



“SUSTAINABLE GOVERNANCE: A CRITICAL ANALYSIS OF CORPORATE ENVIRONMENTAL RESPONSIBILITY”

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Abstract:

The natural environment forms the foundation of human survival and well-being, providing essential resources such as clean air, water, food, and ecological stability. However, rapid industrialisation and unchecked corporate activity have placed these resources under severe strain. Industrial processes, including fossil fuel combustion, chemical manufacturing, and large-scale production, have intensified environmental degradation, raising urgent concerns about long-term ecological sustainability.

In India, ensuring that companies are held responsible for environmental damage is extremely important because the country faces complex environmental challenges, and corporations play a major role in affecting environmental conditions. This study critically examines the legal principles that regulate corporate liability for environmental harm in India. It reviews the existing legal framework, including major laws such as the Environment (Protection) Act, 1986 and the Companies Act, 2013, and analyses important judicial decisions to understand how environmental law has evolved and influenced corporate accountability.

Introduction:

Corporate sustainability has transitioned from a component of Corporate Social Responsibility (CSR) to a direct legal obligation. Legal frameworks increasingly mandate compliance and assign liability for environmental impacts. Statutory regulation now requires companies to address issues such as climate change, pollution, biodiversity loss, and resource depletion as part of their legal duties, rather than discretionary initiatives. Enforcement by regulatory authorities and courts underscores the growing significance of legal compliance in environmental governance.

In India, legal reforms such as the Companies Act, 2013, and regulatory guidelines issued by the Securities and Exchange Board of India have directly influenced the regulation of corporate environmental responsibility. These statutory provisions and regulatory measures form the backbone of the legal framework that integrates sustainability within corporate governance and compliance systems.

Klaus Bosselmann, in his seminal work “The Principle of Sustainability: Transforming Law and Governance” (2008), argues that sustainable governance requires the principle of sustainability to be embedded across all levels of legal and political decision-making, ensuring that environmental protection is not treated as peripheral but as a foundational obligation necessary to secure ecological balance and intergenerational justice.

Corporate Environmental Responsibility (CER) refers to a company's obligation to conduct its activities in compliance with environmental laws and regulations, preventing or minimising environmental harm. The concept is derived from the broader framework of Corporate Social Responsibility (CSR). CER requires enterprises to integrate environmental considerations particularly legal requirements into their decision-making and operational practices, ensuring that business activities are not only environmentally sustainable, socially responsible, and economically viable, but also legally compliant.

Corporate Environmental Responsibility (CER) is becoming increasingly important worldwide as companies are being asked to help address environmental problems. In India, where rapid industrial growth has caused serious environmental damage, CER is especially important. It involves actions such as reducing pollution, conserving natural resources, and adopting sustainable production methods and practices across the supply chain.

This paragraph examines whether Indian legal measures effectively hold corporations responsible for environmental damages. Although global attention has increased regarding corporate environmental responsibility, and India faces a complex range of environmental issues, questions persist about the impact and enforcement of key regulations such as the Environment (Protection) Act of 1986 and the Companies Act of 2013. This highlights the ongoing debate over whether existing laws effectively ensure corporations remedy environmental damage.

In this context, the study argues that critiques of corporate liability enforcement in India reveal significant gaps in holding corporations accountable for environmental harm. By providing a comprehensive review of the current legal framework including key statutes, regulations, and landmark judicial decisions the research seeks to clarify how existing legal principles shape, and at times limit, corporate responsibility for environmental harm in India.

This study highlights how holding corporations liable for their environmental impact can encourage restoration of what they have used or require them to compensate when restoration is not feasible. The study emphasises that, once held liable by the court, companies cannot evade their environmental responsibilities, as these are mandated by various laws and enshrined in the country's constitution. Thus, this research advances our understanding of sustainable development and effective environmental governance.

Research Question

1. Whether the present regimes of Environmental Legislation are efficient enough to regulate and hold the corporate houses accountable for the environmental harm and to impose liability on such immense issues?
2. For environmental protection, is it sufficient to make the company responsible only under the CSR scheme of the company law?
3. Whether the adjudicatory bodies, i.e., the Higher Judiciary, the Supreme Court and the National Green Tribunal, are competent in handling the environmental issue of making corporations liable for wrongs for violations of environmental laws?

