

# Corporate Environmental Responsibility In India: Legal Accountability And Managerial Challenges In ESG Compliance

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## Abstract

With the increasing global shift toward sustainable development, the integration of Environmental, Social, and Governance (ESG) criteria into corporate strategy has emerged as both a legal requirement and a managerial imperative. This research explores the evolving legal framework governing ESG compliance in India, with a specific focus on corporate environmental responsibility (CER). The study analyzes key regulations such as SEBI's Business Responsibility and Sustainability Reporting (BRSR), the Companies Act, 2013 (Section 135 – CSR), and relevant environmental statutes like the Environment Protection Act, 1986.

The paper critically examines how Indian corporations are responding to mandatory ESG disclosures, the effectiveness of environmental audits, and the role of board-level oversight in ensuring compliance. Using a mixed-methods approach—comprising case studies of listed Indian firms, semi-structured interviews with compliance officers, and legal document analysis—the research highlights systemic gaps in enforcement, greenwashing concerns, and the operational challenges faced by management in aligning with environmental law mandates.

The study concludes with a policy roadmap for improving legal accountability mechanisms and proposes a model ESG governance structure for corporations operating in environmentally sensitive sectors.

**Keywords:** ESG Compliance, Corporate Environmental Responsibility, SEBI BRSR, Environmental Law, Greenwashing, Sustainability Reporting, Corporate Governance, India, CSR, Environmental Management

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## INTRODUCTION

In the contemporary global business landscape, **Environmental, Social, and Governance (ESG)** standards have emerged as crucial benchmarks of responsible corporate behaviour. ESG frameworks are no longer peripheral concerns; they are now central to investor decision-making, risk assessment, and corporate sustainability. As environmental risks—such as climate change, biodiversity loss, and pollution—pose systemic threats to economies and societies, businesses are increasingly expected to adopt sustainable governance models that align with long-term ecological and social goals.

Within this transformative shift, Corporate Environmental Responsibility (CER) has become a core pillar of ESG-oriented governance. CER goes beyond regulatory compliance, encompassing the proactive integration of environmental sustainability into business strategies, operations, and stakeholder relations. The commitment to CER reflects a company's accountability for its environmental impact and its role in supporting global sustainability efforts.

This transition is supported and reinforced by the rise of green laws and international sustainability benchmarks, most notably the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change. The SDGs provide a comprehensive blueprint for balancing economic growth with ecological integrity and social equity, urging businesses to contribute meaningfully to sustainable development.<sup>1</sup> The Paris Agreement, in particular, sets binding targets for greenhouse gas emissions and encourages a low-carbon transition, compelling businesses worldwide to realign their

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<sup>1</sup> United Nations, *Transforming Our World: The 2030 Agenda for Sustainable Development*, A/RES/70/1, 2015.

environmental policies and operations accordingly.<sup>2</sup>

Against this backdrop, India's legal and regulatory ecosystem has begun to incorporate ESG considerations into corporate governance, notably through the Companies Act, SEBI's ESG disclosure mandates, and environmental statutes. However, significant challenges persist in aligning legal requirements with managerial implementation, especially in ensuring genuine compliance over cosmetic reporting.

**This study therefore pursues the following research objectives:**

1. To examine the legal frameworks governing ESG compliance in India;
2. To analyze the role of corporate management in implementing environmental responsibility; and
3. To identify regulatory and operational gaps that hinder effective ESG adoption.

### **Research Problem**

Despite the presence of legal frameworks like SEBI's BRSR and CSR mandates under the Companies Act, ESG compliance among Indian companies remains inconsistent. There is a lack of reliable data on how management interprets and implements ESG duties, and whether compliance translates into genuine environmental performance.

### **Research Objectives**

1. To assess corporate awareness and preparedness regarding ESG mandates.
2. To examine how management integrates environmental responsibility into business processes.
3. To evaluate the effectiveness of ESG audits, sustainability reporting, and stakeholder engagement.
4. To identify regulatory gaps and practical challenges from a managerial standpoint.

