ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) COMPLIANCE IN INDIA: EMERGING TRENDS AND THE EVOLVING CORPORATE REGULATORY FRAMEWORK

Prof. (Dr.) Gowri Ramesh, Registrar, The Tamil Nadu Dr. Ambedkar Law University & Director of Legal Studies (FAC), Government of Tamil Nadu.

Dr. E. Ramya, Assistant Professor, Chennai Dr. Ambedkar Govt. Law College, Pudupakkam

ABSTRACT

The growing emphasis on sustainability and responsible business conduct has transformed Environmental, Social and Governance (ESG) principles into a significant aspect of corporate regulation worldwide. In India, ESG compliance has evolved from voluntary corporate social responsibility initiatives to a more structured regulatory framework guided by legislative mandates and market-driven expectations. Regulatory interventions by the Securities and Exchange Board of India (SEBI), particularly through the Business Responsibility and Sustainability Reporting (BRSR) framework, have strengthened disclosure requirements and enhanced corporate accountability. This article examines the concept and significance of ESG compliance within the corporate sector in India. It analyses the existing legal and regulatory framework governing ESG practices, including provisions under the Companies Act, 2013, SEBI regulations and other relevant guidelines. The article further explores emerging trends such as enhanced sustainability disclosures, climate-related reporting, stakeholder-centric governance and the influence of global ESG standards. It critically evaluates the challenges associated with ESG implementation, including regulatory fragmentation, greenwashing concerns, lack of standardised metrics and compliance burdens faced by companies. Also examines the comparative perspectives and recent developments, this paper proposes recommendations to strengthen ESG ecosystem in India and promote sustainable corporate governance. The study concludes that a coherent and strong ESG framework is indispensable for balancing economic growth with environmental stewardship and social responsibility in the contemporary corporate sector.

Keywords: ESG Compliance, Corporate Governance, Sustainability Reporting, SEBI, Sustainable Development.

1. Introduction

The contemporary corporate environment has evolved a significant transformation with the increasing recognition that businesses are accountable not only to their shareholders but also to a wider range of stakeholders, including employees, consumers, local communities, regulators and the environment. Traditional measures of corporate success based solely on financial performance are gradually being replaced by broader considerations of sustainability and responsible governance. In this context, the concept of Environmental, Social and Governance (ESG) has emerged as an essential framework for evaluating corporate performance and long-term value creation[1]. ESG refers to a set of standards that assess a company's environmental stewardship, social responsibility and governance practices. The environmental component focuses on issues such as climate change mitigation, carbon emissions, resource efficiency, waste management and biodiversity conservation. The social dimension encompasses labour practices, diversity and inclusion, employee welfare, consumer protection and community engagement. The governance aspect examines board composition, executive remuneration, shareholder rights, transparency, accountability and business activities. Collectively, these factors provide a comprehensive understanding of an organisation's sustainability and its capacity to manage both financial and non-financial risks[2].

Internationally, ESG considerations have gained prominence due to growing concerns regarding climate change, social inequalities and corporate misconduct. Institutional investors increasingly rely on ESG indicators while making investment decisions, recognising that sustainable business practices contribute to long-term profitability and resilience. Global initiatives such as the United Nations Sustainable Development Goals (SDGs), the United Nations Principles for Responsible Investment (UNPRI) and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) have further accelerated the integration of ESG principles into corporate strategies and regulatory frameworks[3].

In India, the evolution of ESG compliance reflects a gradual transition from voluntary corporate responsibility initiatives to more structured and mandatory disclosure requirements. While the Companies Act, 2013 introduced mandatory Corporate Social Responsibility (CSR)

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[1] "(PDF) Corporate Social Responsibility and Stakeholder Theory: An Integrated Review," ResearchGate available at: https://www.researchgate.net/publication/379330233 (last visited June 12, 2026).
[2] "(PDF) An Overview of Environmental, Social and Governance (ESG) And Company Performance," ResearchGate, 2026.
[3] Ibid.

obligations for certain classes of companies, subsequent regulatory developments have expanded the focus beyond philanthropy towards comprehensive sustainability governance. The Securities and Exchange Board of India (SEBI) has played a vital role in this transformation by introducing the Business Responsibility Report (BRR) and later replacing it with the more detailed Business Responsibility and Sustainability Reporting (BRSR) framework applicable to the top listed entities by market capitalisation. These developments signify India's commitment to promoting responsible business conduct and aligning domestic corporate practices with emerging international standards[4].

However, these advancements, ESG implementation in India continues to face several challenges. The absence of a unified legal framework governing ESG compliance, inconsistencies in reporting standards, concerns regarding greenwashing and difficulties in measuring and verifying non-financial disclosures present significant obstacles to effective enforcement. Moreover, companies often encounter practical challenges in integrating ESG considerations into their operational and governance structures without compromising competitiveness and profitability[5]. The article aims to examine the legal foundations of ESG obligations in India, assess recent developments in sustainability reporting and governance norms, identify key implementation challenges and explore comparative international approaches that may offer valuable insights for strengthening the Indian framework.

