

Corporate Social Responsibility Law: A Cross-National Regulatory Framework for Responsible Business

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Abstract— Corporate Social Responsibility (CSR) has transitioned from an era of voluntary, discretionary corporate philanthropy into a formalized, highly regulated strategic apparatus under modern corporate governance architecture (Goel & Rathee, 2023). This paper examines the legal and institutional mechanisms governing CSR, utilizing a comparative legal methodology across thirteen major jurisdictions: India, the United States, the United Kingdom, Denmark, China, South Africa, Indonesia, Canada, Australia, Germany, France, Brazil, and Japan. India represents a historical paradigm shift as the first jurisdiction to codify a hard-law, mandatory CSR expenditure regime under Section 135 of the Companies Act, 2013 (Bhatt & Kadiyan, 2023). Conversely, global jurisdictions exhibit a spectrum of regulatory approaches, from mandatory non-financial transparency reporting to hybrid governance rules and voluntary, market-driven frameworks (Bergman et al., 2019). By mapping these systems, this paper constructs a comprehensive tripartite typology of global CSR—*Mandatory Spending, Disclosure-Based Transparency, and Voluntary/Strategic Market-Led Alignment*. It concludes that while hard-law mandates secure minimum resource capitalization for socio-environmental interventions, optimal regulatory design increasingly points toward a hybrid framework that bridges standardized compliance with corporate strategic innovation (Agrawal & Sahasranamam, 2016).

1. Introduction

Modern corporate governance is undergoing a structural realignment, shifting from a pure shareholder-primacy

paradigm toward a multi-stakeholder accountability model. Corporate Social Responsibility (CSR), once conceptualized as a discretionary exercise in voluntary corporate philanthropy (Khurana, 2022), has increasingly been integrated into formal statutory frameworks (Goel & Rathee, 2023). This legislative evolution reflects an acknowledgment that corporate entities, as key economic engines, possess corresponding duties to internalize their socio-environmental externalities.

While Western legal traditions have historically preferred market-led or disclosure-based soft-law incentives to encourage corporate citizenship, developing economies have increasingly turned to state-driven regulatory mandates to address systemic developmental deficits (Bergman et al., 2019). This paper explores the cross-national convergence and divergence of these regulatory frameworks, assessing how different legal cultures codify, enforce, and measure responsible business conduct.

2. The Hard-Law Paradigm: India's Mandated CSR Regime

The most radical departure from traditional voluntary CSR occurred in India with the enactment of the **Companies Act, 2013**. Under **Section 135(1)** of the Act, India became the first country globally to institute a statutory, hard-law mandate for corporate social spending (Bhatt & Kadiyan, 2023; Khurana, 2022).

2.1 Statutory Thresholds and Compliance Architecture

The law co-opts corporate capital for public development by establishing strict financial triggers. The provisions apply to any company registered in India that meets any of the following criteria during the immediately preceding financial year (Bhatt & Kadiyan, 2023; Puri, 2024):

- **Net Worth:** ₹500 crore or more.
- **Turnover:** ₹1,000 crore or more.
- **Net Profit:** ₹5 crore or more.

Qualifying entities must allocate a minimum of **2% of their average net profits** generated during the three immediately preceding financial years exclusively toward social development initiatives (Puri, 2024). Furthermore, the Act mandates a robust structural framework, requiring boards to establish an internal CSR Committee to oversee compliance and formulate annual project strategies (Bhatt & Kadiyan, 2023).

2.2 Scope, Enforcement, and Strategic Limits

The permissible thematic areas for target expenditure are rigidly bound by **Schedule VII** of the Act, which prioritizes public welfare interventions including poverty alleviation, educational access, gender equity, healthcare infrastructure, and environmental preservation (Sauvant, 2021).

Initially introduced under a flexible "comply or explain" enforcement ethos, the Indian framework has progressively transformed into a strict compliance model (Guha, 2020). Amending provisions have removed loopholes for unspent balances, requiring companies to deposit unutilised allocations into state-designated escrow accounts or statutory national funds under penalty of heavy corporate and individual fines (Bergman et al., 2019).

