



Mandatory ESG Reporting in India: Legal Obligations and Management Strategies

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ABSTRACT

Environmental, Social, and Governance (ESG) reporting has emerged as a crucial aspect of corporate governance, ensuring transparency and sustainability in business operations. In India, ESG disclosure has been formalized through the Securities and Exchange Board of India (SEBI)'s Business Responsibility and Sustainability Reporting (BRSR) framework, making it mandatory for the top 1000 listed companies by market capitalization from FY 2022-23. Additionally, ESG principles are embedded in various regulations, including the Companies Act, 2013, Corporate Social Responsibility (CSR) rules, environmental laws, and labor policies. These legal obligations aim to align Indian businesses with global sustainability standards and attract responsible investment. This paper explores the legal framework governing mandatory ESG reporting in India, analyzing key provisions under SEBI's LODR (Listing Obligations and Disclosure Requirements) Regulations, 2015, and the interplay between ESG and corporate governance laws. It further examines management strategies for effective ESG compliance, including board oversight, ESG integration into corporate policies, risk management, and digital tools for sustainability reporting. The role of ESG-linked finance, such as green bonds and sustainable investments, is also discussed. Despite regulatory advancements, challenges such as greenwashing, compliance costs, data standardization, and balancing profitability with sustainability persist. A comparative analysis of India's ESG framework with global regulatory practices, including those in the United States, European Union, and the United Kingdom, highlights areas for improvement. Through case studies of Indian companies implementing ESG best practices, this paper provides recommendations for strengthening ESG governance, enhancing compliance incentives, and ensuring greater transparency and accountability in corporate ESG disclosures. This study contributes to the evolving discourse on ESG reporting in India and its implications for corporate sustainability and investor confidence.

Keywords: ESG Reporting, SEBI BRSR, Corporate Governance, Sustainability Compliance, Green Finance.

Introduction

In recent years, the concept of corporate responsibility has evolved beyond traditional financial performance to include Environmental, Social, and Governance (ESG) factors as critical indicators of a company's long-term sustainability and ethical business practices. ESG reporting has emerged as a strategic tool for corporate accountability, enabling businesses to disclose their sustainability initiatives, ethical commitments, and governance practices to stakeholders, including investors, regulators, and the public.

The environmental component of ESG focuses on a company's impact on natural resources, including carbon emissions, energy efficiency, waste management, and climate change mitigation. The social dimension examines a company's commitment to human rights, employee welfare, diversity and inclusion, and community engagement. Governance, the third pillar, ensures transparency, ethical leadership, compliance, and risk management in corporate decision-making.

As global concerns over climate change, social equity, and corporate ethics continue to grow, ESG reporting has transitioned



from being a voluntary disclosure practice to a mandatory regulatory requirement in many jurisdictions. Regulatory bodies such as the Securities and Exchange Board of India (SEBI), the European Union (EU), and the U.S. Securities and Exchange Commission (SEC) have introduced frameworks requiring companies to integrate ESG disclosures into their financial reporting. Additionally, international standards like the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and Task Force on Climate-Related Financial Disclosures (TCFD) have been developed to guide companies in ensuring transparency and comparability in ESG reporting.

The growing investor demand for ethical and sustainable business practices has also led to the rise of ESG-linked investments, where asset managers and institutional investors assess companies not only on financial returns but also on sustainability performance and governance integrity. This shift reflects a broader paradigm change in corporate responsibility, where businesses are expected to align their operational strategies with global sustainability goals, such as the United Nations Sustainable Development Goals (SDGs).

Despite the increasing adoption of ESG reporting, challenges such as inconsistent reporting frameworks, lack of standardized metrics, and concerns over greenwashing persist. These issues raise important questions about the effectiveness, credibility, and regulatory enforcement of ESG disclosures. Therefore, a critical examination of ESG reporting as a corporate responsibility tool is necessary to assess its impact on corporate transparency, investor confidence, and sustainable business growth.