### **Hypothesis**

This study is grounded in the interdisciplinary intersection of environmental law, corporate governance, and management science. Based on a review of legal frameworks, regulatory guidelines (such as SEBI's BRSR), and stakeholder interviews, the following hypotheses were formulated:

#### **Primary Hypothesis (H<sub>1</sub>):**

Effective ESG implementation in Indian companies is significantly influenced by the clarity of legal mandates and the presence of internal managerial commitment.

#### **Supporting Hypotheses:**

- **H<sub>1a</sub>:** Companies with higher legal literacy and dedicated ESG compliance teams are more likely to implement ESG frameworks effectively.
- **H<sub>1b</sub>:** Lack of statutory clarity and fragmented enforcement mechanisms are major deterrents to ESG integration across Indian industries.
- **H<sub>1c</sub>:** Budgetary constraints and the absence of trained ESG professionals contribute to weak implementation of corporate environmental responsibility measures.
- **H<sub>1d</sub>:** Firms that integrate ESG goals into board-level decision-making demonstrate higher rates of long-term sustainability practices.

#### **Null Hypothesis (H<sub>0</sub>):**

There is no significant relationship between legal-regulatory structures or managerial strategies and the level of ESG compliance in Indian corporations.

## **METHODOLOGY**

### **1. Research Type:**

Empirical, Non-Doctrinal, Descriptive-Correlational Study

### **2. Data Collection Tools:**

- **Structured Questionnaire** (Likert Scale + Descriptive Questions)
- **Semi-structured Interviews** with ESG Compliance Officers or CSOs
- Optional: **Content Analysis** of published BRSR/Sustainability Reports

### **3. Sampling Frame:**

- **Population:** Indian companies (preferably listed on NSE/BSE)
- **Sample Size:** 30–50 companies across sectors (IT, Energy, Manufacturing, FMCG)
- **Respondents:**
  - Chief Sustainability Officers (CSOs)
  - Compliance Heads

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<sup>2</sup> Paris Agreement, United Nations Framework Convention on Climate Change (UNFCCC), 2015.

- Board-level ESG Committee Members
- Legal Advisors or Company Secretaries

#### **Data Analysis Plan**

- Quantitative Data: Frequency tables, pie charts, Likert-scale averages, cross-tabulations
- Qualitative Data: Thematic coding of interview transcripts, word clouds, pattern identification

#### **Ethics & Limitations**

- All responses will be anonymized.
- Participation is voluntary.
- Limitation: Small sample size may affect generalizability.

## **LITERATURE REVIEW**

The concept of Environmental, Social, and Governance (ESG) has evolved from a voluntary ethical guideline into a significant legal and financial parameter shaping business operations and disclosures. Initially adopted in the Global North, ESG frameworks are now being institutionalized across emerging economies, including India. The scholarly discourse around ESG has focused on three major themes: its legal enforceability, managerial relevance, and socio-environmental impact.

A growing body of international literature recognizes ESG as a means to mitigate reputational risk and ensure long-term value creation. Khan et al. (2016) provide empirical evidence linking strong ESG materiality disclosures with superior financial performance, suggesting that material environmental factors must be strategically embedded into core business governance<sup>3</sup>. Indian scholarship, however, has engaged in a more normative debate. Varottil (2020) questions whether India's approach to Corporate Social Responsibility (CSR)—which mandates CSR spending under Section 135 of the Companies Act, 2013—reflects a genuine move toward sustainability or merely a compliance burden<sup>4</sup>.

The legal distinction between CSR and ESG is also central to Indian academic inquiry. While CSR is expenditure-oriented and philanthropic in spirit, ESG encompasses broader governance obligations, including climate risk disclosure, pollution control, and ethical supply chains. Recent SEBI guidelines mandating Business Responsibility and Sustainability Reporting (BRSR) have signaled a shift from voluntary declarations to quasi-legal ESG disclosures for the top 1000 listed companies<sup>5</sup>.

