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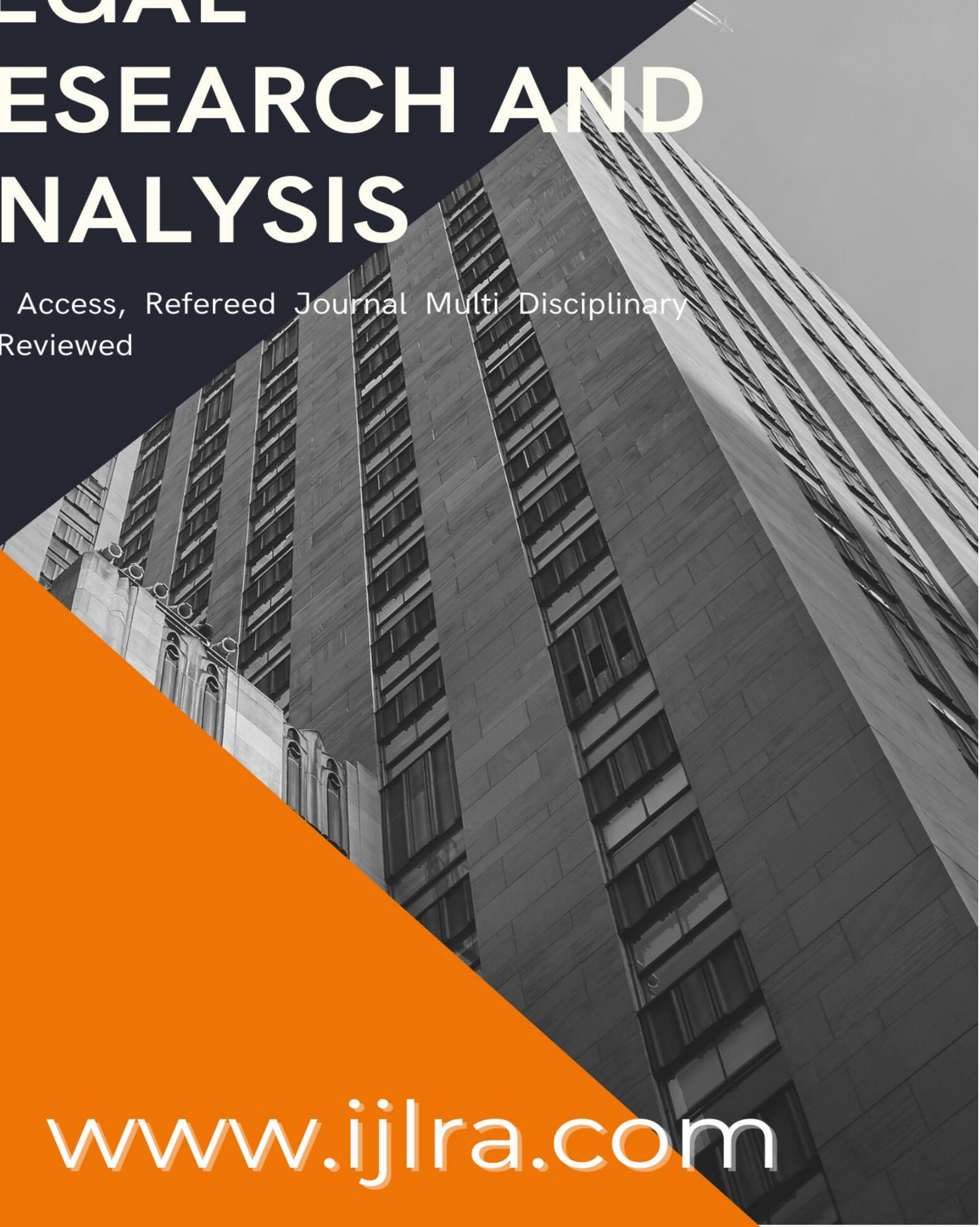

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MANDATORY CORPORATE RESPONSIBILITY IN INDIA: SECTION 135 CSR, BRSR DISCLOSURE AND ENVIRONMENTAL LIABILITY AS DISTINCT REGULATORY REGIMES