2. Legal and Regulatory Framework Governing ESG Compliance in India

India does not presently have a single, comprehensive legislation exclusively governing Environmental, Social and Governance (ESG) compliance. Instead, the country's ESG framework has evolved through a combination of corporate, securities, environmental, labour, and governance regulations. This multi-layered approach reflects India's gradual transition from a philanthropic understanding of corporate responsibility towards a broader sustainability-oriented governance model. Regulatory authorities, particularly the Securities and Exchange Board of India (SEBI), have played a significant role in shaping ESG disclosures and accountability standards within the corporate sector[6].

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[4] Adv Sumayya Ali, "The Limits of ESG Integration in Indian Corporate Governance: A Legal and Policy Analysis" (Social Science Research Network, Rochester, NY, 2026).

[5] "(PDF) Critical Overview of ESG Legislation in India: A Comprehensive Analysis," ResearchGate, 2026available at: https://www.researchgate.net/publication/400092513 (last visited June 12, 2026).

[6] "(PDF) Critical Overview of ESG Legislation in India: A Comprehensive Analysis," ResearchGate, 2026

2.1 Companies Act, 2013 and Corporate Governance

The Companies Act, 2013, represents a significant reform in corporate law in India and provides the foundation for several ESG-related obligations. Although the Act does not explicitly use the term "ESG," many of its provisions contribute towards strengthening environmental responsibility, social accountability and governance standards. The Act emphasises principles of transparency, accountability, stakeholder participation and responsible management. Provisions relating to the duties of directors require them to act in good faith, exercise due care and diligence and act in the best interests of the company, its employees, shareholders, the community and the environment. This holistic conception of fiduciary responsibility reflects a shift away from a purely shareholder-centric approach towards a stakeholder-oriented model of corporate governance. Further, the Act prescribes requirements concerning board composition, independent directors, audit committees, nomination and remuneration committees and mechanisms for preventing fraud and oppression. These governance-related provisions contribute significantly to the "G" component of ESG by promoting effective oversight and responsible decision-making within corporations[7].

2.2 Corporate Social Responsibility under Section 135

One of the most remarkable innovations introduced by the Companies Act, 2013, is the mandatory Corporate Social Responsibility (CSR) regime under Section 135. India became one of the first countries to impose statutory CSR obligations upon qualifying companies. Under Section 135, companies meeting prescribed financial thresholds relating to net worth, turnover, or net profit are required to constitute a CSR Committee of the Board and spend at least two per cent of the average net profits earned during the preceding three financial years on eligible CSR activities. Schedule VII of the Act identifies permissible areas of expenditure, CSR activities including environmental sustainability, education, healthcare, gender equality, rural development and poverty alleviation[8]. Although CSR and ESG are conceptually distinct, the mandatory CSR framework significantly contributed to the development of socially responsible business practices in India. While CSR primarily focuses on philanthropic

available at: https://www.researchgate.net/publication/400092513 (last visited June 12, 2026).

[7] saurabhk9431, "CSR laws in India - Provision under the Companies Act, 2013" iPleaders, 2024available at: https://blog.ipleaders.in/csr-laws-india/ (last visited June 12, 2026).

[8] Kirthana Khurana, "Mandatory CSR in India – A Trailblazer from the East," 9 BRICS Law Journal 81–107 (2022).

activities, ESG encompasses broader considerations involving the integration of sustainability principles into the core operations and governance structures of businesses[9].

2.3 SEBI's Business Responsibility and Sustainability Reporting (BRSR) Framework

The most significant regulatory development concerning ESG compliance in India has been the introduction of the Business Responsibility and Sustainability Reporting (BRSR) framework by SEBI. The BRSR replaced the earlier Business Responsibility Report (BRR) framework and marked a transition towards more comprehensive sustainability disclosures[10].

The BRSR framework requires the top listed entities by market capitalisation to disclose information relating to their environmental performance, employee welfare practices, community engagement initiatives, governance mechanisms, and stakeholder relationships. The framework is based on the National Guidelines on Responsible Business Conduct (NGRBC), which encourage businesses to operate in a manner that is ethical, transparent, and sustainable[11]. The reporting format consists of general disclosures, management disclosures, and principle-wise disclosures aligned with the nine principles of the NGRBC. Companies are expected to provide both qualitative and quantitative information regarding sustainability initiatives and their impact on stakeholders. The BRSR framework serves several important objectives. First, it enhances transparency by enabling investors and stakeholders to assess a company's sustainability performance. Second, it promotes comparability among listed entities by standardising disclosure practices. Third, it encourages companies to identify ESG-related risks and opportunities and incorporate them into strategic decision-making processes[12].

