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ESG NORMS, INDIA'S FOREIGN DIRECT INVESTMENT FRAMEWORK, AND THE ADEQUACY OF THE BRSR DISCLOSURE REGIME: A CRITICAL LEGAL ANALYSIS

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Abstract

Environmental, Social, and Governance (ESG) criteria have migrated from the margins of voluntary corporate philanthropy to the centre of global capital allocation. Institutional investors managing assets exceeding USD 30 trillion now screen investments through ESG frameworks, and major regulatory jurisdictions have enacted binding disclosure regimes that make sustainability reporting a legal obligation rather than a reputational choice. This paper examines, through doctrinal legal analysis, whether India's current regulatory architecture — centred on the Business Responsibility and Sustainability Report (BRSR) framework administered by the Securities and Exchange Board of India (SEBI) — adequately meets the informational and credibility requirements of globally mandated ESG investors, and whether India's Foreign Direct Investment (FDI) regime sufficiently reflects the realities of ESG-driven capital allocation. The paper identifies structural gaps across the environmental, social, and governance pillars of India's disclosure architecture, traces the extraterritorial reach of the European Union's Sustainable Finance Framework upon Indian companies and investees, and concludes with targeted policy recommendations for regulatory reform.

I. INTRODUCTION

The term "ESG" was first deployed in its modern, capital-markets-oriented sense in a 2005 report commissioned by the United Nations Global Compact, which argued that companies integrating environmental, social, and governance considerations into their operations would generate superior long-term financial performance.¹

That proposition has since transformed from a normative aspiration into a structural feature of global finance. According to the Global Sustainable Investment Alliance, assets managed under responsible investment strategies exceeded USD 30 trillion globally in 2022, and the ESG investing market is projected to grow at a compound annual growth rate of approximately 16 percent through 2034.²

India occupies a uniquely consequential position in this transformation. As the world's fifth-largest economy and one of its fastest-growing major markets, India depends substantially on Foreign Direct Investment to finance infrastructure, innovation, and sustainable development. The ESG investing market within India generated revenue of USD 1,217.9 million in 2024 and is projected to reach USD 4,109.6 million by 2030, representing a compound annual growth rate of 23.3 percent — a rate that outpaces several mature markets.³ Against this backdrop, SEBI has progressively constructed one of the most detailed ESG disclosure regimes in the Global South, culminating in the Business Responsibility and Sustainability Report (BRSR) framework, which became mandatory from financial year 2022–23 for the top one thousand listed entities by market capitalisation.⁴

Yet the adequacy, international alignment, and enforcement architecture of that framework remain contested. This paper critically examines three interrelated questions: first, how global ESG norms are shaping capital allocation and what regulatory obligations have emerged internationally; second, whether India's BRSR regime adequately meets the informational standards of ESG-mandated investors; and third, whether India's FDI framework is structurally equipped to attract and retain ESG-linked capital at scale. The analysis employs a doctrinal methodology, examining primary legal sources including legislation, regulatory instruments, official circulars, and policy documents, supplemented by comparative legal analysis against the principal international frameworks.

II. THE EVOLUTION OF ESG REPORTING IN INDIA: FROM CSR TO BRSR

A. The Voluntary Phase (2009–2011)

India's journey toward mandatory sustainability disclosure began with purely aspirational instruments. In 2009, the Ministry of Corporate Affairs (MCA) issued Voluntary Guidelines on Corporate Social Responsibility, which encouraged companies to treat CSR as a strategic rather than incidental function.⁵

These were superseded in 2011 by the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs), which articulated nine principles of responsible business conduct — covering ethics, sustainability, employee welfare, stakeholder responsiveness, human rights, environmental protection, responsible policy engagement, inclusive development, and consumer responsibility. These nine principles have exercised an enduring influence on subsequent regulatory frameworks and serve as the structural backbone

of the current BRSR regime.⁶

B. The BRR Mandate and Mandatory CSR (2012–2018)

SEBI took a landmark step in August 2012 by requiring the top one hundred listed companies by market capitalisation to file Business Responsibility Reports (BRRs) as part of their Annual Reports. The BRR format consisted of thirty-six broad, largely narrative questions covering the nine NVG principles, but lacked quantitative metrics and offered limited comparability across reporting entities.⁷

