
CORPORATE CLIMATE ACCOUNTABILITY IN INDIA: LEGAL GAPS IN ESG REPORTING AND CARBON RISK DISCLOSURE

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ABSTRACT

Corporate climate accountability in India remains hampered by fragmented legal frameworks, particularly in environmental, social, and governance reporting and carbon risk disclosure. This paper examines the evolution of the Securities and Exchange Board of India's Business Responsibility and Sustainability Reporting framework, introduced in May 2021 and refined with BRSR Core in July 2023, which mandates disclosures for the top 1,000 listed entities on emissions, energy use, and governance. Despite these advances, significant gaps persist, including the lack of statutory penalties for non-compliance, inadequate Scope 3 emissions coverage, and insufficient third-party assurance, fostering greenwashing and undermining investor confidence. Drawing on judicial precedents like *M.C. Mehta v. Union of India*,² the analysis highlights the need for harmonized legislation integrating Companies Act provisions with robust enforcement to align India with global standards such as the Task Force on Climate-related Financial Disclosures. Ultimately, bridging these gaps is essential for a genuine corporate transition to low-carbon operations and achieving India's Net-Zero Commitment by 2070.

Keywords: ESG reporting, carbon disclosure, BRSR, greenwashing, climate accountability, SEBI regulations

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² *M.C. Mehta vs. Union of India*, AIR 1987 SC 965.

INTRODUCTION

India's corporate landscape faces intensifying pressure to address climate change amid rising global scrutiny on environmental impacts and the country's own ambitious climate commitments. At the 26th Conference of the Parties to the United Nations Framework Convention on Climate Change held in Glasgow in November 2021,³ Prime Minister Narendra Modi announced India's commitment to achieving net-zero emissions by 2070, alongside updated Nationally Determined Contributions, including reducing emissions intensity of gross domestic product by 45% by 2030 and meeting 50% of energy requirements from renewable sources by the same year.⁴ With these commitments under the Paris Agreement, corporations have emerged as pivotal actors in mitigating carbon risks and driving the transition to sustainable business models. Yet, the legal mechanisms for ensuring corporate climate accountability remain fragmented and insufficient to meet the scale of the challenge.

The Securities and Exchange Board of India introduced the Business Responsibility and Sustainability Reporting framework through its circular dated May 10, 2021, replacing the erstwhile Business Responsibility Report for the financial year 2022-23 onwards.⁵ The BRSR framework requires the top 1,000 listed companies by market capitalization to disclose environmental, social, and governance metrics across nine principles aligned with the National Guidelines on Responsible Business Conduct, including quantitative data on Scope 1 and Scope 2 greenhouse gas emissions, water usage, waste management, and board-level oversight mechanisms.⁶ This marked a significant shift toward standardized sustainability reporting in India's capital markets. However, implementation challenges have emerged, exposing critical vulnerabilities in data governance, enforcement mechanisms, and regulatory coherence.

Recent regulatory observations highlight persistent inconsistencies between BRSR disclosures and other statutory reports. For instance, discrepancies have been noted between employee data

³ Sheren Susanto, Nicholas Lai Wijaya, Ivan Bryan Hotasi Samosir Fitriya, ESG Disclosure: Impact on Carbon Footprint Reduction and Increased Market Return of Companies, *International Journal of Finance Research* 6(2):87-97 (2025), https://www.researchgate.net/publication/392504628_ESG_Disclosure_Impact_on_Carbon_Footprint_Reduction_and_Increased_Market_Return_of_Companies.

⁴ Market Regulator SEBI Raises Concerns Over Greenwashing by India Inc, *BUSINESS STANDARD* (Jan. 30, 2025), <https://www.business-standard.com/markets/news/market-regulator-sebi-raises-concerns-over-greenwashing-by-india-inc-125013101394>.

⁵ Securities and Exchange Board of India, Business Responsibility and Sustainability Reporting, Circular No. SEBI/HO/CFD/CMD-2/P/CIR/P/2021/562 (May 10, 2021).

⁶ Zevero, BRSR Reporting in India: What it Means for Listed Companies (Jan. 31, 2026), <https://www.zevero.earth/blog/brsr-reporting-india>.

reported in BRSR and information disclosed in directors' reports under Section 134 of the Companies Act, 2013, as well as mismatches in corporate social responsibility expenditure figures across different compliance documents.⁷ These inconsistencies suggest deeper systemic issues in corporate data management and raise questions about the reliability of ESG disclosures. Furthermore, the absence of meaningful penalties for inaccurate or incomplete reporting creates a compliance environment that favors symbolic disclosure over substantive accountability. Against this backdrop, this paper analyzes the legal gaps in India's ESG reporting and carbon risk disclosure regime, examines the enforcement shortfalls that enable greenwashing, critiques the fragmentation across regulatory frameworks, and proposes reforms necessary to establish genuine corporate climate accountability without stifling economic growth.⁸

EVOLUTION OF ESG DISCLOSURE REQUIREMENTS IN INDIA

The journey toward mandatory ESG disclosures in India has been gradual, emerging from voluntary guidelines to legally mandated frameworks. The Companies Act, 2013 introduced one of the earliest environmental disclosure requirements through Section 134(3)(m), which mandates that the Board of Directors' report must include information on conservation of energy, technology absorption, and foreign exchange earnings and outgo.⁹ This provision, operationalized through Rule 8(3) of the Companies (Accounts) Rules, 2014, requires companies to disclose steps taken for energy conservation, utilization of alternate energy sources, capital investment in energy conservation equipment, and details of technology absorption including benefits derived such as product improvement, cost reduction, or import substitution.¹⁰ While these requirements represented initial recognition of corporate environmental responsibility, they remained limited in scope, lacking specificity on carbon emissions quantification, forward-looking climate risk assessment, or linkage to financial impacts.¹¹

The regulatory landscape evolved significantly with SEBI's introduction of the Business Responsibility Report in 2012, which mandated sustainability disclosures for the top 100 listed

⁷ Companies Act, 2013, No. 18 of 2013, § 134 (India).

