
ESG COMPLIANCE AND CORPORATE ACCOUNTABILITY IN INDIA: A CRITICAL ANALYSIS OF LEGAL AND REGULATORY FRAMEWORKS

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ABSTRACT

Environmental, Social and Governance (ESG) compliance has become an integral component of modern corporate governance in India, significantly transforming the traditional understanding of corporate accountability. In earlier phases, corporate governance frameworks in India were largely confined to financial disclosures, regulatory adherence and the protection of shareholder interests. However, the growing impact of environmental degradation, increasing socio-economic inequalities and recurring corporate governance failures have compelled a shift toward a more comprehensive and responsible approach. ESG compliance reflects this transition by incorporating sustainability, ethical practices, and stakeholder engagement into corporate decision-making processes.

This research paper undertakes a critical examination of ESG compliance within the Indian context by analyzing key legislative provisions, regulatory frameworks and judicial interventions. It focuses on the role of statutes such as the Companies Act, 2013 along with regulatory initiatives like the Business Responsibility and Sustainability Reporting (BRSR) framework introduced by the Securities and Exchange Board of India. The study further highlights the proactive role of the judiciary, particularly the Supreme Court of India, in expanding corporate accountability through constitutional interpretation and environmental jurisprudence, thereby embedding ESG principles within the legal framework.

Despite notable advancements, the implementation of ESG norms in India continues to face significant challenges, including fragmented regulatory structures, limited enforcement capacity and the growing concern of green washing. These issues create obstacles to achieving genuine and consistent compliance across industries.

The paper argues for the development of a more integrated and coherent ESG framework supported by stronger enforcement mechanisms and alignment with global standards. It concludes that ESG compliance in India is gradually

evolving from a voluntary or policy-driven initiative into a binding legal and strategic imperative, essential for sustainable economic growth and long-term corporate legitimacy.

Keywords: ESG Compliance, Corporate Governance, Sustainability, Corporate Accountability, Environmental Law.

1.1 Introduction:

Corporate governance in India has undergone a profound transformation over the past few decades, moving away from a limited shareholder-centric orientation toward a more inclusive and stakeholder-driven framework. Traditionally, the primary focus of corporate governance mechanisms in India was on financial accountability, transparency in disclosures, and the protection of investor interests. Companies were largely assessed on their ability to generate profits and comply with statutory requirements under corporate and securities laws. However, the changing socio-economic landscape, coupled with the growing impact of globalization and industrial expansion, has exposed the limitations of this narrow approach. Issues such as environmental degradation, climate change, widening social inequalities, and instances of corporate malpractice have underscored the need for a more comprehensive model of governance that extends beyond financial performance.

In this evolving context, Environmental, Social, and Governance (ESG) compliance has emerged as a crucial framework for redefining corporate responsibility in India. ESG introduces a multidimensional approach that integrates sustainability, ethical conduct and stakeholder welfare into corporate decision-making processes. The environmental component focuses on the responsible use of natural resources, pollution control and mitigation of climate-related risks. The social dimension addresses concerns such as labor rights, gender equality, community development and human rights, while the governance aspect emphasizes transparency, accountability and ethical management practices. Together, these elements reflect a shift toward a holistic understanding of corporate accountability, wherein businesses are expected to balance economic objectives with societal and environmental considerations.

The growing prominence of ESG compliance in India is closely linked to the country's legal and regulatory developments. Legislative measures such as the Companies Act, 2013 have played a foundational role in institutionalizing corporate responsibility, particularly through the introduction of mandatory Corporate Social Responsibility (CSR) provisions. These

provisions marked a significant step in recognizing that corporations have obligations toward society beyond profit generation. In addition, regulatory authorities have introduced frameworks aimed at enhancing transparency and accountability in ESG reporting, thereby enabling stakeholders to evaluate corporate performance on non-financial parameters.