The most transformative development in this period was the enactment of the Companies Act, 2013, which introduced Section 135 — the first statutory CSR mandate of its kind in the world. Section 135 requires every company with a net worth of ₹500 crore or more, a turnover of ₹1,000 crore or more, or a net profit of ₹5 crore or more in the preceding financial year to constitute a CSR Committee and to spend at least two percent of its average net profits on CSR activities. This made India the first country in the world to introduce mandatory CSR through legislation.⁸

C. The NGRBC 2019 and the Transition to BRSR

The National Guidelines on Responsible Business Conduct (NGRBC), released by the MCA in March 2019, substantially enriched the NVG framework by incorporating explicit references to the Sustainable Development Goals, the UN Guiding Principles on Business and Human Rights, and other international normative frameworks. The NGRBC applies to all businesses regardless of ownership, size, or structure, including foreign multinational corporations investing in India.⁹

By 2020, the limitations of the BRR format had become undeniable. International institutional investors demanded standardised, data-driven ESG disclosures benchmarkable across geographies. The BRR, with its thirty-six broad narrative questions, lacked quantitative metrics, did not align with global frameworks such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), or the Task Force on Climate-related Financial Disclosures (TCFD), and completely ignored value-chain impacts.

In May 2021, SEBI introduced the BRSR framework, initially on a voluntary basis for financial year 2021–22 and mandatorily from financial year 2022–23 for the top one thousand listed entities. The BRSR represented a decisive departure from its predecessor, requiring responses to approximately one hundred and forty parameters — ninety-eight essential (mandatory) indicators and forty-two leadership (voluntary) indicators — organised across three sections:

general disclosures, management and process disclosures, and principle-wise performance disclosures covering all nine NGRBC principles.¹⁰

In June 2023, SEBI further refined the framework by introducing the BRSR Core — a curated subset of forty-nine Key Performance Indicators covering measurable climate and social metrics — and requiring third-party assurance on these disclosures. The BRSR Core establishes a phased glide path for mandatory assurance, beginning with the top one hundred and fifty companies and expanding progressively to cover all top one thousand listed entities by financial year 2026–27.¹¹

III. THE GLOBAL ESG REGULATORY LANDSCAPE AND INDIA'S POSITIONING

A. The Emergence of Binding International Norms

The concept of ESG did not emerge fully formed as a legal or regulatory category. Its genealogy traces to mid-twentieth century debates on corporate social responsibility and the proposition — associated with Milton Friedman — that the sole obligation of a corporation is to maximise shareholder wealth. The intervening decades witnessed a gradual but decisive reorientation: from corporate philanthropy and voluntary codes of conduct, through institutionalised frameworks for responsible investment, to the present regime of binding legal obligations enforced by state authorities across multiple jurisdictions.

The pivotal institutional contribution of the United Nations came in 2006 with the launch of the UN Principles for Responsible Investment (PRI) under the joint auspices of the UN Global Compact and the UN Environment Programme Finance Initiative (UNEP FI). Since its inception, the PRI has grown into the world's largest responsible investment network, with signatories collectively managing assets in excess of USD 120 trillion as of 2023. The scale of institutional commitment to the PRI principles is itself a measure of the degree to which ESG integration has become a baseline expectation within global institutional investment.¹²

The International Sustainability Standards Board (ISSB), established under the IFRS Foundation in November 2021, issued its inaugural standards — IFRS S1 (general sustainability disclosure requirements) and IFRS S2 (climate-related disclosures) — in June 2023. These standards adopt an investor-focused, enterprise value orientation, meaning their disclosure requirements are calibrated to the information material to investors assessing risks and opportunities affecting the financial performance and value of reporting entities. The ISSB has secured formal endorsement from securities regulators across the United Kingdom,

Australia, Singapore, Japan, Hong Kong, and a growing number of other jurisdictions.¹³

B. The EU Sustainable Finance Framework and Its Extraterritorial Reach

The European Union's Sustainable Finance Framework represents the most ambitious, comprehensive, and legally binding attempt by any major jurisdiction to deploy financial regulation as an active tool for directing private capital toward environmentally sustainable economic activities. Its principal instruments — the EU Taxonomy Regulation, the Sustainable Finance Disclosure Regulation (SFDR), and the Corporate Sustainability Reporting Directive (CSRD) — collectively constitute a system of capital-directing law whose extraterritorial reach materially affects Indian companies.¹⁴

