
EMBEDDING ESG GOVERNANCE IN INDIAN CORPORATE LAW: BRIDGING DISCLOSURE MANDATES AND GOVERNANCE INTEGRATION

Nakihring Khumlo, School of Law, Christ (Deemed to be University), Bengaluru

ABSTRACT

Environmental, Social, and Governance (ESG) regulation has reshaped contemporary corporate governance by extending oversight beyond financial accountability toward sustainability oriented corporate responsibility.¹ Climate related risks, labour rights failures, supply chain disruption, and ethical misconduct increasingly influence cash flows, cost of capital, and corporate reputation, prompting regulators and investors to demand comprehensive sustainability disclosure.² ESG disclosure frameworks, therefore, seek to internalise environmental and social externalities within corporate decision-making, reframing corporate governance as a mechanism for managing long-term sustainability risks alongside shareholder returns.³

India's Business Responsibility and Sustainability Reporting (BRSR) framework marks a regulatory shift from largely voluntary corporate social responsibility initiatives to mandatory sustainability disclosure embedded within securities regulation.⁴ Introduced by the Securities and Exchange Board of India (SEBI) for the top 1,000 listed entities by market capitalization, BRSR aims to place sustainability reporting on a footing comparable to financial reporting and to align Indian practice with internationally recognised disclosure frameworks.⁵

This article examines BRSR as a disclosure based governance instrument situated within the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR).⁶ Drawing on agency theory, stakeholder governance theory, and institutional compliance scholarship, it conceptualises a persistent mandate–practice gap

¹ Jill E. Fisch, Making Sustainability Disclosure Sustainable, 107 Geo. L.J. 923 (2019).

² "The Importance of ESG in Corporate Governance," Corporate Finance Institute (Oct. 6, 2023).

³ George Serafeim, The Role of Corporate Purpose and Governance in Creating Long Term Value, 74 J. Applied Corp. Fin. 8 (2022).

⁴ Securities & Exch. Bd. of India, Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562, Business Responsibility and Sustainability Reporting by Listed Entities (May 10, 2021).

⁵ KPMG in India, Mandatory BRSR Reporting for Top 1,000 Listed Entities – First Notes (June 2021).

⁶ Companies Act, No. 18 of 2013, §§ 134, 166 (India); Securities & Exch. Bd. of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, regs. 4, 17, 21, 30.

between ESG reporting requirements and substantive governance integration.⁷ Through doctrinal analysis and comparative assessment of ESG regulatory models in the European Union and the United States, the article evaluates the governance effectiveness of BRSR.⁸ It argues that while BRSR has standardised sustainability disclosure for Indian listed companies, structural limitations of disclosure centric regulation and institutional capacity constraints impede its capacity to embed ESG considerations within board oversight, enterprise risk management, and executive accountability.⁹ The article proposes multi level reforms at regulatory, firm, and market ecosystem levels aimed at transforming ESG disclosure from procedural compliance into an integrated corporate-governance architecture capable of influencing corporate strategy and long-term value creation.¹⁰

Keywords: ESG Governance, Business Responsibility and Sustainability Reporting (BRSR), Indian Corporate Law, Sustainability Disclosure, Stakeholder Governance, SEBI LODR Regulations, Corporate Board Oversight.

I. Introduction

ESG regulation has emerged as a central feature of contemporary corporate governance by broadening the scope of regulatory concern from short term financial performance to long-term sustainability risks.¹¹ Global debates on climate change, just transitions, human rights due diligence, and business and human rights have highlighted how corporate externalities can translate into material legal, reputational, and operational risks.¹² As a result, regulators increasingly view sustainability disclosure not as peripheral CSR communication but as core market relevant information that investors require to allocate capital efficiently.¹³

Corporate governance scholarship initially developed in response to the separation of ownership and control in widely held corporations.¹⁴ Berle and Means famously demonstrated that dispersed shareholding confers substantial discretion on professional managers, creating a

⁷ OECD, *ESG Investing and Sustainability in Emerging Markets* (2022).

⁸ "Regulatory Shifts in ESG: What Comes Next for Companies?", *Harv. L. Sch. F. on Corp. Governance* (Apr. 11, 2025).

⁹ EY India, *BRSR Reporting and the Evolving ESG Landscape in India* (July 6, 2025).

¹⁰ Neeti Niyaman, *ESG Compliance in India 2025: SEBI BRSR & CSR Rules* (Sept. 16, 2025).

¹¹ "An Overview of ESG Towards Better Corporate Governance," *iPleaders Blog* (Apr. 26, 2024).

¹² "ESG Criteria in 2025: An Inevitable Transformation or a Strategic Opportunity for Companies?," *Global Law Experts* (July 21, 2025).

¹³ "Master BRSR Reporting: India's ESG Guide for Leaders," *Arbor* (May 19, 2025).

¹⁴ Brian R. Cheffins, *The Rise and Fall (?) of the Berle-Means Corporation*, *Harv. L. Sch. F. on Corp. Governance* (Aug. 6, 2018).

need for governance mechanisms that align managerial behaviour with shareholder interests.¹⁵ Agency theory later refined this insight by conceptualising the corporation as a nexus of contracts characterised by information asymmetry between managers and shareholders.¹⁶ Disclosure obligations and securities law regimes were justified on the basis that they reduce information asymmetry, mitigate agency costs, and allow investors to monitor management.¹⁷ ESG disclosure frameworks extend this logic by requiring firms to report on non-traditional risk categories such as climate exposure, human capital management, and governance integrity that can affect long term enterprise value.¹⁸

Stakeholder governance theory challenges the narrow shareholder primacy paradigm by positing that corporations are institutions embedded in broader social and environmental systems whose legitimacy and long term success depend on their treatment of multiple stakeholder groups.¹⁹ Under this view, boards must consider employees, consumers, communities, creditors, and environmental stakeholders, rather than focusing exclusively on shareholder wealth maximisation.²⁰ ESG reporting frameworks translate stakeholder theory into regulatory practice by requiring firms to disclose performance across environmental, social, and governance dimensions, allowing a wider range of stakeholders to evaluate corporate conduct beyond financial returns.²¹

India has adopted a distinctive approach to ESG governance through SEBI's introduction of BRSR for the top listed entities.²² The SEBI circular on BRSR, issued in May 2021, expressly states that the new framework is intended to replace the earlier Business Responsibility Report (BRR) and to bring sustainability reporting "at par with financial reporting" by prescribing a detailed format and guidance note for disclosures.²³ By embedding BRSR within SEBI LODR, the regulator has signalled that ESG information is inseparable from the transparency and

¹⁵ Adolf A. Berle & Gardiner C. Means, *The Modern Corporation and Private Property* (1932).

¹⁶ Michael C. Jensen & William H. Meckling, *Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure*, 3 *J. Fin. Econ.* 305 (1976).

¹⁷ *Id.*

¹⁸ "Corporate Governance and ESG: Integrating Ethical Practices for Long-Term Success," *EcoActive Tech* (Dec. 1, 2024).

