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**ESG AS THE ETHICAL COMPASS OF INDIAN CORPORATES:  
Regulatory Frameworks, Governance Mandates, and the Pursuit of  
Responsible Business**

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**ABSTRACT**

Environmental, Social and Governance (ESG) factors together with corporate ethics is one of the most impactful developments in corporate law. This paper charts that evolution in the Indian context and contends that ESG has gone beyond the realm of mere aspiration and become a legally-duty-entails-ethical obligation for corporations. The paper starts from the philosophical foundation of stakeholder ethics and corporate purpose and then explores India's multi-layered regulatory framework, ranging from the Companies Act 2013, the Sustainable Finance Guidelines issued by the Reserve Bank of India, the Business Responsibility and Sustainability Reporting (BRSR) guidelines released by SEBI, the Carbon Credit Trading Scheme 2023, to the much-awaited amendments in the Corporate Laws (Amendment) Bill 2026. It shows, through in-depth case studies of Infosys, Tata Group and Vedanta, how ESG disclosures have transformed the accountability of the board, the expectations of investors, litigation strategy and corporate culture itself, not only to comply with regulators, but in a way that no one had ever envisioned. The paper concludes that India is at a fork in the road – much of the architecture of ESG regulation has been put in place, but the ethical promise of this new way depends on strict enforcement, honest reporting and responsible business conduct being genuinely built into the business DNA of its leaders.

**Keywords:** *ESG, Ethics, Corporate Governance, BRSR, SEBI, Companies Act 2013, CSR, Sustainability, Stakeholder Theory, NGRBC, Green Finance, Business Responsibility, RBI, Carbon Credit, Greenwashing, Corporate Law India.*

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**I. INTRODUCTION: THE STORY BEHIND THE ACRONYM**

In every Indian boardroom, there's a tale about 2009. At the time, Satyam Computer Services was India's fourth largest IT firm that collapsed due to an accounting fraud of ₹7,136 crore, which shook investor confidence, led to the loss of thousands of jobs and was a national scandal on corporate governance. The confession letter signed by the Chairman R Ramalinga Raju was handwritten and addressed to the board and he had penned a bogus cash balance that had increased to a level like a ride he could never get off. The Satyam scandal was not only a failure of the

company's management system, but an ethical failure, and it posed a question that the regulators, courts and corporations of India have been struggling with during the past decade — what is it that legally and ethically compels a company to operate with integrity?

The three letters ESG — Environmental, Social, and Governance — have become the answer, and are becoming increasingly common in legislation, judicial rulings and global sustainability plans alike. The toolkit that was developed in the early 2000s has evolved into a robust regulatory and ethical system, establishing clear guidelines on how companies should operate, not just with respect to their shareholders but for the benefit of the planet, employees, communities, and future generations, especially in India.<sup>1</sup> It is observed that in 2025, 88 per cent of top Indian listed companies are reporting sustainability, while 10 per cent or less of the companies reported on sustainability a decade ago. This is not an accident, it is planned as part of the regulatory architecture.

This paper explains that story. It starts with the bedrocks of ethical principles in corporate life, progresses with the emergence of ESG as a regulatory term and deconstructs India's specific legal framework laid stone-by-stone through the Companies Act 2013, the disclosure requirements of SEBI, the RBI's climate-risk guidelines and the landmark amendments of 2025 and 2026. It then puts these frameworks side by side with the actual practices of their respective companies, with detailed case studies of Infosys, Tata Group, and Vedanta to illustrate the how and the how-nots of ESG in practice. The paper is of a legal nature, it is also, in essence, a tale of the sort of corporations India desires, and the legal structure being constructed to achieve it.

## **II. UNDERSTANDING ESG: THE THREE PILLARS OF RESPONSIBLE BUSINESS**

### **A. The Environmental Pillar**

The 'E' in ESG takes into account the corporation's connection with nature. It includes GHG emissions, energy consumption, water usage, waste management, biodiversity, and climate risk exposure. The environmental dimension is especially pertinent in India, where India is the third largest emitter of Carbon dioxide, 21 out of the 30 most polluted cities in the world are in India and is heavily impacted by the impacts of climate change such as erratic monsoons, coastal flooding, and disruption of agriculture.