⁸ Task Force on Climate-Related Financial Disclosures, Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017).

⁹ Companies (Accounts) Rules, 2014, Rule 8(3) (India).

¹⁰ *Id.*

¹¹ Government of India, Press Release, India is committed to achieve the Net Zero emission target by 2070 (Sept. 27, 2023), <https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1961797>.

entities based on a principle-based framework. This was subsequently expanded to the top 500 listed entities, but remained largely qualitative and allowed considerable flexibility in reporting, resulting in limited comparability across companies. Recognizing these limitations and aligning with global sustainability disclosure trends, SEBI replaced the Business Responsibility Report with the more comprehensive BRSR framework through Circular No. SEBI/HO/CFD/CMD-2/P/CIR/P/2021/562 dated May 10, 2021. The BRSR framework, applicable from financial year 2022-23, is structured across three sections: general disclosures covering company profile and materiality assessment; management and process disclosures detailing policies, implementation mechanisms, and stakeholder engagement; and principle-wise performance disclosures providing quantitative metrics across nine principles aligned with the National Guidelines on Responsible Business Conduct.

A significant advancement came in July 2023 when SEBI introduced the BRSR Core through amendments to the Listing Obligations and Disclosure Requirements Regulations, 2015.¹² The BRSR Core identifies a subset of key performance indicators deemed material from an investor perspective, covering critical ESG attributes including greenhouse gas emissions intensity, water usage intensity, gender diversity in leadership, employee well-being metrics, and board oversight of sustainability matters.¹³ Initially, SEBI mandated that the top 150 listed entities obtain reasonable assurance on BRSR Core disclosures from independent competent agencies starting from the financial year 2023-24, with phased expansion to the top 1,000 entities. However, following recommendations from an expert committee constituted to facilitate ease of doing business, SEBI modified this requirement in December 2024 through Circular No. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2024/177, replacing the term "assurance" with "assessment" and providing listed entities the option to choose between assessment or assurance for BRSR Core verification, thereby reducing compliance costs while maintaining data quality objectives.¹⁴

Additionally, SEBI introduced value chain disclosure requirements on a comply-or-explain basis from the financial year 2024-25 for the top 250 listed entities.¹⁵ These disclosures require

¹² Securities and Exchange Board of India, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

¹³ *Id.*

¹⁴ Securities and Exchange Board of India, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

¹⁵ Securities and Exchange Board of India, Industry Standards on Reporting of BRSR Core, Circular No. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2024/177 (Dec. 19, 2024).

companies to report ESG metrics for their upstream and downstream partners, cumulatively comprising 75% of purchases or sales by value, recognizing that significant environmental and social impacts occur beyond a company's direct operations. Limited assurance on value chain disclosures is required on a comply-or-explain basis from the financial year 2025-26.¹⁶ Despite these progressive developments, the BRSR framework exhibits several structural limitations that constrain its effectiveness in ensuring comprehensive climate accountability, as analyzed in subsequent sections of this paper.

JUDICIAL EVOLUTION OF ENVIRONMENTAL AND CLIMATE ACCOUNTABILITY

Indian courts have been very instrumental in promoting corporate environmental liability by judicial activism, especially with reference to public interest litigation under Article 32 and Article 226 of the Constitution of India.¹⁷ The Supreme Court has always expanded the definition of the basic right to life in Article 21 to the right to a healthy environment, making the foundational principles that underpin the modern climate accountability discourse. The Polluter Pays principle, Precautionary principle, and the doctrine of sustainable development have been judicially accepted as a part of Indian environmental jurisprudence that forms a normative framework which goes beyond statutory provisions.¹⁸

M.C. Mehta v. Union of India is a landmark case, the Taj Trapezium case, in which the Supreme Court directed the removal of the industries that used coal and coke in the Taj Trapezium Zone to avoid the degradation of the Taj Mahal caused by pollution.¹⁹ The Court has placed cultural heritage and environmental protection above industrial interests and has used the precautionary principle and required industries to either use natural gas or move elsewhere, indicating that the judiciary is ready to place heavy compliance costs on corporations to protect the environment.²⁰ This case has set a precedent that economic interests may be subordinated to environmental interests in case of a threat to ecological or cultural assets of national value.

The National Green Tribunal, which was created under the National Green Tribunal Act, 2010,

¹⁶ Id.

¹⁷ Environmental Laws in India: Key Acts, Cases & Impact, FINOLOGY BLOG (Nov. 21, 2025), <https://blog.finology.in/constitutional-developments/environmental-laws-in-india>.

¹⁸ Id.