¹⁹ R. Edward Freeman, *Strategic Management: A Stakeholder Approach* (1984).

²⁰ "Stakeholder Theory of Corporate Governance and Its Implications," *Plutus Research Blog* (Apr. 10, 2025).

²¹ "ESG and Corporate Governance: A Match Made in Heaven?," *Directors' Institute* (Feb. 18, 2024).

²² "Rise & Evolution of ESG Compliance in Indian Corporate Governance," *SCC Online Blog* (Dec. 8, 2025).

²³ Securities & Exch. Bd. of India, Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562, *Business Responsibility and Sustainability Reporting by Listed Entities* (May 10, 2021).

investor protection objectives of securities law.²⁴

The legal significance of BRSR must be located within India's broader corporate governance architecture. Section 166 of the Companies Act, 2013 codifies directors' duties to act in good faith for the benefit of the company, its members, and in express terms the community and the environment.²⁵ SEBI LODR Regulations reinforce these obligations by imposing norms relating to board composition, independent directors, risk management committees, and continuous disclosure of material events.²⁶ BRSR operates at the intersection of these regimes, seeking to convert statutory and regulatory expectations concerning stakeholder and environmental interests into structured, decision useful disclosure for boards and investors.²⁷

The Indian judiciary has repeatedly underscored the centrality of disclosure to securities market integrity.²⁸ In *N. Narayanan v. Adjudicating Officer, SEBI*, the Supreme Court emphasised that non-disclosure and misrepresentation by directors of listed entities undermine investor confidence and constitute serious violations of securities law warranting stringent penalties.²⁹ In *Sahara India Real Estate Corp. Ltd. v. SEBI*, the Court affirmed SEBI's wide powers to design disclosure frameworks necessary for investor protection and market transparency under the SEBI Act and LODR Regulations.³⁰ These decisions reinforce the status of disclosure as a governance mechanism, providing doctrinal support for treating ESG reporting as part of corporate governance regulation rather than soft-law CSR.³¹

Yet emerging practice indicates that BRSR compliance has not consistently translated into embedded ESG governance.³² Sustainability sections of annual reports often foreground policy statements, philanthropic activities, and high level commitments, while providing limited evidence that ESG considerations systematically inform board deliberations, enterprise risk registers, capital allocation decisions, or executive remuneration design.³³ Multiple surveys of Indian ESG reporting point to an emphasis on positive narratives and environmental metrics, with weaker coverage of social and governance indicators and limited linkage to

²⁴ Securities & Exch. Bd. of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, reg. 4.

²⁵ Companies Act, No. 18 of 2013, § 166 (India).

²⁶ SEBI (LODR) Regulations, 2015, regs. 17, 21, 30.

²⁷ "Fiduciary Duty of Director(s) of a Company," Manupatra Academy Legal Post (Dec. 31, 2024).

²⁸ *N. Narayanan v. Adjudicating Officer, SEBI*, (2013) 12 SCC 152 (India).

²⁹ *Id.*

³⁰ *Sahara India Real Estate Corp. Ltd. v. SEBI*, (2013) 1 SCC 1 (India).

³¹ *Id.*

³² EY India, BRSR Reporting and the Evolving ESG Landscape in India (July 6, 2025).

³³ KPMG in India, Business Responsibility and Sustainability Reporting – An Overview (Sept. 2023).

risk-management processes.³⁴ This divergence between regulatory mandate and internal governance practice what this article terms the mandate–practice gap raises critical questions about the effectiveness of disclosure centric ESG regulation in an emerging market context.³⁵

This article argues that BRSR constitutes a significant innovation in Indian corporate governance but is structurally constrained by its reliance on disclosure without sufficiently robust mechanisms to translate reported information into binding governance incentives.³⁶ Using doctrinal analysis and comparative insights from the European Union and the United States, it demonstrates that disclosure based ESG regulation is most effective when integrated with board level accountability, assurance standards, and investor stewardship mechanisms.³⁷ The article concludes by proposing reforms aimed at aligning BRSR with fiduciary duties, risk governance, and incentive structures so that sustainability disclosure can function as a meaningful governance lever rather than a compliance checklist.³⁸

II. Literature Review

1. Modern Corporation and Shareholder Primacy

Berle and Means' seminal work on the separation of ownership and control laid the intellectual foundation of modern corporate governance.³⁹ The authors argued that dispersed shareholding creates managerial autonomy, thereby necessitating governance mechanisms to align management with shareholder interests.⁴⁰ While their analysis focused primarily on financial accountability, it indirectly highlights the governance limitations that ESG frameworks attempt to address.⁴¹ Their shareholder centric framework has been criticised for insufficiently recognising environmental and social externalities generated by corporate activity.⁴² Contemporary ESG scholarship can therefore be viewed as an evolution of the Berle Means

³⁴ "ESG Disclosures: A New Frontier in Combating Corporate Misconduct," Cyril Amarchand Mangaldas Blog (June 23, 2024).

³⁵ OECD, *ESG Investing and Sustainability in Emerging Markets* (2022).

³⁶ EY India, *supra* note 32.

³⁷ Jill E. Fisch, *Making Sustainability Disclosure Sustainable*, 107 *Geo. L.J.* 923 (2019); John C. Coffee, Jr., *Gatekeepers: The Professions and Corporate Governance* (2006).

³⁸ EY India, *supra* note 32; Neeti Niyaman, *ESG Compliance in India 2025: SEBI BRSR & CSR Rules* (Sept. 16, 2025).

³⁹ Adolf A. Berle & Gardiner C. Means, *The Modern Corporation and Private Property* (1932).

⁴⁰ Brian R. Cheffins, *The Rise and Fall (?) of the Berle-Means Corporation*, *Harv. L. Sch. F. on Corp. Governance* (Aug. 6, 2018).

⁴¹ *Id.*

⁴² Martin Gelter, *Shareholderism Versus Stakeholderism – A Misconceived Contradiction*, 46 *J. Corp. L.* 100 (2021).

governance paradigm, extending accountability beyond financial stewardship to encompass sustainability risks.⁴³ However, their work does not engage with disclosure based sustainability governance, leaving a conceptual gap that modern ESG frameworks seek to fill.⁴⁴

2. Agency Theory and Corporate Disclosure

Jensen and Meckling's agency theory provides the theoretical basis for understanding disclosure as a governance tool.⁴⁵ They argue that disclosure reduces information asymmetry between managers and shareholders and mitigates agency costs.⁴⁶ ESG disclosure regimes, including BRSR, build upon this logic by extending disclosure obligations to nonfinancial risks.⁴⁷ While their framework explains the governance rationale for ESG reporting, it remains grounded in shareholder wealth maximisation and does not fully accommodate stakeholder oriented governance models.⁴⁸ This limitation is particularly relevant in the Indian context, where statutory law explicitly recognises stakeholder interests.⁴⁹ The literature therefore requires expansion to reconcile agency theory with stakeholder based ESG governance frameworks.⁵⁰

3. Stakeholder Theory and Corporate Accountability

Freeman's stakeholder theory represents one of the most influential critiques of shareholder primacy.⁵¹ He conceptualises corporations as social institutions accountable to multiple stakeholder groups, including employees, consumers, communities, and the environment.⁵² BRSR reflects Freeman's theoretical framework by mandating disclosures across stakeholder related dimensions.⁵³ However, Freeman's scholarship primarily offers normative justification rather than regulatory implementation guidance.⁵⁴ The transition from stakeholder theory to

⁴³ Jill E. Fisch, Making Sustainability Disclosure Sustainable, 107 Geo. L.J. 923 (2019).

