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Environmental, Social and Governance (ESG) Disclosures and Corporate Accountability in India: A Critical Analysis of SEBI's Post-2021 Regulatory Framework

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ABSTRACT:

The Environmental Social and Governance ESG framework has developed into a crucial method for assessing how companies perform their operations beyond standard financial assessment methods. The study investigates how ESG disclosure functions as a corporate accountability tool in India through an analysis of SEBI regulatory changes that occurred after 2021. The study examines how companies progressed from choosing to implement Corporate Social Responsibility CSR practices towards following mandatory sustainability reporting requirements established by the Business Responsibility and Sustainability Reporting BRSR system. The paper investigates the basic principles of ESG between its environmental and social and governance aspects and its implementation into corporate governance systems. The study tracks how sustainability disclosure regulations developed in India from 2011 through 2019 to the present day when Business Responsibility Reports transitioned into BRSR reporting. The research evaluates how ESG disclosure regulations operate in India by examining three specific laws, which include the SEBI Act 1992 and the LODR Regulations 2015 and the BRSR Core requirements that were introduced in 2023. The study assesses how ESG disclosure practices improve organizational transparency while protecting investors and ensuring stakeholders meet their responsibilities and organizations manage their risks. The research findings demonstrate that organizations in India have better transparency and accountability through ESG disclosure, but they still need to address significant challenges with their ESG implementation and enforcement processes. The study shows that organizations need to improve their corporate accountability through better regulatory oversight and ESG metric standardization and improved stakeholder communication, which will help them establish ESG disclosure as an evolving corporate governance practice in India.

Keywords: *Environmental, Social, Governance, Corporate Accountability, Disclosures.*

1. INTRODUCTION:

Environmental, Social and Governance (ESG) has developed into an essential framework which organizations use to measure their performance through sustainability assessment methods that go beyond standard financial evaluation techniques. ESG establishes environmental assessment criteria and social accountability standards and governance evaluation benchmarks which enable stakeholders to evaluate a company's sustainability record and ethical behaviour.[1] Investors and regulators have raised requirements for companies to disclose their business operations because global climate change and corporate wrongdoing and social inequality issues have become more pressing. The traditional approach to corporate governance in India established financial reporting as the main focus while shareholders gained maximum value from their investments. Corporate sustainability has expanded its definition to include three areas which companies need to tackle: environmental conservation and social equity and ethical business governance.[2] ESG has shifted corporate governance from its previous shareholder-centered framework, which organizations needed to follow, to a stakeholder-oriented approach that requires companies to manage their economic outcomes together with their environmental and social duties.

Globally, ESG disclosure gained traction after the United Nations Global Compact published Who Cares Wins, which advocated for investors to include sustainability considerations in their financial decision-making.[3] Institutional investors started to use ESG indicators for assessing corporate risk evaluation and long-term value assessment after this period. The global investment industry reports that more than trillions of dollars have been invested in ESG-related projects, which illustrates how sustainability has become essential in financial markets.[4]

The Securities and Exchange Board of India (SEBI) has established regulatory guidelines which have led to improved ESG disclosure regulations in India. The first phase of sustainability reporting started as a voluntary program which only covered Corporate Social Responsibility (CSR) activities.[5] The Business Responsibility Report (BRR) system established in 2012 created an organized method for sustainability reporting, which began with its implementation. This system required companies listed on stock exchanges to present their non-financial data, which showed their environmental and social performance to the public.

SEBI established a new regulatory structure in 2021 with its implementation of the Business Responsibility and Sustainability Reporting (BRSR) framework, which replaced the existing BRR system.[6] BRSR made ESG disclosure mandatory for the top 1000 listed companies by market capitalization and introduced standardized metrics for sustainability reporting. The development transforms the disclosure approach

[1] OECD, ESG Investing and Climate Transition (2023).
[2] Andrew Keay, Stakeholder Theory in Corporate Law, 47 COMMON L. WORLD REV. 1 (2018).
[3] U.N. Global Compact, Who Cares Wins (2004).
[4] Global Sustainable Investment Alliance, Global Sustainable Investment Review (2022).
[5] SEBI, Circular No. CIR/CFD/DIL/8/2012 (Aug. 13, 2012).
[6] SEBI, Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (May 10, 2021).

from voluntary practices to mandatory requirements, which enhances the mechanisms for corporate accountability.

The organization has made progress in developing regulations, yet the organization continues to face obstacles which limit its ability to implement ESG disclosure standards. A large number of organizations disclose their ESG data yet the information presents quality gaps and reliability gaps. Companies fail to comply with two major environmental reporting requirements because they report only partial environmental data which includes Scope 3 emissions and water consumption information. The reporting practices need standardized procedures while enforcement mechanisms require more powerful tools to enable effective implementation. ESG disclosure functions as an essential mechanism for contemporary corporate governance, which establishes transparent business operations and responsible practices while supporting sustainable corporate operations. Indian regulations have undergone a sustainable transformation through 2021 reforms, which now require companies to include sustainability practices in their corporate governance frameworks. The current methods of enforcing corporate accountability need assessment to determine their practical effectiveness in achieving their goals.

