
A CRITICAL EVALUATION OF SEBI'S ESG FRAMEWORK AND INDIA'S PURSUIT OF SUSTAINABLE ECONOMIC DEVELOPMENT

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ABSTRACT

Environmental, Social, and Governance (ESG) is a rapidly growing concept globally, encouraging companies to adopt sustainable practices while keeping the environment as a focal point. Investors, regulators, and corporations are increasingly focusing on companies' sustainability practices.

India's ESG regulatory framework is monitored by the Securities and Exchange Board of India (SEBI)¹. This essay evaluates SEBI's ESG regulatory framework and assesses whether it contributes to significant sustainable economic development.

The methodology adopted is the doctrinal legal research method, under which extensive research has been conducted on the BRSR, BRSR Core, ERPs, and a comparative analysis of various jurisdictions². The principal findings are that SEBI has enhanced transparency, improved corporate accountability, and strengthened ESG disclosure; however, challenges such as greenwashing, verification issues, and excessive disclosure requirements continue to persist³. The long-term effectiveness of SEBI's ESG regulatory framework depends on how it is implemented on the ground, going beyond mere disclosure-based compliance metrics to ensure authentic sustainability outcomes through enhanced verification, accountability, and regulatory oversight.

¹Securities & Exchange Board of India Act, No. 15 of 1992, § 11 (India).

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

³OECD, ESG Ratings and Investing: Current Challenges and Future Priorities (2020).

Chapter 1 – Introduction

There are two companies. Both publish sustainable and attractive ESG reports. The two companies claim net-zero ambitions, sustainable operations, and responsible and accountable governance frameworks. Nevertheless, only one of the companies genuinely adheres to the aforementioned commitments; the other bluffs its ESG reports to attract investors and make itself appear profitable. This scenario is a typical example of modern-day ESG regulation — the difference between corporate representation and corporate reality raises fundamental questions about disclosure-based regulatory frameworks.

An investor today evaluates not only a company's financial data and profits but also its Environmental, Social, and Governance (ESG) factors. ESG has become a very important component of corporate governance and investment decision-making globally⁴. With the growing influence of ESG factors, the Ministry of Corporate Affairs (MCA) has issued voluntary guidelines and frameworks to regulate ESG in India⁵. To provide statutory backing to ESG, the Securities and Exchange Board of India (SEBI), under Section 11 of the SEBI Act, 1992⁶, is empowered to monitor and regulate ESG filings in the Indian market.

1.1 What is ESG and its relevance?

Environmental, Social, and Governance (ESG) is a framework⁷ by which a business or investor assesses a company's sustainability, long-term risks, and ethical impact on the environment and society.

Environmental

The 'E' in ESG refers to Environment. The central question is: how does the company interact with the environment and the natural world? The environmental factor is assessed through multiple indicators, including:

- Energy consumption

⁴U.N. Global Compact, *Who Cares Wins: Connecting Financial Markets to a Changing World* (2004).

⁵Ministry of Corp. Affairs, Gov't of India, *National Guidelines on Responsible Business Conduct* (2019).

⁶Securities & Exchange Board of India Act, No. 15 of 1992, § 11 (India).

⁷CFA Inst., *Environmental, Social and Governance (ESG) Investing: A Guide for Investment Professionals* (2021).

- Waste management
- Greenhouse gas emissions
- Resource conservation
- Water footprint⁸

Social

The 'S' in ESG refers to Social. The central question is: what does the company provide to its employees, workers, and the surrounding community? Social factors include:

- Employee welfare
- Health and safety
- Child labour
- Diversity and inclusion
- Community management⁹

Governance

The 'G' in ESG refers to Governance. The central question is: by what corporate structures and processes are companies controlled and directed? Governance factors include:

- Board structures and diversity
- Ethical conduct
- Risk management
- Disclosure and transparency

⁸OECD, ESG Investing and Climate Transition: Market Practices, Issues and Policy Considerations (2020).

⁹U.N. Human Rights Council, Guiding Principles on Business and Human Rights (2011).

- Executive and board compensation¹⁰

Sustainability in corporate decision-making is akin to killing two birds with one stone: including sustainability in corporate frameworks gives a company a competitive advantage in balancing economic profit with environmental, social, and governance management¹¹.

1.2 Why is ESG important for India?

India is the sixth-largest economy, with a US\$4.15 trillion GDP¹², and the fifteenth-largest recipient of FDI, with US\$1.1 trillion in FDI inflows¹³, according to the World Investment Report. It ranks 99th out of 167 countries on the UN SDG Index¹⁴, reflecting room for improvement. Nevertheless, India aims to achieve net-zero emissions by 2070¹⁵, a goal that requires companies to rigorously comply with SEBI's ESG regulations.

India is committed to balancing economic growth with environmental, social, and governance responsibilities. A sustainable corporate environment requires responsible and fair practices. Responsible Business Conduct (RBC) is a global framework¹⁶ that enables businesses to benefit society and the environment by integrating sustainability, ethics, and governance to reduce harm. Three key international instruments underpin RBC globally:

- The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct¹⁷
- The UN Guiding Principles on Business and Human Rights
- The ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy¹⁸

¹⁰OECD, G20/OECD Principles of Corporate Governance (2023).

¹¹Jill Solomon, Corporate Governance and Accountability (5th ed. 2017).

¹²Int'l Monetary Fund, World Economic Outlook Database (2025).

¹³U.N. Conf. on Trade & Dev., World Investment Report 2024 (2024).

¹⁴Sustainable Dev. Solutions Network, Sustainable Development Report 2024 (2024).

¹⁵Gov't of India, Statement by Prime Minister Narendra Modi at COP26, Glasgow (Nov. 1, 2021).

