Special Purposes, which prescribes the structure and verification steps necessary to issue a reliable utilization report. The report should cover aspects such as total funds received, actual expenditure on specific CSR activities, unspent balances, and future spending plans. In summary, the audit rules for CSR as interpreted from the Handbook aim to ensure that companies fulfill their social obligations in a legally compliant and ethically transparent manner. Though not mandated as a formal audit under law, the combination of legal provisions, rules, ICAI guidance, and practical necessity has made CSR auditing a critical part of corporate financial and ethical governance.

The general penalty provision under Section 450 of the Companies Act, 2013 becomes applicable to CSR when a company or its officers fail to comply with certain CSR-related requirements for which no specific penalty has been prescribed under Section 135 & the Companies (CSR Policy) Rules, 2014. While Section 135 includes clear penalties for not spending the required CSR amount or failing to transfer unspent funds, there are other procedural or compliance obligations under the CSR framework that do not carry designated penalties. These include lapses such as not forming a CSR committee, not placing the CSR policy on the company's website, failing to report CSR activities accurately in the Board's report, or not filing the mandated CSR return in Form CSR-2. In such instances, where there is a contravention of a CSR provision or rule and no specific penalty is provided under the Act, Section 450 applies. This means that the company, along with any officer responsible for the default, can be penalized with a fine of up to ten thousand rupees. If the contravention continues over time, there is an additional fine of one thousand rupees for each day after the first day of non-compliance. However, this is subject to a maximum limit of two lakh rupees for the company and fifty thousand rupees for the officer in default.

B. RELEVANT PROVISIONS UNDER UK LAW THAT ARE RELATABLE TO CSR, PARTICULARLY UNDER THE LEGAL FRAMEWORK:

Table No - 2: summarizing the relevance of each section/rule to CSR under UK Law:

Area	Relevant Law / Provision
Director's Duties	Companies Act 2006, Section 172
Reporting	Companies Act 2006, Sections 414A–C
Human Rights	Modern Slavery Act 2015, Section 54
Equality	Public Sector Equality Duty (Equality Act 2010 – Section 149)
Governance	UK Corporate Governance Code
Environment	Climate Change Act 2008, Environment Act 2021

Section 172 of the UK Companies Act 2006 plays a crucial role in shaping how directors are expected to behave in the governance of their companies. It outlines the general duty to promote the success of the company, and its provisions are central to the integration of CSR into corporate decision-making, even though CSR itself is not mandated through a single specific law. Under Section 172(1), directors have a fiduciary duty to act in good faith and in a manner that they consider would most likely promote the success of the company for the benefit of its members (usually shareholders) as a whole. However, this duty is not limited to profit maximization. The section explicitly requires directors to "have regard" to a range of broader considerations while making decisions. These include the long-term consequences of their actions, the interests of employees, the relationships with suppliers and customers, and importantly, the impact of the company's operations on the community and the environment. This is where the CSR dimension is embedded in UK company law. While not framed as a CSR statute, Section 172 implicitly compels directors to take environmental, social, and ethical concerns into account, integrating the principles of sustainable and responsible business into legal obligations. For example, directors cannot ignore the effect their decisions might have on climate change, pollution, or community welfare, especially when these may influence the company's long-term sustainability or reputation.

The duty also emphasizes ethical conduct and fairness, stating that directors should maintain high standards of business behaviour and act equitably among shareholders. This reinforces the idea that companies should not only focus on financial performance, but also on corporate integrity, stakeholder engagement, and social accountability. Subsection (2) strengthens this further by stating that if a company is established with purposes beyond profit, such as a charitable or social mission, the director's duty must align with achieving those non-financial objectives. This provision opens the door for social enterprises and purpose-driven companies to embed CSR as a core governance principle.

Finally, Subsection (3) acknowledges that in certain situations, such as financial distress or insolvency, directors must shift their primary duty from shareholders to the interests of creditors, again illustrating the flexibility and stakeholder-inclusive nature of director duties.