Environmental duty has gone beyond reputation for corporations and is becoming increasingly a matter of compliance. The National Action Plan on Climate Change, India's Nationally Determined Contributions under the Paris Agreement and the various statutes enacted by the Government of India, including the Environment (Protection) Act, 1986 and the Air (Prevention and Control of Pollution) Act, 1981, comprise a matrix of obligations. The Carbon Credit Trading Scheme (CCTS) 2023, under the Energy Conservation (Amendment) Act 2022, introduces a

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<sup>1</sup>United Nations Principles for Responsible Investment (UN PRI), 'About the PRI' <<https://www.unpri.org/about-us/about-the-pri>> accessed May 2026.

market-based mechanism to this mix — companies in energy-intensive industries will now have to price their emissions and will be required to be a part of a structured carbon market, otherwise facing penalties.<sup>2</sup>

## **B. The Social Pillar**

The ‘S’ of ESG relates to a company's interactions with people – its staff, suppliers, customers and its community. This pillar covers labour rights, workplace safety, gender equality, human capital development, supply-chain ethics and community investment. An extensive and, at times, disjointed framework of legislation dominates the landscape of social governance in India: the Factories Act 1948, the Code on Wages 2019, the Occupational Safety, Health and Working Conditions Code 2020 and the Code on Social Security 2020 (the last four of which form a landmark consolidation of 29 central labour statutes).

The social aspect of ESG also overlaps with section 135 of the Companies Act 2013 that requires companies with certain financial criteria to spend on Corporate Social Responsibility (CSR). India was one of the first countries in the world where CSR got officially enforced by law and the total amount reported CSR spend exceeded ₹27,000 crore during FY 2023–24.<sup>3</sup> However, the link between required CSR and good social governance remains controversial, as some contend that good corporate citizenship as a compliance matter is not the same as incorporating social equity into business planning.

## **C. The Governance Pillar**

The 'G' - Governance is arguably the most justiciable and the oldest of the three pillars. It relates to the management and governance of a concern, such as the composition of the board, the duties of its directors, the independence of the audit committee, the remuneration of executives, shareholders' rights, anti-corruption provisions and disclosure requirements. The governance pillar is mainly translated into laws in India, the Companies Act 2013 and the Listing Obligations and Disclosure Requirements (LODR) Regulations 2015 issued by the Securities and Exchange Board of India (SEBI).<sup>4</sup>

The sad history of Satyam — and, indeed, that of Enron, WorldCom and Parmalat everywhere — is that each of these companies was on paper governed by a governance structure. The problem was, they did not have a culture of ethical responsibility. The message the regulators took was that rules are not enough and that governance should be driven by ethics and ethics be embedded in rules which must be enforced for the conduct of directors, auditors, and managers.

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<sup>2</sup>Carbon Credit Trading Scheme 2023, notified under the Energy Conservation (Amendment) Act 2022.

<sup>3</sup>Companies Act 2013, s 135; Ministry of Corporate Affairs, CSR Rules 2014 (as amended).

<sup>4</sup>Companies Act 2013, s 177 (Audit Committee); s 149 (Independent Directors).

### III. THE ETHICAL FOUNDATION: FROM SHAREHOLDER PRIMACY TO STAKEHOLDER RESPONSIBILITY

The prevailing corporate purpose viewpoint of the twentieth century was uncomplicated, and economically attractive: the purpose of a corporation is to maximise returns to shareholders. In what is considered his most celebrated essay, which appeared in the *New York Times Magazine* in 1970, Milton Friedman clearly wrote that 'the social responsibility of business is to increase its profits.'. For decades, this doctrine of shareholder primacy dominated corporate law, executive compensation and investment philosophy.<sup>5</sup>

But as Friedman went to press, a sub-tradition was taking shape. In his 1984 book, *Strategic Management: A Stakeholder Approach*, R. Edward Freeman suggested that corporations are responsible not just to shareholders but to anyone who is impacted by or who impacts corporations—employees, suppliers, customers, creditors, communities and the environment. Stakeholder theory did not supplant the shareholder primacy theory, but rather existed next to it, sometimes in tension. However, the corporate scandals of the early 2000s, the financial crisis in 2008 and the rapid onset of climate change have all turned the intellectual and regulatory focus decisively towards the stakeholder model.

This change of thinking is not new to India, having roots in both ancient and modern times. The history of 'Trusteeship' is an example of the concept that was expounded by Mahatma Gandhi and accepted by the Tata Group which asserted that businessmen and business managers are trustees of resources of society rather than proprietors of private resources. The same concept is reflected in contemporary law in Section 166(2) of the Companies Act 2013 which requires directors 'to act in good faith to promote the objects of the company for the benefit of the company's members as a whole, and for the benefit of the company, its employees, the shareholders, the community and for the protection of the environment. This is not just a statement of hope, but a legal obligation and it has real consequences.'<sup>6</sup>

In this context, ESG is not a divergence from ethics: it is the translation of ethics into today's capital market terms. Environmental stewardship, social equity and transparency of governance are ethical obligations, not only regulatory requirements. What ESG as a framework does so well is it turns these commitments into something measurable, comparable and — more and more — legally binding. It translates the "soft currency" of ethical aspirations into the "hard currency" of disclosure, compliance and accountability.

