

BEYOND 2%: TECHNOLOGY-DRIVEN CSR, BRSR AND ENVIRONMENTAL ACCOUNTABILITY IN CORPORATE INDIA

By Abeer Tiwari & Atreya Deshpande***

ABSTRACT

The integration of environmental responsibility into corporate governance has emerged as a cornerstone of sustainable development. In India, the Companies Act, 2013 introduced a paradigm shift by transforming Corporate Social Responsibility (CSR) from a voluntary ethical norm into a statutory obligation under Section 135. This paper critically examines the legal framework governing CSR with a specific focus on its role in promoting environmental sustainability. It investigates whether mandatory CSR compliance has transcended procedural formalities to achieve substantive ecological outcomes. The study adopts doctrinal approach, analysing statutory provisions, judicial pronouncements, and CSR disclosures of select Indian corporations. It explores how corporate environmental initiatives align with the principles of sustainable development, the polluter pays doctrine, and international obligations under the Paris Agreement and the Sustainable Development Goals (SDGs). The research further assesses the efficacy of regulatory mechanisms such as the Companies (CSR Policy) Rules, 2014, and the Business Responsibility and Sustainability Reporting (BRSR) framework in ensuring corporate environmental accountability. Findings suggest that while the legal mandate has enhanced transparency and increased CSR expenditures, environmental projects often lack measurable long-term impact due to weak enforcement, limited monitoring, and absence of uniform sustainability assessment standards. The paper concludes by proposing legal and policy reforms to strengthen impact evaluation, encourage green innovation, and integrate CSR more effectively with India's climate action and environmental governance agenda.

Keywords: Corporate Social Responsibility; Environmental Accountability; Technology-driven CSR; BRSR/ESG Reporting; Sustainable Development.

* 2nd Year, LL.M student, Department of Law, Savitribai Phule Pune University, Pune. Email: abeertiwari29@gmail.com.

** Research Scholar, Department of Law, Savitribai Phule Pune University, Pune. Email: atreyadeshpande007@gmail.com.

I. Introduction

Currently the Corporate Social Responsibility in India shows a shift in how business operate within society. Traditionally, if companies in common law areas follow the principle of putting shareholder first. This translates towards maximisation of profits and increasing investor value where the main goals of corporate components conclude. However, in recent years we have seen several academic theories, hold rulings and global sustainability movements urging companies to adopt a stakeholder focused approach. This view of corporate social responsibility emphasises the need for business to consider not just inventors but also employees communities regulators consumers and the environment as such. (Caroll and Shabana, 2010). Because of this the Corporate Social Responsibility (“CSR”) no longer remains a charitable activity. Instead, it has become a very important part of ethical corporate governance and sustainable business practises for several corporate companies.

In India, the legal and constitutional backing for this shift is given through idea of environmental constitutionalism. Indian courts have consistently linked environmental protection with right to Life given under Art. 21 of Constitution. Through several key rulings, court has given principles like precautionary principle, polluter-pays principle, sustainable development within India’s environmental governance system. These ideals created an expectation that companies now will actively participate in environmental Protection and welfare (Corporate Environmental Responsibility in India, 2019).

Another important aspect of CSR is internalisation of external costs. The environmental damage caused by whatever process, is imposed on society that polluter does not bear. Several experts opined that through CSR, companies can voluntarily or through proper legal channel, internalise the environmental costs by investing their resources in mitigation, clean technology and conservation (Corporate Environmental Responsibility in India, 2019).

Though section 135 of companies Act, 2013, India introduced unique governance method and also became the first country to require certain companies to spend their 2% of average net profit on CSR. This legal framework combines traditional regulations, like fixed spending requirements and mandatory committees, with "new governance" practices that allow for flexibility, experimentation, and collaboration with various stakeholders. This regulatory model helps companies to create CSR strategies that fit their operational contexts while ensuring public accountability. One of such case study is IRCTC CSR case study, where IRCTC

has shown that how CSR processes become integrated corporate decision making and performance assessment. (IRCTC Case Study, 2018).

