
CASE COMMENT ON “VEDANTA LIMITED V. STATE OF TAMIL NADU & ORS: CORPORATE SOCIAL RESPONSIBILITY VS. CORPORATE ENVIRONMENTAL RESPONSIBILITY”

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ABSTRACT

Through its extensive Corporate Social Responsibility (CSR) efforts Vedanta Limited distinguishes itself as a socially responsible mining and metals conglomerate. During the 2022 financial year the company allocated ₹399 crore to support education, healthcare and community development initiatives as part of its CSR efforts. Through these initiatives Vedanta Limited showcases its social responsibility commitment and boosts its corporate image. The closure of Vedanta's Sterlite Copper smelter in Thoothukudi (Tuticorin), Tamil Nadu demonstrates a sharp contradiction between the company's Corporate Social Responsibility initiatives and its inability to fulfill Corporate Environmental Responsibility (CER) standards. The closure, triggered by repeated environmental violations that jeopardized public health and local ecosystems, highlights the critical distinction between CSR and CER: CSR focuses on voluntary social contributions whereas CER requires companies to actively work towards environmental protection and legal adherence. This example shows how businesses use CSR as a public relations tool while failing to fulfill their environmental responsibilities. A lack of legal enforcement of CER responsibilities allows harmful corporate practices to continue which causes major social and environmental damage.

Keywords: Accountability, CER, CSR, Economic considerations, Environmental obligations, Sustainability.

Facts of the Case

Vedanta Limited's Sterlite Copper smelter plant in Thoothukudi, Tamil Nadu, began operations in 1997 after receiving environmental clearance in 1995. Over the years, the plant became a significant contributor to India's copper production, supplying nearly 40% of domestic demand, and played a key role in regional economic development. However, its operations were marred by persistent environmental violations that posed severe risks to public health and ecological integrity. The company was accused of dumping dangerous copper slag into neighbouring water bodies, contaminating the environment and increasing the risk of flooding due to blocked drainage systems. It was revealed through several records that the levels of arsenic and sulfur dioxide emissions were higher than permitted limits for air pollution. For several years, the factory operated without the required TNPCB permit, in violation of hazardous waste management legislation. Furthermore, it neglected to maintain a mandatory green belt around its premises, which was essential for pollution mitigation. In 2013, the Supreme Court imposed a ₹100 crore fine on Vedanta for environmental damages but allowed the plant to continue operations under strict compliance conditions. Despite this penalty and explicit regulatory guidance, Vedanta did not implement significant changes to address its violations. Public protests erupted in May 2018 as local residents reported health issues such as respiratory illnesses and cancer linked to pollution from the plant. During these demonstrations, police firing resulted in the deaths of 13 individuals, further intensifying public outrage.

Vedanta was imposed a penalty of ₹100 crore by the Supreme Court in 2013 for environmental damages, but the plant was permitted to continue operations under strict compliance conditions. In spite of this fine and clear regulatory guidance, Vedanta failed to make significant changes to address its violations, and in May 2018, public protests broke out as local residents reported health problems, including cancer and respiratory illnesses, linked to pollution from the plant. Thirteen people were killed by police firing during these demonstrations, which further heightened public outrage. TNPCB ordered the plant to be permanently closed in May 2018 after these events and evidence of ongoing violations of environmental standards. Vedanta challenged this decision before the National Green Tribunal (NGT) and later in the Madras High Court. In August 2020, the High Court upheld TNPCB's closure order, citing repeated non-compliance with environmental standards and suppression of pollution data by Vedanta. On February 29, 2024, the Supreme Court rejected Vedanta's

appeal of the High Court's decision, stating that the closure was excessive in light of the plant's economic contributions and remediation efforts. The Court emphasized the seriousness of environmental violations and placed public health ahead of economic considerations, noting that closure is not a preferred option but becomes necessary when breaches are severe and repeated. The ruling upheld principles like sustainable development, polluter pays and the public trust doctrine while holding Vedanta responsible for its actions.¹

Issues

The case raised several critical issues that required judicial scrutiny:

1. Whether Vedanta's Sterlite Copper plant violated environmental laws and conditions of operation.
2. Whether the closure of the plant was justified despite its economic contributions to the region.
3. How the lack of legal recognition for Corporate environment responsibility (CER) contributes to ongoing environmental violations by corporations.

Judgement

With respect to Issue 1, the Supreme Court held that Vedanta's Sterlite Copper plant violated environmental regulations by not meeting emission requirements, improperly disposing of toxic waste, and running without proper consents despite warnings. On Issue 2, the Supreme Court held that the shutdown of the plant was justified even though it made economic contributions, emphasizing that public health and environmental protection are superior to economic interests. Further on Issue 3, the Supreme Court mentioned that since CER lacks legal expressiveness in permitting business firms to attend to CSR over the enforcement of CER, which is their corporate responsibility, stronger legislative frameworks should be enacted for CER implementation.