This paper aims to explore the role of ESG reporting in enhancing corporate responsibility, regulatory compliance, and stakeholder trust, while also examining the existing challenges and the need for a more harmonized global ESG framework. In today's corporate landscape, Environmental, Social, and Governance (ESG) considerations have become integral to sustainable business practices and investor decision-making. Companies that integrate ESG principles into their operations demonstrate long-term resilience, ethical leadership, and risk mitigation, contributing to their overall sustainability and competitive advantage. ESG-driven strategies help businesses reduce environmental impact, enhance social responsibility, and ensure robust governance frameworks, aligning corporate objectives with global sustainability goals such as the United Nations Sustainable Development Goals (SDGs).

From an investment perspective, ESG has become a key determinant of financial stability and risk assessment. Investors increasingly favor companies with strong ESG credentials, as they tend to exhibit lower regulatory risks, greater operational efficiency, and enhanced brand reputation. ESG-aligned businesses attract institutional investors, impact funds, and sustainable finance initiatives, strengthening market confidence. Regulatory bodies, including SEBI, the SEC, and the EU, have introduced ESG disclosure mandates, reinforcing transparency and accountability.

As ESG adoption grows, companies must overcome challenges such as inconsistent reporting standards and greenwashing concerns. A standardized ESG framework can ensure credible disclosures, fostering stakeholder trust and sustainable growth. This paper examines how ESG reporting enhances corporate responsibility, investor confidence, and long-term business sustainability.

The global emphasis on Environmental, Social, and Governance (ESG) compliance has intensified as stakeholders demand greater corporate accountability in addressing climate change, social inequality, and ethical governance. Governments, investors, and regulatory bodies worldwide are integrating ESG criteria into financial and operational frameworks to ensure long-term sustainability and risk mitigation. Organizations such as the European Union (EU), the U.S. Securities and Exchange Commission (SEC), and the Task Force on Climate-Related Financial Disclosures (TCFD) have established stringent ESG disclosure norms, making sustainability reporting a key requirement for businesses. The Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) have also set internationally recognized frameworks to promote ESG transparency and comparability.

In response to this global trend, India has taken significant steps to enhance ESG compliance. The Securities and Exchange Board of India (SEBI) introduced the Business Responsibility and Sustainability Report (BRSR) in 2021, making ESG disclosures mandatory for the top 1,000 listed companies. The BRSR framework aligns with global reporting standards and emphasizes climate risks, corporate ethics, diversity, and human rights. Additionally, the Reserve Bank of India (RBI) has issued guidelines for green financing, encouraging financial institutions to integrate ESG principles into lending and investment decisions.

India's regulatory push towards ESG compliance reflects its commitment to sustainable economic development and investor protection. However, challenges such as lack of uniform ESG metrics, regulatory gaps, and corporate resistance persist. Addressing these issues through policy refinement, stakeholder collaboration, and capacity building is crucial for India to align with global ESG best practices and ensure long-term corporate sustainability.

Legal Framework for ESG Reporting in India

India's ESG reporting framework is primarily governed by the Companies Act, 2013, the Securities and Exchange Board of



India (SEBI) regulations, and sectoral guidelines. SEBI's Business Responsibility and Sustainability Report (BRSR), introduced in 2021, mandates the top 1,000 listed companies to disclose ESG-related information. Additionally, the Reserve Bank of India (RBI) has issued directives on green finance and climate risk assessment. ESG disclosures also align with global frameworks such as the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB). Strengthening enforcement and standardization is crucial for ensuring corporate accountability and sustainable business practices in India.

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

The Securities and Exchange Board of India (SEBI) introduced the Business Responsibility and Sustainability Reporting (BRSR) framework as part of its Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015 to enhance corporate transparency in Environmental, Social, and Governance (ESG) disclosures. The BRSR framework aligns Indian ESG reporting with global standards such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and Task Force on Climate-related Financial Disclosures (TCFD), promoting sustainable business practices and responsible corporate conduct.

Applicability of BRSR

The BRSR framework became mandatory from the financial year (FY) 2022-23 for the top 1,000 listed companies by market capitalization. This regulation ensures that India's largest corporations disclose their ESG performance, allowing investors, regulators, and other stakeholders to assess sustainability risks and opportunities. For smaller listed companies and unlisted firms, BRSR remains voluntary, encouraging a gradual transition toward comprehensive ESG reporting.

Key Disclosures Under BRSR

BRSR requires companies to report ESG-related information under three broad categories: Environmental, Social, and Governance (ESG) Metrics.

