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## **Environmental Regulations and Corporate Sustainability Reporting in India: A Legal and Managerial Analysis**

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### **I. Introduction**

Environmental protection in India has progressed greatly since the Bhopal tragedy and passing the Environment (Protection) Act, 1986 ("EPA"). Along with developing legal regimes to enable environmental protection, India has developed an elaborate law, and it involves laws on waste management, protection of wildlife and forests, pollution control, and environmental aspects of other laws.<sup>1</sup> While the country was developing an environmental legal framework, at the same time, the Securities and Exchange Board of India ("SEBI") published the Business Responsibility and Sustainability Report ("BRSR") as well as the Core part of BRSR.<sup>2</sup> The first part of this paper presents a comprehensive legal and managerial analysis of the green regulations in India and their relationship with corporate sustainability reporting. We have considered the statutory and regulatory frameworks, enforcement regimes, reporting requirements, assurance and assurance regimes, managerial responses and alternatives, and broader implications for corporate governance and investor confidence.

### **II. Environmental Regulatory Framework in India**

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<sup>1</sup> Environment (Protection) Act, 1986.

<sup>2</sup> SEBI (Listing Obligations & Disclosure Requirements) Regs., 2015; SEBI circular on Industry Standards on BRSR Core (Dec. 2024)

<https://www.india-briefing.com/news/environmental-compliance-for-companies-in-india-key-legislation-and-esg-guidelines-32012.html/>

<https://www.legalitysimplified.com/india-streamlines-environmental-clearances-to-boost-ease-of-doing-business/>

India's central statutory basis is the Environment (Protection) Act, 1986, which is the "umbrella legislation" under which a series of rules and notifications have been issued to control the quality of the environment and prevent pollution.<sup>3</sup> Completing the framework are sector specific laws and legislation including the Water (Prevention and Control of Pollution) Act, 1974, Air (Prevention and Control of Pollution) Act, 1981, Forest (Conservation) Act, 1980, Wildlife (Protection) Act, 1972, Public Liability Insurance Act, 1991, and the Biological Diversity Act, 2002.

These were acts and legislation that were supplemented with more detailed subsidiary regulations, including the E-Waste Rules of 2016 (amended in 2018); Plastic Waste Management Rules of 2016 (amended in 2021–22); Hazardous Waste Rules of 2016 (amended in 2019); Coastal Regulation Zone Notifications, the EIA Notification 2006, as amended from time to time.<sup>4</sup> Enforcement is carried out by the Central Pollution Control Board, State Pollution Control Boards, and the National Green Tribunal (NGT) established by the National Green Tribunal Act, 2010, with binding powers to adjudicate environmental disputes.<sup>5</sup> Functionally, this regulatory climate is applied to industry and resource-based sectors, imposing duties on companies to constrain emissions, conduct environmental assessments, handle toxic substances, and comply with standards such as Extended Producer Responsibility for plastic packaging.<sup>6</sup> The EPA also provides the central government with powers of protective and remedial actions, granting broad scope regulatory powers.<sup>7</sup>

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### **III. SEBI's ESG Mandate and the Evolution of Sustainability Reporting: From CSR to BRSR**

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<sup>3</sup> Id.; India Briefing, Environmental Compliance for Companies in India (Apr. 2024) <https://www.india-briefing.com/news/esg-reporting-mandates-in-india-guidelines-for-businesses-34217.html/>

<sup>4</sup> India Briefing, id.; Chasing Tales, A Guide to India's Legal Framework for ESG (July 2025) <https://chasingtales.blog/2025/07/05/a-guide-to-indias-legal-framework-for-esg/>

<sup>5</sup> National Green Tribunal Act, 2010; India Briefing, id

<sup>6</sup> India Briefing, id.

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<sup>8</sup> Companies Act, 2013, 135.

The Companies Act of 2013, through which a company's turnover, net worth, or profit constitutes, obliges companies of a size and importance, to spend at least 2 percent of their average net profits, across the previous three years, on CSR initiatives, made India the first country to use legislation to require CSR.<sup>9</sup> At this time, while CSR reporting was common, CSR was mostly philanthropic with little to do with environmental, social, and governance (ESG) broader issues. The BRR was issued by SEBI in 2011, with the NVGs listed in the Ministry of Corporate Affairs, National Voluntary Guidelines on Social, Environmental, and Economic Responsibilities of Business ("NVGs"), being the guiding force behind it.<sup>10</sup> The BRSR, a more structured and systematic framework that requires ESG disclosures, for the 1,000 largest listed companies (by market cap), and that reflects the nine NVG principles, replaced the BRR in May 2021.<sup>11</sup> There are mandatory (essential) and voluntary (leadership) indicators.<sup>12</sup>