II. Identification of Statement of Research Problem

Despite its potential, CSR practice in India faces several issues. In India, it is seen that CSR compliance is seen from the perspective it's monetary spending rather than quality and impact of such activities. Many companies invest CSR in simple and look good activities like tree plantation, education etc but very few shown interests in investing in environmental restoration, climate change and other projects (CSR Environmental Practices in India, 2020). Additionally, despite the presence of a CSR regime in the country, it has shifted towards a philanthropic activity, rather than it being a specified activity which generates meaningful outcome.

III. Research Methodology

Researchers are following both Doctrinal and empirical methods to find answers of these questions. In doctrinal part, researchers will go through relevant laws, rules and regulation that governs CSR. In empirical method, researchers will go through several CSR disclosures, Board reports and BRSR filings of companies, specially dealing in sector of Mining, petrochemicals etc. this methodology aims to explore both CSR and CER legal framework and its practical application (Corporate Social Responsibility, 2017; Corporate Environmental Responsibility in India, 2019).

IV. Analysis & Findings of the Research

A. Legal Architecture of CSR and Environmental Accountability

Section 135 of the Companies act, 2013 deals with the concept of Corporate Social Responsibility. Sec. 135 outlines basic requirements: companies exceeding specific financial thresholds must establish a CSR Committee, develop a CSR Policy, and spend a minimum of 2% of their average net profits on CSR activities. Though legal framework, CSR became mandatory provision for all companies which fall under the ambit of it, rather than considering CSR as a voluntary activity. Act makes CSR committee established under it to oversee the implementation of CSR and monitor its progress.

Schedule II of the Act specifies the domain in which CSR activities can be done. Environmental conservation and sustainability are one of main key components of schedule. It includes activities like ecological protection, conservation of natural resources, promotion of clean

energy, water management, and safeguarding flora and fauna. The Companies (CSR Policy) Rules, 2024, further gives wide idea over reporting mechanism, implementation guidelines and monitoring process. The made all companies, comes under ambit of CSR, to report their CSR spending, unspent funds, partners involved and other relevant project specifications in annual report. But unfortunately, all this process more focuses on idea of expenditure than its environmental outputs. This spending focused model came with criticism about its lack of uniform impact indicators or requirements for independent CSR results verification (Corporate Environmental Responsibility in India, 2019). In 2021, some changes has been introduced, requiring impact assessment for Larger CSR projects but still it lacks in providing standard environmental metrics, which limit the capacity to compare the performance of project across companies.

B. SEBI's Norms and Corporate Environmental Governance

CSR has always played a vital role in India's environmental legal framework while CSR cannot replace the compliance of laws like Environmental Protection Act, the Air Act, the Water Act, the Waste Management Rule etc. but It can support environmental goals by allowing funding the local projects testing new technologies and supplementing governments initiatives. Though like other legal frameworks, CSR cannot be at forefront of environmental protection, but by channelling monetary flow in that domain, CSR provides indirect support for environmental sustainability.

BRSR (The Business Responsibility and Sustainability Reporting) framework established by SEBI, one of main regulators, is one of best initiatives taken for ensuring sustainability. BRSR applies to top 1000 listed companies, makes them report ESG compliances in qualitative and quantitative way. The environmental disclosures required under BRSR are about Greenhouse emissions, energy consumption, use of renewable energy, water management, waste generation and its management, biodiversity impacts and climate related risks caused by business.

CSR and BRSR intertwined with each other in multiple layers. On one hand, the BRSR report can help to understand whether CSR funded project is going towards measurable advancement or not. On the other hand, CSR and BRSR works separately, where CSR focuses on project funding while BRSR speaks about overall sustainability development (CSr environmental Practices in India, 2020).

It is seen that most of companies though invest in environmental protection but in activities like tree plantation or waste management while avoiding themselves from engaging themselves in more technical projects. Maximum companies go with visible CSR initiatives which will result into great fame.

From a securities-law perspective, BRSR disclosures carry considerable significance. As investors increasingly factor ESG elements into their investment choices, misleading or inaccurate sustainability disclosures could be seen as major misstatements. Such situations might lead to regulatory actions or lawsuits from investors. Furthermore, ESG rating agencies and stock exchanges depend on BRSR data for index creation and industry benchmarks; however, differing rating methods can create inconsistencies.

