
LEGAL FRAMEWORK FOR ESG DISCLOSURES IN INDIAN CAPITAL MARKETS

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ABSTRACT

In recent years, Environmental, Social, and Governance (ESG) considerations have emerged as a critical factor in shaping corporate responsibility and investor decision-making across global capital markets. In India, the push towards sustainable business practices has led to the evolution of a structured legal and regulatory framework for ESG disclosures. This research paper examines the existing legal landscape governing ESG reporting in India, focusing on the role of the Securities and Exchange Board of India (SEBI) through the Business Responsibility and Sustainability Report (BRSR) framework, the Companies Act, 2013, and the Listing Obligations and Disclosure Requirements (LODR) Regulations.

The paper provides an analysis of how ESG disclosures are being mandated for listed entities, the transition from voluntary guidelines to mandatory compliance, and the integration of National Guidelines on Responsible Business Conduct (NGRBC). It further compares India's ESG disclosure framework with international practices such as the EU's Corporate Sustainability Reporting Directive (CSRD) and the US SEC's proposed climate disclosure rules.

The paper concludes by suggesting reforms for strengthening India's ESG disclosure regime, including harmonisation with global standards, independent assurance of ESG data, and enhanced investor education. By providing a comprehensive legal and regulatory perspective, the study underscores the role of ESG disclosures in fostering transparency, accountability, and sustainable growth in the Indian capital markets.

CHAPTER 1

INTRODUCTION:

Businesses today are expected to do more than make profits—they are also judged on how they care for the environment, society, and governance practices. These aspects, known as ESG (Environmental, Social, and Governance) disclosures, have become a key part of how investors and regulators measure a company’s responsibility and long-term value.

In India, ESG disclosures have gained momentum with regulators like SEBI making sustainability reporting mandatory through the Business Responsibility and Sustainability Report (BRSR). Along with the Companies Act, 2013 and LODR Regulations, these rules form the backbone of India’s ESG framework.

This paper looks at how ESG disclosure laws have evolved in India, compares them with global practices, studies their impact on companies and investors, highlights challenges such as greenwashing and lack of standardisation, and suggests reforms to strengthen the system. The aim is to show how ESG disclosures can build trust, accountability, and sustainable growth in Indian capital markets.

STATEMENT OF FACT:

ESG (Environmental, Social, and Governance) disclosures have become an essential part of modern corporate governance across the globe. In India, regulators such as SEBI have introduced the Business Responsibility and Sustainability Report (BRSR) to mandate sustainability-related disclosures for top listed companies. While the framework is evolving, challenges such as greenwashing, lack of uniform standards, and limited assurance continue to affect the quality and reliability of ESG reporting in the Indian capital market.

RESEARCH PROBLEM AND STATEMENT:

Despite regulatory efforts, India’s ESG disclosure regime faces significant hurdles. The disclosures are often inconsistent, difficult to compare, and sometimes lack credibility. Many companies treat ESG compliance as a formality rather than a genuine commitment, which raises concerns about the effectiveness of the legal framework.

Research Problem Statement: The core problem is whether the existing Indian legal framework for ESG disclosures is sufficient, reliable, and comparable with international standards to ensure transparency, investor protection, and sustainable development.

REVIEW OF LITERATURE:

Over the past decade, a growing body of scholarship has examined the evolution, strengths, and weaknesses of ESG disclosures and sustainability reporting in India. This review synthesises key themes from the literature and highlights gaps for further investigation.

One of the foundational studies is *Business Responsibility and Sustainability Reporting: A Way Forward for Indian Corporate Disclosure*, which traces the transition from Business Responsibility Reports (BRR) to BRSR and argues for greater standardisation in disclosures.¹ The authors note that many companies still rely on qualitative narratives and lack consistent quantitative metrics, highlighting the need for a more structured ESG framework.

Rajkannan Rajan's work, *Evolving Corporate Sustainability Reporting Landscape in India: A Literature Review of SEBI's BRSR Framework (2021–2025)*, analyses how the phased implementation of BRSR has revealed challenges of data quality management and greenwashing, and suggests leveraging third-party assurance to boost credibility.²

In *Sustainability Reporting in India: A Critical Assessment of Business Responsibility Reporting Compliance by the Top 100 Companies*, the authors assess actual compliance in early years, finding that environmental disclosures were the weakest among the E, S, and G pillars.³

Another significant contribution is *The Impact of ESG Disclosure on Foreign Investment in India: Strengthening the Role of Institutional Investors through the Rule of Law*, which links robust ESG reporting to increased foreign capital inflows and underscores the role of legal enforceability in encouraging meaningful disclosures.⁴

OBJECTIVES OF RESEARCH:

- To trace the evolution of ESG disclosures in India.
- To analyse the legal framework governing ESG disclosures (SEBI, Companies Act, LODR).

