ESG AND CORPORATE GOVERNANCE IN INDIA

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ABSTRACT

The concept of Environmental, Social, and Governance (ESG) has transformed the way corporations are evaluated worldwide. Traditionally, corporate success was measured primarily by financial performance and shareholder value. Increasing environmental degradation, climate change, social inequalities, and corporate governance failures have shifted the focus towards sustainable and responsible business practices. ESG has emerged as a comprehensive framework that encourages companies to balance profitability with environmental protection, social responsibility, and ethical governance. In India, the significance of ESG has increased considerably due to regulatory reforms, growing investor awareness, international sustainability commitments, and evolving stakeholder expectations. The introduction of the Business Responsibility and Sustainability Report (BRSR) by the Securities and Exchange Board of India (SEBI), mandatory Corporate Social Responsibility (CSR) provisions under the Companies Act, 2013, and the National Guidelines on Responsible Business Conduct (NGRBC) reflect the country's commitment towards responsible corporate behaviour. These initiatives seek to improve transparency, accountability, and long-term sustainability within the corporate sector. Despite these developments, the implementation of ESG practices continues to face several challenges, including inconsistent reporting standards, greenwashing, limited awareness among companies, inadequate regulatory enforcement, and the absence of universally accepted ESG assessment parameters. These issues raise important legal and policy questions regarding the effectiveness of the existing regulatory framework. This research article critically examines the relationship between ESG principles and corporate governance in India. It analyses the legal and regulatory framework governing ESG, evaluates its practical implementation, identifies major challenges, and compares India's approach with selected international jurisdictions. The article further proposes reforms to

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strengthen ESG compliance and promote sustainable corporate governance. It argues that integrating ESG into the corporate governance framework is not merely a regulatory obligation but a strategic necessity for ensuring long-term economic growth, investor confidence, and responsible business conduct.

Keywords: Environmental, Social and Governance (ESG), Corporate Governance, Sustainability, Companies Act, 2013.

INTRODUCTION

Corporate governance has always played a significant role in regulating the functioning of companies by ensuring accountability, transparency, fairness, and responsibility in corporate decision-making. Traditionally, the primary objective of companies was to maximise shareholder wealth. While profitability remains an important objective, modern business organisations are increasingly expected to operate in a manner that also protects the environment, respects human rights, promotes social welfare, and maintains high standards of ethical governance.

The growing frequency of environmental disasters, financial scandals, corporate frauds, and social inequalities has highlighted the limitations of the traditional shareholder-centric model of corporate governance. Investors, regulators, consumers, and civil society now demand greater corporate accountability regarding environmental protection, employee welfare, diversity, ethical conduct, and responsible management practices. Consequently, ESG has emerged as a key framework for evaluating corporate performance beyond financial indicators.

ESG represents three interconnected dimensions of responsible business conduct. The environmental component focuses on issues such as climate change, pollution control, resource conservation, renewable energy, and waste management. The social component relates to employee welfare, labour rights, consumer protection, diversity, inclusion, community engagement, and respect for human rights. The governance component includes board independence, transparency, executive accountability, anti-corruption measures, risk management, and compliance with legal obligations.

India has gradually incorporated ESG principles into its corporate regulatory framework through legislative and regulatory initiatives. The Companies Act, 2013 introduced mandatory Corporate Social Responsibility obligations for eligible companies, marking a significant shift towards stakeholder-oriented governance. Subsequently, SEBI strengthened sustainability disclosure requirements through the Business Responsibility Report (BRR), later replaced by the more comprehensive Business Responsibility and Sustainability Report (BRSR). These reforms demonstrate India's intention to align corporate governance with internationally accepted sustainability standards.

Nevertheless, ESG implementation remains at a developing stage. Many organisations continue to view ESG merely as a compliance requirement rather than a strategic governance tool. Variations in reporting practices, lack of independent verification, limited ESG expertise, and concerns regarding greenwashing continue to undermine the effectiveness of sustainability reporting.