Objectives

- Examine the legal framework connecting corporate governance with environmental compliance in India.
- To study the landmark Judgement related to corporate negligence.
- To examine how far corporate governance tools succeed in bridging the gap between formal compliance and real environmental protection.
- Identify enforcement challenges and gaps that contribute to formal rather than substantive compliance.

Hypothesis

H1-Whether the present regimes of Environmental Legislation are efficient enough to regulate and hold the corporate houses liable for environmental harm and to impose liability.

H2- Whether the adjudicatory bodies, i.e., the Higher Judiciary, the Supreme Court and the National Green Tribunal, are competent enough in handling the environmental issue of making corporations liable for violations of environmental laws.

Methodology

The proposed study will follow the doctrinal research methodology, focusing on legal analysis. The theoretical constructs will be analysed after reviewing existing literature and judicial opinion to provide a clear understanding of the problem and the outcomes of the proposed study. This study shall rely on secondary sources, such as commentaries on national and international legislation, as well as academic and media sources, all of which were mostly accessible online. The study would be based on thorough legal interpretation and comparison. Data and information shall be gathered from reliable sources and will be properly acknowledged.

Legal Framework in India:

India's legal framework governing corporate liability for environmental damage comprises several key statutes and regulations, each contributing to national environmental governance. The following instruments interconnect to shape the responsibilities and behaviours of corporations in India:

1. The Environment (Protection) Act, 1986: Corporations must comply with this Act, which gives the central government authority to oversee potentially harmful activities. Clearances are necessary for projects with adverse environmental impacts, failure of which could lead to fines or legal consequences, impacting corporate reputation and operations.
2. Companies Act, 2013: The Companies Act, 2013, is significant in India's corporate landscape, particularly for environmental sustainability and corporate social responsibility (CSR). Section 135 of this act mandates that certain classes of companies meeting specific financial criteria allocate a portion of their profits to CSR activities. These activities may encompass initiatives related to environmental conservation and sustainable development, among other social causes.
3. The Water (Prevention and Control of Pollution) Act, 1974: - This Act regulates industrial discharge into water bodies, mandating pollution control measures. Corporations must meet strict effluent standards and acquire permits for water usage and discharge. Non-compliance can result in penalties, operational suspensions, and liabilities for environmental harm.
4. The Air (Prevention and Control of Pollution) Act, 1981: - Corporations are obligated to mitigate air pollution by controlling emissions from industrial processes and vehicles. Compliance involves investment in pollution control technologies, air quality monitoring, and reporting to pollution control authorities. Violations may lead to fines, closure orders, and legal liabilities.
5. The Forest (Conservation) Act, 1980: - This Act regulates the diversion of forest land for non-forest purposes, requiring prior approval from the central government. Compliance includes conducting environmental impact assessments, implementing compensatory afforestation measures, and obtaining community consent. Unauthorised land diversion can result in project delays, fines, and legal challenges.
6. Environment Impact Assessment (EIA) Notification, 2006: Issued under the Environment (Protection) Act, 1986, the EIA Notification, 2006 is a cornerstone of India's environmental regulatory framework. It requires project proponents to conduct a prior assessment of potential environmental impacts before commencing any designated development activity. The notification establishes a structured process for environmental appraisal, public consultation, and the grant of environmental clearances by the competent authority. Its primary objective is to ensure that development projects are evaluated for their environmental consequences in advance, thereby integrating environmental considerations into project planning and minimising adverse ecological impacts.
7. The Wildlife Protection Act, 1972: - Corporations operating near protected areas must adhere to wildlife protection regulations to prevent harm to species and habitats. Clearances are required for activities like mining and construction. Non-compliance may lead to delays, fines, and damage to corporate reputation.
8. The National Green Tribunal (NGT) Act, 2010: - The NGT oversees environmental disputes and enforcement of laws, potentially leading to legal action, fines, and injunctions against corporations for noncompliance. Adhering to NGT directives is crucial to avoid legal repercussions and maintain stakeholder trust.
9. SEBI Framework: The Securities and Exchange Board of India has introduced regulatory measures requiring listed companies to disclose their environmental, social, and governance practices. Under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Business Responsibility and Sustainability Reporting (BRSR) framework, companies are required to report their environmental impact and sustainability initiatives, thereby promoting corporate transparency and accountability.
10. In addition, the Indian Constitution's chapter on fundamental obligations requires all citizens to protect the environment. Every Indian citizen has an obligation to preserve and improve the natural environment, which includes trees, water bodies, and wildlife, as well as to have compassion for all living things, according to Article 51-A (g).