Now, discussing in the context of CSR:

Section 172 integrates key principles of CSR into UK company law by requiring directors to consider a range of non-financial factors—such as long-term impacts, employee interests, stakeholder relationships, and environmental effects—when making decisions. While it does not explicitly label itself as CSR legislation, it legally embeds CSR-like duties into corporate governance. The section enables companies to pursue social and environmental objectives and requires attention to creditor interests during financial distress. Though not prescriptive, it shifts CSR from a voluntary initiative to a legal expectation, promoting ethical, sustainable business practices within the UK's legal framework.

Section 414A of the UK Companies Act 2006 imposes a legal duty on the directors of a company to prepare a strategic report for each financial year. This requirement aims to enhance corporate transparency and provide a narrative explanation of a company's performance, financial position, and future prospects. The strategic report serves as a key document through which directors explain how they are fulfilling their broader duty to promote the success of the company, particularly as outlined under Section 172 of the same Act, which requires consideration of stakeholders, environmental impact, and long-term consequences in decision-making. The obligation to prepare a strategic report does not apply to companies that are eligible for the small companies exemption, thereby relieving very small enterprises from this particular reporting burden. However, in cases where a company is a parent undertaking and is required to prepare group accounts, the directors must prepare a consolidated version of the strategic report known as the group strategic report. This consolidated report should reflect the business activities and conditions of the entire group of undertakings. The legislation allows such a group report to focus more heavily on matters that are of greater importance to the group as a whole, rather than treating all entities within the group equally. Non-compliance with this requirement carries legal consequences. If the company fails to prepare a strategic report, every person who was a director immediately before the deadline for filing the accounts and reports, and who did not take all reasonable steps to ensure that the requirement was met, is considered to have committed an offence. The law provides for penalties that include a fine upon conviction. In cases of serious non-compliance, the fine may be determined upon indictment, while for less serious breaches, summary conviction may result in a fine not exceeding the statutory maximum.

Now, discussing in the context of CSR:

Section 414A of the Companies Act 2006 enhances corporate transparency by requiring directors to prepare a strategic report detailing the company's performance, financial position, and future prospects. While the section doesn't explicitly mandate disclosure of Corporate Social Responsibility (CSR) or Environmental, Social, and Governance (ESG) factors, it provides a framework that naturally accommodates them. The strategic report also supports directors in fulfilling their duties under Section 172, which requires consideration of stakeholders such as employees, customers, suppliers, communities, and the environment. As a result, many companies use the report to disclose ESG-related initiatives, including environmental efforts, diversity policies, and governance practices. These disclosures meet investor expectations and demonstrate how ESG considerations shape corporate decisions. For parent companies, the requirement extends to a group strategic report, promoting consistent and transparent non-financial reporting across the corporate group. This helps avoid fragmented disclosures and supports a unified CSR strategy. Importantly, failure to prepare a strategic report is a statutory offence, and directors may face penalties. This legal requirement underscores the strategic report's growing role as a key platform for ESG and CSR communication—reflecting their increasing impact on long-term success and stakeholder trust.

In summary, while Section 414A is not a CSR-specific law, it serves as a cornerstone of the UK's corporate reporting framework where CSR and ESG issues are increasingly addressed. It supports a shift toward broader, stakeholder-focused governance, encourages greater corporate accountability, and reinforces the connection between responsible business practices and sustainable success.