The importance of ESG extends beyond regulatory compliance. Investors increasingly use ESG indicators to evaluate long-term investment risks and opportunities. Financial institutions consider sustainability performance while providing funding. Consumers are more likely to support companies demonstrating responsible business practices, while employees increasingly prefer organisations committed to ethical values and social responsibility. Consequently, effective ESG governance contributes to improved corporate reputation, enhanced stakeholder trust, sustainable economic growth, and long-term business resilience.

Against this background, this article critically analyses the legal framework governing ESG in India, examines the evolving role of corporate governance in promoting sustainability, evaluates the challenges affecting ESG implementation, and suggests reforms that may strengthen India's transition towards responsible and sustainable corporate governance.

RESEARCH OBJECTIVES

1. To examine the concept and evolution of ESG and corporate governance in India.
2. To analyse the legal and regulatory framework governing ESG disclosures and corporate governance.
3. To evaluate the role of ESG in promoting sustainable business practices.
4. To identify legal and practical challenges affecting ESG implementation.
5. To recommend reforms for strengthening ESG regulation and corporate governance in India.

RESEARCH QUESTIONS

1. What is the relationship between ESG principles and corporate governance?
2. How effective is the present Indian legal framework in regulating ESG compliance?
3. What are the major challenges in implementing ESG standards in India?
4. What reforms can improve ESG governance and sustainability reporting?

RESEARCH METHODOLOGY

This research adopts a doctrinal and analytical methodology. The study is based primarily on secondary sources, including statutes, regulations, judicial decisions, government reports, research articles, policy papers, and scholarly publications. A comparative approach has also been adopted to examine selected international ESG practices. The objective is to critically analyse the strengths and limitations of the existing Indian framework and to propose practical legal reforms.

LITERATURE REVIEW

Environmental, Social, and Governance (ESG) has emerged as one of the most significant developments in corporate law and business governance over the last two decades. Initially viewed as a voluntary framework for promoting ethical business conduct, ESG has gradually become an essential factor influencing investment decisions, corporate reputation, and regulatory compliance. Scholars across the world have examined ESG from different perspectives, including corporate governance, sustainable development, responsible investment, climate justice, and stakeholder theory.

Early research on corporate governance largely focused on protecting shareholder interests and ensuring managerial accountability. However, later studies argued that companies have responsibilities extending beyond their shareholders. Edward Freeman's stakeholder theory significantly influenced this shift by asserting that businesses should consider the interests of employees, consumers, suppliers, local communities, creditors, governments, and the environment while making corporate decisions. This theoretical foundation later became central to the development of ESG principles.

International organisations such as the United Nations, the Organisation for Economic Co-operation and Development (OECD), and the World Bank have consistently promoted responsible corporate governance through sustainability principles and disclosure standards. The United Nations' Sustainable Development Goals (SDGs), adopted in 2015, further encouraged governments and corporations to integrate environmental protection, social welfare, and good governance into business operations.

Several international scholars have argued that companies with stronger ESG performance generally demonstrate better long-term financial stability, improved risk management, and greater investor confidence. Although the relationship between ESG and profitability remains debated, there is broad agreement that responsible governance contributes to long-term business resilience.

In India, academic discussion on ESG has increased considerably following the enactment of the Companies Act, 2013, the introduction of mandatory Corporate Social Responsibility (CSR), and SEBI's Business Responsibility and Sustainability Report (BRSR). Indian researchers have highlighted that ESG has shifted corporate governance from a compliance-based approach to a value-based governance framework. Rather than merely satisfying legal requirements, corporations are increasingly expected to create sustainable value for society while maintaining economic growth.

Indian scholars have also identified significant challenges in ESG implementation. One frequently discussed issue is the absence of uniform ESG measurement standards. Different ESG rating agencies often evaluate companies using different methodologies, leading to inconsistent ratings and creating confusion among investors. Another major concern is greenwashing, where companies exaggerate or misrepresent their environmental achievements to improve their public image without making meaningful sustainability improvements.

