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## ESG and Corporate Compliance in India: A Legal Analysis under SEBI and MCA Frameworks (2021–2025)

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### Abstract:

**Environmental, Social, and Governance (ESG)** compliance has emerged as a cornerstone of responsible corporate conduct in India, particularly since 2021. With rising global and domestic demands for sustainable development and ethical business practices, Indian regulators - especially the **Securities and Exchange Board of India (SEBI)**<sup>1</sup> and the **Ministry of Corporate Affairs (MCA)**<sup>2</sup> - have introduced crucial frameworks such as the **Business Responsibility and Sustainability Report (BRSR)**<sup>3</sup> and mandatory **Corporate Social Responsibility (CSR)** obligations under the **Companies Act, 2013**<sup>4</sup>. These developments

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<sup>1</sup> SEBI, Circular on Business Responsibility and Sustainability Reporting by Listed Entities, SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (May 10, 2021), < [https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities\\_50096.html](https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities_50096.html) > accessed 31 July 2025.

<sup>2</sup> Ministry of Corporate Affairs, National Guidelines on Responsible Business Conduct (2019), < [https://www.mca.gov.in/Ministry/pdf/NationalGuideline\\_15032019.pdf](https://www.mca.gov.in/Ministry/pdf/NationalGuideline_15032019.pdf) > accessed 31 July 2025.

<sup>3</sup> See SEBI, Circular on Business Responsibility and Sustainability Reporting by Listed Entities, SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (May 10, 2021), < [https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities\\_50096.html](https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities_50096.html) > accessed 31 July 2025.

<sup>4</sup> Companies Act, No. 18 of 2013, § 135 (India).

reflect a paradigmatic shift in corporate governance, from profit-centric models to sustainability-oriented mandates.

This research paper critically analyses the evolving ESG regulatory landscape in India between 2021 and 2025, with a focus on the legal frameworks enforced by SEBI and MCA. It evaluates the implications of the BRSR, CSR rules, and **National Guidelines on Responsible Business Conduct (NGRBC)**, and how these instruments influence corporate behaviour. Through a doctrinal and policy-based approach, the paper highlights practical compliance challenges, stakeholder impacts, and case examples of major Indian corporates. Furthermore, it offers a comparative outlook and actionable policy recommendations aimed at strengthening ESG governance in India, ensuring the frameworks not only exist in law but are effectively enforced in practice.

## **Introduction:**

### **A. Background and Relevance:**

Environmental, Social, and Governance (ESG) considerations have evolved from optional ethical practices to essential parameters of corporate governance. With increasing pressure from investors, regulators, consumers, and civil society, companies are expected to align profitability with environmental responsibility, social welfare, and ethical governance. In India, this transformation gained significant regulatory traction post-2021, driven largely by reforms initiated by the **Securities and Exchange Board of India (SEBI)** and the **Ministry of Corporate Affairs (MCA)**.

Traditionally, corporate governance in India focused on transparency, accountability, and shareholder rights. However, the growing climate crisis, widening social inequalities, and the global push for net-zero emissions have demanded a redefinition of corporate responsibility. ESG frameworks serve as that redefinition, integrating sustainability into legal compliance and risk management structures.

### **B. Research Objectives:**

This paper aims to:

- Examine the key ESG-related legal mandates introduced by SEBI and MCA from 2021 to 2025.
- Assess how these mandates have altered corporate compliance, governance models, and public accountability.
- Identify legal and structural challenges in ESG implementation.

- Offer a comparative view with global ESG trends.
- Propose recommendations for strengthening ESG-related laws and practices in India.

### C. Methodology:

The research is primarily doctrinal, relying on statutory texts, government notifications, regulatory circulars, and judicial pronouncements. A secondary empirical component is incorporated through analysis of company ESG disclosures, reports, and independent sustainability audits. Comparative insights are drawn from the **EU Corporate Sustainability Reporting Directive (CSRD)**<sup>5</sup> and **U.S. SEC's ESG-related proposals**<sup>6</sup>.

### D. Structure of the Paper:

The paper is divided into thematic sections addressing the regulatory frameworks of SEBI and MCA, compliance mechanisms, key impacts, sectoral challenges, international comparisons, and a set of legal-policy recommendations.

## From BRR to BRSR: Unfolding SEBI's Evolving ESG Disclosure Framework:

### A. Evolution of ESG Disclosures in India:

The **Securities and Exchange Board of India (SEBI)** has played a pivotal role in embedding ESG considerations into corporate disclosure norms. The **Business Responsibility Report (BRR)** was introduced in 2012, making it compulsory for the top 100 listed firms to report on significant non-financial aspects of their functioning. However, recognizing the global shift toward sustainability-linked disclosures and investor demand for ESG transparency, SEBI replaced BRR with the **Business Responsibility and Sustainability Report (BRSR)** in 2021<sup>7</sup>.

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<sup>5</sup> Directive (EU) 2022/2464 of the European Parliament and of the Council (CSRD), < <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464> > accessed 31 July 2025.

<sup>6</sup> Securities and Exchange Commission, Release No. 33-11042, Enhancement and Standardization of Climate-Related Disclosures for Investors (Mar. 21, 2022), < <https://www.sec.gov/rules/proposed/2022/33-11042.pdf> > accessed 31 July 2025.

<sup>7</sup> SEBI, Circular on Business Responsibility and Sustainability Reporting by Listed Entities, SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (May 10, 2021), < <https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability->

◆ **Legal Basis:**

- ❖ SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Regulation 34(2)(f), as amended by Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (May 10, 2021).

**B. BRSR: Scope and Applicability:**

The BRSR framework applies to the top 1000 listed companies (by market capitalization) on a mandatory basis from the financial year 2022 - 23 onwards. Companies falling outside this threshold are encouraged to adopt the framework voluntarily.

Key Highlights:

- Replaces the older BRR format.
- Aligns ESG elements with the principles laid out in the **National Guidelines on Responsible Business Conduct (NGRBC)**<sup>8</sup>.
- Mandatory for the top 1000 listed companies.
- Voluntary for others.

This marked a shift from principle-based disclosures (BRR) to **quantitative, standardized, and comparable metrics** that align with international norms such as GRI (Global Reporting Initiative) and TCFD (Task Force on Climate-related Financial Disclosures).

**C. Structure and Contents of BRSR:**

The BRSR is divided into three main sections:

**1. General Disclosures:**

- Corporate identity, locations, employee data.
- Holding, subsidiary, and business activity details.

**2. Management and Process Disclosures:**

- Policies and governance mechanisms for ESG issues.
- Oversight by Board or committees.

