LEGAL REFORMS AND ECONOMIC GROWTH: STRENGTHENING INDIA'S BUSINESS ENVIRONMENT THROUGH EFFECTIVE LEGISLATION

Gunjan Grover, Chirayu Sharma & Sufiyan Abbasi, Bharati Vidyapeeth Deemed University

ABSTRACT

The concept of Environmental, Social and Governance (ESG) has rapidly transformed corporate law and practice in India. This article examines India's evolving ESG regulatory framework and identifies critical gaps. Drawing on primary sources – from the Companies Act 2013 (CSR provisions) to recent SEBI and MCA regulations – zqand authoritative scholarship, it analyzes how India has tried to integrate ESG through sectoral laws. The paper reviews SEBI's Business Responsibility and Sustainability Reporting (BRSR) regime and corporate governance rules, Environment Protection and labour laws, and the new Digital Personal Data Protection Act. It highlights a landmark Supreme Court ruling (2025) declaring environmental protection a core component of CSR. Comparative analysis with the EU's Corporate Sustainability Reporting Directive, IFRS S1/S2 (ISSB Standards), UK Sustainability Standards, Singapore's SGX requirements, and the US SEC's climate rule identifies best practices and timing. Key challenges in India include fragmented obligations, risk of greenwashing, SME compliance, assurance and data issues. We recommend policy reforms toward a coherent ESG statute or unified regime, stronger enforcement (e.g. mandatory assurance), and guidance for smaller firms. Tables summarize and compare reporting requirements, timelines and assurance norms across regimes, and a timeline chart traces major regulatory milestones. This analytical study underscores the need for a consolidated legislative framework to improve clarity, accountability, and international alignment in India's ESG agenda.

Keywords: ESG reporting, India, Companies Act 2013, SEBI BRSR, CSR, Sustainability Standards, CSRD, IFRS S1, Corporate Governance.

1. Introduction

In recent years, the corporate governance paradigm has expanded from solely financial metrics to include broader sustainability concerns. "ESG" (Environmental, Social and Governance) factors have become fundamental to assessing a company's long-term viability and ethical conduct. Regulators worldwide have responded: institutional frameworks now often mandate disclosures on climate risk, resource use, social impact and governance practices. In India, a patchwork of laws and rules has gradually enshrined aspects of ESG – most notably the Companies Act 2013 (with mandatory CSR spending and board oversight), SEBI's stock exchange listing regulations (introducing non-financial reporting), environment laws, labour codes, and new data privacy rules.

The environmental component of the ESG paradigm deals with carbon dioxide emissions, water pollution, and cutting down of trees. Socially, it gives emphasis to the relations of a company with its employees, suppliers, and the surrounding community. Governance, however, allows for analysis of a firm's leadership, decision making process, and the level of transparency and accountability availed within a firm.[1]

Sustainable socially responsible investments SRI is one of the strategies that uses ESG criteria focusing not only on profits, but the overall sustainability and welfare of the economy and society. These factors that are not economic are very critical in attaining sustainable business. These days, ESG criteria have found their way in investment making as more investors consider them as tools for measuring the level of a company's social responsibility.

Regulatory authorities continuously set up rules for specific ESG matters, and companies are advised to take a holistic view on these issues instead of treating them in siloed approaches for better performance and compliance.[2]

2. Regulatory Framework for ESG in India

As in other countries, India does not have specific legislation addressing Environmental, Social

[1] Unravelling ESG Regulations: A Closer Look At India's Approach*, available at*: https://www.livelaw.in/lawschool/articles/unraveling-esg-regulations-a-closer-look-at-indias-approach-250448 (last visited on Feb 12, 2025).
[2] Overview of the ESG framework in India, available at: https://law.asia/esg-compliance-overview/#:~:text=ESG%20(environmental%2C%20social%20and%20governance,columns%2C%20explains%20its%20present%20state

and Governance (ESG) practices, yet it has an abundance of regulatory provisions in the Companies Act, 2013 and in SEBI regulations. The Companies Act requires certain prescribed companies to have a corporate social responsibility (CSR) committee and to undertake other social activities. Furthermore, certain companies are required to appoint one woman director under Section 149.