2.4 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations), constitute another important component of India's ESG architecture. The LODR Regulations establish governance standards applicable to listed entities and seek to protect

[9] Joanna Rosak-Szyrocka, "From CSR to ESG – The New Era in Corporate Responsibility," 7 System Safety: Human - Technical Facility - Environment 234–46 (2025).
[10] Rajkannan Rajan, "Evolving Corporate Sustainability Reporting Landscape in India: A Literature Review of SEBI's BRSR Framework (2021 - 2025)," 3 International Research Journal on Advanced Engineering and Management (IRJAEM) 2402–7 (2025).
[11] "BRSR Compliance: Expertise beyond excellence," https://www.taxmann.comavailable at: https://www.taxmann.com/research/company-and-sebi/top-story/105010000000023959/(last visited June 12, 2026).
[12] Pranesh Debnath, "Business Responsibility and Sustainability Reporting: A Way Forward for Indian Corporate Disclosure," 17 23–31 (2022).

investor interests through enhanced disclosures and accountability measures. These regulations prescribe detailed requirements regarding board independence, audit committee functioning, risk management practices, related-party transactions, and disclosure obligations. Recent regulatory developments indicate that sustainability considerations are increasingly being integrated into the broader corporate disclosure regime. Companies are expected not only to disclose financial performance but also to communicate how environmental and social factors influence their business operations and long-term sustainability[13].

2.5 Environmental and Labour Law Framework

The environmental dimension of ESG is supported by several sector-specific legislations aimed at preventing environmental degradation and promoting sustainable resource utilisation. The environmental statutes include the Environment (Protection) Act, 1986, the Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Biological Diversity Act, 2002. Compliance with these laws contributes directly to an organisation's environmental performance and risk profile. Similarly, the social aspect of ESG draws support from labour and employment laws governing working conditions, occupational safety, equality, and employee welfare. Legislations such as the Code on Social Security, 2020, the Occupational Safety, Health and Working Conditions Code, 2020, and laws addressing workplace harassment and discrimination reflect the State's commitment to protecting workers' rights and promoting inclusive workplaces. Although these statutes were not enacted specifically for ESG purposes, adherence to such legal obligations significantly influences corporate ESG ratings and stakeholder perceptions[14].

2.6 National Guidelines on Responsible Business Conduct

The National Guidelines on Responsible Business Conduct (NGRBC), issued by the Government of India, provide a normative framework encouraging businesses to adopt responsible and sustainable practices. The guidelines articulate nine principles relating to ethics, sustainability, employee well-being, stakeholder responsiveness, human rights, environmental stewardship, public policy advocacy, inclusive growth and consumer value. While the NGRBC does not impose legally binding obligations, it has substantially influenced

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[13] Sradha Shree Patro and Aditya Khilari, "Corporate Governance Standards Under SEBI Regulations."
[14] Dr Monica Kharola, Mrs Surbhi Goyal and Dr Surya Saxena, "Mandatory ESG Reporting in India: Legal Obligations and Management Strategies," 2 Journal of Marketing & Social Research 167–77 (2025).

the development of ESG reporting standards in India, particularly the BRSR framework. The guidelines represent India's attempt to align domestic business practices with international sustainability expectations while recognising the country's unique developmental priorities[15].

ESG regulatory framework in India demonstrates a progressive shift towards integrating sustainability considerations within corporate governance structures. The combination of mandatory CSR obligations, enhanced sustainability reporting requirements, governance reforms and sector-specific environmental and labour regulations reflects an evolving commitment to responsible business conduct[16]. Despite, the existing framework remains fragmented, with ESG obligations dispersed across multiple legal instruments and regulatory authorities. The absence of a unified ESG statute may result in inconsistencies in implementation and reporting practices. Moreover, concerns regarding data reliability, greenwashing and limited assurance mechanisms continue to challenge the effectiveness of ESG disclosures.

3. Emerging Trends in ESG Compliance in India

The ESG landscape in India has evolved significantly, driven by regulatory developments, investor expectations and increasing awareness of sustainable business practices. A major trend has been the transition from voluntary sustainability initiatives to mandatory disclosure requirements through SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework[17]. This move has institutionalised ESG reporting, improved transparency and enabled stakeholders to assess corporate sustainability performance more effectively. Simultaneously, institutional investors are increasingly incorporating ESG factors into investment decisions, recognising that effective ESG management contributes to risk mitigation, stronger governance and long-term value creation[18]. Another remarkable trend is the integration of ESG principles into corporate strategy and governance structures. Indian companies are increasingly embedding sustainability objectives into their business operations, supply chain management and risk assessment processes. Greater emphasis is also being placed

[15] Bhumesh Verma, Anoushka Ishwar and Sana Sarosh, "National Guidelines for Responsible Business Conduct and Their Importance in Remodeling Business Responsibility and Accountability" (Social Science Research Network, Rochester, NY, 2019).

[16] Manindra Hanspal and G Kumar, "Critical Overview of ESG Legislation in India: A Comprehensive Analysis," 6 17–26 (2025).