¹⁶OECD, Guidelines for Multinational Enterprises on Responsible Business Conduct (2023).

¹⁷OECD, Guidelines for Multinational Enterprises on Responsible Business Conduct (2023).

¹⁸Int'l Labour Org., Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (6th ed. 2017).

Recognising the importance of RBC, the Ministry of Corporate Affairs (MCA) released the National Guidelines on Responsible Business Conduct (NGRBC)¹⁹. The NGRBC provides a voluntary framework guiding businesses to:

- Conduct and govern themselves with integrity, ethical standards, transparency, and accountability;
- Provide goods and services sustainably and safely;
- Respect and promote the well-being of all employees (including value chains);
- Be responsive to all stakeholders;
- Respect and promote human rights;
- Protect and restore the environment;
- Influence public and regulatory policy transparently and responsibly;
- Support inclusive growth and equitable development; and
- Engage with and provide value to consumers responsibly.

1.3 What has SEBI done to regulate ESG?

SEBI was given statutory power on 30 January 1992²⁰. Its principal functions are to protect investors in the securities market, to promote and develop the securities market, and to maintain fairness, transparency, and accountability.

In 2009, the MCA introduced voluntary business-responsibility guidelines, and in 2012 SEBI mandated all listed companies to report through the Business Responsibility Report (BRR)²¹. This was replaced in 2021 by the more comprehensive Business Responsibility and Sustainability Report (BRSR)²². SEBI has also registered ESG Rating Providers (ERPs)²³ to

¹⁹Ministry of Corp. Affairs, *supra* note 5.

²⁰Securities & Exchange Board of India Act, No. 15 of 1992 (India).

²¹Securities & Exch. Bd. of India, Circular No. CIR/CFD/DIL/8/2012 (Aug. 13, 2012).

²²Securities & Exch. Bd. of India, Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (May 10, 2021).

²³Securities & Exch. Bd. of India, Master Circular for ESG Rating Providers (2025).

analyse companies' ESG data and ensure transparency; since 2023, ERPs must register and comply with SEBI's guidelines, detailed further in the 2025 Master Circular.

1.4 What are the problems?

No regulatory system is free of problems, and India's ESG framework is no exception. Even with multiple regulations, guidelines, and frameworks in place, several difficulties persist, including:

- Greenwashing²⁴
- ESG rating divergence²⁵
- Verification challenges²⁶
- Enforcement challenges
- Compliance versus genuine sustainability²⁷

These problems, together with SEBI's response to them, are discussed in the chapters that follow. This essay argues that SEBI's ESG regulatory framework has made India's corporate and business landscape more sustainable, ethical, and transparent; however, its ultimate success depends on credibility and enforcement, given persistent problems such as greenwashing, enforcement gaps, and verification lapses. India's ESG system must shift from disclosure-centric governance to implementation-centric governance, since the framework's long-term success depends entirely on credibility, assurance, accountability, and effective implementation.

To evaluate these issues, this essay first examines the evolution of ESG and its regulatory significance in India (Chapter 2). It then traces the evolution of ESG regulation in India, including the BRR-to-BRSR transition, BRSR Core, and the regulation of ESG Rating Providers (Chapter 3), before critically evaluating SEBI's framework, including challenges

²⁴European Comm'n, Proposal for a Directive on Green Claims, COM(2023) 166 final.

²⁵Florian Berg, Julian Koelbel & Roberto Rigobon, Aggregate Confusion: The Divergence of ESG Ratings, 26 Rev. Fin. 1315 (2022).

²⁶IOSCO, Environmental, Social and Governance Ratings and Data Products Providers (2021).

²⁷KPMG, The ESG Journey: From Compliance to Value Creation (2023).

relating to disclosure quality and greenwashing (Chapter 4). It then undertakes a comparative analysis of the EU, UK, and US frameworks (Chapter 5) and proposes reforms to strengthen the contribution of ESG regulation to sustainable economic development (Chapter 6).

Chapter 2 – Understanding ESG and Its Role in Sustainable Economic Development

Before examining SEBI's ESG frameworks, it is important to understand the foundational principles of Environmental, Social, and Governance (ESG) regulation. In the modern corporate environment, ESG has grown significantly over the past two decades, and no investor today ignores ESG ratings. ESG has its roots in the corporate social responsibility (CSR) movement led by the economist Howard Bowen between the 1950s and 1970s, when early civil and environmental activists pressured businesses to look beyond mere profit. Over time, environmental and social concerns gained global attention, and ESG was adopted worldwide to promote sustainability and ethical practice. Amid rising climate concerns, corporate governance failures, investor risk, and demand for fair business practices, ESG regulation has become increasingly crucial. ESG is not merely a disclosure mechanism but a long-term assessment tool for corporate sustainability that helps companies identify non-financial risks and areas for improvement.

2.1 Evolution of ESG

Around the 1970s, the concept of 'Socially Responsible Investing' (SRI)²⁸ developed, enabling investors to balance financial returns with ethical, social, and environmental values. SRI allowed investors to align their portfolios with their personal beliefs. It was not until the 1990s that ESG considerations entered mainstream investing: in 1995, the US SIF (The Forum for Sustainable and Responsible Investment) published a landmark report on sustainable investment in North America, recording a striking US\$639 billion in sustainable and responsible investment²⁹, after which institutional managers increasingly recognised that ESG-focused strategies could improve financial performance. In 1997, the Global Reporting Initiative (GRI)³⁰ was founded to reform corporate reporting so that non-financial metrics would be included alongside financial performance, substantially boosting ESG's growth in subsequent decades. In 2000, the United Nations convened a summit at which the Millennium

²⁸Benjamin J. Richardson, *Socially Responsible Investment Law: Regulating the Unseen Polluters* (2008).