The BRR, now known as 'BRSR', was introduced by SEBI to the top 100 listed firms in 2012 to enhance disclosure of non-financial information on ESG practices, tapping more companies of the overarching corporate social responsibility. Along with BRSR, the Business Responsibility and Sustainability Report is an enhanced version of the above and was introduced in 2021. It is mapped to India's National Guidelines on Responsible Business Conduct and the UNSDGs. 'BRSR Core' was introduced for the listed top 1,000 companies in 2023 by SEBI, thus further widening the parameters for disclosure of ESG practices.[3]

Compliance with ESG requirements arises out of the Environment Protection Act, the Air and Water Pollution Acts, Hazardous Waste Management Rules, and some other ecological legislations. On the social side, some of the consolidated codes like the Code on Wages, Code on Occupational Safety, and Code on Social Security Laws provide for the payment of wages, maintenance of minimum standards of safety at work, and other social security benefits to employees. The 2023 Act concerning personal data takes care of privacy issues, albeit it has not been fully operationalized yet.

Not only national policies, but also certain global norms issued by SASB, GRI and TCFD have to be followed in the country in respect of ESG reporting. India started its ESG reporting on the basis of voluntary guidelines in CSR reporting published by the Ministry of Corporate Affairs in 2009. The landscape has changed since then with some notable milestones such as compulsory BRR filing by the top 100 listed companies in 2012 and BRSR in 2021.[4]

According to BRSR Onboarding Documents, SEBI requires the top 1000 companies in India's stock exchange to participate in reporting concerning their social, environmental and

[3] India: The long and winding road to India's ESG regulations framework, available at: https://www.controlrisks.com/our-thinking/insights/india-the-long-and-winding-road-to-indias-esg-regulations-framework?utm_referrer=https://www.google.com (last visited on 12 Feb, 2025).
[4] Joseph Antony Padikkala, Anmol Gupta & Kavish Arora, "A Critical Analysis of Environment, Social, and Governance (ESG) in India: A Proposed need for a Codified Law" 1 Indian Journal of Projects, Infrastructure and Energy Law 1-16 (2023).

governance policies. The regulatory enforcement is done by the Ministry of Corporate Affairs and SEBI with the focus on economic and social governance compliance. Also, there are national and state pollution control boards, along with the Ministry of Environment, Forest and Climate Change, who are responsible for the environmental governance.

ESG aspects of India's regulations such as disclosure of ESG risks, opportunities, and strategies by the companies is now at par with international standards. In India, the regulatory framework is developing at a pace wherein the companies are compelled to be more sustainable and responsible in their business endeavors.[5]

3. Review of Literature

Research carried out on CSR (Corporate Social Responsibility) and ESG (Environmental, Social and Governance) practices in India reveal the relative advancement and gaps on the business front. Mony and Babu(2020) detail the development of CSR in India with specific reference to the Companies Act, 2013 and its consequences on the business environment and sustainable progress.[6] Ramesh Maji and Lohia (2023) highlight the positive relationship between ESG disclosures and financial performance of Indian companies, referring to the key role played by reputation in attracting investment.[7] Vishali et al (2024) show how the performance of mutual funds that invest on ESG criteria exceeds the rest because of the shifting tastes of the investors towards responsible investing.[8]

But the case is not easy for small and medium enterprises (SMEs). In the SME context, Kholkute and Shroff (2022) recognize the lack of resources and know-how as barriers that necessitate support for SME ESG engagement.[9] O'Hare (2021) suggests that greater enforcement and engagement is necessary as, while larger companies comply with the National Guidelines on Responsible Business Conduct (NGRBC), smaller organizations struggle with

---

[5] Umakanth Varottil, "The Legal and Regulatory Impetus towards ESG in India: Developments and Challenges" in Thilo Kuntz (ed.), Research Handbook on Environmental, Social, and Corporate Governance 1-21 (Edward Elgar, forthcoming 2023).