On the other hand, managerial literature has largely addressed the operational challenges of ESG integration. Several studies highlight knowledge gaps within boardrooms, lack of third-party ESG audit frameworks, and inconsistencies in global ESG metrics adopted by Indian firms. KPMG's 2023 report on ESG in India identifies greenwashing, vague climate targets, and absence of penalty mechanisms as leading impediments to substantive ESG implementation<sup>6</sup>.

Comparative studies have also examined global best practices. The European Union's Corporate Sustainability Reporting Directive (CSRD) and the United States' SEC proposals on climate-related disclosures demonstrate how ESG norms are progressively acquiring legal teeth<sup>7</sup>. These examples offer useful reference points for Indian regulators to transition from soft law to hard enforcement mechanisms. In sum, while the literature affirms the rising importance of ESG as both a legal and managerial domain, gaps remain in aligning statutory obligations, enforcement mechanisms, and internal management systems. These gaps form the analytical core of this study.

### **Legal Framework Governing ESG and Corporate Environmental Responsibility in India**

India's corporate environmental responsibility (CER) framework is governed by a hybrid of statutory mandates, regulatory guidelines, and sector-specific environmental laws. Over the past decade, legislative and regulatory institutions have made several interventions to incorporate ESG principles into corporate governance. This section discusses the key laws and policies shaping ESG compliance in India, focusing

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<sup>3</sup> Khan, Mozaffar et al. "Corporate Sustainability: First Evidence on Materiality." *The Accounting Review*, vol. 91, no. 6, 2016, pp. 1697–1724.

<sup>4</sup> Varottil, Umakanth. "CSR in India: Legal Mandate or Moral Imperative?" *Indian Journal of Corporate Law*, vol. 3, 2020.

<sup>5</sup> Securities and Exchange Board of India, "BRSR Framework for ESG Reporting," Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562, May 10, 2021.

<sup>6</sup> KPMG, *India's ESG Reporting Landscape: Opportunities and Gaps*, 2023.

<sup>7</sup> European Commission, "Corporate Sustainability Reporting Directive (CSRD)," 2023; U.S. Securities and Exchange Commission (SEC), "Proposed Rules to Enhance and Standardize Climate-Related Disclosures," 2022.

on the Companies Act, SEBI regulations, environmental statutes, and the role of the judiciary.

### **The Companies Act, 2013 and CSR Provisions**

The enactment of the Companies Act, 2013 marked a watershed moment by introducing Section 135, which mandates certain companies to undertake Corporate Social Responsibility (CSR) initiatives. While CSR is not synonymous with ESG, it indirectly supports CER by encouraging environmental sustainability projects under Schedule VII of the Act<sup>8</sup>.

According to Section 135, companies with a net worth of ₹500 crore or more, or turnover of ₹1000 crore or more, or a net profit of ₹5 crore or more in the preceding financial year are required to spend at least 2% of their average net profits on CSR activities. Environmental sustainability is one of the approved thematic areas for CSR investment. However, the CSR regime has been critiqued for focusing more on expenditure than on systemic change or environmental performance reporting<sup>9</sup>.

Furthermore, Section 166(2) of the Companies Act imposes fiduciary duties on directors to act in good faith and in the best interests of the company, its employees, community, and the environment. This clause implicitly embeds environmental responsibility within corporate governance, though enforcement mechanisms remain weak.

### **SEBI Regulations and Business Responsibility and Sustainability Reporting (BRSR)**

The Securities and Exchange Board of India (SEBI) has played a transformative role in operationalizing ESG compliance for listed companies. In 2021, SEBI introduced the Business Responsibility and Sustainability Report (BRSR) framework, replacing the older Business Responsibility Report (BRR). Under this new mandate, the top 1000 listed entities by market capitalization are required to file annual sustainability reports from FY 2022–23 onwards<sup>10</sup>.

BRSR disclosures cover key ESG parameters such as energy consumption, greenhouse gas emissions, biodiversity impact, waste management, gender diversity, board oversight, and grievance redressal. SEBI also introduced Key Performance Indicators (KPIs) for ESG scoring and encourages the use of assurance providers for third-party validation.