1.2 Significance of the Study

The significance of ESG disclosure lies in its ability to enhance corporate accountability by requiring companies to disclose non-financial information that affects stakeholders and the environment.[7] ESG reporting provides investors with critical insights into corporate risk management practices, thereby influencing investment decisions and capital allocation.

For investors, ESG disclosures serve as an important tool for evaluating long-term sustainability and risk exposure. Companies with strong ESG performance are generally perceived as more resilient and less prone to regulatory penalties and reputational risks.[8] Consequently, ESG reporting has become a key determinant of investment strategies, particularly among institutional investors. From a regulatory perspective, ESG disclosure enables authorities such as SEBI and the Ministry of Corporate Affairs to monitor corporate conduct and ensure compliance with sustainability standards. The BRSR framework has introduced greater transparency in corporate reporting by requiring companies to disclose standardized ESG metrics.[9] This enhances regulatory oversight and reduces information asymmetry in capital markets. ESG disclosure also contributes to achieving sustainable development goals by encouraging companies to adopt environmentally responsible practices and promote social welfare. Corporate activities have significant environmental and social impacts, and ESG reporting ensures that companies are held accountable for their actions.[10] In the Indian context, ESG disclosure is particularly relevant due to increasing foreign investment and globalization. International investors often evaluate companies based

[7] D. Chandra, Evaluating ESG Regulatory Framework in India, 12 INDIAN J. L. & GOV. 45 (2025).
[8] Sahu, ESG Disclosure and Firm Performance, 2025 J. FIN. & SUSTAINABILITY.
[9] SEBI, BRSR Framework (2021).
[10] UNDP India, CSR and SDGs Report (2020).

on ESG performance before investing in emerging markets. The adoption of standardized ESG reporting frameworks enhances the credibility of Indian companies in global financial markets.

Therefore, this study is significant as it critically examines the effectiveness of SEBI's ESG regulatory framework in improving corporate accountability. It also contributes to academic discourse by analysing whether mandatory ESG disclosure can ensure responsible corporate behaviour in India.

2. CONCEPTUAL FRAMEWORK OF ESG AND CORPORATE ACCOUNTABILITY

2.1 Origin and Development of ESG

The Environmental Social and Governance ESG framework emerged from initial discussions about sustainable development and responsible business practices.[11] The global environmental movement established ESG principles during the late twentieth century after the Brundtland Report introduced sustainable development. The corporate world adopted ESG through Corporate Social Responsibility CSR programs, which encouraged companies to support philanthropic and social welfare activities.[12] CSR programs existed as voluntary initiatives that organizations could choose to implement without established standards which created difficulties for organizations to prove their social responsibility. The need for companies to document their environmental activities in a standardized way created the demand for ESG as a complete solution.

The development of ESG reached its major turning point when the United Nations Global Compact published its 2004 report Who Cares Wins which established ESG factors as essential for investment decisions.[13] The report showed that companies who adopted environmental and social and governance practices would experience better financial results while decreasing their investment dangers. ESG became widely accepted by both institutional investors and regulatory bodies. ESG development in India progressed through regulatory changes which improved corporate governance and sustainability reporting requirements. The introduction of CSR provisions under the Companies Act 2013 marked an important step toward integrating social responsibility into corporate law.[14] SEBI introduced the Business Responsibility Report BRR in 2012 which required listed companies to disclose non-financial performance indicators.

SEBI introduced the Business Responsibility and Sustainability Reporting BRSR framework in 2021 as the most important development of that year. The BRSR framework which replaced BRR established standardized ESG disclosure requirements that all top 1000 listed companies must follow for their sustainability reporting. The development of ESG in India shifted from voluntary CSR programs to a system that requires companies to publicly disclose their environmental activities through regulatory requirements.

[11] World Comm'n on Env't & Dev., Our Common Future (1987).
[12] Ramanathan, Corporate Social Responsibility in India (2019).
[13] U.N. Global Compact, Who Cares Wins (2004).
[14] Companies Act, No. 18 of 2013, section 135, INDIA CODE.

2.2 Meaning and Components of ESG

Environmental Social and Governance ESG represents a framework which organizations use to assess their performance through sustainability and ethical governance standards.[15] The ESG framework measures corporate performance through three essential elements which include Environmental assessment social assessment and Governance assessment.

The three key components of the ESG framework include:

- Environmental
- Social
- Governance

These components serve to deliver complete evaluation of corporate activities which reveal their effects on stakeholders.

2.2.1 Environmental Component

The environmental component of ESG focuses on the impact of corporate activities on natural resources and ecological systems. The environmental component of ESG includes climate change and carbon emissions and waste management and pollution control.[16]

Regulators and investors now look at climate change as a serious problem because industrial activities produce major greenhouse gas emissions. Companies must show their carbon footprint at present and they must take steps to cut down their emissions.9 The BRSR ESG reporting framework requires businesses to share their energy usage and emissions data together with their environmental risk assessment practices. Stakeholders need carbon emissions reporting because it shows them how much a company contributes to global warming. Companies must report their Scope 1 Scope 2 and Scope 3 emissions to show their total environmental impact.[17]

The two essential elements of environmental sustainability involve waste management together with pollution control efforts. The Environment Protection Act 1986 requires companies to protect the environment from destruction according to Indian laws.[18] Businesses must fulfill their legal duties through ESG disclosure which shows their environmental practices to the public. The environmental component of ESG pushes companies to adopt sustainable business methods which help them decrease their environmental damage.

