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INTEGRATION OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE DUTIES WITHIN INDIAN CORPORATE GOVERNANCE: A CRITICAL ANALYSIS

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Abstract

Environmental, Social and Governance (ESG) obligations are the core of the operation of large companies in India. These obligations go beyond profit-making, taking into account an impact on people, environment, and corporate control. Through the ESG framework Companies are required to explain their compliance towards the rights of labour, communities, natural resources, and to provide assurances to investors of how the board handles risks related to ethics, climate change, or inequality. Therefore, a bridge between business practice and the public good is being established through ESG. However, the norms are fragmented and majorly rely on reporting; and are unable to stimulate substantive change. Hence, this research paper aims to critically analyse the integration of ESG within the Indian corporate governance framework. The paper emphasises the narrative that ESG is becoming woven into the structure of corporate governance in India; however, this embedding is partial, disclosure-oriented, and distributed across several sources of law. Although the law has been successful in making ESG visible, but it has only partially succeeded in making ESG governable, as a matter of the duty of a board, of the responsibility of a stakeholder, and of regulated corporate behaviour. Therefore, in light of the aim of the study, firstly, the paper explains the conceptual foundations necessary to understand ESG as an integral rather than incidental component of corporate governance. Secondly, it analyses the fragmented legal framework governing ESG in the Indian corporate sector. Thirdly, it critically examines the duties of boards, responsibilities of stakeholders, and patterns of regulated corporate conduct are being reshaped in light of the ESG framework. Finally, it analyses the judicial approach towards ESG in India for interpreting, reinforcing, or constraining this emerging framework.

Keywords: Accountability, Business Responsibility, Corporate Governance, Corporate Social Responsibility (CSR), Environmental, Social and Governance (ESG), Sustainability Reporting.

I. INTRODUCTION

In the recent few years, the references of Indian corporate governance have been reconfigured, with concepts of sustainability, responsibility, and risk being consolidated in the universal framework of Environmental, Social and Governance (ESG).[1] The market and policy driven discourse on Corporate Social Responsibility (CSR) is transforming into the discourse

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[1] Anand Kumar, *Corporate Governance Characteristics and Involvement in ESG Activities: Current Trends and Research Directions*, 24 Corporate Governance: The International Journal of Business in Society 175-207, (2024).

of legal duties, policies, rules, and reporting directly concerned with the domain of Indian company law.[2] The primary argument of this emerging regime of ESG is that a firm cannot justify its existence or long-term survival on the merits of its financial performance only, but rather it should be judged on the scale of its impact on ecology, stakeholders, and governance frameworks. Further, the ESG has transitioned from voluntary ethical concept to legally recognised governance framework for Indian companies. Such transition is beyond mere wordplay. It is also an indication of the underlying trend of the changes in company regulation, securities disclosure, board governance, and investor expectation.

In India, this process is occurring simultaneously due to regulatory formalisation and market forces. The evolution from Business Responsibility Reporting (BRR),[3] to Business Responsibility and Sustainability Reporting (BRSR),[4] and finally to BRSR Core with mandatory assurance requirements,[5] has firmly placed ESG disclosure for the top listed entities on the agenda, coupled with the National Guidelines on Responsible Business Conduct (NGRBC) by the government of India. The NGRBC offers a normative framework for responsible business conduct *via* nine principles that bridges governance values with environmental and social performance. While the concept of ESG did not have its conception in Indian corporate law, a substantial part of its underlying features was already laid out under company law,[6] listing regulations of the securities market,[7] environmental and labour regulations, and in responsible business regulations adopted by the Ministry of Corporate Affairs.[8] Therefore, The multi-layered framework has in essence developed an Indian model of ESG integration that falls neither in the completely voluntary category nor in the entirely codified category of a specific statute but in a layered structure across company law, securities regulation, sectoral compliance, and quasi normative guidelines.

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2 RAHUL MITRA and NATHANIEL WARSHAY, *Policy Discourse and Mandatory CSR in India*, Dima DEVELOPMENT-ORIENTED CORPORATE SOCIAL RESPONSIBILITY Vol. 2 106-120, (Jamali et al. (eds.), 1st ed. 2015).

3 Abhishek N and Divyashree M.S., *Sustainability Reporting Practices in India: An Analysis of Compliance Level of BRR Requirements Among Indian Companies*, 1 IJEMMASSS 53-58, (2019).