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Abstract

Corporate responsibility in India has moved through three overlapping stages: an early period in which social spending was philanthropic and left to managerial discretion; an intermediate period in which policy instruments defined responsible business conduct without compelling it; and a present period in which company law and securities regulation have converted significant parts of social and environmental responsibility into enforceable legal duties. Describing India merely as a jurisdiction with "mandatory CSR" understates what has occurred. The more accurate description is a layered system of mandatory corporate responsibility, composed of three regimes that overlap in purpose but remain doctrinally distinct. Section 135 of the Companies Act, 2013 obliges qualifying companies to constitute a Board-level committee, spend a prescribed proportion of average net profit on Schedule VII activities, and account for unspent amounts through a defined transfer mechanism. The Securities and Exchange Board of India has separately required major listed entities to disclose structured sustainability information, moving from the Business Responsibility Report to the more detailed Business Responsibility and Sustainability Report and, most recently, to BRSR Core, which subjects a narrower set of indicators to phased third-party assessment or assurance. Independently of both regimes, Indian environmental jurisprudence imposes preventive and restorative obligations on polluting enterprises that cannot be discharged through voluntary social expenditure elsewhere in the business.

This article develops that argument through doctrinal analysis of Section 135, the Companies (Corporate Social Responsibility Policy) Rules as revised from 2021 onward, the successive SEBI circulars that built the BRSR and BRSR Core framework, and Indian case law establishing the separate legal content of environmental responsibility. It also engages critically with the principal empirical studies of Section 135, which complicate any simple narrative of success. Firms subject to the mandate increased CSR participation, yet some large firms that had previously spent above the statutory benchmark reduced spending after the law took effect, and firms that voluntarily undertook CSR before 2014 appear to have reduced it once a common statutory floor removed much of its signalling value. These findings do not show that mandatory CSR has failed; they show that an expenditure floor changes incentives in ways an input-based compliance regime cannot detect, and they justify a stronger emphasis on independent impact assessment than on the raw percentage of profit committed.

The article contends that the next phase of Indian corporate-responsibility law should not centre on a larger compulsory expenditure figure but on strengthening the connection between expenditure, verified outcome and disclosed evidence. This requires distinguishing outputs from outcomes in impact assessment, preserving the additionality principle that excludes expenditure already owed under other law, allowing CSR reporting and BRSR indicators to become technically interoperable without collapsing two distinct legal concepts into a single score, and directing enforcement toward misclassification, diversion and material discrepancies between claims and verifiable performance rather than toward the ordinary failure of a well-designed but unsuccessful project. The analysis is current to 27 September 2026 and accounts for the Corporate Laws (Amendment) Bill, 2026, which proposes raising the Section 135 net-profit threshold from five crore rupees to ten crore rupees and had not been enacted as at the date of this article notwithstanding the Joint Parliamentary Committee report of 3 August 2026. On the evidence examined here, India's transition from voluntarism to mandatory governance is real, but its completion now depends less on the size of the statutory obligation than on whether reported compliance can be shown, credibly and independently, to correspond to the outcomes it is meant to produce.

Keywords: *Corporate Social Responsibility; Section 135; Companies Act, 2013; Schedule VII; CSR Rules; Business Responsibility and Sustainability Report; BRSR Core; stakeholder governance; environmental jurisprudence; polluter pays; greenwashing; impact assessment; India.*

Introduction, Research Questions and Assumptions

The Purpose of the Corporation

Corporate responsibility has long been shaped by a disagreement about what a company is for. On one account, the corporation is principally an economic institution whose managers owe their central obligation to shareholders, subject to compliance with the general law governing

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market conduct. [1] A competing account, associated with R. Edward Freeman, treats employees, consumers, communities and suppliers as more than external constraints on profit-seeking, so that a firm's governance question becomes how value is created and distributed across the relationships on which its operations depend. [2] India is a useful setting for this disagreement because Parliament and the securities regulator have not left the matter entirely to corporate choice. Section 135 of the Companies Act, 2013 establishes a statutory CSR framework for companies crossing specified financial thresholds, and Schedule VII identifies the classes of activity to which qualifying expenditure may be directed. [3] That framework now sits alongside a separate SEBI disclosure regime running from the Business Responsibility Report to BRSR and BRSR Core, producing not one comprehensive "ESG law" but a network of overlapping company-law, securities-law and environmental-law obligations, each with its own trigger and remedy.

Terminology: CSR, ESG and CSER

Precision matters because the regimes examined here answer different legal questions. "Corporate Social Responsibility", as used in Section 135, has a defined regulatory function confined to a specified category of expenditure. "ESG" is a broader analytical framework for organising environmental, social and governance information, particularly for capital markets, with no single statutory definition in Indian law. "Corporate Social and Environmental Responsibility", or CSER, is used here as an analytical umbrella describing the intersection between statutory CSR, sustainability disclosure and environmental accountability, without implying that one set of rules governs all three.