#### IV. **SEBI's ESG Mandate and the Evolution of Sustainability Reporting: BRSR Core and Industry Standards**

BRSR Core, only introduced in July 2023, is a reduced and simplified adaption of SEBI. It emphasizes on the essential performance metrics of the nine ESG factors - greenhouse gas emissions, circularity, water and energy footprint, employee welfare, gender diversity, community, treated fairly by customers / suppliers, and clarity of business aims.<sup>13</sup> The top 150 companies for FY2023–2024 were mandated BRSR Core first; they covered gradually expanded to 250 by FY2024–25, 500 by FY2025–26 and 1,000 by FY2026–27.<sup>14</sup> In order to further comparability and practice standardization in disclosure format and alignment to international frameworks (for example UN SDGs, TCFD ISSB, GRI etc.), the Industry Standards Forum (ASSOCHAM, FICCI, and CII) developed the Industry Standards on BRSR Core reporting which are being distributed by SEBI in a circular posted in December 2024.<sup>15</sup> With FY2024–2025, the new Convention has testing or verification of Core disclosures, which was undertaken in the scope of the audit committee.<sup>16</sup>

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<sup>9</sup> National Voluntary Guidelines (2011); SEBI BRR

<sup>10</sup> SEBI BRSR introduction May 2021; top 1,000 mandatory by FY 2022–23

<sup>11</sup> <https://agrudpartners.com/esg-compliance-in-india/>

<sup>12</sup> BRSR Core introduction July 2023; nine attributes disclosure framework

<sup>13</sup> <https://www.india-briefing.com/news/brsr-reporting-in-india-key-changes-to-esg-disclosures-introduced-by-sebi-36261.html/>

<sup>14</sup> SEBI industry standards circular Dec. 2024; global alignment

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<sup>16</sup> Value-chain disclosures phased from FY 2025-26, comply-or-explain, mandatory.

<sup>17</sup> Green credit indicator under Principle 6, value-chain disclosures

## V. **SEBI's ESG Mandate and the Evolution of Sustainability Reporting: Value-Chain Reporting and Green Credit Disclosures**

Parallel expansions require mandatory ESG disclosure of upstream and downstream value-chain partners on a minimum of 75% of purchases or sales (value-based) basis, with compliance-or-explain from the top 250 companies (FY 2024–25), and moving to full mandatory disclosure with assurance from FY 2026–27.<sup>18</sup> Companies must disclose the green credits generated or purchased by themselves and the largest ten value-chain partners as part of a new leadership metric (as part of Principle 6).<sup>19</sup> To facilitate compliance and allow for voluntary reporting of data from the previous year in the initial year of value-chain disclosures, SEBI's expert committee recommended changing "assessments" to "assurances."<sup>20</sup>

## VI. **SEBI's ESG Mandate and the Evolution of Sustainability Reporting: Review and Adjustment of ESG Mandates**

At the beginning of 2025, the newly appointed SEBI chairman, Tuhin Kanta Pandey, showed some hint about a review of ESG disclosure requirements following industry concerns on their cost and complexity, particularly for small, listed companies.<sup>21</sup> The review is intended to minimize the risk of formalistic or false disclosures, more closely align requirements, and align reporting burdens with firm abilities. At the same time, SEBI released guidelines for de-listing ESG ratings in case a company fails to release a BRSR or the rating has exceeded a tenure period.

## VII. **Legal Analysis: Enforcement, Gaps, and Global Comparisons:**

### 1. **Statutory Enforcement and SEBI's Powers**

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<sup>18</sup> Expert Committee recommendations: terminological shifts, voluntary past-year reporting <https://ecovadis.com/regulations/india-business-responsibility-and-sustainability-reportingbrsr/#:~:text=The%20foundation%20for%20India's%20ESG,like%20the%20GRI%20and%20TCFD.>

<sup>19</sup> Reuters Apr. 2025 review of ESG mandates <https://www.reuters.com/sustainability/boards-policy-regulation/india-review-esg-disclosures-listed-firms-market-regulator-says-2025-04-16/>

<sup>20</sup> Legal analysis of enforceability in IJLLR article <https://www.ijllr.com/papers>

<sup>21</sup> Chambers Expert Focus on global standards <https://chambers.com/expert-focus>

The ESG reporting regime under SEBI is currently primarily governed by the SEBI Act and LODR Regulations, and focuses on ESG disclosures, rather than enforcing substantive ESG performance (albeit with statutory force in the environmental regulatory sector). Although in the current regime there are no statutory EMIs to enforce proper ESG disclosures when ESG performance is poor, SEBI can impose penalties for not filing and/or misfiling under LODR to ensure ESG disclosures are being made.<sup>22</sup> This has led scholars to suspect that these ESG regulations are not designed to disincentivize greenwashing: and even if one supposes that consideration of regulation can enhance the enforcement of proper ESG assurances, it seems unclear whether ESG regulations enforce substantive ESG performance any more than it does greenwashing; and hence questioning whether the ESG regulations have any effect other than in the sphere of investor protection.