Section 54 of the Modern Slavery Act 2015 mandates that certain commercial organisations must publish a slavery and human trafficking statement for each financial year. This requirement applies to any organisation that supplies goods or services and has a total turnover equal to or exceeding a threshold amount set by the Secretary of State, which is currently set at £36 million. The purpose of this provision is to ensure transparency in business practices and to encourage companies to take responsibility for preventing modern slavery and human trafficking within their own operations and their supply chains. According to the Act, the statement must describe the steps the organisation has taken during the financial year to ensure that slavery and human trafficking are not taking place either in any part of its own business or in its supply chains. If no such steps have been taken, the organisation must still publish a statement acknowledging this. The statement may contain details such as the organisation's business structure and supply chains, its policies regarding slavery and human trafficking, the due diligence processes it has adopted, the areas of its operations where risks are identified along with how those risks are managed, the indicators it uses to assess effectiveness in eliminating such risks, and any training provided to staff. To maintain accountability at the highest level, the statement must be approved by the board of directors or equivalent management body, and it must be signed by a responsible officer such as a director or partner, depending on the type of entity. If the organisation operates a website, it is required to publish the statement there and provide a prominent link to it on the homepage. If there is no website, a copy must be provided to anyone making a written request, within thirty days of receiving the request. The Secretary of State has the authority to issue guidance on how these obligations should be met and what content might be included in the statement. The government can enforce these duties by initiating civil proceedings in the High Court to compel compliance, either through injunctions in England or specific performance in Scotland. While the section does not provide for criminal penalties, its enforcement mechanism relies on public accountability and reputational pressure to drive corporate behaviour. A commercial organisation is defined as any body corporate or partnership, whether incorporated or formed in the UK or elsewhere, that carries on part or all of its business in the UK. The term "slavery and human trafficking" encompasses conduct that constitutes an offence under sections 1, 2, or 4 of the Modern Slavery Act 2015, equivalent provisions under the laws of Northern Ireland and Scotland, or conduct that would constitute such an offence if committed within the UK. Thus, Section 54 serves as a critical component of corporate responsibility, reinforcing ethical business conduct through transparency rather than punitive regulation.

Now, discussing in the context of CSR:

It is closely aligned with the principles and practices of CSR, as it legally embeds ethical responsibility into the operations of large commercial organisations. CSR encourages businesses to consider the broader impact of their activities on society, the environment, and human rights. By requiring companies to disclose the steps they are taking to prevent slavery and human trafficking in their operations and supply chains, Section 54 enforces a transparent approach to social accountability. This provision promotes the idea that businesses must not only pursue profit but also ensure that their practices do not contribute to human exploitation. It reflects a shift from voluntary CSR frameworks to mandated corporate responsibility in the realm of human rights. The requirement to publish a slavery and human trafficking statement forces companies to evaluate their internal policies, implement due diligence procedures, and identify areas where ethical risks exist. In this way, the Act pushes businesses to move beyond surface-level CSR declarations and adopt substantive measures that reflect genuine commitment to ethical conduct. Additionally, the emphasis on board-level approval and public disclosure reinforces accountability at the highest levels of governance. It links CSR directly to leadership responsibility, ensuring that ethical considerations are integrated into the strategic decisions of the organisation. Although the Act does not impose criminal penalties, the reliance on reputational pressure and stakeholder scrutiny is a form of soft enforcement that aligns with CSR's focus on public transparency and moral leadership. Ultimately, Section 54 operationalises CSR by turning the prevention of modern slavery from a voluntary initiative into a compliance issue, thereby embedding human rights concerns into corporate governance and supply chain management. It exemplifies how regulatory frameworks can be used to drive responsible corporate behaviour and uphold ethical standards on a global scale.

The UK legal framework on equality, primarily governed by the Equality Act 2010, represents a landmark effort to unify and strengthen anti-discrimination laws. This Act replaced over 100 prior pieces of legislation, including the Equal Pay Act 1970, the Sex Discrimination Act 1975, the Race Relations Acts of 1975 and 2000, and the Disability Discrimination Acts of 1995 and 2005. The Act identifies nine protected characteristics—age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation—ensuring a wide range of protections for individuals against unfair treatment.