Discussion on the development of environmental law in India and its effect on corporate liability:

The growth of environmental law in India shows steady progress, marked by important court decisions and legal reforms aimed at strengthening environmental protection and promoting sustainable development. Over the years, the judiciary has played a crucial role in interpreting and implementing environmental laws, which have strongly influenced the rules related to corporate liability for environmental harm. Through significant judgments, the courts have helped to shape the legal system by ensuring that companies are held responsible for the environmental damage they cause and by promoting the principles of environmental justice and

sustainability.

One of the most important turning points in India's environmental law was the Bhopal Gas Tragedy. The disaster resulted in the death of thousands of people and exposed serious gaps in India's industrial safety and environmental regulatory system. It showed that existing laws were inadequate to prevent or properly address large-scale industrial accidents.

The legal proceedings that followed led to several important court decisions. These decisions underscored the need for strict legal rules to hold corporations accountable for environmental damage.

In the landmark case of *Union Carbide Corporation v. Union of India*, the Supreme Court laid down important principles regarding corporate liability. The case highlighted the doctrine of "absolute liability," which means that a company engaged in hazardous activities is fully responsible for any harm caused, without any defence or exception.

Later court decisions continued to reinforce the legal framework governing corporate responsibility for environmental damage. Furthermore, the evolution of environmental jurisprudence in India has been strengthened by statutory reforms that enhance environmental protection and corporate accountability. These statutes impose binding obligations on companies to comply with prescribed environmental standards, undertake environmental impact assessments when required, and allocate resources to environmental protection and Corporate Social Responsibility (CSR) activities. By incorporating such duties into statutory provisions, the legislature has strengthened the legal mandate for corporate responsibility in environmental management and the promotion of sustainable development.

Despite progress through legislative enactments and judicial interventions, significant obstacles remain to the effective implementation of corporate liability laws in India. Weak enforcement mechanisms, regulatory loopholes, and insufficient penalties undermine the effectiveness of the legal framework, leading to ongoing environmental degradation across the country. These challenges highlight the need for continuous efforts to strengthen enforcement mechanisms, enhance penalties for non-compliance and close regulatory loopholes to hold corporations accountable for their environmental impact. Without addressing these challenges, achieving meaningful environmental protection and sustainable development goals will remain difficult.

Case Studies:

Examining specific case studies provides an important understanding of how legal principles relating to corporate liability for environmental harm are applied in practice in India. Some landmark decisions are mentioned.

Bhopal Gas Tragedy – Union Carbide Corporation v. Union of India(1984):

The Bhopal Gas Tragedy of December 1984 stands as one of the gravest industrial disasters in recorded history. The catastrophe was caused by the accidental release of toxic methyl isocyanate (MIC) gas from the Union Carbide India Limited (UCIL) pesticide manufacturing facility in Bhopal, Madhya Pradesh. The disaster resulted in the immediate deaths of thousands of people and inflicted severe and lasting injuries including chronic respiratory ailments, neurological damage, and reproductive health.

In the legal proceedings that followed, victims initiated extensive litigation seeking compensation and holding UCC accountable for the environmental and public health damage caused by the gas leak. The case significantly influenced the development of environmental law in India. It led to the establishment and reinforcement of the doctrine of "absolute liability" for hazardous industries.