⁴⁴ *Id.*

⁴⁵ Michael C. Jensen & William H. Meckling, Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure, 3 J. Fin. Econ. 305 (1976).

⁴⁶ *Id.*

⁴⁷ EY India, BRSR Reporting and the Evolving ESG Landscape in India (July 6, 2025).

⁴⁸ Neeti Niyaman, ESG Compliance in India 2025: SEBI BRSR & CSR Rules (Sept. 16, 2025).

⁴⁹ Companies Act, No. 18 of 2013, § 166 (India).

⁵⁰ OECD, ESG Investing and Sustainability in Emerging Markets (2022).

⁵¹ R. Edward Freeman, Strategic Management: A Stakeholder Approach (1984).

⁵² "Ed Freeman: Meet the 'Father of Stakeholder Capitalism'," Harv. Bus. Sch. (Apr. 10, 2024).

⁵³ Securities & Exch. Bd. of India, Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562, Business Responsibility and Sustainability Reporting by Listed Entities (May 10, 2021).

⁵⁴ "Stakeholder Theory of Corporate Governance and Its Implications," Plutus Research Blog (Apr. 10, 2025).

enforceable disclosure regimes remains underdeveloped in literature, particularly within emerging markets.⁵⁵ This gap is central to understanding the regulatory significance of BRSR.⁵⁶

4. Critique of Stakeholder Governance

Bebchuk and Tallarita critically evaluate stakeholder governance frameworks and argue that broad stakeholder mandates may dilute managerial accountability.⁵⁷ Their scholarship raises concerns that ESG disclosure may create symbolic governance structures without producing measurable outcomes.⁵⁸ This critique is highly relevant to BRSR implementation, as early ESG disclosures in India demonstrate strong policy articulation but limited governance integration.⁵⁹ Their work provides a valuable counterbalance to stakeholder theory by emphasising the risks of managerial discretion under broad ESG mandates.⁶⁰

5. Sustainability Disclosure as Governance Regulation

Fisch's work examines sustainability disclosure as a regulatory mechanism designed to influence corporate behaviour through transparency and market discipline.⁶¹ She argues that ESG disclosure regimes operate most effectively when integrated into corporate governance structures rather than treated as standalone reporting requirements.⁶² Fisch's analysis is particularly relevant to BRSR because it highlights the structural limitations of disclosure only governance.⁶³ Her scholarship supports the argument that ESG reporting must be linked to board oversight, risk management, and executive incentives to achieve meaningful governance integration.⁶⁴

6. Mandatory Disclosure and Market Integrity

Coffee's scholarship emphasises the central role of mandatory disclosure in maintaining market

⁵⁵ OECD, *supra* note 50.

⁵⁶ "Rise & Evolution of ESG Compliance in Indian Corporate Governance," SCC Online Blog (Dec. 8, 2025).

⁵⁷ Lucian A. Bebchuk & Roberto Tallarita, *The Illusory Promise of Stakeholder Governance*, 106 *Cornell L. Rev.* 91 (2020).

⁵⁸ *Id.*

⁵⁹ EY India, *supra* note 47.

⁶⁰ Bebchuk & Tallarita, *supra* note 57.

⁶¹ Fisch, *supra* note 43.

⁶² *Id.*

⁶³ "ESG Disclosures: A New Frontier in Combating Corporate Misconduct," Cyril Amarchand Mangaldas Blog (June 23, 2024).

⁶⁴ EY India, *supra* note 47.

efficiency and investor protection.⁶⁵ He argues that disclosure regimes function as substitutes for direct regulatory intervention by enabling market based discipline.⁶⁶ ESG disclosure frameworks, including BRSR, reflect Coffee's disclosure based governance model.⁶⁷ However, Coffee's work primarily focuses on financial disclosure, leaving unresolved questions regarding the effectiveness of disclosure in regulating non-financial risks.⁶⁸ This limitation is particularly relevant in assessing whether ESG disclosure can independently produce governance transformation.⁶⁹

7. Corporate Governance and Disclosure in India

Varottil's scholarship provides a comprehensive analysis of corporate governance evolution in India, emphasising the increasing role of disclosure based regulation.⁷⁰ He argues that Indian corporate governance reforms have largely relied on transparency and investor protection rather than substantive regulatory mandates.⁷¹ His analysis provides critical doctrinal grounding for understanding BRSR as part of India's broader disclosure led governance tradition.⁷² However, his work does not extensively examine ESG disclosure frameworks, leaving scope for further research into sustainability governance integration.⁷³

8. Governance Reforms and Board Accountability

Afsharipour and Varottil analyse structural weaknesses in Indian corporate governance, particularly board independence and enforcement challenges.⁷⁴ Their scholarship highlights the importance of institutional capacity in determining governance effectiveness.⁷⁵ Their work is directly relevant to ESG governance because BRSR relies heavily on board level integration of sustainability considerations.⁷⁶ The authors' analysis suggests that disclosure mandates alone

⁶⁵ John C. Coffee, Jr., *Gatekeepers: The Professions and Corporate Governance* (2006).

⁶⁶ *Id.*

⁶⁷ Securities & Exch. Bd. of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, reg. 4.

⁶⁸ Deloitte, Executive Summary of the SEC's Landmark Climate Disclosure Rule (Mar. 5, 2024).

⁶⁹ Ecovadis, SEC Climate Risk Disclosure: What You Need to Know (June 1, 2025).

⁷⁰ Umakanth Varottil, Evolution and Effectiveness of Independent Directors in Indian Corporate Governance, 6 *Asian J. Comp. L.* 1 (2011).

⁷¹ *Id.*

⁷² Afra Afsharipour & Umakanth Varottil, The Indian Corporate Governance Code: A Comparative and Critical Perspective, 15 *Berkeley Bus. L.J.* 1 (2018).

⁷³ SCC Online ESG Blog, *supra* note 56.

⁷⁴ Afsharipour & Varottil, *supra* note 72.