1. Environmental Metrics

Companies must disclose their impact on the environment and their sustainability initiatives, including:

- Carbon Footprint: Greenhouse gas (GHG) emissions (Scope 1, 2, and 3 emissions).
- Energy Efficiency: Renewable energy adoption, energy-saving initiatives, and total energy consumption.
- Waste Management: Policies for waste reduction, recycling, hazardous waste disposal, and circular economy efforts.
- Water Conservation: Water usage, wastewater management, and conservation strategies.
- Biodiversity Protection: Impact on ecological systems and mitigation measures.

2. Social Metrics

The social component of BRSR focuses on a company's commitment to employee welfare, human rights, and social responsibility, including:

- Diversity and Inclusion: Workforce composition, gender diversity, and representation of marginalized groups.
- Labor Rights: Fair wages, safe working conditions, prevention of child and forced labor.
- Employee Welfare: Policies on health, safety, skill development, and employee benefits.
- Corporate Social Responsibility (CSR) Initiatives: Details on CSR activities under the Companies Act, 2013.
- Community Engagement: Impact of business activities on local communities and sustainable development contributions.

3. Governance Metrics

Governance disclosures focus on ethical business practices, corporate integrity, and risk management, including:

- Board Independence: Composition of the board, presence of independent directors, and diversity in leadership.
- Risk Management: Mechanisms for identifying and mitigating ESG-related risks.
- Ethics and Anti-Corruption Policies: Code of conduct, anti-bribery measures, whistleblower policies.
- Data Security and Privacy: Cybersecurity policies and data protection measures.

Companies Act, 2013 & CSR Regulations

India was among the first countries to introduce a mandatory Corporate Social Responsibility (CSR) framework under the Companies Act, 2013, making social responsibility an integral part of corporate governance. Section 135 of the Companies Act mandates CSR compliance for companies meeting specific financial thresholds, reinforcing the role of businesses in



sustainable development.

CSR Mandate Under Section 135

According to Section 135 of the Companies Act, 2013, companies meeting any of the following criteria in the preceding financial year are required to allocate at least 2% of their average net profit (over the last three years) towards CSR activities:

- Net worth of ₹500 crore or more, or
- Turnover of ₹1,000 crore or more, or
- Net profit of ₹5 crore or more.

These companies must also establish a CSR Committee to oversee and monitor CSR initiatives. The law emphasizes projects in areas such as education, healthcare, environmental sustainability, gender equality, rural development, and social welfare, aligning corporate contributions with national development goals.

Integration with ESG: From Philanthropy to Impact-Based Sustainability

While CSR traditionally focused on philanthropy and charitable donations, the global shift towards Environmental, Social, and Governance (ESG) principles has led to a more impact-driven approach. Companies are now integrating CSR within ESG strategies, ensuring that social and environmental initiatives align with business operations and long-term sustainability goals.

The SEBI-mandated Business Responsibility and Sustainability Reporting (BRSR) framework has further emphasized corporate accountability and ESG compliance, making CSR reporting more structured and transparent. This transition from philanthropy-based CSR to impact-based ESG is driving Indian companies to adopt sustainable business models, ensuring long-term value creation for stakeholders and compliance with global sustainability standards.

Other ESG-Related Laws and Policies in India

India has implemented several laws and regulations that align with Environmental, Social, and Governance (ESG) principles, ensuring corporate accountability in sustainability, labor rights, and ethical governance. These legal frameworks support businesses in integrating ESG considerations into their operations, fostering responsible corporate practices.

Environmental Protection Laws

1. Environment Protection Act, 1986:
 - The cornerstone of India's environmental regulations, this law grants the central government authority to protect and improve environmental conditions.
 - It sets standards for pollution control, environmental impact assessments (EIA), and hazardous waste management.
2. Air (Prevention and Control of Pollution) Act, 1981 & Water (Prevention and Control of Pollution) Act, 1974:
 - These acts regulate air and water pollution by setting emission and discharge limits for industries.
 - Companies must obtain pollution control board (PCB) approvals and implement mitigation measures to reduce their environmental footprint.
3. Extended Producer Responsibility (EPR) Regulations for Plastic Waste:
 - Under the Plastic Waste Management Rules, 2016, manufacturers and producers are responsible for collecting, recycling, and disposing of plastic waste generated from their products.
 - The EPR framework ensures that companies take accountability for the environmental impact of their packaging and materials.