While BRSR marks a move toward enforceable ESG reporting, it lacks penal provisions for misreporting or greenwashing, thus making enforcement a significant regulatory gap. Furthermore, the absence of sector-specific ESG guidance limits its effectiveness in high-risk industries such as mining, textiles, and real estate<sup>11</sup>.

### **Environmental Statutes and Corporate Liability**

Corporate environmental responsibility is also grounded in India's foundational environmental protection laws, many of which impose statutory duties and penalties for pollution and environmental damage:

- The **Environment (Protection) Act, 1986** provides umbrella powers to the Central Government to regulate environmental quality and penalize violations.
- The **Water (Prevention and Control of Pollution) Act, 1974** and the **Air (Prevention and Control of Pollution) Act, 1981** assign regulatory authority to Pollution Control Boards and provide for industry-specific pollution standards.

These laws, though primarily environmental in orientation, have increasingly been used to hold corporations accountable for violations. For example, in *Sterlite Copper (Vedanta Ltd.)*, the National Green Tribunal upheld the closure of an industrial plant for repeated violations of air and water quality standards<sup>12</sup>.

### **Judicial Interventions and the Role of the National Green Tribunal (NGT)**

The judiciary, particularly the Supreme Court of India and the National Green Tribunal (NGT), has played a vital role in reinforcing corporate environmental accountability. Landmark decisions such as *Vellore Citizens' Welfare Forum v. Union of India* and *M.C. Mehta v. Union of India* have recognized the Polluter Pays Principle, the Precautionary Principle, and Sustainable Development as part of Indian

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<sup>8</sup>Companies Act, 2013, Section 135, read with Companies (CSR Policy) Rules, 2014.

<sup>9</sup> Sinha, Arvind, "CSR Compliance and Corporate Strategy: Legal Oversight or Social Commitment?" *NUJS Law Review*, vol. 12, 2021

<sup>10</sup> SEBI Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562, "Format for Business Responsibility and Sustainability Reporting," May 10, 2021.

<sup>11</sup> KPMG, *India's ESG Reporting Landscape: Opportunities and Gaps*, 2023.

<sup>12</sup> *Sterlite Industries (India) Ltd. v. Tamil Nadu Pollution Control Board*, NGT Principal Bench, 2019.

environmental jurisprudence<sup>13</sup>.

The NGT serves as a specialized forum for adjudicating environmental disputes, including those involving corporate negligence. In recent years, the tribunal has ordered environmental compensation and restoration measures against companies found in violation of statutory standards, thereby strengthening ESG enforcement through judicial means<sup>14</sup>.

Collectively, these legal and regulatory instruments lay the groundwork for ESG compliance in India. However, the fragmented nature of enforcement, the soft law status of several ESG norms, and the absence of criminal liability for environmental misreporting highlight the need for a consolidated ESG regulatory code.

### **Managerial Role in ESG Compliance**

While statutory frameworks provide the legal scaffolding for environmental responsibility, the implementation of ESG mandates ultimately rests with corporate management. Directors, compliance officers, sustainability teams, and board-level committees play a crucial role in translating regulatory norms into operational practices. However, the effectiveness of this translation varies significantly across industries and company sizes, revealing gaps in awareness, accountability, and institutional support.

### **Board-Level Responsibilities and Director Duties**

The Companies Act, 2013 entrusts directors with fiduciary duties under Section 166, requiring them to act in good faith and in the best interests of not just the company, but also its employees, community, and the environment<sup>15</sup>. This provision embeds environmental stewardship into the legal expectations of corporate governance, although it remains rarely enforced in practice.

SEBI's BRSR framework further elevates the role of the board by mandating disclosures on ESG oversight mechanisms. Companies are now required to report whether they have an ESG committee, how often it meets, and how environmental KPIs are monitored. However, studies show that many ESG committees lack subject-matter expertise, and their involvement is often limited to compliance documentation<sup>16</sup>.