Recent legal scholarship also points towards the growing importance of ESG disclosures in capital markets. Investors increasingly rely upon ESG reports while making investment decisions, particularly institutional investors seeking long-term sustainable investments. Consequently, transparency, accuracy, and independent verification of ESG disclosures have become major subjects of legal discussion.

Although existing literature has examined various dimensions of ESG individually, there remains a need for a comprehensive legal analysis that evaluates ESG as an integral component of corporate governance in India. This article attempts to address that gap by examining the evolving regulatory framework, practical challenges, and future legal reforms necessary for strengthening ESG governance.

CONCEPTUAL FRAMEWORK OF ESG AND CORPORATE GOVERNANCE

Environmental, Social, and Governance (ESG) refers to a framework used for evaluating how responsibly a company conducts its business beyond its financial performance. Unlike traditional financial indicators that focus primarily on profits and shareholder returns, ESG assesses whether a company's operations contribute positively to society while maintaining long-term sustainability.

ESG is not merely an ethical concept but has become an important legal, financial, and governance mechanism. Investors, regulators, financial institutions, consumers, and international organisations increasingly consider ESG performance while evaluating corporate credibility and future growth prospects.

The three pillars of ESG are interconnected and collectively determine the sustainability profile of a company.

Environmental (E): The environmental component evaluates how corporate activities affect the natural environment. Businesses are expected to minimise environmental harm while promoting sustainable resource utilisation. Major environmental considerations include:

- Climate change mitigation
- Carbon emission reduction
- Renewable energy adoption
- Water conservation
- Pollution control
- Waste management
- Biodiversity conservation
- Sustainable supply chains

Environmental responsibility has become particularly important due to increasing global concerns regarding climate change and environmental degradation. Companies failing to address environmental risks may face regulatory penalties, reputational damage, and declining investor confidence.

Social (s): The social pillar focuses on the relationship between corporations and society. It measures whether companies respect human dignity, promote equality, protect consumer interests, and contribute positively to community development. Key social indicators include:

- Employee welfare
- Occupational health and safety
- Gender diversity
- Equal employment opportunities
- Human rights protection
- Consumer protection
- Community development
- Data privacy
- Labour standards

A socially responsible company creates long-term value not only for shareholders but also for employees, consumers, suppliers, and local communities.

Governance (G): Governance forms the foundation of ESG because effective governance ensures that environmental and social commitments are implemented honestly and transparently. Governance generally includes:

- Independent Board of Directors
- Ethical leadership
- Corporate transparency
- Internal controls
- Risk management
- Anti-corruption mechanisms
- Shareholder protection
- Executive accountability
- Regulatory compliance

Good corporate governance reduces opportunities for fraud, corruption, financial manipulation, and conflicts of interest while strengthening investor confidence.

Meaning of Corporate Governance: Corporate governance refers to the system through which companies are directed, managed, and controlled. It establishes the relationship between shareholders, directors, management, employees, creditors, regulators, and other stakeholders. The objective of corporate governance is to ensure that companies operate responsibly, transparently, and in accordance with legal and ethical standards.

Traditional corporate governance primarily focused on protecting shareholders from managerial misconduct. Modern corporate governance, however, recognises that sustainable business success depends upon balancing the interests of all stakeholders rather than shareholders alone. ESG has therefore expanded the scope of corporate governance by integrating environmental protection, social responsibility, and ethical leadership into corporate decision-making.

Accordingly, ESG should not be viewed as a separate compliance requirement but as an essential element of effective corporate governance capable of promoting sustainable economic development, responsible investment, and long-term corporate resilience.