Despite these challenges, BRSR marks an essential shift toward embedding sustainability in the foundation of corporate governance. The broader goal is to transition sustainability from being a side aspect of charity to being central to strategic business choices. Realizing this goal requires tighter integration between CSR and BRSR, standardizing assurance practices, and stronger enforcement against misleading disclosures.

C. Interaction of CSR with Science and Technology

The advent of technology in the day-to-day human life has proved to be a significant contributing factor towards the development of jurisprudence surrounding the CSR. The introduction of CSR into sectors requiring high-technological investment could be a route to strengthen India's position and continuous efforts towards ensuring the fulfilment of their Sustainable Development Goals (SDGs) by the year 2030. [Earth5R. (2025, November 26). For the purposes of this integration, it is necessary to depart the CSR funding from the traditional philanthropic manoeuvres, towards CSR spending which concentrates upon the livelihood of the individuals. This includes (but is not limited to) clean energy access, green hydrogen centric projects, decarbonization efforts, climate resilient infrastructure. This integration, as specified above would serve as a crucial effort towards strengthening of SDG 6 (Clean Water and Sanitation), SDG 7 (Affordable and Clean Energy), and SDG 13 (Climate Action). (International Journal for Multidisciplinary Research. (2024). *A study of environmental initiatives by Indian corporations*. International Journal for Multidisciplinary Research, 6(5), 1–15). The result for an effective integration of technology and CSR related activities would transform the role(s) of a corporation from a mere donor to a contributor for the manufacturer and supplier of technological-environmental goods utilized for the benefit(s)

of the public. Now, it is important to highlight that there lies a fine line of bifurcation between ordinary CSR activities, and the one driven from technology. While the latter (albeit important) enriches the lives of a majority of individuals, the latter serves not merely to enrich the lives of those in need, but also empowers them for the contemporary challenges which could be solved majorly through the integration of technology in their lives both at the individual, and the community level. Additionally, CSR serves as a nexus between private spending and public; it channels private funds through CSR towards driving self-reliance, resilience and innovation as a part of community/public level causes. [Ministry of Corporate Affairs. (2019, October 11). MCA amends Schedule VII to allow CSR contributions to incubators, R&D projects and universities. This supports the stance of CSR as a quasi-regulatory mechanism. Additionally, by connecting BRSR/ESG towards technology-driven CSR spending can improve the verification standards of the outcomes attached to the spending, thereby reducing the chances of greenwashing. This remedies the situation of commitment for over-compliance while approaching/undertaking CSR as an activity. Certain sectors include:

1. *Energy Efficiency and Commitment to Renewable Energy*: Giants like Adani Green Power, Tata Power, and Reliance Industries have enhanced their CSR investments in the field of renewable energy projects in order to provide clean and affordable energy to the areas which are yet to witness the wonders of non-fossil fuel-based energy sources. This investment in the renewable energy sector through CSR serves a dual purpose; it mandates these mammoth corporations to actively participate in the activity, and at the same time contributes to India's goal of 500 GW of renewable energy capacity by the year 2030.
2. *Water Conservation and Sustainable Agriculture*: Corporations like that of ITC and Mahindra & Mahindra have been making a steadfast progress in the area(s) of water conservation by adopting measures for sustainable agriculture. Owing to these projects, 1 million acres of land has been revitalized, coupled with a groundwater recharge of 25%, reduction in soil erosion and a strike improvement in agriculture related productivity.
3. *Waste Management and Circular Economy*: India's battle with waste management is not a novel issue; it has been battling waste management issues with an additional challenge of e-waste management. Approaches adopted by Reliance Industries and Hindustan Unilever by recycling of 2.2 PET bottles annually and commitment towards

making 100% recyclable plastic at its packaging supply chain level respectively addresses a huge issue relating to plastic pollution.

