Judicial Push for Environmental CSR

Mains: *GS-III – Ecology & Environment*

Why in News?

The Supreme Court has now linked the right to conduct business with the duty to restore ecosystems, making environmental responsibility a constitutional obligation rather than voluntary charity.

What is Corporate Social Responsibility (CSR)?

- **CSR** – It refers to the responsibility of enterprises to *integrate social and environmental concerns* in their business operations and interactions with their stakeholders and the public.
- It involves practices and policies intended to have a positive influence beyond legal obligations and profit maximization.
- **4 key dimensions –**
  - Economic responsibilities,
  - Legal responsibilities,
  - Ethical responsibilities, and
  - Discretionary (philanthropic) responsibilities.
- **Legal mandate** – Under the ***Companies Act, 2013***, requires eligible firms to spend at least 2% of their average net profit from the previous three years on CSR.
- **Applicability –** It applies to companies with a net worth of Rs.500+ crore, turnover of Rs.1,000+ crore, or net profit of Rs.5+ crore.
- **Proposed 2026 Changes** – The *Corporate Laws (Amendment) Bill, 2026*, aims to increase the net profit threshold from Rs.5 crore to Rs.10 crore.
- **Top beneficiaries** – Maharashtra, Rajasthan, and Tamil Nadu (based on 2024-25).

What about the recent SC's ruling?

- **M.K. Ranjitsinh & Others v. Union of India, 2025** – The Supreme Court of India declared that Corporate Social Responsibility (CSR) inherently includes environmental responsibility, making it a *constitutional obligation rather than mere discretionary charity*.
- Corporations are considered as *"legal persons"* and key organs of society, sharing responsibility for ecological protection.
- **Bound by Article 51A(g)** – By invoking Article 51A (g), the judiciary underscored that the right to conduct business is inseparably linked to the responsibility to restore our planet.

- **SC's view on Great Indian Bustard Conservation** – The judgment, centered on the near-extinct Great Indian Bustard, requires companies to fund *both in-situ* (habitat protection) *and ex-situ* (breeding and recovery outside natural habitats) conservation under the polluter pays principle.
    - **Polluter Pays Principle** – Companies whose activities (mining, power generation, infrastructure) threaten habitats must bear the cost of species recovery.

*India emerged as a **pioneer for mandating profit-sharing** for social good, a visionary move to channel corporate earnings for crucial societal objectives.*

How are CSR funds currently allocated & what are the key environmental initiatives?

- **CSR Funding Trends (past 7 years)** – Funds have been overwhelmingly allocated to human-centric development (social sectors) –
    - Education (38%),
    - Healthcare (22%), and
    - Rural development (10%), whereas to
    - Environment between 7%-9%.
- This imbalance shows that ecological needs are consistently underfunded compared to immediate social priorities.
- **Reason for less attention to environment** – Corporations view environmental crises as distant threats compared to immediate social needs.
- As a result, sustainability projects receive minimal investment despite their long-term importance.
- **Notable Environmental CSR Initiatives**
    - **Mahindra's Project Hariyali** – Planted almost 25 million trees, focusing on survival rates rather than just sapling counts.
    - **ITC Forestry Program** – 1.3 million acres restored, integrating livelihoods with conservation.
    - **Tata Group** – Leads large-scale watershed management for water security.
    - **Coca-Cola & Hindustan Unilever** – Undertaken circular waste management initiatives.
    - **JSW** – Mangrove restoration projects.
- These initiatives demonstrate that prioritising the environment yields significant, and measurable impact.

What are the challenges for restoration?

- **Neglect of Environmental Restoration** – Much needed environmental restoration, including afforestation, has been neglected in India as is evidenced in the country's report on the Bonn Challenge.
    - **Bonn Challenge** – A global, voluntary effort to restore 350 million hectares of degraded and deforested land by 2030.
- **India's Target & Status** – While the nation aims to *restore 26 million hectares by*

2030, private companies have contributed a negligible 2% to the 9.8 million hectares restored so far, reveals a gap under the Bonn Challenge.

- **Massive Restoration Gap** – Between the damage caused by industrial activity which causes large-scale ecological damage and the investment made to fix it, creating a serious imbalance.
- **Common Corporate Approach** – Most companies still pursue 'quick wins' such as one-off awareness drives, and sidestep the difficult processes of forest restoration and natural resource recovery.
- **Preference for Quick Visibility Projects** – Companies prefer social projects such as environmental awareness campaigns, renewable energy, or basic green initiatives.
- These give quick visibility, clear results, and facilitate easy reporting.
- **Challenges in Land-Based Projects** – Forest restoration with tree planting, habitat recovery, water conservation, and waste management take a long time.
- In addition, they also require expert skills in tree-growing, soil health, and biodiversity checks — skills that most CSR partners don't have.
- **Drawbacks of Popular Approaches** – Corporations often support initiatives such as the recently popular
    - **Miyawaki plantations** - Offers rapid growth and visually appealing, but often harm native ecology and biodiversity.
    - **Urban bias** - CSR projects tend to focus on cities, neglecting degraded rural lands.
    - **Weak collaboration** - Limited coordination with forest departments, NGOs, and scientific institutions and a lack of practical policies for degraded lands.

What are the reimagining strategy need to be done?

- **Need for Ecosystem Recovery Strategy** – The current judicial push demands an urgent transition to a 'ecosystem recovery' strategy.
- This requires reimagining corporate accountability, and replacing conventional auditing with time-bound restoration initiatives backed by ecological assessments.
- **Indicators of success** – Progress should be tangible ecological services such as soil carbon sequestration, water retention, and biodiversity recovery.
- **Focus on Degraded Lands** – India must prioritise degraded and remote forest lands lacking resources through appropriate restoration initiatives.
- **Building Alliances** – The country needs to build alliances between forest departments, universities, conservation NGOs and joint forest management committees.
- **Establish dedicated restoration** – These collaborations can establish dedicated restoration units under scientific supervision, with emphasis on native species and ecological integrity.
- **Ensuring Long-Term Financing** – Landscape-scale projects and restoration challenges can be solved by establishing a restoration trust or an escrow fund.
- This would guarantee continuity and provide the long-term security necessary for real ecological impact.

What lies ahead?

- Corporate governance in India must evolve from being shareholder-centric to ecosystem-centric, with directors acting as fiduciaries for the environment and moving past the ease of basic compliance.
- When the health of our planet is treated as a mandatory, non-negotiable part of business strategy, the country moves toward a future where sustainable development becomes a lived reality.

References

1. The Hindu | Judicial push for environmental CSR
2. The Hindu | SC's ruling about the CSR

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