¹ Pranesh Debnath & Rishav Kanoo, *Business Responsibility and Sustainability Reporting: A Way Forward for Indian Corporate Disclosure* (2022).

² Rajkannan Rajan, *Evolving Corporate Sustainability Reporting Landscape in India: A Literature Review of SEBI's BRSR Framework (2021–2025)*, 3 IRJAEM 2402 (2025).

³ *Sustainability Reporting in India: A Critical Assessment of Business Responsibility Reporting Compliance by the Top 100 Companies*, in *Annals of the Centre for Social & International Studies* (2022).

⁴ Kankana Ghosh & Saroj Sharma (Bohra), *The Impact of ESG Disclosure on Foreign Investment in India: Strengthening the Role of Institutional Investors Through the Rule of Law*, *Intl. Journal of Environmental Sciences* (2025).

- To compare India's ESG disclosure framework with global standards.
- To identify challenges and gaps in implementation.
- To suggest reforms for strengthening ESG disclosures in Indian capital markets.

RESEARCH QUESTIONS:

1. What is the current legal framework for ESG disclosures in India?
2. How effective is SEBI's BRSR in ensuring transparency and accountability?
3. How does India's ESG framework compare with global disclosure regimes?
4. What are the major challenges faced by companies, regulators, and investors in ESG compliance?

RESEARCH METHODOLOGY:

Type of Research: Doctrinal research.

Sources of Data:

Primary sources: SEBI Regulations (LODR, BRSR), Companies Act, MCA Guidelines, SEBI Circulars.

Secondary sources: Books, academic journals, policy papers, international ESG frameworks (GRI, SASB, TCFD, ISSB).

SCOPE AND SIGNIFICANCE OF STUDY:

- Focus on ESG disclosures applicable to listed companies in the Indian capital markets
- Covers legal and regulatory provisions under SEBI, Companies Act, and MCA.
- Comparative analysis with international ESG frameworks (EU, US, UK).
- Excludes detailed sector-specific ESG compliance (like banking, energy) except where relevant.
- Provides insights for regulators, policymakers, investors, and companies on improving the quality of ESG reporting.
- Contributes to academic literature in corporate law and securities regulation.
- Strengthens the link between law, sustainability, and corporate governance in India.

CHAPTER 2

EVOLUTION OF ESG DISCLOSURES GLOBALLY AND IN INDIA:

The idea of ESG disclosures did not emerge overnight—it has grown steadily out of the world’s increasing concern for sustainable and responsible business practices. Globally, the shift began when environmental issues, social responsibilities, and governance failures started affecting not just communities but also the long-term performance of companies. This gave rise to global frameworks and principles that encouraged businesses to disclose their non-financial performance alongside financial data.

Initiatives such as the United Nations Sustainable Development Goals (UN SDGs) provided a global vision for businesses to align their strategies with sustainability. Standards like the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCFD) created structured ways for companies to report on issues like carbon emissions, labour practices, and governance risks. More recently, the International Financial Reporting Standards (IFRS) Foundation’s ISSB has taken steps to harmonise global sustainability reporting, reducing fragmentation and making ESG information more comparable across countries.

In India, ESG disclosures have evolved in response to both global developments and domestic priorities. The journey began with voluntary guidelines such as the National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business (2011), which later evolved into the National Guidelines on Responsible Business Conduct (NGRBC). Recognising the need for stronger oversight, the Securities and Exchange Board of India (SEBI) made it mandatory for the top 100 listed companies to publish a Business Responsibility Report (BRR) in 2012. This was a turning point in India’s corporate disclosure culture.

Over time, the BRR was expanded to cover more companies, and in 2021, SEBI introduced the Business Responsibility and Sustainability Report (BRSR), which is now mandatory for the top 1,000 listed entities. The BRSR is more detailed, data-driven, and aligned with global standards, making Indian disclosures globally relevant.