¹⁹ Supra note at 4.

²⁰ Id

has also institutionalized environmental adjudication by giving environmental disputes a special court and imposing heavy penalties against breaches²¹. Section 15, read with Section 17, gives the Tribunal powers to direct restitution of property and compensation to the victims of environmental damage.²² In recent rulings, the NGT is shown to be on the offensive: in February 2026, the Western Zone Bench of Pune fined a developer 7.36 crore in environmental compensation due to the operation of a large-scale residential project without mandatory environmental clearance, consent to establish, and consent to operate authorization by the Maharashtra Pollution Control Board. In the same way, the NGT fined the Punjab government with the penalty of 1,000 crore, if the government did not manage solid and liquid waste according to Solid Waste Management Rules, 2016 and the provisions of the Environment (Protection) Act, 1986; and calculated the penalty with regard to environmental fines in six months over five point three eighty-seven million tons of waste mishandling.²³

Although these judicial interventions have shown strong enforcement of environmental laws, most of them have been geared towards pollution management, waste management, and site-specific ecological restoration, as opposed to disclosure of carbon risk systemically and adherence to ESG reporting. None of the landmark judgments directly concern the liability of corporations in respect of making erroneous or incomplete ESG disclosures and no court has construed the fiduciary obligations of directors under Section 166 of the Companies Act, 2013 to mean that they include oversight of climate risks.²⁴ The use of the polluter pays principle is largely retrospective, and it provides penalties against the past environmental harm instead of requiring forward-looking climate risk assessment and disclosure. Such a judicial gap replicates the legal vacuum in general in the connection between corporate climate responsibility and investor protection and capital market integrity where SEBI regulatory framework functions but lacks enforcement mechanisms.²⁵

Further, the recent regulatory threats by SEBI about greenwashing in manufacturing and automotive industries point to the fact that the application of the regulations is mostly a matter of administrative rather than a court-level consideration. In January 2025, a SEBI Whole Time

²¹ National Green Tribunal Act, 2010, No. 19 of 2010 (India).

²² *Id.*

²³ NGT Imposed Penalty on State Govt of Punjab, DRISHTI IAS (Aug. 30, 2024), <https://www.drishtias.com/daily-updates/daily-news-analysis/ngt-imposed-penalty-on-state-govt-of-punjab>.

²⁴ Environment (Protection) Act, No. 29 of 1986 (India).

²⁵ SEBI, Business Responsibility and Sustainability Reporting (BRSR), Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (May 10, 2021).

Member wrote about the issue of greenwashing by the Indian firms, pointing to cases in which the environmental claims in the BRSR disclosures were not supported by the corresponding operational changes or were negated by the ongoing environmental violations.²⁶ These observations have not, however, been converted into sanctions, penalties, and judicial enforcement measures, indicating the lack of connection between regulatory identification of non-compliance and significant accountability procedures. Such enforcement gap requires legislative measures to establish certain statutory solutions and penalties to breaches of ESG disclosure as further explained later.²⁷

LEGAL FRAMEWORK GOVERNING CARBON RISK DISCLOSURE

The existing legal system of the carbon risk disclosure in India can be defined by the fragmentation of the regulations, where the requirements are divided into securities regulation, company law, environmental regulations, and industry-specific requirements, which lead to redundancy of the requirements and blanketing of the enforcement. The major disclosure mechanism is based on the BRSR framework of Regulation 34(2)(f) of the Listing Obligations and Disclosure Requirements Regulations, 2015, which lists entities that are required to prepare sustainability reports involving environmental parameters such as greenhouse gas emissions, energy usage, water usage, and waste generation. BRSR requires quantitative reporting of Scope 1 emissions, which are direct greenhouse gas emissions of sources owned or controlled by the company, and Scope 2 emissions, which are indirect emissions generated through the generation of purchased electricity, heat, or steam that is used by the company.

The disclosures of Scope 1 and Scope 2 are categorized as key indicators in BRSR Core on the top 1,000 listed companies, and companies are required to disclose the aggregate amount of emissions in metric tonnes of carbon dioxide equivalent, intensity of emissions per rupee of turnover and the year-on-year changes.²⁸ The measures give a transparency of the direct carbon footprint of a company. Nonetheless, the Scope 3 emissions, which include all the indirect emissions that take place in the value chain of a company such as the upstream emissions of the goods and services that the company purchases, the transport emissions, and the

²⁶ The Companies Act, 2013, No. 18, Acts of Parliament, 2013 (India).

²⁷ Institute of Chartered Accountants of India, *Background Material on Sustainability, Business Responsibility & Sustainability Reporting (BRSR) — Revised Edition 2024* (2024), <https://sustainability.icai.org/wp-content/uploads/2025/06/Background-Material-on-Sustainability-Business-Responsibility-Sustainability-Reporting-BRSR-Revised-Edition-2024.pdf>

²⁸ Energy Conservation Act, No. 52 of 2001 (India).

downstream emissions of the products used and treated at the end of their life, are still considered as leadership indicators. Leadership indicators are voluntary reports that companies can make to reflect their best practices in sustainability, but are not required to be compliant with BRSR.²⁹ This classification is a major setback to the comprehensiveness of carbon disclosure as the Scope 3 emissions often form the major part of the total carbon footprint of the company, especially in industries where the supply chain and product lifecycle emissions far surpass the operational emissions such as consumer goods, automotive, and technology.