4 Deepak Kumar Nama and Ranjana Kanungo, *BRR to BRSR: A Shifting Paradigm of Sustainability Reporting in India*, 10 Int. J Sci Res Sci & Technol. 659-668, (2023).

5 Prantik Ray, *BRSR Reporting in India-A New Paradigm*, 2 Advances in Consumer Research 1669-1680, (2025).

6 The Companies Act, 2013, (Act No. 18 of 2013).

7 The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

8 National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011, Ministry of Corporate Affairs, Government of India, March 13, 2019, https://www.pib.gov.in/Pressreleaseshare.aspx?PRID=1568750&reg=48&lang=2, (visited on June 5, 2026).

An inevitable by-product of the growing interest in ESG are two extreme erroneous point of understanding. Firstly, that the ESG is a mere trend or management coined terminology lacking any legal meaning; or, that only legally enforceable disclosure requirements constitute sustainability governance. Both of these are misconceptions because Indian companies are subject to non-binding and binding legal rules concerning their impact on the environment, employee well-being, gender balance in their workforce, scrutiny of related party transactions, consumer safety, data protection and board governance. Nevertheless, these duties are not uniformly incorporated into corporate governance structures. In certain areas, the law offers relatively objective compliance routes; in others, governance continues to rely on self-declarations, materiality evaluations, and the extent of assurances.

Thus, the actual issue in Indian context is not as to whether ESG exists in India. The actual issue is how the authentic ESG principles and activities are being integrated within the corporate governance structure of Indian companies and whether this integration is legally sound, materially viable, and institutionally implementable. This is significant because corporate governance in India has traditionally been viewed in the context of boards, shareholders, audits, disclosures, and management accountability. ESG now broadens that framework and is seen as encompassing the relationship between corporate governance and environmentalism, labour rights, diversity, human rights, supply chains, community welfare, anti-corruption measures and the management of environmental risk. If these issues are understood within corporate governance, then they need to be perceived not merely as marginal issues potentially applicable to charity, but as issues related to the board responsibilities, disclosure frameworks, internal controls, risk structures and market accountabilities.

Therefore, this research paper aims to critically analyse this conflict through one single, integrated narrative that ESG is becoming woven into the structure of corporate governance in India; however, this embedding is partial, disclosure-oriented, and distributed across several sources of law. Although, the law has been successful in making ESG visible, but it has only partially succeeded in making ESG governable, as a matter of the duty of a board, of the responsibility of a stakeholder, and of regulated corporate behaviour. Hence, this study strives to comprehend the conceptual foundations necessary to understand ESG as an integral rather than incidental component of corporate governance. Further, it analyses the fragmented legal framework governing ESG in Indian corporate sector. Moreover, it critically examines the duties of boards, responsibilities of stakeholders, and patterns of regulated corporate conduct are being reshaped in light of the ESG framework. Additionally, it analyses the emerging judicial approach towards ESG in India for interpreting, reinforcing, or constraining this emerging framework.

II. CONCEPTUAL FOUNDATIONS OF ESG

The integration of ESG within the concept of corporate governance must begin by clarifying conceptual foundations. Corporate governance involves a concern with the system and means by which companies are directed and controlled, specifically the relationship between shareholders and boards, boards and management, and reporting requirements of board, management, and auditors. ESG appears conceptually to be a more encompassing category; the management of the company will be asked to consider environmental risk, social accountability, labour practices, diversity, human rights, the management of the supply chain and business ethics within its management decisions. The apparent extensiveness of ESG can lead to the illusion of a concept distinct from corporate governance. However, from the perspective of the law, ESG becomes relevant to corporate governance when those aspects are internalised into processes, reporting duties, fiduciary duty, and organisational accountability.

This connection can be most clearly seen within the governance element of ESG. Governance does not simply stand as one of the three legs of the stool. Rather it is the unifying function that allows environmental and social to be measured, monitored, audited and disclosed. There is no effective way to manage climate risk, employee conditions, anti-sexual harassment policies, data breach issues or community complaints, if management and board are not already implementing structures to develop, evaluate, audit, and govern policies. ESG is not a separate universe to corporate governance. It is a functional extension of corporate governance to the fields in which financial regulation has not always focused.