A crucial provision of the Equality Act is found in Section 149, which introduces the Public Sector Equality Duty (PSED). This duty applies to public bodies, such as universities, and mandates them to proactively eliminate discrimination, harassment, and victimisation; advance equality of opportunity between people who share a protected characteristic and those who do not; and foster good relations across diverse groups. The aim is not only to ensure legal compliance but also to drive cultural change within institutions by embedding fairness and inclusivity into their operations, decision-making, and service delivery. To support the practical enforcement of this duty, The Equality Act 2010 (Specific Duties) Regulations 2011 require public bodies to publish evidence demonstrating how they comply with the general equality duties and to set measurable equality objectives. These obligations promote transparency, accountability, and continual improvement in addressing inequality. Further guidance is provided by the Equality and Human Rights Commission (EHRC), which assists institutions in integrating equality into their policies and strategies. This legal duty aligns closely with the principles of CSR. It encompasses an organisation's commitment to operate ethically and contribute positively to society. In this context, equality and non-discrimination form the social foundation of CSR. The legal mandates of the Equality Act push public institutions—and increasingly private entities subject to similar expectations—to uphold values that go beyond compliance, including dignity at work, inclusion, diversity, and respect for human rights. Public Equality Duties directly support CSR goals by promoting social justice, enhancing stakeholder engagement, and encouraging inclusive governance. They require institutions to identify and address disadvantages experienced by protected groups, align institutional values with broader social goals, and demonstrate a proactive stance in promoting diversity. This integration of legal obligations with ethical practices ensures that CSR in the UK is not merely voluntary or symbolic, but a practical and measurable commitment to equity, fairness, and social responsibility.

Now, discussing in the context of CSR:

The Equality Act 2010 is closely aligned with the principles and practical application of CSR in the UK. At its core, CSR involves an organisation's commitment to operate ethically, contribute to economic development, and improve the quality of life for employees, local communities, and society at large. Within this context, the legal framework established by the Equality Act provides a solid foundation for advancing social responsibility, particularly in promoting fairness, inclusivity, and respect for human rights. The Public Sector Equality Duty (PSED), introduced under Section 149 of the Act, exemplifies how legal mandates directly support CSR objectives. By requiring public bodies to eliminate discrimination, advance equality of opportunity, and foster good relations between diverse groups, the PSED embeds socially responsible values into the operational fabric of institutions. This obligation encourages organisations to go beyond mere compliance and to take proactive steps in addressing systemic inequality, thus aligning their internal practices with broader social goals. Furthermore, the legal requirement for public bodies to publish measurable equality objectives and evidence of compliance ensures that CSR is not symbolic or performative, but rooted in transparency and accountability. This legal expectation mirrors key aspects of CSR, such as stakeholder engagement, ethical governance, and long-term social impact. Equality duties compel institutions to actively consider how their decisions affect people with protected characteristics and to adapt policies and services in a way that reduces disadvantage and fosters inclusion. In practice, the alignment between equality law and CSR means that institutions are expected to cultivate diverse workforces, provide equitable access to services, and ensure that all individuals are treated with dignity and respect. These expectations reflect the social dimension of CSR, positioning equality as a central concern in an organisation's ethical identity. As a result, the Equality Act not only shapes legal behaviour but also reinforces a culture of responsibility, where equality and inclusion become integral to how institutions define success and social value. Through this integration of legal obligation and ethical practice, the UK's equality framework supports the practical implementation of CSR by ensuring that commitments to diversity and fairness are concrete, measurable, and publicly accountable. It transforms CSR from a voluntary ideal into a structured and enforceable standard, strengthening the social fabric of both public and private sector organisations.

UK Corporate Governance demonstrates a close and evolving relationship with the principles of CSR. While the UK Corporate Governance Code does not explicitly use the term "CSR," its structure, objectives, and evolution have embedded CSR-related values into the governance framework for listed companies. The UK Corporate Governance Code, overseen by the Financial Reporting Council (FRC) and enforced through the Financial Conduct Authority's Listing Rules, operates on a "comply or explain" basis. This approach encourages companies to either follow the governance principles outlined or explain their deviations, promoting transparency and flexibility. The Code is grounded in a principles-based model rather than a strict rules-based system, allowing companies to adopt governance practices aligned with their business needs and stakeholder expectations. The Code emerged as a response to corporate scandals such as Polly Peck, BCCI, and the Maxwell scandal. Reports like the Cadbury Report (1992), Greenbury Report (1995), Hampel Report (1998), and later reviews including the Walker Review and Higgs Review, contributed to shaping a governance system focused on transparency, accountability, board effectiveness, risk management, and long-term performance. These features align closely with CSR goals.