This gap is partially filled by the phased introduction of value chain disclosures starting with financial year 2024-25 which imposes on the top 250 listed entities the reporting of ESG metrics of key upstream and downstream partners that represent 75% of purchases or sales by value on a comply-or-explain basis. Nonetheless, this is not a prerequisite of full Scope 3 emissions quantification of all value chain categories as outlined under the Greenhouse Gas Protocol Corporate Value Chain Accounting and Reporting Standard. Firms have the liberty to decide which value chain partners to incorporate and are free to justify non-compliance without any penalty, which brings ambiguity in terms of comparability and completeness.

A complementary disclosure requirement is given in section 134(3)(m) of the Companies Act, 2013, which is that the directors report must contain information about conservation of energy, technology absorption and foreign exchange earnings and outgo. This requirement is expounded in rule 8(3) of the Companies (Accounts) Rules, 2014, which requires that steps that are taken to conserve energy, the use of alternative sources of energy and investment in energy conservation equipment be disclosed.³⁰ But it is pre-modern in its various aspects and lacks any particularity in terms of greenhouse gas emissions measurement procedures, carbon intensity measures, climate-related financial risks, or its correspondence to science-based targets. Lack of clear carbon disclosure provisions in the main law indicates that the BRSR framework of SEBI is done under the subordinate regulations, which can be easily subject to regulatory discretion and can hardly be enforced by the statutory sanction.³¹

The general framework of pollution control and environmental compliance is given under the Environment (Protection) Act, 1986, and related regulations, which enable the Central

²⁹ United Nations Environment Programme (UNEP), *Emissions Gap Report 2022* (2022), <https://www.unep.org/resources/emissions-gap-report-2022>.

³⁰ Securities and Exchange Commission, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, 87 Fed. Reg. 21,334 (Apr. 11, 2022) (proposed rule), RIN 3235-AM87.

³¹ TCFD, *Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures* (2017).

Government to specify the emissions standards and environmental quality standards, and parameters.³² The Act empowers the authorities to make orders to close, prohibit or control any industry that contaminates the environment, and Section 15 specifies the penalties, such as imprisonment and fines, in case of violation.³³ Nonetheless, the Act does not require prospective climate risk evaluations, statements of transition plans to low-carbon activities, and inclusion of climate factors to corporate financial reporting. Therefore, although companies are liable to go beyond the pollution levels or to engage in business without environmental licenses, the companies are not mandated by statutes to disclose the financial risks pertaining to climate that can affect the valuation of assets, business continuity or business planning.

Interestingly, in financial year 2025-26 the Reserve Bank of India has unveiled a separate Disclosure Framework on Climate-Related Financial risks to regulated entities, which mandate banks and financial institutions to make qualitative disclosures on governance structures to manage climate risks, approach to managing climate risks and opportunities, risk management process that incorporates climate considerations, and measurements and targets to measure climate-related impacts.³⁴ This framework is directly consistent with the recommendations of the Task Force on Climate-related Financial Disclosures, as it uses a four-pillar structure that includes governance, strategy, risk management, and metrics, but it is limited to financial sector participants, and the climate risk disclosure requirements are more stringent for financial institutions than for the companies they fund. This regulatory asymmetry makes it difficult to determine the climate risk of borrowers because they do not receive the same disclosure requirements, especially when the borrower is not a listed company or an unlisted company that may not be covered by the BRSR framework.³⁵

IDENTIFIED LEGAL GAPS IN ESG REPORTING AND CARBON DISCLOSURE

Although there has been a positive shift in the ESG disclosure framework in India, the current framework has a number of significant legal loopholes that compromise its ability to uphold full climate responsibility and provide quality information to the investors and other stakeholders. These gaps can be classified in four dimensions, i.e., scope limitations, lack of

³² Environment (Protection) Act, 1986, No. 29 of 1986 (India).

³³ *Id.*

³⁴ Reserve Bank of India, Disclosure Framework on Climate-Related Financial Risks (Feb. 2024).

³⁵ Kamal Garg, BRSR vs Directors Report Inconsistencies: SEBI Compliance Risks (Dec. 4, 2025), https://www.linkedin.com/posts/kamalgargca_sebi-brsr-csr-activity-7402755307036418049-UyYs.

enforcement, inadequate assurance and lack of regulatory fragmentation.

Scope Limitations: Voluntary Scope 3 Emissions and Absence of Scenario Analysis

The fact that Scope 3 emissions are treated as leadership indicators, as opposed to a mandatory disclosure, is a core weakness in carbon accountability. The Scope 3 supply chain emissions, product delivery, worker travel, business travel, product use, and disposal of end-of-life products contribute 70-90 percent of overall carbon footprint in most companies, especially in manufacturing, consumer goods and technology industries. These disclosures are voluntary, thus giving BRSR a biased view of the climate impact of the company, as it allows companies to report only a portion of their climate impact. The gradual disclosure of the value chain requirement partially covers the upstream and downstream effects of the partners, yet does not require full Scope 3 quantification in all the fifteen categories identified in the Greenhouse Gas Protocol. Besides, the comply or explain mechanism allows non-disclosure with no substantive reasons or penalties, which allows companies to postpone reporting indefinitely.