Equally important has been the role of the judiciary in shaping the trajectory of ESG compliance in India. Courts have actively interpreted corporate obligations through the lens of constitutional principles, particularly the right to life and environmental protection. Through a series of landmark judgments, the judiciary has expanded the scope of corporate accountability by linking business activities with environmental sustainability and social justice. This judicial approach has effectively integrated ESG principles into the broader framework of Indian jurisprudence, transforming them from voluntary practices into enforceable obligations. Furthermore, the Indian legal system has increasingly recognized the importance of sustainable development as a guiding principle in balancing economic growth with environmental preservation. Judicial doctrines such as the precautionary principle, the polluter pays principle and the public trust doctrine have been instrumental in reinforcing corporate responsibility and ensuring that business operations do not adversely impact ecological and social systems. These developments highlight the dynamic interplay between law, policy, and judicial interpretation in advancing ESG governance in India.

Despite these advancements, the transition toward ESG-oriented corporate governance remains a work in progress. Challenges such as regulatory fragmentation, enforcement limitations and varying levels of corporate awareness continue to affect the effectiveness of ESG implementation. Nevertheless, the increasing emphasis on sustainability and ethical governance indicates a clear shift in the direction of corporate regulation in India. In summary, the evolution of corporate governance in India reflects a broader movement toward integrating ESG principles into the legal and institutional framework. This shift signifies a growing recognition that corporate success must be aligned with environmental stewardship, social responsibility and sound governance practices. As ESG compliance continues to gain traction, it is poised to play a pivotal role in shaping the future of corporate accountability and sustainable development in India.

1.2 Conceptual Framework of ESG Compliance in India:

The conceptual framework of ESG compliance in India is built upon a multidimensional

approach that integrates environmental sustainability, social responsibility, and governance accountability into the functioning of corporate entities. These three pillars collectively redefine the contours of corporate responsibility by extending it beyond traditional financial metrics to include broader societal and ecological considerations. In the Indian regulatory landscape, ESG compliance is not confined to voluntary corporate initiatives but is increasingly shaped by statutory provisions, regulatory mandates and judicial interpretations, thereby giving it a more structured and enforceable character.

The environmental component of ESG compliance in India focuses on the obligation of corporations to minimize their ecological footprint and ensure sustainable use of natural resources. This includes adherence to laws relating to pollution control, environmental impact assessment, waste management and climate change mitigation. The legal framework governing environmental protection is supported by well-established judicial principles such as the precautionary principle, which advocates preventive action in the face of environmental risk, and the polluter pays principle, which holds corporations financially accountable for environmental damage. These principles have been consistently reinforced by the judiciary, thereby imposing a duty on businesses to adopt environmentally responsible practices and contribute to sustainable development.

The social dimension of ESG emphasizes the responsibility of corporations toward employees, consumers and the larger community. It encompasses issues such as fair labor practices, occupational safety, gender equality, human rights protection and inclusive growth. In India, this aspect is significantly strengthened by the statutory mandate of Corporate Social Responsibility (CSR) under the Companies Act, 2013, which requires certain categories of companies to allocate a portion of their profits toward social welfare activities. This legal obligation reflects a broader recognition that corporate entities must actively participate in addressing societal challenges and contribute to the well-being of communities in which they operate.

The governance dimension of ESG relates to the internal systems and processes that ensure accountability, transparency and ethical conduct within corporate structures. It includes the fiduciary duties of directors, the integrity of financial reporting, risk management practices, and adherence to corporate governance standards. Regulatory initiatives such as disclosure requirements and sustainability reporting frameworks further strengthen this dimension by

promoting transparency and enabling stakeholders to evaluate corporate behavior. Importantly, the Indian judiciary has played a pivotal role in integrating these ESG dimensions into the broader legal framework. Through an expansive interpretation of Article 21 of the Constitution, which guarantees the right to life, courts have recognized the right to a clean and healthy environment as a fundamental right. This constitutional perspective has enabled the judiciary to impose ESG-related obligations on corporations, thereby transforming these principles into enforceable legal standards. As a result, ESG compliance in India represents a convergence of legal mandates, ethical considerations and constitutional values, forming a comprehensive framework for responsible corporate governance.

1.3 Legal and Regulatory Framework Governing ESG in India:

The legal and regulatory framework governing ESG compliance in India is characterized by a composite structure that draws from various statutory enactments, regulatory guidelines, and policy-driven initiatives. Rather than being governed by a single consolidated legislation, ESG in India is embedded within a network of laws addressing environmental protection, corporate governance, and social responsibility. This integrated approach reflects the evolving nature of corporate accountability in the country, where sustainability and ethical conduct are increasingly recognized as essential components of business operations.