While empirical evaluations demonstrate that Section 135 has successfully unlocked massive capital inflows for public development, legal critics argue that its hyper-prescriptive focus on local geographic spending limits systemic corporate innovation and risks reducing complex sustainability

strategies to a standardized, box-ticking exercise (Agrawal & Sahasranamam, 2016; Bergman et al., 2019; Guha, 2020).

3. Global CSR Frameworks: A Comparative Analysis

Beyond India's hard-law model, global jurisdictions leverage distinct constitutional, economic, and corporate governance traditions to regulate responsible business conduct (Goel & Rathee, 2023).

3.1 The Americas

- **United States:** The U.S. legal framework **rejects statutory social spending mandates, favoring market-driven corporate citizenship**. Grounded in a traditional shareholder-wealth-maximization baseline, U.S. law approaches CSR through tax incentives, voluntary industry codes, and consumer-protection litigation targeting misleading corporate ESG assertions (Goel & Rathee, 2023). The federal government primarily acts as an advisory coordinator through bodies like the Bureau of Economic and Business Affairs.

- **Brazil:** Brazil implements a highly market-responsive, voluntary paradigm overseen by institutions such as the Brazilian Institute of Corporate Governance. Corporate sustainability practices are heavily incentivized by the capital markets, with specialized environmental, social, and governance (ESG) compliance metrics integrated directly into the listing rules of the B3 Stock Exchange to attract institutional investment.

3.2 Europe and the United Kingdom

- **United Kingdom:** The UK **Companies Act 2006** bridges shareholder value and social responsibility through **Section 172**. This statutory provision establishes an "enlightened shareholder value" model, imposing an explicit fiduciary duty on corporate directors to systematically evaluate the long-term impacts of their decisions on employees, suppliers, local communities, and the environment.

- **Germany:** Germany combines robust domestic corporate transparency laws with supranational European Union requirements. Under the *CSR Directive Implementation Act* (implementing EU non-financial reporting mandates), large German corporations are legally obligated to disclose material information regarding labor standards, environmental conservation, and human rights management, linking compliance directly to executive board accountability.
- **France:** France enforces one of the world's most aggressive and litigated corporate accountability regimes (Savourey & Brabant, 2021). Its landmark **Duty of Vigilance Law (*Loi de vigilance*, 2017)** requires large domestic parent and ordering enterprises to design, implement, and publicly publish an exhaustive "Vigilance Plan" (Savourey & Brabant, 2021). This plan must systematically map, identify, and prevent severe human rights violations, labor abuses, and environmental damage across their entire global supply chains and subsidiary networks (Savourey & Brabant, 2021). Non-compliance opens corporations to direct civil liability and tort claims from affected victims globally (Reinsberg, 2025).
- **Denmark:** Operating under the *Danish Financial Statements Act*, Denmark leverages a strict mandatory-disclosure regime (Bergman et al., 2019). Large and listed corporations are required to formally document their specific CSR strategies, the tactical execution steps deployed, and empirical performance outcomes within their annual management reports.

3.3 Asia-Pacific

- **China:** Controlled by a state-directed regulatory architecture, Chinese corporate law blends market development with state social policy (Bergman et al., 2019). The **PRC Company Law** formally binds

corporate entities to observe social ethics, business morals, and state-defined environmental protection objectives, reflecting a top-down approach designed to align corporate output with broader national stability goals.

- **Japan:** Japan features an integrated, culturally rooted business paradigm (Khanchel et al., 2023). Influenced heavily by revised Ministry of Economy guidelines and the Tokyo Stock Exchange Stewardship Codes, Japanese corporations historically view CSR not as an isolated compliance silo, but as a core component of long-term stakeholder value (*Sanpo-yoshi*). This perspective prioritizes environmental sustainability and deep multi-generational stakeholder alignment.
- **Australia:** Australia employs a soft-law governance model anchored by market disclosure. The *Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations* require listed companies to identify, manage, and publicly disclose any material exposure to environmental, economic, and social sustainability risks, viewing CSR primarily through a risk mitigation lens.