2.2.2 Social Component

The social element of ESG establishes corporate obligations to treat their workforce, customers, and the wider community with proper respect. The social element of ESG establishes corporate obligations to treat their workforce, customers, and the wider community with proper respect. The social element of ESG

[15] OECD, ESG Investing and Climate Transition (2023).
[16] UNEP, Environmental Risk Report (2022).
[17] Carbon Disclosure Project India Report (2024).
[18] Environment Protection Act, No. 29 of 1986, INDIA CODE.

established obligations for businesses to treat their workforce, customers, and the wider community with proper respect. The social component of ESG establishes corporate obligations to treat their workforce, customers, and the wider community with proper respect. The social aspect of ESG requires businesses to treat their staff who work for them and their customers and the entire community with respect. The social element of ESG establishes corporate obligations to treat their workforce, customers, and the wider community with proper respect. The social element of ESG established obligations for businesses to treat their workforce, customers, and the wider community with proper respect.

The social element of ESG established obligations for businesses to treat their workforce, customers, and the wider community with proper respect. The social element of ESG established obligations for businesses to treat their workforce, customers, and the wider community with proper respect. Social sustainability depends on organizations following all labour regulations that govern their operations. Indian labour laws require companies to provide fair working conditions and employee welfare according to the Industrial Relations Code 2020 and other applicable regulations. Companies need to disclose their workplace safety policies and employee benefits policies and their diversity initiatives according to ESG disclosure requirements.

Gender equality has emerged as a crucial indicator for ESG evaluation. The Companies Act 2013 mandates certain companies to appoint at least one woman director, thereby promoting gender diversity in corporate governance.[19] The Companies Act 2013 requires certain companies to appoint one woman director to their board as part of their mandate. The Companies Act 2013 mandates all specified organizations to onboard at least one female board member for their governance structure. The Companies Act 2013 requires certain companies to appoint one woman director to their board as part of their mandate. The Companies Act 2013 requires certain companies to appoint one woman director to their board as part of their mandate. The Companies Act 2013 mandates specific companies to designate one female director for their board. The Companies Act 2013 requires certain companies to appoint one woman director to their board as part of their mandate. Consumer protection stands as an essential element of the social component of ESG.

The Consumer Protection Act 2019 requires companies to provide safe products while maintaining honest trading methods. ESG reporting requires companies to share their consumer grievance handling methods along with their product quality standards which boosts transparency.[20] ESG reporting requires companies to share their consumer grievance handling methods along with their product quality standards which boosts transparency.

ESG includes human rights protection as a vital component of its framework. Companies should guarantee their business operations do not infringe upon essential rights which include restrictions for supply chain management and employment methods. The social component enables organizations to conduct their

[19] Companies Act, No. 18 of 2013, section 149.

[20] Consumer Protection Act, No. 35 of 2019, INDIA CODE.

business operations in an ethical manner while they uphold their responsibility to all their stakeholders. The social component enables organizations to conduct their business operations in an ethical manner while they uphold their responsibility to all their stakeholders.

2.2.3 Governance Component

The governance component of ESG focuses on corporate decision-making structures, transparency, and accountability mechanisms.[21] It includes three corporate governance practices which include board composition and shareholder rights and ethical conduct. The Companies Act 2013 and SEBI LODR Regulations 2015 serve as the main framework that governs corporate governance in India. These laws impose obligations which require organizations to maintain board independence and establish audit committees and complete their disclosure duties. The governance framework uses board structure as its primary indicator. Independent directors work to maintain transparent processes while preventing any potential conflicts of interest.[22] Protection of shareholder rights constitutes another essential element. Companies must ensure fair treatment of minority shareholders and provide transparent voting mechanisms.[23]

The governance structure centers on two essential components which include transparency and disclosure. ESG reporting enhances transparency by requiring companies to disclose sustainability-related information that may affect long-term performance. The governance component establishes corporate accountability standards while it safeguards ethical management practices.

2.3 ESG vs Corporate Social Responsibility (CSR)

The concepts of Corporate Social Responsibility and ESG exist as separate entities which maintain a connection between them. The CSR framework establishes voluntary social responsibility requirements which companies must follow to achieve their sustainability objectives through ESG reporting.

The Companies Act 2013 established CSR as a compulsory requirement for Indian companies through Section 135 which mandated that companies must allocate a percentage of their profits toward social welfare programs.[24] Companies use CSR to track their spending activities instead of measuring their actual performance results. The ESG framework uses performance metrics which include emissions data and labour practices and governance standards to assess environmental sustainability. The BRSR regulatory framework requires ESG disclosure which extends beyond the CSR disclosure requirements to create a more complete reporting system. The ESG framework represents a progression from CSR through its transformation of voluntary corporate giving into binding requirements for organizational sustainability practices.