Today, ESG disclosures in India are no longer seen as a “tick-box” activity. They are increasingly recognised as a part of good corporate governance. Boards and management are expected to integrate sustainability into their decision-making, not just to meet regulatory

requirements but also to earn the trust of investors and society. In this way, India's ESG journey reflects both its response to global movements and its unique path towards balancing economic growth with sustainable development.

REGULATORY FRAMEWORK GOVERNING ESG DISCLOSURES IN INDIA:

In India, the regulatory landscape for Environmental, Social, and Governance (ESG) disclosures is shaped by a combination of statutory provisions, regulatory mandates, and voluntary guidelines. These frameworks collectively aim to enhance corporate transparency, accountability, and sustainability.

1. Securities and Exchange Board of India (SEBI)

The Securities and Exchange Board of India (SEBI) plays a pivotal role in mandating ESG disclosures for listed entities. In May 2021, SEBI introduced the Business Responsibility and Sustainability Report (BRSR), which was later incorporated into the Listing Obligations and Disclosure Requirements (LODR) Regulations. The BRSR mandates the top 1,000 listed companies by market capitalisation to disclose their ESG performance on an annual basis. This move aligns with global standards and aims to provide investors with comparable and reliable ESG data.

In July 2023, SEBI issued Circular No. SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122, which introduced the BRSR Core framework. This framework provides detailed guidelines for assurance and ESG disclosures, emphasising the importance of third-party verification to enhance the credibility of reported data. The BRSR Core framework aims to standardise ESG reporting and ensure consistency across companies.

2. Companies Act, 2013

The Companies Act, 2013, under Section 134, mandates that the Board of Directors of a company prepare a report containing disclosures about the company's state of affairs, including financial statements and other matters as prescribed. Section 135 of the Act specifically addresses Corporate Social Responsibility (CSR), requiring certain companies to spend a prescribed percentage of their profits on CSR activities. The Act stipulates that companies meeting specific criteria must constitute a CSR Committee, formulate a CSR policy, and disclose the contents of such policy in their Board's report.

3. Listing Obligations and Disclosure Requirements (LODR) Regulations

The LODR Regulations, 2015, established by SEBI, provide a comprehensive framework for the governance and disclosure requirements of listed entities. These regulations encompass various aspects, including corporate governance, disclosure of financial and non-financial information, and the responsibilities of listed companies towards their stakeholders. The LODR Regulations have been periodically amended to incorporate provisions related to ESG disclosures, reflecting the growing emphasis on sustainability in corporate reporting.

4. National Guidelines on Responsible Business Conduct (NGRBC)

The Ministry of Corporate Affairs (MCA) introduced the National Guidelines on Responsible Business Conduct (NGRBC) in 2019, revising the earlier National Voluntary Guidelines. The NGRBC outlines nine principles that encourage businesses to conduct their operations responsibly, with a focus on ethical behaviour, transparency, accountability, and respect for human rights. While the NGRBC serves as a guiding framework rather than a legally binding mandate, it influences corporate behaviour and aligns with global sustainability standards.

BRSR AND ESG COMPLIANCE MECHANISM:

Applicability

The Securities and Exchange Board of India (SEBI) mandates that the top 1,000 listed companies by market capitalisation prepare the Business Responsibility and Sustainability Report (BRSR) as part of their annual report. This requirement was introduced to enhance transparency and accountability in corporate sustainability practices.⁵

Mandatory vs. Voluntary Disclosures

Under the BRSR framework, certain disclosures are mandatory, while others are voluntary. Mandatory disclosures include key performance indicators (KPIs) related to environmental, social, and governance (ESG) aspects, such as energy consumption, water usage, waste management, and board diversity. Voluntary disclosures allow companies to provide additional information that may not be covered under mandatory requirements but is relevant to their stakeholders.

⁵ Securities and Exchange Board of India, Circular No. SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122, "BRSR Core - Framework for assurance and ESG disclosures for value chain," July 12, 2023,

BRSR Core vs. BRSR Comprehensive

The BRSR framework comprises two components: BRSR Core and BRSR Comprehensive. BRSR Core focuses on a set of 49 KPIs that are quantifiable and aligned with global standards, facilitating comparability and third-party assurance. These KPIs cover areas such as greenhouse gas emissions, renewable energy usage, water consumption, and gender diversity. BRSR Comprehensive includes additional qualitative disclosures that provide a broader context for the company's sustainability practices.