¹ Vedanta Ltd. v. State of Tamil Nadu,[2024] 2 S.C.R. 1121, Special Leave Petition (Civil) Nos. 10159-10168 of 2020 (India), available at https://digiscr.sci.gov.in/admin/judgement_file/judgement_pdf/2024/volume%202/Part%20IV/2024_2_1121-1135_1711097701.pdf.

Analysis

By analysing the Supreme Court's 2024 ruling in the current case of Vedanta Limited v. State of Tamil Nadu & Ors., it has to be noted that the judgement emphasized the essential and non-negotiable character of Corporate Environmental Responsibility. Even though Vedanta made significant efforts in terms of Corporate Social Responsibility, the court disregarded the same and made it clear that charitable efforts and financial donations are not grounds for neglecting the environment and causing harm to the same. In a larger picture of environmental legislation and accountability for companies this ruling marks a strong basis as to the difference between CSR and CER.

The Critical Distinction between CSR and CER

In order to wholly understand the importance of this decision, it's crucial to first distinguish between CSR and CER. According to Section 135 of the Companies Act, 2013, companies which have an overall net worth of ₹500 crore or a turnover of ₹1,000 crore or a net profit of ₹5 crore, must compulsorily spend at least 2% of their average net profits on social initiatives and other charity purposes that closely align with the business ideologies. CSR usually addresses various issues including education, healthcare, rural development, and environmental conservation, while having its relation only on profits, meaning that only when there exists significant profits, the businesses have to share such certain percentages to fulfill the CSR requirements. Corporate Environmental Responsibility on the other hand is based on what kind of a project the company operates upon rather than being linked to the profits that they gain. This typically ranges between 2.5% to 5% of such project expenses that the company spends upon. CER duties are generally enforced on industries that require environmental clearance under the Environment Impact Assessment Notification of 2006. Unlike CSR that stresses upon voluntary contributions, CER is majorly concerned with preventing environmental harm and enforcing compliance with mandatory standards regardless of profitability. The significant difference is that CSR activities can be carried out anywhere, whereas CER must be limited to the impacted areas surrounding the project site.

Lack of Legal Recognition for CER

The Vedanta case brought to the forefront a systemic vulnerability in India's legal system: while CSR is well-defined and is statutorily required under the Companies Act, CER does not have

clear statutory recognition. CER obligations are generally applied as ad hoc terms in environmental clearances and ministerial guidelines by the Ministry of Environment, Forestry, and Climate Change. This legislative ambiguity allows companies to blur CSR expenditure and CER obligations, or to be lenient by highlighting their social activities. Ambuja Cements, for instance, has tried to escape CER compliance by claiming substantial CSR expenditure in previous years. This loophole undermines the basic premise that CSR and CER have different functions: CSR is a matter of contributing to society, while CER is a matter of actively avoiding harm resulting from industrial activity.

Judicial Emphasis on Corporate Accountability

The Vedanta judgment by the Supreme Court highlights that environmental compliance is not negotiable, even if a company demonstrates high social engagement. The judgment reinforced core principles like Sustainable Development, where economic development must be aligned with ecological conservation, and the Polluter Pays Principle, where the person responsible for causing environmental degradation must pay for restoration. In addition, the Public Trust Doctrine sets out that natural resources are preserved for public purposes and cannot be put at risk by private interests for economic gain. The Intergenerational Equity principle stated that industrial activities should take into consideration the long-term environmental effects on future generations.

The Court's reasoning suggests growing judicial intolerance towards business conduct prioritizing profit at the expense of environmental responsibility. By emphasizing that environmental compliance cannot be excluded by CSR programs, the ruling creates a precedent under which corporations are being held liable for not only social contributions but also strict environmental compliance. The judgment also criticized regulatory bodies like the TNPCB for not being able to enforce compliance effectively, highlighting the need for more active regulation to maintain human health and environmental integrity.

Relevant Case Laws and Principles

The ruling is in line with earlier landmark judgments that formulated the principles of environmental justice. In *Vellore Citizens' Welfare Forum v. Union of India* (1996), the Supreme Court incorporated the Polluter Pays Principle and the Precautionary Principle into Indian environmental jurisprudence, underlining that the polluter must bear the cost of

pollution. Likewise, in *M.C. Mehta v. Union of India* (1987), the Court imposed strict liability for harm to the environment, highlighting precautionary principles in industrial activities. Additionally, in the case of *Sterlite Industries (India) Ltd. v. Union of India* (2013), the Court penalized Vedanta for environmental violations while permitting operations under stringent compliance conditions, a concession that Vedanta later breached, leading to the closure of the plant.

The Need for CER Legislation

This ruling emphasizes the urgent requirement for independent legislation specifically requiring CER, over and above CSR. In contrast to CSR as often employed merely as a means of public relations, CER has to be considered an elemental business responsibility expressly linked to industrial impact. Setting forth distinct, legally binding CER requirements would disallow business to utilize social welfare expenditures as an excuse in the face of environmental infractions. In addition, making CER a statutory obligation, akin to CSR under the Companies Act, would shut the existing legal loophole that allows companies to shun environmental obligations by highlighting CSR achievements.