[17] Renu Gupta and Ameeta Motwani, "ESG REPORTING IN INDIA: CURRENT SCENARIO," 4 Corporate Governance Insight 88–104 (2022).

[18] Zhichao Yu et al., "How does environmental, social, and governance (ESG) performance determine investment mix? New empirical evidence from BRICS," 24 Borsa Istanbul Review 520–9 (2024).

on climate-related risks, environmental stewardship and board-level oversight of ESG matters. Corporate boards are expected to supervise sustainability initiatives, strengthen governance mechanisms and ensure that ESG considerations form part of organisational decision-making processes[19].

Furthermore, growing stakeholder activism and international sustainability expectations have accelerated the adoption of responsible business practices in India. Consumers, employees, investors and civil society increasingly demand greater accountability and ethical conduct from corporates. Indian companies are also aligning their reporting practices with globally recognised ESG standards to enhance credibility and attract global investment. The increasing use of technology in ESG data collection and reporting has further improved disclosure practices. Collectively, these developments indicate that ESG compliance in India is evolving from a reputational exercise into a strategic imperative essential for sustainable growth and long-term corporate resilience[20].

4. Challenges in ESG Implementation in India

However, the growing emphasis on Environmental, Social and Governance (ESG) principles and the increasing evolution of the regulatory framework governing sustainability disclosures, the effective implementation of ESG practices in India continues to face several practical and legal challenges. While regulatory initiatives have encouraged corporates to adopt sustainability-oriented practices, significant obstacles remain in translating disclosure requirements into meaningful corporate action. The fragmented nature of the regulatory framework, lack of standardised reporting mechanisms, concerns regarding greenwashing and resource constraints collectively impede the development of a robust ESG ecosystem in India[21].

4.1 Fragmented Regulatory Framework

One of the primary challenges in ESG implementation is the absence of a comprehensive and unified legislative framework exclusively governing ESG compliance. ESG-related obligations in India are dispersed across multiple statutes, regulations and guidelines administered by

[19] Yuxin Wang, “Sustainability and Corporate Governance: The Impact of ESG Policies on Business Strategy,” 157 Advances in Economics, Management and Political Sciences 10–5 (2025).
[20] Dr Singh and Oshank Singh, “CSR: Issues, Developments, and Strategies of Intervention,” 6 International Journal of Social Science and Human Research (2023).
[21] Hirdayu Radzi, “An Overview of Environmental, Social and Governance (ESG) and Company Performance,” 2023.

different regulatory authorities[22]. Provisions relating to governance standards are embedded within the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Environmental obligations arise under various environmental protection legislations, while labour and social welfare concerns are addressed through employment-related statutes and labour codes. Also, sustainability disclosures are governed by the Business Responsibility and Sustainability Reporting (BRSR) framework issued by SEBI[23]. Although this multi-regulatory approach reflects the interdisciplinary nature of ESG, it often results in overlapping obligations, regulatory ambiguities and compliance complexities. Companies may face difficulties in identifying applicable requirements and ensuring consistency across different reporting frameworks. The lack of harmonisation also creates uncertainty regarding enforcement standards and accountability mechanisms[24].

4.2 Lack of Uniform Reporting Standards

The absence of universally accepted ESG reporting metrics constitutes another significant challenge. Unlike financial reporting, which is governed by established accounting standards, ESG reporting continues to evolve with the coexistence of multiple domestic and international frameworks[25]. Various reporting systems frequently employ varying indicators, methodologies and disclosure requirements. Therefore, companies may adopt diverse approaches in measuring and reporting ESG performance, thereby reducing comparability across organisations and sectors[26]. Inconsistent reporting practices hinder stakeholders' ability to accurately evaluate a company's sustainability performance. Investors, consumers and regulators may find it difficult to distinguish between genuinely sustainable enterprises and those merely presenting favourable disclosures. The lack of standardisation therefore undermines the reliability and usefulness of ESG information[27]. Although the BRSR framework has contributed significantly towards enhancing disclosure consistency among listed entities, further efforts are necessary to establish uniform standards applicable across a broader range of businesses operating in

[22] Renu Gupta and Ameeta Motwani, "ESG Reporting in India: Current Scenario," 4 Corporate Governance Insight 88–104 (2022).

[23] Editor, "The Rise and Evolution of ESG Compliance in Indian Corporate Governance" SCC Times, 2025available at: https://www.scconline.com/blog/post/2025/12/09/ (last visited June 14, 2026).

[24] Kiuri Daniel et al., "The Influence of ESG Regulations on Corporate Legal Compliance: How Businesses are Addressing Environmental and Social Obligations" 1–32 (2025).

[25] Eliana Rose, Rose Kelvin and Mary Smith, "Challenges in Standardizing ESG Metrics Across Global Industries" (2025).

[26] Adams Williams, "ESG Metrics and Reporting: Best Practices for Companies" 22 (2025).