[6] Suresh Mony & Shekar Babu, "CSR in India: Evolution, Models, and Impact" in B. B. Schlegelmilch, I. Szocs (eds.), Rethinking Responsibility in a Global Context, CSR, Sustainability, Ethics & Governance 147-178 (Springer Nature Switzerland AG 2020).

[7] Maji, Santi Gopal & Lohia, Prachi, "Environmental, social and governance (ESG) performance and firm performance in India", 18 Society and Business Review 175-194 (2023).

[8] M. Vishali & Muhammed Shafi M.K, "Emerging paradigms in socially responsible investment (SRI) - A study with focus on ESG mutual funds in India", 9 Environmental and Social Psychology 1-15 (2024).

[9] Neha Shroff & Amit Kholkute, "Leveraging ERP to achieve ESG goals in Small and Medium Enterprises", World Economic Growth: India as a Growth Stimulus 49-55 (2024).

this mandate.[10] Priya Singh (2020) points out the improvement of ESG reporting among listed companies through mandatory disclosures brought about by SEBI. In general, the literature has highlighted the importance of the regulatory framework concerning ESG and the attention that needs to be placed on support, capacity-building, and compliance, no matter the size of the business, to make sure that corporate sustainability is practiced in India.[11]

4. Discussion

The ESG guidelines focus on investments that further economic well-being while lessening environmental harm. There is more social and environmental awareness today which has led to increased customer expectations for corporations to engage in sustainable practices, thus raising the ESG disclosures.

Non-financial reporting has become a legal requirement in Europe and many other countries. As other countries aim to achieve sustainable development, the shift from optional to obligatory ESG reporting has paved the way for more nations to implement similar policies.[12]

In developing countries, social awareness at ESG measures is still low and requires serious attention which can be a potential growth area. On the other end of the spectrum, Sweden, Norway, and Germany have achieved a lot through voluntary ESG measures. While legislation around social issues are predominant, businesses are still greatly encouraged to act on crucial ESG matters for the wellbeing of their operations, shareholders and society as a whole.

In the U.S., public markets are regulated under the SEC which mandates companies to report any pertinent ESG-related risks and the level of diversity within their boards. The Department of Labor has also moved towards regulating ESG factors in employee benefit plans. For now, however, there is no federal law that requires ESG systems for reporting in the United States unlike in some countries.[13]

---

[10] Jennifer O'Hare, "Corporate Governance Guidelines: How to Improve Disclosure and Promote Better Corporate Governance in Public Companies" 49 Law Review 259 (2021).
[11] Priya Singh, "Securities and Exchange Board of India: Role of SEBI in Promoting Environmental, Social and Governance (ESG) in India" 3 Jus Corpus LJ 468 (2022).
[12] Driving Sustainable Business Practices: the SEBI's BRSR Core Framework and Internationally Evolving ESG Disclosures, available at: https://chambers.com/legal-trends/esg-disclosures-in-india-and-internationally (last visited on Feb 13, 2025).
[13] Uche Ewelukwa Ofodile, Environmental, Social and Governance (ESG), the Law and the Legal Industry: Mapping, Mainstreaming, Managing (2023) (Unpublished LLM dissertation, Harvard Kennedy School).