⁷⁵ *Id.*

⁷⁶ EY India, *supra* note 47.

may be insufficient without parallel reforms in board capability and enforcement mechanisms.⁷⁷

9. ESG Governance in Emerging Markets

OECD reports on ESG governance provide empirical insights into disclosure based sustainability regulation across emerging economies.⁷⁸ The OECD emphasises that ESG frameworks in emerging markets often prioritise disclosure standardisation over governance integration due to institutional capacity constraints.⁷⁹ This analysis aligns closely with BRSR implementation patterns in India.⁸⁰ However, OECD studies focus largely on comparative regulatory trends rather than doctrinal corporate law analysis, creating space for scholarship that integrates ESG governance with domestic legal frameworks.⁸¹

10. Corporate Sustainability Reporting Directive (CSRD)

The CSRD represents one of the most comprehensive sustainability disclosure regimes globally and introduces the principle of double materiality.⁸² Academic and policy commentary on the CSRD emphasises the integration of ESG disclosures into mainstream corporate reporting and governance oversight.⁸³ Comparative analysis of CSRD literature highlights structural differences between EU and Indian ESG regulation.⁸⁴ While CSRD mandates deeper assurance and governance integration, BRSR adopts a phased and capacity sensitive approach.⁸⁵ The literature suggests that emerging market ESG regulation must balance regulatory ambition with compliance feasibility, an issue central to Indian ESG governance debates.⁸⁶

III. ESG Governance Framework under Indian Corporate Law

India's ESG governance architecture is constructed at the intersection of company law based

⁷⁷ Afsharipour & Varottil, *supra* note 72.

⁷⁸ OECD, *supra* note 50.

⁷⁹ *Id.*

⁸⁰ Neeti Niyaman, *supra* note 48.

⁸¹ OECD, *supra* note 50.

⁸² Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 Dec. 2022 (Corporate Sustainability Reporting Directive).

⁸³ PwC, What Is Double Materiality Under CSRD? (Feb. 19, 2024).

⁸⁴ Deloitte, Unpacking the Double Materiality Assessment Under the EU CSRD (June 26, 2024).

⁸⁵ KPMG in India, SEBI Framework on BRSR Core and Value Chain Disclosures & Assurance – First Notes (July 14, 2023).

⁸⁶ OECD, *supra* note 50.

fiduciary duties and securities law based disclosure and governance requirements.⁸⁷ BRSR is best understood as an attempt to institutionalise sustainability considerations within this existing legal framework rather than as a free standing CSR initiative.⁸⁸

A. Fiduciary Duties and Sustainability Governance

Section 166 of the Companies Act, 2013 explicitly requires directors to act in good faith in the interests of the company, its members as a whole, and “in the best interests of the employees, the shareholders, the community and for the protection of the environment.”⁸⁹ This formulation moves beyond traditional shareholder centric fiduciary duties by codifying stakeholder and environmental considerations as legitimate objects of board decision making.⁹⁰ Scholarly commentary has noted that Section 166 offers statutory support for integrating ESG factors into directors’ deliberations on strategy, risk, and capital allocation, even though jurisprudence remains nascent.⁹¹

Other provisions further reinforce governance responsibilities relevant to sustainability. Section 134(5) requires directors to implement adequate internal control systems and ensure compliance with applicable laws, which necessarily encompass environmental, labour, and governance integrity regulations.⁹² Sections 177 and 178 mandate audit and nomination and remuneration committees for certain companies, embedding board committee structures through which ESG related risks, internal controls, and incentive frameworks can be overseen.⁹³ These provisions collectively create institutional channels through which BRSR disclosures could inform corporate oversight, provided boards treat sustainability metrics as decision relevant rather than tangential.⁹⁴

Judicial decisions on directors’ duties and governance processes, though not yet explicitly ESG focused, are consistent with an interpretation that supports sustainability related oversight.⁹⁵ In *Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd.*, the Supreme

⁸⁷ EY India, BRSR Reporting and the Evolving ESG Landscape in India (July 6, 2025).

⁸⁸ “Rise & Evolution of ESG Compliance in Indian Corporate Governance,” SCC Online Blog (Dec. 8, 2025).

⁸⁹ Companies Act, No. 18 of 2013, § 166 (India).

⁹⁰ “Fiduciary Duty of Director(s) of a Company,” Manupatra Academy Legal Post (Dec. 31, 2024).

⁹¹ *Id.*

⁹² Companies Act, No. 18 of 2013, § 134(5) (India).

⁹³ Companies Act, No. 18 of 2013, §§ 177–178 (India); Securities & Exch. Bd. of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, regs. 18–19.

⁹⁴ EY India, *supra* note 87.

⁹⁵ Umakanth Varottil, Evolution and Effectiveness of Independent Directors in Indian Corporate Governance, 6 Asian J. Comp. L. 1 (2011).

Court emphasised that directors must exercise powers bona fide and in the interests of the company, with courts willing to intervene where powers are abused.⁹⁶ In *Miheer H. Mafatlal v. Mafatlal Industries Ltd.*, the Court stressed that judicial deference to business judgment is conditional upon fair and well informed decision making processes.⁹⁷ ESG disclosures can enhance such processes by equipping boards with structured information on sustainability risks and stakeholder impacts, thereby reducing the risk of uninformed or myopic decision making.⁹⁸

B. Securities Disclosure Governance and BRSR

SEBI's mandate under the SEBI Act is to protect investors and ensure the orderly development of securities markets.⁹⁹ SEBI LODR Regulations operationalise this mandate by imposing detailed obligations concerning corporate governance, disclosure, and risk management on listed entities.¹⁰⁰ Regulation 4 states that listed entities shall ensure timely and adequate disclosure of all material matters and conduct their affairs in a transparent, ethical manner.¹⁰¹ Regulation 17 assigns boards responsibility for risk management and oversight of performance, while Regulation 21 requires certain entities to constitute risk management committees.¹⁰² Regulation 30 mandates disclosure of material events and information that may affect the company's securities.¹⁰³

BRSR, introduced through a 2021 circular under LODR, requires the top 1,000 listed entities by market capitalization to provide structured disclosures across nine ESG related principles, including ethical governance, environmental stewardship, employee wellbeing, human rights protection, and stakeholder engagement.¹⁰⁴ The framework distinguishes between essential indicators, which are mandatory, and leadership indicators, which are voluntary but encouraged for companies that are ESG "leaders."¹⁰⁵ A guidance note accompanies the format to assist companies in interpreting disclosure expectations.¹⁰⁶

⁹⁶ *Needle Indus. (India) Ltd. v. Needle Indus. Newey (India) Holding Ltd.*, (1981) 3 SCC 333 (India).

⁹⁷ *Miheer H. Mafatlal v. Mafatlal Indus. Ltd.*, (1997) 1 SCC 579 (India).

⁹⁸ EY India, *supra* note 87.

⁹⁹ Securities and Exchange Board of India Act, No. 15 of 1992, § 11 (India).

¹⁰⁰ Securities & Exch. Bd. of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

¹⁰¹ *Id.* reg. 4.

¹⁰² *Id.* regs. 17, 21.

¹⁰³ *Id.* reg. 30.

¹⁰⁴ Securities & Exch. Bd. of India, Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562, Business Responsibility and Sustainability Reporting by Listed Entities (May 10, 2021).

¹⁰⁵ *Id.*; SEBI, Guidance Note on Business Responsibility and Sustainability Reporting (2021).

¹⁰⁶ SEBI Guidance Note, *supra* note 105.