Research Questions

The central question is whether India's movement toward statutory CSR and sustainability reporting has converted social and environmental responsibility into a genuine component of governance, or whether the regime remains disproportionately concerned with expenditure and disclosure rather than verified outcomes. Three subsidiary questions follow: what Section 135 actually requires and how the 2021 CSR Rules changed its character; how Section 135 relates to BRSR and BRSR Core; and whether the empirical literature supports the claim that mandatory CSR improves corporate responsibility, or points instead toward reforms that

[1]Milton Friedman, The Social Responsibility of Business Is to Increase Its Profits, N.Y. Times Mag., Sept. 13, 1970, at 32.
[2]R. Edward Freeman, Strategic Management: A Stakeholder Approach 24-25 (1984).
[3]Companies Act, No. 18 of 2013, § 135 & sch. VII, INDIA CODE (2013).

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improve accountability without converting governance into rigid, state-directed philanthropy.

Scope, Date and Assumptions

The law is stated as at 27 September 2026. The Corporate Laws (Amendment) Bill, 2026 proposes raising the Section 135 net-profit threshold from five crore rupees to ten crore rupees while leaving the net-worth and turnover thresholds unchanged. [4] The Bill was introduced on 23 March 2026 and referred to a Joint Parliamentary Committee chaired by Sudhir Gupta, which reported on 3 August 2026 after receiving over nine hundred stakeholder suggestions; the Committee endorsed the threshold increase but recommended removing the delegated power to revise it by notification as excessive delegation. [5] As the Bill had not received Presidential assent as at the date of this article, five crore rupees remains the operative threshold, and the ten crore figure is treated only as a pending proposal. The article also assumes that "mandatory governance" should be assessed by legal duties and institutional mechanisms rather than any claim that law compels a particular motive: law can mandate expenditure, disclosure and consequences for breach, but cannot guarantee altruism.

Literature Review and Doctrinal Methodology

Three Debates

The literature contains at least three separable debates: corporate purpose, addressed above; regulatory form, whether CSR performs better when voluntary or mandatory; and measurement, how social and environmental performance can be assessed without collapsing complex impacts into unreliable indicators. The shareholder-oriented critique of mandatory CSR is not frivolous, since compelled expenditure can generate opportunity costs and agency problems if directors fund weak projects. The stakeholder response is not that profit is unimportant but that durable value cannot be analysed as though relationships with employees, communities and the environment were external to the firm. Indian law does not resolve this in favour of either school in the abstract; it identifies particular fields where social or environmental consequences cannot be left to managerial discretion.

[4]The Corporate Laws (Amendment) Bill, 2026, Bill No. 41 of 2026, cl. 47 (as introduced in Lok Sabha, Mar. 23, 2026) (India).

[5]Joint Parliamentary Comm. on the Corp. Laws (Amendment) Bill, 2026, Report Summary 1 (Aug. 3, 2026) (India), https://prsindia.org/files/bills_acts/bills_parliament/2026/JPC_Report_Summary_Corporate_Laws_(A)_Bill_2026.pdf.

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Empirical Evidence on Section 135

The principal empirical studies complicate any simple account of success. Manchiraju and Rajgopal treat the 2013 reform as a regulatory event and report an average stock-price decline of roughly 4.1 per cent around relevant legislative dates for firms expected to be compelled to spend, interpreted as evidence that forced expenditure can reduce shareholder value where a firm had not voluntarily chosen that level of spending. [6] Dharmapala and Khanna find a significant increase in CSR activity among affected firms, particularly in the proportion undertaking CSR at all, but also find that some large firms that had previously spent above the two-per-cent benchmark reduced spending after the mandate, alongside a decline in advertising expenditure consistent with substitution. [7] Rajgopal and Tantri find that firms which had voluntarily engaged in CSR before the mandate reduced such spending afterward, increased advertising, and experienced declines in stock price and operating performance, consistent with a loss of CSR's signalling value once a common statutory benchmark applied to every covered firm. [8] These findings do not show mandatory CSR to be economically harmful, nor do stock-price effects answer distributive questions for non-shareholder communities; the defensible conclusion is that a statutory floor changes incentives in ways raw compliance data cannot reveal, which justifies independent impact assessment over reliance on aggregate spending as a proxy for quality.