[27] Ratna Sari and Muslim Muslim, "Corporate Transparency and Environmental Reporting: Trends and Benefits," 4 Amkop Management Accounting Review (AMAR) 1–18 (2024).

India[28].

4.3 Greenwashing and Misleading Disclosures

Greenwashing has emerged as one of the most serious concerns within the ESG landscape. The term refers to situations where companies exaggerate, misrepresent, or selectively disclose information regarding their environmental or social initiatives to create a misleading impression of sustainability[29]. Increased stakeholder interest in responsible business practices has incentivised corporations to portray themselves as socially and environmentally conscious entities. However, without adequate verification mechanisms and regulatory oversight, there exists a risk that ESG disclosures may prioritise reputation management over substantive action[30]. Greenwashing not only deceives investors and consumers but also weakens confidence in the broader ESG ecosystem. Misleading disclosures may divert capital away from genuinely sustainable businesses and undermine efforts aimed at promoting responsible corporate conduct[31]. Overcoming this challenge requires stronger disclosure requirements, independent assurance mechanisms, enhanced regulatory scrutiny, and meaningful penalties for inaccurate or deceptive sustainability claims[32].

4.4 Compliance Costs and Resource Constraints

The implementation of ESG practices often involves significant financial and administrative commitments. Companies are required to establish internal systems for data collection, monitoring, reporting, stakeholder engagement, and risk assessment. They may also need to invest in technological infrastructure, sustainability initiatives, employee training programmes, and external assurance services[33]. Large corporations with substantial resources may be better positioned to absorb these costs. However, smaller entities and emerging businesses may experience considerable difficulties in meeting evolving ESG expectations. Limited financial resources, inadequate technical expertise, and competing business priorities can restrict their

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[28] Pranesh Debnath, "Business Responsibility and Sustainability Reporting: A Way Forward for Indian Corporate Disclosure," 17 23–31 (2022).
[29] Lin Woon Leong et al., "The Impact of Greenwashing: Risks and Implications for Corporate Performance and Stakeholder Trust," 2025.
[30] Noor Aziz Et Al., "ESG and Corporate Governance: A Systematic Review," 5 Advanced International Journal of Business, Entrepreneurship and SMEs 185–204 (2023).
[31] H. Nurgül Durmuş Şenyapar, "Unveiling Greenwashing Strategies: A Comprehensive Analysis of Impacts on Consumer Trust and Environmental Sustainability," 8 Journal of Energy Systems 164–81 (2024).
[32] Sara Hassan, "Greenwashing in ESG: Identifying and Addressing False Claims of Sustainability," 9 Journal of Business and Strategic Management 90–105 (2024); Ibid.
[33] "Reliability of Sustainability Claims: Addressing greenwashing through regulations"

ability to implement comprehensive ESG frameworks[34]. Therefore, there is a need to balance regulatory expectations with practical considerations relating to organisational capacity. Excessively burdensome requirements may inadvertently discourage participation and create barriers to compliance, particularly among smaller enterprises[35].

4.5 Data Collection and Verification Challenges

Reliable ESG reporting depends upon the availability of accurate and verifiable data. However, many organisations encounter difficulties in collecting and analysing non-financial information relevant to environmental performance, employee welfare, supply chain practices and governance processes[36]. Unlike financial information, ESG data often originates from multiple departments and operational units, making standardisation and consolidation challenging. Companies may lack adequate systems for tracking sustainability indicators or measuring social impacts in a consistent manner[37]. The absence of robust assurance mechanisms further exacerbates concerns regarding data accuracy. Inaccurate or incomplete disclosures can undermine stakeholder confidence and reduce the effectiveness of ESG reporting frameworks[38]. Strengthening internal controls, adopting technological solutions and promoting third-party verification processes may enhance the reliability and credibility of ESG-related information[39].

4.6 Limited Awareness and Capacity Building

ESG remains a relatively evolving concept within the Indian corporate environment. Although awareness has increased significantly among large listed entities, varying levels of understanding persist across industries and organisational structures[40]. Some businesses

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[34] Todd Cort and Daniel Esty, "ESG Standards: Looming Challenges and Pathways Forward," 33 Organization & Environment 108602662094534 (2020).

[35] Akaninyene Akang, "Regulatory Compliance and Access to Finance: Implications for Business Growth in Developing Economies," 1 sciental journal of education humanities and social sciences 8–23 (2024).

[36] Liyuan Liu et al., "Trust in ESG reporting: The intelligent Veri-Green solution for incentivized verification," 5 Blockchain: Research and Applications 100189 (2024).

[37] OECD, Behind ESG Ratings: Unpacking Sustainability Metrics (OECD Publishing, 2025).

[38] "Corporate Governance Mechanisms and ESG Disclosure Quality: The Moderating Role of Audit Committee Independence in an Emerging Market - Bayong - Corporate Social Responsibility and Environmental Management - Wiley Online Library,"available at: https://onlinelibrary.wiley.com/doi/10.1002/csr.70651 (last visited June 14, 2026).