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reporting-by-listed-entities\\_50096.html]([https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities\\_50096.html](https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities_50096.html)). >  
accessed 31 July 2025.

<sup>8</sup> Ministry of Corp. Affs., Government of India, National Guidelines on Responsible Business Conduct (2019), < [https://www.mca.gov.in/Ministry/pdf/NationalGuideline\\_15032019.pdf](https://www.mca.gov.in/Ministry/pdf/NationalGuideline_15032019.pdf)). >  
> accessed 31 July 2025.

### 3. Principle-wise Performance:

- Based on the nine principles under the NGRBC:
- Integrity, ethics, and transparency.
- Safe and sustainable goods/services.
- Employee well-being.
- Stakeholder responsiveness.
- Human rights respect.
- Environmental sustainability.
- Responsible public policy engagement.
- Inclusive growth and equitable development.
- Customer value creation.

Each principle has **core** and **leadership indicators** that companies must respond to, enabling investors and stakeholders to evaluate ESG performance comprehensively.

#### D. Legal and Compliance Obligations:

- **Compliance Requirement:** Listed companies are mandated to include the BRSR within their annual report filings made to the stock exchanges as part of regulatory compliance.
- **Audit Requirement:** While BRSR is not subject to mandatory third-party audit, SEBI encourages assurance in key metrics, especially those related to emissions, waste management, and human capital disclosures.
- **Penalties:** Though non-compliance does not attract specific financial penalties yet, inaccurate or misleading disclosures may lead to penal consequences under SEBI's broader enforcement powers.

#### ◆ Relevant Provision:

- ❖ SEBI's Listing Obligations and Disclosure Requirements Regulations, 2015 - specifically Regulation 34(2)(f) read in conjunction with Schedule V - govern this requirement<sup>9</sup>.

#### E. Implementation Experience (2021–2025):

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<sup>9</sup> SEBI, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Regulation 34(2)(f), Schedule V, Part C (last amended July 10, 2024), < <https://www.sebi.gov.in/legal/regulations/jul-2024/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-regulations-2015-last-amended-on-july-10-2024-84817.html> >

Between 2021 and 2025, several Indian companies have adopted BRSR disclosures effectively. For example:

📌 **Case Example – Infosys Ltd.:**

- Infosys has published detailed BRSR-aligned ESG reports since 2022.
- The company integrates **TCFD-aligned climate risk disclosures** and **SBTi-approved emission targets**.
- It has committed to net-zero by 2040 and regularly discloses metrics like GHG emissions, energy usage, employee diversity, and community impact<sup>10</sup>.

📌 **Case Example – Tata Steel:**

- Reports include leadership indicators under each NGRBC principle.
- Integrated their CSR efforts within BRSR, particularly under Principles 3 and 9.
- Provides detailed data on employee health, decarbonization plans, and circular economy initiatives<sup>11</sup>.

**F. Critical Analysis:**

➤ **Strengths of SEBI's BRSR Framework:**

- Harmonizes ESG with legal disclosure mandates.
- Enhances investor confidence through standardized reporting.
- Drives board-level accountability and strategic ESG alignment.

• **Limitations and Concerns:**

- No mandatory audit of ESG data.
- Limited coverage of unlisted or smaller companies.
- Risk of "greenwashing" without enforcement checks.
- Absence of sector-specific ESG metrics.

**G. Summary: Key Takeaways:**

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<sup>10</sup> Infosys Ltd., ESG Report 2022–23 (May 29, 2023), < <https://www.infosys.com/sustainability/documents/infosys-esg-report-2022-23.pdf> > accessed 31 July 2025.

<sup>11</sup> Tata Steel Ltd., Integrated Report & Annual Accounts for FY 2023-24 (June 22, 2024), < <https://www.tatasteel.com/media/21244/integrated-report-and-annual-accounts-fy2023-24.pdf> > accessed 31 July 2025.

<b>Aspect</b>	<b>BRSR Highlights</b>
Applicability	Top 1000 listed companies (mandatory)
Legal Basis	SEBI LODR Regulation 34(2)(f)
Disclosure Type	Quantitative and Principle-wise
Alignment	NGRBC + Global Frameworks (GRI, TCFD)
Issues	Enforcement, Assurance, Sectoral Gaps

### **MCA's Role in Shaping ESG: Statutory CSR Obligations and the NGRBC Framework:**

#### **A. Role of the Ministry of Corporate Affairs (MCA):**

While SEBI regulates ESG disclosures for listed companies, the **Ministry of Corporate Affairs (MCA)** anchors ESG within corporate law through **statutory CSR obligations** and policy frameworks like the **National Guidelines on Responsible Business Conduct (NGRBC)**. These initiatives align corporate behaviour with India's developmental priorities and global sustainability norms.

#### **B. Legislative CSR Regime under the 2013 Companies Act:**

India became the first country to **legally mandate CSR** through **Section 135 of the Companies Act, 2013, supported by the Companies (CSR Policy) Rules, 2014.**

#### **◆ Relevant Provision:**

- ❖ **Section 135, Companies Act, 2013<sup>12</sup>; Companies (CSR Policy) Rules, 2014<sup>13</sup>** as amended.

**Applicability:**

Companies meeting any of the following thresholds during any financial year must comply:

- Net worth  $\geq$  ₹500 crore.
- Turnover  $\geq$  ₹1000 crore.
- Net profit  $\geq$  ₹5 crore.

◆ **Spending Requirement:**

Such companies must spend **at least 2%** of their **average net profits (past 3 years)** on activities listed in **Schedule VII<sup>14</sup>**, which includes areas central to ESG:

- Environmental sustainability and resource conservation.
- Education, health, and gender equality.
- Rural development and renewable energy initiatives.

These provisions primarily address the **E** (Environment) and **S** (Social) dimensions of ESG, with **G** (Governance) reinforced through CSR board oversight and disclosures.

◆ **Regulatory Update:**

- ❖ The MCA mandated **Form CSR-2** for detailed CSR disclosures starting from FY 2020–21, promoting transparency and accountability<sup>15</sup>.

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<sup>12</sup> Companies Act, No. 18 of 2013, § 135 (India), India Code, < <https://www.indiacode.nic.in/bitstream/123456789/2114/5/A2013-18.pdf> > accessed 31 July 2025.