The philosophy has been codified in the National Guidelines on Responsible Business Conduct (NGRBC) published by Ministry of Corporate Affairs in 2019 which articulate nine principles that are applicable to every business, including ethical conduct and transparency; sustainable and responsible products; employee well-being; stakeholder engagement; human rights; environment;

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<sup>5</sup>Edward Freeman, *Strategic Management: A Stakeholder Approach* (Pitman 1984); Milton Friedman, 'The Social Responsibility of Business is to Increase its Profits' *New York Times Magazine* (13 September 1970).

<sup>6</sup>Companies Act 2013, s 166(2).

responsible policy advocacy; inclusive growth; and consumer value. The BRSR framework, which organises ESG disclosure in these nine principles, thus turns the BRSR's ethical commitments into a disclosure requirement.<sup>7</sup>

## **IV. CORPORATE LAWS IN INDIA: THE REGULATORY ARCHITECTURE OF ESG**

### **A. The Companies Act 2013: A Watershed Moment**

The genesis of the concept of ESG in the Indian corporate law should rightly be traced back to the Companies Act 2013 that superseded the 60-year-old Companies Act 1956. The 1956 Act had prevailed over the period of Independence, liberalisation and initial globalisation but by the time of the 2000s it was clearly outdated, not fit for multinational corporations, intricate financial products or the governance failings of Satyam and other companies.

The Companies Act 2013 has provided a bundle of provisions that can be seen as India's first comprehensive legislative framework for CSR and ethical issues. It has four of its key provisions related to ESG listed below:

The first is that companies with more than the specified thresholds in terms of net worth, turnover or net profit must set up a CSR Committee, develop a CSR policy, and allocate at least 2% of their average net profits over the last three years to CSR activities. In this way, India became the first major economy to make CSR spending compulsory, providing a link between the resources of the company and its developmental goals, including education, healthcare, sanitary needs, environmental sustainability, and more.

Second, the fiduciary duty of directors are put in stakeholders' terms under Section 166(2). The directors are required to serve the interests of the members and to act in the best interests of the company, its employees, shareholders, the community and the environment, in promoting the objects of the company. In future interpretations, the Supreme Court has affirmed that this provision puts directors firmly in a stakeholder-accountability model.<sup>8</sup>

Third, Section 177 imposes specific obligations on certain companies to form an Audit Committee to oversee financial reporting and internal controls, a section of the company's activities directly relevant to the 'G' in ESG, as audit failures are often seen as a symptom of governance failures. Thirdly, Section 149 requires that independent directors be appointed on the board of listed companies, at least one-third of the board in that case, to act as a structural countervail to managerial capture. The independent director framework is the institutionalization of the principle of the separation of powers: government must be held accountable, not just to itself.<sup>9</sup>

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<sup>7</sup>National Guidelines on Responsible Business Conduct (MCA, 2019), Nine Principles.

## B. SEBI's BRR to BRSR: The Disclosure Revolution

In the listed company space, the Securities and Exchange Board of India (SEB) has been the main catalyst for ESG disclosure. In 2012, the Securities and Exchange Board of India (SEBI) had introduced the Business Responsibility Reporting (BRR) for the top 100 companies in terms of market capitalisation to disclose the business's social, environmental and economic responsibilities based on nine principles outlined in the earlier guidelines titled National Voluntary Guidelines on Social, Environmental, and Economic Responsibilities of Business.<sup>10</sup> This was a breakthrough measure — India was one of the few countries requiring sustainability disclosure in annual reports — but the BRR was subject to much criticism for its qualitative nature, yes/no nature (and questions), and lack of rigor.

In May 2021, SEBI has introduced a new Business Responsibility and Sustainability Report (BRSR) which brings a whole new level of rigor in terms of requirement for listing companies to disclose quantitative disclosures across 98 essential indicators and an additional set of leadership indicators.<sup>11</sup> The BRSR is organized by each of the nine NGRBC principles, including environmental metrics such as greenhouse gas emissions, energy usage, and water intake, social metrics like employee health and wellness, supply-chain human rights, and community engagement, and governance metrics that include board diversity, whistleblower policies, and anti-corruption compliance.

This was further elevated by SEBI introducing the BRSR Core — a list of 42 high priority Key Performance Indicators (KPIs) mandatory for companies in the top 150 (which were extended to top 250 companies for FY 2024-25) to be assured by a third party in July 2023.<sup>12</sup> The BRSR Core consists of nine dimensions of ESG: greenhouse gas emissions, water, energy, biodiversity, social well-being indicators, openness of business, data privacy, business partner ESG, and cyber security. The adoption of mandatory assurance was revolutionary – it turned ESG disclosure from self-reporting to verified accountability.