CSR is reflected in various sections of the Code:

- The Leadership section insists on effective board structure and accountability, encouraging boards to set ethical tones and long-term strategies that inherently consider social and environmental factors.
- The Effectiveness section promotes diversity, independence, and continuous development of directors, supporting inclusive and responsible decision-making, which is fundamental to CSR.
- The Accountability section focuses on risk management and fair representation of the company's position, urging companies to consider the broader consequences of their business strategies.

- The Remuneration section ties executive pay to performance, discouraging excessive risk-taking and aligning incentives with sustainable outcomes.
- The Relations with Shareholders section encourages ongoing dialogue and transparency, reinforcing the stakeholder-inclusive perspective central to CSR.

The 2018 version of the Code emphasized long-term sustainable growth, stakeholder engagement, and the inclusion of employee representation on boards, clearly moving towards a stakeholder governance model. This aligns with CSR's focus on balancing the interests of shareholders with those of employees, communities, customers, and the environment. Furthermore, the Code complements Section 172 of the Companies Act 2006, which explicitly requires directors to act in the company's best interests while considering the impact of corporate decisions on employees, communities, and the environment — all key pillars of CSR. Although the Code is not legally enforceable in the traditional sense, its impact lies in market discipline and investor scrutiny, reinforcing responsible business conduct without mandating prescriptive rules. This soft law approach reflects a belief that companies should be guided by ethical standards and social expectations rather than mere legal compliance.

In conclusion, the UK Corporate Governance Code plays an essential role in embedding CSR principles into corporate conduct by promoting ethical leadership, transparency, stakeholder engagement, and long-term value creation. It creates a framework where good governance and CSR are interdependent, supporting sustainable and responsible capitalism in the UK business landscape.

The Climate Change Act 2008 is a landmark piece of legislation in the UK that is directly connected to CSR, particularly within the realm of environmental sustainability and responsible governance. The Act makes it a legal duty for the government to reduce greenhouse gas emissions and transition the country towards a low-carbon economy. Although the obligations under the Act are primarily directed at the Secretary of State and government departments, they have widespread implications for the private sector and corporate operations, shaping the expectations around corporate environmental responsibility. The Act established a legally binding framework for emissions reduction, originally targeting an 80% reduction in greenhouse gases by 2050, later amended in 2019 to achieve 100% net zero emissions. This legal commitment has fundamentally redefined how companies must approach their environmental responsibilities. Businesses are now expected to align their strategies, operations, and reporting practices with national climate objectives. This has led to a rise in corporate initiatives to reduce carbon footprints, transition to renewable energy sources, implement energy-efficient technologies, and develop sustainable supply chains. The establishment of the Committee on Climate Change under the Act also reinforces the integration of CSR into long-term business planning. This independent body advises both the government and indirectly businesses by setting carbon budgets and assessing progress. Its influence has encouraged companies to adopt science-based targets and climate risk disclosures, which are increasingly being demanded by investors, regulators, and the public. The Act's emphasis on transparency and accountability supports the governance aspect of CSR. It motivates companies to include environmental risks and climate-related impacts in their annual reports and strategic planning. This aligns closely with the requirements under Section 414C of the Companies Act 2006, which mandates large companies to report on non-financial matters such as environmental concerns, employee welfare, and social impact.

The implications of the Climate Change Act extend into global corporate behaviour. As companies operating in the UK are part of global supply chains, the need to reduce emissions applies not only domestically but also across international operations. This encourages firms to ensure sustainability in sourcing, logistics, and production abroad, thereby promoting CSR as a transnational corporate standard.

In addition, the Climate Change Act contributes to stakeholder trust and public legitimacy. Companies that actively support the Act's goals and demonstrate leadership in climate action are seen as responsible, ethical, and forward-thinking. This enhances brand reputation and stakeholder engagement, both of which are key objectives of CSR.

In conclusion, the Climate Change Act 2008 provides the legal foundation for climate responsibility in the UK and has become a central driver of corporate behaviour regarding environmental sustainability. It transforms environmental CSR from a voluntary practice into a legal and strategic business necessity. Companies are no longer seen as merely economic entities but are expected to act as environmental stewards, contributing to the national effort to combat climate change while fulfilling their broader social obligations.