<sup>13</sup> Companies (Corporate Social Responsibility Policy) Rules, 2014, G.S.R. 129(E) (India), as amended, India Code, < [https://www.indiacode.nic.in/ViewFileUploaded?file=rules\\_2014\\_with\\_amendments.pdf&path=AC\\_CEN\\_22\\_29\\_00008\\_201318\\_151780732\\_7856/rulesindividualfile/](https://www.indiacode.nic.in/ViewFileUploaded?file=rules_2014_with_amendments.pdf&path=AC_CEN_22_29_00008_201318_151780732_7856/rulesindividualfile/) > accessed 31 July 2025.

<sup>14</sup> Companies Act, No. 18 of 2013, Schedule VII (India), International Center for Not-for-Profit Law (ICNL), < <https://www.icnl.org/wp-content/uploads/India-FAQ-3---Corporate-Social-Responsibility-FINAL.pdf> > accessed 31 July 2025.

<sup>15</sup> Ministry of Corporate Affairs, General Circular No. 05/2022 (May 18, 2022) (mandating Form CSR-2 disclosures for CSR-eligible companies), < <https://www.caclubindia.com/news/mca-allows-separate-filing-of-e-form-csr-2-on-v3-portal-after-transition-from-mca21-v2-to-v3-24988.asp> > accessed 31 July 2025.

### C. Key CSR Compliance Obligations:

Companies falling under Section 135 must:

- **Form a CSR Committee** (except for small companies).
- **Draft and disclose a CSR policy.**
- **File CSR data via Board Reports and CSR-2.**
- **Undertake Impact Assessments** for projects over ₹1 crore.
- **Transfer unspent CSR funds** to specific accounts/funds within deadlines.
- **Face penalties** for non-compliance under **Section 135(7).**

### D. National Guidelines on Responsible Business Conduct (NGRBC):

The Ministry of Corporate Affairs rolled out the NGRBC in 2019, superseding the earlier National Voluntary Guidelines introduced in 2011. These guidelines laid the foundation for India's formal ESG policy narrative, serving as a framework for both SEBI's BRSR and CSR policies<sup>16</sup>.

#### The Nine NGRBC Principles Include:

1. Ethics, transparency, and accountability.
2. Sustainable and safe goods/services.
3. Employee well-being.
4. Stakeholder engagement.
5. Human rights.
6. Environmental protection.
7. Policy advocacy.
8. Inclusive growth.
9. Customer value.

#### ◆ Policy Reference:

- ❖ MCA, National Guidelines on Responsible Business Conduct, 2019.

While not legally binding, the NGRBC acts as a **soft law** framework guiding responsible conduct, influencing BRSR and informing ESG policy dialogue across government and industry.

### E. Implementation Trends (2021–2025):

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<sup>16</sup> Ministry of Corporate Affairs, National Guidelines on Responsible Business Conduct (Mar. 2019), < [https://www.mca.gov.in/Ministry/pdf/NationalGuideline\\_15032019.pdf](https://www.mca.gov.in/Ministry/pdf/NationalGuideline_15032019.pdf). > accessed 31 July 2025.

Between 2021 and 2025, CSR and NGRBC-based compliance have become central to corporate governance in India.

**📌 Case Example – Reliance Industries Ltd.:**

- Carries out significant CSR initiatives focused on clean energy and rural healthcare.
- Publishes detailed impact assessment reports in line with CSR Rules.
- Regularly allocates more than 2% of profits towards initiatives aligned with the Sustainable Development Goals (SDGs).

**📌 Case Example – ITC Ltd.:**

- Integrates CSR with ESG strategy.
- Projects include water stewardship, climate-smart agriculture, and education.
- CSR disclosures mapped to NGRBC principles in annual reports.

**F. Key Challenges in CSR and ESG Alignment:**

Challenge	Description
Fragmented Reporting	CSR disclosures under MCA and ESG under SEBI often overlap but lack integration
Quality vs. Quantity	Companies focus on spending amounts over long-term project impact
Impact Assessment Gaps	Few companies conduct rigorous third-party evaluations
Enforcement Weakness	CSR penalties are rarely invoked; compliance remains procedural

**G. Summary Table: CSR vs ESG Scope:**

Feature	CSR (MCA)	ESG (SEBI)

Legal Mandate	Section 135, Companies Act	SEBI LODR Regulation 34(2) (f)
Focus	Social & Environmental Spending	Sustainability-related Disclosure
Applicability	Profit/Turnover/Worth Criteria	Top 1000 Listed Entities
Penalty for Non-Compliance	Yes (Sec. 135(7))	Indirect (through SEBI enforcement)
Disclosure Form	CSR-2 + Board Report	BRSR (part of Annual Report)

### ESG Compliance and Governance Mechanisms:

#### A. Board-Level Responsibility for ESG:

Corporate boards are increasingly held responsible for ESG integration under **SEBI's BRSR and MCA's CSR framework**. ESG considerations are now embedded within core governance functions, requiring directors to<sup>17</sup>:

Key Responsibilities of the Board:

- Approve ESG disclosures (BRSR/CSR).
- Integrate ESG risks into enterprise risk management.
- Monitor sustainability strategy and reporting transparency.

#### B. Role of Independent Directors:

- Independent directors ensure objective decision-making, especially concerning ethical conduct and stakeholder interests.

<sup>17</sup> SEBI, Listing Obligations and Disclosure Requirements Regulations, 2015, Regulation 17(10) (as amended up to July 25, 2022), < <https://www.sebi.gov.in/legal/regulations/jul-2022/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-regulations-2015-last-amended-on-july-25-2022-61405.html> > accessed 31 July 2025.

- Their ESG-specific responsibilities include oversight of CSR spending, monitoring of ESG risks (climate, labour), and ensuring alignment with corporate values.

◆ Statutory Reference:

- ❖ Section 149(6) - (12) of the Companies Act, 2013 outlines eligibility and roles of independent directors<sup>18</sup>.

**C. ESG Ratings and Assurance:**

With BRSR becoming mandatory, companies are increasingly subject to ESG ratings by agencies such as:

- **CRISIL, CARE Ratings, ICRA, and Sustainalytics.**
- International ESG rating agencies such as **MSCI, FTSE Russell, and Bloomberg.**

These ratings influence investment decisions by **foreign portfolio investors (FPIs)** and ESG-focused mutual funds<sup>19</sup>. However, the absence of **uniform rating criteria** and **mandatory assurance** leads to concerns about inconsistency and "greenwashing".

Key Gaps:

- Lack of uniform assurance standards.
- Opaque methodologies.
- Risk of "greenwashing" via selective agency engagement.

◆ Policy Reference:

- ❖ SEBI's discussion paper on ESG rating agencies released in January 2022.