The latest change has been brought in by SEBI Circular No. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2025/42 dated 28 March 2025, introducing various critical changes.<sup>13</sup> Listed entities are now required to report on green credits that they have generated or procured through themselves and their top 10 value-chain partner(s). Value chain reporting has been improved: Only upstream and downstream partners with a minimum of 2% of purchase and sale must be covered while a minimum of 75% of purchase and sale needs to be captured. Notably, the circular allows companies to choose between 'Assessment' and 'Assurance' for BRSR Core verification following

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<sup>10</sup>SEBI, 'Business Responsibility Reporting' Circular CIR/CFD/CMD/10/2015, 4 November 2015; SEBI, BRSR Framework, Circular SEBI/LAD-NRO/GN/2021/22, 5 May 2021.

<sup>12</sup>SEBI Circular No. SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122, 12 July 2023 (BRSR Core Framework for Assurance).

<sup>13</sup>SEBI Circular No. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2025/42, 28 March 2025 (key amendments to BRSR reporting).

the development of the standards by a Industry Standards Forum with ASSOCHAM, FICCI and CII.<sup>14</sup>

### **C. SEBI's Regulation of ESG Rating Providers**

ESG Based Investing has been gaining momentum and the part played by ESG Rating Providers (ERPs) is becoming increasingly important. Institutional investors are adopting ESG ratings to screen portfolios for sustainability risk and price sustainability risk. SEBI has revised SEBI (Credit Rating Agencies) Regulations 1999 in July 2023 to put ERPs under the formal regulatory regime. ERPs are now required to register with SEBI, undergo disclosure norms, conflict of interest norms and have to apply methodologies that are transparent and consistent. The fact that the ESG ecosystem was vulnerable to 'ratings shopping' and lacked trustworthiness due to inconsistent and opaque rating methodologies will be tackled by this regulation.

### **D. The Reserve Bank of India: Climate Risk and Sustainable Finance**

India's banking regulator officially made its presence felt in the ESG space when it joined the Network for Greening the Financial System (NGFS) in 2021. In July 2022, the RBI issued a Discussion Paper titled Climate Risk and Sustainable Finance that sets out a roadmap for banks and financial institutions to address the financial risks arising from climate change. The paper considered scenario analysis, climate stress testing and transition-risk disclosure, all of which are part of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The RBI's Green Deposit Framework, launched in April 2023, obligates banks that are accepting green deposits to specify the capital generated strictly for qualified green activities, and to make an annual disclosure on how the funds are utilized.<sup>15</sup> It will connect retail savers who want to invest sustainably with the corporate world who are looking for green financing.

### **E. The Carbon Credit Trading Scheme and the Push for Decarbonisation**

The Carbon Credit Trading Scheme (CCTS) 2023, notified under Energy Conservation (Amendment) Act 2022, is India's maiden structured domestic carbon market. Indian Carbon Market has been vested with the administration by the Bureau of Energy Efficiency (BEE) under CCTS. Energy-intensive industries, such as steel, cement, aluminium, petrochemicals and other companies, are given certificates for reduced emissions that are not required for them to achieve, and can be sold on power exchanges. Failure to comply with obligations will result in penalties, thereby incentivising decarbonisation alongside regulatory requirements.

The impact of the CCTS on the corporate law is tremendous. It turns greenhouse gas emissions into a corporate liability instead of an environmental cost. Carbon performance is no longer a

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<sup>14</sup>SEBI Circular on Industry Standards on Reporting of BRSR Core (20 December 2024).

<sup>15</sup>RBI Green Deposit Framework, Circular DOR.STR.REC.20/21.04.048/2023-24, 11 April 2023.

disclosure item, but a financial issue, and the E pillar of ESG is at the center of a company's financial management.

## **F. Data Protection, Privacy, and the Social Dimension**

The Digital Personal Data Protection Act 2023 (DPDP Act) is a new addition to ESG's social pillar. Responsible data stewardship is a social and ethical responsibility in the digital economy. All 'data fiduciaries' are subjected to the rules of the DPDP Act - the consent requirement, purpose limitation obligations and data minimisation principles are all applied to personal data. Banks, ecommerce sites and telecom operators are among the companies that have huge amounts of customer information being collected, stored and processed, and are now required to incorporate data-rights compliance into their ESG strategy. It isn't only a legal risk; it's a reputational and governance failure of exactly the type that is watched by ESG investors.

## **G. Legislative Horizon: The 2025–2026 Reforms**

The recommendation by the Parliamentary Standing Committee on Finance to incorporate ESG goals as a part of the statutory responsibility of directors under the Companies Act, 2013, that was tabled on 19 March 2025, is the most significant change in Indian corporate law recently. The Committee suggested that boards of companies should have independent ESG Committees, similar to audit and nomination committees, to have responsibility for environmental and social targets, report to the board, and report to shareholders about their outcomes.