SEBI has also developed BRSR Core, a subset of key ESG attributes and key performance indicators that will be subject to third party assurance and, in a phased manner, extended to material parts of the corporate value chain.¹⁰⁷ Circulars issued in 2023 and 2024 provide a glide path for reasonable assurance on BRSR Core for large listed entities and limited assurance on value chain disclosures, reflecting SEBI's emphasis on the reliability of sustainability information.¹⁰⁸

The Supreme Court's reasoning in *Sahara India* upholding SEBI's power to design and enforce disclosure regimes necessary for investor protection provides jurisprudential support for viewing BRSR as a legitimate exercise of securities regulatory authority rather than a mere policy experiment.¹⁰⁹ Together, the Companies Act and LODR provisions thus create a legal environment in which sustainability disclosure can, at least in principle, serve as a governance tool aligned with fiduciary and market integrity objectives.¹¹⁰

C. Structure and Governance Objectives of BRSR

BRSR's architecture aims to standardise sustainability disclosures while nudging companies toward deeper governance integration.¹¹¹ The nine principles, drawn from the National Guidelines on Responsible Business Conduct, require firms to report on governance structures, environmental performance, employee welfare, value chain due diligence, and community engagement through a series of quantitative and qualitative indicators.¹¹² By prescribing a common reporting template, BRSR seeks to improve comparability across firms and industries, thereby facilitating investor analysis and benchmarking.¹¹³

The SEBI press release accompanying the BRSR circular emphasised that the new framework is benchmarked against internationally accepted disclosure standards and designed to encourage early adoption beyond the mandatory cohort.¹¹⁴ BRSR is voluntary for certain

¹⁰⁷ KPMG in India, SEBI Framework on BRSR Core and Value Chain Disclosures & Assurance – First Notes (July 14, 2023).

¹⁰⁸ KPMG in India, SEBI Introduces Certain Key Changes in BRSR Reporting – First Notes (Jan. 1, 2025); KPMG in India, SEBI Proposes Amendments to BRSR Core Assurance and Value Chain Disclosures – First Notes (June 11, 2024).

¹⁰⁹ *Sahara India Real Estate Corp. Ltd. v. SEBI*, (2013) 1 SCC 1 (India).

¹¹⁰ Companies Act, 2013, §§ 134, 166; SEBI LODR Regulations, 2015; SEBI BRSR Circular, supra note 104.

¹¹¹ EY India, supra note 87.

¹¹² National Guidelines on Responsible Business Conduct (Ministry of Corporate Affairs, 2019).

¹¹³ KPMG in India, Business Responsibility and Sustainability Reporting – An Overview (Sept. 2023).

¹¹⁴ SEBI, Press Release No. 18/2021, SEBI Issues Circular on “Business Responsibility and Sustainability Reporting by Listed Entities” (May 10, 2021).

companies in the initial years, which allows firms to build capacity while signalling market expectations regarding sustainability reporting.¹¹⁵

The introduction of BRSR Core signals SEBI's intention to move beyond narrative reporting toward assured metrics that investors can rely on when pricing ESG risks and opportunities.¹¹⁶ Assurance requirements are being phased in to account for the limited availability of ESG assurance expertise and the compliance burdens faced by Indian issuers.¹¹⁷ SEBI's stated governance objective is to make ESG information "decision useful" for investors and boards, linking sustainability performance more closely to capital market outcomes and, over time, to access to sustainable finance instruments.¹¹⁸

IV. The Mandate–Practice Gap in BRSR Implementation

Despite BRSR's ambitious design, early implementation reveals a substantial gap between formal compliance and substantive governance integration.¹¹⁹ This section identifies key manifestations and structural drivers of this mandate–practice gap.¹²⁰

A. Variations in ESG Disclosure Adoption

BRSR has significantly increased the volume and visibility of sustainability information in annual reports of major Indian listed companies.¹²¹ However, qualitative reviews of such disclosures show wide variation in depth, specificity, and governance relevance across firms and sectors.¹²² Companies with international investor bases and global supply chain linkages tend to align their ESG practice with international frameworks such as GRI, SASB, or TCFD and provide more granular, strategy linked disclosures.¹²³ By contrast, domestically oriented firms often adopt a template driven approach that focuses on generic policy statements and philanthropy, with limited evidence of ESG integration into core business decisions.¹²⁴

¹¹⁵ KPMG in India, Mandatory BRSR Reporting for Top 1,000 Listed Entities – First Notes (June 2021).

¹¹⁶ KPMG BRSR Core Note, *supra* note 107.

¹¹⁷ KPMG Amendments Notes, *supra* note 108.

¹¹⁸ EY India, *supra* note 87.

¹¹⁹ EY India, BRSR Reporting and the Evolving ESG Landscape in India (July 6, 2025).

¹²⁰ OECD, ESG Investing and Sustainability in Emerging Markets (2022).

¹²¹ EY India, *supra* note 119.

¹²² KPMG in India, Business Responsibility and Sustainability Reporting – An Overview (Sept. 2023).

¹²³ EY India, *supra* note 119; "Master BRSR Reporting: India's ESG Guide for Leaders," *Arbor* (May 19, 2025).

¹²⁴ "Rise & Evolution of ESG Compliance in Indian Corporate Governance," *SCC Online Blog* (Dec. 8, 2025).

These differences reflect divergent investor expectations, governance maturity, and exposure to global sustainability norms.¹²⁵ Where foreign institutional investors, global customers, or export markets demand robust ESG performance, Indian firms experience stronger external pressure to convert BRSR requirements into internal governance reforms.¹²⁶ In domestically focused sectors, in contrast, ESG disclosures may be treated primarily as a reputational and compliance exercise, especially where enforcement risks are perceived as low and market valuation remains driven by short term financial metrics.¹²⁷

B. Environmental Disclosure Dominance

Environmental indicators such as greenhouse gas emissions, energy consumption, and water use dominate BRSR reporting because they lend themselves to quantitative metrics and established measurement standards.¹²⁸ Many companies provide year on year data and targets for resource efficiency, partly driven by regulatory requirements under environmental laws and by international climate finance expectations.¹²⁹

Social and governance disclosures, however, often remain descriptive and process oriented.¹³⁰ Common topics include employee welfare policies, grievance redress mechanisms, codes of conduct, and CSR programmes, but without clear performance metrics or links to risk management and board level oversight.¹³¹ Several reviews of Indian ESG reports note that disclosures on diversity, human rights due diligence, and anti corruption controls frequently consist of policy statements rather than outcomes, making it difficult for investors to assess governance quality.¹³² This imbalance reduces the potential of BRSR to influence internal incentive structures and undermines its capacity to address governance failures that have historically plagued Indian capital markets.¹³³

¹²⁵ OECD, *supra* note 120.

¹²⁶ EY India, *supra* note 119.

¹²⁷ Reuters, Exclusive: India to Review ESG Disclosures for Listed Firms, Market Regulator Says (Apr. 16, 2025).

¹²⁸ EY India, *supra* note 119.

¹²⁹ *Id.*

¹³⁰ “ESG Disclosures: A New Frontier in Combating Corporate Misconduct,” Cyril Amarchand Mangaldas Blog (June 23, 2024).