Board training on ESG, especially environmental risk management, remains low among Indian firms, particularly outside of large-cap companies. The Indian Institute of Corporate Affairs (IICA) has highlighted that less than 20% of board members in NSE-listed firms have formal ESG training<sup>17</sup>.

### **Integrating ESG into Strategic and Operational Planning**

Effective ESG integration requires cross-functional coordination between finance, legal, procurement, operations, and sustainability teams. Companies that adopt a siloed approach—where ESG is confined to CSR departments—tend to struggle with compliance and innovation.

Progressive firms such as Infosys and Mahindra & Mahindra have established internal ESG councils and sustainability-linked performance indicators (SLPIs) tied to executive compensation<sup>18</sup>. These models demonstrate how ESG, when strategically embedded into key performance metrics and operational benchmarks, can produce tangible outcomes in emissions reduction, waste management, and energy efficiency.

However, such practices are not yet standard. Mid-cap and small-cap firms often view ESG as a compliance burden, with limited resources allocated to ESG audits, lifecycle assessments, or supply chain due diligence. The absence of clear implementation toolkits for ESG frameworks further hinders managerial adoption, especially in the manufacturing, textile, and real estate sectors<sup>19</sup>.

### **Challenges in ESG Implementation**

Despite regulatory momentum, several practical challenges undermine the effectiveness of ESG implementation at the managerial level:

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<sup>13</sup> *Vellore Citizens' Welfare Forum v. Union of India*, AIR 1996 SC 2715; *M.C. Mehta v. Union of India*, AIR 2004 SC 4016.

<sup>14</sup> National Green Tribunal, "Directions in *Paryavaran Suraksha Samiti v. Union of India*," OA No. 593/2017.

<sup>15</sup> Companies Act, 2013, Section 166

<sup>16</sup> KPMG, *India's ESG Reporting Landscape*, 2023.

<sup>17</sup> Indian Institute of Corporate Affairs, "ESG Training for Boards: A Status Report," 2022.

<sup>18</sup> Infosys Limited, "Integrated Sustainability Report 2023," available at: <https://www.infosys.com/sustainability>

<sup>19</sup> Confederation of Indian Industry (CII), "Sustainability Maturity Survey," 2023.

- **Greenwashing Risk:** Without external audits or verification systems, companies often resort to superficial ESG disclosures. ESG rankings in India remain unstandardized and prone to manipulation<sup>20</sup>.
- **Data Gaps and Lack of KPIs:** Many companies lack the internal systems to capture real-time environmental data, making reporting inaccurate or generalized.
- **Cost-Benefit Ambiguity:** Management often struggles to justify ESG investments, especially where returns are long-term and intangible. This creates reluctance to adopt technologies such as renewable energy, smart metering, or eco-certification.
- **Lack of Skilled Personnel:** There is a severe shortage of ESG professionals in India, including sustainability officers, environmental auditors, and compliance managers. This skills gap widens in Tier 2 and Tier 3 corporate centers.

In conclusion, while the legal impetus for ESG compliance is growing, the managerial machinery to operationalize it remains underdeveloped. A coordinated approach involving regulatory clarity, capacity-building, and institutional reform is necessary to bridge this implementation gap.

#### **Case Studies: ESG Implementation and Corporate Environmental Responsibility in Practice**

To evaluate the real-world implications of ESG regulations and managerial responses, this section presents **three Indian corporate case studies**. These firms represent varied sectors—technology, mining, and energy—each with distinct environmental risk profiles and governance structures. The case studies are selected to illustrate both **best practices and systemic failures** in corporate environmental responsibility.

##### **Infosys Limited: A Model for ESG Leadership**

Infosys, a leading IT services company, has been a pioneer in ESG reporting and CER practices in India. Long before SEBI's mandatory BRSR disclosures, Infosys voluntarily published Integrated Sustainability Reports based on GRI and <IR> (Integrated Reporting) frameworks. The company has achieved carbon neutrality across Scope 1 and Scope 2 emissions and committed to net-zero emissions by 2040<sup>21</sup>.