Also, BRSR does not include the need to perform forward-looking scenario analysis to the extent to which climate-related risks and opportunities can influence the company strategy, financial planning, and business model resiliency in various climate scenarios, including compatibility with 1.5-degree or 2-degree warming trajectories. International initiatives such as the Task Force on Climate-related Financial Disclosures clearly suggest scenario analysis to help investors to comprehend the possibilities of financial effects of transition policies, physical climate risks, and technological disruptors. The lack of such future disclosures in Indian regulation implies that businesses will not have to describe how they will manage the shift to a low-carbon economy, estimate risks of stranded assets, or position capital allocation in accordance with climate objectives.³⁶

Enforcement Deficits: Absence of Statutory Penalties and Greenwashing Proliferation

The absence of meaningful penalties in case of inaccurate, incomplete, or misleading ESG disclosures is probably the most important gap of all. Theoretical punishment provisions of non-compliance with SEBI rules and regulations can be found in Section 15 of the Securities and Exchange Board of India Act, 1992, but the history of imposing fines on BRSR breaches is poor. The comply-or-explain feature of BRSR allows companies to avoid some disclosure

³⁶ Changjiang Zhang, Sihan Zhang, Ye Yang, Zhepeng Zhou, *The Impact of Carbon Risk on Corporate Greenwashing Behavior: Inhibition or Promotion? Sustainability*, 17(22), 10188 (2025)
<https://doi.org/10.3390/su172210188>

by giving an explanation, but regulatory practice has not yet provided any clear standards of what may be considered to be an acceptable explanation and what may be considered an inadequate justification. This lax system has created a culture of mindless obedience as opposed to meaningful responsibility.

Assurance Inadequacies: Phased Implementation and Profession-Agnostic Standards

The BRSR framework method of third-party assurance has severe weaknesses in data reliability and credibility. In line with the suggestions given by the expert committee on ease of doing business, SEBI substituted compulsory reasonable assurance with optional assessment or optional assurance of the financial year 2024-25, enabling companies to make a choice between these levels of verification. Although this flexibility will lower compliance costs it will negatively affect comparability and can lead to different levels of data quality across companies, as some will choose strict assurance and others will choose less intensive assessment.

Moreover, the value chain disclosures need a minimum assurance, which gives moderate confidence that the information is plausible but not all material misstatements, and will only be required in the financial year 2025-26 on a comply or explain basis. The voluntary and slow aspect of value chain assurance is that a significant part of the carbon footprint reporting will not be verified until many years later, continuing information asymmetry between companies and investors.³⁷

Regulatory Fragmentation: Inconsistency Across Disclosure Documents

The allocation of ESG-related disclosure requirements in various regulatory frameworks, i.e. BRSR by SEBI, directors reports under Companies Act, disclosures on corporate social responsibility under Section 135 and environmental compliance reporting under pollution control laws has created inconsistencies, redundancy, and gaps. The latest regulatory observations have raised concerns of discrepancies between employee data reported in BRSR and information reported in directors reports, lack of consistency in corporate social responsibility expenditure reporting between BRSR and annual reports, and mismatches

³⁷ Dr. Monica Kharola, Surbhi Goyal, Dr. Surya Saxena, *Mandatory ESG Reporting in India: Legal Obligations and Management Strategies*, 2(2) *J. Marketing & Social Research* 167-177 (2025), <https://www.jmsr-online.com/article/mandatory-esg-reporting-in-india-legal-obligations-and-management-strategies-63/>

between environmental performance claims in BRSR and actual compliance status reported by pollution control authorities.³⁸

Further, the lack of compulsory integration of financial reporting and sustainability reporting implies that significant ESG risks do not necessarily appear in the financial statements, the management discussion and analysis sections and risk management disclosure, which are obligatory under Regulation 34 of LODR. This division continues to foster the view that ESG issues are non-financial and non-core to business valuation, which goes against international acceptance of climate and sustainability risks as significant financial risks.³⁹ The issuance of IFRS S1 on General Requirements of Disclosure of Sustainability-related Financial Information and IFRS S2 on Climate-related Disclosures by the International Sustainability Standards Board sets the world-wide baseline standards of sustainability reporting which are explicitly linked to financial reporting, disclosing sustainability-related risks and opportunities which could reasonably be expected to impact on the cash flows of an entity or access to finance or the cost of capital in the short, medium, or long term. The regulatory framework in India has not so far implemented or harmonized with these standards and this reduces the comparability with international counterparts and may influence the decision to invest in foreign institutions.

COMPARATIVE ANALYSIS: GLOBAL CLIMATE DISCLOSURE STANDARDS

In order to frame the regulatory gaps in India, it is also educative to look at the current global climate disclosure frameworks that have come up with more rigorous and enforceable standards. European Union The Corporate Sustainability Reporting Directive that became effective in January 2023 will impose sustainability reporting on some 50,000 companies located in the EU where disclosure of environmental impacts, social and employee issues, human rights, anti-corruption, and bribery are required, and sustainability information must be assured by an independent auditor.⁴⁰ The CSRD is categorically in line with the European Sustainability Reporting Standards prepared by the European Financial Reporting Advisory Group which stipulates both the financial materiality (the extent to which sustainability issues have an impact on the financial performance of the company) and impact materiality (the extent