A key pillar of this framework is the Companies Act, 2013, which introduced a significant innovation through the incorporation of mandatory Corporate Social Responsibility (CSR) provisions under Section 135. This provision requires certain classes of companies to allocate a specified percentage of their net profits toward socially beneficial activities. By making CSR a statutory obligation, India became one of the first jurisdictions to formally institutionalize corporate contribution toward social development, thereby strengthening the social dimension of ESG compliance.

In the realm of regulatory oversight, the Securities and Exchange Board of India (SEBI) has played a pivotal role in advancing ESG governance through the introduction of the Business Responsibility and Sustainability Reporting (BRSR) framework. This framework mandates listed entities to disclose comprehensive information regarding their environmental, social, and governance performance. The BRSR enhances transparency, promotes standardized reporting and enables investors and stakeholders to evaluate corporate conduct beyond financial metrics, thereby reinforcing accountability.

Environmental legislation further constitutes a critical component of ESG regulation in India. Laws such as the Environment (Protection) Act, 1986, along with statutes governing air and water pollution, impose strict obligations on corporations to prevent environmental harm and ensure compliance with prescribed standards. These laws are complemented by enforcement mechanisms and regulatory authorities that monitor environmental compliance. Additionally, labor laws and corporate governance regulations contribute to the broader ESG framework by addressing issues related to employee welfare, workplace safety, and ethical management practices. Together, these legal and regulatory instruments create a multifaceted structure that supports the implementation of ESG principles in India, while also highlighting the need for greater coherence and integration to enhance effectiveness.

1.4 Judicial Contribution to ESG Compliance in India:

The Indian judiciary has played a pivotal and dynamic role in the evolution of ESG compliance by embedding environmental protection, social responsibility and governance accountability within the broader framework of constitutional and corporate law. Unlike many jurisdictions where ESG is primarily driven by regulatory policy, in India, judicial intervention has significantly expanded the scope of corporate obligations by interpreting them in light of fundamental rights and principles of sustainable development. This proactive judicial approach has been instrumental in transforming ESG from a voluntary standard into an enforceable legal expectation.

A landmark contribution in this regard is the formulation of the doctrine of absolute liability in *M.C. Mehta v. Union of India*, wherein the Supreme Court held that enterprises engaged in hazardous or inherently dangerous activities bear strict and non-delegable liability for any harm caused, irrespective of fault. This doctrine marked a departure from traditional liability principles and established a stringent standard of corporate accountability, particularly in cases involving environmental damage. It ensures that corporations cannot escape responsibility by invoking defenses such as absence of negligence, thereby reinforcing the environmental pillar of ESG.

Further strengthening ESG jurisprudence, the Supreme Court in *Vellore Citizens Welfare Forum v. Union of India* recognized key environmental principles such as sustainable development, the precautionary principle and the polluter pays principle as integral parts of Indian law. These doctrines have since guided judicial decision-making and regulatory

enforcement, compelling corporations to adopt preventive and responsible environmental practices.

In more recent developments, the Court has continued to expand the ambit of ESG compliance. In *M.K. Ranjitsinh v. Union of India 2025*, the Supreme Court underscored the interrelationship between Corporate Social Responsibility and environmental sustainability, indicating that corporate obligations cannot be limited to social initiatives alone. Similarly, in *Confederation of Real Estate Developers Association of India (CREDAI) v. Vanashakti 2025*, the Court rejected the practice of granting retrospective environmental clearances, emphasizing the necessity of prior compliance and adherence to the precautionary principle. Additionally, the judiciary has broadened the application of the public trust doctrine, recognizing the State's duty to safeguard natural resources, including water bodies, for the benefit of the public. This doctrine indirectly regulates corporate activities by restricting the commercial exploitation of environmental resources. Collectively, these judicial interventions have significantly contributed to the consolidation of ESG principles within India's legal system, reinforcing corporate accountability and promoting sustainable development.