**D. ESG Integration in Risk Management:**

Businesses are embedding ESG into their risk frameworks to pre-empt legal, reputational, and financial threats. ESG-linked risks include:

- Environmental non-compliance.

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<sup>18</sup> Companies Act, No. 18 of 2013, § 149(6)–(12) (India), Corporate Law Reporter, < [https://corporatelawreporter.com/companies\\_act/section-149-of-companies-act-2013-company-to-have-board-of-directors/](https://corporatelawreporter.com/companies_act/section-149-of-companies-act-2013-company-to-have-board-of-directors/) > accessed 31 July 2025.

<sup>19</sup> SEBI, Consultation Paper on Environmental, Social and Governance (ESG) Rating Providers for Securities Markets, Jan. 24, 2022 (SEBI Report for Public Comments), < [https://www.sebi.gov.in/reports-and-statistics/reports/jan-2022/consultation-paper-on-environmental-social-and-governance-esg-rating-providers-for-securities-markets\\_55516.html](https://www.sebi.gov.in/reports-and-statistics/reports/jan-2022/consultation-paper-on-environmental-social-and-governance-esg-rating-providers-for-securities-markets_55516.html) > accessed 31 July 2025.

- Labour law violations.
- Exposure to climate risks.
- Disruption due to non-compliant supply chains.

#### **E. Policy Alignment and Cross-Functional Coordination:**

Effective ESG compliance goes beyond legal teams. It demands joint efforts from:

- **Legal** (regulatory compliance).
- **Finance** (green bonds, ESG funding).
- **HR** (inclusion, labour standards).
- **Operations** (resource use).
- **IT** (data analytics for ESG metrics).

#### **F. Noteworthy Corporate Practices (Point Format):**

Some Indian companies have demonstrated mature ESG governance:

##### **Wipro Ltd.:**

- ESG performance is reviewed quarterly by the Board ESG Committee.
- Uses GRI and SASB frameworks alongside BRSR.
- Integrates sustainability KPIs in leadership performance reviews<sup>20</sup>.

##### **Mahindra & Mahindra:**

- Linked executive compensation with ESG performance.
- Reports climate-related financial disclosures using **TCFD**.
- Runs an ESG council comprising heads from legal, finance, HR, and operations<sup>21</sup>.

##### **HDFC Bank:**

- Publishes an integrated report combining financial and ESG performance.
- Emphasises equitable access to credit, promotion of digital literacy, and commitment to achieving carbon neutrality.
- ESG strategy embedded into core banking policy<sup>22</sup>.

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<sup>20</sup> Wipro Ltd., Integrated Annual Report 2022–23, ESG Governance Section, < <https://www.wipro.com/investors/annual-reports/> > accessed 31 July 2025.

<sup>21</sup> Mahindra & Mahindra Ltd., Sustainability Report 2022–23, Board of Directors' ESG Governance Charter section, < <https://www.mahindra.com/sites/default/files/2023-10/Mahindra-Sustainability-Report-2022-23.pdf> > accessed 31 July 2025.

**G. Challenges in ESG Governance:**

<b>Challenge</b>	<b>Description</b>
Board Readiness	Many directors lack ESG-specific training or awareness
Data Gaps	Poor quality or missing data affects reliable reporting
Lack of Independent Audit	No legal requirement for third-party validation of BRSR
Confusion Across Departments	ESG treated as a siloed responsibility instead of cross-functional strategy

**H. Legal and Regulatory Recommendations (Point Format):**

**1. Mandate Assurance:**

Require independent third-party audits for key BRSR metrics.

**2. Board Training:**

SEBI/IICA should provide ESG certification programs for directors.

**3. Harmonize Ratings:**

Introduce uniform norms and oversight for ESG rating agencies.

**4. Sector-Specific Guidelines:**

Create tailored ESG compliance norms for high-risk industries.

**5. Enforce Penalties:**

Strengthen consequences for ESG non-compliance or misreporting.

**Impact of ESG Mandates (2021–2025): A Sectoral and Practical Review:**

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<sup>22</sup> HDFC Bank Ltd., Business Responsibility & Sustainability Report FY 2022–23, Board ESG Committees & Risk Governance section, available at < [https://www.sesgovernance.com/pdf/1691216996\\_HDFC-BANK\\_BRSR\\_2022-23.pdf](https://www.sesgovernance.com/pdf/1691216996_HDFC-BANK_BRSR_2022-23.pdf) > accessed 31 July 2025.

## **A. Overview: ESG Momentum Post-2021:**

Since SEBI's introduction of the BRSR in 2021 and the MCA's reinforcement of CSR obligations, Indian corporates have witnessed a tangible shift in ESG awareness, reporting behaviour, and sustainability-led decision-making. ESG is no longer seen as a voluntary good practice; it is becoming a **regulatory, reputational, and financial imperative**.

## **B. Key Outcomes:**

### **1. Improved ESG Transparency:**

- Over 800 of the top 1000 listed companies have published BRSR-aligned ESG disclosures as of FY 2023–24<sup>23</sup>.
- Enhanced availability of quantifiable ESG data across sectors.

### **2. Boardroom Engagement with ESG:**

- Several companies have established ESG-focused committees within their boards of directors.
- ESG is now a regular agenda item in board and audit committee meetings.

### **3. Strategic CSR Alignment:**

- CSR spending is increasingly aligned with UN SDGs (e.g., climate action, gender equality).
- Companies are linking CSR to long-term ESG strategy rather than isolated donations.

### **4. Investor-Led ESG Scrutiny:**

- Domestic and foreign institutional investors are demanding ESG metrics before making investment decisions.
- ESG has become central to Environmental, Social, and Governance-focused funds (ESG funds), with assets under management rising significantly in India<sup>24</sup>.

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<sup>23</sup> SEBI, The State of BRSR Disclosure in India - FY2023 (SGS/CFA - NSE report) (showing >98% compliance among top corporates), < <https://rpc.cfainstitute.org/research/reports/2024/the-current-state-of-brsr-at-corporate-india> > accessed 31 July 2025.

<sup>24</sup> SEBI, Consultation Paper on ESG Rating Providers for Securities Markets, Jan. 24, 2022, at 7–9, < <https://www.sebi.gov.in/reports-and-statistics/reports/jan-2022/consultation-paper-on->

### 5. Growth of ESG Financial Instruments:

- Surge in issuance of green bonds and sustainability-linked loans.
- Banks are exploring ESG-based risk pricing in credit assessment.

