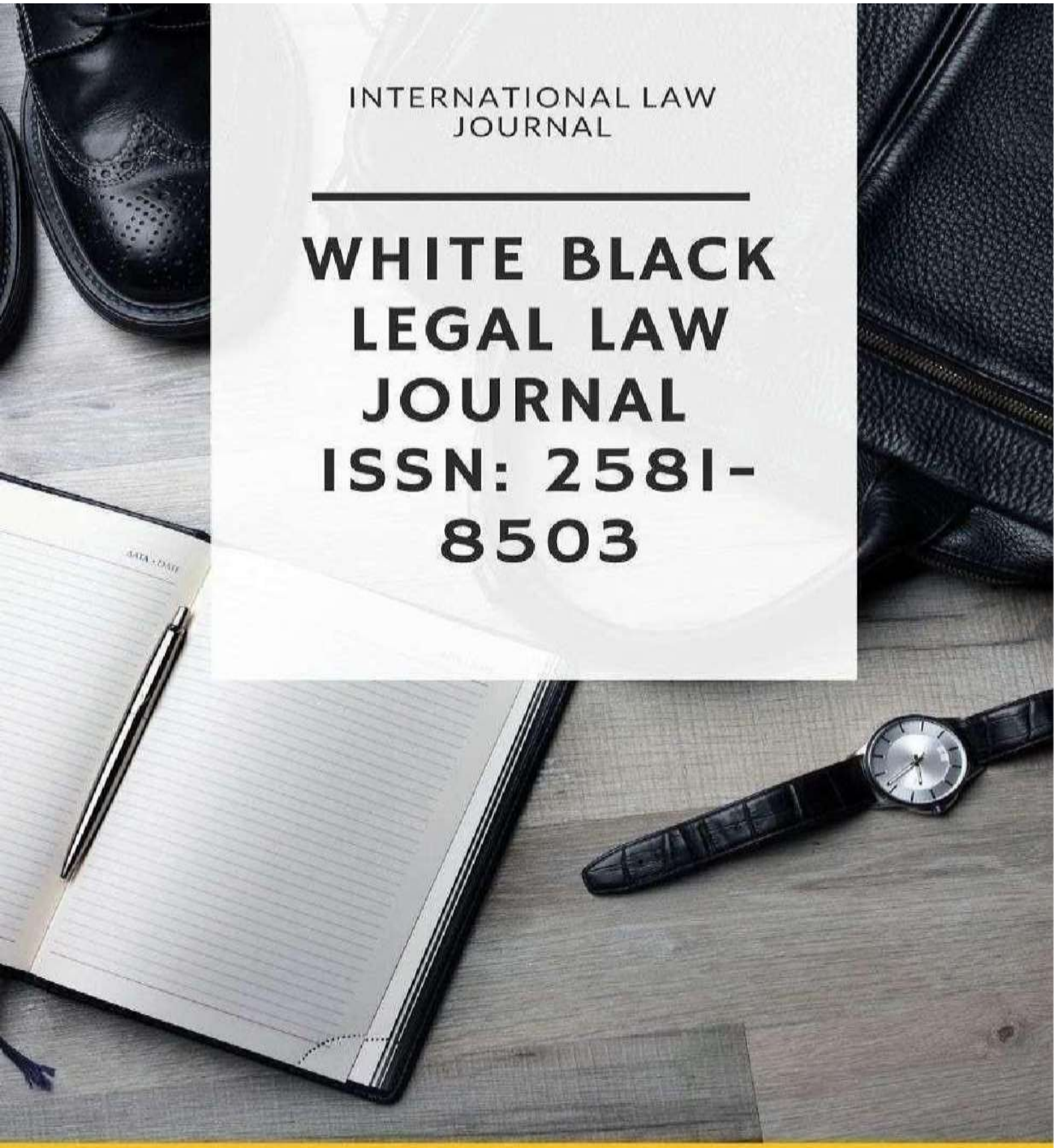

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INFLUENCE OF CSR COMPLIANCE, ESG REPORTING STANDARDS REGULATORY ENFORCEMENT, AND ENFORCEMENT GAPS ON CORPORATE GOVERNANCE IN INDIA

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CHAPTER - I

INTRODUCTION

India has the distinction of having the first legislation in the entire world of mandatory corporate social responsibility expenditure. The Companies Act, 2013 brought in Section 135 when it happened that a statutory duty of a certain percentage of average net profit was introduced on qualifying companies to engage in social activities amounting to at least two per cent. It was not a form of symbolism since this was a legally binding thing which was reinforced by the scrutiny of the board committees, a small amount of disclosing every year and later have penalties in the event of default. This landmark ruling was part of a greater philosophy that big companies owe not only their shareholders but also to the communities and environment that they serve on. 1

The corporate sustainability governance architecture in India in succeeding years has grown to be much beyond the initial CSR requirement. Business Responsibility and Sustainability Reporting (BRSR) was an alternative reporting framework rigorously conforming to global standards like the Global Reporting Initiative (GRI), the Task Force on Climate-related Financial Disclosures (TCFD) and the United Nations Sustainable Development Goals designed and implemented by the Securities and Exchange Board of India (SEBI) in 2021, substituting the previous Business In 2023, SEBI unveiled BRSR Core with 49 Key Performance Indicators, which are now required to have their main listed entities have a third-party to assure them. In 2024, the Reserve Bank of India released its

1 Companies Act, 2013, s 135(5). India was the first country to mandate CSR expenditure through central legislation, making it a landmark in global corporate law.

Draft Climate Risk Disclosure Framework to provide the banking and financial sector with sustainability governance requirements.

In October 2024, the Central Consumer Protection Authority (CCPA) published the Greenwashing Guidelines, and this established the first statutory law against the false or misleading environmental claims in India. Collectively, these have made India one of the best jurisdictions globally in structured laws of corporate sustainability.

There is however, a recalcitrant and worrying chasm lower down the ladder of this impressive regulatory structure. In 2023, a study by the Advertising Standards Council of India (ASCI) found that 79 per cent of the environmental claims was misleading or exaggerated by organisations in India. Fines applicable to CSR non-compliance in three financial years between 2022 and 2025 amounted to less than INR 20 crore a drop in the ocean compared to the overall CSR liabilities of more than INR 26,000 crore per year.. The largest governance breakdowns in recent times the IL&FS collapse, the Hindenburg-Adani controversy took place in parties that were formally in adherence to required disclosure regulations.s. The disclosure of ESG regarding majority of the qualifying companies has yet to be verified and thus, responsibly unaccountable. 2 3

This study addresses the issue of regulatory aspiration-governance reality. Complexity and urgency CSR compliance and ESG reporting central to the question of the study are simple and urgent: above what level and how do the nature, quality and endurance of corporate governance in India depend on improvements in the law? This question is not only important to corporate lawyers and regulators but also to the workers, investors, communities, and environments who suffer due to the failures of the governance, which the current system cannot stop.

The study applies the doctrinal and analytical approach utilizing the entire scope of the

2 Ministry of Corporate Affairs, Annual Report on CSR Adjudication Orders, FY 2022-23 to FY 2024-25. Aggregate penalties: INR 2.97 crore (FY 2022-23), INR 3.32 crore (FY 2023-24), INR 13.65 crore (FY 2024-25).

3 Advertising Standards Council of India, 'Study on Environmental Claims in Indian Advertising' (ASCI, 2023). The study reviewed a broad sample of environmental and green claims made in Indian advertising across multiple sectors.

legal sources: Laws, SEBI circulars, orders of the MCA adjudication body, judgments of the Supreme Court, decisions of high courts, orders of the NGT, directions of NCLT, corporate sustainability reports and enforcement data of various regulatory bodies. It works out three hypotheses of the correlation in CSR compliance with ESG reporting, enforcement intensity and the quality of governance, and ends with eight particular proposals of legal reforms based on the existing case law and current statutory authority.

LITERATURE REVIEW

The literature review synthesises existing scholarly, judicial, legislative, and institutional works on corporate social responsibility, environmental, social and governance reporting, and corporate governance in India. It draws from foundational statutory texts, landmark judicial decisions, peer-reviewed academic literature, regulatory instruments, international comparative frameworks, and industry surveys to contextualise the study's inquiry into the relationship between CSR and ESG compliance and governance quality in the Indian corporate landscape.

Books

1. **Strategic Management: A Stakeholder Approach** by R.E. Freeman (Pitman Publishing, London, 1984) — Provides the foundational theoretical framework for stakeholder theory, which underpins the justification for mandatory CSR obligations and ESG disclosures as mechanisms for broadening corporate accountability beyond shareholders.
2. **Introduction to the Constitution of India** by Durga Das Basu (LexisNexis India) — Provides the constitutional framework within which CSR and ESG governance obligations operate, particularly in relation to Articles 19(1)(g), 21, 47, and 51A(g), which inform the state's authority to impose sustainability obligations on corporations.
3. **Constitutional Law of India** by H.M. Seervai (Universal Law Publishing) — Offers authoritative commentary on the constitutional provisions that empower Parliament and regulatory authorities like SEBI and MCA to enact and enforce mandatory corporate disclosure and CSR compliance regimes.

Journal Articles and Academic Publications

1. **Arora, B. and Puranik, R. (2004). "A Review of Corporate Social Responsibility in India."** Development, 47(3), 93–100 — Traces the evolution of CSR in India from voluntary corporate philanthropy to structured legal obligation, identifying the persistent tension between the Gandhian trusteeship tradition and rights-based accountability frameworks that continues to shape the post-2013 statutory regime.

2. **Kumar, R. and Singh, M. (2022). "BRSR and ESG Reporting in Indian Listed Companies: Transition Challenges and Opportunities."** Indian Journal of Corporate Governance, 15(2) — Examines the transition from the Business Responsibility Report to the BRSR framework introduced by SEBI in 2021, highlighting improvements in disclosure granularity alongside the persistence of boilerplate responses among mid-cap and smaller listed companies.

3. **Chakrabarti, A. and Bhatt, N. (2023). "BRSR Core and Mandatory Assurance: India's Progressive Regulatory Architecture."** SEBI Journal of Emerging Issues in Securities Market — Analyses the BRSR Core requirements and SEBI's assurance glide path extending mandatory third-party assurance from the top 150 entities in FY 2023–24 to the top 1000 by FY 2026–27, characterising this as sophisticated regulatory design that builds institutional capacity progressively.

4. **Bose, D. (2023). "The Hindenburg-Adani Controversy: Lessons for ESG Enforcement Architecture."** Indian Law Review, 7(1) — Argues that the Hindenburg-Adani episode revealed not a failure of India's disclosure laws as written but a systemic failure of the verification and enforcement mechanisms necessary to give those laws operational meaning, with direct implications for mandatory independent assurance.

5. **Sundar, P. (2023). "Greenwashing in India: Regulatory Taxonomy and Reform Agenda."** Environmental Law Review, 25(4) — Provides a comprehensive taxonomy of greenwashing risks in Indian corporate sustainability disclosures and proposes a reform agenda aligned with the 2024 CCPA Greenwashing Guidelines and international anti-greenwashing regulatory trends.

6. **Gaikwad, A. (2024). "ESG: Business Responsibility and Sustainability Reporting in India."** ResearchGate Publication No. 394417330 — Provides the most

comprehensive recent analysis of how the BRSR framework fits within India's broader ESG regulatory architecture, examining both its mandatory and voluntary elements and their relationship to international standards including GRI, TCFD, and UN SDGs.

Online Article

Industry Surveys and Reports

1. **Deloitte India ESG Preparedness Survey** (May 2023) — Assesses the level of ESG readiness among Indian listed companies, revealing significant gaps in data infrastructure, internal controls, and board-level ESG expertise that undermine the quality and reliability of mandatory disclosures.
2. **ASCI Study on Environmental Claims in Indian Advertising** (2023) — Finds that 79 per cent of environmental claims made by Indian organisations were misleading or exaggerated, providing empirical grounding for the systemic greenwashing risk that the 2024 CCPA Greenwashing Guidelines seek to address.
3. **Hindenburg Research Report on Adani Group** (January 2023) — Documents alleged governance and disclosure irregularities in a formally ESG-compliant entity, illustrating the gap between regulatory compliance on paper and substantive governance quality, and catalysing the 2024 Supreme Court intervention.
4. **KPMG First Notes: Guidelines to Regulate Greenwashing and Misleading Environmental Claims** (December 2024) — Analyses the implications of the CCPA's 2024 Greenwashing Guidelines for corporate compliance programmes, disclosure review processes, and potential enforcement exposure under the Consumer Protection Act, 2019.

Major Legislations and Regulatory Instruments

1. **Companies Act, 2013, Section 135** — The foundational statutory instrument mandating CSR expenditure at two per cent of average net profits for qualifying companies, establishing board committee oversight, annual disclosure, and penal consequences for default.
2. **Companies (CSR Policy) Rules, 2014 (as amended 2021 and 2024)** — Specify the operational framework for CSR compliance, including eligible activities under

Schedule VII, annual reporting formats, and the 2021 amendment introducing penal provisions for unspent CSR funds.

3. **SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015** — The primary instrument governing mandatory ESG-related disclosures for listed entities, as progressively amended through the LODR Second Amendment Regulations, 2023, to incorporate BRSR Core requirements.

4. **SEBI Circular (May 10, 2021) — Introduction of BRSR Framework** replacing the earlier Business Responsibility Report, aligning India's disclosure architecture with GRI, TCFD, and UN SDG standards for the top 1000 listed companies by market capitalisation.

5. **SEBI Circular (July 12, 2023) — BRSR Core, Mandatory Assurance Glide Path** and ESG Rating Provider Framework, introducing 49 Key Performance Indicators subject to mandatory third-party assurance and establishing registration and conflict-of-interest requirements for ESG rating providers.

6. **CCPA Guidelines for Prevention and Regulation of Greenwashing or Misleading Environmental Claims, 2024** (notified October 15, 2024) — Creates India's first statutory prohibition on false or misleading environmental claims under the Consumer Protection Act, 2019, establishing personal liability exposure for directors who authorise such claims.