LEGAL FRAMEWORK GOVERNING ESG AND CORPORATE GOVERNANCE IN INDIA

The development of Environmental, Social and Governance (ESG) practices in India has not occurred through a single comprehensive statute. Instead, the existing framework consists of a combination of company law, securities regulations, environmental legislation, labour laws, and policy initiatives that collectively encourage responsible corporate conduct. Over the last decade, Indian regulators have gradually shifted from voluntary sustainability reporting to a more structured disclosure regime, reflecting the growing importance of transparency and stakeholder accountability.

Unlike some jurisdictions where ESG legislation is still evolving, India has already introduced several regulatory mechanisms that require companies to consider environmental protection, social responsibility, and ethical governance as integral components of their business strategy. The Companies Act, 2013, the Securities and Exchange Board of India (SEBI) regulations, and the National Guidelines on Responsible Business Conduct (NGRBC) together form the backbone of India's ESG framework.

COMPANIES ACT, 2013: A SHIFT TOWARDS STAKEHOLDER GOVERNANCE

The enactment of the Companies Act, 2013 marked a significant turning point in Indian corporate law. While the previous legislation primarily focused on protecting shareholder interests, the 2013 Act recognised that companies have broader responsibilities towards employees, consumers, creditors, local communities, and the environment.

Several provisions of the Act indirectly promote ESG principles by strengthening transparency, accountability, and ethical management. The Act introduced stricter disclosure obligations, enhanced the duties of directors, improved corporate governance standards, and imposed greater responsibility on companies to contribute to social welfare.

One of the most remarkable innovations of the Act is the statutory recognition of Corporate Social Responsibility (CSR), making India one of the first countries to mandate CSR spending through legislation.

CORPORATE SOCIAL RESPONSIBILITY UNDER SECTION 135

Section 135 of the Companies Act, 2013 requires certain companies meeting prescribed financial thresholds to constitute a CSR Committee of the Board and spend at least two per cent of their average net profits of the preceding three financial years on eligible CSR activities. The provision applies to companies that satisfy any of the following criteria during a financial year:

- Net worth of ₹500 crore or more;
- Turnover of ₹1,000 crore or more; or
- Net profit of ₹5 crore or more.

CSR activities may include education, healthcare, poverty alleviation, gender equality, environmental sustainability, rural development, disaster relief, sanitation, and other activities listed in Schedule VII of the Act.

Although CSR and ESG are distinct concepts, CSR significantly strengthens the social dimension of ESG by encouraging companies to contribute to societal development. However, unlike ESG, CSR mainly focuses on external social initiatives, whereas ESG also evaluates governance structures, environmental performance, and operational sustainability.

DUTIES OF DIRECTORS AND ESG GOVERNANCE

The Companies Act also imposes fiduciary duties upon directors, requiring them to act in good faith and in the best interests of the company, its employees, shareholders, the community, and the environment.

These statutory duties encourage directors to consider long-term sustainability while making business decisions rather than focusing solely on short-term financial gains. Effective board oversight is therefore essential for integrating ESG considerations into corporate strategy.

Independent directors also play an important role by ensuring objective decision-making, monitoring management, promoting ethical conduct, and protecting stakeholder interests.

SEBI AND ESG REGULATION

As India's securities market regulator, the Securities and Exchange Board of India (SEBI) has played a crucial role in institutionalising ESG reporting among listed companies.

Initially, SEBI introduced the Business Responsibility Report (BRR), requiring the top listed companies to disclose their performance regarding responsible business practices. However, recognising the need for more comprehensive sustainability reporting, SEBI replaced the BRR with the Business Responsibility and Sustainability Report (BRSR).

The BRSR represents a significant advancement because it requires more detailed quantitative and qualitative disclosures relating to environmental, social, and governance performance.

Through these disclosure requirements, SEBI seeks to improve transparency, reduce information asymmetry, and enable investors to evaluate companies based not only on financial performance but also on sustainability indicators.

BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORT (BRSR)

The Business Responsibility and Sustainability Report has become the principal ESG disclosure mechanism for major listed companies in India.