This, in turn, is a part of the Corporate Laws (Amendment) Bill 2026, which is being introduced in the Lok Sabha, and offers a holistic reform of corporate governance with a focus on digitisation, decriminalisation of technical defaults, and enhanced regulatory supervision.<sup>16</sup> The Bill is part of a bigger trend to move away from the "penalties-first" approach to compliance towards a "principles-based" governance framework that integrates ESG requirements with the corporate constitution rather than applying them from outside.

## **V. CASE STUDIES: ESG IN ACTION**

### **A. Infosys: From Governance Crisis to Ethical Leadership**

The connection between ESG and ethics is no better captured in corporate stories than Infosys. Infosys was established in 1981 by Narayana Murthy and six other co-founders who had borrowed \$250 to get the business going, and developed a reputation worldwide in a culture of values: Integrity, transparency and respect for individual. It was for many years a benchmark to be followed by Indian corporates for governance standards. It became the first Indian company to be listed on NASDAQ, the first company to adopt US GAAP accounting standards voluntarily and

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<sup>16</sup>Corporate Laws (Amendment) Bill 2026, introduced in the Lok Sabha (2026), inspired by recommendations of the High Level Committee on Non-financial Regulatory Reforms 2025.

was one of the first to separate the roles of Chairman and CEO and establish independent boards of directors.

The reputation was put to the test in 2019. In a chain of events that ended with the board investigating, an anonymous whistleblower had complained that the CEO of Salil Parekh had been forced by the board to cook the books to show short-term revenues. The share price of the company plunged, and both Securities and Exchange Commission and SEBI initiated investigations. Infosys' reaction was instructive itself: It called into action its Ethics and Compliance Committee, involved outsourced legal assistance and released the outcome of the investigation report. The overall investigation determined that the allegations were unfounded; however, it brought to the fore the need to have good governance in place before a crisis strikes, rather than afterwards.

Infosys now serves as a best practice example of ESG reporting in India. Its ESG Report 2024-25 reveals that for the sixth year in a row, the company has achieved carbon neutrality for its global footprint by implementing energy efficiency, renewables procurement (more than 65% renewable electricity) and high-quality carbon offsets.<sup>17</sup> Ethisphere, one of the world's leading experts on corporate ethics and social responsibility, named Infosys the fifth year in a row as one of the World's Most Ethical Companies for 2025, among a handful of Indian companies and 136 of the top 44 global industries.<sup>18</sup> They do not mark marketing successes but rather the result of systematic integration of ESG into the corporate strategy, procurement, operations, and corporate governance.

The Infosys experience is just an example of the basic principle of ESG and ethics, which is that there is a positive reinforcement effect between the two. The crisis of 2019 was manageable due to strong governance structures — an institution is stronger than its people. Intense environmental measures, supported by concrete evidence, lend credibility to the company's ethical statements to investors, the regulatory authorities and its employees.

## **B. Tata Group: The Conscience of Indian Corporate India**

The Tata Group is in a privileged position in the ESG story as it has been preaching stakeholder capitalism much before the term was coined and with Tata Code of Conduct, established in 1899 by Jamsetji Tata, more than 100 years before the ESG movement. Ethical business is reflected in the Group's institutional DNA: Between 66% and 100% of the Tata companies are owned by philanthropic trusts, and profitability is not an aim in itself but a means to achieve a social goal.

The Tata Steel 2024-25 Integrated Report and the Annual Accounts lay out the grand ambitions: to cut the emission intensity of Tata Steel by 10-15% by 2030, to assess all key partners in the supply chain for ESG risks by 2027 and to make a long-term commitment to a green steel by 2030

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<sup>17</sup>Infosys, 'ESG Report 2024-25' <<https://www.infosys.com/sustainability/documents/infosys-esg-report-2024-25.pdf>> accessed May 2026.

<sup>18</sup>Ethisphere, 'Infosys among 2025 World's Most Ethical Companies for the Fifth Consecutive Year' (Press Release, February 2025).

by introducing hydrogen-based direct reduction. Not aspirational, these are KPIs made public via the BRSR framework and monitored to third-party assurance standards.

According to Tata Consumer Products' FY 2024–25 BRSR, the company has seen a 15% improvement in its Sustainalytics ESG Risk Rating, while women now make up 45% of its global workforce, and 1.51 million beneficiaries have been reached via community initiatives. It has been validated as the Most Sustainable Consumer Goods Company in India in the IMSC rankings 2024 by Business World. Climate change is clearly a part of Tata's Business Excellence Model, and ESG is treated as a competency of the business rather than a compliance issue.