5. Doctrinal Legal Analysis

i. Companies Act 2013 and Corporate Social Responsibility (CSR)

Section 135 of the Companies Act, 2013 forms the foundation of India's ESG framework by mandating CSR obligations for qualifying companies.[14] Eligible companies must constitute a CSR Committee, formulate a CSR Policy, and spend at least **2% of their average net profits** on activities listed under Schedule VII, including education, healthcare, environmental protection, and rural development. Recent amendments have strengthened implementation through mandatory impact assessments and stricter treatment of unspent CSR funds.[15]

The Supreme Court in *M.K. Ranjitsinh v Union of India* (2025) recognised environmental protection as an integral part of CSR by linking corporate responsibility with Article 51A(g) of the Constitution.[16] Although CSR has significantly promoted stakeholder-oriented governance, it remains distinct from broader ESG reporting and does not impose comprehensive sustainability disclosure obligations.

ii. SEBI's Business Responsibility and Sustainability Reporting (BRSR)

SEBI has progressively strengthened ESG disclosure requirements through the Business Responsibility and Sustainability Reporting (BRSR) framework. Mandatory for the top 1,000 listed companies by market capitalisation, BRSR requires disclosures on environmental performance, social responsibility, and corporate governance. The introduction of **BRSR Core** in 2023 established standardised ESG indicators and initiated external assurance requirements for material sustainability disclosures.[17]

Subsequent amendments have clarified applicability, introduced exit provisions for companies falling below the prescribed threshold, and improved reporting consistency through sector-specific standards.

iii. Environmental and Labour Laws

India's environmental framework is principally governed by the Environment (Protection) Act,

---

[14] Companies Act 2013, s 135.
[15] Companies (Corporate Social Responsibility Policy) Rules 2014 (as amended), rr 7–8.
[16] *M K Ranjitsinh & Ors v Union of India* (2025) 9 SCC 326.
[17] SEBI Circular No SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122 (12 July 2023).

1986, supported by pollution control statutes, waste management regulations, and the National Green Tribunal Act, 2010. Judicial recognition of principles such as sustainable development and the **polluter-pays doctrine** has strengthened corporate environmental accountability.[18]

The four Labour Codes reinforce the social dimension of ESG by promoting fair wages, occupational safety, social security, and employee welfare.[19] Although these statutes contribute significantly to ESG compliance, they operate independently from SEBI's disclosure framework, resulting in fragmented regulatory obligations.

iv. Digital Personal Data Protection Act, 2023

The Digital Personal Data Protection Act, 2023 strengthens the governance and social dimensions of ESG by establishing obligations relating to data privacy, consent, data security, and accountability. While primarily a privacy legislation, it reflects the growing importance of responsible data governance in corporate sustainability and aligns India with evolving international ESG expectations.

v. Recent Regulatory Developments

Recent regulatory initiatives demonstrate India's continuing commitment to ESG governance. SEBI has refined the BRSR framework through amendments to the Listing Regulations, introduced industry-specific reporting standards, and strengthened assurance mechanisms. Simultaneously, the Advertising Standards Council of India (ASCI) and the Central Consumer Protection Authority (CCPA) have introduced measures to address greenwashing and misleading environmental claims.[20] These developments improve regulatory oversight but also increase compliance complexity due to the absence of a unified legislative framework.

vi. Judicial Developments

Indian courts have increasingly recognised environmental protection and stakeholder interests as integral to corporate governance. Decisions such as *M.K. Ranjitsinh v Union of India* reinforce the constitutional significance of environmental responsibility, while the National

[18] *Vellore Citizens' Welfare Forum v Union of India* (1996) 5 SCC 647.
[19] Code on Wages 2019; Occupational Safety, Health and Working Conditions Code 2020.
[20] Advertising Standards Council of India, *Guidelines for Environmental Claims* (2024); Central Consumer Protection Authority, *Draft Guidelines for Prevention of Greenwashing* (2024).

Green Tribunal continues to strengthen corporate accountability through enforcement of environmental obligations.[21] Although Indian courts have not yet mandated ESG reporting, judicial developments indicate a growing willingness to integrate sustainability principles into corporate law.