Disclosure, Antecedents and Methodology

Standardised disclosure improves comparability but is only as reliable as its underlying definitions and verification systems; a lengthy sustainability report can convey extensive information without allowing material performance to be distinguished from public-relations language. BRSR Core, examined in Part 4, responds to this by narrowing attention to a defined set of indicators and progressively subjecting them to external assessment or assurance. This followed an intermediate policy phase: the Ministry of Corporate Affairs' 2011 National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business addressed business conduct generally rather than equating responsibility with donation, [9] and

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[6]Hariom Manchiraju & Shivaram Rajgopal, Does Corporate Social Responsibility (CSR) Create Shareholder Value? Evidence from the Indian Companies Act 2013, 55 J. Acct. Res. 1257, 1258-60 (2017).
[7]Dhammika Dharmapala & Vikramaditya Khanna, The Impact of Mandated Corporate Social Responsibility: Evidence from India's Companies Act of 2013, 56 Int'l Rev. L. & Econ. 92, 93-101 (2018).
[8]Shivaram Rajgopal & Prasanna Tantri, Does a Government Mandate Crowd Out Voluntary Corporate Social Responsibility? Evidence from India, 61 J. Acct. Res. 415, 417-40 (2023).
[9]Ministry of Corp. Affairs, Gov't of India, National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (2011).

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were revised in 2019 into the National Guidelines on Responsible Business Conduct, framing responsible business around ethics, stakeholder well-being, human rights, environmental protection and inclusive growth. [10] The NGRBC describes conduct across a firm's whole operations, unlike Section 135, which governs a defined field of expenditure, but it supplied much of the vocabulary later absorbed into disclosure regulation.

This article adopts a doctrinal methodology drawing primarily on the Companies Act, 2013, the CSR Rules as amended, SEBI's LODR Regulations and circulars, and Indian case law, with secondary scholarship used to test behavioural assumptions rather than substitute for statutory interpretation. Section 135 is examined as an expenditure-and-governance regime, BRSR as a disclosure regime, BRSR Core as a verification-oriented subset of it, and environmental jurisprudence as an independent liability regime, avoiding the common error of treating every environmentally desirable activity as "CSR": pollution and clearance violations attract environmental and constitutional liability irrespective of any CSR obligation. The case-law component prioritises Indian authority: Charan Singh Meena v. Ministry of Corporate Affairs exposes an early monitoring problem internal to Section 135, [11] while Indian Council for Enviro-Legal Action, Vellore Citizens' Welfare Forum and Alembic Pharmaceuticals demonstrate the separate legal content of environmental responsibility, discussed in Part 5.

The Evolution from Voluntarism to Statutory CSR

Philanthropy, the NGRBC and the BRR

Indian corporate philanthropy long predates the Companies Act, 2013. Large business houses supported education, healthcare and community institutions for reasons ranging from religious tradition to reputation and local legitimacy, but the amount, distribution, continuity and reporting of such spending depended entirely on individual promoters' preferences, with no corporate-law mechanism requiring deliberation or accounting. The 2011 National Voluntary Guidelines and their 2019 revision into the NGRBC marked a conceptual shift toward defining responsible conduct generally rather than equating it with donation. Securities regulation developed on a parallel track: SEBI's circular of 13 August 2012 mandated Business Responsibility Reports for the top one hundred listed companies, describing the objective as improved disclosure of environmental, social and governance steps taken by listed companies, before the requirement was later expanded. [12]

[10] Ministry of Corp. Affairs, Gov't of India, National Guidelines on Responsible Business Conduct (2019).
[11] Charan Singh Meena v. Ministry of Corp. Affairs, W.P. No. 877 of 2017 (M.P. H.C.) (India).
[12] Secs. & Exch. Bd. of India, Circular on Business Responsibility Reports (Aug. 13, 2012).

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Section 135 as a Decisive Intervention

The Companies Act, 2013 introduced the decisive intervention. Section 135 applies to every company having, in the immediately preceding financial year, a net worth of at least five hundred crore rupees, a turnover of at least one thousand crore rupees, or a net profit of at least five crore rupees, the three conditions operating disjunctively. [13] This current text is distinct from the pending Bill discussed in section 1.4, which had not become law as at 27 September 2026.