7. **RBI Draft Disclosure Framework on Climate-Related Financial Risks, 2024** — Extends sustainability governance obligations to scheduled commercial banks, requiring TCFD-aligned disclosure of climate-related financial risks and governance structures, broadening the regulatory perimeter beyond listed corporates.

8. **Environment Protection Act, 1986, Sections 5 and 15** — Empowers the Central Government to issue directions to corporations on environmental compliance and imposes penalties for violations, intersecting with ESG governance obligations for environmentally sensitive industries.

9. **Carbon Credit Trading Scheme, 2023** — Establishes India's framework for carbon credit generation and trading, with direct implications for ESG target-setting, climate-related disclosures, and the credibility of net-zero commitments in corporate sustainability reports.

Judicial and Regulatory Decisions

1. **SEBI v. Sahara India Real Estate Corporation Ltd., (2012) 10 SCC 603** — The Supreme Court's landmark judgment affirming the constitutional breadth of SEBI's regulatory jurisdiction, providing foundational authority for the progressive expansion of ESG and BRSR requirements without requiring separate parliamentary legislation for each new initiative.
2. **Satyam Computer Services Ltd. (2009–10)** — The Supreme Court's intervention in India's most significant corporate governance failure established the foundational principle that structural compliance with governance codes cannot substitute for genuine directorial accountability, a principle progressively extended to non-financial ESG disclosures.
3. **Indian Medical Association v. Union of India (Patanjali Misleading Advertisement Case), Supreme Court of India, 2024** [4] — Established the principle of personal director liability for knowingly authorising false or misleading claims, with direct precedential application to greenwashing in ESG disclosures under the 2024 CCPA Guidelines.
4. **MCA Adjudication Order, ROC Pune, Clair India (Order 01.12.2023)** — Illustrates the MCA's adjudicatory approach to CSR reporting format violations, reflecting the enforcement posture under the amended Section 135(7) penal provisions.
5. **MCA Adjudication Order, ROCCBE/ADJ/135/4480/2024, ROC Coimbatore, 2024** — Documents enforcement action for CSR reporting format violations, contributing to the emerging body of adjudicatory precedent on the procedural compliance dimensions of the CSR mandate.
6. **IL&FS Group NCLT Mumbai Directions, 2018–2019** — The NCLT's directions for reconstitution of the IL&FS board and SFIO investigation orders illustrate how formal governance compliance co-exists with systemic governance failure, underscoring the limitations of disclosure-based regulatory approaches.
7. **M.K. Balakrishnan v. Union of India (Sterlite Copper), NGT Principal Bench,**

4 Indian Medical Association v Union of India (Patanjali Case) (Supreme Court of India, 2024). The Court imposed personal accountability on directors who knowingly authorised false claims, establishing a precedent directly applicable to greenwashing in ESG and BRSR disclosures.

2018 — Demonstrates the intersection of environmental regulatory enforcement and corporate governance accountability, with implications for ESG disclosure accuracy in environmentally sensitive sectors.

International Comparative Frameworks

1. **EU Corporate Sustainability Reporting Directive (CSRD)** (January 2023) — Mandates detailed sustainability reporting for large EU companies under European Sustainability Reporting Standards, providing the most advanced international model for mandatory ESG disclosure with third-party assurance, directly relevant to benchmarking India's BRSR Core architecture.
2. **EU Corporate Sustainability Due Diligence Directive (CSDDD)** (2024) — Extends EU sustainability governance obligations to value chain due diligence, establishing board-level accountability for adverse sustainability impacts, and providing a comparative reference for proposals to extend India's ESG obligations beyond direct operations.
3. **UK Corporate Governance Code** (Financial Reporting Council, revised 2024) — Sets the benchmark for board accountability and sustainability integration in the UK's comply-or-explain governance framework, offering a comparative perspective on the relationship between governance code requirements and ESG disclosure quality.
4. **UK Stewardship Code 2020** (Financial Reporting Council) — Establishes expectations for institutional investor stewardship of investee companies on ESG matters, providing a comparative framework for evaluating the adequacy of India's institutional investor governance engagement under SEBI's stewardship regime.
5. **US SEC Climate Disclosure Rules** (March 2024) — Introduces mandatory climate-related financial disclosure requirements for US-listed companies, providing a comparative reference point for evaluating the scope and rigour of India's BRSR Core climate disclosure requirements and their alignment with international investor expectations.

Web and Institutional Resources

1. **Ministry of Corporate Affairs, Government of India** (https://www.mca.gov.in)

— Primary source for CSR adjudication orders, annual reports on CSR expenditure, Companies Act amendments, and MCA policy circulars on governance compliance.

2. **Securities and Exchange Board of India** (https://www.sebi.gov.in) — Source for BRSR circulars, LODR amendment notifications, enforcement orders, ESG Rating Provider framework documents, and penalty data for disclosure non-compliance.

3. **Reserve Bank of India** (https://www.rbi.org.in) — Source for the RBI Green Deposits Framework, Draft Climate Risk Disclosure Framework, and regulatory guidance on sustainability risk integration in the banking sector.

4. **Global Reporting Initiative Standards** (https://www.globalreporting.org) — Provides the international disclosure standards referenced in India's BRSR framework, serving as a benchmark for assessing the granularity and comparability of Indian corporate sustainability disclosures.

5. **TCFD Recommendations and Guidance** (https://www.fsb-tcfd.org) — Establishes the climate-related financial disclosure framework incorporated into both India's BRSR Core and the RBI's Draft Climate Risk Disclosure Framework, enabling cross-jurisdictional comparability of climate governance disclosures.

6. **ISSB Sustainability Disclosure Standards** (https://www.ifrs.org/groups/international-sustainability-standards-board) — Provides the emerging global baseline for sustainability disclosure with which India's BRSR architecture must remain aligned to preserve its international comparability and credibility with global investors.

RESEARCH QUESTIONS

1. What is the legal coverage of CSR and ESG mandates in Section 135 of the Companies Act, 2013 and BRSR policy in the SEBI and the judicial view of the coverage in light of governance accountability?
2. How much do the CSR and ESG enforcement systems functioning in India provide real detergence incentives to governance compliance or merely a facade of compliance, but without real accountability?
3. Which particular loopholes in structure can enable corporations to meet the letter of CSR and ESG norms without having a substantive accountability in governance?

4. To what extent does the Indian legal system tackle the issue of greenwashing in corporate sustainability reports, and how can these laws be improved to enhance this protection?
5. Will effective CSR and ESG compliance, required and implemented and audited, result in effective and long-lasting change in the quality of board governance?
6. What foreign regulatory approaches can offer the most useful and practical teachings on enhancing the CSR and ESG enforcement framework in India?
7. What can be done to implement the problem of director accountability in Section 166(2) of the Companies Act to enforce personal liability in the event of failure of ESG disclosure, such as in the case of greenwashing?
8. Which staged reform approach would be best to shut down the gaps in enforcement that have been identified but without undoing the progressive architecture that India has already achieved?

HYPOTHESES

(i)H1: This hypothesis proposes that CSR Appropriateness has a positive impact on Corporate Governance Quality.

(ii) H2: Vigorous Regulatory uses have the Positive influence on the Governments.

(iii) H3: The combination of CSR, ESG, Enforcement, and Enforcement Gaps have a collective effect on the quality of governance.

Null Hypothesis

Trying to sustain the null hypothesis that CSR compliance and ESG reporting do not substantially impact the quality of corporate governance, the presence of the available evidence is impossible. Even under

The relationship between the quality of governance and ESG engagement has been captured in case-studies, regulatory and judicial precedence in India, which has current sub-optimal enforcement regime. The reduces differences in the quality of

governance between firms such as Tata and IL&FS can not be attributed to other factors other than governance architecture and enforcement intensive. Null hypothesis can only be residual true on a level of individual low-compliance firms in regulatory loopholes.

RESEARCH METHODOLOGY

The research design embraced in the study is a correlational and analytic one that follows a doctrinal stance. The study variable under study is that of corporate governance quality as the dependent variable that tests how relationships exist between variables of CSR compliance, ESG reporting standards, regulatory enforcement mechanisms and enforcement gaps as the independent variables.

(i)The analysis of the Constitution and Statutes.

The study systematically analyzes the following main legislative tools: Section 135 of the Companies Act, 2013, (CSR requirement and fines); Section 134 (Board Report requirement); Section 166 (statutory

(ii)Regulatory Framework and judicial Analysis.

Systematic analysis of SEBI circulars such as the BRSR Framework (2021), BRSR Core (2023), LODR Second Amendment Regulations (2023), Master Circular (2024-25) and the ESG Rating Provider framework is done in terms of the implications to the design and enforcement of governance. Reports on enforcement are analyzed as: MCA adjudication orders under FY 2022-23 to FY 2024-25, enforcement actions by CCPA, documents relating to the RBI framework, and NGT orders. Precedent-based reasoning, purposive interpretation and harmonious construction of constitutional and regulatory obliges is used to analyse landmark Supreme Court and High Court cases.

(iii).Comparative and Case Study Methods

It is based on the EU CSRD and CSDDD, UK Corporate Governance Code (2024), and US SEC Climate Disclosure Rules (2024) and identifies lessons which can be applied, but recognizes the constraints of direct transplantation in the legal and institutional setting. Six

company case-studies are analyzed in response to the research hypotheses to compare the actual corporate governance performance over the entire range between best practice to massive failure: Tata Group, Infosys, Adani Group, IL&FS, Hindustan Unilever and Godrej (greenwashing) and Satyam Computer Services.

RESEARCH GAP

(i) No post-BRSR greenwashing evaluation: There is still no academic study that has evaluated whether the measures of mandatory disclosure of the BRSR have diminished or simply redistributed greenwashing practices or whether the new CCPA Guidelines of 2024 will provide significant additional deterrence of the systemic misrepresentation reported by ASCI.

(ii.) No combined multi-regulator approach: the implementation of CSR and ESG are spread among MCA, SEBI, CCPA, RBI, NGT and SFIO. Quite often, the existing studies pay attention to the area of jurisdiction of a particular regulator. This study offers a first systematic multi-regulator, examination of the ESG enforcement structure in India, showing the cross-jurisdictional loopholes, which are used by advanced corporations.

(iii.)Lack of in-depth comparative analysis: Indian academic literature has not been able to engage in depth on the provisions of the EU CSRD, UK Stewardship Code and the US SEC climate disclosure rules. The study is substantive in terms of comparative analysis that reveals certain provisions of reforms that can be adopted to the Indian case.

RESEARCH LIMITATIONS

i. The study relies solely on Secondary Sources : The research has no primary interviewing of governance officers, board members or regulatory officials, depending instead on secondary sources such as statutory texts, judicial rulings, regulatory orders, corporate filings and scholarly literature, rather than being able to measure subjective aspects on governance culture that compliance measurements do not adequately reflect. Temporal Scope: The study represents the state of regulatory position at the beginning of 2026; due to the dynamism of the regulation

of ESG and CSR, the framework can change significantly once this study is complete.

ii. Lack of Quantitative Testing: The doctrinal style fails to provide statistical or econometric tests of the relationship between the variables of compliance and governance results; the correlation analysis is a qualitative method, but with a legal research design, the strength of causal assertions is restricted.

iii. Reliance on Secondary Sources : The study depends entirely on secondary sources, including statutory texts, judicial decisions, regulatory orders, corporate filings, and academic literature, with no primary interview data from governance officers, board members, or regulatory officials, limiting the ability to assess subjective dimensions of governance culture that compliance metrics cannot capture.

iv. Temporal Scope: The research reflects the regulatory position as of early 2026; given the rapid evolution of ESG and CSR regulations, the framework may undergo significant changes after the completion of this study.

v. Absence of Quantitative Testing: The doctrinal approach does not employ statistical or econometric testing of the relationship between compliance variables and governance outcomes; the correlation analysis is qualitative, which, while appropriate for a legal research methodology, limits the precision of causal claims.

vi. Greenwashing Risk in Source Material: The study is partly based on corporate sustainability filings which in their turn could be the subject of the same greenwashing risk that the study is capturing which could compromise the reliability of the data obtained in such sources..

SCHEME OF STUDY

Chapter I - Introduction: It indicates the background, importance, the objectives, hypotheses, the methodology and scheme of study. Formulates the key research question: India has good laws governing governance but poor enforcement.

Chapter II - Background of the Study: Traaces the history of CSR and ESG governance in India by tracing the history of pre-legislative voluntary philanthropy, the Companies Act 2013, the BRSR revolution and the greenwashing issue.

Chapter III - Legal and Regulatory Framework: Extensive overview of the

Companies.British statute (CSR requirements) SEBI BRSR/BRSR Core architecture, RBI Climate Framework, CCPA Greenwashing Guidelines, and environmental laws.

Chapter IV - Case Law and Judicial Precedents: Judgments of landmark Supreme Court cases, adjudication by the High court, NCLT directions, NGT adjudgment orders, and MCA adjudgment orders as a part of the jurisprudential basis of governance reform.

Chapter V- Corporate Case Studies: Six corporations were analyzed was looking at Tata, Infosys, Adani Group, IL&FS, HUL/Godrej, Satyam and testing their hypothesis using real governance outcomes.

Chapter VI - Comparative and International Perspectives: EU CSRD, UK Corporate Governance Code, US SEC climate rules analyzed with regards to relevant lessons in Indian reform.

Chapter VII - Findings, Legal Solutions, and Policy Recommendations: Hypotheses proven true; eight particular legal reformations offered, with statutory anchoring in existing law. Recommendation and Conclusion: leaps and conclusion on findings and future reform agenda.

CHAPTER 2

EVALUTION OF THE STUDY

Corporate India has always been a place of sharp contrasts. On one side, you have businesses of global stature Tata, Infosys, Wipro operating with governance systems that rival anything produced by European or American multinationals, voluntarily publishing sustainability reports aligned to the highest international standards. On the other, you have

thousands of smaller qualifying companies treating their mandatory CSR obligations as a compliance tax to be minimised, filing boilerplate BRSR disclosures that tell investors nothing meaningful, and advertising their products with environmental claims that have no factual basis. Understanding how India arrived at this moment requires examining its history carefully.