³⁸ Silvia Regina Fergoni, *Can ESG Culture Be Acquired? Essays on Corporate Culture, Governance, and Sustainability Transformation*, (UC Berkeley, 2025), <https://escholarship.org/content/qt7h2750w1/qt7h2750w1.pdf>

³⁹ Intergovernmental Panel on Climate Change, Sixth Assessment Report (2022), <https://www.ipcc.ch/assessment-report/ar6/>

⁴⁰ Directive 2022/2464, of the European Parliament and of the Council of 14 December 2022 on Corporate Sustainability Reporting, 2022 O.J. (L 322) 15.

to which the activities of the company have an impact on the society and environment). The CSRD is applicable to EU companies and also to non-EU companies that have substantial operations in the EU, which have extraterritorial impacts that can impact indirectly on the disclosure practices of Indian companies operating in the European markets.⁴¹

In the United Kingdom, in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2022, mandatory disclosure of climate-related financial information was established by requiring publicly traded companies, large private companies, and limited liability partnerships to disclose such information in accordance with the TCFD recommendations. These will involve the governance arrangements relating to the evaluation and management of climate-related risks and opportunities, the actual and potential effects of climate-related risks and opportunities on business strategy and financial planning, the process of identifying, evaluating, and managing climate-related risks, and measures and targets to evaluate and manage climate-related risks. The UK framework is a part of the company law, where failure to comply may result in the directors being liable in filing incomplete strategic report.⁴²

In March 2022, the United States Securities and Exchange Commission proposed a full set of climate disclosure regulations, which were later revised in 2024, and requiring registrants to disclose material climate-related risks, greenhouse gas emissions (Scope 1, Scope 2, and material Scope 3), climate-related targets and goals, and governance and control of climate-related risks. Although the ultimate regulations have been challenged in the courts and encountered delays in enforcement, they are an US regulatory method of incorporating climate reporting in the already existing securities legislation frameworks that govern materiality and investor protection. The disclosure of the materiality with emphasis on materiality as prescribed by SEC is not the same as the 2-materiality approach in the EU but supports the idea that the climate risks that have the potential to affect the finances of the company should be provided to the investors.⁴³

⁴¹ Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023, *Supplementing Directive 2013/34/EU as Regards Sustainability Reporting Standards*, 2023 O.J. (L 159) 1.

⁴² United Kingdom Department for Business, Energy & Industrial Strategy, *Mandatory Climate-Related Financial Disclosures by Publicly Quoted Companies, Large Private Companies and LLPs* (Feb. 3, 2022), <https://assets.publishing.service.gov.uk/media/62138625d3bf7f4f05879a21/mandatory-climate-related-financial-disclosures-publicly-quoted-private-cos-llps.pdf>

⁴³ Dr Aron Vallinder, Evan Farbstein, What the SECR is, who it applies to, and when you need to comply by, Normative (2024), <https://normative.io/insight/secr-explained/>

IMPLICATIONS FOR STAKEHOLDERS AND INVESTOR CONFIDENCE

The legal loopholes detected have serious consequences to various stakeholder groups such as investors, regulators, civil society and corporations themselves. To institutional investors, especially foreign institutional investors which form a significant percentage of capital market participants in India, poor and unverified climate disclosures will cause information asymmetry which would hamper the process of making investment decisions. The increasing use of ESGs in asset management decisions concerning portfolio construction, risk assessment, and stewardship activities is motivated by client mandates, fiduciary obligations, and awareness of the importance of climate risks as material to long-term returns. Lack of such detailed Scope 3 disclosures makes it difficult to assess accurately the value chain risks, especially in the sectors that are vulnerable to disruption in the supply chains, fluctuation of commodity prices or regulatory shifts that may impact on suppliers on the upstream or the customer on the downstream.⁴⁴

Civil society groups and environmental activists see the poor climate disclosure as facilitating on-going business of high emission models, which are not in line with the India climate commitments and international community to reduce warming to 1.5 degrees Celsius. The lack of transparency impedes the accountability of the population, restricts the possibility of engaging stakeholders in the corporate climate strategies, and decreases the pressure on boards and management to focus on decarbonization. Without compulsory disclosure, the civil society has to do with voluntary corporate reporting, third-party studies, or investigative news to evaluate the performance of corporate climate, and this creates information inequalities between large corporations, small business, and their readiness to engage in open disclosure.⁴⁵

In the case of corporations, regulatory flexibility can lower short term compliance costs, but poses reputational risks, competitive disadvantages in global markets, and can expose them to liability. Multinational companies have to deal with multiplicity of disclosure requirements and

⁴⁴ Professor Dr Madhuri Parikh, *Global Perspectives on Corporate Climate Legal Tactics: India National Report, v.1*, British Institute of International & Comparative Law (BIICL) (2024), https://www.biicl.org/documents/12168_global_perspectives_on_corporate_climate_legal_tactics_-_india_national_report_v1.pdf

⁴⁵ Mithilish Gidage, *Exploring the impact of diversity, equity and inclusion on ESG performance: evidence from Indian organizations* (Benchmarking: An International Journal, 2025) <https://www.emerald.com/bij/article-abstract/doi/10.1108/BIJ-11-2024-1009/1297039/Exploring-the-impact-of-diversity-equity-and?redirectedFrom=fulltext>.

companies that comply with the less stringent India standards would struggle to obtain green financing, be included in sustainability indices, or satisfy supply chain sustainability criteria imposed by multinational clients. Additionally, lax disclosure standards allow other firms to compete in greenwashing with impunity, and there is a race to the bottom where real sustainability pioneers are not differentiated and rewarded accordingly. Companies that have a progressive position of pushing stricter regulation are pressured by laggards enjoying the lax application.