The Supreme Court held that UCC, being the operator of a hazardous enterprise, was strictly liable for the harm caused by the gas leak, irrespective of fault or negligence. The judgment emphasised the need to impose strict liability on corporations engaged in dangerous activities and highlighted the urgent need for stronger regulatory safeguards to prevent similar environmental disasters.

M. C. Mehta v. Union of India (Oleum Gas Leak Case)(1986):

This landmark judgment arose from the accidental leakage of oleum gas from the Shriram Food and Fertilizers plant in Delhi, which caused harm to residents in the surrounding locality. The Supreme Court, in its decision reported as *MC Mehta v. Union of India*, (1986) 2 SCC 176, elaborated and significantly expanded the doctrine of strict liability, establishing the principle of "absolute liability" for enterprises engaged in inherently hazardous or dangerous activities. The Court held that such enterprises bear an unconditional obligation to compensate for any harm caused, without the benefit of any exceptions or defences available under the traditional *Rylands v. Fletcher* rule.

Alembic Chemical Works Co. Ltd. v. Union of India (1989)

In this matter, the Supreme Court examined allegations of water contamination caused by the discharge of untreated industrial effluents by a pharmaceutical manufacturing company. Upon evaluating the evidence, the Court held the company liable for causing environmental degradation through its operations.

Relying upon the "polluter pays" principle, the Court directed the enterprise to bear the financial burden of

compensating for the damage caused to the environment. The ruling reaffirmed that industrial entities responsible for pollution are legally obligated to restore the affected environment and provide appropriate compensation for the harm resulting from their activities.

Vellore Citizens Welfare Forum v. Union of India. (1996)

This case arose from allegations of severe environmental pollution in Vellore district, Tamil Nadu, caused by industrial units operating in the area. Local residents approached the Supreme Court seeking judicial relief, contending that these industries had violated applicable environmental laws and regulatory standards.

In its decision, the Supreme Court reiterated that the right to a clean and healthy environment forms part of the constitutional right to life. The Court strongly endorsed the "polluter pays" principle, holding that industries are financially responsible for the environmental damage they cause.

The judgment expanded the scope of corporate liability by highlighting that companies involved in activities that cause environmental harm can be held responsible for the damage. It also emphasised the importance of taking preventive actions and strictly following environmental regulations to protect public health and sustain the environment.

M. C. Mehta v. Union of India(1996):

This case pertained to the extensive pollution of the River Ganges, a major and ecologically significant water resource in India. The matter was brought before the Supreme Court seeking remedial measures against industries and local authorities responsible for discharging untreated effluents into the river.

In its judgment, the Supreme Court issued wide-ranging and mandatory directions to address the contamination and facilitate the restoration of the river's water quality. These directions included the closure of industrial units found to be non-compliant with environmental standards and the requirement to install and operationalise adequate sewage and effluent treatment facilities.

The ruling reflected the Court's activist and supervisory approach in the enforcement of environmental statutes, demonstrating its willingness to impose binding obligations on polluting entities and to ensure accountability for environmental degradation.

Indian Council for Enviro-Legal Action v. Union of India (1996):

The case, commonly referred to as the "Taj Trapezium case," centred around pollution generated by industries near the Taj Mahal, a UNESCO World Heritage Site. Pollution from nearby industries was alleged to pose a serious threat to the monument's structural integrity and aesthetic value.

Upon examining the issue, the Supreme Court issued a series of mandatory directions to control and reduce pollution within the Taj Trapezium Zone. These measures were intended to prevent further environmental harm and to preserve the monument from irreversible damage.

The judgment highlighted the intrinsic link between environmental protection and the preservation of cultural heritage. It affirmed that industrial enterprises operating in ecologically sensitive zones have a legal obligation to adopt environmentally sustainable practices to safeguard historically and culturally significant sites such as the Taj Mahal.

Vizag Gas Leak Tragedy (2020):

The gas leak in May 2020 at the LG Polymers chemical plant in Visakhapatnam, Andhra Pradesh, was a major industrial accident. The incident led to fatalities, numerous injuries, and considerable environmental damage. It raised serious concerns about compliance with statutory safety norms and the adequacy of regulatory oversight of hazardous industries.