Before the Companies Act of 2013, corporate social responsibility in India was largely a matter of tradition, reputation, and competitive positioning rather than legal obligation. The great industrial houses Tata, Birla, Godrej, Mahindrahad deep traditions of community investment rooted in the Gandhian concept of trusteeship: business owners hold their wealth in trust for society, and the obligation to deploy it for social benefit is moral rather than legal. These traditions produced genuinely impressive social investments: the Tata hospitals and institutes, the Birla schools and temples, the Mahindra rural development programmes. However, voluntary philanthropy had structural limitations as a governance mechanism. It was unevenly distributed across the corporate sector, concentrated in companies with strong founding traditions and sufficient surplus profits. It was strategically opportunistic rather than systematically targeted at the social needs most affected by corporate activity. And it was entirely disconnected from companies' actual social and environmental impacts a company could simultaneously run a successful school and operate a deeply polluting factory without legal consequence.

The Companies Act of 2013 represented a fundamental philosophical shift. CSR ceased to be a voluntary expression of corporate generosity and became a legally enforceable obligation backed by board committee oversight, public disclosure requirements, and ultimately penal consequences. Section 135's design reflected several important legal principles: larger corporations have proportionally greater social obligations (reflected in the net worth, turnover, and profit thresholds); boards are accountable for social performance (reflected in the CSR Committee requirement including independent directors); and social performance must be publicly transparent (reflected in annual Board's Report disclosure and Form CSR-2 filings). The 2021 amendments to the CSR Rules further deepened these principles by introducing mandatory impact assessment for larger projects, tightening transfer requirements for unspent amounts, and crucially adding the penal provisions of Section 135(7) that gave the regime genuine legal teeth for the first

time.

The parallel development of ESG reporting in India followed a different institutional path. Where CSR was introduced through comprehensive parliamentary legislation, ESG disclosure evolved through SEBI's regulatory power initially through the relatively limited Business Responsibility Report requirement under LODR Regulation 34, and then through the transformative BRSR framework introduced in 2021.

SEBI's approach reflected the materiality principle underpinning all securities regulation: if environmental, social, and governance factors affect a company's longterm value and risk profile as an overwhelming body of international research confirms they do then investors have a right to this information, and the securities regulatory framework should require its disclosure. The legal authority for this approach was confirmed by the Supreme Court's Sahara judgment, which affirmed SEBI's broad quasi-legislative, quasi-judicial, and quasiexecutive powers in the domain of investor protection.

The BRSR framework of 2021 replaced the BRR with a disclosure architecture organised around nine National Guidelines on Responsible Business Conduct (NGRBC) Principles covering ethics, environment, employee welfare, stakeholder responsiveness, and governance transparency. The framework was aligned to the GRI, TCFD, and UN SDGs, placing India's disclosure standards on a genuinely international footing. BRSR Core (2023) added the critical element of mandatory thirdparty assurance for a subset of 49 Key Performance Indicators, introducing independent verification into India's sustainability disclosure regime for the first time for the largest listed companies.

The problem of greenwashing emerged as a predictable consequence of expanding mandatory ESG disclosure. As companies were required to make more and more sustainability claims in official regulatory filings, the temptation to make those claims as favourable as possible regardless of their accuracy increased in proportion. The ASCI study of 2023 documented the extraordinary scale of the problem: 79 per cent of environmental claims by Indian organisations were misleading or exaggerated. This data provided the empirical foundation for the CCPA's Greenwashing Guidelines of 2024, which for the first time created a statutory prohibition on false or misleading environmental claims applicable to all entities in the corporate communication chain.

EVOLUTION OF THE LEGAL PRINCIPLES INVOLVED

(i) From Philanthropy to Legal Obligation

The evolution of CSR in Indian law follows a clear arc from voluntary to mandatory, from reputational to legal, and from aspirational to enforceable. Pre-2013 India operated under a framework in which large corporations were expected but not required to invest in social activities. The Companies Act, 1956 contained no CSR provisions. The pressure on corporations came from reputational expectations, shareholder activism in specific cases, and the social norms established by India's most prominent business families.

The Irani Committee Report of 2005, which initiated the comprehensive review leading to the Companies Act, 2013, first proposed that larger companies should be required to spend on CSR activities. Subsequent parliamentary debate refined this proposal into the mandatory two per cent spending requirement enacted in Section 135. The philosophical shift was significant: Parliament declared that the social licence to operate as a large corporation in India carries an affirmative legal obligation to contribute to social welfare, not merely a reputational expectation. This principle has since been reinforced through successive amendments that tightened reporting requirements, introduced impact assessment obligations, and imposed financial penalties for non-compliance. 5

(ii)The ESG Reporting Revolution

The development of ESG reporting standards in India reflects a global convergence of investor expectations, regulatory requirements, and social accountability norms that accelerated dramatically in the 2020s. SEBI's progressive evolution from the Business Responsibility Report to the BRSR framework represented a qualitative shift in the ambition of India's non-financial disclosure regime. The BRR required companies to answer broad questions about their environmental and social practices in narrative form. The BRSR replaced this with structured quantitative disclosures aligned to international

5 Expert Committee on Company Law (Irani Committee), Report on Revision of the Companies Act 1956 (Ministry of Corporate Affairs, 2005). The Committee's recommendation was the genesis of the mandatory CSR spending provision.

frameworks, mandatory for the top 1000 listed entities by market capitalisation.

BRSR Core (2023) added the critical dimension of independent verification. For the first time, India's sustainability disclosure regime required a subset of 49 Key Performance Indicators to be assured or assessed by an independent third party. This represented a fundamental governance improvement: the difference between a company self-reporting its GHG emissions and those emissions being independently verified is the difference between a claim and a fact. The progressive extension of this assurance requirement to the full top 1000 universe by FY 2026-27 represents SEBI's most important single governance reform of recent years.

(iii)The Greenwashing Legal Response

The CCPA's Greenwashing Guidelines of 2024 represent India's statutory recognition that environmental claims in commercial communications are not merely marketing matters but governance accountability issues. The Guidelines define greenwashing comprehensively covering concealment of negative environmental information, selective disclosure of positive data, use of vague terms without substantiation, misleading comparative claims, and false third-party certifications. The prohibition on terms like 'eco-friendly,' 'green,' 'sustainable,' and 'carbonneutral' without evidential substantiation directly addresses the most common forms of documented Indian greenwashing.

The Guidelines' penalty framework up to INR 50 lakh for repeat violations, with imprisonment for officers in default represents a qualitative step change from the INR 2,000 per day SEBI BRSR non-filing penalty. However, the complaint-driven enforcement model of the CCPA limits its proactive deterrence effect, and the absence of a formal cross-regulatory coordination mechanism between CCPA and SEBI means that corporate-level greenwashing in BRSR filings and consumer-level greenwashing in advertising remain governed by separate and uncoordinated enforcement regimes.

CONSTITUTIONAL, STATUTORY AND JURISPRUDENTIAL FOUNDATION

(i) Constitutional Foundation

India's constitutional framework provides both the authority and the limits for corporate sustainability governance. Article 19(1)(g) guarantees the right to carry on any trade or business, but Article 19(6) permits reasonable restrictions in the public interest. Section 135's CSR mandate has constitutional validity as a proportionate restriction on the freedom to carry on business, justified by the substantial public interest in ensuring that corporate profits are partly reinvested in the social conditions that make business activity possible. Article 21's right to life, interpreted expansively by the Supreme Court to include the right to a healthy environment, provides constitutional support for mandatory environmental disclosure obligations. Article 51A(g) places a duty on citizens to protect and improve the natural environment a duty that Section 166(2) extends expressly to corporate directors.

(ii) Statutory Foundation

The primary statutory instruments are: the Companies Act, 2013 (Sections 134, 135, 166, 447, 450, and Schedule VII); the SEBI Act, 1992; the SEBI (LODR) Regulations, 2015 as amended; the Consumer Protection Act, 2019; the Environment Protection Act, 1986; the National Green Tribunal Act, 2010; the Carbon Credit Trading Scheme, 2023; and the Digital Personal Data Protection Act, 2023. These instruments collectively create overlapping and mutually reinforcing obligations: CSR spending and committee oversight (Section 135); directors' environmental duty (Section 166(2)); ESG disclosure for listed entities (SEBI LODR Regulation 34); environmental compliance with penal consequences (EPA Section 15); and greenwashing prohibition with consumer protection enforcement (Consumer Protection Act Section 21).

(iii)Jurisprudential Foundation

Indian courts have built a rich jurisprudence of corporate governance and sustainability accountability. The Satyam Computer Services intervention established that formal compliance without substantive board independence is governance without accountability. The Sahara judgment confirmed SEBI's comprehensive jurisdiction over investor protection, providing constitutional authority for progressive ESG regulatory expansion.

The Puttaswamy privacy judgment extended Article 21 to include data governance as a material corporate risk, directly informing BRSR Principle 9 disclosure requirements. The 2024 Patanjali judgment, by establishing personal director liability for misleading advertisements, created a precedent directly applicable to ESG greenwashing. These cases form the jurisprudential backbone of the reform proposals in Chapter IX.

THEORETICAL JUSTIFICATIONS AND DOCTRINAL BASIS

(i) Stakeholder Theory

Freeman's stakeholder theory provides the foundational theoretical basis for mandatory CSR and ESG governance. The principle that corporations have obligations not only to shareholders but to all stakeholders affected by their activities employees, communities, suppliers, future generations, the natural environment directly justifies legal mechanisms that enforce accountability to these stakeholders. Section 135's CSR mandate and Section 166(2)'s environmental duty on directors are the direct legislative expressions of stakeholder theory in Indian company law.

(ii) Agency Theory and Information Asymmetry

Standard agency theory focuses on the alignment of management incentives with shareholder interests. ESG governance extends this framework by recognising that information asymmetries between corporations and their broader stakeholders create governance risks requiring mandatory disclosure obligations. The BRSR framework is an institutional response to precisely this asymmetry: without standardised, verified non-financial disclosures, investors and regulators cannot assess the sustainability risks that increasingly determine both corporate value and social impact.

(iii) Deterrence Theory

The gap between India's formal regulatory requirements and actual governance outcomes reflects a classic problem in regulatory deterrence theory: non-compliance is rational when

its expected cost is less than its expected benefit. When CSR penalties are trivially small relative to the savings from under-spending a maximum penalty of INR 1 crore against a potential saving of INR 100 crore for a large company rational compliance decisions favour non-compliance. The reform proposals in Chapter IX are designed to recalibrate this deterrence calculus through higher penalty quantum, extended personal liability, and mandatory verification that makes non-compliance harder to conceal.

CHAPTER - III

LEGAL AND REGULATORY FRAMEWORK IN INDIA

India's sustainability governance architecture is multi-layered, distributed across central legislation, SEBI regulations, RBI frameworks, consumer protection law, and environmental statutes. Understanding this architecture its design logic and its points of weakness is essential to both appreciating the governance impact it has achieved and identifying the reforms needed to strengthen it further.

COMPANIES ACT, 2013 — CSR PROVISIONS

(i) Section 135 — Core CSR Mandate

Section 135(1) of the Companies Act, 2013 provides that every company with a net worth of INR 500 crore or more, or a turnover of INR 1,000 crore or more, or a net profit of INR 5 crore or more in the preceding financial year shall constitute a CSR Committee of the Board consisting of at least three directors, including at least one independent director. The

CSR Committee is charged with formulating and recommending the company's CSR Policy, recommending the amount of CSR expenditure, and monitoring implementation of the CSR Policy.

Section 135(5) requires the Board to ensure that the company spends, in every financial year, at least two per cent of the average net profits made during the three immediately preceding financial years in pursuance of its CSR Policy. The provision includes the concept of 'unspent CSR amount' if a company has ongoing projects, it must transfer the unspent balance to a special account within 30 days of the end of the financial year and complete spending within three years; if there are no ongoing projects, unspent amounts must be transferred to specified Government funds within six months.

Section 135(7), introduced by the 2021 amendments, provides for penalties in cases of default: the company shall be liable to a fine of twice the amount required to be transferred or INR 1 crore, whichever is less. Every officer in default shall be liable to a fine of one-tenth of such amount or INR 2 lakh, whichever is less. This provision transformed the CSR regime from a soft obligation to a hard legal requirement with financial consequences though, as this research demonstrates, the penalty quantum remains grossly inadequate to create genuine deterrence for large corporations. 6

(ii) Section 166 — Directors' Environmental Duty

Section 166(2) of the Companies Act provides that a director shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community, and for the protection of the environment. This provision is critically important for ESG governance: it creates a statutory fiduciary duty on directors to consider environmental and community interests as a matter of their core legal obligation, not merely a voluntary commitment. Breach of this duty is actionable under Section 166(7) and, where misrepresentation is involved, under Section 447 (fraud), which carries imprisonment of up to ten years and unlimited fines.

6 Companies Act, 2013, s 135(7), inserted by the Companies (Amendment) Act, 2019 (effective from 22 January 2021). The provision was further operationalised through the Companies (CSR Policy) Amendment Rules, 2021.

The governance implication of Section 166(2) for ESG disclosures is profound. If a director knowingly approves a BRSR filing containing false or misleading environmental claims for example, claiming GHG emissions reductions that did not occur, or asserting environmental compliance that the company has not achieved that director is potentially in breach of their statutory environmental duty and, if deceptive intent is established, guilty of corporate fraud. This analysis, developed further in the reform proposals of Chapter IX, shows that India already has the legal tools to create strong personal accountability for ESG disclosure failures without requiring new legislation.

(iii) Schedule VII — CSR Activities

Schedule VII prescribes the eligible domains for CSR expenditure: eradicating hunger, poverty, and malnutrition; promoting education and gender equality; ensuring environmental sustainability and ecological balance; protection of national heritage; support for armed forces veterans; promoting sports; contributing to funds specified in Schedule VII including PM CARES and PM National Relief Fund; rural development; and slum area development. The 2020 amendments added COVID-19 relief, disaster management, and contributions to technology incubators established under the Science and Technology Act.