Ideas and thoughts without the backing of the *lex loci* renders the entire efforts futile. Therefore, it is of paramount importance that we also understand the legal feasibility and viability of technology-driven CSR in India. Schedule VII to section 135 enumerates upon the activities which are counted as a part of CSR activity. With the amendment *vide* the notifications issued on 11/10/2019 and 24/08/2020, the Union of India amended item (ix) to feature science and technology as an important feature of the CSR spending. Now the important aspects to these include:

- The CSR activities being undertaken by the corporation must mandatorily depart from the “ordinary course of business” being conducted and should strictly align with the provisions as enumerated under Schedule VII;
- Item (iv) of the schedule uses the language: “ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water.” This makes the stance of the government clear: utilisation of private funds, to strengthen the SDG goals at the community level, and not merely to suffice an internal upgrade of the corporation’ and
- It is notable to highlight that items ix (a) and ix (b) provides for a route to the corporations to now allow fundings to incubators and R&D programmes which are steered by various public-funded universities, national laboratories et cetera engaged in active research pertaining to green hydrogen, decarbonisation efforts, and (including but not limited to) clean energy. [Mehta & Mehta CSR Advisory. (2025, June 1)].

The aforementioned provisions seem technology-driven CSR spending as a lucrative avenue for the corporations to activate their philanthropic manoeuvres. However, it can also serve as a breeding ground for the corporations to engage into fraudulent activities. To ensure that this technology-driven CSR spending is appropriately guarded, the government has made a fence around it. Rule 4(1) of The Companies (Corporate Social Responsibility) Rules¹ establish that

¹ Rule 4 of The Companies (Corporate Social Responsibility) Rules 2014:
CSR Implementation. – [(1) The Board shall ensure that the CSR activities are undertaken by the company itself or through, –
(a) a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved

the CSR activities need to be mandatorily undertaken either by the corporation itself, or through a company established under section 8 of the Companies Act² or a registered trust/society established by the central/state government(s). This ensures that the spending, including the acquisition of assets is done through the aforementioned routes, thereby compelling the corporations to structure the spending models through technological assets which have a community/municipality ownership. [Ministry of Corporate Affairs. (2019, October 11).

D. Effectiveness of India's CSR Regime and Emerging Global Disclosure Standards

With the global order walking towards a unified structure with regard to certain standards of disclosure, India too has commenced its evolution with regard to its CSR jurisprudence to align with the global standards. This evolution, particularly if compared through the lenses of India and the European Union ("EU"), it has resulted in the evolution of section 135³ from a mere corporate governance legal provision to a much broader framework governing sustainability, governance, measurement of impact (through SEBI's BRSR)⁴ in lines with the EU's

under 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company; or

- (b) a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government; or
- (c) any entity established under an Act of Parliament or a State legislature; or
- (d) a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.

Explanation.- For the purpose of clause (c), the term "entity" shall mean a statutory body constituted under an Act of Parliament or State legislature to undertake activities covered in Schedule VII of the Act.]

² Section 8 of the Companies Act:

(1) Where it is proved to the satisfaction of the Central Government that a person or an association of persons proposed to be registered under this Act as a limited company—

- (a) has in its objects the promotion of commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or any such other object;
- (b) intends to apply its profits, if any, or other income in promoting its objects; and
- (c) intends to prohibit the payment of any dividend to its members,

the Central Government may, by license issued in such manner as may be prescribed, and on such conditions as it deems fit, allow that person or association of persons to be registered as a limited company under this section without the addition to its name of the word "Limited", or as the case may be, the words "Private Limited", and thereupon the Registrar shall, on application, in the prescribed form, register such person or association of persons as a company under this section.

³ Section 135 of the Companies Act, 2013 ("Act") provides that certain companies must mandatorily contribute a certain amount towards CSR activities. As per the Act, 'Corporate Social Responsibility' means and includes but is not limited to:

- (a) Projects or programmes relating to activities specified in Schedule VII to The Act.
- (b) Projects or programmes relating to those activities which are undertaken by the Board of Directors of a company in ensuring the recommendation of the CSR Committee of the Board as per declared CSR Policy along with the conditions that such policy will cover subjects specified in Schedule VII of the Act.