The BRSR framework requires companies to disclose information regarding:

- Greenhouse gas emissions;
- Energy consumption;

- Water management;
- Waste generation;
- Biodiversity conservation;
- Employee welfare;
- Occupational health and safety;
- Gender diversity;
- Human rights policies;
- Consumer protection;
- Board composition;
- Corporate ethics;
- Risk management;
- Anti-corruption measures.

Unlike earlier disclosure frameworks, the BRSR promotes greater standardisation and comparability of ESG information across companies. This enables investors, regulators, financial institutions, and consumers to make more informed decisions.

Nevertheless, certain concerns remain regarding data verification, consistency of disclosures, and the possibility of companies selectively reporting favourable information while concealing adverse environmental or social impacts.

NATIONAL GUIDELINES ON RESPONSIBLE BUSINESS CONDUCT (NGRBC)

The National Guidelines on Responsible Business Conduct, issued by the Ministry of Corporate Affairs, provide an important policy foundation for ESG governance in India. The Guidelines identify nine fundamental principles that responsible businesses should follow, including:

- Conducting business ethically and transparently.
- Providing safe and sustainable products.
- Respecting employee rights.
- Protecting stakeholder interests.
- Promoting human rights.
- Conserving the environment.
- Supporting inclusive growth.

- Engaging responsibly with consumers.
- Ensuring responsible public policy participation.

Although the NGRBC are not legally binding, they strongly influence corporate governance practices and forms the conceptual basis of the BRSR disclosure framework.

ENVIRONMENTAL AND LABOUR LAWS SUPPORTING ESG

Apart from corporate legislation, several environmental and labour statutes reinforce ESG objectives. Environmental laws such as the Environment (Protection) Act, 1986, the Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981, and the Biological Diversity Act, 2002 impose obligations on businesses to minimise environmental damage and comply with pollution-control standards. Similarly, labour legislation, including the Code on Wages, 2019, the Occupational Safety, Health and Working Conditions Code, 2020, and the Code on Social Security, 2020, supports the social pillar of ESG by promoting fair wages, workplace safety, social security, and employee welfare.

Evaluation of the Existing Framework: India has made substantial progress in integrating ESG principles into corporate regulation. The combination of mandatory CSR, enhanced corporate governance requirements, sustainability reporting, and sector-specific environmental and labour laws demonstrates a growing commitment to responsible business conduct.

However, the existing framework remains fragmented. ESG obligations are dispersed across multiple statutes and regulations rather than consolidated into a single legislative framework. In addition, enforcement mechanisms remain relatively weak, and independent verification of ESG disclosures is still developing.

Despite these limitations, the present legal framework provides a strong foundation upon which India can build a more comprehensive and effective ESG governance regime capable of supporting sustainable economic development and attracting responsible investment.

CRITICAL ANALYSIS OF ESG IMPLEMENTATION IN INDIA

The growing importance of Environmental, Social and Governance (ESG) principles has fundamentally changed the way corporations are assessed by investors, regulators and society. While India has made significant progress by introducing sustainability reporting requirements and strengthening corporate governance norms, the practical implementation of ESG remains uneven. A careful examination of the Indian corporate sector reveals that although many companies have embraced ESG as a strategic objective, others continue to treat it merely as a regulatory obligation. Consequently, the effectiveness of India's ESG framework depends not only upon the existence of laws but also upon the sincerity with which companies implement them.

ESG as a Strategic Business Tool: Initially, ESG was viewed primarily as a compliance requirement imposed by regulators. However, this perception has gradually changed. Today, ESG has become an important business strategy that influences investment decisions, access to finance, corporate reputation and long-term profitability.

Institutional investors, private equity firms and international financial institutions increasingly evaluate ESG performance before investing in companies. Businesses demonstrating responsible environmental practices, ethical governance and sound social policies often enjoy lower financial risks, improved investor confidence and stronger brand value.

Indian companies operating in global markets have also realised that international customers increasingly demand compliance with sustainability standards. Consequently, ESG has evolved from a voluntary ethical initiative into an important component of corporate competitiveness.