Recommendations

1. Statutory Recognition of CER through Dedicated Legislation

The Indian government needs to pass a full CER Act that legally requires environmental accountability outside of CSR's charitable model. All industries needing environmental clearance according to EIA Notification 2006 must contribute 2.5–5% of project costs to CER funds as required by the Act.² The proposal matches MoEFCC's 2018 guidelines while transforming CER from an optional clearance provision into a statutory requirement.³ The legal framework needs to specify CER activities like pollution control and green belt development while imposing fines that match the extent of environmental damage for violations as *Vedanta Ltd. v. State of Tamil Nadu* demonstrates..

² Nitu Poddar, *Whether Expense Towards Corporate Environment Responsibility (CER) Be Eligible as CSR Spending?*, Vinod Kothari & Co. (Apr. 4, 2021), <https://vinodkothari.com/2021/04/whether-expense-towards-corporate-environment-responsibility-cer-be-eligible-as-csr-spending/>.

³ Santhosh Prabhu & Sharika Rai, *Risk to Responsibility: Corporate Environmental Liability in India*, 4 Int'l J.L. Just. & Juris. 291 (2024), <https://www.lawjournal.info/article/150/4-2-40-363.pdf>.

2. Clear Differentiation Between CER and CSR

Companies must separate CER obligations from CSR efforts in accordance with Section 135 of the Companies Act, 2013. Companies have the option to spend 2% of their profits on voluntary social initiatives through CSR but CER requires concentration on preventive actions for risks specific to each project.⁴ Despite Vedanta allocating ₹399 crore towards CSR activities in 2022 they still faced consequences for failing to meet their CER obligations in hazardous waste management. Legal measures must prevent companies from merging CER with CSR obligations and then trying to obtain exemptions by presenting CSR funds as shown in Ambuja Cements v. MoEFCC.⁵

3. Enhanced Enforcement Mechanisms

Extend the National Green Tribunal's (NGT) authority to execute yearly CER audits along with enforcing consequences for infractions. Implement real-time pollution monitoring systems connected to public dashboards that ensure transparency for all stakeholders. For projects like Vedanta's copper smelter, recurring breaches should trigger automatic suspension of operations until compliance is proven. Additionally, the State Pollution Boards should have authority to prosecute companies for CER violations under the Environment Protection Act of 1986 while imposing criminal responsibility for executives involved in deliberate negligence.⁶

4. CER Governance and Stakeholder Accountability

Corporations should establish CER committees that include environmental experts and community representatives to monitor compliance and manage financial allocations. The committees need to provide quarterly reports to both the MoEFCC and the NGT as part of their accountability process. The Vedanta case demonstrates the necessity of participatory governance because hiding pollution data increased public health dangers.⁷ Embed carbon neutrality goals and renewable energy implementation into project assessment processes to

⁴ Supra 1

⁵ Ambuja Cements Ltd. v. Ministry of Env't, Forest & Climate Change, Appeal No. 19 of 2021, NGT (India)

⁶ *Responsibility of Corporates Towards Environment: Legal Framework and Compliance in India*, LinkedIn (Apr. 4, 2021), <https://www.linkedin.com/pulse/responsibility-corporates-towards-environment-legal-framework-6ffjf>.

⁷ Supra 2

connect CER frameworks with SDG 13 (Climate Action).⁸

By institutionalizing CER as a statutory duty, India can prevent corporations from using CSR as a smokescreen for environmental harm, ensuring sustainable development becomes an operational imperative, not an optional gesture.

Conclusion: The Need for Clear Demarcation

The Vedanta case clearly illustrates the urgent need to establish a robust legal framework that distinctly addresses Corporate Environmental Responsibility alongside Corporate Social Responsibility. The primary difference lies in their objectives: CSR seeks to enhance societal welfare beyond legal mandates, while CER demands strict adherence to environmental norms to prevent harm. Providing statutory recognition for CER would ensure that corporations cannot substitute voluntary social initiatives for legally required environmental safeguards. By clearly demarcating CSR from CER, the law would enforce corporate accountability more effectively, preventing companies from leveraging CSR as a cover for environmental neglect. In conclusion, the Vedanta judgment is a critical reminder that corporations must prioritize environmental responsibility as an integral part of their operations. Strengthening CER frameworks would deter companies from prioritizing profit over sustainability, thereby safeguarding community health and environmental well-being.

⁸ Nnamdi Chijioke Anyachebelu, Chiamaka Ifeatu Orabueze & Prince Onyemaechi Nweke, *Corporate Environmental Responsibility and Legal Compliance in Achieving Sustainable Development Goals (SDG)*, 18 Webology 10131 (2021), [https://webology.org/data-cms/articles/20250215034933pmWEBOLOGY%2018%20\(6\)%20-%201.pdf](https://webology.org/data-cms/articles/20250215034933pmWEBOLOGY%2018%20(6)%20-%201.pdf).