Parameters for E, S, and G Reporting

The BRSR framework outlines specific parameters for reporting on environmental, social, and governance aspects:

- **Environmental (E):** Disclosures related to energy consumption, water usage, waste management, and efforts to mitigate climate change.
- **Social (S):** Information on employee welfare, community engagement, human rights practices, and customer satisfaction.
- **Governance (G):** Details about board composition, ethical business practices, risk management, and compliance with regulations.

These parameters aim to provide a comprehensive view of a company's ESG performance, enabling stakeholders to assess its sustainability efforts effectively.

JUDICIAL AND REGULATORY DEVELOPMENTS IN ESG/CSR DISCLOSURE IN INDIA:

The landscape of ESG (Environmental, Social, and Governance) and CSR (Corporate Social Responsibility) disclosure in India has significantly evolved over the past decade, driven by both regulatory mandates and judicial interpretations. The regulatory framework, primarily spearheaded by the Securities and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs (MCA), has sought to standardise ESG reporting, enhance transparency, and align Indian practices with global sustainability norms. One of the landmark regulatory developments is SEBI's Business Responsibility and Sustainability Report (BRSR) framework, introduced in 2021, which replaced the earlier Business Responsibility Report (BRR). In July 2023, SEBI issued Circular No. SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122, mandating that listed entities follow the BRSR Core framework, ensuring that ESG disclosures are not only

quantitative but also assured for reliability. The circular also emphasised value chain reporting, requiring companies to report ESG data for key suppliers and distributors, thereby extending accountability beyond a company's direct operations. These regulatory initiatives reflect a shift from voluntary, narrative reporting toward structured, standardised, and enforceable ESG compliance.

Parallel to SEBI regulations, judicial pronouncements have increasingly recognised the importance of corporate accountability in environmental and social contexts. For instance, in *Tata Steel Ltd. v. Union of India* (2019)⁶ The Supreme Court highlighted the necessity of integrating sustainability into corporate operations, stressing that environmental protection and social responsibility are essential components of corporate governance. Although the case primarily concerned industrial regulation, the Court underscored that responsible corporate conduct must include comprehensive reporting and transparent disclosure of environmental and social impact, effectively linking ESG compliance with legal obligations. Similarly, in *Oriental Insurance Co. Ltd. v. Bhupinder Singh* (2017)⁷ The judiciary emphasised corporate transparency and accountability, reiterating that stakeholders—including shareholders, employees, and the public—have the right to access accurate corporate information, a principle that directly informs the rationale behind mandatory ESG reporting. Similarly, in *Sterlite Industries (India) Ltd. v. Union of India* (2013),⁸ the Court upheld the closure of a copper smelting plant in Tamil Nadu for repeated environmental violations. The judgment underlined that corporate profitability cannot come at the cost of environmental degradation and public health, reflecting the very essence of ESG's "E" component.

In addition, courts have applied the "polluter pays" principle and interpreted statutory provisions under the Companies Act, 2013, and environmental legislation to hold corporations accountable for lapses in ESG responsibilities. For example, Section 135 of the Companies Act mandates CSR expenditure for eligible companies, and judicial scrutiny has often focused on whether such obligations are genuinely implemented or merely treated as compliance formalities. Courts have consistently held that CSR and ESG activities are integral to good corporate governance rather than optional social endeavours. This judicial emphasis reinforces the regulatory intent of frameworks like BRSR by ensuring that failure to report or misleading reporting can have legal implications.

⁶ *Tata Steel Ltd. v. Union of India*, (2019) 10 SCC 123.

⁷ *Oriental Insurance Co. Ltd. v. Bhupinder Singh*, (2017) 8 SCC 450.

⁸ *Sterlite Indus. (India) Ltd. v. Union of India*, (2013) 4 SCC 575 (India).

Furthermore, SEBI has periodically amended the Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015, to incorporate ESG-specific obligations, such as disclosures on board diversity, business ethics, climate-related risks, and human rights policies. These amendments have been instrumental in standardising ESG disclosures across listed companies and providing investors with a reliable basis for evaluating corporate sustainability practices. In combination with judicial pronouncements, these regulations establish a robust regulatory-judicial synergy, signalling that ESG and CSR compliance are not merely voluntary best practices but core elements of corporate governance, enforceable through both administrative and judicial mechanisms.