[39] "(PDF) Do ESG Reporting Guidelines and Verifications Enhance Firms' Information Disclosure?," ResearchGate.

[40] "(PDF) Sectoral Variations in ESG Adoption in Indian Corporations: A Quantitative Assessment and Strategic Policy Implications," ResearchGate (2026).

continue to perceive ESG merely as a regulatory obligation rather than a strategic opportunity capable of generating long-term value. Insufficient awareness regarding the benefits of sustainability integration may limit organisational commitment towards meaningful implementation[41]. Also, the successful adoption of ESG practices requires specialised expertise relating to sustainability reporting, environmental risk assessment, stakeholder engagement and governance reforms. The shortage of trained professionals possessing such expertise may impede effective compliance efforts[42]. Accordingly, capacity-building initiatives involving regulators, industry associations, academic institutions, and professional bodies are essential for strengthening ESG literacy and facilitating the adoption of best practices[43].

4.7 Balancing Profitability with Sustainability Objectives

A recurring challenge involves reconciling short-term financial objectives with long-term sustainability goals. Businesses frequently operate under pressure to maximise shareholder returns and maintain competitive advantages within dynamic market environments[44]. Certain ESG initiatives may require substantial initial investments without generating immediate financial returns. Consequently, organisations may hesitate to undertake sustainability measures perceived as increasing operational costs or reducing short-term profitability[45]. However, the increasing recognition that ESG performance contributes to resilience, risk mitigation, brand reputation and investor confidence has gradually shifted corporate perspectives. Nonetheless, achieving an appropriate balance between economic growth and sustainability considerations remains a complex undertaking requiring strategic leadership and stakeholder cooperation[46].

4.8 Supply Chain and Third-Party Risks

Modern businesses increasingly rely upon complex supply chains involving numerous

[41] "(PDF) Challenges and Opportunities of ESG Integration in Financial Operations," ResearchGate.
[42] "(PDF) Institutional Enablers of ESG Adoption in Sub-Saharan Africa: A Systematic Review of Sustainable Corporate Governance and Firm Performance," ResearchGate (2026).
[43] "(PDF) The Role of ESG in Driving Corporate Sustainability Practices in the Context of Globalization Challenges," ResearchGate.
[44] "(PDF) The Dilemma Between Shareholder Value and Long-term Business Sustainability," ResearchGate (2026).
[45] Earthood Services Limited, "The Role of ESG in Sustainable Investment Decisions"available at: https://www.earthood.com/earthscoop/the-role-of-esg-in-sustainable-investment-decisions (last visited June 14, 2026).
[46] "(PDF) ESG Performance and Corporate Resilience: An Empirical Analysis Based on the Capital Allocation Efficiency Perspective," ResearchGate (2026).

suppliers, contractors and service providers operating across different jurisdictions. Ensuring ESG compliance throughout these interconnected networks presents considerable challenges[47].

Companies may possess limited control over the labour practices, environmental performance, or governance standards adopted by third parties within their supply chains. Yet, stakeholders increasingly expect corporates to assume responsibility for sustainability risks extending beyond their immediate operations[48]. Supply chain vulnerabilities requires the implementation of due diligence mechanisms, supplier assessments, contractual safeguards and ongoing monitoring systems designed to promote responsible business conduct across the value chain.

The challenges associated with ESG implementation in India highlight the complexities involved in operationalising sustainability principles within diverse organisational contexts. While regulatory initiatives have strengthened disclosure requirements and enhanced awareness regarding responsible business practices, substantial gaps continue to exist in relation to enforcement, standardisation, and institutional capacity[49].

The fragmented nature of the existing framework, coupled with concerns relating to greenwashing and data reliability, demonstrates that ESG compliance cannot be achieved solely through disclosure mandates. Effective implementation requires coordinated regulatory action, corporate commitment, stakeholder engagement, and the development of credible assurance mechanisms[50].

5. Comparative Perspectives: International ESG Practices

The growing importance of Environmental, Social and Governance (ESG) principles has led several jurisdictions to develop distinct regulatory approaches aimed at promoting sustainable corporate conduct. While the objective of enhancing transparency, accountability and responsible business practices remains common, the methods adopted vary significantly across

[47] "(PDF) Multi-Tier Supplier Visibility and Ethical Sourcing: Leveraging Blockchain for Transparency in Complex Global Supply Chains," ResearchGate.
[48] Yuan Yuan, Hong Dai and Jiaqi Ma, "The Impact of Corporate ESG Performance on Supply Chain Resilience: A Mediation Analysis Based on New Quality Productive Forces," 17 Sustainability 4418 (2025).
[49] Sangho Chae et al., "Small worlds within global supply chains: implications for multinational enterprises' environmental, social, and governance controversies," 56 Journal of International Business Studies 807–18 (2025).
[50] Dr Subholaxmi Mukherjee, "Regulating ESG Disclosures in India: Greenwashing and Legal Accountability."

countries[51].

