# The Indian Journal for Research in Law and Management

Open Access Law Journal – Copyright © 2026

Editor-in-Chief – Dr. Muktai Deb Chavan; Publisher – Alden Vas; ISSN: 2583-9896



## ESG AND CORPORATE GOVERNANCE: THE EMERGING COMPLIANCE LANDSCAPE FOR INDIAN COMPANIES

*-Shayantika Dey Tarafder*

### ABSTRACT

A significant shift is represented by the incorporation of Environmental, Social and Governance (ESG) factors into corporate Governance. This article traces from traditional Corporate Social Responsibility (CSR) under the Companies Act, 2013, to more structured ESG disclosures mandated by the Securities and Exchange Board of India (SEBI) thereby exploring evolving compliance landscape for Indian firms. It scrutinizes key regulatory developments like the Business Responsibility and Sustainability Reporting (BRSR) framework, director's duties under Section 166(2) and emerging issues such as greenwashing. Depending on the established precedents, statutory provisions emphasize not only the progress but all the underlying challenges in enforcement, implementation and alignment with global standard. It highlights how a voluntary sustainability initiative evolved into a critical component of corporate compliance. It explores and accentuates the environmental, social and governance dimensions of ESG and their role in shaping modern corporate practices. This article ultimately concludes that ESG is no longer a mere compliance exercise but became a strategic imperative for sustainable corporate value creation in India's developing economy.

**Keywords**: Environmental, Social and Governance (ESG), Corporate Governance Sustainability, Business Responsibility and Sustainability Report (BRSR), Corporate Social Responsibility (CSR), Compliance, Sustainable Development, Stakeholder Governance, Greenwashing.

### INTRODUCTION

With the advent of time, there has been a evolution of the concept of corporate success. The companies are operated responsibly, sustainably and transparently by the investors, regulators, consumers and stakeholders. The change has led to expand influence of environmental, Social, and Governance (ESG) principles as a key framework to assess corporate conduct and long-term value creation beyond the conventional measure of profitability.

ESG embodies a set of standards used to evaluate management of companies in matter of environmental impact, social responsibilities, and governance practices. ESG became the mandatory disclosure requirement to improve corporate accountability therefore, it is incorporated into investment decisions by the investors throughout the world.

In Indian corporate law, ESG gained a significant momentum which marked a pivotal codification of The Companies Act, 2013. According to Section 166(2) of the act, directors are responsible to act in good faith for the well-being of the company, its employees, shareholders, community and the protection of the environment. In the last decade, Securities and Exchange Board of India (SEBI) introduced initiatives such as the comprehensive Business Responsibility and Sustainability Reporting (BRSR) framework which replaced the earlier Business Responsibility Report (BRR). Consequently, this initiatives and provision have helped to interconnect and bridge traditional CSR with modern ESG.

The article analyses the evolving relationship between the regulatory framework of ESG and corporate governance in India as well as examines the emerging compliance landscape.

## UNDERSTANDING ESG: THE THREE PILLARS OF SUSTAINABLE CORPORATE GOVERNANCE

**Environmental Factors:** The impact of corporate activities on the natural government raised growing concerns regarding climate change, biodiversity loss, pollution, resource depletion such as groundwater level, petroleum products, etc. Therefore, the environmental component of ESG has made an imperative for the companies to adopt environmentally sustainable practices. The environmental consideration include:

- Carbon emissions and climate change mitigation strategies
- Renewable energy adoption and energy efficiency.
- Waste management and recycling initiatives.
- Water conservation measures
- Sustainable sourcing of raw materials
- Environmental risk assessment and management

It became a growing necessity of the companies to disclose environmental footprints and adopt policies striving to reduce detrimental environmental impacts. Environmental compliance has not been limited to legal obligation but also integral component of corporate reputation and investor confidence.

**Social Factors:** The social component of ESG analyses and evaluates how a company manages its relationships with employees, customers, suppliers, local communities and society at large. Social considerations include:

- Employee welfare and workplace safety
- Diversity, equity, and inclusion.
- Human rights compliance
- Consumer protection
- Community development initiatives
- Ethical supply chain management
- Labour rights and fair employment practices

In a global economy social responsibility became increasingly significant because corporate scandals involving labour exploitation, workplace discrimination or human rights violations can severely damage a company's reputation and financial performance. Therefore, consumers and investors are more conscious of ethical business practices.

**Governance Factors:** Governance is the institutional framework which forms the foundation of environmental and social objectives. Therefore, a company is directed and controlled through these objectives which can be effectively implemented. Governance considerations include:

- Board structure and independence
- Executive accountability
- Shareholder rights
- Transparency and Disclosures
- Ethical business conduct
- Anti- corruption measures
- Risk management systems
- Executive compensation policies

Accountability, integrity, and transparency is promoted by strong governance. On the other hand, weak governance often contributes to corporate scandals, financial fraud, and regulatory violations. The most critical pillar of ESG implementation is Governance because corporate failures may undermine investor confidence and corporate sustainability.

