

Corporate Governance and Human Rights: Balancing Profit with Responsibility

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Abstract

Corporate governance in India has traditionally focused on maximizing shareholder value and ensuring compliance with statutory obligations. However, in the contemporary globalized economy, the scope of corporate governance has expanded to encompass the protection and promotion of human rights. Issues such as labour rights, workplace safety, gender equality, environmental sustainability, and the right to privacy have increasingly become central to evaluating the ethical responsibilities of corporations.

This paper explores the intersection of corporate governance and human rights in India, tracing the shift from profit-driven to responsibility-oriented models. It reviews the Companies Act, 2013 (CSR provisions), evolving jurisprudence on environmental and labour rights, and the impact of international frameworks like the UN Guiding Principles on Business and Human Rights on Indian practices.

Through doctrinal research and case analysis, the paper explores the challenges faced in balancing corporate profitability with human rights obligations, particularly in areas such as land acquisition, industrial relations, and data privacy.

The paper concludes with recommendations for strengthening regulatory mechanisms, enhancing stakeholder participation, and fostering a culture of ethical corporate governance that harmonizes business growth with human dignity and social justice.

Keywords: Corporate Governance, Human Rights, Land Rights, Corporate Social Responsibility (CSR), SEBI Regulations, Environmental Sustainability, Business Ethics.

1. Introduction

Corporate governance, once focused mainly on shareholder accountability and financial transparency, has evolved into a broader framework. Today, it recognizes corporations as powerful institutions whose actions impact human rights, land rights, and social justice beyond mere profit-making. Globalization, technological change, and large-scale operations in sectors like mining, pharmaceuticals, data processing, and infrastructure have created complex human rights challenges. The Bhopal Gas Tragedy (1984) remains a stark reminder of how corporate negligence can devastate human lives and the environment. More recent conflicts around land acquisition for industrial and infrastructural projects highlight the tension between corporate growth and the rights of vulnerable communities, particularly tribals and farmers.

The judicial pronouncements and regulatory mechanisms under the Securities and Exchange Board of India (SEBI) have increasingly emphasized sustainable practices, environmental protection, and stakeholder welfare. Despite progress, gaps persist as exploitative labor, environmental harm, community displacement, and data misuse reveal the ongoing tension between profit and human rights obligations.

From a global perspective, frameworks such as the UN Guiding Principles on Business and Human Rights (2011) and the OECD Guidelines for Multinational Enterprises reflect a global consensus that corporations must respect, protect, and remedy human rights. Indian firms, especially those with global ties, face this pressure but often reduce compliance to token CSR measures.

This paper examines corporate governance in India and its engagement with human rights, analyzing laws, judicial decisions, and global standards. It considers the move beyond shareholder primacy, the role of legal frameworks, and challenges in balancing profit with human dignity. The study evaluates the effectiveness of CSR and governance norms, and the role of courts and regulators, arguing that governance should position corporations as custodians of social justice, sustainability, and human dignity.

2. Review of Literature

Corporate governance and human rights have been the subject of extensive scholarly discussion, both globally and in India. Globally, John Ruggie's UN Guiding Principles on Business and Human Rights (2011) established a framework emphasizing that corporations have a responsibility to respect human rights, prevent abuses, and provide remedies for violations. Scholars have argued that corporate governance cannot be reduced to shareholder primacy alone; instead, it must integrate stakeholder accountability, including employees, communities, and the environment.

In India, Academic analyses highlight that CSR in India represents a legal mechanism to bridge corporate profitability and social welfare, compelling businesses to invest a portion of their profits in social causes. However, several studies critique CSR as being compliance-oriented rather than transformative, often limiting the scope of corporate accountability to prescribed philanthropic activities rather than systemic protection of human rights.

Judicial pronouncements in India have reinforced the intersection between corporate activity and human rights. Landmark cases such as *M.C. Mehta v. Union of India* and *Olga Tellis v. Bombay Municipal Corporation* illustrate the judiciary's recognition of environmental sustainability and the right to livelihood as integral components of human rights affected by corporate actions. Moreover, PILs (Public Interest Litigations) have addressed issues of displacement caused by industrial projects and land acquisition, emphasizing that economic development cannot compromise human dignity and land rights.

Researchers have also examined the role of regulatory bodies such as SEBI in promoting transparency, accountability, and sustainability reporting.