ENVIRONMENTAL CHALLENGES

Despite growing awareness, environmental compliance remains one of the weakest aspects of ESG implementation in India. Many industries continue to face criticism for excessive carbon emissions, water pollution, hazardous waste disposal and inefficient utilisation of natural resources. Although environmental laws impose regulatory obligations, enforcement remains inconsistent due to limited monitoring capacity, administrative delays and resource constraints.

Climate change has further increased pressure on corporations to adopt renewable energy, improve energy efficiency and reduce greenhouse gas emissions. However, smaller companies often struggle to invest in sustainable technologies because of financial limitations. Moreover, environmental disclosures frequently focus on reporting achievements rather than providing complete information regarding environmental risks and failures. This reduces the overall reliability of sustainability reporting.

SOCIAL RESPONSIBILITY BEYOND CORPORATE SOCIAL RESPONSIBILITY

The social dimension of ESG extends beyond statutory Corporate Social Responsibility (CSR) expenditure. A genuinely responsible corporation must ensure fair wages, workplace safety, gender equality, employee well-being, consumer protection and respect for human rights throughout its operations.

In India, many leading corporations have introduced diversity policies, employee welfare programmes and community development initiatives. Nevertheless, significant disparities continue to exist across sectors. Contract workers, informal employees and supply-chain labour often receive inadequate protection despite improvements in corporate governance.

Another emerging concern relates to digital privacy and the responsible use of employee and consumer data. As businesses increasingly rely upon digital technologies and artificial intelligence, the protection of personal information has become an important component of responsible corporate behaviour.

Governance Challenges: Corporate governance remains the foundation upon which successful ESG implementation depends. Good governance requires transparent decision-making, independent boards, effective risk management, ethical leadership and strong internal controls. While Indian corporate governance standards have improved considerably following regulatory reforms, several governance challenges persist.

Board independence sometimes exists only formally rather than substantively. Independent directors may not always possess sufficient autonomy to question management decisions effectively.

Executive compensation has also become a subject of public debate, particularly where high managerial remuneration exists alongside poor ESG performance. Furthermore, corporate frauds, accounting irregularities and governance failures continue to undermine investor confidence despite improvements in regulatory oversight.

GREENWASHING: THE GREATEST THREAT TO ESG

One of the most serious challenges confronting ESG regulation worldwide is greenwashing. Greenwashing occurs when companies exaggerate or misrepresent their environmental or social achievements to create a favourable public image without making meaningful improvements in their actual business practices.

Examples include overstating carbon reduction initiatives, selectively reporting environmental data, promoting insignificant sustainability projects while concealing major environmental harm, or making vague claims regarding sustainability without supporting evidence.

Greenwashing weakens investor confidence, misleads consumers and reduces the credibility of ESG reporting. To address this challenge, regulators should strengthen disclosure standards, encourage independent ESG assurance and impose penalties for misleading sustainability statements.

Lack of Uniform ESG Ratings: Another practical challenge arises from the absence of universally accepted ESG rating methodologies. Different rating agencies often evaluate the same company using different indicators, resulting in substantially different ESG scores.

Such inconsistencies create uncertainty for investors and reduce the comparability of sustainability performance across companies. India may therefore benefit from developing more standardised ESG assessment principles consistent with internationally accepted reporting frameworks while accommodating domestic regulatory priorities.

Cost of ESG Compliance: Implementation of comprehensive ESG programmes requires substantial financial investment. Companies may need to install cleaner technologies, strengthen governance systems, improve employee welfare programmes, establish internal monitoring mechanisms and prepare detailed sustainability reports.

Large listed companies generally possess adequate financial resources to meet these requirements. However, medium-sized and smaller enterprises often find ESG compliance financially burdensome. Consequently, policymakers should consider providing technical assistance, simplified reporting mechanisms and financial incentives to encourage wider ESG adoption.