In contrast, there is global or transnational rules like the CSRD in the EU, and the UK SDR that require third-party audit, and expose companies to legal liability for inaccurate or misleading statements in their ESG disclosures. Likewise, the proposed SEC climate disclosure regulations sought to hold companies liable under securities law for issuing false and misleading disclosures.<sup>23</sup> Third-party assurance is not mandated in most areas (e.g., value-chain metrics and significant leadership metrics), but it remains phased and voluntary in the more lenient BRSR regime. Third-party assurance remains largely phased or voluntary in India, particularly for value-chain metrics and leadership indicators, and the BRSR regime allows self-declaration.<sup>24</sup>

## 2. **Greenwashing Risks and Audit Gaps**

Greenwashing Risks and Audit Gaps The lack of strong third-party verification throughout the wider BRSR framework leaves the possibility of greenwashing, where corporations make claims on ESG without meaningful action. Scholars note that even if negative practices are admitted in reports, if they are disclosed, firms comply with SEBI's baseline mandates.<sup>25</sup> The lack of punitive consequences for weak ESG performance, combined with weak audit frameworks, undermines investor trust and may discourage systemic improvement. SEBI's recent shift to require assessment/assurance and stronger audit-committee oversight reflects a response to these concerns.<sup>26</sup>

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<sup>22</sup> SEBI's assurance rollout phase and leadership indicator weaknesses.

<sup>23</sup> IJLLR article on greenwashing risk, Diksha Sharma, Gitarattan International Business School  
<https://www.ijllr.com/post/bridging-the-esg-enforcement-gap-a-legal-analysis-of-india-s-brsr-framework>

<sup>24</sup> <https://farlense.com/2025/02/14/sebis-latest-esg-mandates/>

<sup>25</sup> M.C. Mehta case jurisprudence, NGT authority

<sup>26</sup> <https://www.snrlaw.in/regulatory-initiatives-on-esg-disclosure-requirements-in-india/#:~:text=Similar%20to%20SEBI%20mandates%2C%20the.of%20proceeds%2C%20and%20sustainability%20targets.>

### 3. **Integration with Established Environmental Legal Regimes**

India's classical environmental jurisprudence evident in milestone cases like M.C. Mehta v. Union of India has prioritized principles such as the precautionary principle, polluter pays and inter-generational equity.<sup>27</sup> These principles can be enforced by the NGT and Supreme Court. While not framed in ESG language, they constitute strong normative and legal arguments to insist on real environmental performance on the part of companies, above and beyond disclosure.<sup>28</sup> A cohesive legal regime that melds statutory environmental duties with ESG reporting liability would add more coherence and enforceability.<sup>29</sup>

### 4. **Legislative Gaps and Coordination**

Although India possesses many environmental laws and maturing ESG disclosure obligations, it lacks an individual ESG law like the proposed US SEC rules or the CSRD in Europe. To a certain degree, the respective roles of the Ministries of Corporate Affairs, Environment, SEBI, and state governments remain too fragmented. The Expert Committee and certain legal experts have recommended one single piece of legislation, or certain authoritative coordinating institutions, which would result in better enforcement, less duplication and faster reporting. In terms of business compliance complexity, and non-enforcement for regulators, both would ease some pressure from the existing stance, without legislation being required.

## VIII. **Managerial Analysis: Strategies, Challenges, and Corporate Response**

### 1. **Data Collection, Systems, and Assurance**

From a managerial point of view, firms will have to establish robust data collection and tracking mechanisms for parameters like Scope 1, 2, and 3 GHG emissions; water, energy, and waste footprint; employee wellness, health, and safety indicators; gender diversity ratios; and contributions towards community development to apply BRSR Core.<sup>30</sup> Value-chain reporting also necessitates data provision by suppliers and downstream partners in detail, which poses concerns regarding data consistency, traceability, and reliability. Assurance or assessment compliance is more intricate and

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<sup>27</sup> <https://www.azbpartners.com/bank/driving-sustainable-business-practices-the-sebis-brsr-core-framework-and-internationally-evolving-esg-disclosures/>

<sup>28</sup> Managerial system demands from India Briefing and Farlense reports

<sup>29</sup> Academic research linking environmental accounting and profitability (BSE firms)

<sup>30</sup> Mondaq article on competitive advantage in ESG in India

demands independent audit procedures, third-party involvement, and governance procedures through audit committees.