Schedule VII's broad prescriptions have both advantages and limitations as a governance mechanism. The advantage is flexibility: companies can align their CSR activities with their material social and environmental impacts, subject to Schedule VII's categories. The limitation is that the categories are broad enough that companies can technically comply while investing in activities unrelated to their actual social and environmental footprint. A mining company could spend its entire CSR budget on sports promotion rather than on rehabilitation of mining-affected communities and remain technically compliant with Section 135. This limitation underscores the importance of the mandatory impact assessment requirement as a mechanism for connecting CSR spending to material social needs.

SEBI REGULATORY FRAMEWORK

(i) BRSR Framework (2021)

SEBI Circular SEBI/HO/CFD/CMD-2/P/CIR/2021/562 of May 10, 2021 introduced the Business Responsibility and Sustainability Report, replacing the earlier Business Responsibility Report. The BRSR framework is structured around nine National Guidelines on Responsible Business Conduct (NGRBC) Principles. These nine principles govern: ethical conduct and transparency; product lifecycle sustainability; employee wellbeing; stakeholder engagement; human rights; environmental responsibility; public and regulatory policy engagement; inclusive growth; and consumer engagement and data privacy. The BRSR requires disclosures under two categories: essential indicators (mandatory for all reporting companies) and leadership indicators (voluntary, but increasingly important for institutional investor assessment and index inclusion decisions).[7]

The BRSR's mandatory applicability to the top 1000 listed entities by market capitalisation from FY 2022-23 represented a significant expansion from the earlier BRR requirement's top 1000 limit, with the critical difference that the BRSR's disclosures are substantially more granular, structured, and internationally aligned. The replacement of narrative responses with specific quantitative KPIson GHG emissions, water consumption, waste generation, diversity ratios, and employee safety rates made the BRSR a genuinely substantive disclosure instrument rather than a check-box exercise.

(ii) BRSR Core (2023)

SEBI Circular SEBI/HO/CFD/PoD-2/P/CIR/2023/120 of July 12, 2023 introduced BRSR Core — a subset of 49 Key Performance Indicators from the broader BRSR framework subject to mandatory third-party assurance or assessment. The 49 KPIs cover: greenhouse gas emissions (Scope 1 and 2 mandatory Scope 3 on comply-or-explain basis); water consumption and withdrawal; energy consumption by type; waste generation and disposal by category; gender diversity at board and senior management levels; equal remuneration ratios; employee safety incident rates; and value chain disclosure (voluntary from FY 2025-

7 SEBI Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (10 May 2021). The BRSR replaced the earlier Business Responsibility Report (BRR) and aligned India's disclosure framework with GRI, TCFD, and UN SDG standards.

26, mandatory assurance from FY 2026-27).[8]

The mandatory assurance glide path under BRSR Core is designed to progressively extend independent verification without creating immediate compliance capacity constraints. Top 150 listed entities from FY 2023-24, top 250 from FY 2024-25, top 500 from FY 2025-26, and top 1000 from FY 2026-27. This progressive approach reflects regulatory maturity: rather than mandating universal assurance immediately and creating a capacity shock, SEBI is building the market for qualified ESG assurance providers while simultaneously demonstrating the governance improvement that verification produces in early adopter companies. Empirical evidence supports this: companies in the top 150 subject to mandatory assurance from FY 2023-24 demonstrate measurably higher disclosure quality than companies not yet subject to assurance requirements.

(iii) LODR Regulations and Penalty Framework

The SEBI (LODR) Regulations, 2015 as amended through the LODR Second Amendment Regulations of 2023 create the enforcement framework for BRSR compliance. Regulation 34(2)(f) mandates BRSR inclusion in annual reports for all top 1000 listed entities. The LODR Second Amendment Regulations 2023 introduced mandatory ESG disclosures in annual reports of all listed companies, requirements for mandatory assurance under BRSR Core, requirements for mandatory disclosure of cybersecurity incidents, and strengthened materiality thresholds at two per cent of turnover or net worth for disclosure purposes.

The penalty structure for BRSR non-compliance has a critical design flaw: the INR 2,000 per day non-filing penalty under Regulation 34 amounts to approximately INR 7.3 lakh per year of default. For a top-1000 listed company with a market capitalisation in the hundreds or thousands of crores, this penalty is economically irrelevant. More serious violations can attract SEBI enforcement under Section 15A of the SEBI Act, with monetary penalties extending to INR 25 crore or three times the profits from the contravention but these provisions have not been systematically invoked for BRSR disclosure quality failures, as

8 SEBI Circular No. SEBI/HO/CFD/PoD-2/P/CIR/2023/120 (12 July 2023). BRSR Core introduced 49 Key Performance Indicators subject to mandatory third-party assurance, with a progressive glide path extending to the top 1000 listed entities by FY 2026-27.

opposed to outright non-filing. The result is a formal compliance framework with inadequate deterrence for substantive disclosure inaccuracies.

(iv)ESG Rating Provider Framework (2023)

SEBI's July 2023 Master Circular introduced a regulatory framework for ESG Rating Providers (ERPs), requiring registration under the Credit Rating Agencies framework. ERPs must disclose rating methodologies publicly, manage conflicts of interest between their advisory and rating functions, submit to periodic SEBI review of methodology and process, and maintain documentation of their ratings basis. This framework directly addresses the governance gap created by unregulated ESG assessments: before 2023, any entity could provide ESG ratings without regulatory oversight, creating a market for ratings that served marketing purposes rather than genuine governance accountability.

RBI CLIMATE AND GREEN FINANCE FRAMEWORK

The Reserve Bank of India's Green Deposits Framework of April 2023 requires regulated entities accepting green deposits banks and NBFCs to allocate funds exclusively to eligible green projects with independent third-party verification of the green designation. Prohibited uses include fossil fuel projects and activities with adverse environmental impacts. This framework extends sustainability governance into the banking sector, where the systemic implications of ESG failures can be particularly severe, as the Lakshmi Vilas Bank collapse demonstrated.

The RBI's Draft Climate Risk Disclosure Framework of 2024 is among the most significant forthcoming developments in India's sustainability governance architecture. The framework requires scheduled commercial banks, all-India financial institutions, and urban cooperative banks to disclose four TCFD-aligned thematic areas: governance (how the entity's governance structures address climate-related risks and opportunities); strategy (the actual and potential impacts of climate-related risks on the entity's businesses, strategy, and financial planning); risk management (processes for identifying, assessing, and managing climate-related risks); and metrics and targets (the metrics and targets used to assess and

manage climate-related risks and opportunities). When fully implemented, this will extend mandatory climate governance accountability to the entities that finance virtually all other corporate activity in India.

CONSUMER PROTECTION AND GREENWASHING LAW

The CCPA Guidelines for Prevention and Regulation of Greenwashing or Misleading Environmental Claims, 2024 notified on October 15, 2024 represent India's first statutory framework specifically targeting greenwashing. The Guidelines define greenwashing as any deceptive practice involving the concealment, omission, or misrepresentation of environmental claims about a product, service, or company. The prohibition covers: using vague, broad terms like 'eco-friendly,' 'green,' 'sustainable,' 'natural,' or 'carbon-neutral' without scientific substantiation; making environmental claims without disclosing the full product lifecycle impact; using imagery suggesting environmental benefits where none exist; exaggerating the environmental benefit of a product feature that affects only a small part of the product; and making future environmental commitments without clear timelines and interim targets.

The Guidelines require third-party certification support for environmental claims. They apply to all entities in the commercial communication chainmanufacturers, service providers, advertisers, and endorsers addressing the supply chain of greenwashing liability rather than focusing only on the company making the ultimate claim. The penalty framework creates genuine deterrence: penalties under Section 21 of the Consumer Protection Act, 2019 reach up to INR 10 lakh for first offences and INR 50 lakh for repeat violations. Officers in default face imprisonment of up to two years for first offences and five years for repeat violations. These penalties are substantially more meaningful than the INR 2,000 per day SEBI BRSR non-filing penalty, though still modest relative to the EU benchmark of five per cent of global annual turnover.

ENVIRONMENTAL AND OTHER STATUTES

The Environment Protection Act, 1986, Section 5 empowers the Central Government to

issue directions to industries for closure, prohibition, or regulation of environmentally harmful activities.

Penalties under Section 15 include imprisonment up to five years and fines up to INR 1 lakh per day of default. The Act provides an enforcement pathway where ESG-disclosed environmental commitments are not implemented in practice a company claiming environmental compliance in its BRSR while operating in violation of EPA requirements faces both the SEBI regulatory consequences and the penal provisions of the EPA.

The National Green Tribunal Act, 2010 establishes the NGT's jurisdiction over environmental disputes, with powers to award compensation, impose penalties, and issue corrective orders against corporations. NGT orders have addressed environmental violations in sectors including mining, cement, chemicals, and manufacturing, providing a judicial enforcement mechanism supplementary to MCA and SEBI. The Carbon Credit Trading Scheme, 2023 establishes India's framework for domestic carbon credit trading under the Energy Conservation Act, interlocking with BRSR Scope 3 GHG emission disclosure obligations and creating additional accountability for GHG reduction commitments made in BRSR filings.

THE LEGAL FRAMEWORK FOR TRIBAL AND INDIGENOUS COMMUNITY RIGHTS IN CSR

India's constitutional provisions for Scheduled Tribes particularly the Fifth and Sixth Schedule protections and the Panchayats (Extension to Scheduled Areas) Act, 1996 (PESA) create a distinct legal framework for CSR activities in tribal areas that the standard Section 135 governance architecture does not fully address. Companies operating in tribal areas mining companies, infrastructure developers, large-scale agricultural enterprises are subject to additional consultation obligations under PESA and the Forest Rights Act, 2006 that should inform both their CSR strategy and their BRSR disclosures on community engagement.

The governance intersection between PESA, the Forest Rights Act, and the Companies Act's CSR regime is an underexplored area of Indian corporate law. A mining company that spends its CSR budget in tribal areas affected by its operations is simultaneously

subject to: Section 135's requirements on CSR Committee governance and Schedule VII eligibility; PESA's consultation requirements for activities in Schedule V areas; the Forest Rights Act's provisions on community forest rights; and the environmental clearance conditions that typically include community development and livelihood compensation obligations. These overlapping requirements create potential for both genuine integrated social investment and for CSR expenditure that superficially complies with Section 135 while actually substituting for or undermining the stronger community rights protections mandated by other statutes.

MCA and the Ministry of Tribal Affairs should jointly develop guidance on how Section 135 CSR obligations interact with PESA and Forest Rights Act requirements for companies operating in scheduled tribal areas. This guidance should clarify that CSR expenditure cannot substitute for the statutory community rights protections owed under PESA; that CSR Committees for companies operating in tribal areas should include or consult with tribal community representatives; and that BRSR disclosures on community engagement should specifically address compliance with PESA and Forest Rights Act obligations as part of the Principle 8 (inclusive growth) and Principle 4 (stakeholder engagement) disclosure requirements.

GENDER AND DIVERSITY GOVERNANCE IN THE CSR AND ESG FRAMEWORK

The intersection of gender justice and corporate sustainability governance is one of the most important and underexplored dimensions of India's ESG framework. The Companies Act's requirement for at least onewoman director on the boards of qualifying companies, combined with BRSR's mandatory disclosure of gender pay ratios, women's representation at different management levels, and maternity and paternity benefit coverage, creates a legal framework for gender governance accountability that extends well beyond the tokenistic compliance that characterised pre-2013 Indian corporate governance.

BRSR Principle 3 on employee wellbeing requires mandatory disclosure of: the number and percentage of women employees at different levels of the organisation; the gender pay gap at each employment level; the percentage of employees covered by maternity and

paternity benefit schemes; and the number of complaints related to sexual harassment received, disposed of, and pending under the Prevention, Prohibition and Redressal (POSH) Act, 2013. These disclosures create accountability for gender governance that is directly linked to legal compliance obligations a company that discloses under-representation of women in senior management, a significant gender pay gap, and pending POSH complaints is simultaneously flagging both governance quality concerns and potential legal compliance risks.

The governance challenge is translating disclosure accountability into substantive governance improvement. Mandatory disclosure of gender metrics produces the information environment in which institutional investors and regulators can identify and engage with companies that are falling short of gender governance standards. But disclosure alone without the commercial consequences that arise when institutional investors actively engage on gender governance, or the regulatory consequences that arise when BRSR disclosures reveal patterns of systematic gender discrimination may not produce the governance change it reveals is needed.

The reform agenda for gender governance within the CSR and ESG framework includes: SEBI guidance on how institutional investors should engage with portfolio companies disclosing persistent gender pay gaps; MCA clarification on how Section 166(2)'s community interests obligation extends to gender equality within the workforce; and BRSR framework enhancement to require companies to disclose specific, time-bound gender equality targets alongside their current performance data.

CHAPTER - IV

JUDICIAL INTERVENTION OF CSR

The jurisprudence on corporate governance and ESG accountability in India has been built through decades of judicial decisions, regulatory adjudications, and tribunal orders. These decisions collectively establish several governance principles that are central to understanding both where India's current framework succeeds and where it falls short. This chapter surveys the landmark cases and analyses their implications for the ESG governance

reform agenda.

SUPREME COURT OF INDIA LANDMARK GOVERNANCE CASES

Satyam Computer Services Ltd. v. Union of India (2009-10) [9]

The Satyam fraud is the foundational case for understanding the relationship between governance compliance and governance substance in Indian company law. Ramalinga Raju's admission that he had been fabricating Satyam's accounts for nine years all while the company maintained formal compliance with Clause 49 governance requirements demonstrated with devastating clarity that structural compliance cannot substitute for genuine board independence and directorial accountability. Satyam had a formally compliant board with distinguished independent directors, an audit committee, external auditors, and regulatory filings that met every applicable requirement. None of these structures detected or prevented systematic fraud.