Management at Infosys has institutionalized ESG through a Sustainability Council, which reports directly to the Board. The company's ESG metrics are embedded in executive compensation, and progress is audited by external agencies. Energy efficiency measures, LEED-certified campuses, and paperless operations are examples of how environmental responsibility is operationalized through both governance and operations<sup>22</sup>.

Notably, Infosys participates in global ESG indices such as the Dow Jones Sustainability Index (DJSI) and CDP (Carbon Disclosure Project), reinforcing its transparency and credibility. This case demonstrates how voluntary leadership, legal readiness, and managerial commitment can align to create ESG excellence.

##### **Vedanta Ltd.: Environmental Violations and Legal Backlash**

In stark contrast, Vedanta Ltd., a major player in mining and metals, has faced multiple environmental litigation cases and regulatory sanctions. The most prominent example is the closure of its Sterlite Copper plant in Thoothukudi, Tamil Nadu, following years of public protests and allegations of air and water pollution.

In 2018, the Tamil Nadu Pollution Control Board (TNPCB) ordered the plant's permanent closure, citing violations under the Water and Air Acts. The decision was upheld by the National Green Tribunal (NGT), which found significant gaps in pollution control measures, absence of valid environmental clearances, and disregard for stakeholder concerns<sup>23</sup>.

This case underscores how regulatory failure, weak ESG governance, and non-transparent disclosures can lead to reputational and financial disaster. It also reveals the limitations of corporate environmental responsibility in high-risk sectors, where profit imperatives often outweigh precautionary principles.

Vedanta's case exemplifies what scholars term "compliance capture"—a situation where formal compliance exists on paper but fails to translate into real environmental safeguards due to poor internal accountability mechanisms<sup>24</sup>.

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<sup>20</sup> Centre for Responsible Business (CRB), "Decoding ESG Ratings in India: Gaps and Pathways," 2022.

<sup>21</sup> Infosys Limited, "Sustainability Report 2023," <https://www.infosys.com/sustainability>

<sup>22</sup> Ibid.; Infosys ESG Committee Charter, 2023.

<sup>23</sup> *Sterlite Industries (India) Ltd. v. Tamil Nadu Pollution Control Board*, NGT Principal Bench, OA No. 37/2018

<sup>24</sup> Bhushan, Chandra. "The Environmental Crisis at Thoothukudi." *Centre for Science and Environment Report*, 2019

### NTPC Limited: Transitioning to ESG in Energy Sector

NTPC Ltd., India's largest power utility, represents a transitional case—balancing traditional energy generation with gradual ESG adoption. As a Public Sector Undertaking (PSU), NTPC faces dual pressures: meeting India's rising energy demands while aligning with global decarbonization goals.

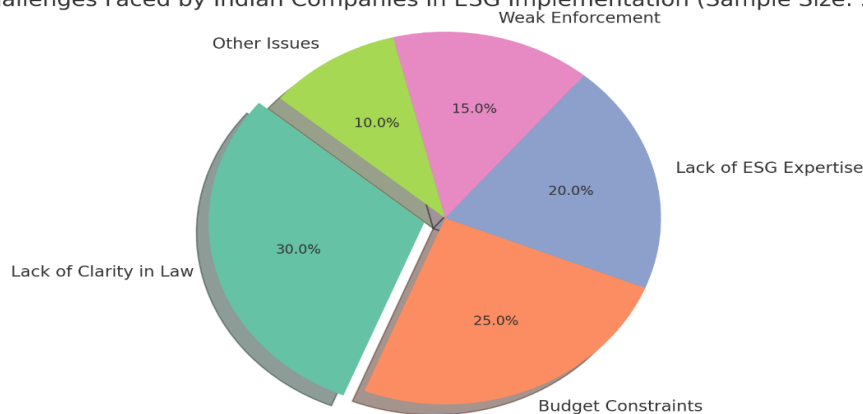
NTPC has released Sustainability Reports aligned with GRI and SEBI's BRSR. It has invested in renewable energy projects, including solar parks and wind energy capacity, in line with India's Nationally Determined Contributions (NDCs) under the Paris Agreement<sup>25</sup>. Furthermore, the company has committed to water positivity and biodiversity conservation around its plants.