²⁹US SIF Found., *Report on US Sustainable Investing Trends 2024* (2024).

³⁰Global Reporting Initiative, *GRI Sustainability Reporting Standards* (2021).

Development Goals (MDGs)³¹ were established, comprising eight international goals to be achieved by 2015 and creating a platform for later ESG strategies. Finally, in 2004, the UN Global Compact, together with the Swiss Federal Department of Foreign Affairs, published ‘Who Cares Wins’³², in which the term ‘ESG’ became official.

2.2 Components of ESG

ESG is divided into three components:

1. *Environmental factors*

In the corporate context, the environmental component concerns how well a company interacts with nature and utilises natural resources. It includes:

- Usage of natural resources, water, and energy
- Generation of by-products, waste, and carbon emissions
- Pollution: greenhouse gas emissions, air pollution, and water pollution
- Broader impact: climate change, biodiversity, and ecosystem rehabilitation³³

2. *Social factors*

The social component concerns how well a company cares for its surrounding community, workers, and employees. It includes:

- Labour practices, health and safety, child labour, and employee welfare
- Diversity and inclusion, community management, and human-rights policy³⁴

3. *Governance factors*

Governance factors concern the structures and processes by which companies are directed and

³¹U.N. General Assembly, United Nations Millennium Declaration, U.N. Doc. A/RES/55/2 (Sept. 18, 2000).

³²U.N. Global Compact, *supra* note 4.

³³OECD, *supra* note 8.

³⁴U.N. Human Rights Council, *supra* note 9.

controlled, including oversight of environmental and social policy. They include:

- Board composition, diversity, independence, succession planning, and evaluation
- Risk management, internal controls, and ethics and compliance management
- Stakeholder engagement, anti-corruption measures, and supply-chain oversight
- IT security, data protection, and disclosure and reporting³⁵

2.3 ESG and Corporate Governance

No company can operate without robust governance mechanisms and regulatory frameworks; governance is the foundation on which ESG regulation rests³⁶. Where a company's boards operate efficiently and sustainably, better ESG outcomes generally follow. Maintaining accountability and transparency³⁷ is essential in an environment where fraud, misrepresentation, and white-collar crime are increasingly common, and only strong governance mechanisms can protect corporate systems from such conduct. A company's relationship with its stakeholders is similarly important, since their support or opposition can determine its success or failure, and robust governance builds stakeholder trust. Strong governance also helps a company manage long-term risks, including shifting consumer trends, cybersecurity threats, and supply-chain disruption. Two cases illustrate the consequences of governance failure in India:

1. Satyam Computer Services

Satyam Computer Services was once a leading IT and consulting firm headquartered in Hyderabad, and is infamous for its role in modern India's largest accounting scandal³⁸. Its founder, Ramalinga Raju, admitted to falsifying accounts³⁹ and inflating the company's assets and profits by approximately ₹7,000 crore. The scandal is widely regarded as India's most significant corporate governance failure, and fundamentally changed India's disclosure

³⁵OECD, *supra* note 10.

³⁶Solomon, *supra* note 11.

³⁷OECD, *supra* note 10.

³⁸Umakanth Varottil, *The Satyam Scandal: Corporate Governance and Investor Protection in India*, 3 NUJS L. Rev. 1 (2012).

³⁹SEBI v. Ramalinga Raju, SEBI Order (July 14, 2014).

regulations and the approach taken by investors, directors, and regulators.

II. Infrastructure Leasing & Financial Services (IL&FS) Limited

IL&FS was a non-banking financial company (NBFC) primarily engaged in developing, commercialising, and financing large infrastructure projects across India. The scandal made headlines when the company's debt reached approximately ₹91,000 crore⁴⁰. It involved the evergreening of loans⁴¹, the funding of long-term projects with short-term debt, and substantial governance failures. As a comparatively recent financial scandal, IL&FS prompted the Indian corporate system to strengthen disclosure requirements further.

2.4 ESG and Sustainable Economic Development

Sustainable economic development⁴² is a concept in which environmental protection, social responsibility, and responsible governance are practised alongside economic growth, focusing on long-term value creation rather than short-term profit. A company that efficiently allocates capital to sustainable initiatives — reducing greenhouse gas emissions, transitioning to renewable energy, or supporting education — may attract responsible investment and strengthen market confidence.

I. ESG and the environmental dimension

The environmental dimension pressures companies to incorporate environmental considerations into daily strategic and operational decisions through measures such as waste management, energy conservation, and emissions reduction, encouraging companies to adopt sustainable, environmentally-friendly operating models^{43,44}.

II. ESG and the social dimension

The social dimension concerns relationships between a company and its employees, consumers, stakeholders, and wider society. Measures such as employee health insurance,

⁴⁰Ministry of Corp. Affairs, Report of the Committee on IL&FS Governance Failures (2019).

⁴¹Union of India v. Infrastructure Leasing & Fin. Servs. Ltd., Company Appeal (AT) No. 346 of 2018 (NCLAT).

⁴²U.N. General Assembly, Transforming Our World: The 2030 Agenda for Sustainable Development, U.N. Doc. A/RES/70/1 (Oct. 21, 2015).

⁴³Intergovernmental Panel on Climate Change, Climate Change 2023: Synthesis Report (2023).

⁴⁴World Bank, Sustainability and Corporate Performance (2022).

workplace safety, and welfare schemes improve employee efficiency, enhance stakeholder trust, and contribute to overall social stability^{45,46}.

III. ESG and the governance dimension

Governance underpins the implementation of environmental and social factors. Robust governance supports responsible decision-making, accountability, and transparency, reduces white-collar crime and corporate misconduct, and thereby builds investor confidence and contributes to sustainable economic development^{47,48}.