This is further strengthened by the National Guidelines on Responsible Business Conduct which rest on nine principles i.e., ethics, producing sustainable products, welfare of employees, responding to stakeholders, respect for human rights, protection of environment, responsible public advocacy, inclusion of community, and delivering customer value. However, these are not to be stated merely as idealistic values, but are required to be integrated through policy, process, review mechanisms, and disclosures. Hence, the BRSR format appeals to the companies to report not just about what they opine, but whether policies have been approved by the board, if the policy is adopted in the value chain, if reviews are conducted *via* a board committee or director, if external assessment has been done, and so on. It is this shift in thinking from a shareholder-focused to a stakeholder-aware system of corporate governance that forms the very basis of ESG.

The existing Indian regime is not in complete rejection of shareholder primacy. Investor protection under listed company regulations, financial disclosures, and board responsibility still have a significant element of it. However, the Indian company law regime has elements that temper a strictly shareholder-oriented approach. Provisions concerning corporate social responsibility,[9] report of the board,[10] requirements of women directors in a listed company,[11] composition of independent directors,[12] mechanisms for vigilance and complaints to stakeholders,[13] all bring forth the view of the company as a socially responsible entity. It is from this basis that ESG takes up shareholder interests by making stakeholder and sustainability issues more quantifiable and transparent in the annual reports.

The aforementioned paradigm shift in conceptualisation also reflects the development of investment theory. The circular of Securities Exchange Board of India (SEBI) on BRSR,[14] clearly stated increasing investor interest in sustainability investing and need for disclosure frameworks to align with ESG standards. It was also observed that detailed ESG data would enable better decision-making by investors and allow businesses to focus on the social and environmental dimension beyond finance. This indicates that ESG in India is neither seen purely as a moral issue; it is being presented as having materiality for business risk, value retention, access to finance, and standing in markets.

Nonetheless, conceptually ESG is prone to overreach. If every good social outcome is classified as governance, the legal meaning of governance could blur. This is important, as the company law is founded upon measurable norms of duty, liability, transparency, and oversight. The legal task is then, simply, not to let integration of ESG fall back into pronouncement; it has to link it to concrete obligations, processes of oversight and sanctions for failure. This challenge provides an opening for exploring the Indian legal landscape where ESG is currently institutionalising.

III. LEGAL FRAMEWORK FOR ESG PRACTICE IN INDIA

The legal framework for ESG in India is not contained in one consolidated code. It is scattered across various laws, guidelines, compliance frameworks, and sector-specific

9 The Companies Act, 2013, (Act No. 18 of 2013), s. 135.
10 *Id*. at, s. 134.
11 The Companies (Appointment and Qualifications of Directors) Rules, 2014, r. 3.
12 The Companies Act, 2013, (Act No. 18 of 2013), s. 149(4).
13 *Id*. at, ss. 177-178.
14 SEBI's Circular on *Business Responsibility and Sustainability Reporting by Listed Entities*, Circular No.: SEBI/HO/CFD/CMD-2/P/CIR/2021/562, May 10, 2021, https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities_50096.html, (visited on June 5, 2026).

regulations. The advantage and disadvantage of this structure is apparent in this very fragmentation; the advantage being breadth. Many different avenues are permitted to push ESG issues into company governance and its disadvantage is its coherence. Without a single statute dealing with ESG, it often remains a company practice in disclosure rather than integrated governance duty. The Companies Act, 2013 lays down certain foundations. The board's report is required to contain disclosures that are mandated, like disclosure related to energy conservation and other board issues.[15] Further, the CSR framework,[16] provides for the mandatory CSR regime where companies exceeding a certain monetary threshold are mandated to provide for spending in CSR and oversee CSR through the CSR committee at board level.

Although, CSR and ESG are different, the statutory provisions on CSR were early legislative acknowledgement that certain entities need to integrate social and environmental concerns at board level and disclose it to the public in some way. The Companies Act, 2013 also facilitates such integrated governance through statutory provisions on other aspects such as independent directors, board committees, related party transaction,[17] the obligations of the auditors, and director's duties. The framework of directorial duties,[18] is particularly relevant in an ESG framework, even though it is not explicitly referred to as ESG-friendly. Directors must act honestly in performing their functions in accordance with the objectives of the company for the benefit of its members, and act in the best interests of the company, its employees, its members, the community, and the environment. Such provisions are significant, as it lends statutory credibility to an enlarged notion of corporate interest. While it does not provide an independent ESG cause of action, it undermines any stringent contention that directors are legally justified to disregard environmental or community impact as long as the interests of its members in achieving short-term returns are met.