[21] OECD, Corporate Governance Principles (2015).
[22] ICSI, Corporate Governance Guide (2023).
[23] Companies Act, No. 18 of 2013, section 166.
[24] Companies Act, No. 18 of 2013, section 135.

2.4 Concept of Corporate Accountability

Corporate accountability refers to the responsibility of companies to act transparently and ethically toward stakeholders.[9] The company must fulfill its legal obligations and environmental safeguards and social responsibility commitments. Corporate accountability gets enhanced through ESG disclosure because it mandates companies to reveal their non-financial data which impacts stakeholders. The process helps to decrease information gaps while it encourages companies to practice responsible behaviour.

2.5 Theories related to Corporate Governance

The stakeholder theory requires companies to consider the interests of all stakeholders instead of focusing only on shareholder needs. The ESG framework demonstrates this principle through its focus on social and environmental obligations. The agency theory explains management-shareholder conflict by showing that both parties need to establish their interests through open disclosure and transparency. The implementation of ESG reporting systems, which enhance corporate accountability, helps to mitigate conflicts between organizations.

According to legitimacy theory, organizations implement ESG measures to protect their public image and social acceptance. The ESG disclosure process helps organizations establish their legitimacy by showing their adherence to sustainability standards.

2.6 ESG as Tool of Risk Management

Environmental, social and governance risks get identified through ESG which functions as a risk management tool for organizations. Strong ESG performance enables companies to reduce their chances of facing regulatory penalties and damaging their public image.

2.7 ESG and Fiduciary Duty of Directors

The Companies Act 2013 requires directors to fulfill their fiduciary duties by performing their responsibilities.31 Directors must now evaluate sustainability risks together with stakeholder needs because of ESG regulations which expand their existing duties.

3. EVOLUTION OF SUSTAINABILITY AND DISCLOSURE NORMS IN INDIA

3.1 Development of Corporate Governance in India

The evolution of corporate governance in India has experienced substantial changes during the last several decades because economic liberalization and globalization and the need for improved investor trust developed. The Companies Act 1956 established the basic principles of corporate management and accountability which serve as the foundation for today's corporate governance system.[25] The modern system of corporate governance began to develop after the 1991 economic reforms which opened Indian markets to foreign investment and required international governance standards for implementation.[26]

[25] Companies Act, No. 1 of 1956, INDIA CODE.
[26] Afra Afsharipour, Corporate Governance in India, 29 NW. J. INT'L L. & BUS. 335 (2009).

The Confederation of Indian Industry (CII) introduced the first voluntary code on corporate governance in 1998 which established requirements for organizations to maintain transparency and accountability while conducting their operations with ethical standards.[27] The Kumar Mangalam Birla Committee Report (1999) introduced Clause 49 in the Listing Agreement which required organizations to have independent directors and audit committees as mandatory requirements.[28] The Satyam scandal and other corporate scandals demonstrated the existence of governance problems which resulted in the implementation of more reforms. The Naresh Chandra Committee (2002) and Narayana Murthy Committee (2003) recommended organizations to improve their disclosure standards and maintain board independence.[29]

The Companies Act 2013 marked a significant milestone by establishing new governance requirements which included director duties and mandatory audit committees and expanded disclosure obligations.[30] The established developments created the basic structure which organizations need to implement sustainability practices into their corporate governance systems.

3.2 CSR under Companies Act 2013

The Companies Act 2013 Section 135 established statutory CSR requirements for Indian companies which made India the first country to require mandatory CSR spending.[31] Companies that reach specific financial requirements must allocate 2% of their average net profits for CSR initiatives.[32]

The CSR provisions function as a tool for companies to create social advantages and environmental benefits, which leads to inclusive economic development. Schedule VII of the Act identifies approved CSR activities which include poverty alleviation, education, gender equality, and environmental protection.[33]

Corporate organizations must reveal their CSR strategies and financial spending and execution information through their annual reports according to CSR reporting requirements. The process enables organizations to demonstrate their social responsibility activities.

The CSR system has two main problems because it directs organizations to allocate their resources for CSR instead of achieving actual results. Organizations developed ESG frameworks to replace traditional financial metrics with sustainability measurement systems, which assess actual performance.[34]

3.3 National Voluntary Guidelines 2011

The Ministry of Corporate Affairs introduced the National Voluntary Guidelines (NVGs) in 2011 to promote responsible business conduct. These guidelines provided a framework for integrating environmental, social, and governance considerations into corporate operations. The NVGs consist of nine principles covering areas such as ethical governance, employee welfare, environmental sustainability, and

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[27] Confederation of Indian Industry, Corporate Governance Code (1998).
[28] SEBI, Kumar Mangalam Birla Committee Report (2000).
[29] SEBI, Narayana Murthy Committee Report (2003).
[30] Companies Act, No. 18 of 2013.
[31] Ibid section 135.
[32] Ibid.
[33] Ibid sch. VII.
[34] IICA, CSR and Sustainability Report (2018).

stakeholder engagement. These principles encouraged companies to adopt sustainable practices and disclose non-financial information.