Large firms have set up sustainability or integrated reporting functions, frequently employing structures such as the GRI or TCFD, and have used carbon accounting and value-chain supply mapping software. Large companies in most instances have sought ISO 14001 certification as part of their environmental management system, which has internal control and continuous improvement elements built in. For the smaller listed companies, where generally there are constraints on capacity and systems infrastructure, the expert committee has suggested altered language and deferment of assurance to provide leeway for the differences.

## **2. Managerial Benefits and Competitive Advantage**

Enforcement of strict sustainability disclosure can provide strategic and managerial benefits as well as compliance. Studies (e.g., Bombay Stock Exchange-listed companies) show that environmental accounting costs are directly correlated with profitability ratios like ROCE, ROA, and profit margins.<sup>31</sup> Clear ESG practices improve a firm's reputation, minimize environmental and reputational risk, and attract long-term capital from sustainable investors.<sup>32</sup> ESG becomes an almost ethic-proof, more than-compliance activity; it is a risk management strategy, an innovation driver, stakeholder trust builder, and brand builder.

## **3. Governance and Board Oversight**

While SEBI's mandate requiring audit-committee supervision of ESG disclosures elevates board responsibility, Moving ESG review into the scope of committees with historic financial audit oversight showcases a form of integration of sustainability into core oversight and governance. Firms are now put under increased pressure to match executive compensation and risk management policy with ESG-related performance;<sup>33</sup> this involves board member training, top-level sustainability developments, and compelling board alignment policies of ESG goals and strategic planning.

## **4. Challenges: Greenwashing, Capacity, and Supply-Chain Complexity**

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<sup>31</sup> Audit-committee oversight requirement in SEBI mandate.  
Governance alignment and board accountability

<sup>32</sup> Greenwashing managerial risk noted in IJLLR and Chambers.

<sup>33</sup> Standardization challenge between ISO, GRI etc.

Managerially, the greenwashing threat hangs over where data shortfall or audit failure occurs. Others might use token disclosures or selective reporting to look progressive or compliant but not really take sustainability action.<sup>34</sup> Encouraging suppliers (especially SMEs) to disclose ESG information can be challenging for value-chain disclosures, and this may need capacity building, incentives or contractual arrangements. Interoperability for certification (e.g. ISO, GRI alignment) also creates standardization issues.<sup>35</sup> Smaller companies can lack the resources to achieve assurance requirements, and legal liability to incorrect disclosures can increase risk issues.

## 5. **Synthesis and Policy Implications**

Where law and management intersect, India's changing ESG regime is marked by a move from voluntary CSR charity to institutionalized, audited ESG accountability, embedded deeply within corporate governance as well as market regulation. Legal requirements (BRSR Core, value-chain disclosures, third-party assurance) lend structure, and management systems for data, audit, governance, and stakeholder engagement execute compliance and translate it into strategic benefit. But there are still gaps. The narrow legal enforceability of ESG substance, risk of greenwashing, dispersed governance among regulatory authorities, and limited capacity among smaller businesses all impede complete ESG realization. An integrated legal framework a possible single ESG statute or regulatory unification coupled with increased enforcement capacity, would enhance compliance. Cross-country comparisons indicate India must strengthen audit liability, performance accountability, and align with global standards to attract foreign institutional capital and satisfy investor expectations.<sup>50</sup> At the management level, businesses must spend on integrated environmental management systems such as supply-chain ESG engagement, board education, and assurance protocols. The companies that excel at compliance and transparency can leverage regulatory requirements as brand differentiation, investor confidence, risk avoidance, and sustainable operations.

## **IX. Conclusion**

Environmental regulations in India from the Environment (Protection) Act of 1986 to sectoral laws on pollution, waste, and bio-diversity establish a comprehensive statutory framework, supported by the NGT and enforcement agencies. SEBI's BRSR regime, capped by the BRSR Core framework and mandatory disclosure/assurance requirements, overlays this framework with investor-facing ESG transparency. While the legal regime currently centers on disclosure rather

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<sup>34</sup> Assurance requirement from FY 2024-25; audit-committee oversight

<sup>35</sup> EPA, 1986.

than substantive liability for ESG outcomes, recent moves toward assurance, audit-committee governance, and value-chain reporting indicate maturation.

From a management point of view obtaining compliance also involves data infrastructure, audit procedures, stakeholder interaction and governance alignment. In addition to compliance a good ESG reporting facilitates strategic positioning, risk management and access to sustainability-oriented capital. To realize its potential, India's ESG regime requires further legal embedment, enforcement muscle, and world interoperability. Companies need to adopt ESG not as a duty but as a stage for innovation and confidence. Only by bridging legal duty with managerial implementation will India's dream of sustainable and accountable business become a reality.