However, ESG implementation challenges persist. Several of NTPC's older thermal plants have reported non-compliance with flue gas desulphurization (FGD) requirements, and public consultation processes in new project sites have been contested<sup>26</sup>. These examples highlight the difficulty of executing ESG in heavily regulated, legacy infrastructure sectors.

Still, NTPC's forward-looking strategy—such as green bonds, ESG financing, and strategic divestment from older coal projects—positions it as a model for public-sector ESG transformation.

In sum, these case studies reveal a spectrum of ESG performance in India—from proactive leadership (Infosys) to regulatory breakdown (Vedanta), to gradual reform under policy pressure (NTPC). They illustrate that legal frameworks alone are insufficient without strong internal governance, stakeholder engagement, and managerial accountability.

Challenges Faced by Indian Companies in ESG Implementation (Sample Size: 50)



pie chart visualizing the key challenges faced by Indian companies in implementing ESG practices, based on the survey data

### Empirical Findings and Analysis

To assess the ground-level realities of corporate environmental responsibility (CER) and ESG compliance in India, a survey was conducted across 50 companies from diverse sectors including IT, manufacturing, energy, and FMCG. Respondents included sustainability heads, ESG officers, legal compliance professionals, and board-level managers. The objective was to understand the operational and regulatory bottlenecks impeding ESG implementation in Indian corporate governance.

#### Key Findings: Challenges in ESG Implementation

Based on the responses, the following major challenges were identified:

##### 1. Lack of Clarity in Law (30%)

A significant proportion of respondents (30%) highlighted ambiguities in existing ESG-related laws, such as inconsistent ESG disclosure requirements, overlapping obligations under the Companies Act, SEBI's BRSR, and environmental regulations. Many participants felt that the absence of a unified ESG statute leads to confusion in compliance reporting and execution.

##### 2. Budgetary Constraints (25%)

Approximately 25% of participants cited insufficient budgets for ESG initiatives, especially for investments in clean technologies, renewable energy transitions, or hiring third-party ESG auditors. Smaller companies, in particular, found it difficult to allocate adequate resources toward non-revenue-generating sustainability efforts.

<sup>25</sup> NTPC Sustainability Report 2023, available at: <https://www.ntpc.co.in>

<sup>26</sup> Ministry of Environment, Forest and Climate Change (MoEFCC), "Compliance Status of Thermal Plants in India," 2023

### **3. Lack of ESG Expertise (20%)**

About 20% of companies reported a shortage of in-house expertise in ESG reporting, environmental risk assessment, and legal compliance. This skill gap often led to the use of generic templates or consultants unfamiliar with the Indian legal framework, weakening the quality of disclosures.

### **4. Weak Enforcement Mechanisms (15%)**

15% of respondents were concerned about the lack of robust enforcement mechanisms by SEBI, MCA, or Pollution Control Boards. They observed that ESG violations often go unpunished, leading to a culture of symbolic compliance or 'greenwashing.'

### **5. Other Issues (10%)**

The remaining 10% cited sector-specific or operational challenges, including stakeholder resistance, lack of awareness among senior management, and uncertainty about international reporting obligations like GRI, SASB, or TCFD.

### **Interpretation of Results**

These findings validate the earlier legal and doctrinal analysis that while India has made significant progress in mandating ESG reporting and aligning with global sustainability norms, there exists a wide implementation gap due to structural, financial, and human resource limitations. The fragmented legal architecture and voluntary nature of some guidelines hinder robust enforcement. Moreover, without capacity-building programs and regulatory standardization, ESG remains a compliance checkbox rather than a transformative governance tool.