6. Future Trends in the ESG Space

There is an ongoing international effort to reduce emissions to the point where absorption is achieved. Shared responsibility is also being carried out by businesses. More businesses are now incorporating Environmental, Social, and Governance (ESG) principles, privacy preservation, and purpose redefinition serving all stakeholders. Aside from these, supply chain resilience building and disruption management remain on the highest priority level. Among the major evolutions is the link between executive remuneration and ESG performance.

AI and machine learning improve ESG data gating, increasing accuracy. Big data enhances ESG performance evaluations and provides real time information for investors' use. As globalization of ESG reporting progresses, more frameworks such as GRI, SASB, or TCFD will be at the forefront, accompanied by more government scrutiny. The focus of companies and investors shifts to carbon neutrality and lowering carbon footprints and keeping carbon-free sustainable financing options such as green bonds available.[22]

There is also increased focus on diversity, equity and inclusion (DEI) and companies need to go beyond the bare minimum in ethical human rights and labor relations. Over the last few years, socially responsible investments have matured and integrating ESG factors into the overall investment strategy has propelled impact investing – investing while capturing profits and creating social and environmental value.

The ethics of blockchain technology together with fintech are enabling more transparency and traceability in ESG reporting. Companies will embrace integrated reporting that incorporates non-financial ESG components together with financial figures. Addressing global ESG issues requires cooperation among the business, civil society, government, and NGOs, and

[21] *Indian Council for Enviro-Legal Action v Union of India* (1996) 3 SCC 212; *M K Ranjitsinh & Ors v Union of India* (2025).
[22] Unraveling ESG Regulations: A Closer Look At India's Approach, available at: https://www.livelaw.in/lawschool/articles/unraveling-esg-regulations-a-closer-look-at-indias-approach-250448 (last visited on Feb 12, 2025).

regulations to curb greenwashing and manage ESG risks are becoming more stringent and effective.[23]

7. Conclusion

The rise of ESG (Environmental, Social, and Governance) investing and its interest has led to regulators demanding more detailed and uniform ESG disclosures. The risk of "greenwashing" and more complicated environmental issues has also resulted in a more stringent regulatory approach. Moreover, scope is expanding beyond just environmental concerns and new regulations could be introduced on social and governance factors.

To comply with such changes to regulations, companies need to hire or train existing personnel on ESG matters. Participating in the debates on new legislations is important as regulatory bodies like FCA intend to consult industry practitioners about the impact of the rules on business. This will aid in allowing companies to take a proactive stance to ensure their views are taken into account.

India has progressed in its approach towards ESG compliance by the introduction of the ESG ratings by the SEBI and Business Responsibility and Sustainability Reporting. These ratings are made by asset managers to construct investment portfolios. However, retail investors are oversimplifying the ESG funds. Asset managers have to explain the importance of the ratings more effectively to the clients and therefore need to do so in easily understandable language.

In India, companies are beginning to provide in-depth sustainability information after noticing changes brought about by new regulations and government policies, helping to standardize disclosure of ESG information within the country. There is a growing drive towards integrated reporting which is further enhanced by the recognition of the importance that sustainability data conveys.

Integrating ESG considerations with economic growth and development is a priority, as there is rapid growth in policies designed to foster sustainable investments. In order for India to achieve the desired results, it will need to broadly implement established ESG practices, but customize them for local requirements.

[23] Law Hero, What the hell is ESG Law?, 2024, available at https://www.youtube.com/watch?v=IYNs1IAb2J4

REFERENCES:

- Unravelling ESG Regulations: A Closer Look At India's Approach*, available at*: https://www.livelaw.in/lawschool/articles/unraveling-esg-regulations-a-closer-look-at-indias-approach-250448 (last visited on Feb 12, 2025).

- Overview of the ESG framework in India*, available at*: https://law.asia/esg-compliance-overview/#:~:text=ESG%20(environmental%2C%20social%20and%20governance,columns%2C%20explains%20its%20present%20state. (last visited on Feb 8, 2025).