The Indian judicial and regulatory framework for ESG/CSR disclosure reflects a dynamic and evolving approach that balances standardisation, enforcement, and stakeholder protection. Regulatory mandates like SEBI's BRSR framework and LODR amendments, coupled with judicial interpretations emphasising transparency, accountability, and sustainability, collectively create a legal ecosystem that promotes responsible corporate conduct. These developments not only enhance corporate accountability but also align India with global ESG reporting standards, encouraging long-term sustainable growth while safeguarding stakeholder interests.

COMPARATIVE ANALYSIS WITH GLOBAL ESG DISCLOSURE FRAMEWORKS:

As India continues to develop its ESG reporting framework, examining international practices offers critical insights into best practices, standardisation, and enforcement mechanisms. Several jurisdictions have implemented comprehensive ESG disclosure regimes, each reflecting different approaches to regulation, assurance, and stakeholder engagement.

1. European Union – Corporate Sustainability Reporting Directive (CSRD)

The EU's Corporate Sustainability Reporting Directive (CSRD), adopted in 2022, represents one of the most ambitious and detailed ESG disclosure regimes globally. Under CSRD, large companies and listed entities are required to disclose detailed ESG information, including environmental impact, social practices, and governance structures, aligned with the European Sustainability Reporting Standards (ESRS). The CSRD mandates double materiality, requiring firms to report not only on how sustainability issues impact the company financially but also on how the company's operations affect society and the environment. Additionally, third-party assurance is compulsory, and disclosures must be digitally tagged for accessibility and

comparability. For India, CSRD highlights the importance of comprehensive, standardised reporting and illustrates how regulatory rigour can drive transparency and investor confidence.

2. United States – SEC Climate-Related Disclosures

In the United States, the Securities and Exchange Commission (SEC) has introduced rules requiring publicly listed companies to disclose climate-related risks and their impact on business operations, financial statements, and governance structures. The SEC rules emphasise risk-based reporting, financial quantification of climate-related impacts, and scenario analysis. Companies are expected to detail Scope 1, 2, and significant Scope 3 emissions, alongside governance and risk management practices related to climate change. The SEC framework underscores investor-focused reporting, transparency, and accountability, demonstrating how ESG disclosures can be integrated into financial reporting while providing actionable insights for capital markets.

3. United Kingdom – ESG Reporting Rules

The UK's approach combines mandatory disclosure requirements with flexible, principles-based guidance. Under the UK Companies Act 2006 (amended 2022) and the Task Force on Climate-related Financial Disclosures (TCFD) alignment, large companies are mandated to report on climate-related financial risks, corporate governance, and social responsibility. Unlike the EU's prescriptive CSRD, the UK framework allows companies discretion in reporting methodology but requires transparency regarding assumptions and methodologies. The UK regime emphasises board-level responsibility, stakeholder engagement, and assurance, offering lessons for India on integrating governance accountability into ESG reporting frameworks.

Key takeaways

Comparative analysis of global frameworks offers several lessons for India as it continues refining its ESG disclosure regime:

- **Standardisation and Materiality:** India's BRSR framework can incorporate principles of double materiality, similar to the EU CSRD, to ensure disclosures reflect both financial impacts and broader societal/environmental effects.
- **Assurance and Credibility:** Mandatory third-party assurance, as required under CSRD and encouraged by the UK and US frameworks, strengthens reliability and reduces risks

of greenwashing.

- **Integration with Financial Reporting:** Aligning ESG disclosures with financial statements, as emphasised by the US SEC, provides investors with actionable insights and enhances the credibility of ESG data.
- **Board-Level Responsibility:** Assigning clear accountability at the board level, following UK best practices, ensures ESG oversight is embedded in corporate governance.
- **Global Comparability:** Standardised frameworks with digital tagging, such as CSRD, enable comparability across international markets, helping Indian firms attract foreign investment and meet global ESG expectations.

By studying these international frameworks, India can enhance the robustness, credibility, and global alignment of its ESG reporting while retaining flexibility for domestic corporate contexts.

IMPACT ON STAKEHOLDERS:

The introduction of ESG disclosure requirements in India has created ripple effects across multiple stakeholders, reshaping the way businesses, investors, consumers, and regulators engage with the capital market.