The interesting aspect of Tata is the one on ethics of supply chain. The Group's ESG objectives are not just limited to the entities in its list but also apply to its suppliers, and highlights that environmental and social risks in the supply chain are real environmental and social exposure. Tata's voluntary ethical commitment has put him ahead of SEBI's value-chain disclosure requirements which will be effective from FY 2025-26, an effort to put on paper what was previously only implicit.

### **C. Vedanta: Controversy, Accountability, and the Limits of ESG**

Talking about the ESG case of Indian corporate life, Vedanta, or at least its forerunner, Sterlite Industries, would be incomplete. On 12 May 2018, twelve persons were shot dead by police during a protest outside the Sterlite Copper plant in Tuticorin, Tamil Nadu. The protesters had been pressing for the closing of the plant due to alleged environmental breaches, such as emissions from the copper smelter which residents said led to respiratory diseases and water contamination and environmental damage. The government of Tamil Nadu declared the plant closed, and the Madras High Court and the Supreme Court became battlegrounds for years of litigious conflict. The Tuticorin tragedy is one of the most telling incidents in the history of ESG in India – showing the human impact of environmental governance gone wrong.

Sterlite Group had a CSR programme and ESG disclosures at its parent Vedanta Limited, but not one that was successful enough to stop a massive environmental accountability debacle from happening. The exposure caused the first-generation ESG reporting to reveal a structural issue – disclosure does not equal performance. A company can report spectacular sustainability performance in its sustainability reporting and let operational-level regulation violations accumulate. A company can report spectacular sustainability performance in its sustainability reporting and let the operational level regulation violations accumulate.

Vedanta's reply has been informative. The Nand Ghar initiative, which was started by the Anil Agarwal Foundation in 2016 but has been greatly expanded since Tuticorin, is a significant social investment. By the end of 2025, an integrated early childhood education, health, and women economic empowerment setup has been established in more than 10,000 Nand Ghars present across 16 states, bringing support to over four lakh children and three lakh women each day. It's not only a genuine social impact project, it's also a strategic ESG and conscious reputational repair

programme and it's a clear example of the complex and often uneasy relationship between real ethic and strategic ESG.

The lesson from the Vedanta story for the purposes of corporate law analysis is this: It is important to integrate ESG governance into the running of the business, rather than leaving it at the head office level for reporting. The assurance requirements of the BRSR Core, disclosure obligations in the supply-chain, and the proposed ESG Committee mandate on company boards are all interventions to address this gap—to make sure that ESG commitments in the annual report become accountable at the plant, site and supplier level.

## **VI. ANALYSIS OF CORPORATE ESG REPORTS: QUALITY, CREDIBILITY, AND THE GREENWASHING CHALLENGE**

### **A. What Good ESG Reporting Looks Like**

ESG reporting in India has evolved on a number of fronts: extent of disclosure, quantitative rigour, independent verification and standardisation with international reporting frameworks. Major organizations such as Infosys, Tata Steel and Wipro have incorporated measures that match up with the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) and United Nations Global Compact (UNGC) in their BRSR disclosures.<sup>19</sup> The multi-framework alignment reflects an understanding of interoperability and comparability, which are key principles in the globalised investment landscape where ESG data is relied on by investors from around the world.

The best BRSR filings share a number of characteristics: they have specific targets with a time horizon – not 'we hope to reduce emissions' but 'we will reduce Scope 1 and 2 emissions by 20% by 2030 from a 2022 baseline'); they have disaggregated data at the plant and product level; they are open and transparent about material incidents, such as environmental violations, workplace accidents, or data breaches; and third-party assurance statements that define scope and limitations of the verification exercise.

### **B. The Greenwashing Problem**

In a parallel, disturbing pattern, best practice is obscured by greenwashing – the technique of framing an environmental or social claim in a way that conveys a false impression. In this troubling parallel, greenwashing involves the use of non-standardised metrics and/or aspirational language and/or selective disclosure to present an environmentally or socially favourable picture. Greenwashing is not just a risk to reputation - it's become more and more a legal risk in the ESG disclosure. SEBI BRSR lays affirmative disclosure requirements and disclosure of any false or misleading information in BRSR could result in liability in the securities laws for misrepresentation.

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<sup>19</sup>Global Reporting Initiative, 'GRI Universal Standards' (2021 edition); SEBI, BRSR Framework Circular SEBI/LAD-NRO/GN/2021/22, 5 May 2021.

A number of aspects of the current reporting landscape enable greenwashing. First, the BRSR allows companies to voluntarily report their results on the 'leadership' indicators, so that they can choose which results to include in the report and which ones to withhold. Second, there is no commonly agreed classification of 'green' activities, so that different companies report the same activity metric by various names. Third, the assurance ecosystem is evolving: Most ESG verifiers are not as experienced as they need to be in the sector to effectively challenge management claims.