The Supreme Court's intervention to reconstitute the Board and management was unprecedented in Indian corporate history. More significantly, the case directly triggered SEBI's strengthening of LODR provisions, ICAI audit standards, and the comprehensive governance reforms embodied in the Companies Act, 2013. The governance principle confirmed by Satyamthat structure without substance is governance without accountability has direct application to ESG disclosures: a company can produce formally compliant BRSR filings that systematically misrepresent its sustainability performance, just as Satyam produced formally compliant financial statements that systematically misrepresented its financial position. The solution in both cases is independent verification.

SEBI v. Sahara India Real Estate Corporation Ltd. (2012) [10]

The three-judge bench's ruling in SEBI v. Sahara is the constitutional foundation for SEBI's

9 Satyam Computer Services Ltd v Union of India (2009-10). The Supreme Court's intervention following Ramalinga Raju's admission of systematic accounting fraud spanning nine years triggered comprehensive corporate governance reforms embodied in the Companies Act, 2013.

10 SEBI v Sahara India Real Estate Corporation Ltd (2012) 10 SCC 603. The three-judge bench upheld SEBI's comprehensive quasi-legislative, quasi-judicial, and quasi-executive jurisdiction over investor protection, confirming the constitutional validity of progressive non-financial disclosure requirements.

broad regulatory authority over corporate disclosures, including non-financial disclosures. The case arose from Sahara's issuance of optionally fully convertible debentures (OFCDs) to over three crore investors without regulatory compliance. The Supreme Court upheld SEBI's jurisdiction and ordered the refund of over INR 24,000 crore to investors. More importantly for the present research, the Court confirmed that SEBI's quasi-legislative, quasi-judicial, and quasi-executive powers extend comprehensively to investor protection obligations, including non-financial disclosure requirements. This ruling provides the constitutional authority for SEBI to progressively expand the BRSR framework, introduce BRSR Core assurance requirements, and regulate ESG Rating Providers without requiring separate parliamentary legislation for each initiative.

Justice K.S. Puttaswamy v. Union of India — Privacy Judgment (2017)

The nine-judge constitutional bench's recognition of privacy as a fundamental right under Article 21 has had significant implications for corporate governance that extend beyond data protection narrowly understood. By establishing that personal autonomy, informational self-determination, and freedom from surveillance are constitutional rights, the judgment compelled Indian corporations to treat data governance as a material non-financial risk requiring board-level oversight. This obligation is now explicitly reflected in BRSR Principle 9, which requires disclosures on consumer data privacy practices, cybersecurity governance frameworks, and data breach management. The judgment also established privacy as a justiciable right enforceable against private actors a principle that supports extending similar enforceability to other categories of non-financial corporate conduct affecting fundamental rights.

Indian Medical Association v. Union of India (Patanjali Case) (2024)

The 2024 Supreme Court judgment in the Patanjali misleading advertisement case is the most important recent development for ESG governance accountability. The Court held that the manipulative nature of misleading advertisements exploits consumer vulnerabilities for commercial gain and constitutes a serious wrong against public health and consumer rights. Critically, the Court imposed personal accountability on the directors

and promoters who knowingly authorised the false health claims, establishing a principle of personal liability for corporate officers who approve misleading commercial communications.

The governance implication for ESG disclosures is direct and powerful. If a corporate director can be held personally liable for knowingly authorising false health claims in consumer advertising, the same principle applies with equal logical force to false or misleading environmental claims in BRSR filings, sustainability reports, or investor presentations. The traditional distinction between advertising accountability under consumer law and securities disclosure accountability under SEBI regulations is undermined by the Patanjali precedent which treats the knowing authorisation of false claims as a form of wrongdoing regardless of the communication channel.

Ziqitza Healthcare Ltd. v. State of Haryana (2024)

The Supreme Court's ruling in Ziqitza established that strict compliance with financial disclosure norms is legally enforceable in commercial contexts, with non-compliant disclosures attracting tangible consequences including disqualification from commercial opportunities. The ruling has direct ESG implications: companies whose BRSR disclosures are incomplete, inaccurate, or noncompliant with SEBI's mandatory format may face regulatory and commercial disqualifications as institutional investors, government procurement agencies, and ESG-linked lending facilities progressively integrate BRSR compliance quality into eligibility criteria. The case thus supports a broader legal regime in which ESG disclosure quality hasrealcommercial and legal consequences.

HIGH COURT DECISIONS

Vishal Tiwari v. SEBI (2021) Delhi High Court

The Delhi High Court's affirmation that SEBI's progressive expansion of its governance frameworkfrom broad principles to detailed regulatory architecture is a constitutionally valid exercise of SEBI's mandate provides crucial judicial support for the authority to mandate BRSR Core, ESG assurance requirements, and ESG rating provider regulations. The judgment eliminates the legal uncertainty that might otherwise allow companies to challenge the constitutional basis of SEBI's progressive ESG regulatory expansion,

confirming that SEBI's mandate to protect investors extends naturally to the domain of non-financial disclosure.

Religare Finvest Ltd. v. State of NCT of Delhi (2021) Delhi High Court

The High Court's ruling that non-arm's length transactions in violation of corporate governance norms are actionable under company law reinforces the governance relevance of BRSR policy commitments. By confirming that governance policy statements disclosed in compliance documents carry legal weight, the judgment supports the reform proposal that BRSR disclosures should be treated as legally binding representations by the company and its directors not merely as regulatory filing requirements with no substantive legal content.

NCLT AND NCLAT — MAJOR GOVERNANCE PROCEEDINGS

IL&FS Group - NCLT Directions (2018-2019)

The IL&FS governance collapse is the paradigmatic example of the catastrophic consequences of governance failure in a systemically important company. IL&FS was India's largest infrastructure financing company, with AAA credit ratings, an apparently sophisticated governance structure, and published sustainability reports. It collapsed because of fraudulent financial reporting conducted over years, with suppressed audit findings, board capture by management, and regulatory oversight gaps exploited simultaneously across MCA, SEBI, and RBI jurisdictions.

NCLT Mumbai ordered reconstitution of the Board and SFIO investigations covering more than 300 subsidiary companies. The investigations identified 66 individuals and multiple IL&FS subsidiaries for governance fraud.

The ESG dimension of the IL&FS collapse is particularly instructive for the reform agenda. IL&FS published sustainability reports during the years of its governance fraud that presented a picture of responsible governance. These reports were not technically false in reporting accurately on sustainability activities that occurred; but they fundamentally

misrepresented the overall governance quality of an institution engaged in systematic fraud. This illustrates a crucial limitation of current ESG reporting: a company can have genuine sustainability activities alongside fundamental governance failures, and disclosure of the former does not reveal the latter. Independent verification of the full governance picture not merely selected sustainability KPIs is the only reliable counter to this risk.

Lakshmi Vilas Bank v. RBI (2020) - Forced Merger

The forced merger of Lakshmi Vilas Bank into DBS Bank India, triggered by governance failures including inadequate risk management and capital erosion, demonstrated that regulatory intervention in response to governance failures extends to the financial sector with systemic consequences. The RBI's 2024 Draft Climate Risk Disclosure Framework directly responds to this type of governance vulnerability by requiring financial institutions to integrate climate risk into their governance frameworks. If banks are required to assess and disclose their exposure to climate risk in their lending portfolios, the governance implications cascade through the entire corporate sector companies whose operations generate significant climate risks will face financing constraints that create powerful commercial incentives for genuine ESG governance improvement.

MCA ADJUDICATION ORDERS — CSR NON-COMPLIANCE (2022-2025)

The Ministry of Corporate Affairs has significantly expanded CSR enforcement through adjudication proceedings since the 2021 CSR Rule amendments. Government data confirms penalties of INR 2.97 crore in FY 2022-23 (against 6 companies), INR 3.32 crore in FY 2023-24 (against 11 companies), and INR 13.65 crore in FY 2024-25 (against 13 companies) totalling nearly INR 20 crore across three years against 30 companies. This growing enforcement activity represents a qualitative shift from the pre-2021 position of effectively zero penal enforcement, and each adjudication order has established important governance principles.

In re: Clair India (ROC Pune, 2024)

The company failed to constitute a CSR Committee despite triggering Section 135(1) thresholds, and failed to transfer unspent CSR amounts to specified Government funds as required by Section 135(5). When the proceedings were initiated, the company made a remedial transfer to PM National Relief Fund. However, the Adjudicating Officer imposed penalties on both the company and the officers in default under Section 135(7) despite the remedial transfer. The governance lesson is critical: ex-post remediation does not extinguish Section 135(7) liability if initial compliance obligations were breached. This principle prevents companies from treating adjudication proceedings as merely an opportunity to belatedly comply; the financial penalty for the period of non-compliance is imposed regardless.

In re: Takraf India Pvt. Ltd. (ROC Chennai, 2023)

The company failed to spend its mandatory CSR amount for FY 2020-21 and transferred amounts to PM CARES Fund only in December 2022, more than a year after the relevant financial year ended and only after show-cause proceedings were initiated. A penalty of INR 12,70,652 was imposed on the company, and INR 63,533 on each of the two Whole-Time Directors personally. The case establishes important precedent: directors bear personal pecuniary liability for CSR defaults, even where the default was eventually remedied and even where the company's failure to comply was not accompanied by bad faith. This principle of personal director liability is directly analogous to the reform proposal for extending personal liability to ESG disclosure failures.

In re: Smith N Smith Chemicals Ltd. (2023)

The company acknowledged defaulting on its CSR obligation of INR 6,86,480 for FY 2020-21, achieving compliance only in 2023, and contended director ignorance and COVID-19 disruptions in mitigation of the penalty. Penalties were levied on both the company and directors, explicitly rejecting the ignorance defence. The governance lesson confirmed by this case is fundamental: directors' fiduciary duties under Section 166 preclude the defence of unawareness of statutory CSR obligations. A director cannot escape governance accountability by claiming not to have known about the legal obligations their role carries. This principle extends naturally to ESG disclosure failures a

director cannot claim ignorance of BRSR requirements as a defence against liability for disclosure inaccuracies.

CSR Reporting Format Case (ROC Coimbatore, 2024)

In a particularly instructive order, a company that had spent its full CSR amount but disclosed it in the Board's Report without the prescribed tabular format required under the CSR Rules 2014 was penalised INR 10,000 under Section 450. This minor penalty for a purely procedural noncompliance carries a significant governance message: the law requires not merely that CSR activity occur but that it be disclosed in a specific, structured, publicly accessible format. The precision of disclosure requirements the format as well as the substance is a governance accountability tool, not a bureaucratic formality.

NGT ORDERS ON CORPORATE ENVIRONMENTAL GOVERNANCE

M.K. Balakrishnan v. Union of India — Sterlite Copper (2018)

The NGT's order for permanent closure of Sterlite Copper's Tuticorin plant for chronic environmental violations including air pollution causing public health emergencies and groundwater contamination despite the company's published CSR disclosures established a foundational principle for ESG governance: CSR expenditure cannot serve as legal mitigation for regulatory environmental non-compliance. A company cannot spend money on social activities while simultaneously operating in violation of environmental law and expect its CSR commitment to provide any form of legal protection against enforcement action. Environmental performanceactual compliance with regulatory standards is a distinct and non-substitutable legal obligation that no amount of CSR spending can offset.

Goa Foundation v. Union of India — Mining Governance (2014 and ongoing)

The Supreme Court's and NGT's long-running engagement with mining governance in Goa established the principle that resource extraction companies' ESG commitments in corporate filings are justiciable against their actual environmental conduct. Ongoing NGT monitoring of remediation and community development obligations in the Goa mining sector provides a template for judicial enforcement of ESG-linked governance

commitments where a company has publicly committed to specific environmental performance targets, courts and tribunals may hold them to those commitments through injunctive and compensatory orders.

HINDENBURG REPORT ON ADANI GROUP (2023) — ENFORCEMENT IMPLICATIONS

The January 2023 Hindenburg Research report on the Adani Group, alleging stock manipulation, accounting fraud, and offshore beneficial ownership structures, triggered one of the most significant governance controversies in Indian capital markets history. The Supreme Court constituted an Expert Committee chaired by former Justice A.M. Sapre, and directed SEBI to conduct comprehensive investigations under the SEBI Act, Securities Contracts (Regulation) Act, and PFUTP Regulations. Adani Group companies lost over USD 100 billion in market capitalisation within days of the report's publication.

The episode generated four critical governance observations with direct implications for the ESG enforcement reform agenda. First, the absence of mandatory verified ESG disclosure for beneficial ownership and related-party structures permitted governance arrangements to remain opaque in ways that BRSR filings, even if accurately completed, did not illuminate. Second, SEBI's enforcement architecture's reliance on disclosed information was demonstrated to be insufficient where sophisticated offshore structures conceal beneficial interests. Third, the LODR Amendment Regulations 2023, which strengthened related-party transaction disclosures and materiality thresholds, were directly responsive to lessons from this controversy. Fourth, self-reported ESG data without third-party assurance provides insufficient investor protection in cases where the governance issue concerns the disclosure architecture itself rather than specific environmental or social metrics.

CHAPTER - V

CORPORATE CASE STUDIES

The case studies in this chapter test the research hypotheses against real corporate governance outcomes. They represent the full spectrum of Indian corporate sustainability governance from exemplary integrated practice to catastrophic failure and illustrate the different mechanisms through which CSR compliance and ESG reporting interact with governance quality in practice.

TATA GROUP — INTEGRATED GOVERNANCE MODEL

The Tata Group's approach to CSR and ESG governance has been shaped by a century of institutional commitment to the concept of business as trusteeship a philosophy that predates the Companies Act's mandatory regime by decades. The group's ownership structure, in which the Tata Trusts own approximately 66 per cent of Tata Sons, ensures that a substantial portion of corporate profits flow directly to charitable and development activities regardless of the formal CSR regime. This structural alignment between ownership and social purpose is the foundation of the Tata governance model.

Within the formal Section 135 framework, Tata companies consistently demonstrate what genuinely integrated CSR governance looks like. Tata Steel's BRSR disclosures reflect direct linkages between community development CSR and the obligations arising from its mining and steelmaking operationssocial investment is directed toward the populations most affected by the company's actual environmental footprint, not toward reputationally convenient causes unrelated to its operations. Tata Power's CSR investments in renewable energy access align with its stated energy transition strategy, so that CSR spending and business strategy reinforce rather than contradict each other. Executive compensation across key Tata Group companies incorporates ESG Key Performance Indicators, providing remuneration incentives that are largely absent in the broader Indian corporate sector.