The intervention of SEBI, on the other hand, has been relatively direct and operational. An improved disclosure framework with standardised disclosures along the NGRBCs framework was introduced, replacing BRR, through BRSR.[19] This was a significant regulatory change as it anchored ESG disclosure into the listed entities as mandatory annual disclosures under the LODR regulations.[20] The circular issued in 2023 then advanced the framework

15 Supra note 10.
16 Supra note 9.
17 The Companies Act, 2013, (Act No. 18 of 2013), s. 188.
18 *Id*. at, s. 166.
19 Supra note 5.
20 The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, reg. 34.

further by introducing BRSR Core,[21] a subset of assured key performance indicators on nine ESG attributes, phased assurance obligations, and value chain disclosures. This shift from a declaration toward a guarantee of a sustainability statement represents a legal shift from narrative claims towards accountability.

The normative framework that interconnects these disclosure duties with broader governance aspirations is found in the National Guidelines on Responsible Business Conduct issued by the Ministry of Corporate Affairs.[22] These are not a criminal code, but hold regulatory weightage, as the categories of the BRSR framework is inspired by their classification. Essentially, NGRBC is the ideological constitution of responsible business conduct in India while BRSR and BRSR Core are vehicles of disclosure by listed entities in India to demonstrate how they conduct business in compliance with that constitution. This gives rise to a hybrid regulation system, where soft law provisions develop hard law implications for securities disclosure regulations.

Therefore, such a distributed legal framework is a key characteristic of the mode of ESG integration in India. In this framework, the companies law dictates the board driven structures of corporate governance, SEBI enforces a discipline of disclosure and assurance for listed corporations, the NGRBC supply a framework of guidance and the laws relating to environment, and the labour and anti-discrimination laws impose substance based legal duties on the company. Together these create a space of governance where ESG is accommodated within the corporate realm, not in substitution of traditional corporate governance, but through expansion of both its subject matter and evidentiary requirements.

IV. CORPORATE SOCIAL RESPONSIBILITY TO ESG

The understanding of the adoption of ESG into the Indian corporate governance will remain incomplete without analysing the earlier introduced statutory provisions of CSR.[23] Businesses that achieve net worth, turnover or profit over a threshold must have a CSR committee and a CSR policy and are required to spend at least 2% of average net profits on the specified activities in compliance with the stipulated scheme.[24] It was extremely important as it reinterpreted the concept of social responsibility from one that was purely philanthropic, to

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21 SEBI's Circular on *BRSR Core-Framework for Assurance and ESG Disclosures for Value Chain*, Circular No.: SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122, July 12, 2023, https://www.sebi.gov.in/legal/circulars/jul-2023/brsr-core-framework-for-assurance-and-esg-disclosures-for-value-chain_73854.html, (visited on June 6, 2026).

22 Supra note 8.

23 Supra note 9.

24 The Companies Act, 2013, (Act No. 18 of 2013), s. 135(5).

one of board accountability. However, CSR and ESG are not synonymous. CSR is mostly outward-looking and is based on spending. It deals with analysing whether the involved companies are using the money wisely on approved purposes and whether they have any social spend disclosure. ESG is much wider, with an internal focus. It considers how the company itself is operated, its connection to the external world and to the employees of the company, the control of risk and internal procedures of the company, how it acts in its value chain, how its performance indicators are relayed to investors and other stakeholders. CSR can occur without a change in the underlying business model, but ESG, if fully embraced by the business, infuses every aspect of business, including business operations, risk systems, procurement, rewards and remuneration and board responsibility.