The Environment Act 2021 is deeply intertwined with the concept of CSR in the UK, especially in the environmental domain. As the UK moved away from EU environmental regulations following Brexit, this Act emerged as a foundational legal framework aimed at ensuring sustainable development and ecological protection. In doing so, it significantly shapes the responsibilities of businesses toward the environment, making CSR not just a matter of choice but of legal and operational necessity. The Act establishes legally binding targets in key environmental areas such as air quality, water conservation, biodiversity, and waste management. For companies, this means that protecting the environment is no longer a matter of voluntary best practice but a statutory responsibility. The requirement to reduce plastic waste, improve recycling, and manage resources efficiently now demands a shift in corporate strategy, production methods, and supply chain operations. This elevates environmental CSR from optional sustainability efforts to a mandatory aspect of business governance and reporting. One of the most significant implications for CSR arises from the Act's focus on biodiversity and land development. The concept of "biodiversity net gain", enshrined in law, requires that any land developed must be left in a better state for biodiversity than it was before. This places a direct responsibility on developers, construction companies, and landowners to integrate nature-positive approaches in project planning and execution. Such legally enforced obligations reinforce the environmental dimension of CSR, pressing companies to contribute positively to ecological preservation. In terms of global corporate accountability, the Act introduces measures to restrict the import of commodities like palm oil, soy, beef, and leather if sourced from illegally deforested regions. This directly influences supply chain management and procurement practices of UK-based companies, pushing them to adopt more ethical and transparent sourcing policies. Through this mechanism, CSR extends beyond national boundaries, requiring companies to ensure environmental responsibility throughout their global operations. The establishment of the Office for Environmental Protection (OEP) as an independent watchdog further supports the regulatory enforcement of CSR. Although some critics argue the OEP lacks sufficient power, its role in monitoring and advising on environmental laws enhances oversight and encourages companies to remain compliant and transparent in their environmental performance. This reinforces the importance of environmental reporting and accountability in corporate strategies. The Environment Act also intersects with stakeholder expectations. Public interest groups, NGOs, investors, and customers increasingly demand that businesses operate responsibly, especially in addressing climate risks and ecological degradation. The legal backing of environmental standards under this Act aligns corporate behaviour with public values, pushing CSR beyond public relations into the core structure of corporate governance.

In conclusion, the Environment Act 2021 is not merely a regulatory tool but a catalyst for embedding environmental sustainability within the corporate framework. It compels businesses to integrate long-term environmental considerations into their operations, reporting practices, and strategic decisions. In doing so, it transforms CSR from a set of voluntary actions into a legally supported and ethically expected dimension of responsible business in the United Kingdom.

ANALYSIS

COMPREHENSIVE ANALYSIS OF CSR LEGAL FRAMEWORKS: INDIA VS. UNITED KINGDOM

Sub Heads	INDIA	United Kingdom
Philosophical Underpinnings	India adopts a prescriptive and paternalistic approach toward CSR, reflecting the country's socio-economic development goals. The statutory mandate under Section 135 of the Companies Act, 2013, positions CSR as a corporate obligation aimed at redistributive justice.	The United Kingdom, conversely, follows a principle-based and market-driven model, embedding CSR within the broader context of fiduciary duties and sustainable corporate governance. It emphasizes director discretion and stakeholder inclusivity without prescribing monetary contributions.
Legislative Intent and Scope	India's legislative intent is explicit: to enforce corporate contribution towards national development goals (e.g., education, health, poverty alleviation). This is evident from the clear quantitative mandate (2% of profits) and the requirement for a CSR committee, policy formulation, and reporting.	The UK's framework, notably through Section 172 of the Companies Act 2006, aims to balance shareholder wealth maximization with stakeholder consideration—a softer legal standard. It encourages long-term value creation and social responsibility through integrated governance, not enforced quotas.
Enforcement and Compliance	India enforces CSR through legal coercion: Companies failing to comply must explain reasons and may face penal consequences.	The UK relies on transparency and reputation: Non-compliance triggers stakeholder discontent or market backlash rather than legal sanctions.
Mandatory Spending Monitoring Authority Enforcement Tools Nature of Compliance	Companies meeting certain criteria must spend at least 2% of average net profits on CSR. Ministry of Corporate Affairs, a government body. Legal penalties, fines, prosecutions, mandatory disclosures under the Companies Act. Codified in law.	No mandatory spending; CSR is voluntary and based on best practices. Financial Reporting Council, an independent regulator. Relies more on transparency, investor/institutional pressure, and corporate reputation. Guided by codes, such as the UK Corporate Governance Code.
Treatment of Stakeholders	India recognizes stakeholders statutorily in Section 166, but the	UK law internalizes stakeholder interests within the director's duty to promote the