The original model was often described as "comply or explain", since the Board had only to ensure spending or disclose reasons for a shortfall. That description is now substantially incomplete: later amendments introduced transfer obligations for unspent amounts and monetary penalties for non-compliance, examined in Part 4, so the regime is better described as a regulated spending-and-transfer mechanism. This changed CSR's normative character. Under voluntarism a Board could decide no CSR was required and face only reputational consequences; under the statute, applicability triggers an organised process in which the law fixes a benchmark, the Board oversees policy, prescribed activities define the permissible field, reporting makes the decision visible, unspent balances receive defined legal treatment, and specified breaches attract penalties. External philanthropy thereby acquired an internal governance structure.

From BRR to BRSR and BRSR Core

SEBI's circular of 10 May 2021 introduced BRSR for the top one thousand listed entities, voluntary for financial year 2021-22 and mandatory from 2022-23. [14] BRSR did not replace Section 135; it widened disclosure of environmental and social indicators unrelated to CSR expenditure. The circular of 12 July 2023 introduced BRSR Core, a subset of key performance indicators across nine ESG attributes with a phased path to external verification, [15] and the circular of 28 March 2025 permitted an "assessment" against Industry Standards Forum standards as an alternative to formal assurance while relaxing initial value-chain obligations. [16] For financial year 2026-27, assessment or assurance reaches the top one thousand listed

[13]Companies Act, No. 18 of 2013, § 135(1), INDIA CODE (2013).
[14]Secs. & Exch. Bd. of India, Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (May 10, 2021) (Business Responsibility and Sustainability Reporting by Listed Entities).
[15]Secs. & Exch. Bd. of India, Circular No. SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122 (July 12, 2023) (BRSR Core - Framework for Assurance and ESG Disclosures for Value Chain).
[16]Secs. & Exch. Bd. of India, Circular No. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2025/42 (Mar. 28, 2025) (Measures to Facilitate Ease of Doing Business with Respect to Framework for Assurance or Assessment, ESG Disclosures for Value Chain, and Introduction of Voluntary Disclosure on Green Credits).

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entities, having phased in from the top one hundred and fifty in 2023-24 through the top two hundred and fifty in 2024-25 and the top five hundred in 2025-26. The trajectory runs from voluntary guidance through BRR disclosure, statutory CSR, strengthened implementation rules, and BRSR to BRSR Core: from managerial discretion toward structured governance, disclosure and verification, rather than a single legislative leap from no spending to compulsion.

The Current Legal Architecture: Section 135, the CSR Rules, Schedule VII and BRSR

Applicability, the CSR Committee and the Expenditure Obligation

A qualifying company must ordinarily constitute a CSR Committee of the Board, though Section 135(9) dispenses with a separate Committee, leaving the Board to perform its functions, where the amount required under Section 135(5) does not exceed fifty lakh rupees. [17] The Committee recommends policy and expenditure and monitors implementation, while the Board approves policy and ensures activities are undertaken, locating CSR within formal Board process rather than treating it as an autonomous charitable function. The expenditure obligation is at least two per cent of average net profit over the three preceding financial years, calculated by reference to Section 198 rather than any figure management finds convenient. [18] [19] Preference is to be given to the local area, though this does not make it an exclusive jurisdiction for spending.

Unspent Amounts and Penalties

Unspent CSR expenditure unrelated to an ongoing project must be transferred to a Schedule VII fund within six months of the financial year's end; where it relates to an ongoing project, it must instead go, within thirty days, to an Unspent CSR Account, giving the company three years to spend it before a further transfer to a Schedule VII fund becomes due. This mechanism moves the regime well beyond a simple duty to explain non-spending toward a duty to account for where unspent money has gone. Section 135(7) attaches financial consequences: a company failing to transfer unspent amounts is liable to a penalty of twice the amount due or one crore rupees, whichever is less, and every officer in default to one-tenth of that amount or two lakh

[17] Companies Act, No. 18 of 2013, § 135(9), INDIA CODE (2013).
[18] Companies Act, No. 18 of 2013, § 135(5), INDIA CODE (2013).
[19] Companies Act, No. 18 of 2013, § 198, INDIA CODE (2013).

rupees, whichever is less. [20] These civil penalties reflect Parliament's broader decriminalisation of company-law defaults rather than treatment of CSR shortfall as an ordinary criminal offence.