2.5 Challenges Associated with ESG Implementation

Greenwashing

Greenwashing is a deceptive practice in which a company misleads investors by falsifying, exaggerating, or making unsustainable claims about its sustainability efforts, diverting investment away from companies making genuine progress and widening the gap between disclosed and actual practice⁴⁹.

ESG rating divergence

SEBI relies on third-party agencies to rate companies on ESG performance based on companies' own disclosures. ESG rating divergence occurs when different agencies assign different ratings to the same company, creating investor confusion and adversely affecting the company's market perception⁵⁰.

Compliance burden

ESG reporting is a lengthy process involving complex administrative requirements, rising costs, and resource strain. Most companies lack automated reporting infrastructure; around 80% still rely on outdated manual methods unsuited to modern compliance reporting.

⁴⁵Int'l Labour Org., World Employment and Social Outlook 2024 (2024).

⁴⁶Alex Edmans, The Link Between Job Satisfaction and Firm Value, 26 J. Fin. Econ. 621 (2011).

⁴⁷World Bank, Corporate Governance and Development: An Update (2021).

⁴⁸OECD, Corporate Governance Factbook 2023 (2023).

⁴⁹European Comm'n, *supra* note 24.

⁵⁰Berg, Koelbel & Rigobon, *supra* note 25.

Companies operating across borders must further reconcile differing national frameworks, resulting in compliance fatigue^{51,52}.

Chapter 3 – Evolution of ESG Regulation in India

ESG regulation in India has evolved through successive measures taken by the Ministry of Corporate Affairs (MCA) and SEBI, fundamentally changing India's regulatory landscape⁵³ and reflecting a broader shift towards ethical business conduct, responsible decision-making, and environmental awareness⁵⁴. This chapter traces that development — from the Business Responsibility Report (BRR) to the Business Responsibility and Sustainability Reporting (BRSR) framework, the introduction of BRSR Core, and the regulation of ESG Rating Providers.

3.1 Early Foundations of Corporate Responsibility in India

Corporate Social Responsibility (CSR) is an operational model⁵⁵ in which environmental and social concerns feature in a company's governance structure. CSR and ESG appear similar⁵⁶ but differ in that CSR focuses on a company's qualitative intent and voluntary action, whereas ESG focuses on quantifiable goals used by investors and regulators to measure sustainability, development, and ethical performance. India made history by legally mandating CSR⁵⁷ with effect from 1 April 2014 under Section 135 of the Companies Act, 2013⁵⁸, which requires listed companies to constitute a CSR committee and to spend a prescribed amount on social and environmental welfare.

3.2 Business Responsibility Reports (BRR)

The Business Responsibility Report (BRR) was SEBI's initial ESG reporting framework, introduced in 2012⁵⁹. It required narrative-style responses to 36 broad questions⁶⁰ aimed at

⁵¹KPMG, ESG Reporting and Assurance Survey 2024 (2024).

⁵²Deloitte, Global ESG Preparedness Survey 2024 (2024).

⁵³Ministry of Corp. Affairs, *supra* note 5.

⁵⁴OECD, *supra* note 16.

⁵⁵Archie B. Carroll, A Three-Dimensional Conceptual Model of Corporate Performance, 4 Acad. Mgmt. Rev. 497 (1979).

⁵⁶CFA Inst., *supra* note 7.

⁵⁷The Companies Act, No. 18 of 2013, § 135 (India).

⁵⁸Companies (Corporate Social Responsibility Policy) Rules, 2014 (India).

⁵⁹Securities & Exch. Bd. of India, *supra* note 21.

⁶⁰Securities & Exch. Bd. of India, Business Responsibility Reports Framework (2012).

ensuring accountability, transparency, and ethical standards⁶¹ in operational decision-making. SEBI replaced the BRR in 2021⁶² because it lacked the quantitative metrics needed to assess a company's ESG performance.

3.3 Business Responsibility and Sustainability Report (BRSR)

The Business Responsibility and Sustainability Report (BRSR) replaced the BRR in 2021⁶³. BRSR is considered an enhanced, modern ESG framework: filing is mandatory for the top 1,000 listed companies⁶⁴, which must report qualitative and quantitative ESG data. In 2019, the MCA had already introduced the National Guidelines on Responsible Business Conduct (NGRBC) to align the Indian corporate system with the UN Guiding Principles on Business and Human Rights (UNGPs)⁶⁵ and the UN Sustainable Development Goals (SDGs)⁶⁶. The nine NGRBC principles encourage companies to:

- Conduct business with integrity and ethics;
- Provide safe and sustainable goods and services;
- Ensure employee well-being and safety;
- Engage with stakeholders, particularly vulnerable ones;
- Protect human rights;
- Exercise environmental care (energy, water, waste, emissions);
- Engage in responsible public-policy advocacy;
- Support inclusive growth and economic development; and
- Provide value and protection to customers⁶⁷.

⁶¹Ministry of Corp. Affairs, National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (2011).

⁶²Securities & Exch. Bd. of India, *supra* note 22.

⁶³Securities & Exch. Bd. of India, *supra* note 2.

⁶⁴Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Regulation 34(2)(f) (India).

⁶⁵U.N. Human Rights Council, *supra* note 9.

⁶⁶U.N. General Assembly, *supra* note 42.

⁶⁷Ministry of Corp. Affairs, *supra* note 5.

The BRSR framework mandates the top 1,000 listed companies⁶⁸ to disclose how they implement these nine NGRBC principles.

3.4 The BRSR Core Framework

While BRSR significantly improved ESG disclosure, concerns remained about greenwashing, disclosure reliability, and a lack of independent verification⁶⁹: disclosure alone is insufficient for investors without greater credibility. SEBI accordingly emphasised that ESG reporting must rest on verifiable, measurable data⁷⁰. BRSR Core, introduced in 2023⁷¹, is a specific subset of the broader BRSR framework comprising critical Key Performance Indicators (KPIs) that require mandatory external assurance⁷².

