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The Legal Dimensions of Corporate Social Responsibility (CSR)

1B.RAJA HE MANTH KUMAR, 2THOKALA SYAM PRASAD, 3D. Mohana manikanta

1Assistant professor, 2Assistant professor, 3Student

1Andhra University,

2Andhra University,

3Adikavi nannaya University

Abstract:

In 2025, CSR is no longer a peripheral corporate function but a core legal obligation. This paper explores the transition from "soft law" to "hard law," focusing on mandatory spending, ESG (Environmental, Social, and Governance) disclosure mandates, and the rising tide of climate and social litigation.

1. The Legalization of "Soft Law"

Historically, CSR was governed by voluntary international guidelines (e.g., UN Global Compact). In 2025, these have "hardened" into statutory law.

* The Global Regulatory Surge: In 2025 alone, over 40 major ESG and CSR regulations were introduced globally.

* The EU CSDDD: The Corporate Sustainability Due Diligence Directive now legally mandates that companies identify and mitigate human rights and environmental risks across their entire global supply chain, not just their direct operations.

2. Mandatory CSR: The Indian Vanguard (Updated 2025)

India remains the most aggressive jurisdiction for mandatory CSR. As of late 2025, the Companies (Amendment) Bill 2025 has proposed even stricter controls:

* Lower Thresholds: The government has proposed lowering the eligibility criteria (e.g., Net Profit threshold reduced from ₹5 crore to ₹3 crore), bringing thousands more mid-sized companies into the mandatory CSR net.

* The "CSR-Experienced" Director: A new legal requirement mandates that the CSR Committee must include at least one director with extensive, verifiable experience in social impact to ensure "outcome-oriented" spending rather than mere paper compliance.

* Digitized Enforcement: The move to MCA21 web-only forms (CSR-1) has ended the era of manual reporting, allowing the government to perform real-time digital audits of spending.

3. The Judicial Revolution: CSR in the Courts

Judicial activism in 2024 and 2025 has redefined corporate liability.

* Fiduciary Duty Expansion: In Tata Consultancy Services vs. Cyrus Investments (2025), the courts reaffirmed that a director's duty under Section 166(2) extends to "wider stakeholder interests," including the environment and the community.

* Decriminalization vs. Civil Penalty: While the Indian Supreme Court recently supported the decriminalization of CSR violations (shifting them to civil penalties), the financial "teeth" have sharpened. Companies now face penalties of twice the unspent amount, making non-compliance more expensive than the actual CSR project.

4. Greenwashing and Securities Fraud

The legal risk of "saying but not doing" has reached its peak.

* The Santos Precedent: Groundbreaking greenwashing litigation has established that shareholders can sue their own companies if ESG/CSR commitments are not backed by verifiable data.

* Truth in Naming: Regulators (like SEBI and ESMA) now require that any "Sustainable" or "Social" fund must allocate at least 80% of its assets to genuine objectives, creating a legal barrier against deceptive marketing.

5. Summary of 2025 Legal Frameworks

Feature	2020 Paradigm	2025 Paradigm
Nature	Voluntary / Comply or Explain	Mandatory / Comply or Penalty
Scope	Large Multi-nationals	MSMEs & Supply Chains
Reporting	Marketing Brochures	Audited Digital Filings (XBRL)
Liability	Reputational Damage	Statutory Fines & Fiduciary Suits

6. Conclusion

The "Last Explanation" for 2025 is clear: CSR is now a branch of Risk Management. The legal implications have evolved from simple charitable spending to a complex web of extraterritorial liability, digital transparency, and judicial accountability. For a modern corporation, a failure in CSR is no longer just a "bad look"—it is a breach of law that can lead to massive financial penalties, the personal liability of directors, and the loss of the "Social License to Operate."

2025 CSR Legal Compliance Checklist

1. Eligibility & Governance (The "Boardroom" Phase)

[ ] Threshold Reassessment: Re-check eligibility under the Companies (Amendment) Bill 2025. In India, the proposed Net Profit threshold has been lowered to ₹3 Crore.

[ ] CSR Committee Reconstitution: Ensure the committee has at least three directors, including one independent director.

New for 2025: Verify if your jurisdiction now requires at least one director with verifiable social impact experience.

[ ] Policy Approval: Is your CSR policy signed by the board and displayed prominently on your official website under an "Investor" or "Sustainability" tab?

2. Implementation & Due Diligence (The "Action" Phase)

[ ] Partner Verification (CSR-1): If using an NGO or implementing agency, verify they have the July 2024/2025 updated CSR-1 registration.

Check: Do they have a 3-year track record of similar social activities?

[ ] Digital Signature (DSC) Compliance: Ensure authorized signatories (CEO/CFO) have updated Digital Signature Certificates for MCA21 web-filings.

[ ] Supply Chain Audit: Map your "Value Chain" (top 250 companies must now report on partners representing 75% of transaction value). Do your suppliers follow human rights and labor laws?

3. Financial & Reporting (The "Audit" Phase)

[ ] CFO Certification: The CFO must legally certify that CSR funds are being utilized exactly as approved by the board.

[ ] Unspent Fund Transfer:

Ongoing Projects: Transfer to a "Unspent CSR Account" within 30 days of FY end.

Non-Ongoing: Transfer to government-specified funds within 6 months of FY end.

[ ] Impact Assessment: Is your spend over ₹10 Crore? If so, an independent impact assessment is legally mandatory for projects over ₹1 Crore.

[ ] BRSR Core Reporting: Ensure "Reasonable Assurance" (audit) for the 9 Key Performance Indicators (KPIs) under SEBI's 2025 guidelines.

Summary of Legal Penalties (2025)

Failure to complete the above checklist triggers the following:

India: Penalties of at least ₹1 Crore for the company and ₹2 Lakh for every defaulting officer.

European Union: Fines of up to 5% of global turnover for non-compliance with the CSRD/CSDDD.

United States: Potential SEC enforcement actions and class-action lawsuits for "Greenwashing" misstatements in climate-related filings.