	primary emphasis remains on CSR as an external obligation rather than an internal governance philosophy.	company's success, thus mainstreaming CSR into board-level decision-making.
Integration into Corporate Strategy	India's CSR model often results in compliance-oriented philanthropy, where companies treat CSR spending as a separate obligation, sometimes disconnected from core business strategy.	UK companies are incentivized to integrate CSR into corporate strategy, viewing stakeholder welfare as essential to long-term profitability and risk management.

CONCLUSION

India and the UK represent fundamentally different legal cultures in the governance of CSR. India employs a statutory approach that frames, as a tool for economic justice through corporate redistribution. In contrast, the UK relies on softer legal mechanisms that encourage market-driven accountability, embedding CSR within the broader ethos of corporate governance. In India, it is largely perceived as a legally imposed obligation, more procedural than philosophical. Companies comply with regulatory requirements, often without integrating CSR meaningfully into their strategic vision. In the UK, it is shaped by fiduciary judgment and stakeholder expectations. It is seen as part of a company's ethical orientation, voluntarily adopted as a marker of responsible governance.

Each model has its own strengths and limitations. India's approach ensures measurable contributions to social causes but frequently lacks strategic coherence and long-term sustainability. The UK's reliance on voluntariness allows for better alignment with corporate goals but leaves room for superficial compliance or "greenwashing" due to the absence of enforceable standards. Despite these differences, global trends such as ESG-focused investing and mandatory sustainability disclosures are pushing both countries toward greater convergence. Increasingly, there is recognition of the need for integrated, transparent, and strategically aligned CSR practices across jurisdictions.

Ultimately, while India provides a strong enforcement-based model, it must evolve to promote deeper integration of CSR into core business strategy. Conversely, the UK's model of internalized, ethics-driven CSR would benefit from the introduction of clearer minimum standards to guard against performative efforts. The most effective approach may be a hybrid framework one that mandates transparency, promotes strategic alignment, encourages stakeholder inclusivity, and ensures accountable governance. Such a model would balance compliance with conscience, ensuring that CSR is both meaningful and measurable.

LIMITATIONS

The research is primarily Descriptive and qualitative in nature, relying on statutory interpretation, and legal literature. It does not incorporate empirical data from corporate entities or stakeholder groups, which could have added practical perspectives on the challenges and effectiveness of CSR implementation. Furthermore, the scope of the study is limited to a general legal overview and does not extend to industry-specific CSR practices or variations in corporate strategies across sectors.

Potential areas for further investigation include an in-depth analysis of the historical development and evolution of CSR legislation in both India and the UK, and a closer examination of how stakeholder interests are defined and protected under corporate law. Comparative case studies focusing on CSR policies and their implementation across different companies and industries would offer valuable insights into practical applications. Future studies may also include identifying best practices and common challenges faced by businesses. Moreover, further research could examine the impact of CSR laws on corporate transparency and stakeholder trust, along with a comparative review of disclosure and reporting requirements in both countries. Exploring public and corporate perceptions of CSR and stakeholder responsibilities may reveal the socio-cultural underpinnings of firm's behaviour. Finally, the development of policy recommendations or legal reforms based on comparative insights could significantly enhance CSR governance and stakeholder protection frameworks.

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