CASE STUDIES

Tata Group: The Tata Group has long been recognised for integrating ethical governance with sustainable business practices. Its emphasis on responsible leadership, environmental sustainability, employee welfare and community development demonstrates that long-term profitability and social responsibility can coexist successfully.

Infosys: Infosys has consistently strengthened corporate governance through transparent disclosures, independent board oversight and sustainability initiatives. The company has invested significantly in renewable energy, energy-efficient infrastructure and employee development programmes, making it one of India's leading ESG performers.

Reliance Industries: Reliance Industries has announced ambitious investments in renewable energy and green technologies while expanding its sustainability initiatives. Nevertheless, the company continues to face scrutiny regarding balancing industrial expansion with environmental responsibilities, illustrating the complex challenges faced by large diversified corporations.

Adani Group: The Adani Group represents a more complex example of ESG governance. While the Group has invested heavily in renewable energy and infrastructure development, it has also faced governance-related controversies and increased public scrutiny. The case highlights the importance of transparency, effective corporate governance and investor confidence in ESG evaluation.

OVERALL ASSESSMENT

India's ESG framework has evolved considerably over the past decade. Regulatory reforms, investor awareness and market expectations have encouraged companies to adopt more responsible business practices. However, genuine ESG implementation requires more than statutory compliance. It demands a change in corporate culture where sustainability becomes an integral part of business strategy rather than merely a reporting exercise.

The future success of ESG in India will therefore depend upon stronger regulatory enforcement, improved disclosure quality, independent verification mechanisms and greater corporate commitment to ethical governance.

COMPARATIVE ANALYSIS OF ESG FRAMEWORKS

India, the European Union, the United Kingdom, and the United States. Environmental, Social, and Governance (ESG) has evolved differently across jurisdictions depending on each country's legal framework, economic priorities, and regulatory approach. Although the common objective remains the promotion of sustainable business practices and responsible corporate governance, the methods adopted by different countries vary considerably. A comparative analysis enables a better understanding of India's progress and highlights areas where further legal reforms may be required.

India: India follows a disclosure-oriented ESG framework supported by the Companies Act, 2013, SEBI regulations, and the National Guidelines on Responsible Business Conduct (NGRBC). One of India's distinctive features is the statutory requirement of Corporate Social Responsibility (CSR) under Section 135 of the Companies Act, making India one of the first countries to legally mandate CSR spending.

The introduction of the Business Responsibility and Sustainability Report (BRSR) has strengthened ESG disclosures by requiring major listed companies to report their environmental, social, and governance performance in a structured manner. Despite these reforms, India's ESG regime remains fragmented because obligations arise from multiple statutes rather than a single comprehensive law. Challenges relating to disclosure quality, independent assurance, and uniform ESG ratings continue to affect implementation.

European Union: The European Union has emerged as a global leader in ESG regulation. The EU has adopted an integrated approach that combines sustainability reporting, climate-related disclosures, responsible investment, and corporate due diligence.

European companies are required to disclose information relating to environmental risks, human rights impacts, governance structures, and sustainability performance through comprehensive reporting obligations. The EU also promotes sustainable finance by encouraging investments that support environmental and social objectives.

Compared to India, the EU places greater emphasis on mandatory sustainability assurance, supply-chain accountability, and legally enforceable due diligence obligations.

United Kingdom: The United Kingdom has developed a robust corporate governance framework that integrates ESG considerations into board responsibilities and corporate disclosures. Companies are expected to provide transparent information regarding climate-related risks, governance practices, and stakeholder engagement.

The UK Corporate Governance Code encourages ethical leadership, board independence, accountability, and long-term value creation. Unlike India's CSR-oriented approach, the UK primarily focuses on strengthening governance mechanisms and improving transparency through corporate reporting.

United States: The United States follows a comparatively market-driven approach towards ESG. Institutional investors, asset managers, and shareholders have played a significant role in encouraging companies to improve sustainability practices.