The Industry Standards on Reporting of BRSR Core (circular in December 2024) have been made by SEBI to offer detailed guidance on the methodology for measurement for each of the 42 BRSR Core KPIs, which addresses some of these concerns. The regulation of ESG Rating Providers (2023) tackles the rating issue. While the need for regulation is necessary for the 'E' in ESG to come to life, the culture of real accountability, which no regulation can fully prescribe, is just as important for achieving actual environmental results, rather than pretty numbers.

### **C. Shareholder Activism and ESG Accountability**

Shareholder activism – though still a fledgling accountability tool – is a major entity on the ESG side of the table. There is greater use by institutional investors, such as mutual funds and foreign portfolio investors, of their voting power to call for improved ESG performance and disclosure. In a groundbreaking move, the Securities and Exchange Board of India (SEBI) has mandated mutual fund schemes focused on environmental, social and governance (ESG) to share their voting record, bringing a welcome transparency in the way institutional capital interacts with investee companies in sustainability issues.

ESG-related shareholder activism has resulted in significant results on a global scale, such as the addition of three new members to ExxonMobil's board of directors in 2021, as a result of Engine No. 1's activism. The movement is less developed but growing in India. Proxy advisory services like Stakeholders Empowerment Services and InGovern have been regularly raising ESG issues as governance risks in their recommendations to institutional investors. Data quality and reliability that activists investors have will be enhanced as required disclosures become mandatory; ensuring the accountability loop between capital allocation and corporate ESG performance will also be strengthened.

## **VII. LINKING ESG AND ETHICS: HOW THE THREE PILLARS HAVE ESTABLISHED ETHICAL STANDARDS FOR CORPORATIONS**

The concept of ESG has evolved into a legal structure that has increasingly formalised the conceptual connection with ethics. ESG isn't about imposing new moral requirements on corporations; it is simply about highlighting the moral obligations inherent in the role of a legal entity within a community and ecosystem. By doing so, ESG provides structure, measurement and consequence to those obligations.

Think about the environmental element. The responsibility of corporations to protect the environment is not a new invention of law, but rather has been part of the constitutional

interpretation of Article 21 (the right to life, broadly interpreted by Indian courts as the “right to a clean environment”) and the common law doctrine of nuisance as well as the statutory provisions of environmental protection laws.<sup>20</sup> What ESG brings is granularity: not only does it ask whether a company is meeting the minimum legal requirement, but whether it is actually making a reduction in environmental impact, according to scientifically determined planetary boundaries.

In the same way, the social pillar plays a comparable role for labour rights, community interests and human dignity. There have always been legal duties on companies towards employees: under contract, under the labour law and under tort. Beyond compliance, what ESG's social metrics call for is for companies to proactively measure and enhance worker wellbeing, close gender pay disparities, evaluate risks of human rights in their supply chains, and invest in community resiliency. They are, in essence, applications of the moral doctrine « treat people as ends in themselves - and not just as factors of production.

The ESG-ethics relationship is most clearly of the governance pillar. These are all ethical requirements: board accountability, audit integrity, whistleblower protection, anti-corruption policies. Honesty is irrational, hence the law does not require it; it is irrational because corporations have obligations of truthfulness to those who depend on their trustworthiness. This duty is translated into institutional terms by ESG governance measures, such as the presence of an independent audit committee. Is there any whistle blowing system in place? Are there a variety of ideas and viewpoints on the board? These questions are ethical and not regulatory.

This is what India's regulatory journey has been driven by. The Companies Act 2013, Section 166(2) is an ethical statement – it requires directors to act in 'good faith,' which incorporates a subjective ethical measure into an objective legal duty. The BRSR framework, which demands disclosure of ethical pledges and quantifies them in terms of verifiable results, provides institutional accountability for ethical conduct. The proposed ESG Committee mandate would formalize the ethical governance at the top of the corporate governance.

In a nutshell, ESG is a way of moving from aspiration to accountability for corporate ethics. A company can hope to be an environmental steward — but if they aren't measuring, disclosing, and assuring that, then their lofty expectations might as well not exist. Measurement tools are provided by the ESG frameworks, the infrastructure for disclosure by the BRSR, and independent verification by assurance requirements – preventing aspiration from becoming pretence. The outcome was a vision of ethics that wasn't just idealistic, but one that was also enforced by a regulatory system, which is quite a feat for regulatory design in a relatively short amount of time.

## **VIII. CHALLENGES AND THE ROAD AHEAD**

### **A. The Compliance Burden on Smaller Companies**

The ESG regulatory structure in India, as mature as it is, has a structural weakness, that it is geared towards large listed companies. The universe of top 1,000 listed companies is a tiny part of the

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<sup>20</sup>MC Mehta v Union of India AIR 1987 SC 1086 (right to a clean environment under Article 21, Constitution of India).