SEBI mandated the top 100 listed companies to submit Business Responsibility Reports based on NVGs, marking the beginning of structured sustainability disclosure in India.

3.4 National Guidelines on Responsible Business Conduct 2019

The National Guidelines on Responsible Business Conduct (NGRBC) replaced NVGs in 2019 to align Indian standards with global sustainability frameworks. The established guidelines promote ethical governance methods as well as protection of human rights and environmental resources while enabling economic growth for all people.

NGRBC is aligned with international frameworks such as the United Nations Sustainable Development Goals (SDGs) and the UN Guiding Principles on Business and Human Rights. The alignment shows India's dedication to following international sustainability requirements. The NGRBC framework establishes the basic requirements for organizations to report their environmental social and governance activities through the BRSR framework which SEBI introduced.

3.5 Business Responsibility Report (BRR)

The Business Responsibility Report (BRR) was introduced by SEBI in 2012 as mandatory disclosure requirement for top listed companies.[35] BRR required companies to disclose non-financial information based on NVG principles. BRR expanded its scope over time to include the top 1000 listed companies because sustainability reporting had gained greater significance at that point in time.[36]

BRR faced criticism because it did not establish standard metrics which would enable comparisons between organizations. Organizations delivered qualitative disclosures which they could not measure, thus diminishing the framework's practical utility.

3.6 Emergence of ESG Reporting in India

India has seen its first ESG reporting systems because investors demanded them and regulatory bodies developed new rules while global sustainability efforts advanced. Institutional investors now use ESG criteria to decide on their investments which has resulted in more companies disclosing their sustainability practices. Studies indicate that companies with strong ESG performance attract higher investor confidence and demonstrate better financial stability. The new regulations have motivated companies to start ESG programs while they enhance their transparency practices.

3.7 Transition from BRR to BRSR

India's sustainability reporting system underwent a fundamental transformation through the 2021 shift from BRR to BRSR. BRSR established standardized ESG disclosure standards which included quantitative requirements enabling organizations to compare their results and maintain transparent operations.

[35] SEBI BRR Circular (2012).
[36] SEBI Expansion Circular (2019).

The data demonstrates that implementation difficulties continue to affect the process. About 51% of companies report their Scope 3 emissions but only 30% of companies provide complete water usage details and less than 35% of companies have ESG assurance.[37] The data shows how businesses fail to meet regulatory standards which leads to ongoing development of ESG reporting practices in India.

3.8 Role of SEBI in ESG Governance

SEBI controls ESG reporting through its LODR Regulations and BRSR framework which requires organizations to disclose their sustainability performance. The organization requires companies to reveal their sustainability data which serves two purposes. The first purpose is to create transparent standards for companies to follow their sustainability performance. The second purpose protects investors by ensuring organizations make their sustainability data public.

3.9 Importance of ESG Disclosure in Indian Companies

The disclosure of ESG information improves transparency at companies which enables investors to evaluate their long-term risks. The practice serves two purposes by promoting persistent business operations while establishing stronger corporate responsibility standards.

CHAPTER IV: REGULATORY FRAMEWORK GOVERNING ESG DISCLOSURE IN INDIA

4.1 Legal Framework of Corporate Disclosure in India

Corporate disclosure in India requires compliance with three distinct elements which include statutory laws and regulatory mechanisms and SEBI and MCA guidelines. The disclosure obligations work as essential tools which help organizations achieve transparency while decreasing information gaps and safeguarding investor rights.[38]

The Companies Act 2013 establishes the primary legal framework which oversees corporate disclosure requirements. Companies must disclose their complete financial statements together with board reports and risk management procedures according to the law.[39] The law requires companies to disclose all essential information which has an impact on their financial results and their governance methods according to section 134. SEBI enforces disclosure regulations for publicly traded companies through its various regulations and circulars which cover both statutory obligations and additional disclosure requirements. These requirements require companies to disclose all significant events and all information related to their sustainability efforts in a timely manner.[40] Companies now need to provide ESG disclosure because it requires them to report on their non-financial performance through environmental and social and governance metrics. This demonstrates a transition towards complete corporate responsibility.

[37] PwC India ESG Report (2024); IICSR Report (2024).
[38] OECD, Corporate Disclosure Report (2019).
[39] Companies Act, No. 18 of 2013, § 134.
[40] SEBI LODR Regulations 2015.

4.2 SEBI Act 1992

The Securities and Exchange Board of India Act 1992 provides the statutory authority for regulating securities markets and ensuring investor protection.[41] SEBI uses its Section 11 powers to control stock exchanges and listed companies which helps to maintain transparency and equitable business operations.[42] SEBI exercises its powers through regulations, circulars, and enforcement actions. The organization functions as vital component for establishing sustainable corporate governance systems through its requirement that all public companies disclose environmental, social and governance information.[43]

The Act also empowers SEBI to take action against fraudulent practices and non-compliance, thereby strengthening enforcement of disclosure requirements.