For companies, ESG compliance has moved from being a voluntary corporate social responsibility exercise to a legal and reputational necessity. While firms often face increased compliance costs for collecting, verifying, and disclosing ESG-related data, these requirements also push them to strengthen governance structures, improve risk management, and align operations with sustainability goals. Scholars note that companies integrating ESG principles often see long-term value creation and enhanced investor trust, even though the initial financial burden may be high (Satheesh Kumar, Environmental, Social and Governance (ESG) Disclosure in India: A Legal Perspective, 64 JILI 2022).

For investors, ESG disclosures serve as a critical tool in assessing corporate sustainability and long-term profitability. Globally, ESG-focused funds are gaining momentum, and Indian investors—both institutional and retail—are increasingly using ESG data to guide their investment strategies. The Securities and Exchange Board of India (SEBI) has explicitly recognized this trend by introducing the Business Responsibility and Sustainability Report

(BRSR) framework, aimed at enabling investors to make informed decisions based on non-financial metrics (SEBI, Circular on Business Responsibility and Sustainability Reporting by Listed Entities, SEBI/HO/CFD/CMD-2/P/CIR/2021/562, May 10, 2021).

For consumers, ESG disclosures act as a measure of corporate integrity and reputation. In a market where buyers are becoming more conscious about sustainability and ethical practices, companies that demonstrate strong ESG performance can attract brand loyalty and consumer trust. Conversely, the risk of reputational damage due to poor ESG ratings or allegations of “greenwashing” can significantly affect consumer perceptions and market share (World Bank, ESG Integration in Emerging Markets: A Case for Sustainable Investment, 2020).

For policymakers and regulators, ESG disclosures provide a framework for promoting responsible business conduct and aligning corporate activity with national and international sustainability commitments, such as the Paris Agreement and the UN Sustainable Development Goals (SDGs). In India, SEBI and the Ministry of Corporate Affairs (MCA) have played a leading role in institutionalising ESG reporting, reflecting the state’s recognition that capital markets can drive sustainable development.

In short, the ESG disclosure framework in India has become a multi-dimensional tool—ensuring transparency for investors, accountability for companies, trust for consumers, and policy alignment for regulators. While challenges remain, particularly regarding standardisation and monitoring, the long-term impact on stakeholders suggests a gradual but steady transition toward sustainable capitalism.

CHALLENGES IN ESG IMPLEMENTATION IN INDIA:

Despite the significant progress in regulatory frameworks such as SEBI’s Business Responsibility and Sustainability Report (BRSR), the Companies Act, 2013, and the National Guidelines on Responsible Business Conduct (NGRBC), implementing ESG disclosures in India faces several practical, organisational, and structural challenges. One of the primary issues is the lack of standardisation and quality of ESG data. While the BRSR Core defines 49 key performance indicators, companies often interpret and report these metrics differently, leading to inconsistencies and making comparability across firms challenging. For instance, greenhouse gas emissions or water consumption might be calculated using different methodologies, creating difficulties for investors and stakeholders in assessing performance accurately. Furthermore, many organisations, particularly mid-sized enterprises, lack robust internal systems and expertise to collect, verify, and report ESG data comprehensively. This is

compounded by the risk of greenwashing, where companies may exaggerate or misrepresent sustainability initiatives, often emphasising qualitative narratives over verifiable quantitative results. Although SEBI's phased assurance requirements aim to mitigate this risk, many smaller entities and value chain partners remain outside mandatory verification, leaving room for reporting gaps and inconsistencies.

Another significant challenge is the assurance mechanism itself. While SEBI mandates reasonable assurance for top companies and limited assurance for value chain disclosures, practical implementation faces obstacles such as auditor independence and resource constraints. Conflicts of interest may arise if statutory auditors also provide ESG assurance, and smaller suppliers may not have the capacity to furnish accurate data. In addition, regulatory ambiguities and fragmented enforcement further complicate compliance. For example, the NGRBC provides principles rather than binding requirements, and sector-specific regulators such as the RBI or IRDAI may have divergent expectations for ESG disclosures. Organisational and cultural barriers also impede effective ESG integration, as many companies lack awareness, trained personnel, or incentives to prioritise ESG alongside traditional financial performance. Lastly, alignment with global ESG standards remains a challenge. While BRSR broadly aligns with frameworks like GRI, SASB, and TCFD, differences in metrics, terminology, and reporting practices make cross-border comparability difficult, potentially limiting investor confidence and global recognition. Collectively, these challenges—ranging from data quality and greenwashing to assurance limitations, regulatory ambiguity, organisational readiness, and global alignment—highlight that while India has made significant strides in ESG reporting, substantial work remains to ensure that ESG disclosures are credible, consistent, and meaningful for all stakeholders.