### 6. Public Perception and Brand Value:

- Companies with strong ESG performance (e.g., Infosys, TCS, HDFC) enjoy better brand reputation and customer trust.
- ESG controversies (e.g., environmental violations) have led to media scrutiny and reputational risks.

## C. Sectoral Analysis:

### Energy and Infrastructure:

- Companies like **NTPC, Tata Power, and Adani Green** are investing in renewable energy, aligning with India's climate goals.
- ESG disclosures in this sector focus on carbon emissions, energy transition plans, and water use.

### Banking and Finance:

- ESG frameworks are now used in credit underwriting (e.g., Yes Bank, SBI).
- RBI has issued discussion papers on climate-related financial risks.
- Private banks like **HDFC and Axis Bank** report on social inclusion, green finance, and governance standards.

### Technology:

- Firms like **Infosys, Wipro, and TCS** lead ESG disclosures with strong focus on diversity, carbon neutrality, and digital inclusion.
- Integrated ESG reporting has become common.

### Pharmaceuticals:

- Companies like **Sun Pharma** and **Dr. Reddy's** highlight health equity, safe drug access, and R&D sustainability.
- Social indicators are central to their ESG profile.

## D. Case Examples:

### Infosys Ltd.:

- Net-zero target by 2040.
- 42% women in the workforce (FY 2023).

- Water positive and carbon neutral for over a decade.
- Transparent ESG disclosures with GRI + BRSR alignment<sup>25</sup>.

#### 📌 **Tata Power:**

- Investments in rooftop solar, EV infrastructure, and battery storage.
- TCFD-aligned disclosures on climate risk.
- ESG ratings improved due to emissions reduction strategies.

#### 📌 **ITC Ltd.:**

- "Triple bottom line" approach—economic, environmental, social.
- Carbon, water, and solid-waste positive for multiple years.
- Incorporated ESG principles within the agricultural value chain and initiatives supporting rural livelihoods.

### **E. Rise of ESG Investing in India:**

- Asset management companies such as SBI Mutual Fund and Axis Mutual Fund have introduced funds focused on ESG themes.
- According to SEBI data (2023), ESG AUM in India crossed ₹9,750 crore (USD 1.18 billion)<sup>26</sup>.
- SEBI requires ESG funds to invest a minimum of 65% of their assets under management in companies that provide detailed BRSR reports and have assured compliance with BRSR Core disclosures<sup>27</sup>.

### **F. Institutional Stakeholder Influence:**

- **Proxy advisory firms** such as **SES** have started factoring ESG performance in shareholder voting recommendations.
- **NABARD, SIDBI**, and multilateral lenders now evaluate ESG risk in funding approvals.

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<sup>25</sup> Infosys Ltd., ESG Report 2022–23, Risks & Sustainability section, < <https://www.infosys.com/sustainability/documents/infosys-esg-report-2022-23.pdf> > accessed 31 July 2025.

<sup>26</sup> FinFIRST, “ESG Investing in India: A Complete Guide” (Mar. 4, 2025) (reporting AUM ~₹10,946 cr), < <https://www.idfcfirstbank.com/finfirst-blogs/savings-account/esg-investing-in-india> > accessed 31 July, 2025.

<sup>27</sup> Climate Change India, “SEBI Introduces 6 New Mutual Fund Strategies under ESG Theme” (July 20, 2023), showing 65% AUM criteria, < <https://www.climate-change.in/media/sebi-introduces-6-new-mutual-fund-strategies-under-esg-theme> > accessed 31 July 2025.

- **Public sector units (PSUs)** are being nudged by DPE to integrate ESG into governance codes.

**G. Limitations in Practical Impact:**

Despite the positive trends, certain issues persist:

<b>Limitation</b>	<b>Description</b>
Box-Ticking Approach	Many firms treat ESG as a compliance checklist rather than a value-based shift
ESG Arbitrage	Some corporates underreport material ESG risks due to weak enforcement
Inconsistent Data	Differences in metrics, formats, and assurance make comparison difficult
Focus on Large Companies	ESG compliance is still largely restricted to top-listed firms

**H. Summary of ESG Impact (2021–2025):**

<b>Area</b>	<b>Notable Change</b>
Disclosure	Standardized and quantitative via BRSR
Strategy	ESG integrated into risk, finance, and operations
Finance	Rise in green bonds, ESG-linked loans, and ESG funds

Governance	Board-level ESG oversight and stakeholder accountability
Investor Relations	ESG metrics influencing capital allocation decisions

### Challenges in ESG Compliance and Legal Enforcement in India:

Despite notable progress in ESG adoption, Indian companies and regulators continue to grapple with **implementation, standardization, and enforcement** challenges.

#### A. Greenwashing and Superficial Disclosures:

**Greenwashing** refers to the practice of presenting an exaggerated or misleading impression of environmental or social responsibility. In India, several companies have been accused of inflating ESG credentials in their reports without real action on the ground.

##### Common Practices:

- Highlighting small-scale CSR activities as sustainability milestones.
- Publishing qualitative narratives with little quantitative backing.
- Selective reporting that omits negative ESG metrics.

◆ Example: A 2023 analysis revealed that several Indian companies received high ESG ratings despite disclosing poor environmental performance or minimal emissions data. Such inconsistencies raised concerns of greenwashing, as firms appeared ESG-compliant on paper while lacking transparency or third-party verification of their claims<sup>28</sup>.

#### B. Inconsistent and Non-Standardized Metrics:

The lack of **uniform ESG reporting standards** across sectors leads to ambiguity. While BRSR offers a base structure, companies interpret indicators differently, especially in areas such as:

- Reporting of emissions across Scope 1, Scope 2, and Scope 3 categories.

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<sup>28</sup> Business Standard, Greenwashing in India Inc: Environment Scores Create a Sense of Suspicion (Oct. 4, 2023), < [https://www.business-standard.com/opinion/columns/greenwashing-in-india-inc-environment-scores-create-a-sense-of-suspicion-123100400364\\_1.html](https://www.business-standard.com/opinion/columns/greenwashing-in-india-inc-environment-scores-create-a-sense-of-suspicion-123100400364_1.html) > accessed 1 August 2025.

- Human rights metrics (supply chain audits, gender representation).
- Social impact reporting (qualitative vs quantitative).

Consequences:

- Difficulty for investors to compare ESG performance.
- Gap between domestic ESG disclosures in India and global reporting standards.
- Limited benchmarking across peer companies or sectors<sup>29</sup>.

### C. Absence of Independent Assurance:

India currently does not mandate third-party assurance of ESG or BRSR reports, unlike financial audits.