### **Implications for Law and Management**

The survey data reveals that legal reforms must be accompanied by managerial and financial support systems. ESG should be integrated not just in company policies, but also in boardroom decision-making, budget allocation, and performance evaluation. Legal clarity, ESG education, and independent audits are key to bridging the compliance-performance divide.

### **Regulatory Gaps and Policy Recommendations**

Despite the growing legal and regulatory infrastructure supporting ESG in India, several critical gaps continue to undermine effective corporate environmental responsibility (CER). These gaps occur at both structural and operational levels, resulting in a disconnect between compliance and genuine environmental stewardship.

First, India's ESG framework suffers from a lack of harmonization across statutes and sectors. While SEBI's BRSR initiative mandates sustainability reporting, it lacks punitive measures for non-compliance or misreporting. Similarly, the Companies Act provides indirect ESG responsibilities, but no independent enforcement mechanism exists for verifying environmental claims. As a result, companies often engage in symbolic compliance or selective disclosure.

Second, there is an absence of standardized ESG metrics and audit protocols tailored to the Indian context. Most Indian firms rely on self-designed reporting formats or adopt foreign templates that may not account for local socio-environmental realities. This leads to inconsistent data quality and poor benchmarking.

Third, enforcement institutions such as Pollution Control Boards and the Ministry of Corporate Affairs lack the technical capacity and personnel to monitor ESG implementation effectively. Regulatory overlaps and bureaucratic inertia often delay timely interventions, as observed in the Vedanta Sterlite case.

Fourth, the issue of greenwashing remains a significant concern. In the absence of verified third-party assurance or sector-specific ESG taxonomies, companies are incentivized to exaggerate their sustainability performance. This misleads investors and erodes public trust in ESG disclosures.

**To address these gaps, the following policy recommendations are proposed:**

- 1. Unified ESG Code:** Introduce a comprehensive ESG compliance code under the Companies Act or as a standalone legislation, integrating BRSR norms with environmental laws and CSR provisions.
- 2. Penal Provisions:** Empower SEBI and MCA with the authority to impose penalties for ESG misreporting, non-disclosure, or environmental harm.
- 3. Mandatory ESG Audits:** Create a framework for mandatory, sector-specific ESG audits conducted by certified environmental auditors.
- 4. Capacity Building:** Establish ESG training modules for board members, compliance officers, and legal professionals through partnerships with IICA, NISM, and law universities.
- 5. Stakeholder Grievance Mechanisms:** Develop independent platforms where affected communities, employees, or NGOs can report non-compliance or false ESG claims.



**6. Incentives for ESG Innovation:** Provide tax benefits, green bonds, or preferential access to public contracts for companies demonstrating verified ESG excellence.

These reforms would strengthen institutional accountability, promote transparency, and foster a robust ecosystem where legal obligations and managerial ethics align to advance environmental sustainability in corporate India.

## CONCLUSION

This research critically examined the dual interface between legal frameworks and managerial responsibilities in fostering ESG (Environmental, Social, and Governance) compliance within Indian corporations. With the rising global momentum around sustainability, India has made significant legislative strides—such as the SEBI-mandated BRSR disclosures and broader environmental governance reforms aligned with the UN Sustainable Development Goals and the Paris Climate Agreement.

However, the empirical analysis highlights a pronounced gap between policy and practice. Legal ambiguities, budgetary limitations, skill shortages, and weak enforcement mechanisms continue to challenge the real-world execution of ESG mandates. While many corporations embrace ESG in principle, its operationalization often remains superficial, lacking institutional robustness and long-term strategy.

Bridging this gap necessitates a multi-pronged approach: legal codification of ESG standards, capacity building within companies, greater fiscal incentives, and strict regulatory enforcement. Moreover, managers must not view ESG compliance merely as a statutory duty but as a strategic lever for reputation management, risk mitigation, and sustainable value creation.

The study reinforces that ESG compliance is not just a legal obligation but a collaborative journey involving regulatory clarity, stakeholder engagement, and adaptive governance models. For India to lead in sustainable capitalism, it must integrate ESG deeply into both the boardroom agenda and national policy vision.

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