REFORM RECOMMENDATIONS FOR ENHANCED CLIMATE ACCOUNTABILITY

To mitigate the identified legal loopholes, the solution must be multifaceted, which means that not only legislative changes are necessary, but also regulatory ones to improve, as well as institutional capacity building, and stakeholder involvement. The recommendations as follows give a road map on how to enhance the corporate climate accountability framework in India.

Statutory Integration of ESG Disclosure Obligations

It would be more firmly grounded in the law to amend the Companies Act, 2013 with the express requirement of disclosure of climate risk and ESG reporting, as opposed to the existing use of securities regulations. Section 134 might be revised to mandate directors reports to list quantitative greenhouse gas emissions in all scopes, climate-related financial risks and opportunities evaluated by scenario analysis, outline of transition plans to alignment with the net-zero commitment in India and sectoral decarbonization pathways, and board control systems in managing climate risks. Incorporating these requirements into primary legislation would expose non-compliance to statutory fines under Section 134(8), which currently offers fines ranging between Rs. 50,000 and Rs. 25,00,000 to directors who are not complying with the requirements of Section 134, but the fines would require considerable bolstering to offer any meaningful deterrence to listed companies with significant market capitalizations.

Mandatory Scope 3 Emissions Disclosure with Phased Implementation

It is important to reclassify Scope 3 emissions as leadership indicators as essential indicators under BRSR Core to achieve full transparency of carbon footprint. The identification of implementation issues concerning data availability, data measurement methods, and value

chain engagement could make a gradual approach a compulsory requirement to first impose disclosure of material Scope 3 categories, based on sector-specific materiality assessments. To illustrate, the two categories most often significant to manufacturing and consumer goods industries are Category 1 (Purchased Goods and Services) and Category 11 (Use of Sold Products), but the service industries might have Category 3 (Fuel and Energy-Related Activities) and Category 6 (Business Travel). SEBI might come up with industry-specific guidance documents that define material Scope 3 categories with relevant quantification methodology and data quality measures that allow consistent reporting even though data is limited.⁴⁶ A three-year implementation schedule with gradual increase in Scope 3 categories would enable the companies to build measurement capacity and involve their partners in the value chain to collect data.

Strengthening Enforcement Mechanisms and Penalties

It is vital to set up strict repercussions against the violation of ESG disclosures to act as a deterrent to greenwashing and comply. SEBI may revise LODR Regulations to indicate graded sanctions on violations of BRSR, such as financial fines according to company size or market capitalization of misplaced disclosures, failure to get necessary assurance, or non-disclosure without reasonable explanation. In the case of egregious breaches of intentional misrepresentation, directors might be personally liable under Section 166 of the Companies Act, 2013, which provides fiduciary responsibilities such as acting in the best interests of the company and using due care, skill and diligence. The judicial readings may help to explain that the role of directors should include climate risks oversight because they are material to business sustainability in the long term, and the shareholders can also engage in a derivative action or file a lawsuit against directors due to the lack of climate governance.

Mandatory Third-Party Assurance with Prescribed Standards

Going back to mandatory reasonable assurance in BRSR Core and flexibility in the qualification of assurance providers would increase the credibility of data. SEBI could either recommend international assurance standards to be adopted (like ISAE 3000 (Revised) general ESG assurance and ISAE 3410 greenhouse gas emissions assurance) or consider India-specific assurance standards by professional accounting bodies and sustainability experts in conjunction

⁴⁶ Central Consumer Protection Authority, *Draft Guidelines for Prevention and Regulation of Greenwashing* (Feb. 2024).

with the Institute of Chartered Accountants of India. The standards of assurance must provide scope of verification procedures, materiality levels, evidence requirements, and the form of reporting, so that there is uniformity as far as assurance providers are concerned, irrespective of their professional background.

In the case of value chain disclosures, limited assurance must become both compulsory and not flexible in terms of comply-or-explain due to the materiality of Scope 3 emissions. The reasonable assurance may be gradually introduced within the next five years as the data systems of the value chain will become more mature. Also, it would be a good idea to make assurance providers reveal their verification procedures, constraints faced, and data quality measurements in publicly issued assurance reports, as this would increase transparency and allow investors to gauge the reliability of assured information.

Harmonization Across Regulatory Frameworks

Regulatory fragmentation would be solved by developing an inter-ministerial coordination mechanism that would include SEBI, Ministry of Corporate Affairs, Ministry of Environment Forest and Climate Change, Reserve Bank of India, and Insurance Regulatory and Development Authority. This body may come up with standardized ESG reporting principles that can be used by all firms in both company law, securities regulation, banking supervision, and environmental compliance, making it unnecessary to record inconsistencies and redundant reporting principles. Ministry of Corporate Affairs may also align directors requirement of report as under Section 134 with BRSR framework in order to create coherence whereas SEBI and RBI may synchronize their respective climate disclosure frameworks to create consistent expectations of both financial and non-financial corporations.