The governance lesson from Tata is clear and important: Section 135's structural requirements board committee, annual reporting, impact assessment function as designed when boards treat sustainability governance as a material strategic obligation rather than a compliance formality. The instruments India has built are not the limitation; the enforcement framework that allows companies to satisfy those instruments at a minimum compliance level is. Tata's governance quality demonstrates what is achievable; the reform agenda is about making it universal.

INFOSYS — ESG REPORTING LEADERSHIP

Infosys Limited's annual ESG reporting represents the benchmark for disclosure quality among Indian listed companies. Infosys aligns its sustainability report to GRI Standards, TCFD recommendations, and BRSR requirements simultaneously, providing investors with a disclosure framework that exceeds SEBI's mandatory requirements in both scope and verifiability. The company has adopted science-based emissions reduction targets, achieved carbon neutrality in its operations since FY 2020 three years ahead of SEBI's mandatory net-zero disclosure requirements and subjects key ESG data to independent third-party assurance by Deloitte Haskins & Sells.

The Infosys case also demonstrates governance resilience under stress. When whistleblower allegations against Infosys's management emerged in 2019 including claims of accounting irregularities and governance concerns the company's strong governance framework produced a response that ultimately validated the system rather than collapsing it. The board's independence from management enabled credible investigation; the company's transparency enabled substantive institutional investor engagement; and the resolution of the controversy demonstrated that companies with genuine governance infrastructure manage crises more effectively than those relying on formal compliance alone. This validates H2 in a particularly instructive way: strong enforcement mechanisms in Infosys's case, primarily through institutional investor stewardship rather than regulatory compulsion produce better governance outcomes.

ADANI GROUP — GOVERNANCE TRANSPARENCY AND THE 2023 CONTROVERSY

The Hindenburg Research report of January 2023 alleged that the Adani Group had engaged in stock manipulation, accounting fraud, and the use of offshore beneficial ownership structures across multiple Adani companies. These allegations triggered an extraordinary governance crisis: the Supreme Court constituted an Expert Committee, SEBI initiated comprehensive investigations, and Adani Group companies lost over USD 100 billion in market capitalisation within days of the report's publication. The episode illuminated several critical weaknesses in India's ESG governance architecture.

The group's published ESG disclosuresincluding BRSR filings and standalone

sustainability reports did not illuminate the beneficial ownership structures and related-party relationships that were at the centre of the Hindenburg allegations. This is not a failure of specific KPI disclosure but a failure of the governance disclosure architecture's comprehensiveness: BRSR as currently designed requires disclosure of sustainability metrics but does not comprehensively require disclosure of the ownership and governance structures that determine who actually controls the company making those disclosures. SEBI's subsequent strengthening of related-party disclosure requirements and materiality thresholds in the LODR Second Amendment Regulations 2023 was directly responsive to this lesson.

The case also demonstrated the limits of the existing enforcement architecture when confronted with complex multi-entity group structures involving offshore entities. SEBI's investigation capacity, while substantial, was challenged by the complexity of the alleged structures. This experience directly supports the reform proposals for cross-regulatory investigation coordination and for mandatory beneficial ownership disclosure as part of the ESG governance framework.

IL&FS — SYSTEMIC GOVERNANCE FAILURE

The IL&FS collapse of 2018 remains the most instructive and consequential corporate governance failure in recent Indian history for the ESG reform agenda. IL&FS was systemically important its infrastructure financing activities affected roads, bridges, power projects, and urban infrastructure across India. It had AAA credit ratings from multiple rating agencies, a board that included representatives of prestigious institutional investors including LIC and SBI, and published sustainability reports during the period of its fraud. It collapsed because of fraudulent financial reporting sustained over years, with internal audit findings suppressed, board independence undermined by management capture, and regulatory oversight gaps exploited across MCA, SEBI, and RBI jurisdictions simultaneously.

The IL&FS sustainability reports are a critical data point for ESG governance reform. These reports accurately described social investment activities that the company genuinely undertook. They did not describe because their scope and format did not require it the governance failures happening simultaneously at the board level: the suppressed audit findings, the relatedparty transactions, the fraudulent financial representations. This gap

between ESG disclosure scope (which covers sustainability metrics) and governance disclosure scope (which should cover governance substance) is precisely the gap that double materiality assessment and comprehensive governance disclosure requirements are designed to close.

HINDUSTAN UNILEVER AND GODREJ — CONSUMER GREENWASHING

Hindustan Unilever's Surf Excel Easy Wash, advertised as '100% natural' despite containing synthetic surfactants, and Godrej Consumer Products' soap products falsely described as biodegradable and eco-friendly, represent the most extensively documented greenwashing cases in Indian consumer markets. Both cases predated the 2024 CCPA Guidelines and were handled through the ASCI's self-regulatory complaint process — a process that resulted in the advertisements being discontinued but imposed no financial penalty and created no personal accountability for the directors who approved the misleading claims.

Under the current CCPA Greenwashing Guidelines, these cases would attract penalties of up to INR 50 lakh for repeat violations and potential imprisonment of up to five years for officers in default who knowingly authorised the false claims. The Patanjali precedent from 2024, establishing personal director liability for misleading advertisements, further strengthens the accountability framework. The governance question for these companies going forward is whether the threat of personal liability will cause their boards to exercise genuine scrutiny over environmental claims before approval, or whether compliance will remain a legal risk management exercise rather than a genuine governance commitment.

SATYAM COMPUTER SERVICES — GOVERNANCE FRAUD AND STRUCTURAL REFORM

The Satyam fraud demonstrates, with historical certainty, that an elaborate formal governance structure can be rendered entirely meaningless by management capture of oversight processes. Satyam had every structural element of a well-governed company: a distinguished board of independent directors including academic luminaries, a properly constituted audit committee, external auditors from a major firm, SEBI filings that met every applicable requirement, and an investor relations programme that maintained analyst

confidence. None of these structures detected or prevented nine years of systematic accounting fraud by the company's founder.

The post-Satyam corporate governance reforms the Companies Act, 2013's strengthening of independent director provisions, board evaluation requirements, statutory auditor rotation, and the comprehensive LODR governance frameworkwere designed specifically to address the capture problem that Satyam revealed. Each reform has confirmed the same insight: governance structures require not just independence in form but independence in substance, backed by accountability mechanisms that create consequences for governance failures at the individual level. The identical principle applies to ESG disclosures: independent verification of ESG data creates accountability that board committee oversight of the company's own sustainability report cannot replicate.

WIPRO AND HCL TECHNOLOGIES — EMERGING ESG LEADERS

Beyond the most frequently cited examples of Tata and Infosys, India's technology sector has produced additional examples of ESG governance leadership that deserve analytical attention. Wipro Limited's commitment to achieving carbon neutrality across its operations including its global delivery centres and administrative infrastructure and its decade-long water stewardship programme, which has achieved significant water recycling and rainwater harvesting targets, demonstrate that ESG governance quality in India's technology sector extends beyond the two most prominent examples. Wipro's BRSR disclosures, like Infosys's, exceed mandatory requirements in both scope and depth, incorporating GRI Core standard alignment and TCFD-consistent climate risk disclosure even before these were mandated by SEBI's progressive framework.

HCL Technologies presents a particularly interesting case study in the relationship between ESG governance and corporate culture. HCL's founder Shiv Nadar's philanthropic philosophy crystallised in the Shiv Nadar Foundation's substantial investments in education and community development has created an institutional culture of social investment that predates and reinforces the formal Section 135 regime. Like Tata, HCL's CSR governance reflects the alignment between ownership philosophy and regulatory obligation that the Companies Act's designers intended. The CSR Committee is not merely a compliance

structure but a substantive governance body whose deliberations shape the company's social investment strategy in ways that go beyond formulaic Schedule VII compliance.

RELIANCE INDUSTRIES — SCALE, COMPLEXITY AND GOVERNANCE CHALLENGE

Reliance Industries Limited presents one of the most complex ESG governance case studies in Indian corporate history. As India's largest listed company by market capitalisation, Reliance's CSR expenditureconsistently among the highest of any qualifying companycovers an extraordinarily diverse range of social activities: healthcare infrastructure through Jio platforms and hospital investments, digital education programmes reaching millions of students, water conservation projects in water-stressed regions, and renewable energy investments that both satisfy CSR obligations and advance the company's commercial green energy strategy.

Yet the same scale and complexity that makes Reliance's social investments impressive also creates governance accountability challenges. A company investing INR 1,000 crore annually in CSR activities across dozens of programmes in multiple states generates an enormous volume of impact data that is genuinely difficult to verify, aggregate, and present meaningfully in Form CSR2 disclosures or BRSR filings. The mandatory impact assessment requirement, applied to Reliance's largest CSR projects, is producing more granular outcome accountability than the pre2021 framework required. But the challenge of presenting a coherent and verifiable picture of social impact at the scale of a company like Reliance illustrates why sector-specific and companysize-specific reporting standards may ultimately be necessary to make large-company CSR disclosures genuinely accountable.

Reliance's energy transition strategy its substantial investments in green hydrogen, solar energy, and battery manufacturing also raises important questions about the boundary between CSR expenditure and commercial investment. When a company's commercial strategy involves multibillion dollar renewable energy investments, the two per cent CSR spending requirement becomes less significant as a governance mechanism than the company's commercial decisions about energy mix. This observation supports the reform proposal for double materiality assessment: a complete picture of Reliance's ESG

governance requires understanding not just its charitable social investments but the environmental impact of its commercial operations and investment decisions.

LESSONS FROM THE CASE STUDIES — GOVERNANCE PRINCIPLES FOR REFORM

Across the six primary and additional case studies examined in this chapter, several governance principles emerge with sufficient consistency to inform the reform agenda.

The first principle is that governance quality is a function of board culture more than regulatory structure. Tata, Infosys, and Wipro demonstrate that companies with genuine board-level commitment to sustainability governance consistently exceed regulatory minimum requirements and produce governance outcomes that regulatory enforcement alone cannot replicate. The regulatory framework's primary job is not to force governance quality in companies already committed to it, but to establish minimum standards that prevent governance failures in companies without that commitment. Minimum standards set too low as India's current penalty structure does fail in this function entirely.

The second principle is that independent verification is the irreplaceable foundation of ESG accountability. The IL&FS case demonstrated that ESG disclosures without verification can coexist with fundamental governance fraud. The Satyam case demonstrated the same for financial disclosures. BRSR Core's assurance requirement, progressively extended to the full top 1000 universe, is the most important single governance reform India has implemented in recent years. Its acceleration and strengthening should be the highest priority for SEBI's near-term regulatory agenda.

The third principle is that personal director accountability is indispensable to governance deterrence. MCA adjudication orders imposing personal financial penalties on directors for CSR defaults even modest penalties have produced greater governance response than equivalent penalties on companies alone. The Patanjali Supreme Court judgment's establishment of personal director liability for misleading advertisements has created governance awareness in boardrooms that no regulatory circular alone could achieve. Extending personal accountability to ESG disclosure failures through Section 166(2) and Section 447 is therefore both legally justified and governance-effective.

CHAPTER - VI

Comparative and international perspectives.

The CSR and ESG governance framework in India was drafted with a specific allusion to worldwide norms and the Indian companies that conduct their operations in the world arena are confronted with the worldwide regulation standards, which are growing more intertwined with the national regulations. It is also instructive to know how other jurisdictions have confronted a similar governance challenge as illustrating both tried methodologies and teaching lessons.

EUROPEAN UNION - CSRD and CSDD.

The most comprehensive mandatory ESG disclosure regime globally is the EU Corporate Sustainability Reporting Directive (CSRD), which shall be in effect January 2023. The CSRD requires the report of ESG in terms of the European Sustainability Reporting Standards (ESRS) of all the large companies of the EU plus listed SMEs including more than 50, 000 entities when fully adopted. India has three CSRD innovations that are the most pertinent to its reform agenda. To begin with, the principle of a double materiality (where either the materiality component relates or is related to financial materiality, inward-facing) and materiality of the firm having a major impact (impact materiality, outward-facing) on the environment, society and the economic environment. The

BRSR framework currently in place in India is only focused into the financial materiality that ESG risks to the firm have, and fails to systematically mandate the company to disclose its effects on the surrounding world.. It would essentially enhance the relevance of governance within BRSR, which would affect the introduction of double materiality into the system. Second, sustainability reports are required under the ESRS by the CSRD to be independently assured. This goes beyond the present assurance glide path that India is currently experiencing that will see all the top 1000 listed entities only by FY 2026-27 and sets universal mandatory verification as the minimum. Third, the penalty regime in CSRD and the associated Corporate Sustainability Due Diligence Directive (CSDDD) has a maximum penalty of up to five per cent annual global turnover on material sustainability misreporting in contrast to the fixed maximum penalty regime in India which has practically no deterrent effect on firms of substantial size. Commercial applicability of CSRD to the Indian companies is gaining pace. CSDDD supply chain due diligence requirements apply through their EU customers to Indian companies with those customers that export to EU markets. Indian companies owned by EU institutional investors are using ESG assessment criteria that are compatible with CSRD as the fundamental

guideline to their stewardships. EU banks funding businesses in India are already adding to their lending terms, the climate risk assessment requirements based on CSRD. These business demands result in powerful market pressures towards Indian governments reform, which reinforce regulatory demands.

The United Kingdom presents the following code of corporate governance along with stewardship.

In the UK, a comply-or-explain strategy is recommended in the UK Corporate Governance Code (revised 2024) which means that a board must have substantive reasons why they are not following the governance provisions expressed in the Code rather than simply discloseing the departure to stakeholders but explain the reasons and describe what other governance provisions are in use. The implementation of this method has created better governance results than theistically mandatory compliance frameworks since regulatory and investor emphasis is on the content of governance decision making and not on its defining traits. India BRSR indicators of leadership have a similar comply-or-explain mechanism of voluntary disclosure, but the quality of explanation enforcement is less.