⁴ The Securities and Exchange Board of India (SEBI) introduced the requirement of

ESG reporting in India in 2012. The Indian Institute of Corporate Affairs (IICA) developed the BRSR based on a study conducted in collaboration with the United Nations Children's Fund (UNICEF) in 2018 (IICA-UNICEF study). The study exposed the gaps in the SEBI-BRR framework— the information provided by the companies was

CSRD/ISSB.⁵ However, not all that glitters is gold. There are certain issues surrounding the effectiveness of the Indian CSR Regime:

- The General-Purpose Financial Report of Public Sector Undertakings for the year ended 31/03/2022 by the Comptroller and Auditor General of India reveals certain concerning points. [Comptroller and Auditor General of India. (2024). Corporate social responsibility (Chapter IV in Union Government report). As observed from the figure 1, we can observe that the initial three PSUs have recorded a shortfall of 100%, thereby meaning that they have not spent a single penny with regard to CSR. On the other hand, only two companies, entry number 7 & 8 from the table have spent the CSR amount as which was allocated to them. This indicates a clear diversion of the CSR funds for purposes *internal* to the functioning of the corporation. This is just one of many examples, which shows a rather weak pattern of implementation of the CSR mechanism. Additionally, as observed from figure 02, it is pertinent to note that the focus of various corporations is to achieve targets with short-term durations, with only 45% of the respondents to the study believing that there should be a timeframe for more than three years. Unfortunately, if there needs to be a proper CSR spending on the environmental grounds, then it is of paramount importance that a proper timeframe is granted, in order to execute and chalk out the details pertaining to long-term ecological benefits; should these projects, relating to the revitalisation of the soil or reduction of emissions be run merely for a year or so, and the results are built on narrative report, the entire exercise would be rendered futile. Therefore, it is important not merely for the PSUs but also for the private owned corporations to invest a heavy timeframe for a successful utilisation of their CSR funding. [Comptroller and Auditor General of India. (n.d.). Guidance notes and practice guides on audit of environmental and social sectors.]
- Additionally, there is an issue with the corporations' collecting data for their evaluation. The methodology of these corporations stands on thin wooden sticks, with questionnaires holding negligible relevance to the indicators, non-disclosure of the

not clear and/or accurate. Thus, the BRSR was formulated to improve upon the BRR and make businesses report their non-financial performance with enhanced transparency.

⁵ The interoperability between the European Union (EU) Directive 2022/2464, commonly known as "CSRD" (Corporate Sustainability Reporting Directive), and the standards of the International Sustainability Standards Board (ISSB) is a crucial topic in the landscape of sustainable finance. This aspect is particularly relevant as it represents a cornerstone in creating a coherent and effective global sustainability reporting framework. Let's examine how CSRD aligns with ISSB and the implications of this interoperability for businesses and stakeholders under these regulations.

methodology so followed, and adoption of qualitative/anecdotal data for their reference(s). To add salt to the wound, the ‘impact assessments’ as conducted by these corporations lack statistical backing, are often deprived of control groups or have a questionable sense of independence. There needs to be a shift from a narrative building attitude to a more regulatory-evidence based approach coupled with transparency in the procedure and strict alignment with the indicators.

- As a result of these, there exists a “disclosure deficit” issue, wherein the law has birthed various statutory provisions to provide for CSR related aspects, but has not undertaken a thorough and standardised measures including that of robust impact metrics, baselines, et cetera. [Fulcrum. (2024). Bharat CSR performance report 2018–2023]

The aforementioned issues do not conclude the jurisprudence of CSR as an activity in India. There could be a host of measures which could be undertaken by the government in order to address these issues:

- The framework surrounding SEBI’s BRSR has been defined as a watershed movement with regard to fair disclosure and transparency. It is through this framework, that the corporations are obligated to furnish the quantitate aspect of ESG pertaining to energy, emissions, climate-risk management, et cetera. This increase in transparency needs to be strengthened in order to trace the activities of a company with the effectiveness of the CSR project as promised on the paper, with the disclosure as obligated by the law for the stakeholders to assess if the aforementioned CSR activities align with goals aligning with science and technology.
- Building of the first point, it is important to create a strict legal environment around CSR spending for the corporations to play. However, the environment should not be lethal enough; the corporations might as well choke. Here, the issue at hand is to tackle the superfluous claims made by the corporations by employing irregular statistical baselines, disable indicators, et cetera. This could be tackled by integrating disclosure frameworks like that of EU CSRD/SRS and ISSB climate standards to the list of disclosures required. The nexus between SEBI’s BRSR and the EU standards would eliminate the superfluous claims issued by the corporations as the corporations would now be mandated to frame regular climate-risk and impact narratives both at the international level, and the international level. [KPMG in India. (2024). State of impact reporting in India. KPMG.