Comparative studies have also contributed to the literature. The OECD Guidelines for Multinational Enterprises EU corporate governance codes promote human rights due diligence, reflecting global

expectations to balance profit with social responsibility. Indian companies, especially those tied to foreign investments or supply chains, face these pressures, but adoption remains uneven and fragmented.

The literature shows a gap between laws and actual corporate practice in aligning governance with human rights. This gap shapes the core research problem, calling for an examination of legal frameworks, corporate conduct, and stakeholder engagement to balance profit with responsibility in India.

3. Research Methodology

This research adopts a doctrinal and analytical approach, which is appropriate for studies examining legal frameworks, corporate governance, and human rights. Doctrinal research involves a detailed study of statutes, case laws, regulations, and official guidelines, enabling a systematic understanding of how corporate governance in India incorporates human rights considerations. It emphasizes legal interpretation, statutory analysis, and evaluation of judicial pronouncements relevant to corporate accountability and ethical governance.

The primary sources for this study include:

Legislation: The Companies Act, 2013 (especially CSR provisions under Section 135), Labour Codes, the Environment Protection Act, and other statutes governing corporate operations.

Judicial decisions: Landmark Supreme Court and High Court cases highlighting corporate liability, environmental protection, labour rights, and land rights, such as *M.C. Mehta v. Union of India*, *Olga Tellis v. BMC*, and *Narmada Bachao Andolan v. Union of India*.

Regulatory guidelines: SEBI Listing Obligations and Disclosure Requirements (LODR), National Guidelines on Responsible Business Conduct, and Ministry of Corporate Affairs circulars on CSR compliance.

Secondary sources include academic journals, reports by the National Human Rights Commission (NHRC), corporate sustainability reports, and international instruments such as the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises. These sources provide context for understanding the global standards of corporate accountability and their influence on Indian practice.

The study uses an analytical method to examine gaps between law and practice, focusing on how CSR compliance, due diligence, and regulatory oversight affect human rights in areas like land acquisition, labour, and the environment.

By combining doctrinal and analytical methods, this research aims to provide a comprehensive evaluation of corporate governance frameworks, their effectiveness in safeguarding human rights, and the challenges in balancing profit motives with ethical responsibilities.

4. Data Analysis and Findings

Over the past two decades, corporate governance in India has expanded from shareholder accountability to include human rights, environmental sustainability, and land rights. This section focuses on human

rights protection, land acquisition accountability, and CSR's role in balancing profit with social responsibility.

Corporate governance and human rights in India are shaped by international frameworks like the UN Guiding Principles on Business and Human Rights, which emphasize state duty to protect rights, business responsibility to respect them, and access to remedies for violations. Indian corporate law does not explicitly mandate businesses to follow the UNGPs, but their influence can be traced in regulatory instruments such as the National Guidelines on Responsible Business Conduct (NGRBC) released by the Ministry of Corporate Affairs in 2019.

Judicial decisions have expanded corporate accountability beyond finances. In *M.C. Mehta v. Union of India*, the Supreme Court established absolute liability, holding corporations responsible for environmental and public health harms. Similarly, in *Olga Tellis v. Bombay Municipal Corporation*, the Court recognized the right to livelihood as part of the fundamental right to life under Article 21 of the Constitution. The judiciary has linked corporate actions with human rights, but weak enforcement and regulatory gaps allow many violations to go unchecked.

Section 135 of the Companies Act, 2013, mandates that companies above a financial threshold spend 2% of profits on CSR, institutionalizing the principle that corporations must contribute to social welfare. Although CSR supports education, healthcare, environment, and skills, critics argue it often serves compliance rather than genuine commitment, with spending focused on urban areas and rural communities underserved. Thus, while CSR provisions have created a legal foundation for corporate involvement in human rights protection, their effectiveness remains uneven.

An analysis of recent corporate practices reveals both progress and shortcomings. Some Indian conglomerates such as Tata, Infosys, and Mahindra have integrated sustainability and human rights considerations into their governance frameworks, publishing detailed sustainability reports aligned with global standards like the Global Reporting Initiative (GRI). Corporate negligence in mining, pharmaceuticals, and infrastructure often leads to exploitation, unsafe work conditions, and violations of community rights. The Bhopal Gas Tragedy remains a grim reminder of the catastrophic consequences of corporate negligence. More recently, disputes around land acquisition for projects like the POSCO steel plant in Odisha and Vedanta's mining operations in Niyamgiri illustrate the conflict between corporate expansion and indigenous rights.