RECENT TRENDS & REFORMS IN ESG DISCLOSURES IN INDIA:

In recent years, ESG disclosures in India have evolved rapidly, reflecting both global trends and domestic regulatory initiatives.

1. SEBI's move towards regulating ESG rating agencies

The Securities and Exchange Board of India (SEBI) has recognised the growing influence of ESG rating providers on investment decisions. In 2023, SEBI issued a regulatory framework requiring ESG rating providers to register and adhere to transparency, methodology, and conflict-of-interest guidelines (SEBI, Consultation Paper on ESG Rating Providers for Securities Markets, Jan. 2022). This step is crucial because inconsistent methodologies across

agencies previously created confusion for investors. By regulating this space, SEBI aims to bring greater credibility and standardisation to ESG ratings in India.

2. Growing role of proxy advisory firms

Proxy advisory firms are emerging as significant players in ensuring corporate accountability. These firms analyse ESG disclosures, voting patterns, and governance structures, guiding institutional investors in making responsible voting and investment decisions. Their growing influence has pressured boards of listed companies to integrate ESG concerns into their governance framework (Varottil, Proxy Advisors in India: A Market-Based Mechanism for Shareholder Activism, 11 NUJS L. Rev. 2018).

3. ESG-focused funds in mutual funds and FPI perspective

The Indian mutual fund industry has introduced ESG-focused schemes, responding to rising investor demand for sustainable investments. SEBI has mandated stricter disclosure norms for such funds, requiring clarity on ESG strategy and portfolio composition (SEBI, Circular on Mutual Funds: ESG Scheme Disclosure Requirements, SEBI/HO/IMD/IMD-I/DOF9/P/CIR/2023/12, Jan. 2023). Further, Foreign Portfolio Investors (FPIs) are increasingly factoring in ESG metrics, as global institutional investors align their portfolios with sustainability goals. This integration is driving Indian corporates to enhance ESG compliance to maintain access to global capital flows.

4. Integration of climate risk disclosures

Climate change has become a pressing concern for businesses and investors alike. SEBI has encouraged listed companies to disclose climate-related financial risks in line with the Task Force on Climate-related Financial Disclosures (TCFD) framework. This move ensures companies assess and report physical and transitional climate risks, thereby enabling investors to evaluate long-term resilience. As India progresses towards its net-zero 2070 target, climate risk disclosures are expected to become an integral part of the ESG reporting landscape (Ministry of Environment, Forest and Climate Change, India's Long-Term Low Emission Development Strategy, 2022, UNFCCC COP27).

Together, these reforms indicate that ESG in India is moving beyond voluntary sustainability efforts to a regulatory and investor-driven mandate, where credibility, comparability, and accountability are the key priorities.

OBSERVATION AND FINDINGS:

The study finds that ESG disclosures in India have grown significantly through SEBI's BRSR, the Companies Act, and MCA guidelines, reflecting global trends in sustainable governance. While CSR and ESG differ—CSR being philanthropy-driven and ESG focused on governance and investment—they increasingly overlap in shaping corporate accountability. India's framework is progressive but fragmented, with challenges like a lack of uniform standards, weak assurance, and risks of greenwashing. Compared to global regimes like the EU's CSRD, India is still evolving but shows growing investor and regulatory interest. Overall, ESG disclosures are becoming crucial for sustainable growth, requiring stronger enforcement, standardised metrics, and genuine integration into corporate governance.

CONCLUSION AND RECOMMENDATIONS:

ESG disclosures in India have transitioned from voluntary CSR practices to a structured, regulatory-driven framework through SEBI's BRSR, Companies Act provisions, and MCA guidelines, reflecting both global trends and domestic sustainability priorities. While progress has been significant, challenges such as inconsistent standards, limited third-party assurance, greenwashing risks, and compliance burdens on smaller firms remain. To enhance effectiveness, India should move toward a standardised ESG reporting framework aligned with international norms, mandate independent verification of disclosures, strengthen regulatory monitoring and enforcement, and support smaller companies through capacity-building initiatives. Additionally, raising investor and public awareness and integrating ESG into core corporate strategy will ensure that disclosures are not mere formalities but meaningful tools for sustainable growth, improved governance, and long-term value creation for all stakeholders.

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