Indian corporate universe, and it is in the universe mandated by the BRSR. The large bulk, or overwhelming majority, of economically relevant companies, such as large, unlisted, conglomerates, MSMEs and family companies, are outside of the scope of the mandatory ESG disclosure regime. However, these companies tend to have huge environmental impacts and employ the highest proportion of Indians.

This challenge is real: the requirement for mandatory disclosures of ESG will impose costs on the smaller company that it may well struggle to afford – ESG consultants, data collection set-up, assurance firms are all examples of costs involved. The need of the hour is to have a tiered approach to ESG regulation with varying degrees of requirements depending on the size, sector or the public interest of the company to avoid having a two-tier corporate society where advance reporting means green or ethical and the other means unethical or not green.

### **B. The Data Infrastructure Gap**

Good, clean, ESG disclosure needs good, clean data, whether about energy usage, water use, waste production, employee attrition, supply-chain labor conditions or the dozen other metrics. This data infrastructure isn't present in many Indian companies yet. Operational data lives in various locations, across subsidiaries and supply-chain partners; measurement methods are inconsistent; and the IT systems needed for consolidated reporting are costly.

The development of India's ESG data infrastructure is thus both a regulatory obligation and a capacity need. Industry associations, sectoral regulators and accounting firms all can contribute to the creation of standardised measurement instruments, the training of corporate teams and platforms for data collection and reporting.

### **C. The Enforcement Gap**

Enforcement may be the biggest hurdle. While the SEBI 'disclosure framework' itself is detailed and demanding, the number of enforcement actions for inadequate disclosures and/or misleading disclosures of BRSR has been scant. Unlike financial disclosure violations, non-disclosure of environmental, social and governance (ESG) data and information has not received the same attention from the Securities Appellate Tribunal and the enforcement division of the Securities and Exchange Board of India (SEBI). This balance needs to change with the coming of ESG disclosures and assurance. Regulators must have the power to assess the substance of the ESG disclosures, and be able to take tough action against greenwashing as effectively as against financial misrepresentation.<sup>21</sup>

## **IX. CONCLUSION: THE ETHICAL CORPORATION OF THE FUTURE**

We started with Satyam — a cautionary tale of what happens when governance structures are in theory but not in practice. We finish with a very different corporate landscape, with the world's

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<sup>21</sup>KPMG, 'FirstNotes: SEBI Introduces Certain Key Changes in BRSR Reporting' (January 2025); Bilancia Consulting Group, 'ESG Compliance in 2025: Key Regulatory Changes Every Indian Business Must Know' (2025).

biggest Indian corporations reporting GHG emissions, measuring human rights due diligence in their supply chains, getting audited by ESG providers and racing to be seen as ethical corporate citizens. This is an amazing shift — and one that has occurred, in significant part, due to the regulatory system built over the past decade on ESG.

The Companies Act 2013 put in place the ethical and legal responsibilities of corporate directors in the context of the stakeholders. SEBI's BRSR evolved those responsibilities into quantifiable disclosure requirements, gradually tightened with the addition of compulsory assurance and value-chain reporting. The RBI's climate-risk framework integrated environmental issues into the financial regulation. Financial mechanisms via the Carbon Credit Trading Scheme were set up to incentivize decarbonisation. If passed, the proposed mandate for the ESG Committee will put the framework in place by incorporating ethical oversight into its board.

The examples of Infosys, Tata and Vedanta are cases of both the possibilities and challenges offered by this architecture. The authors of the Infosys report argue that, more than regulation, a true intention to embrace values of ESG integration can weather governance storms and come out stronger. The culture of being responsible to stakeholders can be transformed over generations into industry leading sustainability performance, as Tata demonstrates. The disconnect between ESG reporting and ESG reality is dangerous — and it is regulatory frameworks that have to bridge that divide, by holding companies accountable in their operations, not just in their head quarter disclosures.

The future ethical corporation is not the one that reports with impressive ESG scores and reports on in their impressive ESG reports. It is one where the stewardship of the environment, the social equity of the people, and the transparency of governance are an integral part of the strategy, operations, incentive structures, and culture. Regulation can give the scaffolding — and the India's regulatory journey has been doing a wonderful job in providing scaffolding — but the building itself needs to be created by top business leaders who make the point that ethics is not a constraint on business success. It is its basic building block.

India is at a tipping point. The regulatory regime is mostly established. Whether employees will use it to create real ethical accountability, or to do ethical compliance is the question here. It will be a question that will shape not only the Indian business, but the quality of Indian environmental governance, fairness of the Indian labour markets, and trustworthiness of Indian capital markets for decades to come.

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