## THE EVOLUTION OF ESG IN INDIA

Both domestic regulation and international sustainability movement has influenced the development of ESG. It gained prominence subsequent to global discussions on sustainable development and responsible investing unlike earlier, when Indian companies engaged only in philanthropy and community welfare activities as part of their social responsibilities. ESG regulations in India has been significantly influenced by several international developments:

- The United Nations Sustainable Development Goals (SDGs)[1]
- The Paris Climate Agreement[2].
- The United Nations Principles for Responsible Investment (UNPRI)[3].
- Global Reporting Initiative (GRI) Standards[4].
- Task Force on Climate-related Financial Disclosures (TCFD)[5].

The evolution of India's regulatory response from voluntary sustainability reporting to mandatory disclosure requirements have witnessed the introduction of Corporate Social Responsibility provision under Companies Act, 2013 followed by SEBI introduced Business Responsibility and Sustainability Report (BRSR) framework. These developments indicate a clear shift towards integrating ESG considerations into mainstream corporate governance.

## CORPORATE GOVERNANCE AND ESG: AN INTERDEPENDENT RELATIONSHIP

Although corporate governance earlier focussed on accountability to shareholders but modern governance frameworks emphasize the significance of balancing the interests of multiple stakeholders[6]. Effective governance serves as a basis for ESG implementation by:

---

[1] U.N. General Assembly, Transforming Our World: The 2030 Agenda for Sustainable Development, U.N. Doc. A/RES/70/1 (Sept. 25, 2015).
[2] Paris Agreement, Dec. 12, 2015, T.I.A.S. No. 16-1104.
[3] Principles for Responsible Investment, United Nations Principles for Responsible Investment (UNPRI), https://www.unpri.org.
[4] Global Reporting Initiative (GRI), GRI Universal Standards 2021, https://www.globalreporting.org
[5] Task Force on Climate-related Financial Disclosures, Recommendations of the Task Force on Climate-related Financial Disclosures (2017).
[6] Organisation for Economic Co-operation and Development (OECD), G20/OECD Principles of Corporate Governance (2023).

- Establishing oversight mechanisms.
- Ensuring transparency in ESG disclosures.
- Monitoring sustainability-related risks.
- Preventing greenwashing.
- Integrating ESG considerations into corporate strategy.

Board of directors play a particularly important role in overseeing sustainability objectives, diversity initiatives and stakeholder engagement.

## REGULATORY FRAMEWORK GOVERNING ESG IN INDIA

### Companies Act, 2013

#### 1. Corporate Social Responsibility

While Companies Act, 2013 does not expressly refer to ESG but several provisions contribute significantly to ESG governance therefore it is based on philanthropic nature.

The Companies Act, 2013 introduced mandatory Corporate Social Responsibility obligations for eligible companies, provisioned under Section 135 of the Act. It applies to companies with net worth ≥ Rs 500 crore, turnover ≥ Rs 1,000 crore, or net profit ≥ Rs 5 crore. Such qualifying companies must spend at least 2% of average net profits of the preceding three years on activities listed in Schedule VII, such as education, healthcare, environmental sustainability and rural Development[7].

#### 2. Directors' Duties

Fiduciary Obligation is imposed upon directors to act in good faith in the best interests of the company, its employees, shareholders and the community provisioned under Section 166 of the Act. These duties reinforce responsible corporate decision – making which closely aligns with ESG objectives[8].

#### 3. Independent Directors

Independent directors play a crucial role of supervisory functions which contribute significantly to ESG implementation and accountability thereby strengthening governance standards and safeguarding stakeholder interests.

---

[7] The Companies Act, No. 18 of 2013, § 135, INDIA CODE (2013).
[8] The Companies Act, No. 18 of 2013, § 166, INDIA CODE (2013).

**SEBI's ESG Framework and the BRSR Regime**

SEBI emerged as the principal authority enforcing ESG compliance among listed companies. Earlier, SEBI introduced the Business Responsibility Report (BRR) framework which was then replaced by Business Responsibility and Sustainability Report (BRSR)[9]. The companies are obligated to disclose detailed information under BRSR framework:

- Greenhouse gas emissions.
- Energy consumption.
- Water usage.
- Employee welfare.
- Gender diversity Board composition.
- Supply chain sustainability.
- Community engagement initiatives.

The framework aligns Indian reporting standards with global standards like Global Reporting Initiative (GRI) and Task Force on Climate-related Financial Disclosures (TCFD) as well as add Key Performance Indicators (KPIs) to combat greenwashing.