1.5 Corporate Accountability and ESG Principles:

The emergence of ESG compliance has fundamentally redefined the scope of corporate accountability in India by expanding its focus beyond the traditional emphasis on shareholder interests to encompass a wider spectrum of stakeholders. In the contemporary corporate landscape, businesses are increasingly expected to align their operations with the principles of environmental sustainability, social responsibility and ethical governance. This shift reflects a growing recognition that corporate success cannot be measured solely in financial terms but must also consider its impact on society and the environment. As a result, accountability is no longer confined to profit generation but extends to responsible business conduct that promotes long-term sustainability and public welfare.

A key aspect of this transformation lies in the evolving interpretation of the fiduciary duties of directors. Under Indian corporate law, directors are obligated to act in good faith, exercise reasonable care, and ensure that their decisions serve the best interests of the company. However, in light of ESG principles, this duty has been broadened to include consideration of the interests of various stakeholders such as employees, consumers, local communities and the environment. This expanded understanding reflects a shift toward stakeholder-oriented

governance, where decision-making must balance economic objectives with social and ecological concerns. Furthermore, regulatory developments and judicial interpretations have reinforced the importance of transparency, accountability and ethical conduct in corporate governance. By integrating ESG considerations into strategic and operational frameworks, companies are encouraged to adopt more responsible practices and maintain higher standards of governance. This alignment with global corporate governance trends not only strengthens accountability but also enhances investor confidence and corporate credibility in the long run.

1.6 Challenges in ESG Compliance in India:

Although ESG compliance has gained considerable traction in India, its effective implementation continues to be constrained by several structural and practical challenges. One of the foremost issues is the absence of a comprehensive and unified legal framework dedicated specifically to ESG. Instead, ESG-related obligations are dispersed across multiple statutes, regulatory guidelines, and sector-specific laws. This fragmented approach often leads to overlaps, ambiguities, and inconsistencies, making compliance a complex exercise for corporations, particularly those operating across diverse industries.

Another pressing concern is the increasing prevalence of green washing, wherein companies present an exaggerated or misleading portrayal of their environmental and social initiatives. In the absence of rigorous verification mechanisms and standardized reporting practices, it becomes difficult for regulators and stakeholders to assess the authenticity of such claims. This undermines the credibility of ESG disclosures and weakens stakeholder confidence in corporate commitments toward sustainability. Furthermore, enforcement challenges significantly affect the effectiveness of ESG regulations in India. While the legal framework is relatively robust on paper, issues such as limited regulatory capacity, procedural delays and inadequate monitoring mechanisms hinder proper implementation. These gaps reduce the deterrent effect of ESG-related laws and allow instances of non-compliance to persist.

In addition, small and medium enterprises (SMEs) encounter particular difficulties in adopting ESG practices. Constraints such as limited financial resources, lack of technical expertise, and insufficient awareness often prevent them from effectively integrating ESG standards into their operations. Addressing these challenges requires a more streamlined regulatory approach,

stronger enforcement systems, and targeted support measures to ensure inclusive and effective ESG compliance across all sectors of the economy.

1.7 Emerging Trends in ESG Governance in India:

The governance of ESG in India is witnessing a rapid and dynamic transformation, driven by regulatory advancements, judicial engagement and growing awareness among stakeholders. One of the most significant developments in recent years is the increasing emphasis on structured and mandatory disclosures. Frameworks such as the Business Responsibility and Sustainability Reporting (BRSR) introduced by the Securities and Exchange Board of India have brought greater uniformity and depth to ESG reporting. These disclosure requirements enhance transparency and enable investors, regulators, and the public to better evaluate corporate performance on environmental, social, and governance parameters.

Another important trend is the growing focus on supply chain accountability. Indian companies are gradually being expected to extend ESG compliance beyond their immediate operations to include suppliers, vendors, and business partners. This shift reflects a more comprehensive understanding of corporate responsibility, where organizations are held accountable for the broader impact of their value chains, particularly in areas such as environmental sustainability, labor standards and ethical sourcing. In addition, climate-related litigation is emerging as a powerful tool for enforcing ESG norms in India. Courts are increasingly addressing environmental concerns and holding both public authorities and private entities accountable for non-compliance with sustainability obligations. Judicial interventions have reinforced the principles of precaution, sustainability, and environmental protection, thereby strengthening ESG governance through legal means. Furthermore, corporations are increasingly incorporating ESG considerations into their strategic planning and operational frameworks. There is a growing recognition that sustainable practices contribute to long-term business resilience, enhance investor confidence, and improve corporate reputation. This shift indicates that ESG governance is becoming an integral part of business strategy rather than merely a regulatory requirement in the Indian context.