¹³¹ *Id.*

¹³² EY India, *supra* note 119.

¹³³ SCC Online ESG Blog, *supra* note 124.

C. Board Level ESG Governance Limitations

Although BRSR requires companies to describe board level oversight of sustainability, disclosures frequently reveal that ESG responsibilities are delegated to CSR or sustainability departments rather than being integrated into core board and committee functions.¹³⁴ Board charters sometimes refer to ESG, but detailed evidence of sustainability considerations shaping capital expenditure decisions, M&A strategy, or risk appetite remains sparse.¹³⁵ Where sustainability committees exist, they may lack decision-making authority or regular engagement with risk management and audit functions.¹³⁶

Executive remuneration practices further illustrate weak integration. While Section 178 and LODR provisions allow for performance linked pay, ESG linked remuneration remains the exception rather than the rule in Indian listed companies.¹³⁷ Where ESG metrics are included, they often carry low weight and focus on inputs or activities such as training sessions, CSR spend, or policy adoption rather than outcome oriented indicators such as emissions reduction trajectories, safety performance, or regulator enforcement history.¹³⁸ Consequently, managerial incentives continue to be driven primarily by short term financial metrics, weakening the alignment between BRSR disclosures and actual decision-making.¹³⁹

D. Value Chain Sustainability Governance Challenges

BRSR Core's extension of ESG disclosure into the value chain recognises that major sustainability risks often arise in supplier and contractor operations, especially in sectors reliant on micro, small, and medium enterprises.¹⁴⁰ However, many such enterprises lack the systems and expertise required to generate reliable ESG data.¹⁴¹ As a result, reporting companies frequently rely on self declarations, limited surveys, or sample audits that provide only partial visibility into value chain risks.¹⁴² SEBI itself has acknowledged these challenges and has

¹³⁴ EY India, *supra* note 119.

¹³⁵ *Id.*

¹³⁶ Neeti Niyaman, *ESG Compliance in India 2025: SEBI BRSR & CSR Rules* (Sept. 16, 2025).

¹³⁷ Afra Afsharipour & Umakanth Varottil, *The Indian Corporate Governance Code: A Comparative and Critical Perspective*, 15 *Berkeley Bus. L.J.* 1 (2018).

¹³⁸ EY India, *supra* note 119.

¹³⁹ *Id.*

¹⁴⁰ KPMG in India, *SEBI Framework on BRSR Core and Value Chain Disclosures & Assurance – First Notes* (July 14, 2023).

¹⁴¹ Neeti Niyaman, *supra* note 136.

¹⁴² KPMG in India, *SEBI Proposes Amendments to BRSR Core Assurance and Value Chain Disclosures – First Notes* (June 11, 2024).

considered adjustments to the scope and timeline of value chain reporting in light of capacity concerns.¹⁴³

E. Assurance Limitations and Greenwashing Risks

The credibility of ESG disclosure depends heavily on assurance and verification.¹⁴⁴ Unlike financial reporting, which is subject to well developed auditing standards and regulatory oversight, ESG assurance remains fragmented, with multiple frameworks and uneven professional capacity.¹⁴⁵ Inconsistent assurance practices, combined with the forward looking and qualitative nature of much sustainability information, increase the risk that BRSR reports may overstate performance or selectively highlight favourable metrics, a phenomenon commonly described as greenwashing.¹⁴⁶

Judicial emphasis on disclosure integrity in securities cases offers some deterrence against blatant misrepresentation, but there are as yet few enforcement actions specifically targeting ESG misreporting.¹⁴⁷ The absence of clear liability standards for sustainability disclosures may thus weaken incentives for robust internal controls around ESG data.¹⁴⁸

F. Structural Causes of the Mandate–Practice Gap

The persistence of the mandate–practice gap reflects several structural constraints.¹⁴⁹ First, many firms lack integrated data governance systems capable of capturing and validating ESG information across business units and value chain partners, which leads to inconsistent or incomplete reporting.¹⁵⁰ Second, overlapping and sometimes inconsistent regulatory requirements across corporate, environmental, and labour law create compliance complexity, encouraging a tick box approach rather than strategic integration.¹⁵¹ Third, investor demand signals for high quality ESG performance remain uneven, particularly in domestic capital markets where short term financial metrics still dominate valuation discussions.¹⁵² Finally,

¹⁴³ NSE, Circular on Implementation of BRSR Core and Value Chain Disclosures (May 10, 2024).

¹⁴⁴ KPMG BRSR Core Note, *supra* note 140.

¹⁴⁵ *Id.*

¹⁴⁶ Fisch, Making Sustainability Disclosure Sustainable, 107 *Geo. L.J.* 923 (2019); Cyril Amarchand, *supra* note 130.

¹⁴⁷ *N. Narayanan v. Adjudicating Officer, SEBI*, (2013) 12 SCC 152 (India).

¹⁴⁸ *Id.*; *Sahara India Real Estate Corp. Ltd. v. SEBI*, (2013) 1 SCC 1 (India).

¹⁴⁹ OECD, *supra* note 120.

¹⁵⁰ EY India, *supra* note 119.

¹⁵¹ Neeti Niyaman, *supra* note 136.

¹⁵² Reuters, *supra* note 127.

board level ESG expertise is limited, with few directors possessing specialised knowledge of climate risk, human rights due diligence, or sustainability linked finance.¹⁵³ Collectively, these factors demonstrate that disclosure based ESG governance requires complementary regulatory and organisational reforms to achieve substantive corporate governance transformation.¹⁵⁴

V. Comparative ESG Governance Models

Comparative analysis of ESG regulatory regimes in the European Union and the United States provides useful insights into alternative governance design choices and highlights the hybrid nature of India's BRSR framework.¹⁵⁵

A. European Union: Integrated Sustainability Governance and Double Materiality

The European Union's CSRD significantly expands the scope and depth of sustainability reporting for large EU and certain non EU companies.¹⁵⁶ CSRD introduces the concept of double materiality, requiring companies to disclose information both about how sustainability issues affect the firm's financial performance (financial materiality) and about the firm's own impacts on the environment and society (impact materiality).¹⁵⁷ This dual lens embeds stakeholder and systemic risk considerations directly into the reporting standard, thereby aligning ESG disclosure more closely with the EU's broader climate and social policy objectives.¹⁵⁸

CSRD is implemented through detailed European Sustainability Reporting Standards that prescribe sector agnostic and sector specific disclosures, supported by mandatory assurance requirements.¹⁵⁹ Sustainability information is incorporated into management reports rather than standalone CSR publications, underscoring its status as core governance information.¹⁶⁰ EU corporate governance reforms also emphasise board responsibility for overseeing sustainability risks and strategies, integrating ESG considerations into risk management, internal control systems, and remuneration design.¹⁶¹ While this model offers strong accountability, it entails

¹⁵³ SCC Online ESG Blog, *supra* note 124.

¹⁵⁴ EY India, *supra* note 119; OECD, *supra* note 120.