V. Conclusion

India's CSR regime, a rather novel concept for the Indian corporate diaspora has presented itself as the *messiah* for championing ESG goals by the stipulated time by providing with various legal and reporting framework as a response to the climate crisis prevailing in the global order. However, a close analysis of section 135, read with Schedule VII has revealed a troublesome gap with regard to CSR projects in the environmental and sustainable domain; often lacking metrics and opting for a wrong data type. Although the reporting standards in the form of SEBI BRSR coupled with the global standards have opened windows for better enhancement mechanism, these provisions have to now transform their form from not just to include the regulation of corporations, but to designing, monitoring, spending and effective integration of climate science to achieve its obligations at the global level.

VI. FIGURES REFERRED

Sl. No.	Name of PSUs	Period of spending ³³	Two percent of average of 3 years Net Profit Before Tax (₹ in crore)	Actual Spent (₹ in crore)	Shortfall/ (Excess) (₹ in crore)	Shortfall/ (Excess) (in percentage)
1	The Kerala State Backward Classes Development Corporation Limited	2019-20	0.46	0	0.46	100
2	Kerala State Power and Infrastructure Finance Corporation Limited	2020-21	0.15	0	0.15	100
3	Transformers and Electricals Kerala Limited	2019-20	0.13	0	0.13	100
4	Kerala State Industrial Development Corporation Limited	2020-21	0.53	0.09	0.44	83.11
5	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	2018-19	0.42	0.32	0.10	23.82
6	The Travancore Sugars and Chemicals Limited	2020-21	0.11	0.003	0.11	97.24
7	The Kerala State Financial Enterprises Limited	2018-19	3.74	3.74	No shortfall	0
8	The Kerala Minerals and Metals Limited	2021-22	2.16	2.16	No short fall	0
9	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	2018-19	2.38	5.51	(3.13)	(131.51)

Figure 01; Source: *The General-Purpose Financial Report of Public Sector Undertakings for the year ended 31/03/2022*

Ideal Timeline Recommendations for CSR Projects

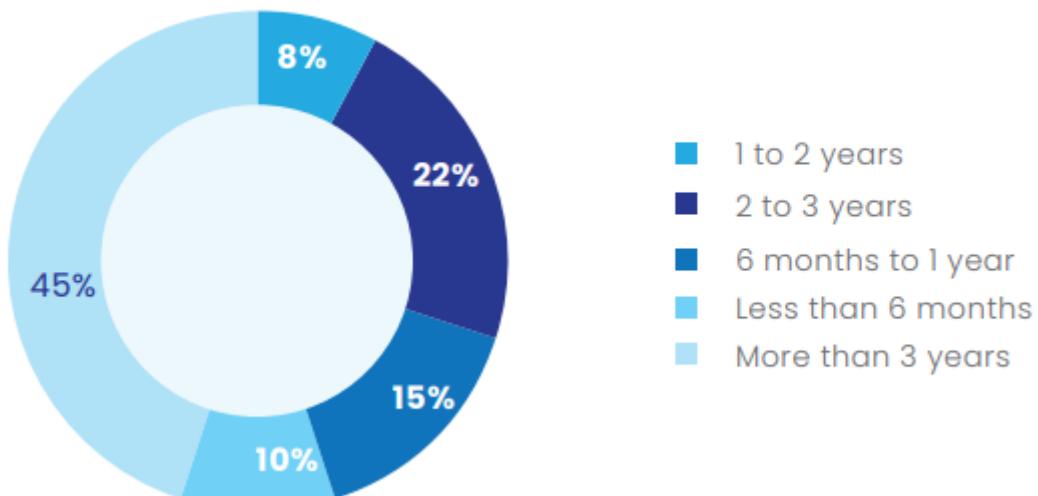


Figure 02; Source: *India CSR Outlook Report 2024*

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