4.3 SEBI LODR Regulations 2015

The SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 provide a comprehensive framework for disclosure obligations of listed companies.[44] The regulations establish requirements for companies to provide transparent information which protects the rights of their investors. Regulation 30 requires disclosure of material events that may affect share prices, while Regulation 34 mandates inclusion of corporate governance and sustainability reports in annual reports.[45]

The LODR framework serves as the legal basis for ESG disclosure requirements introduced under BRSR. Corporate reporting now includes sustainability information through this regulation which mandates its complete integration into corporate reporting.

4.4 BRSR Framework 2021

The Business Responsibility and Sustainability Reporting (BRSR) framework introduced by SEBI in 2021 represents a significant advancement in ESG disclosure regulation.[46] The new framework BRSR replaced BRR framework as the new standard which required all top 1000 listed companies to perform mandatory ESG reporting.

The BRSR framework consists of nine principles which organizations must follow according to the National Guidelines on Responsible Business Conduct (NGRBC).[47] The principles include environmental sustainability, employee welfare, ethical governance, and stakeholder engagement as their main areas of application. BRSR introduces standardized disclosure formats which include essential indicators and leadership indicators as their main components. Essential indicators are mandatory while leadership indicators are voluntary indicators which show advanced sustainability practices.[48]

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[41] SEBI Act, No. 15 of 1992.
[42] Ibid section 11.
[43] SEBI ESG Disclosure Framework (2021).
[44] SEBI LODR Regulations 2015.
[45] Ibid. regs. 30, 34.
[46] SEBI Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (2021).
[47] MCA, NGRBC (2019).
[48] SEBI BRSR Guidelines (2021).

The framework requires companies to disclose quantitative data on environmental performance which includes their greenhouse gas emissions and energy consumption and waste management activities. The social indicators measure employee welfare and diversity and human rights practices while governance indicators assess board composition and transparency and ethical conduct standards.[49]

BRSR has established better common ground between organizations because it enhances both ESG reporting capacity and their capability to produce consistent results. The process of obtaining accurate and trustworthy disclosure remains difficult for monitoring organizations because these problems still exist.

4.5 BRSR Core 2023

The BRSR Core framework was established by SEBI in 2023 to enhance ESG disclosure requirements. The BRSR Core system requires organizations to disclose essential performance metrics through independent verification processes. BRSR Core functions to improve the reliability and authenticity of environmental social governance data. The system contains measurement systems which track emissions and water consumption and employee benefits and organizational governance activities.[50]

The structure now requires organizations to disclose their entire value chain which includes their environmental social governance results from their suppliers and business partners.[51] This development enables organizations to extend their responsibility for corporate governance matters beyond their direct operations. The BRSR Core implementation process will begin with top listed entities and progressively extend to all organizations through its phased system.

4.6 ESG Disclosure Requirements under BRSR

Companies must disclose their environmental and social and governance information according to BRSR which requires three different disclosure categories.[52] Environmental indicators track greenhouse gas emissions and energy use and water consumption and waste disposal activities. The information disclosed through these channels enables organizations to evaluate their environmental footprint together with their sustainability efforts.[53] Social indicators measure the protection of workers and the adherence to labour laws and the presence of gender diversity and the protection of consumer rights.

Companies must share their workplace safety and human rights policies and their related procedures.[54] Governance indicators assess board member distribution together with director independence and anti-corruption protocols and organizational transparency methods.19 The disclosure process establishes a system which holds organizations accountable while they practice ethical business conduct. BRSR provides investors with a standardized framework which allows them to compare companies while they assess ESG performance across different organizations.

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[49] ICAI Sustainability Reporting Guide (2024).
[50] Deloitte India ESG Report (2023).
[51] Khaitan & Co. ESG Advisory (2023).
[52] ICAI ESG Reporting Standards (2023).
[53] Carbon Disclosure Project India (2023).
[54] ILO Labour Standards Report (2022).

4.7 Role of Ministry of Corporate Affairs

The Ministry of Corporate Affairs plays a key role in promoting sustainability and responsible business conduct through its work. The National Guidelines on Responsible Business Conduct NGRBC serve as the foundation for ESG reporting in India which the organization introduced.

The MCA oversees CSR activities together with corporate disclosure requirements according to the Companies Act 2013. The organization uses its policy initiatives and guidelines to create environmental social and governance ESG governance frameworks.

4.8 Role of Stock Exchanges

The NSE and BSE stock exchanges operate as essential bodies which implement disclosure regulations that companies must follow.[55] Every public company must submit its environmental social and governance reports together with its yearly financial documents. The stock exchanges observe LODR regulation compliance while they verify that companies meet their disclosure obligations. The organizations function as bridge entities which connect regulatory bodies with public companies.