The CSR Rules, Additionality and Schedule VII

The Companies (Corporate Social Responsibility Policy) Rules supply operational detail, [21] and the substantial 2021 amendments specified implementation modes, required registration of implementing agencies through Form CSR-1, formalised annual action plans, and added impact assessment, with 2022 amendments further refining the treatment of impact-assessment costs. The Rules' definition of CSR excludes activities undertaken in the ordinary course of business, contributions to political parties, activities aimed principally at a company's own employees, marketing-oriented sponsorship, and activities undertaken to fulfil another statutory obligation, reflecting a principle of additionality: CSR is not a mechanism for claiming credit for what a company was already bound to do. This has direct implications for environmental responsibility, discussed in Part 5, since expenditure required to comply with pollution-control norms or a remediation order cannot be counted as voluntary CSR merely because it benefits the environment.

Schedule VII deliberately covers broad categories rather than a narrow catalogue: poverty and hunger, healthcare and sanitation, education and livelihood, gender equality, environmental sustainability, heritage, armed-forces veterans, specified sports, public funds and research institutions, rural and slum development, and disaster management. Environmental CSR projects authorised under Schedule VII must remain analytically distinct from a company's antecedent legal duty not to pollute: the first is socially beneficial expenditure the CSR regime authorises, the second a condition of lawful operation existing independently of CSR.

Implementing Agencies, Overheads, Impact Assessment and Reporting

CSR-1 registration creates a traceable universe of eligible implementing agencies, though the Board retains responsibility for satisfying itself that funds are properly used, so outsourcing implementation does not outsource accountability. Administrative overheads are capped at five per cent of CSR expenditure, CSR surplus cannot become ordinary profit, and excess expenditure may, subject to conditions, be set off against future years' obligations. Under Rule 8, companies meeting a prescribed average CSR-obligation threshold must arrange

[20] Companies Act, No. 18 of 2013, § 135(7), INDIA CODE (2013).
[21] Companies (Corp. Soc. Responsibility Policy) Rules, 2014, G.S.R. 129(E) (India), as amended by Companies (Corp. Soc. Responsibility Policy) Amendment Rules, 2021, G.S.R. 40(E) (Jan. 22, 2021).

independent impact assessment for qualifying completed projects above a prescribed outlay, with the report placed before the Board and annexed to annual reporting. [22] This formally acknowledges that expenditure data alone cannot show whether a project improved social conditions. Section 134 links the Board's Report to CSR disclosure, and Form CSR-2 adds structured filing with the Registrar, so that expenditure can be scrutinised after the fact by regulators, shareholders and researchers.

BRSR, BRSR Core and Value-Chain Disclosure

BRSR rests on securities regulation rather than the CSR mechanism: it asks what an enterprise itself is doing across its own operations, requiring structured disclosure on the nine NGRBC principles, whereas Section 135 asks only whether a qualifying company has governed and allocated prescribed CSR expenditure. BRSR Core addresses credibility by focusing on key indicators across nine ESG attributes, including greenhouse-gas, water and energy footprint, circularity, employee wellbeing, gender diversity, inclusive development, and fairness toward customers and suppliers, and subjecting them to phased assessment or assurance by an independent, conflict-free provider. Verification phased in from the top one hundred and fifty entities in 2023-24 to the top one thousand in 2026-27, a materially different strategy from imposing uniform verification costs on companies of very different scale simultaneously. Value-chain ESG disclosure, by contrast, remains voluntary for the top two hundred and fifty entities from 2025-26, applying to upstream and downstream partners individually comprising at least two per cent of purchases or sales, with disclosure limited to seventy-five per cent of purchases and sales by value and assessment or assurance of such disclosures voluntary from 2026-27. This reflects a genuine difficulty: a company's own operations are easier to measure than impacts distributed across suppliers lacking measurement infrastructure, but voluntary treatment leaves a gap wherever the greatest labour or emissions exposure lies outside the corporate boundary. Section 135 and BRSR should not be treated as a single unified "ESG spending" regime: neither requires a fixed proportion of profit to be spent on the other's subject matter, and the two are enforced by different institutions for different purposes.

[22] Companies (Corp. Soc. Responsibility Policy) Rules, 2014, r. 8 (India), as amended.