1.8 Recommendations:

Strengthening ESG compliance in India requires a holistic and coordinated approach that addresses regulatory gaps, enforcement challenges, and institutional limitations. A primary

step in this direction is the development of a comprehensive and integrated legal framework that consolidates existing ESG-related provisions across environmental, corporate and social laws. Such a framework would reduce fragmentation, enhance clarity, and provide uniform standards for compliance, thereby making it easier for corporations to align their operations with sustainability objectives.

Equally important is the need to reinforce enforcement mechanisms to ensure that ESG obligations are implemented in both letter and spirit. Regulatory authorities must be equipped with adequate resources, technical expertise, and monitoring tools to verify disclosures and detect non-compliance. Strict penalties and accountability measures should be introduced to discourage misleading practices such as green washing and to promote genuine adherence to ESG standards.

Another critical area is capacity building, particularly for small and medium enterprises (SMEs) which often face challenges in adopting ESG practices due to limited financial and technical capabilities. Government agencies, industry bodies and financial institutions should collaborate to provide training, incentives, and advisory support to facilitate ESG integration at all levels of business operations.

Furthermore, ESG principles must be embedded within corporate governance structures. Boards of directors should be made explicitly responsible for overseeing sustainability-related risks and performance, ensuring that ESG considerations are incorporated into strategic decision-making. By institutionalizing ESG within governance frameworks, companies can enhance accountability, improve transparency, and contribute to sustainable economic growth in the Indian context.

1.9 Conclusion:

The emergence of ESG compliance marks a fundamental transformation in the landscape of corporate governance in India, reflecting a decisive move toward sustainability, ethical conduct, and enhanced accountability. Unlike traditional governance models that primarily emphasized profitability and shareholder interests, ESG introduces a more inclusive framework that integrates environmental stewardship, social responsibility and transparent governance practices into the functioning of corporate entities. This shift signifies a broader recognition that long-term corporate success is intrinsically linked to responsible business

conduct and sustainable development.

In the Indian context, the evolution of ESG compliance has been significantly influenced by the combined efforts of the legislature, regulatory authorities, and the judiciary. While statutory frameworks such as the Companies Act, 2013 and regulatory initiatives like sustainability reporting requirements have laid the institutional foundation, the judiciary has played a particularly transformative role in embedding ESG principles within the legal system. Through progressive interpretations of constitutional provisions and environmental doctrines, courts have expanded the scope of corporate accountability, ensuring that businesses are held responsible not only for economic outcomes but also for their environmental and social impact. This judicial approach has effectively elevated ESG norms from voluntary standards to enforceable legal obligations.

Despite these advancements, the implementation of ESG compliance in India continues to face several challenges. The absence of a unified and comprehensive ESG legislation has resulted in a fragmented regulatory environment, leading to inconsistencies and practical difficulties in compliance. Additionally, enforcement gaps, limited institutional capacity, and the persistence of practices such as green washing undermine the effectiveness of existing frameworks. These issues highlight the need for a more coordinated and robust approach to ESG governance.

Addressing these challenges requires concerted efforts to harmonize regulatory frameworks, strengthen enforcement mechanisms, and promote greater transparency and accountability. It is also essential to foster awareness and build capacity among corporations, particularly smaller enterprises, to ensure widespread and meaningful adoption of ESG practices. Integrating ESG considerations into core corporate strategies and governance structures will further reinforce accountability and align business objectives with societal and environmental goals.

In summary, ESG compliance in India has evolved from a voluntary and peripheral concept into a central pillar of corporate governance. It is no longer merely a matter of reputational advantage but has become a legal and strategic imperative for businesses operating in an increasingly sustainability-conscious environment. As India continues to develop its regulatory and judicial framework, ESG is poised to play a defining role in shaping the future of corporate accountability, economic resilience, and sustainable development.

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