This distinction is important in India, as many companies were exposed to the term sustainability first through CSR. There are both advantages and disadvantages in this fact. The advantage is familiarity; boards and compliance officers of Indian companies had already become accustomed to thinking that a company had certain non-financial obligations which were structured and reported as such. The disadvantage is the conceptual limitation of social responsibility becoming identified with external expenditure and reputation management, rather than internal corporate transformation. However, with the SEBI introduction of BRSR, this approach of regulation is also changing by shifting its focus from spending on ESG practices to the disclosures on management systems and performance. Through the format of BRSR, the companies are supposed to disclose about their policy, process, role of the board, welfare to employees, consumption of emissions, waste and water, issues related to grievances, consumer issues, data breach and material ESG risks and opportunities.[25]

Unlike CSR where emphasis is on special board committee and required spend,[26] BRSR questions whether sustainability has been embedded in the functioning of the entire board structure. That does not mean that CSR has disappeared completely from consideration. In fact, CSR remains a constituent element in the overall ESG regime in India. The BRSR itself requires the company to include information pertaining to CSR in its disclosures.[27] Additionally, much of the common areas covered under CSR like environment sustainability, education, healthcare, and welfare of marginalized sections, do find convergence with social

25 Reeya M Mamnia, *The BRSR Mandate and its Effect on Corporate ESG Reporting in India: A Comparative Study*, 5 I JARSCT 115-120, (2025).

26 The Companies Act, 2013, (Act No. 18 of 2013), ss. 135(2) and (5)

27 Supra note 5.

and environmental factors of ESG.[28] However, the legal impact of this convergence is that the CSR can be said to be a segment within the broader field of ESG related governance.

Therefore, the transition of CSR to ESG is a jurisprudential transformation. Corporate law in India seems to have shifted away from the inquiry whether appropriate eligible companies commit resources towards certain social ends in the prescribed way to whether the institution is suitably regulated from an environmental, social and ethical perspective. This shifts the whole sense of corporate responsibility, by making the issue of sustainability a governance concern as opposed to an attachment to profits; and therefore, linking it fundamentally to risk and disclosure, as well as legitimacy.

V. GOVERNANCE OF DISCLOSURES

The most significant institutional driver for the integration of ESG into Indian listed corporations has been SEBI. The approach taken by SEBI reflects how ESG integrates with governance through designing disclosure frameworks, annual reports, quantitative measures, and assurance routes. The system is more a governance approach built upon ordered transparency and market accountability than an imperative upon all of substantive business conduct. Essentially, SEBI regulated sustainability by making it regulatable by information structure.[29] Further, the BRSR circular of 2021 changed the approach.[30] SEBI noted the growing global investor interest in sustainability investing and the need for Indian disclosure standards to keep up. SEBI noticed that BRSR would include large quantitative reporting and substantial reporting on climate, society, workers, consumers and communities. BRSR was more than just a reporting update; it altered the information on governance performance to be reported in an annual report of a listed company beyond quantitative data.[31]

The format of BRSR is very governance intensive. It deals with general disclosures, including the boundary of reporting and names of assurance providers.[32] Further, it also looks at management and process disclosures; and probes into principle wise performance disclosures where basic and leadership indicators have been put together.[33] The significance of this is that it connects the performance of the system i.e., governance. with the performance of the

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[28] *Id*.
[29] Supra note 14.
[30] *Id*.
[31] SEBI's *Business Responsibility and Sustainability Reporting Format*, https://www.sebi.gov.in/sebi_data/commondocs/may-2021/Business%20responsibility%20and%20sustainability%20reporting%20by%20listed%20entitiesAnnexure1_p.PDF, (visited on June 8, 2026).
[32] *Id*. at, Section A.
[33] *Id*. at, Section B.

company. Therefore, a company is not taken seriously when speaking about its ESG performance without addressing the way this has been achieved. The BRSR core integrates this even more. A group of material indicators among nine ESG attributes like, greenhouse gas footprint, water footprint, energy footprint, waste management, well-being and safety of the employees, gender diversity, inclusiveness development, customer and interaction with suppliers, openness of business have been defined along with specific metrics and respective assurance processes.[34] The legal aspect here is in terms of verification. Following a reasonable assurance process for ESG disclosures and indicators, it moves from qualitative to quantitative corporate governance.

Equally critical is the incorporation of value chain reporting. Under the 2023 circular, value chain coverage is defined by top upstream and downstream partners together accounting for 75% of purchases and sales on a value basis.[35] It requires top 250 listed entities to produce value chain disclosures with limited assurance from FY 2024-25.[36] This aspect recognises the critical reality of contemporary corporate governance, whereby social and environmental impacts of the firm frequently fall outside the formal operations of the corporate entity. The real risks and exposure lie with the suppliers, contractors, distributors and sourcing partners. In bringing the value chain within the purview of disclosure, SEBI has in essence increased the relevant boundary of corporate governance and oversight. Nevertheless, it does suffer from limitations *viz*., the standardisation of information is achieved through disclosure, comparability is increased, and is amenable to inspection by the investors. However, it does not inherently create improvements. Indeed, it is possible to become so skilled at reporting as to fake real improvement in its practices regarding the environment or the workforce. This indicates the inherent difficulties with the paradigm case of formal compliance, which relies so heavily on template driven rules, metrics, and assurance, such that the meaning of the corporate governance will be contingent upon organisational culture, sincerity of board, and quality of assurance.