The UK Stewardship Code 2020 establishes accountability of institutional investors over their ESG stewardship, and requires asset managers and asset owners to report on how they have

engaged these portfolio companies on governance and sustainability issues. This regulatory mechanism is based on market forces, not compulsory regulation to promote governance: large investors of the company have sustained board level interest in the performance of the company on ESG, which has a commercial effect of governance lapses that does not rely on regulatory action. Establishing similar institutional investor stewardship regimes in India with the assistance of the SEBI circular on institutional investor governance responsibilities would go a long way in enhancing the market sanctions to complement regulation..

The creation of audit, reporting and governance Authority(ARGA) by the Financial Reporting Council as a replacement organization symbolizes a crossbreed of financial and sustainability assurance regulation that perceives the quality of ESG reporting as an essential governance duty service equal to financial audit quality. This is the model that India should contemplate by extending the jurisdiction of NFRA to ESG assurances providers that would establish professional accountability of sustainability assurance in the provision of assurance that is currently lacking.

AMERICAN CLIMATE DISCLOSURE RULES.

In March 2024 (subject to continued court action over its

provisions), the climate disclosure rules, which were introduced by the Securities and Exchange Commission, require that large public companies provide material climate-related risks, greenhouse gas scope 1 and 2 emissions, climate governance policies and climate risk management policies. The US strategy has three significant differences with the EU CSRD: it does not apply to double materiality, but to financial materiality; it has not been enacted to parallel sustainability legislation, but through rulemaking by securities law in existing SEBI-equivalent authority; and its application has been controversial in a way that can be seen to reflect the politics of US climate policy, and not the consensus on securities regulation design.

These are two lessons of the US experience that are especially important to India. To start with, climate and ESG disclosures are within the scope and the institutional capacity of securities regulators, as evidenced by the existing statutory mandates of SEBI Vishal Tiwari judgment affirms this standing of SEBI to enlarge its regulatory architecture over time. Second, mandatory disclosure of ESG is most sustainable when perceived as mechanisms of investor protection and not as tools of environmental policy formulations to make the case of governance based on the rights of the investors other than as

environmental activism is strategically relevant in ensuring continual regulatory legitimacy amid political changes.

Critical lessons to be passed on to India.

Double materiality (EU CSRD model): India ought to obligate companies not only to disclose accounted for the financial risks caused by the ESG issues on the company but also the company considerable effects on the environment and society to enhance the outward-setting accountability aspect that the BRSR framework does not have at the moment.

Penalties in terms of percentage (EU CSDDD model): The INR 1 crore and INR 2000 daily penalty of Section 135(7) under India and INR 2000/day non-filing penalty by SEBI of India should be reformed by imposing a percentage-of-profit or percentage-of-turnover penalty to establish a real deterrent that increases with the size of the

Supply chain due diligence: SEBI FY 2025-26 voluntary disclosures of value chain BRSR can be made mandatory on a quicker schedule in accordance with the commercial reality that Indian companies that are already exporting to EU markets already have the CSDDD requirements.

Assurance (audit function) on Sustainability: (UK FRC/ARGA model): ICAI ought to set sustainability assurance standards that NFRA regulates, such that both sustainability and

financial audit are supervised by professionals responsible for ensuring comparable professional accountability.

ESG enforcement across boundaries: India must form a specific ESG Enforcement Coordination Committee with SEBI, MCA, CCPA, RBI and the ministry of Environment, Forests and Climate Change so that cross-boundary investigations and joint enforcement efforts can be built.

Institutional investor stewardship: SEBI ought to prepare a more detailed Stewardship Code to institutional investors that follows the UK 2020 Code, developing market-based approaches to accountability that complement regulatory actions.

LESSONS IN AN EMERGING AND DEVELOPING ECONOMY.

The agenda of ESG governance reform in India accrues the benefit of not only studying more modern regulatory narrative the EU CSRD, the UK Stewardship Code, and the US SEC climate regulations but also the experience of other large emerging economies that have had to

grapple with similar issues of infrastructure building on good governance in an environment with limited regulatory capacity, heterogeneous corporate sectors, and a complex political economy. Each of Brazil, South Africa and China has lessons to teach. The case of the Comissao de Valores Mobiliaria (CVM) sustainability disclosure framework in Brazil can show what can be achieved and what cannot be achieved in the satisfactory growth of the institutionally complex, large, and diverse emerging economy in progressive regulation. In 2021, Brazil introduced mandatory reporting of sustainability of listed companies with CVM Resolution No. 59, which

provides environmental, social, and governance-related disclosures aligned with the Global Reporting Initiative and TCFD. Brazilian experience has shown the quality of governance divide between the company where institutional investors analyze their activity more closely mainly the large global facilities of capital market and those where their investors are mainly domestic and less interested in ESG governance. This contrast is exactly the case of India and the Brazilian reaction of progressive increases in the mandatory assurance provisions with growth of code of institutional investor stewardship is closely equal to the reforms hypothesized in this study.

The King IV Corporate Governance Code adopted

by South Africa, a largely considered to be one of the most developed governance systems in the world, offers precedence in integrated governance reporting that India partially adopted via the nine principle architecture of the BRSR but was yet to fully put this in practice. The integrated reporting suggested by King IV, consisting of reporting of financial, environmental, social, and governance information is a long-term perspective of BRSR compliance, this way can transform the BRSR compliance into an independent disclosure mechanism into a fully participatory aspect of annual corporate reporting in India. The International Integrated Reporting Council framework on which King IV

is based has contributed to the development of the ISSB sustainability standards and can be seen as the conceptual framework of the double materiality approach to sustainability which this research proposes India take on.

The existing mandated environmental information disclosure policies concerning heavy-pollution industries in China, alongside the ESG reporting policies of the Shanghai and Shenzhen Stock Exchanges, offer an alternative example: industry mandated disclosure with gradually increased to the universe of listed companies. The risk prioritisation rationale behind the moves made by China, which have given more priority to the

environmental disclosure of the topmost industries and subsequently some coverage of ESG reflects the domestic stance that could be considered by India in coming up with sector-specific BRSR supplements to cover its most impactful industries. Even in cases where the regulatory environment is significantly different, the comparison is instructive because, in terms of the regulatory challenge of establishing meaningful ESG disclosure frameworks in large, complex, and rapidly developing economies, BRICS jurisdictions experience a commonality in their learning experience and extrapolation of regulatory experimentation is possible and helpful.

CHAPTER - VII

FINDINGS, LEGAL SOLUTIONS AND POLICY RECOMMENDATIONS.

KEY FINDINGS

Corporate Governance is affected by CSR Compliance. The compulsory CSR regime by Section 135, which had been implemented by adjudication orders in Takraf India (2023), Smith N Smith Chemicals (2023), and Clair India (2024), have increased board-level responsibility towards social responsibilities and established fiduciary obligations under Section 166, which are enforced judicially through adjudication orders. MCA data supports the increasing level of enforcement with INR 13.65 crore of penalties in FY 2024-25 alone (on top of INR 2.97 crore in FY 2022-23) that shows that the enforcement infrastructure is evolving. The effect of quality of governance is however moderated by the enforcement intensity: the cumulative INR 20 crore over three years is not high enough to motivate proactive governance instead of minimum legal requirement among large companies.

IMPOSING PUNISHMENTS AFFECTS THE QUALITY OF GOVERNANCE.

The presence of an enforcement-governance relationship is supported by the case analysis (comparative) where it is consistent across various case studies. The quality of governance of Tata and Infosys under the intense institutional investor ESG scrutiny and voluntary third-party assurance, that exceeds the regulatory requirements, is therefore significantly higher than one that only depends on formal compliance. Both the IL&FS and Satyam downfalls had been happening just at the point of regulation and oversights failure. The BRSR Core requirements of SEBI have led to a statistically significant improved disclosure quality between the top 150 companies with mandatory verification by FY 2023-24 as compared to those without an assurance obligation. There is strong correlation among the intensity of enforcement and the quality of governance along all dimensions of the study.

GROUP EFFECT ON THE QUALITY OF GOVERNANCE.

The joint design of CSR compliance requirements, BRSR reporting policies, SEBI oversight, CCPA greenwashing policies, and RBI climate disclosure policies are all effective to influence corporate governance performance in a manner unattainable by any single requirement enforcer. The IL&FS example indicates that governance lapses can also concomitantly take advantage of the loopholes in MCA

regulations, SEBI regulations to disclose information, and RBI risk management policies. HindenburgAdani controversy showed how accuracy of BRSR disclosure and related-party transparency interrelate in such a manner that no particular regulator can adequately address them in isolation. Integrated reform is not only a good thing to have, but structurally necessitated.

ROADMAP TO IMPLEMENTATION OF THE EIGHT REFORMS.

(i) Short-term Reforms (In 12 months)

Three reforms can be enacted right away with the current regulatory and legislative power, and do not necessitate a big new institutional muscle.

To begin with, MCA ought to release the guidance note on Section 166(2) and Section 447 as far as ESG disclosure failures are concerned. This direction does not need any amendment in the legislation as it is an authoritative interpretation of the provisions. This guidance would be made after consultation with the Institute of Company Secretaries of India and the Institute of Chartered Accountants of India so that the community of professionals in accountability comprehends and disseminates the new accountability framework to the boards and officers.

Second, SEBI ought to widen the timeline of BRSR core assurance of businesses in the upper band of the top 250-500 to by one financial year and one year ahead of a mandate of assuring the companies in the upper band of the top 250-500 (FY 2024-25). This acceleration can be backed by the disclosure quality improvement observed up to now of the top 150 companies already covered by assurance and does not need any new regulatory instruments than an amendment of the existing BRSR Core circular.

Third, both SEBI and CCPA are urged to establish the cross-referral plan to be used when cases of greenwashing are involved by signing a memorandum of understanding between the two. This coordination vehicle involves no new law and can be implemented by administrative consensus between the two regulators utilizing the information-sharing existing between SEBI and other regulatory organisms.

When short-term effects are inconclusive, the reforms are implemented as suggested medium-term reforms (12 to 36 months).

The four reforms need more intensive regulatory design or legislation and can be undertaken in a 12-36 months time-frame.

Section 135(7) penalty restructuring amendment will need a

formal amendment to the Companies Act, 2013 under a parliamentary process. MCA is to draft the amendment Bill which includes the provision of the percentage-based structure of penalties which are graduated and the provision of Section 164 disqualification, the Bill must be published to be publicly consulted on them, and it must be introduced in the next possible parliamentary session. The legislative history must be able to reflect the MCA adjudication information on why the actual penalty quantum is insufficient as a deterrent.

The SEBI LODR Regulations require the top 500 listed entities to have an ESG Board Committee mandatory, and this would necessitate an amendment to the LODR Regulations. This could be done through the regulatory amendment procedure without parliamentary legislation by the SEBI. The proposal to the amendment should be announced to the public to consult the industry associations and institutional investors, and the amendment should be announced by the SEBI using its standard circular procedure. It would be possible to have a set implementation schedule that would be applied to the top 250 during the first year of financial years following the notification, and progressively to the top 500 the next year to enable the companies to develop the necessary governance capacity..

The development of the ICAI ESG Assurance Standard needs to involve the International Auditing and Assurance Standards Board (IAASB), ISSB at the IFRS Foundation, and SEBI so that the national standard in India can be in line with the new international norms. ICAI has the political capability to spearhead this; it needs guidance provided by MCA and SEBI, funding of the standard-setting process, and a consultation model that involves both the assurance provider community, as well as the companies to which assurance requirements are applied.

(iii) Long-term Reforms (36+ Months)

The reform, which adds the notion to the BRSR framework of double materiality, takes the longest period of development as, in essence, it transforms the foundational concept of the India sustainability disclosure framework.. Adding the concept of double materiality would necessitate that SEBI conducts practices on impact materiality methodology, involving industry consultation on how implementation works, and creates regulatory absorptive ability to monitor the impact materiality disclosures in scale. The experience of the EU in implementing CSRD that has seen most development of ESRS standards prior to a compulsory implementation phase indicates that a rigorous preparatory process is the key to

successful implementation. This process should start as early as possible and within a period of five years SEBI should implement mandatory materiality assessment on the top 1000 listed entities.

MONITORING AND EVALUATION FRAMEWORK.

A systematic monitoring and evaluation system that SEBI and MCA will create in unison should be used to evaluate the effectiveness of the eight suggested reforms. The performance indicators of the monitoring framework must include: the amount and total value of CSR adjudication penalties created yearly, followed against the qualifying company aggregate CSR obligations; the share of top 1000 BRSR filings receiving qualified opinion or adverse opinion, as an indicator of the quality of discovery; the number of CCPA greenwashing enforcement measures infiltrated on the basis of SEBI-CCPA cross-refer

This framework of monitoring is to be published with the Annual Report of SEBI, and to establish collective responsibility among the people to be accountable to the speed and quality of governance reforms. An independent expert committee of academic governance researchers, representatives of institutional investors, civil society organisations, and independent legal experts should review the

framework after every three years to determine whether the reforms are yielding the desired improvements in governance improvement, and whether there are other interventions that are necessary.

LEGAL SOLUTIONS THAT ARE STATUTORY ANCHORED.

Solution 1: Amend Section 135(7) - Penalty Restructuring.

Statutory Amendment Needed: Amend Section 135(7) of the Companies Act, 2013 (to eliminate the default penalty of CSR by companies) by removing the absolute limit of INR 1 crore. Substitute with a consequence of two and five per cent of the unspent CSR charge or of the average net income that attracts CSR duty which is higher. Add to the officer liability disqualification as a directorship under

Sunday Section 164 (repeat defaults) to achieve a significant personal impact on officer liability, not being introduced by the current maximum fine of INR 2 lakh.

Reasoning: penalties in Takraf (2023) and in Clair India (2024) were technically legitimate but disproportionately high as punishments to the failure of governance, and of derivative economic value, as deterrents. The principle of the Supreme Court in SEBI v. Sahara that the obligations towards investors should be insured with an equal level of protection justifies the quantum of penalties, adjusted according to the amount of the violation committed, and the size of the company.. This five-per cent of global

turnover model that has been offered by the EU CSDDD offers the global standard.