4.9 Enforcement Mechanism

The Securities and Exchange Board of India (SEBI) enforces environmental, social, and governance (ESG) disclosure standards through its monitoring and inspection activities together with its system of imposing fines. The penalties for non-compliance include monetary fines and trading suspension together with additional regulatory enforcement measures. BRSR Core and assurance requirements establish enforcement mechanisms for environmental, social, and governance (ESG) data by confirming the precise results of ESG performance assessment. The verification process needs standardized methods to achieve successful enforcement of rules.

4.10 Penalties for Non-Compliance

The SEBI Act 1992 together with LODR Regulations imposes penalties on organizations that fail to meet their disclosure obligations. The law established in Section 15HB creates monetary fines which apply to all offenses committed against its provisions.[56] The practice of companies delivering false ESG information results in two negative outcomes which include damage to their public image and decreased trust from their investors. The existence of penalty provisions creates a fundamental mechanism which helps organizations maintain compliance while increasing their responsibility toward corporate governance.

5. ESG DISCLOSURE AS MECHANISM OF CORPORATE ACCOUNTABILITY

5.1 ESG Disclosure and Transparency

ESG disclosure plays a crucial role in enhancing corporate transparency by requiring companies to disclose non-financial information related to environmental social and governance practices. The traditional approach to corporate disclosure required businesses to provide financial statements as their only

[55] NSE Compliance Guidelines (2022).
[56] SEBI Act 1992 section 15HB.

disclosure method which ESG reporting now expands to include all sustainability-related risks and impacts. The extended disclosure framework enables companies to disclose information which leads to better accountability because it decreases information gaps between corporate management and stakeholders.

The introduction of Business Responsibility and Sustainability Reporting BRSR framework by SEBI has improved corporate reporting transparency for Indian companies. BRSR requires companies to create standardized ESG disclosures which allows for cross-company comparison and consistency. Companies face difficulties when they need to ensure all disclosed information meets accuracy and completeness standards despite these emerging technologies.

5.2 ESG and Corporate Governance

The process of ESG disclosure has a direct connection to corporate governance because it helps organizations achieve greater accountability and make more ethical decisions. The implementation of effective ESG practices depends on governance mechanisms which include board independence and audit committees and disclosure requirements.[57]

The ESG governance element requires companies to use open methods which stop conflicts of interest while meeting their regulatory obligations. Organizations with strong governance systems achieve better ESG results because these systems enable teams to monitor their sustainability programs.[58]ESG reporting functions as a corporate governance extension which enables organizations to incorporate sustainability factors into their decision-making processes.

5.3 ESG Disclosure and Investor Protection

ESG disclosure functions as an essential mechanism that protects investors by delivering essential information about non-financial risks which may impact corporate performance. Investors use ESG data to evaluate the sustainability of companies while assessing their potential risks. Investors prefer companies which demonstrate strong ESG performance because they consider these businesses to have lower risk and greater stability. The absence of ESG disclosure creates an environment that generates uncertainty which results in decreased investor trust.

SEBI's BRSR framework protects investors through its requirement that companies present their ESG data in established standardized formats which enhance investor protection. The system provides investors with complete data which enables them to make informed decisions.

5.4 ESG and Stakeholder Protection

The concept of ESG requires companies to consider all stakeholder interests according to stakeholder theory which states that companies must meet the needs of all their stakeholders. The ESG disclosure requirement establishes a system through which companies must demonstrate their responsibility for all

[57] OECD, Corporate Governance Principles (2015).
[58] Maji & Lohia, ESG Governance Study (2023).

their social and environmental effects. The company uses social indicators which include labour practices human rights and community engagement to demonstrate its responsibility toward its stakeholders.

ESG reporting protects stakeholders through its promotion of ethical business practices which prevent companies from conducting operations that would harm society.

5.5 ESG Disclosure and Risk Management

ESG disclosure functions as an important tool for identifying and managing corporate risks. Environmental risks such as climate change and social risks which include labour disputes and governance risks which consist of corruption have the potential to create major disruptions for businesses. ESG reporting requires companies to disclose their risks which allows stakeholders to identify potential problems and develop strategies for their prevention. Companies which have strong ESG practices can better handle risks while they work to achieve their long-term sustainability goals.

ESG disclosure improves corporate resilience and stability through its function of risk management which operates within organizational governance structures.

5.6 ESG and Board Responsibility

The board of directors has taken on more responsibilities because ESG disclosure requirements now exist. Directors are now expected to oversee sustainability practices and ensure compliance with ESG standards. The Companies Act 2013 requires directors to perform their fiduciary duties by acting in the best interest of the company. ESG factors extend this obligation to include environmental and social aspects which impact long-term business outcomes.[59]

The board of directors uses its ESG reporting oversight function to guarantee that all disclosed information remains both accurate and faithfully reported. This process improves governance systems while it strengthens corporate accountability.

5.7 ESG and Prevention of Corporate Fraud

ESG disclosure functions as a fraud prevention method because it establishes transparent pathways for organizations to demonstrate their accountability. Organizations which fail to provide complete disclosure information together with insufficient governance controls will experience an increase in fraudulent activities.