Recent regulatory developments have increased attention towards climate-related financial disclosures and investor protection. However, ESG regulation in the United States remains less uniform because federal and state authorities often adopt different approaches.

Unlike India, where statutory CSR obligations exist, ESG implementation in the United States is largely influenced by investor expectations, corporate policies, and market pressures.

Lessons for India: The comparative analysis demonstrates that India has established a strong foundation for ESG governance. Nevertheless, certain improvements would enhance the effectiveness of the existing framework. India should strengthen independent verification of ESG reports, develop uniform reporting standards, improve climate-risk disclosures, and encourage greater supply-chain accountability. A comprehensive ESG legislation may also reduce regulatory fragmentation and improve legal certainty for companies and investors.

RECOMMENDATIONS

The following reforms may significantly strengthen ESG governance in India.

Enact Comprehensive ESG Legislation: Instead of relying upon scattered provisions contained in different statutes and regulations, Parliament may consider introducing a comprehensive ESG law that clearly defines corporate obligations, disclosure standards, regulatory oversight, and enforcement mechanisms.

Mandatory Independent ESG Assurance: Self-reported sustainability disclosures may not always reflect actual corporate performance. Independent third-party assurance should gradually become mandatory for major listed companies to improve the reliability of ESG reporting.

Stronger Measures Against Greenwashing: Regulators should impose stricter penalties for misleading or exaggerated sustainability claims. Standardised reporting formats, regular inspections, and independent audits would reduce the possibility of greenwashing and protect investors from misinformation.

Strengthening Board Responsibility: Boards of Directors should possess adequate expertise in sustainability, climate governance, and corporate ethics. ESG performance should become an integral part of board-level decision-making and enterprise risk management.

Support for Small and Medium Enterprises: Many small and medium enterprises lack the financial and technical resources necessary for implementing ESG practices. Government agencies should provide capacity-building programmes, financial incentives, and simplified reporting mechanisms to facilitate wider ESG adoption.

ESG Education and Professional Training: Universities, law schools, management institutions, and professional organisations should introduce specialised courses on ESG, sustainable finance, corporate governance, and environmental compliance. Greater awareness will improve both voluntary compliance and professional competence.

Greater Stakeholder Participation: Consumers, investors, civil society organisations, and minority shareholders should actively participate in monitoring corporate sustainability practices. Increased stakeholder engagement enhances transparency and encourages responsible corporate behaviour.

CONCLUSION

Environmental, Social, and Governance (ESG) has fundamentally transformed the philosophy of corporate governance by shifting attention from short-term financial performance towards long-term sustainable value creation. Modern corporations are expected not only to generate profits but also to protect the environment, respect human rights, promote social welfare, and maintain the highest standards of ethical governance.

India has made significant progress by introducing Corporate Social Responsibility under the Companies Act, 2013, strengthening sustainability reporting through the Business Responsibility and Sustainability Report (BRSR), and encouraging responsible business conduct through the National Guidelines on Responsible Business Conduct. These initiatives demonstrate India's commitment to aligning corporate governance with international sustainability standards.

Nevertheless, important challenges remain. Greenwashing, fragmented regulation, inconsistent ESG ratings, limited independent verification, and uneven implementation continue to affect the effectiveness of the existing framework. Addressing these issues requires stronger regulatory oversight, improved disclosure standards, enhanced board accountability, and greater stakeholder participation.

ESG should not be viewed merely as a regulatory obligation or a reporting exercise. Instead, it should become an integral part of corporate strategy and organisational culture. Businesses that genuinely embrace sustainability are more likely to achieve long-term financial stability, attract responsible investment, enhance stakeholder trust, and contribute meaningfully to national development.

As India continues its journey towards becoming a leading global economy, strengthening ESG governance will play a crucial role in ensuring that economic growth remains inclusive, environmentally sustainable, and ethically responsible. A balanced legal framework that promotes transparency, accountability, and sustainable business practices will ultimately benefit corporations, investors, consumers, and society as a whole.

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