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ESG in India 2025: The New Corporate Pressure Point

- *Girishma Ahirwar*

The concept of environmental, social, and governance (ESG) originated from responsible and ethical investment¹. Similar to social responsibility and ethics, ESG serves as a guide for corporate risk management and operations. Owing to its comprehensive effects in alignment with the current international focus on green, low-carbon, sustainable development, ESG has become a research hotspot in the global economy and management field².

The ESG framework offers a way for stakeholders to evaluate how effectively an organization manages its environmental, social, and governance responsibilities. It is designed to capture the wider idea of sustainability, recognising that responsible business conduct involves far more than environmental performance alone.

While ESG is often discussed in investment contexts, the audience for such information is much broader. Employees, consumers, suppliers, and various other stakeholders are increasingly interested in whether a company's activities are ethical, transparent, and sustainable over time.

The three pillars of ESG compliance are:

- 1) Environmental: Emissions such as greenhouse gases and air, water and ground pollution emissions. Resource use such as whether a company uses virgin or recycled materials in its production processes and how a company ensures that from cradle to grave the maximum material in their product is cycled back into the economy rather than ending up in a landfill. Similarly, companies are expected to be good stewards of water resources. Land use concerns like deforestation and biodiversity disclosures also

¹ Wang, Z., & Sarkis, J., Corporate Social Responsibility Governance, Outcomes, and Financial Performance, *Journal of Cleaner Production*, 162 (2017)

² Paradis and Schiehl, ESG Outcasts: Study of the ESG performance of Sin Stocks 2021; Finger and Rosenboim, Going ESG: The Economic Value of Adopting an ESG Policy, ResearchGate, 2022

fall under the environmental pillars. From a reporting perspective, this is the most complex pillar

- 2) Social: Under the social pillar companies report on how they manage their employee development and labour practices. They report on product liabilities regarding the safety and quality of their product. They also report on their supply chain labour and health and safety standards and controversial sourcing issues.
- 3) Governance: The main issues reported under the Governance pillar are shareholder rights, board diversity, how executives are compensated and how their compensation is aligned with the company's sustainability performance. It also includes matters of corporate behaviour such as anti-competitive practices and corruption.³

The ESG framework has undergone substantial development over time as in India, the Ministry of Corporate Affairs(MCA) took the initiative to guide the corporations towards responsible conduct and a sustainable future by issuing Corporate Social Responsibility Voluntary Guidelines in December 2009. The “Voluntary Guidelines on Corporate Social Responsibility”, announced by the Ministry of Corporate Affairs (MCA) in 2009, was one of the earliest initiatives in this regard. Its goal was to integrate sustainability into business practices and decision-making processes. In 2012, SEBI had mandated the top 100 listed entities by market capitalisation to file Business Responsibility Reports (BRRs) from an environmental, social and government (ESG) perspective. And after that in 2013, Provision under Companies Act 2013, for spending on Corporate Social Responsibility was introduced. In 2015, BRR became part of SEBI and it got mandated that the annual report of the top 500 listed entities based on market capitalization should contain a BRR report in the prescribed format⁴. Lastly in 2021, SEBI introduced new reporting requirement on ESG parameters called the Business Responsibility and Sustainability and Report (BRSR)⁵, shows that regulators are now paying closer attention to non-financial aspects of governance. This shift also influence statutory auditors – who must report frauds to the NFRA – to flag issues issues that are not purely financial, including practices like greenwashing.⁶

³ Deloitte, Article series exploring ESG from the very basics, Deloitte (Jan 13 2025, 06:13),

<https://www.deloitte.com/ce/en/services/consulting/perspectives/esg-explained-1-what-is-esg.html>

⁴ ,Ministry of Corporate Affairs, National Guidelines on Responsible Business Conduct(Mar 13 2019)

⁵ Institute of Company Secretaries of India; Evolving ESG Reporting Landscape in India(Dec 2021)

⁶ Aditya Goyal & CAM Disputes Team, Navigating ESG Compliance, CAM (Jan 30, 2025),

<https://disputeresolution.cyrilamarchandblogs.com/2025/01/navigating-esg-compliance-lessons-from-recent-trends-and-the-santos-case/>

The importance of ESG compliance in India is rising quickly, driven by stronger investor focus on sustainability, government-backed regulatory measures such as SEBI'S mandatory BRSR framework, growing consumer demand for responsible products. This shift is reflected in the 2022 SRI India report showing ESG assets 13 trillion, and a 2023 CII survey indicating that 72% of Indian consumers are willing to pay more for sustainable offerings⁷.

Achieving ESG compliance is more than adopting standard guidelines, it demands ongoing adaptation and careful integration into a company's existing systems, supported by a few key steps.

1) Assess existing policies and practices

A detailed review of current operations, supply chains, products and internal systems help identify gaps in sustainability performance and forms the foundation for an ESG strategy aligned with the company's goals.

2) Integrate Updated ESG Measures

Once policies are revised, organisations must embed ESG principles into their organizational culture and operational routines, ensuring that sustainability becomes part of everyday decision-making and management.

3) Monitor and report progress

Regular reporting and monitoring mechanisms are essential to evaluate how effectively the new ESG standards are being implemented across different departments and functions.

ESG compliance is gaining growing importance in India, as it reinforces corporate reputation, attracts investors committed to sustainable growth, and builds greater trust among consumers through demonstrably responsible business practices. As mentioned earlier, one major development in this space is the expansion of ESG disclosure requirements, with SEBI now mandating BRSR reporting for the top 1000 listed companies, although third-party ESG ratings remain optional. Investors are no longer relying only on financial returns: they now look closely at a company's values, social impact, and environmental efforts when deciding where to invest. Interestingly, several Indian firms, such as Infosys and Tata group, have already begun integrating AI-based ESG dashboards into their reporting. The above explains how technological advancements are transforming ESG compliance, with tools powered by

⁷ Confederation of Indian Industry, Unlocking market access through sustainability, 2025

blockchain, artificial intelligence, and IoT providing greater precision in data collection, risk assessment, and sustainability performance analysis.

ESG compliance has become an essential factor in India, helping companies attract sustainability-focused investors while enhancing overall stakeholder confidence. It not only looks past financial returns but also shows how seriously a business engages with social and environmental concerns.