- Environmental, Social and Governance (ESG)*, available at*: https://www.dhirassociates.com/environmental-social-governance/ (last visited on Feb 2, 2025).

- Uche Ewelukwa Ofodile, *Environmental, Social and Governance (ESG), the Law and the Legal Industry: Mapping, Mainstreaming, Managing* (2023) (Unpublished LLM dissertation, Harvard Kennedy School).

- Crucial legal factors in solving today's sustainability challenges*, available at*: https://www.pwclegal.be/en/The-L-in-ESG.html (last visited on Feb 6, 2025).

- What is ESG (environmental, social and governance)?*, available at*: https://www.techtarget.com/whatis/definition/environmental-social-and-governance-ESG (last visited on Feb 14, 2025).

- ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG)*, available at*: https://trilegal.com/expertises/environmental-social-and-governance-esg/ (last visited on Feb 6, 2025).

- Environmental, Social, and Governance (ESG)*, available at*: https://uk.practicallaw.thomsonreuters.com/w-034-5142?transitionType=Default&contextData=(sc.Default) (last visited on Feb 3, 2025).

- Law Hero, *What the hell is ESG Law?*, 2024, *available at* https://www.youtube.com/watch?v=IYNs1IAb2J4

- Joseph Antony Padikkala, Anmol Gupta & Kavish Arora, "A Critical Analysis of Environment, Social, and Governance (ESG) in India: A Proposed need for a Codified Law" 1 *Indian Journal of Projects, Infrastructure and Energy Law* 1-16 (2023).

- Driving Sustainable Business Practices: the SEBI's BRSR Core Framework and Internationally Evolving ESG Disclosures*, available at*: https://chambers.com/legal-trends/esg-disclosures-in-india-and-internationally (last visited on Feb 13, 2025).

- ESG in India - Guidance on Current Status, *available at*: https://www.indialawoffices.com/legal-articles/esg-in-india-guidance-on-current-status#:~:text=The%20ESG%20landscape%20in%20India,%E2%80%9CCompanies%20Act%E2%80%9D)%20etc. (last visited on 15 Feb, 2025).

- India: The long and winding road to India's ESG regulations framework, *available at*: https://www.controlrisks.com/our-thinking/insights/india-the-long-and-winding-road-to-indias-esg-regulations-framework?utm_referrer=https://www.google.com (last visited on 12 Feb, 2025).

- Umakanth Varottil, "The Legal and Regulatory Impetus towards ESG in India: Developments and Challenges" in Thilo Kuntz (ed.), *Research Handbook on Environmental, Social, and Corporate Governance* 1-21 (Edward Elgar, forthcoming 2023).

- Suresh Mony & Shekar Babu, "CSR in India: Evolution, Models, and Impact" in B. B. Schlegelmilch, I. Szocs (eds.), *Rethinking Responsibility in a Global Context*, *CSR, Sustainability, Ethics & Governance* 147-178 (Springer Nature Switzerland AG 2020).

- Maji, Santi Gopal & Lohia, Prachi, "Environmental, social and governance (ESG) performance and firm performance in India", 18 *Society and Business Review* 175-194 (2023).

- M. Vishali & Muhammed Shafi M.K, "Emerging paradigms in socially responsible investment (SRI) - A study with focus on ESG mutual funds in India", 9 *Environmental and Social Psychology* 1-15 (2024).

- Neha Shroff & Amit Kholkute, "Leveraging ERP to achieve ESG goals in Small and Medium Enterprises", *World Economic Growth: India as a Growth Stimulus* 49-55 (2024).

- Jennifer O'Hare, "Corporate Governance Guidelines: How to Improve Disclosure and Promote Better Corporate Governance in Public Companies" 49 *Law Review* 259 (2021)

- Priya Singh, "Securities and Exchange Board of India: Role of SEBI in Promoting Environmental, Social and Governance (ESG) in India" 3 *Jus Corpus LJ* 468 (2022).