¹⁵⁵ OECD, *ESG Investing and Sustainability in Emerging Markets* (2022).

¹⁵⁶ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 Dec. 2022 (Corporate Sustainability Reporting Directive).

¹⁵⁷ PwC, *What Is Double Materiality Under CSRD?* (Feb. 19, 2024).

¹⁵⁸ Deloitte, *Unpacking the Double Materiality Assessment Under the EU CSRD* (June 26, 2024).

¹⁵⁹ CSRD, *supra* note 156.

¹⁶⁰ *Id.*

¹⁶¹ SCS Global Services, *Understanding EU CSRD and Double Materiality* (June 23, 2025).

high compliance costs and presupposes substantial data and assurance infrastructure, which may be challenging for many firms in emerging markets to replicate.¹⁶²

B. United States: Financial Materiality and Market Based ESG Governance

In contrast, U.S. ESG disclosure has traditionally been grounded in the principle of financial materiality under federal securities law.¹⁶³ The Securities and Exchange Commission requires disclosure of sustainability related risks only to the extent they are reasonably likely to affect a reasonable investor's decision.¹⁶⁴ Recently adopted SEC climate related disclosure rules mandate reporting on climate related risks, governance structures, risk management processes, and certain greenhouse gas emissions, but the emphasis remains on financial relevance rather than broader stakeholder impact.¹⁶⁵

A defining feature of the U.S. model is the role of private enforcement and investor activism.¹⁶⁶ Shareholder derivative suits, securities fraud litigation, proxy contests, and engagement by institutional investors and proxy advisory firms exert pressure on boards to address ESG issues where they are perceived as financially material.¹⁶⁷ Asset managers increasingly incorporate ESG factors into voting policies and stewardship codes, and failure to adequately manage such risks can attract activist campaigns or reputational penalties.¹⁶⁸ Critics, however, argue that this market driven approach neglects externalities that do not immediately affect financial statements, thereby under addressing systemic environmental and social harms.¹⁶⁹

C. India's Hybrid ESG Governance Model

India's BRSR framework reflects a hybrid governance model that borrows elements from both European and U.S. approaches while operating under emerging market constraints.¹⁷⁰ Like the EU model, BRSR aligns with a normative framework the National Guidelines on Responsible

¹⁶² OECD, *supra* note 155.

¹⁶³ Regulation S-K, 17 C.F.R. § 229 (U.S.).

¹⁶⁴ *Id.*

¹⁶⁵ Securities and Exchange Commission, Press Release No. 2024-31, SEC Adopts Rules to Enhance and Standardize Climate-Related Disclosures for Investors (Mar. 5, 2024); Deloitte, Executive Summary of the SEC's Landmark Climate Disclosure Rule (Mar. 5, 2024).

¹⁶⁶ "Stakeholder Capitalism in the Time of Covid," Harv. L. Sch. F. on Corp. Governance (Feb. 21, 2022).

¹⁶⁷ *Id.*

¹⁶⁸ Ecovadis, SEC Climate Risk Disclosure: What You Need to Know (June 1, 2025).

¹⁶⁹ *Id.*

¹⁷⁰ EY India, BRSR Reporting and the Evolving ESG Landscape in India (July 6, 2025).

Business Conduct that emphasises stakeholder and environmental responsibilities.¹⁷¹ It requires companies to disclose information on environmental impacts, workforce practices, community initiatives, and governance ethics, moving beyond a purely financial materiality lens.¹⁷²

At the same time, BRSR is implemented through securities law instruments and justified primarily on investor protection and market transparency grounds, echoing the U.S. approach.¹⁷³ Disclosures are integrated into annual reports of listed companies and are subject to SEBI's enforcement jurisdiction.¹⁷⁴ The phased introduction of BRSR Core and assurance requirements demonstrates regulatory sensitivity to institutional capacity and compliance costs, in contrast with the more expansive and immediate obligations under CSRD.¹⁷⁵

India's corporate ownership structure characterised by promoter control and relatively weaker shareholder activism also differentiates its ESG governance dynamics from the U.S. context, where dispersed ownership and active institutional investors play a larger enforcement role.¹⁷⁶ BRSR thus operates in a setting where external market discipline may be weaker, underscoring the importance of internal governance reforms and regulatory oversight to convert disclosure into genuine accountability.¹⁷⁷

VI. Reforming ESG Governance Integration in India

Bridging the mandate–practice gap requires reforms at three levels: regulatory and policy design, firm level governance structures, and broader market and ecosystem institutions.¹⁷⁸

A. Regulatory and Policy Level Reforms

1. Sector Specific ESG Materiality Guidance

Uniform BRSR indicators risk encouraging boiler plate reporting that obscures sector specific

¹⁷¹ National Guidelines on Responsible Business Conduct (Ministry of Corporate Affairs, 2019).

¹⁷² SEBI, Guidance Note on Business Responsibility and Sustainability Reporting (2021).

¹⁷³ Securities & Exch. Bd. of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

¹⁷⁴ SEBI Act, No. 15 of 1992, § 11 (India).

¹⁷⁵ KPMG in India, SEBI Framework on BRSR Core and Value Chain Disclosures & Assurance – First Notes (July 14, 2023); KPMG in India, SEBI Proposes Amendments to BRSR Core Assurance and Value Chain Disclosures – First Notes (June 11, 2024).

¹⁷⁶ Umakanth Varottil, Evolution and Effectiveness of Independent Directors in Indian Corporate Governance, 6 *Asian J. Comp. L.* 1 (2011).

¹⁷⁷ Afra Afsharipour & Umakanth Varottil, The Indian Corporate Governance Code: A Comparative and Critical Perspective, 15 *Berkeley Bus. L.J.* 1 (2018).

¹⁷⁸ OECD, *supra* note 155.

sustainability risks.¹⁷⁹ Regulators should develop sector based ESG materiality guidance potentially aligned with international benchmarks that identifies which environmental, social, and governance factors are most likely to be material for different industries.¹⁸⁰ Such guidance would enable firms to prioritise governance attention and disclosure effort on issues that are genuinely strategic, while still preserving comparability across entities.¹⁸¹

2. Standardisation of ESG Assurance Frameworks

To strengthen the credibility of BRSR and BRSR Core, SEBI and other standard setting bodies should develop clear assurance standards for ESG information, harmonised with international sustainability assurance frameworks.¹⁸² Defining professional competency requirements, sampling methodologies, and independence norms for ESG assurers would improve the reliability and comparability of sustainability data and reduce greenwashing risks.¹⁸³

3. Institutional Regulatory Coordination

India's ESG landscape spans corporate law, environmental regulation, labour standards, and financial-sector guidelines.¹⁸⁴ Greater coordination between SEBI, the Ministry of Corporate Affairs, environmental regulators, and financial sector regulators would reduce overlaps and gaps, thereby lowering compliance burdens and ensuring consistent enforcement signals.¹⁸⁵ Coordinated guidance and data sharing mechanisms could also help regulators identify high risk sectors and entities for targeted supervision.¹⁸⁶

B. Firm Level Governance Reforms

1. Institutionalising Board Level ESG Oversight

Boards should formally embed ESG oversight within their governance structures by establishing dedicated sustainability committees or by expanding the remit of existing risk

¹⁷⁹ Neeti Niyaman, ESG Compliance in India 2025: SEBI BRSR & CSR Rules (Sept. 16, 2025).