3.4 Middle East and Africa

- **South Africa:** South Africa embeds CSR directly into modern corporate governance through the globally recognized **King Codes on Corporate Governance (King IV)**. Using a strict "apply and explain" transparency framework, the code requires boards to operationalize social and environmental sustainability as an indicator of effective corporate citizenship, closely pairing CSR with broad-based economic empowerment initiatives.
- **Indonesia:** Under **Article 74 of Limited Liability Company Law No. 40/2007**, Indonesia institutes a sector-specific mandatory model (Bergman et al., 2019). Corporations operating within or utilizing

natural resources are legally required to fulfill environmental and social responsibilities, treating these mandated CSR expenditures as a standard internal cost of business operations.

4. Synthesizing Global Taxonomy: The Three Typologies

A systemic comparative assessment reveals that modern cross-national CSR law is not uniform; instead, it splits into three primary structural typologies (Goel & Rathee, 2023).

Regulatory Model	Primary Mechanisms	Representative Jurisdictions	Core Structural Advantages	Critical Systemic Vulnerabilities
1. Mandatory Spending	<ul style="list-style-type: none"> •Codified statutory expenditure thresholds • Formal project alignment with state agendas 	<ul style="list-style-type: none"> • India •Indonesia (Sectoral) 	<ul style="list-style-type: none"> •Guarantees direct capital for public infrastructure •Corrects market distribution failures 	<ul style="list-style-type: none"> •Encourages defensive compliance •Risk of corruption or superficial investments
2. Disclosure-Based	<ul style="list-style-type: none"> • Compulsory non-financial transparency reporting • Extraterritorial supply-chain due diligence laws 	<ul style="list-style-type: none"> • France • Germany • Denmark • United Kingdom • Australia 	<ul style="list-style-type: none"> • Maximizes transparency • Mitigates supply chain exploitation via civil liability 	<ul style="list-style-type: none"> • High risk of corporate "greenwashing" • Substantial administrative and data-tracking burdens
3. Market-Driven	<ul style="list-style-type: none"> • Capital market metrics (ESG) • Corporate tax incentives • Cultural business 	<ul style="list-style-type: none"> • United States • Japan • Canada • Brazil 	<ul style="list-style-type: none"> • Encourages high-level strategic alignment • Low administrative overhead 	<ul style="list-style-type: none"> • Lacks universal accountability mechanisms • Exposes programs to shifting economic cycles

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5. Strategic Implications for Regulatory Design

The comparative data highlights a key dilemma in regulatory design: hard-law spending mandates (e.g., India) succeed in mobilizing capital but often detach CSR from core corporate capabilities, turning it into an administrative burden (Bergman et al., 2019). Conversely, market-driven systems (e.g., the United States) allow for high strategic alignment but lack the enforcement mechanisms needed to guarantee consistent corporate contributions to public development (Goel & Rathee, 2023).

To resolve this tension, international regulatory design is shifting toward hybrid frameworks. As exemplified by the European Union's expanding due diligence standards and France's corporate vigilance models, modern frameworks increasingly combine mandatory transparency with civil liability (Savourey & Brabant, 2021). This shift forces corporations to internalize their external costs across global supply chains while granting them the operational flexibility to design their own strategic responses.

6. Conclusion

CSR has evolved past the point of voluntary corporate charity, securing a permanent position within global corporate governance and international trade law. The legislative landscapes analyzed in this study demonstrate that while a country's regulatory model depends heavily on its unique socioeconomic priorities and legal history, there is a clear global trend toward increasing corporate accountability (Goel & Rathee, 2023).

For developing nations aiming to maximize social capital, the optimal regulatory path may not be a simple spending mandate like India's Section 135, nor a purely voluntary approach. Instead, long-term sustainable development is best achieved through a hybrid framework: one that establishes a baseline of mandatory social and environmental due diligence while providing the regulatory flexibility needed to drive

corporate innovation and shared value creation (Agrawal & Sahasranamam, 2016; Bergman et al., 2019).

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