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Enforcement, Environmental Jurisprudence, Greenwashing and Impact Measurement

Implementation, Outputs and Outcomes

In Charan Singh Meena v. Ministry of Corporate Affairs, a public-interest petition before the Madhya Pradesh High Court concerning CSR implementation near a solar-power project exposed an enduring problem: corporate disclosures and Board processes cannot by themselves establish that a promised benefit exists on the ground. [23] The modern regime responds more effectively than the earlier statute did, through transfer rules, CSR-1 registration, CSR-2 filing and impact assessment, but none fully resolves the underlying quality problem, since a project may be lawful, funded and accurately reported while still being poorly designed. The distinction between outputs and outcomes is therefore central: classrooms built, health camps held or trees planted are outputs, while attendance and learning gains, sustained health improvement, and survival and biodiversity effects are the outcomes that determine whether an intervention succeeded. A credible impact assessment should identify a baseline, distinguish outputs from outcomes, disclose its own limitations, and compare observed change against a counterfactual, with Boards drawing on findings when approving future plans rather than treating assessment as a ceremonial annexure.

Environmental Jurisprudence

Environmental responsibility requires a sharper distinction still, since Indian law imposes duties independently of any CSR obligation. In Indian Council for Enviro-Legal Action v. Union of India, the Supreme Court applied the polluter-pays principle and placed the financial burden of remediation on polluting industries rather than the public exchequer. [24] In Vellore Citizens' Welfare Forum v. Union of India, the Court recognised the precautionary and polluter-pays principles as essential features of sustainable development, extending polluter pays beyond compensation to the cost of reversing degradation itself, a conception incompatible with the idea that unrelated CSR spending could discharge environmental responsibility. [25] The absolute-liability doctrine from M.C. Mehta v. Union of India, arising from the Oleum Gas Leak, remains foundational to this line of authority. [26] More recently, in Alembic Pharmaceuticals Ltd. v. Rohit Prajapati, the Supreme Court distinguished pollution-control

[23]Charan Singh Meena v. Ministry of Corp. Affairs, W.P. No. 877 of 2017 (M.P. H.C.) (India).
[24]Indian Council for Enviro-Legal Action v. Union of India, (1996) 3 S.C.C. 212 (India).
[25]Vellore Citizens' Welfare Forum v. Union of India, (1996) 5 S.C.C. 647 (India).
[26]M.C. Mehta v. Union of India (Oleum Gas Leak), (1987) 1 S.C.C. 395 (India).

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consents from the environmental-clearance process and imposed substantial compensation, directed toward restoration, on industries that had operated without valid clearances. [27] Corporate environmental responsibility is thus tied to approval, prevention and restoration, not exhausted by post hoc social expenditure; a company may legitimately report a qualifying Schedule VII environmental project as CSR, but may not present remediation of its own breach as voluntary generosity, which is precisely why the CSR Rules exclude activities undertaken to fulfil another statutory obligation.

Greenwashing, Verification Limits and Value Chains

Greenwashing is broader than an obviously false claim: it includes selective presentation, material omission, inappropriate boundaries, vague terminology, and disproportionate emphasis on a small positive project while material harm elsewhere goes undisclosed. BRSR reduces such selectivity through a common disclosure structure, and BRSR Core goes further by subjecting specified indicators to external verification, making the independence of assessment or assurance providers part of the regime's anti-greenwashing architecture. Verification nevertheless has limits: it can test whether defined indicators are properly calculated but cannot certify an entire sustainability narrative, and a single aggregate ESG score can allow poor performance on one dimension to disappear inside strong performance on another. Disaggregated, auditable BRSR Core indicators therefore carry more legal value than an unexplained composite rating. Value-chain sustainability remains the most difficult frontier, since serious impacts in outsourced manufacturing or agricultural supply chains may sit entirely outside the listed entity, and SEBI's voluntary treatment of value-chain disclosure, while reducing compliance costs and unreliable supplier data in the near term, should be treated as a capacity-building stage rather than a permanent settlement.

Categories of Enforcement Failure

A mature regime should distinguish compliance failure, such as a missed transfer deadline; integrity failure, such as diversion, fictitious documentation or false reporting; and performance failure, where an honestly implemented project simply falls short of its goals. The first two justify the penalties Section 135(7) already provides; the third should trigger evaluation and redesign rather than punishment, since penalising every unsuccessful project would encourage only safe, easily countable interventions. Across Parts 4 and 5, Indian law now imposes

[27] Alembic Pharm. Ltd. v. Rohit Prajapati, Civ. Appeal No. 1526 of 2016, judgment of Apr. 1, 2020 (S.C.), reported at [2020] 10 S.C.R. 677 (India).

cumulative layers of duty: ordinary legal compliance, statutory CSR where applicable, sustainability disclosure for major listed entities, and independent environmental liability for legally cognisable harm. Keeping these layers analytically distinct prevents a company from presenting voluntary expenditure as compensation for weak operational compliance.