Social Responsibility & Labor Laws

1. Prevention of Sexual Harassment (POSH) Act, 2013:
 - This law mandates companies to establish Internal Complaints Committees (ICCs) and implement policies to prevent sexual harassment at the workplace.
 - Ensuring gender equality and workplace safety is a key aspect of ESG's social component.
2. Minimum Wages Act, 1948:
 - This legislation mandates fair wages for workers, ensuring protection against exploitation and unfair labor practices.
 - It aligns with the "S" in ESG, emphasizing employee welfare, economic justice, and ethical labor standards.



Governance & Compliance Laws

1. SEBI's Prohibition of Insider Trading Regulations, 2015:
 - This regulation prohibits insider trading and market manipulation, ensuring transparency, accountability, and fair trading practices.
 - Companies must establish insider trading policies, track trading activities, and promote corporate governance ethics.
2. Companies (Auditor's Report) Order, 2020 (CARO 2020):
 - This regulation enhances corporate disclosure and ESG-related financial reporting.
 - It mandates auditors to report on environmental, financial, and governance risks, ensuring greater corporate accountability.

Management Strategies for ESG Compliance

ESG Integration into Corporate Strategy

As global awareness of environmental, social, and governance (ESG) issues continues to grow, the integration of ESG factors into corporate strategy has become increasingly essential for businesses aiming to achieve sustainable success. By aligning ESG principles with business objectives, companies can mitigate risks, drive innovation, and enhance long-term value creation for stakeholders. The following sections discuss the importance of integrating ESG into corporate strategy, aligning ESG with business objectives and risk management, developing effective ESG Key Performance Indicators (KPIs), and setting sustainability goals based on national and international frameworks.

Aligning ESG with Business Objectives and Risk Management

The integration of ESG into corporate strategy involves aligning these factors with the core business objectives, which typically focus on profit maximization, market leadership, and sustainable growth. However, businesses are now recognizing that long-term success is increasingly dependent on how well they address **environmental sustainability**, **social responsibility**, and **governance integrity**. Companies that fail to adapt to changing market demands and regulatory pressures related to ESG may experience **reputational damage**, **regulatory sanctions**, and **loss of investor confidence**.

Business Objectives and ESG Alignment

For successful integration, ESG factors must not be treated as isolated initiatives or philanthropic efforts, but rather as fundamental components of a company's core strategy. This integration should drive value creation through **enhanced stakeholder engagement**, **cost efficiencies**, and **improved risk management**.

Companies must also consider the following key dimensions:

1. **Risk Mitigation:** Identifying and managing risks related to climate change, social equity, and governance failure is critical. For instance, companies in industries with high carbon emissions need to address climate risks by adopting **green technologies**, **energy efficiency programs**, and **renewable energy solutions**.
2. **Long-term Sustainability:** ESG considerations are essential to long-term business sustainability. Companies that embrace ESG practices are better positioned to navigate market disruptions caused by **climate change**, **resource scarcity**, and **social inequality**.
3. **Investor Expectations:** Investors are increasingly looking for companies that are committed to sustainability and transparent ESG practices. Integrating ESG into corporate strategy helps companies attract and retain long-term investors who value sustainability and ethical business practices.
4. **Market Differentiation and Reputation:** Businesses that lead in ESG practices can differentiate themselves in the market by demonstrating their commitment to responsible corporate conduct. This enhances their **brand reputation**, consumer trust, and loyalty.
5. **Regulatory Compliance:** As governments and regulators around the world introduce stricter ESG-related regulations, integrating these factors into business strategy is essential for ensuring compliance and avoiding penalties. For example, companies in the EU must comply with the **EU Non-Financial Reporting Directive (NFRD)**, while the **Securities and Exchange Board of India (SEBI)** mandates ESG disclosures for top-listed companies.

ESG and Risk Management

Effective risk management is a critical component of ESG integration. As businesses face increasing pressure to **reduce environmental impacts**, **support social development**, and uphold **ethical governance practices**, they must embed ESG factors into their **risk management frameworks**. Companies must identify, assess, and mitigate ESG risks to ensure their



long-term viability and protect against market volatility.