While legal proceedings are still underway, the incident serves as a stark reminder of the critical need for stringent regulatory oversight and corporate responsibility to prevent such industrial disasters. It underscores the importance of ensuring that companies adhere to rigorous safety protocols and environmental regulations to safeguard public health and the environment.

Vedanta Limited v. State of Tamil Nadu (2021)

In this matter, the Madras High Court affirmed the validity of the closure order issued by the Tamil Nadu Pollution Control Board against Vedanta Limited's Sterlite Copper plant situated in Tuticorin, Tamil Nadu. The Court relied upon findings of environmental violations and serious public health concerns raised by residents in the surrounding area to justify the continued closure of the industrial unit. The judgment reiterated the mandatory nature of compliance with environmental norms and reinforced the constitutional entitlement of affected communities to live in a pollution-free, healthy environment.

It also highlighted the judiciary's crucial role in ensuring that corporations are held accountable for environmental harm and emphasised the necessity of strict enforcement of environmental regulations to safeguard community welfare and environmental integrity.

MK Ranjitsinh & Others v Union of India (2025)

In *MK Ranjitsinh & Others v. Union of India (2025)*, the Supreme Court interpreted corporate social responsibility to encompass an inherent duty to protect the environment, holding that corporations, as legal persons and significant actors in society, bear a constitutional obligation to safeguard the natural environment. The case originated from petitions filed on behalf of the Great Indian Bustard, a critically endangered avian species native to the arid and semi-arid grasslands of the Indian subcontinent, particularly the Thar Desert region, whose survival was threatened by infrastructure development in its habitat. (Source: The Hindu, December 20, 2025)

In a significant move, the court recognised that corporations are legal persons and important organs of society. As constitutional actors, corporations are bound by Fundamental Duties under Article 51A(g) of the Constitution.

Indeed, these judicial precedents illustrate the significant role that judicial decisions have played in shaping corporate liability for environmental damages. These cases have underscored the importance of robust regulatory mechanisms and effective enforcement of environmental laws.

These decisions highlight the indispensability of effective regulatory structures and the rigorous implementation of environmental statutes. They reaffirm the legal obligation of corporate entities to comply with prescribed environmental standards and to assume responsibility for the consequences of their operations on ecology and public health.

Challenges

Environmental law faces several challenges within the corporate governance framework. These issues can hinder the effective implementation of environmental regulations and lead to corporate practices that negatively impact the environment.

Challenges in Enforcement:

1. **Weak Penalties:** - One major problem is that the punishments for environmental violations by companies are not strict enough. Existing fines and penalties are often too small to deter companies from breaking environmental laws. Because of this, some companies continue to ignore the rules and fail to follow environmental standards.
2. **Resource constraints:** - Regulatory authorities often face significant resource limitations, such as shortages of personnel, inadequate technical expertise, and limited financial resources. These constraints hinder their ability to effectively supervise, monitor, and enforce compliance with environmental laws and standards.
3. **Complex nature of cases:-** Environmental cases against companies are often complicated and take a long time to resolve. They require detailed evidence, expert opinions, and lengthy legal procedures. Due to this complexity, decisions may be delayed, reducing the effectiveness of actions taken against companies for environmental violations. Ambiguities and inconsistencies in environmental laws and regulations may give rise to interpretational difficulties. Such a lack of clarity can create regulatory gaps that corporate entities may exploit to avoid legal responsibility or postpone compliance with prescribed environmental obligations.

Conclusion

Environmental law in India has significantly evolved to strengthen corporate liability for environmental damage. Through judicial activism and statutory reforms under the Environment (Protection) Act, 1986, and the Companies Act, 2013, corporations are now subject to clear legal obligations to comply with environmental standards and promote sustainable practices. The Supreme Court of India's active involvement has played a key role in establishing principles such as absolute liability and the polluter-pays principle.

However, challenges in enforcement and regulatory implementation persist. Enhancing compliance mechanisms and promoting responsible corporate governance are essential to ensure effective environmental protection and sustainable development in India.

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