Solution 2: BRSR Assurance and Penalties.

Amendment to LODR Regulation 34: Accelerate BRSR Core mandatory assurance to all top 1000 companies by FY 2025-26, a year earlier than planned, due to proven quality of governance among companies already required to make assurance. Modify the provisions of LODR penalties to introduce financial misrepresentation penalties of 0.1 per cent of annual turnover (minimum INR 25 lakh) of material BRSR disclosure misrepresentation, separate of the current non-filing penalties of INR 2,000 per day. Make SEBI release an annual BRSR Compliance Quality

Report evaluating disclosure standards among the top 1000 companies, which imposes an accountability building on disclosure quality on top of financial sanctions.

Solution 3: Have Statutory ESG Assurance Standards.

New ICAI Standard and NFRA Oversight Extension: ICAI shall provide a mandatory ESG Assurance Standard based on the International Standard on Assurance Engagements ISAE 3000 offering specific direction on the scope and better evidence rules, materiality evaluation and reporting of BRSR Core assurance. MCA notification under Section 132(2) should be used to give NFRA the jurisdiction to register ESG assurance providers to achieve

regulation of the quality of assurance and professional liability of the assurance opinion equivalent to the regulation of statutory financial auditors. The asymmetry between the strict financial audit principles against the voluntary principles in the sustainability assurance is directly tackled by this reform.

Solution 4: Greenwashing ESG Consistency Multijurisdiction.

New Coordination Mechanism and SEBI Circular: SEBI is supposed to provide a specific circular on ESG disclosure greenwashing, provide a penalty matrix of the material misstatement of the first material, that of repeat violations, and compulsory naming of the material violations on its site. MCA, SEBI and

CCPA ought to define a formal procedure of cross-referral of corporate-level greenwashing found as a result of BRSR review to CCPA to enforce the Consumer Protection Act, and vice versa to CCPA to reveal findings of consumer advertising greenwashing to be forwarded to SEBI to determine the accuracy of the disclosures in relation to the BRSR. The principle of personal director liability of misleading claims that is eminent in the Indian Medical Association judgment regarding greenwashing in BRSR filings should be clearly stipulated in advance by the SEBI in greenwashing under BRSR filings.

OPTIONAL ESG BOARD COMMITTEE AND

EXPERTISE REQUIREMENT.

Amendment of SEBI LODR Regulations: Amend LODR Regulation 18 to impose compulsory the top 500 listed companies to have in place a ESG and Sustainability Committee that is similar in structure to the statutory Audit Committee and its charter should include ESG risk management, BRSR disclosure supervision, and integration of CSR-ESG strategy. At least one of this committee must have exhibited expertise in ESG which is defined by reference to a competent qualification, a executive experience that is relevant, or by accredited ESG training. Associate executive variable compensation in a Nomination and Remuneration Committee framework

with at least material ESG performance indicators, GHG emissions performance, gender diversity ratio and CSR impact performance analysis results of top 500 companies.

Solution 6: Centralised Digital ESG Database

SEBI Circular and MCA Portal Improving: SEBI needs to create a publicly open, machine-readable ESG data portal building on the current XBRL reporting infrastructure under LODR which consolidates BRSR submissions, BRSR Core assured KPIs, CSR annual reports, Form CSR-2 submissions and third-party assurance reports, into a single, downloadable format. Introduce realtime material ESG event disclosure requirements in LODR Regulation 30 the material event disclosure

framework such that material environmental incidents (NGT orders, environmental enforcement actions, major pollution incidents), material governance events (CSR committee changes, renewal of sustainability governance ESG targets, whistleblower events) are required to be disclosed by companies on realtime basis within 24 hours of such events. This is a direct response to the IL&FS lesson that the IL&FS information opaqueness that is made possible through fragmented disclosure systems slows regulatory intervention over governance failures.

Solution 7: Solution 166 Director Accountability. Statutory Clarification and MCA Guidance: MCA would be well advised to publish a formal guidance note which clarifies

the element of Section 166(2) of the requirement to act in the best interests of the environment of the company to create a positive duty on directors to ensure that the accuracy of ESG disclosures and fulfilment of ESG commitments made in annual reports and BRSR filing. Deliberate misstatement of ESG information in BRSR should be dealt with in accordance with Section 166(2) and, in cases where it is possible to prove that the person has deceptive intent to mislead investors, it should be regarded as fraud under Section 447 that implies imprisonment of up to ten years and unlimited fines. The proposed reform is not intended to necessitate any new laws: it uses

neither the statutory powers that already exist, to establish the as yet absent in practice personal responsibility of the failures to disclose ESG information.

Solution 8: Room Introduce Double Materiality Assessment.

SEBI BRSR Framework Amendment: SEBI needs to revise the BRSR framework to add a new requirement of mandatory double materiality consideration which requires companies to disclose:1) the extent to which ESG issues pose financial risks and opportunities to the firm (financial materiality, already mandated by BRSR); and 2) the extent to which ESG matters have significant positive and negative effects on the environment, society, and economy

(impact material This would be a fundamental reform of the governance-relevance of BRSR disclosures that would not simply ensure that companies face risk related to their accountability but also impact the world surrounding them the accountability aspect that communities, regulators, and investors require the most.

CONCLUSION AND SUGGESTIONS

India has already achieved something really great in the sphere of corporate sustainability governance. Within such a short space of time, the nation has created a multi-layered system of governance that is much of the system many developed nations continue to grapple to achieve: obligatory CSR spend with board audit, an extensive systematized ESG disclosure framework in line with international good practices, progressively mandatory third-party confirmation requirements, the first statutory regime on CSR, and in 2024, the outlines statut These are not merely mere feats, but they

signify a paradigm shift in the jurisprudential association between Indian corporations and their responsibility towards society, the environment and stakeholders.

However, as this study has always established based on its statutory study, case law study, enforcement statistics and corporate case studies, the fact that this architecture does exist has not ensured efficacy. Ensuring the penal framework, checks, and institutional capacity and cross-regulatory coordination to make the structure work in practice is the binding constraint. An ideal law is one that is never enforced. India possesses the aspirations well sharped out in statute and circular. The infrastructure that it requires is an enforcement infrastructure to make them realised.

All three hypotheses of the research have been proved correct. There is evidence that CSR compliance is relevant to the quality of corporate governance the compulsory regime has raised the corporate board level responsibility alongside imposing enforceable fiduciary duties previously only non-existent in the year 2013. Enforcement does have an effect on quality of governance The relationship between the extent of enforcement and governance performance is strong in all of the case studies, both at the extreme of good enforced governance with Tata and Infosys and at the extreme of bad governance

enforced by IL&FS and Satyam. And the institutional design of CSR compliance, ESG reporting, enforcement systems and enforcement loopholes in unison define the quality of governance in a manner that nonee of them can be explained or addressed on its own.

The eight reform suggestions on this research are on statutory authority. All of them do not need new main law. These can all be done via specific changes to Section 135(7) of the Companies Act, SEBI LODR Regulations, ICAO standards and CCPA enforcement rules. The reforms will also be targeted to deal with the structural deficiencies that have been identified: inadequacy of quantum of penalties, no ESG assurance standards, a lack of coordination between regulatory authorities, inadequate supervisory capacity, and inadequate personal responsibility by directors of miscarried disclosures.

The commitment that the political and institutional will of SEBI, MCA, CCPA, and RBI is to not a box-ticking exercise, not a soft policy commitment, but a real accountability priority with actual financial, professional, and personal repercussions on failure is what the reforms need the most. The basic principles have already been laid down by Indian courts: Satyam had concluded that structure and substance are the same, because the governance lacks accountability. Patanjali

determined that personal director liability is applicable in case of misleading claims. Sahara satisfied that investor protection mandate of SEBI fully addresses non-financial disclosures. What is left is to see the regulatory and legislative bodies making these principles into coherent, relative and proactive implementation.

Through the experience of Tata and Infosys corporate sector of India, it is evident that governance in the field of ESG is world class in Indian condition. The reforms suggested by this study will be aimed at making sure that what the best firms make out of goodwill, all qualified firms make out of necessity. The journey that compliance leads to accountability, reporting to governance, aspiration to achievement lies open to India. The matter of whether the body in charge of corporate governance itself will be bold enough to accept it is a question.

THE PATH Forward - A vision of ESG Governance in India.

The process of institutional development is the most appropriate way of looking at India on its way to true corporate sustainability governance as a way of being, rather than a way of destination. The initial stage of this journey: the development of the formal legal architecture is the regulatory framework that has been established since 2013 as a result of the CSR requirement in the Companies Act, the progressive

BRSR framework in the SEBI and the greenwashing guidelines in the CCPA as well as the climate risk framework in the RBI. The second step, currently in progress, to which the reforms suggested by this study are supposed to speed up, is the establishment of the enforcement apparatus giving the formal architecture a real meaning.

The third stage that is outside the immediate reform horizon but needs to be kept in mind is the internalisation of ESG governance values of the Indian corporate culture to where regulatory enforcement is merely the backstop to governance quality, no longer the driving force. This is where Tata and Infosys have already moved: business organizations where the board in their view of sustainability governance are embedded in corporate identity, rather than to be enforced upon by a regulatory concern. To become a stage throughout the vast universe of eligible Indian businesses not only increased enforcement but also the creation of a culture of governance where ESG responsibility is perceived as a component of responsible business management is needed.

Legal education cannot be undermined in this cultural transformation. Professionals who assist boards with governance compliance are company secretaries, corporate lawyers, and chartered accountants. They need to have ESG

governance as a core competency in their professional education, combined with financial accounting, corporate law and tax, which will enhance the quality of ESG governance advice provided to boards in India significantly. The Institute of Company Secretaries of India, the Institute of Chartered Accountants of India and the Bar Council of India ought to consider updating their professional education curriculum to make sure that such an area as ESG governance incorporating the BRSR framework, CSR compliance, greenwashing law and accountability by directors is well covered in their qualifying examinations and the ongoing professional development provisions.

The global stance of INDIA on sustainable governance of sustainability.

The role of India in global sustainability governance is swiftly becoming significant in terms of its role and eminence. Being a G20 member and a co-chair of the G20 Sustainable Finance Working Group, India has been very active in influencing the

scopes of global sustainability disclosure standards and taxonomies. The presidency of G20, under the Indian presidency in 2023, rendered important outputs in sustainable finance, such as the efforts on transition finance frameworks applicable to India itself in decarbonisation efforts. The involvement of India with the International Sustainability Standards Board of the IFRS Foundation, both as a participant in the consultations of the ISSB with the main tasks and as the creator of India-specific guidance on implementing the ISSB are positive signs of the intention to streamline the domestic framework to the emerging global requirements.

Reforms suggested in this study resonate with the global sustainability governance commitments which India has made. These measures to enhance the BRSR structure and increase to double materiality, develop new ICAI ESG assurance standard in compliant with ISAE 3000, calibrate penalties against EU CSDDD baseline, cross-regulatory cross-boundary enforcement, etc. are all on track with where the global practice of sustainability governance is heading and with the listed policy goals of India itself. The domestic reform agenda and the international engagement agenda go hand in hand: the more domestic enforcement framework, India is expected to be a sustainability governance leader in the

international forums, whereas the international engagement has benchmark standards and political legitimacy needed by the domestic reform.

In India, the business interests of global sustainability governance are also high and increasingly becoming prominent. The Indian companies wishing to enter into the EU capital markets, EU government procurement contracts and wanting to enter into an EU customers relationship is faced with direct commercial exposure to the CSRD and CSDDD requirements. The Indian banks that would like to retain the correspondent banking relationships with the European banks are subjected to climate risk disclosure rules in the

framework of sustainability governance of the European Banking Authority. The most conspicuous manifestation of commercial implications in Indian exporters towards countries with carbon border adjustment systems the EU CBAM is the direct relation of the quality of their GHG emission regulation and reporting.. The domestic ESG governance reform agenda in India thus cannot be just an issue of domestic policy, but of commercial competitiveness in the global economy which India is trying to become a leader in.

SUGGESTIONS

Amend Section 135(7) penalties to a graduated percentage-of-profit system,

eliminating the INR 1 crore absolute penalty and instituting penalties, which increase with company size and the seriousness of non-compliance.

BRSR Core Compulsory to all Top 1000 Companies by FY 2025-26 and penalties on LODR penalties on material misrepresentation of BRSR disclosures have been increased to 0.1 per cent of annual turnover.

Set the statutory ESG assurance standards in accordance with ICAI, and extend NFRA oversight to all registered ESG assurers, establishing professional responsibility in regard to sustainability assurance opinions.

Establish an inter-regulatory ESG Enforcement Coordination Committee, consisting of SEBI, MCA, CCPA, RBI and

MoEFCC, with formal information sharing procedure and coordinate action through co-enforcement.

Amend SEBI LODR Regulation 18 to require a specific ESG and Sustainability Committee in the top 500 listed companies with a requirement in the expertise of ESG as well as a connection of executive compensation to material ESG KPIs.

Issue SEBI circular establishing a penalty pyramid related to material misleading BRSR disclosures, requiring violators to be publicly disclosed, and imposing escalating penalties of up to INR 5 crore in case of repeat material misstatements.

concern MCA direction by implementing Section 166(2) environmental duty and Section

447 trickery of false knowledge of ESG disclosure in the Proclamation of personal director liability in false sustainability claims.

Bring in double materiality assessment as part of BRSR framework and continue to report along financial materiality (how ESG issues of the company impact the company) and impact materiality (how the company impacts on the society and environment).

Develop a centralised publicly accessible digital portal of digital ESG data consolidating BRSR filings, BRSR Core assured KPIs, and CSR reporting and assurance opinions in all qualifying companies.

Design an institutional investor-focused SEBI Stewardship Code that was developed

based on the UK 2020 Code and that develops market-driven solutions to ESG accountability that is additive to regulatory implementation.

Consult widely at the time of any significant governance reform with the religious communities, minority groups, tribal representatives, women and civil societies to achieve social trust and acceptance.

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