¹⁸⁰ Id.

¹⁸¹ EY India, *supra* note 170.

¹⁸² KPMG BRSR Core Note, *supra* note 175.

¹⁸³ Id.

¹⁸⁴ OECD, *supra* note 155.

¹⁸⁵ Id.

¹⁸⁶ Reuters, Exclusive: India to Review ESG Disclosures for Listed Firms, Market Regulator Says (Apr. 16, 2025).

management or audit committees.¹⁸⁷ Committee charters should specify responsibility for reviewing BRSR disclosures, monitoring key ESG risks, and ensuring alignment between sustainability considerations and business strategy.¹⁸⁸ Directors may also require targeted training to build literacy in climate risk, human rights due diligence, and sustainability linked finance.¹⁸⁹

2. Integrating ESG into Enterprise Risk Management

Firms should integrate ESG risks into enterprise risk management frameworks mandated under LODR, including risk registers, scenario analyses, and board risk appetite statements.¹⁹⁰ Linking BRSR indicators to risk management processes would move ESG from the periphery of compliance to the core of governance decision making, improving resilience to shocks such as regulatory change, supply chain disruption, or social licence to operate crises.¹⁹¹

3. ESG Linked Executive Remuneration

Aligning managerial incentives with sustainability objectives is essential for closing the mandate– practice gap.¹⁹² Companies should include material ESG performance indicators such as emissions reduction pathways, safety outcomes, or diversity targets in variable pay structures where appropriate.¹⁹³ To avoid box ticking, indicators should be outcome oriented, independently verifiable, and sufficiently weighted to influence behaviour.¹⁹⁴

4. Strengthening ESG Data Governance Infrastructure

Firms need integrated systems for collecting, validating, and reporting ESG data across business units and value chain partners.¹⁹⁵ Internal audit functions should extend their remit to ESG metrics, ensuring that data used in BRSR reports is subject to control processes comparable to those applied to financial information.¹⁹⁶ Enhanced data governance will both

¹⁸⁷ EY India, *supra* note 170.

¹⁸⁸ SEBI (LODR) Regulations, 2015, regs. 17, 21.

¹⁸⁹ SCC Online ESG Blog, “Rise & Evolution of ESG Compliance in Indian Corporate Governance” (Dec. 8, 2025).

¹⁹⁰ SEBI (LODR) Regulations, 2015, regs. 17, 21.

¹⁹¹ EY India, *supra* note 170.

¹⁹² Afsharipour & Varottil, *supra* note 177.

¹⁹³ EY India, *supra* note 170.

¹⁹⁴ *Id.*

¹⁹⁵ EY India, *supra* note 170.

¹⁹⁶ KPMG in India, *Business Responsibility and Sustainability Reporting – An Overview* (Sept. 2023).

improve disclosure quality and support more informed board level decision making.¹⁹⁷

C. Market and Ecosystem Level Reforms

1. Strengthening Institutional Investor Stewardship

Institutional investors, including domestic mutual funds and insurance companies, can play a more active stewardship role by systematically incorporating BRSR information into investment analysis and voting policies.¹⁹⁸ Indian stewardship code frameworks issued by SEBI, IRDAI, and PFRDA already require institutional investors to monitor and engage with investee companies, and these codes increasingly reference ESG considerations as part of responsible investment.¹⁹⁹ Clear expectations that institutional investors will engage with portfolio companies on material sustainability issues and disclose their own stewardship activities could amplify the governance impact of BRSR.²⁰⁰

2. Value Chain ESG Capacity Development

To realise the potential of BRSR Core, larger companies and industry associations should support capacity building among micro, small, and medium enterprise suppliers through standardised reporting templates, training programmes, and shared data platforms.²⁰¹ Such initiatives would reduce compliance burdens on smaller entities while enhancing the reliability of value chain ESG information and, ultimately, corporate resilience.²⁰² Public private partnerships and development-finance initiatives could further support the diffusion of ESG-reporting capabilities across supply chains.²⁰³

VII. Conclusion

BRSR represents a significant evolution in Indian corporate governance by embedding sustainability disclosure within company law based fiduciary expectations and securities law based governance obligations.²⁰⁴ It reflects regulatory recognition that unmanaged

¹⁹⁷ EY India, *supra* note 170.

¹⁹⁸ SEBI, Circular on Stewardship Code for Mutual Funds and All Categories of AIFs (Dec. 24, 2019).

¹⁹⁹ IRDAI, Stewardship Code for Insurers (2019); PFRDA, Stewardship Code for Pension Funds (2021).

²⁰⁰ SEBI Stewardship Circular, *supra* note 198.

²⁰¹ KPMG BRSR Core Note, *supra* note 175.

²⁰² OECD, *supra* note 155.

²⁰³ *Id.*

²⁰⁴ Companies Act, No. 18 of 2013, §§ 134, 166 (India); SEBI LODR, 2015; SEBI BRSR Circular (May 10, 2021).

sustainability risks can threaten investor interests, market integrity, and long term enterprise value.²⁰⁵

This article has argued, however, that a persistent mandate–practice gap currently limits BRSR’s capacity to drive substantive ESG governance integration.²⁰⁶ While disclosures have expanded, board level oversight, risk management systems, executive remuneration structures, and value chain governance have not consistently internalised ESG considerations.²⁰⁷ Without stronger assurance standards, sector specific guidance, and institutional investor engagement, disclosure risks remain largely symbolic.²⁰⁸

Comparative experience from the European Union and the United States suggests that disclosure based ESG regulation is most effective when coupled with robust governance mechanisms, clear liability standards, and active market based enforcement.²⁰⁹ India’s hybrid model, operating within an emerging market context characterised by promoter control and uneven investor activism, will therefore need tailored reforms to convert reporting into real accountability.²¹⁰

If regulatory, firm level, and ecosystem reforms successfully embed ESG considerations into core corporate governance processes, BRSR could evolve from a compliance oriented reporting framework into an integrated governance instrument that shapes corporate strategy, risk management, and value creation.²¹¹ India’s experience would then offer an important reference point for other emerging economies seeking to align corporate governance with sustainability objectives through disclosure based regulation.²¹²

²⁰⁵ EY India, *supra* note 170.

²⁰⁶ OECD, *supra* note 155.

²⁰⁷ EY India, *supra* note 170.

²⁰⁸ Fisch, Making Sustainability Disclosure Sustainable, 107 *Geo. L.J.* 923 (2019).

²⁰⁹ CSRD, *supra* note 156; SEC Press Release No. 2024-31, *supra* note 165.

²¹⁰ Afsharipour & Varottil, *supra* note 177.

²¹¹ EY India, *supra* note 170.

²¹² OECD, *supra* note 155.

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