ESG reporting mandates companies to share complete operational details which creates an environment that decreases chances for dishonest practices to occur. The prevention of fraud requires governance indicators to include both audit mechanisms and internal controls as their essential components. The implementation of ESG disclosure functions as a corporate misconduct prevention tool which simultaneously strengthens the honest execution of business operations.

[59] Companies Act, No. 18 of 2013, § 166.

5.8 Issue of Greenwashing

The environmental, social, and governance disclosure system provides advantages. However, organizations need to handle the environmental protection journey because of their current environmental protection practices. Greenwashing refers to the practice of providing misleading or exaggerated claims about environmental or social performance.

The absence of strict verification mechanisms enables companies to use their ESG reports as marketing tools instead of authentic accountability. The ESG disclosure system loses its credibility because of this practice, which also creates false information for investors. The regulatory bodies demand assurance requirements through BRSR Core to verify the accuracy and reliability of ESG data. The system needs more reforms to improve enforcement abilities and stop people from abusing the system.

5.9 ESG and Market Reputation

The corporate image and brand value of a company gets affected by its ESG disclosure practices. Companies with strong ESG performance are perceived as responsible and trustworthy, which enhances their market reputation. Positive ESG performance attracts investors while improving stakeholder relations and producing long-term financial gains. Poor ESG practices lead to damage of corporate reputation which causes investors to lose their trust in the company. The disclosure of ESG information enables companies to demonstrate their social responsibility while building a foundation for their long-term business growth.

6. CONCLUSION

The introduction of Environmental Social and Governance ESG disclosure requirements has created a major change in how Indian companies demonstrate their accountability. The shift from optional corporate social responsibility methods to mandatory structured reporting requirements shows a fundamental change in corporate governance practices. The Securities and Exchange Board of India has introduced new regulatory requirements through its Business Responsibility and Sustainability Reporting BRSR framework which requires companies to report their sustainability-related risks and impacts in addition to their financial results. The development enables stakeholders to evaluate corporate behaviour through enhanced transparency which provides them with more complete information about corporate operations.

The Indian regulatory system has established ESG disclosure requirements which demonstrate the country's commitment to international sustainability standards. The BRSR framework requires companies to disclose their environmental social and governance performance indicators which helps create stronger accountability systems and better assessment of corporate achievements. Through its policies investors gain knowledge about non-financial risks which have the potential to impact a company's future financial performance. Despite these improvements multiple difficulties continue to hinder organizations from effectively carrying out their ESG disclosure obligations. Existing research demonstrates that ESG disclosures between organizations show different levels of accuracy and trustworthy content because of their environmental data and independent assurance requirements. Organizations use greenwashing to harm ESG reporting trust because they choose to show false content which makes their public persona look better. The enforcement systems need improvement because their current capabilities prevent regulatory measures from achieving optimal results.

The study demonstrates that ESG disclosure serves as an effective corporate accountability tool which functions only when regulatory authorities maintain control while all organizations follow the same rules. The BRSR framework has established important progress, but it requires additional changes to help businesses meet their regulatory obligations. The ESG disclosure system in India continues its transitional period because regulatory authorities established their objectives yet the system still faces challenges with law enforcement and consistent operations.

7. SUGGESTIONS

The effectiveness of ESG disclosure in India can be enhanced by strengthening regulatory enforcement mechanisms and ensuring stricter compliance monitoring. Regulatory authorities should implement stronger verification systems which need all listed companies to obtain third-party validation before making their ESG disclosures. This development will enhance sustainability data credibility and reliability while decreasing the chances of incorrect sustainability disclosures.

There is a need to develop uniform and standardized ESG metrics that can be consistently applied across industries. The BRSR framework presents a structured format which leads to different organizations using their own ways of interpreting and reporting their data. The adoption of globally harmonized standards that follow Global Reporting Initiative and International Sustainability Standards Board frameworks will enable better comparison between organizations while establishing trust with investors. Companies need capacity building to accomplish effective ESG reporting implementation. The majority of companies particularly smaller entities do not have the skills or resources needed to complete full sustainability reporting. Professional institutions together with regulatory bodies should provide training programs which include detailed ESG requirement documents to help organizations understand ESG standards better.

The process of addressing greenwashing must be implemented because it protects the integrity of ESG disclosure. Regulatory authorities need to establish severe punishment systems which will penalize organizations that make false ESG statements while creating methods to confirm their sustainability claims through independent assessment. The process of ESG disclosure assessment should be increased to prevent organizations from doing minimal compliance work while they should be held responsible for their actions. Greater emphasis should be placed on integrating ESG considerations into corporate strategy rather than treating them as mere compliance requirements. Companies need to establish a complete sustainability system which requires them to use ESG elements for both their decision-making and their future organizational growth. The company needs to create ESG disclosure that shows its real business activities instead of using it for cosmetic reporting purposes.

The ESG disclosure process needs strengthened stakeholder engagement to achieve its primary function. Corporate sustainability practices need to be evaluated by active participation from investors, consumers, and civil society organizations. Companies will face increased transparency requirements when more stakeholders join the process because it will generate extra force for them to uphold their accountability obligations

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