Impact:

- Undermines credibility of data.
- Creates room for subjective or manipulated disclosures.
- Limits enforcement by SEBI or MCA due to unverifiable claims.

◆ Global Contrast: The EU's Corporate Sustainability Reporting Directive (CSRD) mandates limited assurance by independent auditors starting 2024<sup>30</sup>.

### D. Challenges for MSMEs and Unlisted Entities:

The majority of ESG requirements, including the BRSR framework, are currently applicable only to the top 1000 listed companies based on market capitalization. This leaves a large number of:

- **Micro, Small, and Medium Enterprises (MSMEs).**
- **Unlisted private companies.**
- **Startups and early-stage firms.**

...outside the purview of ESG legal obligations.

Barriers:

- High cost of compliance, audit, and reporting.
- Lack of internal ESG capacity or awareness.

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<sup>29</sup> SEBI, BRSR Format and Guidance Note, May 2021, at 12–18 (noting variation in ESG interpretation), < [https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities\\_50096.html](https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities_50096.html) > accessed 1 August 2025.

<sup>30</sup> Directive (EU) 2022/2464, Corporate Sustainability Reporting Directive, Art. 26, O.J. (L 322) 15 (2022), < <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2464> > accessed 1 August 2025.

- There is minimal demand from investors or the public for the disclosure of non-financial performance indicators.

◆ **Policy Gap:** Current ESG regulations in India - including BRSR by SEBI - **do not extend to MSMEs or unlisted entities**, and there is **no formal ESG mandate or framework designed specifically for MSMEs**<sup>31</sup>.

#### **E. Fragmented Regulatory Landscape:**

India does not yet have a single regulatory authority or an integrated legal structure governing **ESG matters**. Instead, ESG-related obligations are scattered across:

- **SEBI** (BRSR).
- **MCA** (CSR, NGRBC).
- **RBI** (climate risk for banks).
- **MoEFCC** (environmental clearances and emission norms).

Problems:

- Conflicting definitions and overlapping mandates.
- Ambiguity in interpretation and jurisdiction.
- Slow adoption due to lack of coordination among agencies<sup>32</sup>.

#### **F. Weak Enforcement Mechanisms:**

Despite having regulatory frameworks in place, **India's ESG enforcement mechanisms remain weak, reactive, and fragmented**. The current system lacks the robustness to ensure compliance, deter greenwashing, or protect stakeholders.

**Key Concerns:**

- **SEBI's ESG reporting norms** do not include stringent penalties for misstatements or false disclosures.
- **CSR non-compliance**, such as under-spending or misallocation, often leads to only mild observations rather than legal consequences.
- There is a **lack of precedent or ESG-specific litigation** in Indian courts to establish jurisprudence.

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<sup>32</sup> EY Asia-Pacific Board Matters, Asia-Pacific Board Priorities 2025: Fragmented regulation in sustainability and AI worries global boards (Dec.2024) (noting that “regulatory fragmentation ... must navigate different rules in different jurisdictions”), < [https://www.ey.com/en\\_fi/board-matters/asia-pacific-board-priorities-2025](https://www.ey.com/en_fi/board-matters/asia-pacific-board-priorities-2025) > accessed 1 August 2025.

- **Whistleblowers raising ESG-related concerns** frequently face retaliation, with no comprehensive legal safeguards or incentives.

◆ Legal Insight: India's ESG enforcement remains fragmented across SEBI, MCA, and sectoral bodies, with **no central agency tasked with oversight**, making accountability diffuse and implementation inconsistent<sup>33</sup>.

#### G. Legal Case Example: ESG Non-Compliance:

##### 📌 **Sterlite Copper Case (Tamil Nadu, 2018)**

The company was ordered to shut down its smelter plant following public protests and findings of **environmental norm violations. Despite being a listed entity, its lack of ESG risk disclosure** and failure to engage stakeholders led to loss of license, reputational damage, and investor exit.

◆ Legal Basis: Environmental (Protection) Act, 1986; public interest litigation in Madras High Court<sup>34</sup>.

#### H. Comparative Shortcomings (vs. Global Standards):

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<sup>33</sup> See Mondaq, Legal Gaps in Green Financing in India: Bridging the Divide Between Ambition and Action, (May 15, 2025), < [https://www.mondaq.com/india/environmental-law/1625138/legal-gaps-in-green-financing-in-india-bridging-the-divide-between-ambition-and-action?utm\\_source=chatgpt.com](https://www.mondaq.com/india/environmental-law/1625138/legal-gaps-in-green-financing-in-india-bridging-the-divide-between-ambition-and-action?utm_source=chatgpt.com) > accessed 1 August 2025.

<sup>31</sup> SEBI, BRSR Format and Guidance Note, May 2021 (clarifies applicability limited to top listed entities), < [https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities\\_50096.html](https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities_50096.html) > accessed 1 August 2025.

<sup>34</sup> Tamil Nadu Pollution Control Board v. Sterlite Industries (I) Ltd., W.P. No. 5755 of 2018, Madras High Court (Order dated Feb. 18, 2019), case summary < <https://lawfyi.io/tamil-nadu-pollution-control-board-vs-sterlite-industries-i-ltd-on-18-february-2019-case-summary/> > accessed 1 August 2025.

<b>Area</b>	<b>India</b>	<b>EU/US</b>
Audit of ESG Reports	Not mandatory	Mandatory in EU (limited assurance)
Applicability	Top 1000 listed entities	Applies to companies based on revenue and employee thresholds
Central Regulator	Absent	EU: ESMA/European Commission; US: SEC ESG proposals
Sector-Specific Guidelines	Generic BRSR principles	Detailed ESG taxonomies (EU Green Taxonomy)
Enforcement Mechanism	Limited	Administrative penalties, investor lawsuits

**I. Summary Table: Key ESG Compliance Challenges in India:**

<b>Challenge</b>	<b>Consequence</b>
Greenwashing	Misleads stakeholders, distorts ESG ratings

No audit mandate	Low data credibility
Regulatory fragmentation	Slows adoption and confuses firms
MSME exclusion	Limits ESG coverage to large companies
Weak penalties	Poor deterrence for non-compliance

## Comparative Perspective: ESG Legal Frameworks in the EU, US, and Lessons for India:

### A. Why Comparative Analysis Matters:

Global benchmarking of ESG regulations - especially from the EU and the US - offers valuable insights for strengthening India's evolving legal architecture. The EU adopts a stringent legislative approach, while the US leans on market-driven mechanisms with increasing regulatory proposals.

### B. European Union: ESG as a Legal Duty:

The EU has emerged as a global leader in ESG governance, combining mandatory disclosures, standardised sustainability metrics, and legal enforcement.