1. **Environmental Risks:** Climate change, resource depletion, and waste management are pressing environmental risks. Companies must adopt strategies that help mitigate these risks, such as **carbon footprint reduction, energy conservation, and sustainable sourcing practices**.
2. **Social Risks:** Social issues such as **labor rights, human rights violations, and community relations** present significant risks to businesses. Companies must ensure compliance with labor laws, implement **diversity and inclusion** initiatives, and engage with local communities to address social concerns.
3. **Governance Risks:** Governance-related risks include **fraud, insider trading, and ethical violations**. To mitigate these risks, companies must establish **strong internal controls, ethics policies, and robust board oversight**.

By proactively managing ESG risks, companies can protect their **brand reputation, financial performance, and operational resilience**.

Developing ESG Key Performance Indicators (KPIs)

Key Performance Indicators (KPIs) are vital tools for measuring and tracking progress in the integration of ESG factors into corporate strategy. ESG KPIs enable companies to assess their **environmental impact, social contribution, and governance effectiveness**. The development of relevant and measurable ESG KPIs is crucial for aligning business activities with **ESG goals** and ensuring transparency and accountability in performance reporting.

Environment-related KPIs

1. **Carbon Footprint:** Measurement of **greenhouse gas emissions** (CO₂ and other greenhouse gases) produced by a company's operations, supply chain, and product lifecycle.
 - **Example KPI:** Annual reduction in **Scope 1, 2, and 3 emissions** (direct, indirect, and supply chain emissions).
2. **Energy Efficiency:** Metrics related to a company's energy usage, including the percentage of energy derived from **renewable sources**.
 - **Example KPI:** Percentage of total energy consumption from **renewable energy sources**.
3. **Water Consumption:** Measurement of water usage and conservation efforts within operations.
 - **Example KPI:** Annual reduction in water usage and improvement in water recycling.
4. **Waste Management:** Metrics on waste generated, recycling, and responsible disposal practices.
 - **Example KPI:** Percentage of **waste diverted from landfills** or recycled.

Social-related KPIs

1. **Employee Diversity and Inclusion:** Measurement of workforce diversity, including gender, race, and ethnic diversity.
 - **Example KPI:** Percentage increase in **diversity in leadership roles**.
2. **Labor Practices:** Metrics on employee satisfaction, turnover rates, and adherence to labor laws.
 - **Example KPI:** Number of **labor law violations** reported and resolved annually.
3. **Community Engagement:** Measurement of a company's contribution to social causes and community development.
 - **Example KPI:** Percentage of **profits directed to community development initiatives**.
4. **Health and Safety:** Metrics related to employee health and safety records, including accident rates and wellness programs.
 - **Example KPI:** **Injury frequency rate (IFR)** and **lost time injury rate (LTIR)**.

Governance-related KPIs

1. **Board Independence and Diversity:** Metrics on the independence and diversity of the board of directors.
 - **Example KPI:** Percentage of **independent board members** and **female board members**.
2. **Ethics and Anti-Corruption:** Measurement of compliance with ethical standards, anti-corruption initiatives, and business integrity policies.
 - **Example KPI:** Number of **ethical violations** or **anti-corruption measures implemented**.
3. **Shareholder Rights and Engagement:** Metrics related to shareholder rights, engagement, and transparency in decision-making processes.
 - **Example KPI:** Percentage of **shareholder proposals addressed** in corporate meetings.



4. **Risk Management:** Measurement of risk mitigation practices, especially in relation to ESG risks.

- **Example KPI:** Number of **ESG risk assessments** conducted and integrated into decision-making.

Setting Sustainability Goals Based on National and International Frameworks

Setting clear, measurable sustainability goals is a vital step in ensuring the long-term success of ESG integration. Companies must align their sustainability goals with both **national regulations** and **international frameworks**, such as the **United Nations Sustainable Development Goals (SDGs)** and the **Paris Agreement on Climate Change**.