Nonetheless, the SEBI regime has permanently influenced Indian corporate governance. It has regularised board level consideration of ESG. It has interwoven sustainability with annual reports, assurance providers, committee structures and material risk disclosure. It has provided a regulatory terminology with which investors, proxy advisors, researchers, and civil

[34] *Id*. at, Section C.
[35] Supra note 21, at 4.1.
[36] *Id*., at 4.4.

society can scrutinise listed entities to determine whether they are well-governed. Therefore, for listed companies, ESG is no longer an extracurricular narrative of virtue.

VI. JUDICIAL APPROACH TOWARDS ESG IN INDIA

The integration of ESG norms within corporate behaviour in India has been less about a solitary legislative landmark or administrative policy declaration and more about an ongoing judicial narrative, in which the Courts have consistently broadened the perception that corporate authority has a public impact. It began as environmental litigation, interpreting environmental protection guaranteed under the Constitution of India,[37] transformed into rulings that directly bind corporate conduct to constitutional duties and further expanded to encompass concepts like environmental harm, biodiversity protection, and accountability to all stakeholders. The narrative began with the judgment of *Rural Litigation and Entitlement Kendra v. State of U.P.*,[38] wherein, the Supreme Court of India suspended quarrying activities within the Dehradun hills, which were taking an immense toll on the ecology. In doing so, the Court reasoned that since the degradation of the ecology poses a serious threat to human life, health, and the quality of life, the protection of the ecology must necessarily be an incident to the protection of the right to life under the Constitution of India. This decision marked the first important judicial recognition that economic development is intrinsically linked to environmental issues, and paved the way for rights-based corporate responsibility for the environment.

This precedent was expanded in *M.C. Mehta v. Union of India*,[39] wherein the Court imposed absolute liability on hazardous industries for any harm that such industry caused to the public. The Court reasoned that once a business voluntarily chooses to carry out an activity that causes an inevitable harm for the purpose of making profit it should also be held liable to bear the entire cost caused thereby as the public at large should not be called upon to subsidize the negligence of such industry. The Court opined that corporate risk is no more a purely individual or private concern; and thus, laid down the liability that still forms an important pillar of modern ESG risk management processes. Further, in *M.C. Mehta v. Union of India*,[40] the Court ordered measures to be taken against all polluting industries located on the bank of the river Ganga as it did not consider industrial growth as a justification to destroy the public resources. It held that economic development cannot exist in the absence of the environmental

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[37] The Constitution of India, Art. 21.
[38] (1985) 3 SCC 614.
[39] (1987) 1 SCC 395.
[40] (1988) 1 SCC 471.

consciousness; and hence, it will not tolerate the externalisation of environmental costs onto the people.

The environmental jurisprudence further developed in *Indian Council for Enviro-Legal Action v. Union of India*,[41] by incorporating the polluter pays principle. It held that the restoration of the environment is not a complimentary act of morality but a legal right. This principle forms the basis of contemporary ESG accountability, by making it legally imperative that corporations internalise environmental degradation, instead of externalising it onto society. The ultimate turning point was *Vellore Citizens' Welfare Forum v. Union of India*,[42] wherein the precautionary principle and sustainable development were explicitly introduced into Indian law. It was held that if the potential harm to the environment is significant, or permanent in nature, scientific doubt cannot be an impediment to remedial action. This judicial reasoning has direct applicability to board level ESG governance wherein the prudent directors are not permitted to take action only post disaster. The law requires prevention, monitoring, and remediation.

In *M.C. Mehta v. Kamal Nath*,[43] the Court reinforced environmental regulation through the public trust doctrine where all natural resources were vested in the State for the use of public. Therefore, no government or private enterprise could change all natural assets from public to private property without adequate reasons. Thus, the government was constitutionally bound to care for the environment when private entities utilised natural resources. Further, in *Narmada Bachao Andolan v. Union of India*,[44] the Court tried to strike a balance between developmental needs and problems of displacement; and rehabilitation was made indispensable when a particular society shoulders the costs associated with massive projects.