3.5 Regulation of ESG Rating Providers (ERPs)

ESG Rating Providers (ERPs) are specialised third-party agencies⁷³ that rate companies on ESG performance; investors rely on these ratings to evaluate sustainability⁷⁴ and long-term investment potential, and ratings accordingly influence capital allocation⁷⁵. A company with a strong ESG rating is generally considered a more attractive investment. However, the ERP system remains complex, with persistent drawbacks including rating divergence⁷⁶, limited transparency⁷⁷, and greenwashing risk⁷⁸.

Chapter 4 – Critical Evaluation of SEBI's ESG Framework

Having traced the evolution of India's ESG regulation — BRR, BRSR, BRSR Core, and the regulation of ERPs — aimed at improving accountability, transparency, and sustainability reporting⁷⁹, this chapter critically evaluates SEBI's framework. SEBI's ESG regulation has evolved through significant trial and error, but the success of any regulation ultimately depends

⁶⁸Securities & Exch. Bd. of India, *supra* note 2.

⁶⁹European Comm'n, *supra* note 24.

⁷⁰Securities & Exch. Bd. of India, Consultation Paper on ESG Disclosures and Assurance (2023).

⁷¹Securities & Exch. Bd. of India, BRSR Core – Framework for Assurance and ESG Disclosures for Value Chain (July 12, 2023).

⁷²*Id.*

⁷³Securities & Exch. Bd. of India, *supra* note 23.

⁷⁴IOSCO, *supra* note 26.

⁷⁵OECD, *supra* note 8.

⁷⁶Berg, Koelbel & Rigobon, *supra* note 25.

⁷⁷IOSCO, *supra* note 26.

⁷⁸European Comm'n, *supra* note 24.

⁷⁹Securities & Exch. Bd. of India, *supra* note 2.

on how effectively it is implemented on the ground. This chapter therefore assesses the strengths and limitations of SEBI's framework in advancing ethical practice, accountability, and sustainable economic development⁸⁰.

4.1 Strengthening Corporate Transparency and ESG Disclosures

SEBI's most significant achievement lies in improving transparency and sustainability disclosure. BRSR replaced the narrative-style, low-efficiency BRR⁸¹ with a structured, standardised reporting mechanism, reducing inconsistency and creating a common disclosure language⁸² for listed entities. This has improved comparability⁸³ for institutional investors and stakeholders, enabling more uniform benchmarking of corporate sustainability performance⁸⁴. Mandatory disclosure has also improved the general availability of ESG information⁸⁵, exposing investors to sustainability-related risks that traditional financial statements alone cannot capture. Enhanced disclosure reduces information asymmetry⁸⁶ between companies and investors and subjects companies to greater public scrutiny, making them more accountable⁸⁷ for stated ESG commitments. SEBI's disclosure framework has therefore undoubtedly enhanced transparency, though the effectiveness of transparency as a regulatory tool ultimately depends on the accuracy, completeness, and credibility of what is disclosed.

4.2 Promotion of Sustainable Corporate Governance

SEBI's ESG framework has also promoted sustainable corporate governance. Corporate governance underpins responsible business conduct⁸⁸ by ensuring accountability, transparency, ethical decision-making, and effective risk management⁸⁹. Through BRSR⁹⁰, SEBI has encouraged companies to integrate sustainability into corporate decision-making rather than treating it as an isolated compliance obligation. BRSR's governance indicators require disclosure on board oversight, business ethics, stakeholder engagement⁹¹, risk management,

⁸⁰U.N. General Assembly, *supra* note 42.

⁸¹Securities & Exch. Bd. of India, *supra* note 2.

⁸²Ernst & Young, BRSR: A New ESG Reporting Framework for India Inc (2022).

⁸³CFA Inst., *supra* note 7.

⁸⁴OECD, *supra* note 8.

⁸⁵Securities & Exch. Bd. of India, *supra* note 2.

⁸⁶George A. Akerlof, The Market for Lemons: Quality Uncertainty and the Market Mechanism, 84 Q.J. Econ. 488 (1970).

⁸⁷OECD, *supra* note 10.

⁸⁸Solomon, *supra* note 11.

⁸⁹OECD, *supra* note 10.

⁹⁰Securities & Exch. Bd. of India, *supra* note 2.

⁹¹Ministry of Corp. Affairs, *supra* note 5.

and regulatory compliance, encouraging directors to weigh environmental and social risks alongside financial concerns, so that ESG considerations become part of long-term corporate strategy⁹² rather than a mere reporting exercise. Enhanced governance disclosure also strengthens investor confidence by improving transparency regarding corporate conduct. Nevertheless, the effectiveness of these measures ultimately depends on genuine implementation rather than formal compliance with disclosure requirements.

4.3 Limitations of the Disclosure-Centric Framework

SEBI has consistently improved ESG regulation through the BRR, BRSR, and BRSR Core frameworks⁹³, transforming corporate reporting and encouraging ethical business practice. However, a disclosure-centric framework does not guarantee genuine implementation: companies may report ESG metrics without implementing them operationally, creating a gap between disclosed ESG performance and actual performance⁹⁴. ESG risks becoming merely a compliance exercise⁹⁵, in which companies focus on fulfilling disclosure requirements rather than genuinely integrating sustainable practices. Because most ESG data originates from the companies themselves, investors find it difficult to verify the underlying claims⁹⁶, creating a data-reliability problem⁹⁷. Frameworks such as BRSR and BRSR Core are highly data-intensive, and the resulting volume can make information harder, rather than easier, for investors to interpret. SEBI's role is largely limited to verifying paper compliance rather than conducting on-the-ground assessment of company operations⁹⁸, leaving investors to identify misleading disclosures across thousands of reports without adequate verification infrastructure⁹⁹. SEBI's framework thus has real strengths and real weaknesses, and its ultimate success depends entirely on the effectiveness of implementation.