Alignment with the United Nations Sustainable Development Goals (SDGs)

The SDGs provide a comprehensive framework for companies to align their operations with global sustainable development priorities. By adopting SDGs, companies can contribute to tackling critical global challenges such as poverty, inequality, environmental degradation, and climate change. Common SDGs relevant to ESG integration include:

- **SDG 7 (Affordable and Clean Energy):** Companies can set goals related to **energy efficiency** and **renewable energy adoption**.
- **SDG 12 (Responsible Consumption and Production):** Companies can focus on **sustainable sourcing**, **resource efficiency**, and **waste reduction**.
- **SDG 13 (Climate Action):** Companies can set goals to reduce their **carbon emissions**, contribute to **climate resilience**, and invest in **green technologies**.
- **SDG 5 (Gender Equality):** Companies can promote **diversity and inclusion** and work towards **equal opportunities** in the workplace.

Alignment with the Paris Agreement on Climate Change

The **Paris Agreement** aims to limit global warming to below 2°C, with the ideal target being 1.5°C. Companies should set **carbon reduction targets** in line with national commitments to achieve climate goals. This can include:

- **Net-zero emissions targets** by 2050 or earlier.
- **Carbon offset programs** to neutralize unavoidable emissions.
- **Transition to renewable energy sources** and **energy-efficient technologies**.

By aligning their sustainability goals with these frameworks, companies can make significant contributions to global sustainability efforts while ensuring their own long-term profitability and success.

Conclusion and Suggestions

The increasing global focus on sustainability and responsible corporate behavior has positioned Environmental, Social, and Governance (ESG) reporting as a critical element in corporate governance and risk management. In India, mandatory ESG reporting has evolved through regulatory measures, particularly with the introduction of SEBI's Business Responsibility and Sustainability Report (BRSR) framework. This research has examined the legal obligations and management strategies associated with ESG reporting in India, highlighting key challenges, gaps in compliance, and opportunities for improvement. A thorough analysis of India's regulatory landscape, including the Companies Act, SEBI guidelines, and environmental protection laws, reveals that while regulatory mandates have laid the groundwork for ESG compliance, companies still struggle with implementation challenges. The absence of standardized ESG reporting frameworks, high compliance costs, risks of greenwashing, and data collection complexities continue to pose significant hurdles. Despite these challenges, effective ESG governance provides businesses with a strategic advantage, improving investor confidence, brand reputation, and long-term financial stability.

Globally, ESG compliance is becoming a decisive factor in investment decisions, regulatory scrutiny, and stakeholder expectations. Indian corporations must therefore move beyond mere compliance and integrate ESG into their core business strategies. This requires a paradigm shift in corporate leadership, innovation in sustainability practices, and active engagement with stakeholders. In light of these findings, this section presents recommendations for regulators, businesses, and policymakers to ensure more effective ESG implementation in India.

Recommendations

1. Strengthening Regulatory Framework and Policy Interventions

To improve ESG compliance in India, policymakers should introduce more comprehensive and standardized reporting frameworks that align with international best practices. Key recommendations include:

- **Harmonization with Global Standards:** Align India's ESG reporting framework with internationally recognized standards such as the Global Reporting Initiative (GRI), Task Force on Climate-Related Financial Disclosures



(TCFD), and Sustainability Accounting Standards Board (SASB) to ensure consistency in disclosures and facilitate cross-border investments.

- **Sector-Specific ESG Guidelines:** Develop industry-specific ESG disclosure requirements to address unique challenges faced by different sectors such as manufacturing, technology, finance, and healthcare.
- **Mandatory ESG Ratings and Assurance Mechanisms:** Introduce third-party ESG assurance and ratings to enhance the credibility of disclosures and minimize risks of greenwashing and misreporting.
- **Stronger Enforcement Measures:** SEBI and other regulatory bodies should impose penalties for non-compliance while offering incentives such as tax benefits or easier access to capital for companies demonstrating proactive ESG commitments.

2. Enhancing ESG Data Management and Technology Integration

Reliable data collection and reporting are critical for effective ESG compliance. Companies should leverage technology-driven solutions to improve the accuracy, efficiency, and transparency of their ESG reporting. Key recommendations include:

- **AI and Blockchain for ESG Data Verification:** Artificial intelligence (AI) and blockchain technologies can enhance real-time tracking, verification, and security of ESG data, reducing manipulation and discrepancies in reporting.
- **Automated ESG Reporting Systems:** Implement cloud-based platforms for automated ESG reporting, enabling companies to streamline compliance while reducing manual errors and reporting delays.
- **Standardized Data Metrics:** Develop a common taxonomy for ESG data to ensure consistency across industries and improve comparability for investors and stakeholders.