Although India's corporate governance framework includes human rights, enforcement is weak. Voluntary guidelines and CSR cannot substitute for legal accountability; effective regulation, judicial oversight, and civil society engagement are essential for meaningful social justice.

5. Discussion

Corporate governance in India is gradually shifting from a shareholder-centric to a stakeholder-oriented model that includes human rights, environmental sustainability, and social accountability. However, gaps remain, as progressive laws like the Companies Act, 2013 and Land Acquisition Act, 2013 are often unevenly implemented.

One of the central issues is the tension between economic growth and human rights protection. The Indian state, in its role as both regulator and promoter of economic development, has often prioritized industrial expansion over the rights of marginalized communities. A conflict arises when the state prioritizes investment and corporate growth over protecting affected populations' rights, as seen in land acquisition cases where safeguards like consent and social impact assessments were weakened or ignored. Thus, corporate governance cannot be analysed in isolation from the role of the state; both actors are intertwined in shaping outcomes for human rights and land rights.

The integration of corporate social responsibility into the governance framework was hailed as a milestone, particularly because India became the first country in the world to legislate CSR. The judiciary plays a crucial role, with Indian courts historically expanding fundamental rights and holding corporations accountable for environmental and social harm. Landmark judgments such as *M.C. Mehta v. Union of India* and *Olga Tellis v. BMC* underscore this proactive approach. This points to the need for institutional mechanisms that provide speedy, affordable, and effective remedies for human rights violations linked to corporate activities.

The discussion underscores the need to move beyond shareholder primacy toward a governance model where corporations act as trustees of social welfare, addressing climate change, resource depletion, and human rights. Such a shift demands not only legal reform but also changes in corporate culture, education, and public expectations.

6. Conclusion and Suggestions

The analysis demonstrates that corporate governance in India has gradually expanded from a narrow focus on shareholder interests to a more inclusive framework addressing human rights, land rights, and social responsibilities. Legislative innovations such as the Companies Act, 2013 and the Land Acquisition Act, 2013, alongside progressive judicial pronouncements, indicate a recognition of the need for corporate accountability beyond financial performance. However, the findings also reveal persistent challenges in implementation, weak enforcement mechanisms, and a tendency for corporations to prioritize compliance over genuine commitment to social welfare.

The key challenge is balancing profit with human rights protection. While some Indian corporations adopt sustainability and ESG standards, many still lack accountability, with weak institutions, regulatory capture, and voluntary frameworks limiting governance's impact on systemic human rights issues.

To strengthen corporate governance as a tool for human rights protection in India, several measures are necessary:

1. **Strengthening regulatory frameworks:** SEBI's disclosure requirements should be expanded to include comprehensive ESG and human rights reporting, making transparency a binding obligation rather than a voluntary practice.
2. **Effective CSR monitoring:** The Ministry of Corporate Affairs should establish independent monitoring bodies to assess whether CSR funds are genuinely addressing marginalized communities and systemic issues rather than being used for superficial projects.
3. **Institutional remedies:** Establishing specialized tribunals or grievance redressal mechanisms for corporate human rights violations can ensure timely and accessible justice, particularly for displaced and marginalized groups.

4. **Community participation:** Land acquisition and development projects should ensure meaningful consultation with affected communities, with enforceable mechanisms for consent and rehabilitation, thereby operationalizing the spirit of the Land Acquisition Act, 2013.
5. **Cultural transformation:** Beyond legal compliance, corporations must cultivate an ethical culture where human dignity, environmental sustainability, and social justice are viewed as integral to corporate purpose. This requires changes in corporate education, leadership training, and stakeholder engagement.

In conclusion, corporate governance in India is at a crossroads. The evolving framework offers opportunities to embed human rights at the heart of corporate functioning, but achieving this requires a robust combination of legal reform, regulatory vigilance, and cultural change within corporations. By embracing these reforms, corporate governance can move beyond being a mechanism of financial accountability to becoming a genuine instrument of social justice, ensuring that economic development in India proceeds without undermining the rights and dignity of its people.

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