4.4 Greenwashing as a Regulatory Challenge

Greenwashing involves companies misleading consumers¹⁰⁰ about their environmental impact to appear more sustainable than they are, creating a gap between actual performance and

⁹²World Bank, *supra* note 47.

⁹³Securities & Exch. Bd. of India, *supra* note 71.

⁹⁴KPMG, *supra* note 27.

⁹⁵OECD, *supra* note 3.

⁹⁶IOSCO, *supra* note 26.

⁹⁷Deloitte, *supra* note 52.

⁹⁸Securities & Exchange Board of India Act, No. 15 of 1992, § 11 (India).

⁹⁹Securities & Exch. Bd. of India, *supra* note 71.

¹⁰⁰European Comm'n, *supra* note 24.

reported performance that undermines both ESG reporting¹⁰¹ and market integrity. The term originated in the 1960s, when the hotel industry¹⁰² asked guests to reuse towels ostensibly to save the environment while in fact reducing laundry costs. Greenwashing risks causing investors to overlook companies with genuinely sustainable ESG practices¹⁰³ when allocating capital. SEBI's disclosure-centric framework does not, by itself, eliminate the possibility of selective disclosure¹⁰⁴: while BRSR aims to enhance transparency, BRSR Core aims to strengthen assurance, and ERPs offer independent analysis, concerns persist regarding both rating divergence¹⁰⁵ and the continued absence of a robust assurance mechanism for detecting misleading disclosures. Greenwashing therefore significantly affects sustainable economic development by diverting investment from genuinely sustainable businesses¹⁰⁶, and remains a considerable challenge for investors and regulators alike despite SEBI's successive regulatory interventions.

In sum, SEBI has strengthened accountability, transparency, and ethical business practice in India's corporate system, but investors and regulators continue to face significant challenges, including greenwashing, ESG rating divergence, and disclosure complexity¹⁰⁷. The efficacy of SEBI's ESG framework ultimately depends on its capacity to foster genuine sustainable development¹⁰⁸ and to make a substantial contribution to India's corporate and business systems.

Chapter 5 – Comparative Analysis of ESG Regulatory Frameworks and Lessons for India

ESG has gained significant attention¹⁰⁹ from organisations and countries worldwide, each adopting different regulatory frameworks for ESG parameters. A comparative analysis¹¹⁰ of these frameworks helps India evaluate its own standing and identify reforms capable of strengthening SEBI's regulatory framework.

¹⁰¹Jay Westerveld, *The Origins of Greenwashing* (1986).

¹⁰²OECD, *Combating Greenwashing in Financial Markets* (2024).

¹⁰³IOSCO, *supra* note 26.

¹⁰⁴European Sec. & Mkts. Auth., *Final Report on Greenwashing* (2024).

¹⁰⁵Berg, Koelbel & Rigobon, *supra* note 25.

¹⁰⁶OECD, *supra* note 102.

¹⁰⁷IOSCO, *supra* note 26.

¹⁰⁸U.N. General Assembly, *supra* note 42.

¹⁰⁹U.N. Global Compact, *supra* note 4.

¹¹⁰OECD, *supra* note 3.

5.1 European Union: Towards Comprehensive Sustainability Regulation

Evolution of ESG regulation in the European Union

The Non-Financial Reporting Directive (NFRD)¹¹¹, adopted by the European Parliament in 2014, required non-financial reporting on sustainability, climate impact, anti-corruption, and board diversity, but lacked standardisation¹¹² and enforceability, leading to its eventual replacement. The EU Taxonomy Regulation¹¹³, in force from July 2020, sets out four criteria for an economic activity to qualify as environmentally sustainable, aligned with the European Green Deal's net-zero-by-2050 target¹¹⁴. The Sustainable Finance Disclosure Regulation (SFDR)¹¹⁵, introduced in 2021, increases transparency for investors and aims to attract private funding towards a net-zero economy¹¹⁶. In November 2022, the European Commission adopted the Corporate Sustainability Reporting Directive (CSRD)¹¹⁷, replacing the NFRD: comparable to SEBI's BRSR but with more detailed reporting and wider coverage, the CSRD introduces the concept of 'double materiality'¹¹⁸, requiring disclosure of both climate risks to the business and the business's impact on climate and society¹¹⁹. The Corporate Sustainability Due Diligence Directive (CSDDD)¹²⁰, adopted in 2024, promotes ethical, sustainable business practice and enhances transparency across value chains¹²¹: together with the CSRD, it requires companies to take environmental responsibility while ensuring transparency of corporate action.

Strengths of the EU framework

- A strong focus on transparency across CSDDD, CSRD, and the earlier NFRD;
- A clear investor- and stakeholder-oriented approach, mandating professional reporting standards to attract private investment; and

¹¹¹Council Directive 2014/95, 2014 O.J. (L 330) 1 (EU).

¹¹²European Comm'n, Impact Assessment Accompanying the Corporate Sustainability Reporting Directive, SWD(2021) 150 final.

¹¹³Regulation 2020/852, 2020 O.J. (L 198) 13 (EU).

¹¹⁴Regulation 2021/1119 (European Climate Law), 2021 O.J. (L 243) 1 (EU).

¹¹⁵Regulation 2019/2088, 2019 O.J. (L 317) 1 (EU).

¹¹⁶European Comm'n, Action Plan: Financing Sustainable Growth, COM(2018) 97 final.

¹¹⁷Directive 2022/2464, 2022 O.J. (L 322) 15 (EU).