3. Capacity Building and Training Initiatives

For ESG compliance to be effectively implemented, organizations need a workforce that is well-trained in ESG principles, regulatory requirements, and sustainability strategies. Recommended initiatives include:

- **ESG Training Programs for Executives and Employees:** Conduct regular workshops and certification courses in collaboration with universities, regulatory bodies, and industry associations.
- **Integration of ESG in Business Education:** Indian business schools and law universities should incorporate ESG governance and reporting standards into their MBA and legal studies curricula.
- **Cross-Sector Knowledge Sharing:** Encourage industry leaders and corporations to share best practices and create ESG knowledge hubs for collaborative learning.

4. Promoting Corporate ESG Governance and Leadership Commitment

Corporate leadership plays a critical role in ensuring the successful adoption of ESG strategies. Organizations should build robust ESG governance structures through:

- **Board-Level ESG Committees:** Establish dedicated ESG committees within board structures to oversee sustainability initiatives, risk management, and compliance efforts.
- **ESG Performance-Linked Executive Compensation:** Tie executive bonuses and incentives to achievements in sustainability targets, thereby integrating ESG into corporate decision-making.
- **Transparent ESG Communication:** Companies should publish detailed annual ESG reports and engage in proactive stakeholder dialogues to demonstrate accountability and transparency.

5. Encouraging Stakeholder Engagement and Sustainable Investment

Investor activism and stakeholder engagement are crucial in driving ESG compliance. Businesses should adopt the following strategies to enhance investor confidence and stakeholder trust:

- **ESG-Based Investment Products:** Encourage banks, mutual funds, and institutional investors to offer ESG-linked investment instruments, such as green bonds and sustainability funds.
- **Greater Public-Private Collaboration:** Foster partnerships between corporations, government agencies, and NGOs to collectively promote sustainability initiatives.
- **Consumer Awareness and Ethical Branding:** Companies should engage consumers in their ESG journey by promoting sustainable products and responsible business practices.

6. Addressing Greenwashing and Strengthening ESG Accountability

To prevent greenwashing (false or misleading ESG claims), it is essential to enforce greater corporate accountability and transparency. Key recommendations include:



- **Mandatory Third-Party ESG Audits:** Independent external audits should be required to validate ESG disclosures and ensure compliance with reporting standards.
- **Stricter Regulations on ESG Advertising Claims:** Companies should be held accountable for exaggerated or misleading sustainability claims, and regulatory bodies should introduce guidelines similar to truth-in-advertising laws.
- **Real-Time ESG Monitoring Systems:** Regulators should deploy AI-powered compliance monitoring tools to detect false claims, carbon footprint misreporting, and unethical labor practices.

7. Future Roadmap for ESG Integration in India

The future of ESG reporting and sustainability in India requires a multi-stakeholder approach involving regulators, businesses, investors, and civil society. The government should:

- **Expand ESG Mandates Beyond Listed Companies:** Extend mandatory ESG reporting to private enterprises, SMEs, and startups, ensuring a comprehensive sustainability framework.
- **Encourage Green Innovation & Sustainable Business Models:** Offer R&D grants and financial incentives for companies adopting green technologies and circular economy practices.
- **Align ESG with India's Climate Goals:** Link corporate ESG strategies with India's commitment to net-zero emissions and sustainable development goals (SDGs).

Final Thoughts

The transition to **mandatory ESG reporting** marks a significant shift in India's corporate landscape. While challenges persist, the potential benefits—**enhanced transparency, improved investor confidence, stronger regulatory compliance, and sustainable business growth**—far outweigh the difficulties. By adopting **robust governance mechanisms, leveraging technology, and engaging in transparent reporting**, Indian businesses can not only meet regulatory expectations but also position themselves as global leaders in **sustainable corporate practices**.

Policymakers, businesses, and investors must work together to establish a **well-regulated, accountable, and forward-thinking ESG ecosystem** that drives long-term economic and environmental resilience. The recommendations presented in this research serve as a roadmap for ensuring that **India's ESG framework evolves into a globally competitive, investor-friendly, and sustainability-driven model**.

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