Policy Recommendations

Outcomes Over Expenditure

India need not abandon mandatory CSR because the empirical literature identifies unintended effects at the margin, nor increase the statutory percentage on the unexamined assumption that more spending produces more welfare. The more useful reform is outcome-centred CSR that avoids converting projects into rigid contracts: the two-per-cent benchmark remains a useful, comprehensible expenditure floor but should not be treated as a proxy for project quality, and reporting requirements should scale proportionately to project size.

Comparable Assessment and a Governance Loop

Impact assessment should be made comparable without imposing one methodology on every project, through minimum disclosures common to all assessments: objective, baseline, beneficiary selection, indicators, data sources, evaluator independence, limitations and management response. Boards should be required to show how material assessment findings shaped subsequent annual action plans, converting impact assessment from a procedural annexure into a genuine feedback loop between evidence and planning.

Additionality, Interoperability and BRSR Core

The additionality principle should be maintained rigorously, so that expenditure required to satisfy an environmental consent or other pre-existing duty never receives CSR credit, since diluting it would let a company count the cost of curing one breach toward an unrelated statutory obligation. CSR and BRSR reporting should become technically interoperable where information genuinely overlaps, through consistent tagging of project category, expenditure and outcome data, without merging the two into a single undifferentiated score. SEBI should keep strengthening BRSR Core around verifiable indicators rather than expanding narrative disclosure, monitoring whether assessment and assurance produce materially different reliability now that providers may choose between them.

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Value Chains, Greenwashing and Risk-Based Enforcement

Value-chain reporting should remain a phased, capacity-building project rather than a permanently voluntary category, with mandatory disclosure considered for high-risk relationships once reporting experience accumulates. Greenwashing enforcement should target claims materially capable of misleading, such as discrepancies between quantified claims and verified data or presentation of ordinary compliance as voluntary achievement, using BRSR Core as an evidentiary anchor. CSR enforcement generally should become more explicitly risk-based, concentrating on diversion, fictitious documentation and related-party abuse rather than on honestly implemented projects that simply underperform.

The Corporate Laws (Amendment) Bill, 2026

The Government should use the pending Bill to clarify Section 135's underlying purpose rather than treat the threshold change as mere administrative simplification. The proposed increase to ten crore rupees affects both compliance burden and the population of covered firms, and the Joint Parliamentary Committee's recommendation against delegating the power to revise that threshold by notification reflects a legitimate concern about excessive delegation of what is, in substance, a legislative choice. Whatever threshold Parliament ultimately adopts, Section 135 should remain understood as a governance mechanism for institutionalising accountable expenditure, not merely a compliance-adjustment device.

Conclusion

India's corporate-responsibility regime has travelled well beyond voluntary philanthropy. Section 135 brought social expenditure into company law; the CSR Rules converted broad statutory language into an operational framework for implementation, unspent funds and impact assessment; SEBI's movement from BRR to BRSR and BRSR Core brought sustainability information within securities-market governance; and Indian environmental jurisprudence independently requires prevention and remediation of ecological harm that no amount of unrelated CSR spending can displace. The result is neither pure shareholder primacy nor a complete stakeholder model: companies remain commercial institutions, but the law now rejects the idea that profit creation exhausts their responsibilities, requiring compulsory social expenditure from qualifying companies, regulated sustainability disclosure from major listed entities, and independent liability from polluters.

A legal mandate is not, however, proof of social success. The empirical literature shows both increased CSR participation and real unintended consequences at the margin; a benchmark can

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mobilise resources while also becoming a focal point companies simply cluster around; disclosure can improve transparency without being reliable; and assessment can improve credibility only where its independence is genuine rather than nominal. The strongest conception of CSER to emerge from this analysis is one in which corporations bear responsibility at three connected levels: lawful operation without externalising costs, compliance with the specific duties Section 135 imposes, and honest reporting that lets investors, regulators and communities evaluate what was actually done. India's remaining task is one of quality rather than quantity: not whether the law has moved beyond voluntarism, which it plainly has, but whether mandatory governance can produce reliable information, demonstrable outcomes and institutional learning without collapsing CSR into mechanical expenditure or sustainability reporting into polished advertising. The framework is best understood as an important but unfinished transition, from philanthropy to statutory expenditure, from expenditure to Board accountability, and from self-description toward verification, and the task ahead is to complete it without erasing the distinctions that keep each part of the system legally coherent.

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