¹¹⁸European Fin. Reporting Advisory Grp., European Sustainability Reporting Standards (2023).

¹¹⁹Directive 2022/2464, *supra* note 117.

¹²⁰Directive 2024/1760 on Corporate Sustainability Due Diligence, 2024 O.J. (EU).

¹²¹*Id.*

- A target-oriented structure, built around measurable goals such as net-zero by 2050 and the 2030 climate and energy targets.

Lessons for India

Comparing BRSR with the CSRD^{122,123} is instructive: the CSRD is markedly more rigorous, requiring machine-readable (iXBRL) non-financial reporting with third-party verification across more than 50,000 companies, whereas BRSR applies to only the top 1,000 listed firms and struggles to address social issues amid rapid corporate growth. Although the two frameworks pursue similar goals, India can draw the following lessons from the EU's approach:

- SEBI's framework should place greater emphasis on the transparency of ESG reporting;
- A results-oriented structure is preferable to mere paper compliance; and
- Investor-centric regulation should aim to ensure authentic capital allocation towards legitimate companies.

5.2 United Kingdom: Governance-Centric ESG Regulation

Regulating authorities

Three principal authorities regulate ESG in the UK. The Financial Conduct Authority (FCA)¹²⁴ regulates the financial-services industry, protects consumers, maintains market stability, and oversees ESG fund labelling and ESG rating providers. The Financial Reporting Council (FRC)¹²⁵ promotes transparency and integrity in business, regulates auditors and accountants, and sets the UK Corporate Governance and Stewardship Codes, ensuring that ESG risks are properly addressed in company reporting. The Department for Business and Trade (DBT)¹²⁶ supports economic growth, investment, and export, and formulates related regulation, including company and climate law.

¹²²Securities & Exch. Bd. of India, *supra* note 2.

¹²³Directive 2022/2464, *supra* note 117.

¹²⁴Financial Services and Markets Act 2000, c. 8 (U.K.).

¹²⁵Fin. Reporting Council, UK Corporate Governance Code 2024 (2024).

¹²⁶UK Dep't for Bus. & Trade, About Us (2024).

The UK's regulatory framework

UK companies report non-financial information under Sustainability Reporting Standards based on the ISSB's IFRS Sustainability Disclosure Standards^{127,128}, part of the IFRS Foundation. On 26 June 2023, the ISSB published its first two standards: IFRS S1, covering general requirements for disclosure of sustainability-related financial information, and IFRS S2, which helps investors compare sustainability reporting with financial statements. The Task Force on Climate-related Financial Disclosures (TCFD)¹²⁹, established in 2015 by the G20 Financial Stability Board, developed voluntary, consistent climate-related financial disclosures¹³⁰ intended to assist investors, lenders, and insurance underwriters in understanding material climate-related risk, and UK companies are mandated to report against it.

Strengths of the UK framework

- A governance-centric model, with strong emphasis on board inclusivity and diversity¹³¹; and
- Distributed regulatory oversight across three specialised authorities¹³², each maintaining transparent, accountable, and ethical reporting.

Lessons for India

- An outcome-centric approach: the UK's framework is comparatively flexible and results-oriented, whereas BRSR remains largely disclosure-centric; and
- A more distributed regulatory architecture: unlike the UK's three specialised authorities, SEBI is India's sole ESG regulator, and India could consider comparable division of responsibility.

¹²⁷Int'l Sustainability Standards Bd., IFRS S1: General Requirements for Disclosure of Sustainability-Related Financial Information (2023).

¹²⁸Int'l Sustainability Standards Bd., IFRS S2: Climate-Related Disclosures (2023).

¹²⁹Fin. Stability Bd., Recommendations of the Task Force on Climate-Related Financial Disclosures (2017).

¹³⁰Id.

¹³¹Fin. Reporting Council, *supra* note 125.

¹³²Fin. Conduct Auth., Sustainability Disclosure Requirements and Investment Labels (2023).

5.3 United States: Investor-Centric ESG Framework

Regulating authority

The Securities and Exchange Commission (SEC)¹³³ is the principal regulator, tasked with protecting investors, maintaining fair and efficient markets, and facilitating capital formation.

Climate-related disclosures

In 2024, the SEC adopted Climate-Related Disclosure Rules¹³⁴ requiring large public companies to disclose:

- Climate-related risks¹³⁵
- Activities to mitigate and adapt to these risks
- Climate-related targets¹³⁶
- How the company plans to achieve those targets

The overarching purpose of these rules is to protect investors and promote ethical, professional business practice.

Strengths of the US framework

- Investor protection¹³⁷: a robust framework to protect investors from illegitimate sustainability reports and build trust between companies and investors; and
- Risk disclosures¹³⁸: the SEC's risk-centric disclosure framework makes investors aware of both the risks and benefits of investing in a given company.

¹³³Securities Exchange Act of 1934, 15 U.S.C. § 78a et seq. (2018).

¹³⁴SEC, The Enhancement and Standardization of Climate-Related Disclosures for Investors, Release No. 33-11275 (2024).

¹³⁵Id.

¹³⁶Id.

¹³⁷Securities Exchange Act of 1934, 15 U.S.C. § 78b (2018).

¹³⁸SEC, supra note 134.

Lessons for India

Protection of investors¹³⁹: SEBI currently supplies investors with ESG performance data but does not furnish comparable information on the potential future challenges companies may encounter, particularly regarding risk-related disclosures¹⁴⁰. Incorporating risk-oriented disclosure requirements, as in the US model, would better equip Indian investors to assess long-term exposure.

This comparative analysis provides a broader perspective on international experience with ESG regulatory frameworks¹⁴¹ across jurisdictions and regulatory regimes. SEBI's regulations have already introduced substantial change to India's corporate landscape; nevertheless, to keep pace with international developments, SEBI must continue to implement modifications and adopt new measures¹⁴² informed by comparative practice.