5.1 European Union

The European Union has adopted a comprehensive regulatory approach towards ESG governance. Instruments such as the Corporate Sustainability Reporting Directive (CSRD), Sustainable Finance Disclosure Regulation (SFDR), and the EU Taxonomy Regulation require detailed sustainability disclosures and emphasise standardised reporting and independent assurance mechanisms. The EU framework demonstrates a strong preference for mandatory compliance and regulatory oversight[52].

5.2 United States

The United States primarily follows a market-oriented approach, where institutional investors and shareholder activism play a significant role in shaping ESG practices. Companies increasingly disclose climate-related and governance risks in response to investor expectations. This model highlights the importance of stewardship and market-driven accountability in advancing sustainability objectives[53].

5.3 United Kingdom

The United Kingdom integrates ESG considerations within its broader corporate governance framework. The UK Corporate Governance Code promotes stakeholder engagement, board accountability, and long-term value creation. Directors are encouraged to consider sustainability risks as part of strategic decision-making and corporate oversight[54].

5.4 Japan and Singapore

Japan emphasises constructive engagement between investors and corporations through its Corporate Governance and Stewardship Codes, promoting long-term sustainable value

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[51] Amit Kumar Gupta, Manoj Kumar Srivastava and Anil Misra, "Transparency and accountability essential to ESG performance in the supply chain: A Fuzzy DEMATEL approach," 19 Cleaner Logistics and Supply Chain 100309 (2026).

[52] Katrin Hummel and Dominik Jobst, "An Overview of Corporate Sustainability Reporting Legislation in the European Union," 21 Accounting in Europe 320–55 (2024).

[53] Anonymous says, "ESG Reporting- history, present and future- A comparative study of India and United States - IISPPR," 2025available at: https://iisppr.org.in/esg-reporting-history-present-and-future-a-comparative-study-of-india-and-united-states/ (last visited June 14, 2026).

[54] "(PDF) Green Governance: How ESG Initiatives Drive Financial Performance in UK Firms?" ResearchGate.

creation[55]. Singapore adopts a phased approach to ESG implementation by combining progressively enhanced disclosure requirements with capacity-building initiatives and regulatory guidance[56].

5.5 Comparative Analysis and Implications for India

A comparative examination of international practices reveals certain common trends, including increased sustainability disclosures, greater board responsibility, enhanced stakeholder engagement and the growing use of assurance mechanisms to improve the reliability of ESG reporting. However, there is no universally applicable model of ESG governance. While the European Union relies on mandatory regulation, the United States favours market-based mechanisms and Asian jurisdictions emphasise gradual implementation and collaboration[57].

For India, these experiences underline the need to strengthen reporting standards, encourage investor stewardship, enhance board-level oversight and develop strong verification mechanisms. At the same time, ESG framework in India should remain sensitive to domestic economic realities and adopt a balanced approach that promotes sustainability without imposing disproportionate compliance burdens. Adapting global best practices to local conditions, India can further strengthen its evolving ESG regulatory framework and promote responsible corporate governance.

6. Conclusion and Recommendations

The emergence of Environmental, Social and Governance (ESG) factors as an integral component of corporate regulation reflects a significant transformation in the understanding of corporate purpose and accountability. The traditional perception of corporations as entities solely responsible for maximising shareholder wealth has gradually evolved into a broader stakeholder-oriented approach that recognises the interconnected relationship between businesses, society and the environment. In this context, ESG compliance has become a crucial instrument for promoting sustainable development, enhancing corporate transparency and strengthening stakeholder confidence. The analysis undertaken in this study demonstrates that

[55] "Responsible Investment and Financing Efforts | Sustainability," Development Bank of Japan Inc.available at: https://www.dbj.jp/en/sustainability/effort/resolution/initiatives.html (last visited June 14, 2026).

[56] "Environmental, Social & Governance Laws and Regulations Report 2026 Singapore,"available at: https://iclg.com/practice-areas/environmental-social-and-governance-law/singapore/ (last visited June 14, 2026).

[57] Muhammad Sani Khamisu and Ratna Achuta Paluri, "Emerging trends of environmental social and governance (ESG) disclosure research," 7 Cleaner Production Letters 100079 (2024).

India has made considerable progress in integrating ESG principles into its corporate regulatory framework. Legislative measures under the Companies Act, 2013, the introduction of mandatory Corporate Social Responsibility (CSR) obligations and the Securities and Exchange Board of India's (SEBI) Business Responsibility and Sustainability Reporting (BRSR) framework collectively indicate an increasing commitment towards responsible business conduct. These developments reflect a transition from voluntary sustainability initiatives to more structured disclosure requirements designed to improve corporate accountability and facilitate informed stakeholder decision-making.