**Environmental Laws**

Environmental Law frameworks supplement the above-mentioned frameworks to some extent as the implementation of these environmental frameworks remains patchy due to lack of coordination and weak enforcement. The frameworks are: the Environment (Protection) Act, 1986; Water (Prevention and Control of Pollution) Act, 1974; Air (Prevention and Control of Pollution) Act, 1981; and Forest (Conservation) Act, 1980.

**JUDICIAL PRONOUNCEMENTS**

In M.K. Ranjitsinh v. Union of India (2024) SCC OnLine SC 570[10]., the Supreme Court linked directors' duties to environmental protection, interpreting "environment" per the Environment (Protection) Act, 1986. The Court stressed balancing development with ecology, reinforcing that directors must consider long-term sustainability, including climate risks.

---

[9] Securities and Exchange Board of India, Business Responsibility and Sustainability Reporting by Listed Entities, Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (May 10, 2021)

[10] M.K. Ranjitsinh v. Union of India, 2024 SCC OnLine SC 570.

In Tata Consultancy Services v. Cyrus Investments Pvt. Ltd. (2021) 9 SCC 449[11]., the Supreme Court upheld board autonomy in governance decisions while reiterating duties under Section 166, emphasizing social accountability alongside private interests.

The Vellore Citizens' Welfare Forum v. Union of India (1996) 5 SCC 647[12]. laid foundational principles like sustainable development, precautionary principle, and polluter pays. Though pre-dating ESG terminology, it influences corporate environmental accountability, holding industries liable for pollution in tanneries affecting the River Palar.

Directors play instrumental role in following ESG compliance ignoring which may be liable for breaching fiduciary duties, though enforcement mechanisms need strengthening. In the case of Dale and Carrington Investment (p) Ltd. v. P.K. Prathapan (2005) 1 SCC 212[13], The Supreme Court held that directors occupy a fiduciary position and cannot misuse their powers for personal benefit. The Court emphasized transparency, fairness, and accountability in corporate decision-making.

Environmental PILs strengthened corporate accountability. In M.C. Mehta v. Union of India, (1987) 1 SCC 395[14], Following the leakage of oleum gas from a factory in Delhi, the Supreme Court evolved the doctrine of **Absolute Liability**, holding that enterprises engaged in hazardous activities are absolutely liable for any harm caused by such activities, regardless of negligence. It established that economic development cannot come at the cost of public safety and environmental protection. The judgement increasingly underscored corporate environmental accountability and laid the basis for modern environmental governance.

## COMPLIANCE CHALLENGES AND GREENWASHING

Despite substantial progress, implementation of ESG in India continues to face several challenges such as the lack of standardized reporting metrics, high compliance costs, limited ESG expertise, data reliability concerns and the growing risks of greenwashing. Many companies face hurdles including data collection across value chains, capacity building for SMEs and assurance costs. Though BRSR implementation provides breathing room but risks uneven adoption.

[11] Tata Consultancy Servs. Ltd. v. Cyrus Invs. Pvt. Ltd., (2021) 9 SCC 449.
[12] Vellore Citizens' Welfare Forum v. Union of India, (1996) 5 SCC 647.
[13] Dale & Carrington Inv. (P) Ltd. v. P.K. Prathapan, (2005) 1 SCC 212.
[14] M.C. Mehta v. Union of India, (1987) 1 SCC 395.

The Central Consumer Protection Authority (CCPA) issued Guidelines for Prevention and Regulation of Greenwashing, 2024 as it poses a major threat. It prohibits deceptive environmental claims like "eco-friendly" which lacks substantiation. Hence, the claims must be backed by verifiable evidence.

The Centre for Science and Environment reports emphasized industries are operating without clearances or evading fines thereby signifying enforcement gaps persists. A proactive regulatory oversight is necessary.

Social consideration, including labour rights under the Code on Social Security, 2020, as well as gender diversity, remain overlooked in practice despite disclosures.

## CONCLUSION

ESG has structurally and systematically overhauled the landscape of corporate governance in India. What was previously deemed as voluntary corporate initiative has evolved into a comprehensive framework influencing regulatory compliance, investment decisions, and corporate strategy. India have made substantial development in institutionalizing sustainability and responsible business conduct.

Environmental stewardship, social responsibility and ethical governance must be integrated into the core business models by the companies as it requires more than regulatory disclosures for meaningful ESG compliance. In India the future of corporate governance is defined by ESG. Enhanced investor confidence, stronger stakeholder trust, improved risk management and sustainable long- term growth is likely to be enjoyed by the organizations which have successfully embedded ESG principles into the governance frameworks.