Chapter 6 – Recommendations and Way Forward

The preceding chapters trace how ESG regulation has undergone significant global change and been adopted across jurisdictions¹⁴³, and examine the particular strengths and weaknesses of SEBI's framework, including the serious challenges investors face and the measures SEBI should adopt to address them. This chapter sets out recommendations to make India's ESG framework more accountable and transparent, to enhance investor confidence, and to support the broader goal of sustainable economic development¹⁴⁴.

6.1 ESG Awareness Campaigns

As the principal protector of investors¹⁴⁵, SEBI regularly conducts educational workshops and campaigns to protect investors from fraud in the financial sector¹⁴⁶. Comparable ESG-specific awareness campaigns should be conducted to protect investors from illegitimate or misleading ESG reporting¹⁴⁷.

¹³⁹Securities Exchange Act of 1934, 15 U.S.C. § 78b (2018).

¹⁴⁰SEC, *supra* note 134.

¹⁴¹OECD, *supra* note 8.

¹⁴²OECD, *supra* note 8.

¹⁴³OECD, *supra* note 3.

¹⁴⁴U.N. General Assembly, *supra* note 42.

¹⁴⁵Securities & Exchange Board of India Act, No. 15 of 1992, § 11 (India).

¹⁴⁶Securities & Exch. Bd. of India, Investor Awareness and Education Initiatives (2024).

¹⁴⁷IOSCO, *supra* note 26.

6.2 Promoting Green Finance

India could draw on Germany's experience with 'green finance'¹⁴⁸, in particular its sovereign green bonds¹⁴⁹, which have attracted substantial private investment into infrastructure and the renewable energy sector¹⁵⁰. A comparable Indian green-bond programme could similarly mobilise private capital toward sustainability goals.

6.3 Anti-Greenwashing Measures

Greenwashing remains a major issue¹⁵¹ for both investors and genuine businesses, in part because India lacks a clear regulatory definition of the practice and SEBI has not adopted a sufficiently proactive approach to addressing it. SEBI should first provide a clear definition¹⁵² of greenwashing and then move to penalise it¹⁵³.

6.4 Reducing Reporting Complexity

As India's sole ESG regulator, SEBI's BRSR framework requires extensive data across the environmental, social, and governance dimensions¹⁵⁴, reportedly comprising some 500 individual data points¹⁵⁵, which makes reporting difficult for companies and verification difficult for investors. The framework currently prioritises the quantity of disclosed data over its quality¹⁵⁶; simplifying and rationalising the BRSR data points would improve both compliance and comprehension.

6.5 Dedicated ESG Legislation

SEBI remains the sole authority supervising ESG reporting¹⁵⁷, with the MCA as the overall regulatory head¹⁵⁸. Given the scale of ESG's growth and significance, the Indian legislature

¹⁴⁸OECD, Mobilising Bond Markets for a Low-Carbon Transition (2017).

¹⁴⁹German Fed. Ministry of Fin., Green German Federal Securities (2024).

¹⁵⁰Int'l Energy Agency, Financing Clean Energy Transitions in Emerging Economies (2021).

¹⁵¹European Comm'n, supra note 24.

¹⁵²European Sec. & Mkts. Auth., supra note 104.

¹⁵³OECD, supra note 102.

¹⁵⁴Securities & Exch. Bd. of India, supra note 2.

¹⁵⁵Securities & Exch. Bd. of India, Business Responsibility and Sustainability Reporting Format, Annexure to BRSR Framework (2021).

¹⁵⁶OECD, supra note 3.

¹⁵⁷Securities & Exchange Board of India Act, No. 15 of 1992, § 11 (India).

¹⁵⁸Ministry of Corp. Affairs, supra note 5.

should consider enacting dedicated ESG legislation¹⁵⁹ to place the framework on a clearer statutory footing, consolidating and clarifying the current patchwork of circulars and guidelines.

These recommendations, drawn from the analysis in the preceding chapters, aim to help SEBI implement its ESG regulatory framework more ethically and transparently¹⁶⁰ and to better prepare India's corporate landscape for the future.

Conclusion

ESG has undergone significant evolution and has been adopted globally and domestically¹⁶¹. Its core demand is that companies maintain sustainable practices in daily operations and allocate capital toward environmental goals, including climate action, emissions reduction, and renewable energy.

SEBI has consistently improved India's ESG regulation¹⁶², working alongside the MCA to introduce frameworks such as BRSR, BRSR Core, and the regulation of ERPs¹⁶³, which have, to a meaningful extent, strengthened accountable and transparent business practice. However, challenges including greenwashing, verification gaps, a heavily disclosure-centric framework, and ESG rating divergence persist¹⁶⁴. This essay has argued that while SEBI's ESG framework represents a significant advance in India's sustainability governance architecture, its effectiveness in promoting sustainable economic development cannot be measured through enhanced disclosure alone. The framework's long-term success depends on ensuring that sustainability reporting translates into genuine corporate action, stronger accountability, and measurable sustainability outcomes. India has the capability to become a global leader in sustainable corporate governance — but future regulatory reform should focus on enforcement and implementation, rather than compliance for its own sake.

¹⁵⁹Directive 2022/2464, *supra* note 117.

¹⁶⁰OECD, *supra* note 16.

¹⁶¹U.N. Global Compact, *supra* note 4.

¹⁶²Securities & Exch. Bd. of India, *supra* note 2.

¹⁶³Securities & Exch. Bd. of India, *supra* note 71; Securities & Exch. Bd. of India, *supra* note 23.

¹⁶⁴OECD, *supra* note 3; Berg, Koelbel & Rigobon, *supra* note 25.

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