#### Key ESG Instruments:

#### 1. Corporate Sustainability Reporting Directive (CSRD):

Applies from 2024, requiring large companies and listed SMEs to disclose audited ESG information aligned with **European Sustainability Reporting Standards (ESRS)**<sup>35</sup>.

#### 2. EU Taxonomy Regulation:

Establishes a science-based system for classifying "green" economic activities, promoting investor clarity and regulatory consistency<sup>36</sup>.

<sup>35</sup> Directive (EU) 2022/2464, 2022 O.J. (L 322) 15 (CSRD), < <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464> > accessed 1 August 2025.

<sup>36</sup> Regulation (EU) 2020/852, 2020 O.J. (L 198) 13 (EU Taxonomy), < <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852> > accessed 1 August 2025.

### **3. Sustainable Finance Disclosure Regulation (SFDR):**

Obligates financial entities to disclose ESG risks and negative externalities in investment decisions<sup>37</sup>.

#### **Enforcement Mechanisms:**

Non-compliance may attract regulatory sanctions, reputational damage, or limited market access.

### **C. United States: A Gradual but Growing ESG Focus:**

In the US, ESG regulation is emerging primarily through **SEC initiatives** and **shareholder activism**.

#### **Notable Developments:**

##### **1. SEC's Proposed Climate Disclosure Rule (2022):**

- Plans to make it compulsory for entities to disclose Scope 1 and Scope 2 emissions, and may also extend the requirement to Scope 3 emissions<sup>38</sup>.
- Includes material climate risks, governance structures, and transition plans.
- Applies to public companies and foreign private issuers.

##### **2. Dodd-Frank Act (Section 1502):**

- Mandates reporting on conflict minerals sourced from high-risk zones<sup>39</sup>.
- Early example of linking human rights to disclosure.

##### **3. Shareholder Resolutions and Proxy Voting:**

- ESG-focused shareholder proposals have seen a significant rise since 2021, even as overall backing for such resolutions has decreased.

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<sup>37</sup> Regulation (EU) 2019/2088, 2019 O.J. (L 317) 1 (SFDR), < <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019R2088> > accessed 1 August 2025.

<sup>38</sup> U.S. Securities and Exchange Commission, Release No. 33-11042, Enhancement and Standardization of Climate-Related Disclosures for Investors (Mar. 2022), < <https://www.sec.gov/rules/proposed/2022/33-11042.pdf> > accessed 1 August 2025.

<sup>39</sup> 15 U.S.C. § 78m(p), Dodd-Frank Wall Street Reform and Consumer Protection Act, < <https://www.govinfo.gov/content/pkg/USCODE-2011-title15/html/USCODE-2011-title15-chap2B-sec78m.htm> > accessed 1 August 2025.

- In 2024, ESG resolution support stabilized at around 27%, down from mid-30s previously.
- Leadership from institutional investors (e.g., BlackRock, Vanguard) on ESG-related voting has been pivotal in pushing corporate strategies and board accountability<sup>40</sup>.

◆ Legal Source: Securities and Exchange Commission, "Enhancement and Standardization of Climate-Related Disclosures for Investors," Release No. 33-11042 (March 2022).

**Enforcement:**

- No mandatory ESG reporting yet.
- Disclosure violations can lead to SEC action.
- Market pressure and litigation shape compliance behaviour.

**D. India’s Position in Global ESG Landscape:**

Feature	EU	US	India
Audit of ESG Reports	Mandatory (from 2024)	Not yet mandatory	Not required
Disclosure Coverage	All large and listed SMEs	Proposed for public companies	Top 1000 listed entities
Taxonomy / Definition of ESG	EU Green Taxonomy	In progress	Absent
Assurance of ESG data	Limited → Reasonable	Voluntary	Voluntary
		High (shareholder	

<sup>40</sup> Harvard Law School Forum on Corporate Governance, ESG Shareholder Resolutions in 2024, reporting that average support for E&S proposals stabilized at ~27% while governance resolution support rose.7, < <https://corpgov.law.harvard.edu/2024/10/04/esg-shareholder-resolutions/> > accessed 1 August 2025.

Investor Pressure	High (due to SFDR)	activism)	Growing
Enforcement Strength	Strong and centralized	Legal + shareholder driven	Weak enforcement, multiple regulators

**E. Key Lessons for India:**

**1. Statutory ESG Framework:**

India should codify ESG under a unified law, clearly defining metrics and scope.

**2. Mandatory Assurance:**

Like the EU, assurance of ESG disclosures should be gradually mandated to improve data reliability.

**3. Sector-Specific Rules:**

Adopting a taxonomy akin to the EU model would help develop industry-specific ESG benchmarks.

**4. Integration into Securities Law:**

SEBI can amend LODR to include climate governance and ESG risk disclosures explicitly.

**5. Investor & Whistleblower Rights:**

Laws enabling ESG-related class actions and **safeguarding whistleblowers** can enhance accountability.

**6. Central ESG Database:**

**A national portal, similar to the EU’s EFRAG repository**, would standardize disclosures and improve accessibility.

**F. Summary: Global Alignment Opportunities for India:**

Recommendation	Global Inspiration
Mandate ESG audits	EU (CSRD)
Define ESG taxonomy	EU Green Taxonomy

Expand applicability to SMEs	EU CSRD
Integrate ESG in securities law	SEC Climate Proposal
Investor activism on ESG	US proxy voting trends
Develop ESG-focused judiciary tools	EU administrative enforcement

**Policy Recommendations and Conclusion:**

**A. Policy Recommendations: Strengthening India’s ESG Legal Framework:**

India’s evolving ESG landscape offers a strong foundation, but **systemic legal reforms** are needed to translate policy into measurable impact. Based on the comparative analysis and sectoral findings, the following **recommendations** are proposed:

**1. Introduce a Comprehensive ESG Law:**

- A unified ESG law should define key terms, specify disclosure thresholds, and prescribe penalties for non-compliance.
- This law must apply across listed, private, and MSME sectors.

◆ Model Reference: **The European Union’s Corporate Sustainability Reporting Directive (CSRD)** mandates ESG disclosures with legal force across member states<sup>41</sup>.

**2. Mandate Third-Party Assurance for ESG Reports:**

SEBI should amend **BRSR norms** to require third-party assurance, especially for critical metrics like **GHG emissions and labour practices**.

◆ **Justification:** Boosts report credibility and investor trust.