The study further reveals that several emerging trends have reshaped the ESG landscape in India. Enhanced investor focus on sustainability performance, increasing board-level involvement in ESG matters, growing stakeholder activism and the integration of ESG considerations into corporate strategy signify a fundamental shift in the manner in which businesses perceive sustainability. However, notwithstanding these positive developments, the implementation of ESG principles in India continues to encounter significant challenges. The fragmented nature of the existing regulatory framework, the absence of uniform reporting standards, concerns regarding greenwashing, difficulties associated with data collection and verification and the financial and administrative burden of compliance represent substantial obstacles to the effective operationalisation of ESG objectives. These challenges highlight the limitations of relying exclusively upon disclosure-based approaches and underscore the need for a more comprehensive and coordinated regulatory strategy.

The comparative analysis of international practices demonstrates that successful ESG governance requires a combination of regulatory clarity, stakeholder participation, independent oversight, and corporate commitment. Jurisdictions such as the European Union have emphasised mandatory disclosures and assurance mechanisms, while countries such as the United States have relied more extensively upon investor stewardship and market-driven initiatives. The experiences of the United Kingdom, Japan, and Singapore further illustrate the importance of board accountability, stakeholder engagement and capacity-building measures in fostering sustainable business practices. Based on the analysis, the following recommendations are proposed to strengthen ESG compliance and promote responsible corporate governance in India.

6.1 Formulation of a Coherent ESG Policy Framework

There is a pressing need to develop a more integrated and coherent ESG framework capable of reducing regulatory fragmentation and promoting consistency in implementation. While the existing framework incorporates ESG-related obligations through multiple statutes and regulatory instruments, greater coordination among regulatory authorities would enhance clarity and minimise compliance complexities. The formulation of a comprehensive national ESG policy framework may facilitate harmonisation of objectives, reporting expectations, and enforcement mechanisms.

6.2 Standardisation of Sustainability Reporting

The establishment of more uniform reporting standards is essential to improve the comparability and reliability of ESG disclosures. Although the BRSR framework has contributed significantly towards strengthening sustainability reporting among listed entities, continuous refinement of disclosure requirements remains necessary to ensure relevance and consistency. Sector-specific guidance may also be developed to address industry-specific sustainability concerns and facilitate meaningful performance assessment.

6.3 Strengthening Assurance and Verification Mechanisms

The credibility of ESG disclosures depends substantially upon the accuracy and authenticity of the information reported by corporations. Accordingly, greater emphasis should be placed upon independent assurance processes capable of verifying sustainability-related disclosures. Strengthening external verification requirements would mitigate concerns relating to greenwashing and enhance stakeholder confidence in corporate sustainability reports.

6.4 Enhancing Board Responsibility and Oversight

Effective ESG governance requires active involvement and commitment at the highest levels of corporate decision-making. Corporate boards should assume greater responsibility for overseeing sustainability-related risks and opportunities. Establishing dedicated ESG committees or assigning sustainability oversight functions to existing committees may facilitate more effective governance. Furthermore, incorporating ESG considerations into executive performance evaluations may reinforce organisational commitment towards long-term sustainability objectives.

6.5 Capacity Building and Awareness Initiatives

The successful implementation of ESG principles requires adequate technical expertise and institutional capacity. Regulatory authorities, academic institutions, professional bodies, and industry associations should collaborate to promote awareness regarding ESG obligations and best practices. Training programmes, educational initiatives, and professional development opportunities may contribute towards enhancing organisational preparedness and facilitating effective compliance.

6.6 Encouraging Stakeholder Engagement

Stakeholder participation constitutes a fundamental element of responsible corporate governance. Businesses should adopt transparent mechanisms enabling meaningful engagement with employees, investors, consumers, local communities, and civil society organisations. Regular stakeholder consultations may assist companies in identifying emerging concerns, improving responsiveness, and strengthening public trust in sustainability initiatives.

6.7 Promoting Responsible Investment Practices

Institutional investors possess significant influence in shaping corporate conduct. Strengthening stewardship frameworks and encouraging investors to incorporate ESG considerations into investment decisions may incentivise corporations to adopt more sustainable practices. Enhanced investor engagement can further improve the quality of disclosures and foster greater accountability within the corporate sector.

6.8 Adopting a Phased and Inclusive Approach

While strengthening ESG obligations remains important, regulatory initiatives should remain proportionate and sensitive to the diverse capacities of businesses operating within the Indian economy. Smaller enterprises may require additional guidance and transitional support to adapt to evolving sustainability expectations. Therefore, phased implementation strategies accompanied by technical assistance may facilitate broader participation and reduce compliance burdens.

Ultimately, ESG should not be perceived solely as a compliance requirement but as an opportunity to redefine the role of corporations within society. Strengthening its regulatory architecture and fostering a culture of responsible business conduct, India can utilise ESG as a powerful instrument for promoting sustainable development, enhancing investor confidence and ensuring long-term corporate resilience. In doing so, Indian corporations will be better positioned to contribute towards inclusive economic progress while meeting the evolving expectations of both domestic and global stakeholders.