The governance perspective was further engaged in *Tata Consultancy Services Ltd. V. Cyrus Investments Pvt. Ltd.*,[45] where there was no basis for oppression and mis-management. In upholding the stringent standard for interference in internal affairs, the reasoning relied upon was that the Court cannot replace commercial decision makers, where there is only a breakdown in trust or a disagreement over strategy. The Court opined that the importance of governance is not just moral, but relates to institutional discipline, fiduciary structures, and respect for due process in decision making. Therefore, the implication for ESG analysis is that

41 (1996) 3 SCC 212.
42 (1996) 5 SCC 647.
43 (1997) 1 SCC 388.
44 (2000) 10 SCC 664.
45 (2021) 9 SCC 449.

sustainability cannot be sloganised; it must be institutionalised into governance, disclosure, and accountability mechanisms.

The constitutional aspect of ESG became more prominent in *M.K. Ranjitsinh v. Union of India*,[46] wherein the Court has recognised the right to a healthy environment against the detriments of climate change guaranteed under the Constitution of India. The emphasised that the climate disaster is unequal as loss is unequally borne by poor, forest dwellers, and tribal communities, which have become prone to heat, food crisis, uprooting, and ecology-based disturbances. Therefore, the climate risk became an issue of equality in addition to the issue of right to life. Hence, corporate governance is nothing but climate governance, as companies whose business models are carbon intensive, land intensive, or resource intensive, have found themselves facing a new legal terrain, where the question of long-term environmental damages can no longer be dissociated from issues of fairness, legality, and constitutional responsibility.

In *Vanashakti v. Union of India*,[47] the scope was further broadened and the Court declared retrospective environmental clearances contrary to the fundamental principles of environment. The reason was, to allow retrospective environmental clearance defeats the whole purpose of obtaining it before hand, which is to protect irreversible environmental damage before it happens. Thus, a precedent is set that a clearance must be taken prior to initiation of any project, to make the mandatory element of environmental clearance, as per the principle of precaution and to avoid circumventing the mandatory provisions and getting subsequent consent.

Further, in *In Re: Definition of Aravalli Hills and Ranges and Ancillary Issues*,[48] the Court provided a definition of the Aravalli Hills and the effects it had on mining, by stating that ecologically vulnerable areas require a higher degree of protection, and that there needs to be a balance between development and habitat protection. An expert committee was appointed to reassess the ecological limits of the Aravalli ranges by a coordinate bench of the Court. The Court reiterated that these are essential ecological resources which require judicial oversight in the context of non-systematic mining and encroaching urban settlements. Additionally, in *M.C. Mehta v. Union of India*,[49] the Court took stock of the functioning of the Commission for Air Quality Management and discussed issues pertaining to delays in regulatory responses, as well as data disclosure. Its reasoning was that it constitutes a public health problem that requires

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46 (2024) 19 SCC 139.
47 2025 SCC OnLine SC 1139.
48 2025 SCC OnLine SC 2997.
49 2026 SCC OnLine SC 635.

accountability from the institutions managing the problem, so that air-quality standards can be maintained at an adequate level by corporate emissions.

Collectively these demonstrate that the Indian judiciary has successfully transposed environmental wrongs, harm to stakeholders, and governance failure into legal wrongs. The rationale is simple that the companies, which are influential societal actors and not just economic entities designed to produce returns, must conform to constitutional and fiduciary norms once they impinge on air, water, land, labour, and the local community. Thus, ESG in India is a doctrine not just of corporate compliance, but one of corporate liability where the Indian courts have unequivocally signalled to corporate India, that the creation of value must accompany corporate accountability.

VII. CONCLUSION

ESG integration within the Indian corporate governance structure is tangible, significant, and legally demonstrable. The integration has moved from Companies Act, 2013, through the NGRBC framework to BRSR and BRSR Core and evolving assurance requirements. The legal framework has been effective in placing sustainability into the nomenclature of annual reports, boardroom responsibilities, quantifiable metrics, and value chain transparency. This is an accomplishment, given it has displaced ESG from the periphery of voluntary corporate communication into the heart of corporate governance disclosure. However, the integration is still in its infancy. The existing structure is largely disclosure led, as opposed to conduct led. The legal framework, while obliging companies to disclose what it does, how it governs, and what it considers its risks, has not progressed as much in mandating substantial duties of ESG due diligence throughout the corporate chain and identifying concrete liability of imperfect sustainability governance, beyond disclosure violations.