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<sup>41</sup> Directive (EU) 2022/2464, of the European Parliament and of the Council, 2022 O.J. (L 322) 15 (Corporate Sustainability Reporting Directive), < <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2464> > accessed 1 August 2025.

◆ In 2022, the International Auditing and Assurance Standards Board (IAASB) released guidance on ESG assurance frameworks, signalling global movement toward this norm<sup>42</sup>.

### 3. Develop Sector-Specific ESG Taxonomies:

India needs tailored ESG benchmarks for sectors such as energy, textiles, IT, and banking.

◆ **Precedent:** RBI's 2022 "Discussion Paper on Climate Risk and Sustainable Finance" signals commitment toward such tailored frameworks<sup>43</sup>.

### 4. Expand Applicability Beyond Top 1000 Companies:

To improve inclusivity, "BRSR Lite" for unlisted companies should be expanded. A voluntary star-rating ESG framework could motivate SMEs and startups.

◆ **Ongoing Initiative:** MCA's "BRSR Lite" framework for unlisted entities points toward scalable, inclusive reporting formats<sup>44</sup>.

### 5. Establish a Central ESG Regulatory Authority:

- To harmonize **ESG enforcement**, India should establish a **National ESG Regulatory Authority (NERA)** under the joint oversight of **SEBI** and **MCA**.

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<sup>42</sup> International Standard on Sustainability Assurance (ISSA) 5000 General Requirements, issued by IAASB (Nov. 2024), establishing a global framework for limited and reasonable assurance on ESG reporting, < <https://www.iaasb.org/publications/international-standard-sustainability-assurance-5000-general-requirements-sustainability-assurance> > accessed 1 August 2025.

<sup>43</sup> Reserve Bank of India, Discussion Paper on Climate Risk and Sustainable Finance (July 27, 2022), summarised in Vidhi Centre for Legal Policy, Discussion Paper on Climate Risk and Sustainable Finance (Oct. 2022), < <https://vidhilegalpolicy.in/research/discussion-paper-on-climate-risk-and-sustainable-finance/> > accessed 1 August 2025.

<sup>44</sup> Ministry of Corporate Affairs, Report of the Committee on Business Responsibility Reporting (Aug. 11, 2020), Government of India press release (profiles both BRSR Comprehensive and BRSR Lite, the latter intended for unlisted companies on a voluntary basis), < <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1645169> > accessed 1 August 2025.

- It should maintain a centralized ESG disclosure portal that enables benchmarking, public access, and scrutiny.

◆ **The UK's Financial Conduct Authority (FCA) plays a similar role in ESG integration and reporting standards<sup>45</sup>.**

#### **6. Strengthen Capacity of Boards, Auditors & Professionals:**

- Corporate boards and compliance professionals often lack **ESG fluency**.
- Mandatory training and certification for **independent directors, CS professionals**, and **internal ESG auditors** through accredited bodies like **IICA or NSE Academy can institutionalize ESG literacy**.

◆ **SEBI's 2023 circular on ESG Ratings** emphasizes board-level oversight of ESG disclosures<sup>46</sup>.

#### **7. Integrate ESG into Company Law and SEBI Regulations:**

Amendments to the **Companies Act** should include **ESG** within board duties and disclosures. Similarly, **SEBI LODR** should mandate **ESG KPIs** in reporting and executive pay.

◆ **Similar reforms are underway in the US SEC's climate disclosure proposal (2022)<sup>47</sup>.**

#### **8. Enforce Penalties and Protect ESG Whistleblowers:**

Laws should penalize ESG misreporting and ensure protection and incentives for whistleblowers.

◆ **ESG-related** class actions may be allowed before **NCLT or under Section 245 of the Companies Act** for affected communities<sup>48</sup>.

#### **9. Foster ESG Financing and Market Integration:**

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<sup>45</sup> Financial Conduct Authority (UK), A Strategy for Positive Change: Our ESG Priorities (Nov. 3, 2021), < <https://www.fca.org.uk/publications/corporate-documents/strategy-positive-change-our-esg-priorities> > accessed 1 August 2025.

<sup>46</sup> Securities and Exchange Board of India, Master Circular for ESG Rating Providers (ERPs) (Jul. 12, 2023), < [https://www.sebi.gov.in/legal/master-circulars/jul-2023/master-circular-for-esg-rating-providers-erps-\\_73856.html](https://www.sebi.gov.in/legal/master-circulars/jul-2023/master-circular-for-esg-rating-providers-erps-_73856.html) > accessed 1 August 2025.

<sup>47</sup> U.S. Securities and Exchange Commission, Release No. 33-11042, The Enhancement and Standardization of Climate-Related Disclosures for Investors (Mar. 21, 2022), < <https://www.sec.gov/rules/proposed/2022/33-11042.pdf> > accessed 1 August 2025.

RBI and SEBI must align finance with ESG compliance through green bonds, ESG-linked loans, and credit incentives.

◆ In 2023, India launched its first sovereign green bonds, signalling growing regulatory support<sup>49</sup>.

## **B. Final Conclusion:**

Between 2021 and 2025, India has made substantial strides in embedding ESG into corporate compliance through the BRSR and CSR frameworks. **SEBI's regulatory push** and **MCA's policy guidance** have helped institutionalize non-financial disclosures, encourage ethical business practices, and foster alignment with international sustainability standards.

However, challenges such as greenwashing, fragmented oversight, lack of assurance, and SME exclusion persist. India must now transition from a **compliance-driven ESG regime** to a **value-driven and enforceable legal framework** that holds all enterprises - regardless of size - accountable for their environmental, social, and governance impacts.

A combination of **legislative reform, regulatory harmonization, and institutional innovation** is essential to ensure that ESG in India is not merely a checkbox exercise but a **cornerstone of sustainable and inclusive economic development**.

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<sup>48</sup> Companies Act, No. 18 of 2013, § 245 (India), <  
[https://www.indiacode.nic.in/handle/123456789/2114?  
view\\_type=browse&sam\\_handle=123456789/1362](https://www.indiacode.nic.in/handle/123456789/2114?view_type=browse&sam_handle=123456789/1362)> accessed 1 August 2025.

<sup>49</sup> Ministry of Finance, Framework for Sovereign Green Bonds (Nov. 9, 2022), Government of India, announcing India's first sovereign green bonds framework to channel funds to eligible public sector projects, <  
[https://dea.gov.in/sites/default/files/Framework%20for%20Sovereign%20Green%20Bonds.p  
df](https://dea.gov.in/sites/default/files/Framework%20for%20Sovereign%20Green%20Bonds.pdf)> accessed 1 August 2025.