Also, the requirement of integrated reporting, where a clear linkage between financial reporting and sustainability reporting would be a strong continuation of the materiality of ESG factors. On the basis of the International Integrated Reporting Framework, SEBI might insist that listed companies should incorporate a connectivity statement in their annual reports to explain how disclosed sustainability metrics were linked to financial performance, risks as reflected in financial statements, and decisions on capital allocation.

Adoption of TCFD-Aligned Climate Risk Disclosure

Clearly matching BRSR requirements to those of the Task Force on Climate-related Financial

Disclosures would improve international comparability and utility to investors. The disclosure required by SEBI may be based on the four pillars of TCFD, which are governance, strategy, risk management and metrics and targets where companies are required to explain how board members manage climate risks, how management assesses and manages climate risks, material climate-related risks and opportunities in the short, medium and long term, the impact of climate risks on business strategy and financial planning, processes by which companies identify and mitigate climate risks, and metrics by which companies assess climate risks such as greenhouse gas emissions and climate-related targets. More importantly, high emitting industry such as power generation, steel, cement, oil and gas, chemicals and transportation must be obliged to conduct scenario analysis to reveal the resilience of their strategy in various climate scenarios like orderly transition in line with 1.5 degrees, disorderly late policy action, and physical risk-dominated outcome.

Capacity Building and Technical Guidance

The regulators should focus on capacity building initiatives because many companies, especially the listed entities which are mid-sized, do not have the technical skills to account the greenhouse gases, assess climate risks, and report on the sustainability. SEBI and the Ministry of Corporate Affairs might design extensive guidance documents on the methodologies of emissions quantification in line with the Greenhouse Gas Protocol, materiality analysis tailored to the specific sector of the Scope 3 categories, scenario analysis frameworks that are adjusted to the Indian policy environment and industry features, and ESG metrics data management systems. Provision of training programs, workshops and online resources would ease compliance as well as increase quality of disclosures. Further, peer learning and standardization should be encouraged by encouraging the industry associations to come up with sector-specific best practice guides.

Stakeholder Engagement and Public Disclosure

Increasing the stakeholder access to ESG disclosures would increase accountability mechanisms. SEBI can create a centralized and searchable public database of BRSR reports, assurance statements, and compliance status, which will allow investors, researchers, and civil society to make comparative analyses and monitor corporate climate performance over time. This would be comparable to the EDGAR database that is kept by US Securities and Exchange Commission which makes transparency and public examination easier. Furthermore, by

obligating businesses to release plain-language climate summaries that non-technical people can understand, a democracy on climate information would be established and more stakeholders involved such as employees, customers, and other affected communities.

CONCLUSION

The issue of corporate climate responsibility in India is on the edge of the precipice. The implementation of the BRSR framework by SEBI is a big step towards regulatory advancement, as it has defined standard requirements in ESG disclosure among the largest listed companies in India and has formed a minimum level of transparency on environmental, social, and governance performance. Nevertheless, as this discussion shows, there are still significant legal loopholes in the areas of scope, enforcement, assurance, and regulatory coordination, which compromise the framework to provide true accountability and trustworthy information on investment decision-making. The combination of Scope 3 emissions being voluntary, no statutory law against greenwashing, and the assurance being postponed and voluntary, plus the fragmentation of regulatory instruments together, creates a regulatory context that entails symbolic disclosure rather than actual accountability.

The material implications of these gaps are that India is working towards its net-zero commitment by 2070 and wants to be a destination of sustainable investment and green capital. Poor climate reporting undermines investor trust, facilitates greenwashing which disinvests capital, makes it difficult to monitor systemic risk by financial authorities and also allows the perpetuation of unsuitable high-emission business models that are incompatible with global climate goals. Moreover, divergence from emerging international standards including the EU's Corporate Sustainability Reporting Directive, TCFD recommendations, and IFRS Sustainability Disclosure Standards risks marginalizing Indian companies from global capital markets and sustainable supply chains.

The reform recommendations outlined in this paper provide a pathway toward robust climate accountability through statutory integration of disclosure obligations, mandatory Scope 3 reporting with phased implementation, strengthened enforcement mechanisms including specific greenwashing penalties, mandatory third-party assurance with prescribed international standards, harmonization across fragmented regulatory frameworks, explicit TCFD alignment including scenario analysis, capacity building initiatives for technical expertise, and enhanced public disclosure infrastructure. These reforms would position India's ESG reporting regime

among global leaders while respecting implementation realities and avoiding excessive compliance burdens on mid-sized companies.

Ultimately, effective corporate climate accountability requires coordination across multiple stakeholders: policymakers must provide clear legislative mandates and inter-ministerial coordination; regulators must prescribe detailed standards and enforce compliance with meaningful penalties; judiciary must interpret directors' duties to encompass climate risk oversight; corporations must invest in data systems, governance mechanisms, and value chain engagement; assurance providers must apply rigorous verification methodologies; and investors must actively utilize ESG disclosures in capital allocation and stewardship. Only through such comprehensive action can India bridge the legal gaps identified in this analysis and establish a climate accountability framework commensurate with the scale of the climate challenge and the ambition of its net-zero commitment. The coming years will be decisive in determining whether India's ESG disclosure regime evolves into a genuine accountability mechanism or remains a symbolic compliance exercise, with profound implications for corporate behavior, investor protection, and India's contribution to global climate action.