Another problem related to the fragmentation is that all ESG obligations are contained within various different frameworks i.e., company law, securities regulation, environment law, labour law, discrimination law and department directives. This presents fertile ground, and fertile challenges. It is a complex web to navigate wherein large listed companies may have a compliance team and the external consultants who are equipped to cope with it, while smaller, unlisted companies and value chain participants may have less success. Fragmentation may also create regulation fragmentation and there is also a question of representation. The ESG report may offer the semblance of accountability even where results on the merits are mixed. These numerical indicators may create accountability through exposure to certain practices or concerns, but may encourage the use of indicators which are simple to quantify and simple to regulate, over those which are more difficult such as the number of grievances submitted, carbon emissions, the proportion of male and female employees, etc., are easily accounted for, but do not necessarily illuminate power structures, suppressed claims, or the impact or transitional capacity. Therefore, the governance risks being quantitative and cosmetic where boards and investors value the superficial dimension of ESG more than substantive disclosure.

Nonetheless, a simple sceptical account would also be wrong. Disclosures almost invariably come first when you are building stronger accountability structures. Through imposing disclosure standards and adding assurance processes, SEBI has created the necessary preconditions for subsequent enforcement, shareholder action, and judicial review, to develop. Its move toward value chain disclosure is particularly significant in that it acknowledges the actual geographies of harm which result from modern corporate behaviour. Even if not fully compulsory, this scheme is altering the standards by which responsible corporate behaviour is defined. Ultimately, the correct legal interpretation has to be balanced. There is not yet a comprehensive and enforceable ESG corporate law regime in India, but there certainly is an ESG corporate governance framework at work at large companies through disclosure mechanisms, board responsibility cues, policy supervision expectations, and assurance mechanisms. The regime can be characterised as an intermediate one, between voluntary CSR disclosures and robust legal liabilities where the strength is its change to the language of governance and the weakness of its overreliance on reporting as a catalyst for meaningful institutional transformation.

Further, the inclusion of ESG into the governance structure of Indian companies indicates a structural change within Indian company law. This has marked a transition of ESG from an extraneous ethical narrative to one integral to the way listed companies should conduct their policy setting, risk management, management oversight, performance assessment and accountability reporting. The integration has been enabled through the Companies Act, 2013, the NGRBC guidelines and the SEBI BRSR disclosure requirements. What makes the Indian approach unique is its layered regulatory mechanism rather than a single code. The Companies Act, 2013 sets the fundamental duties and the structure of the governance process; SEBI provides the prescribed disclosures and the reporting verification process; the NGRBC sets the ethical guideposts; sector specific laws on the environment, labour, accessibility, and anti-harassment create the substantive duties that the ESG report eventually replicates. Collectively, these have expanded the concept of corporate governance to include a responsible stewardship of social and environmental externalities and not merely internal management controls. The critical review demonstrates that this has not as yet achieved comprehensive success in terms of substantive integration as the current regime continues to be disclosure oriented. While the disclosures make ESG salient, they do not, as yet, assure substantive performance, though value chain disclosure, assured reporting, and the obligation of disclosure at board level have strengthened the legal character of these processes, but the critical gap between sustainability and the actual practice of the corporation remains. Therefore, the gap between governance form and governance fact remains the key challenge of Indian ESG regulation.

Despite this, the implications of integrating ESG in India are very significant at the level of law. ESG has made it mandatory for boards to deliberate on issues other than finances, for companies to measure impacts besides those on shareholders and for annual reports to include details of these issues and stakeholder claims. It has redefined corporate governance to include employees, communities, consumers, and the environment in the scope of what is legitimate and appropriate to be considered and to be demanded. In this sense, ESG has already impacted on the conceptual and institutional base of Indian corporate governance. There is no longer a question of whether or not it is appropriate for ESG to have a place in this framework, it most certainly is. However, the question, still unanswered, is whether or not Indian law can translate this acknowledgement into a cohesive and pragmatic corporate liability framework.