The EU Taxonomy Regulation, which entered into force in July 2020, establishes a legally binding classification system specifying, on the basis of scientific criteria, the conditions under which economic activities can be considered to make a substantial contribution to one or more of six environmental objectives — climate change mitigation, climate change adaptation, the sustainable use of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection of biodiversity and ecosystems. Without an Indian equivalent taxonomy, international investors face definitional ambiguity when assessing Indian assets within their own ESG frameworks.¹⁵

The Corporate Sustainability Due Diligence Directive (CSDDD), formally adopted in April 2024, adds a qualitatively distinct dimension by imposing mandatory human rights and environmental due diligence obligations on large EU companies and non-EU companies with significant EU market presence. Unlike the SFDR and CSRD, which are primarily disclosure and transparency instruments, the CSDDD is a substantive conduct regulation requiring companies to identify, prevent, mitigate, and account for adverse human rights and environmental impacts across their operations and value chains. India's manufacturing sector, deeply integrated into global supply chains serving EU-based companies across textiles, automotive, pharmaceuticals, and information technology, will be indirectly subject to CSDDD requirements through obligations imposed on their EU business partners.¹⁶

The "Brussels Effect" — whereby the EU's internal regulatory choices effectively become global standards through its market power — operates upon Indian companies through four reinforcing channels: direct compliance obligations for Indian companies with significant EU market presence; supply chain data demands arising from commercial relationships with EU entities subject to CSRD and CSDDD obligations; capital market pressures from EU institutional investors managing SFDR-classified funds; and normative influence upon global

standard-setters, rating methodologies, and institutional investor expectations.

IV. CRITICAL ASSESSMENT OF INDIA'S BRSR FRAMEWORK

A. Design Strengths and Structural Innovations

The BRSR framework represents a genuine and significant regulatory achievement in the context of emerging market ESG governance. Its emphasis on quantitative, auditable data points — covering greenhouse gas emissions, energy consumption, water usage, waste generation, employee diversity, human rights practices, board governance structures, and community impact — represents a decisive departure from the narrative-style BRR it replaced. The BRSR's interoperability with GRI, SASB, and TCFD frameworks reflects deliberate alignment with internationally recognised reporting standards.

A comparative analysis of BRSR with GRI standards has found that the two frameworks are approximately 52.30 percent aligned, with divergences particularly in the treatment of biodiversity, Scope 3 emissions, and supply-chain governance. The introduction of mandatory third-party assurance under BRSR Core for Key Performance Indicators brings sustainability disclosures closer to the evidentiary standard applicable to financial reporting, thereby increasing their reliability as inputs to investment decision-making.¹⁷

B. Enforcement Architecture and Regulatory Gaps

The BRSR framework derives its legal authority from SEBI's powers under the Securities and Exchange Board of India Act, 1992, to regulate listed entities and to prescribe disclosure obligations as a condition of listing. The specific obligation is imposed through the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Non-compliance with material disclosure obligations can attract regulatory action under the SEBI Act and LODR Regulations, including monetary penalties and action affecting listing status.¹⁸

However, the BRSR is fundamentally a disclosure regulation rather than a substantive conduct regulation. It does not prohibit any business activity, does not set minimum environmental or social performance standards, and does not impose affirmative obligations to achieve particular sustainability outcomes. Whether what companies are disclosing is adequate, whether their performance is improving, and whether their activities are consistent with national sustainability commitments are matters on which the framework is legally silent. This creates a regulatory asymmetry: companies are obliged to disclose ESG information, but the legal risk for superficial, minimalistic, or purely formal compliance remains relatively low unless

conduct rises to the level of clear misrepresentation or broader LODR breach.

The greenwashing liability framework presents particularly significant gaps. There is no specific legal standard defining greenwashing as a distinct regulatory violation in India, no dedicated enforcement mechanism, and no precedent of SEBI enforcement action publicly characterised as a greenwashing case. The applicable legal framework would be the general prohibition on fraudulent and unfair trade practices under the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003, or the general misstatement provisions under the LODR Regulations and the Companies Act, 2013. Neither framework was designed with sustainability disclosure in mind.¹⁹

This regulatory risk environment contrasts sharply with jurisdictions that have actively pursued greenwashing enforcement. The Australian Securities and Investments Commission has taken enforcement action against investment managers for greenwashing misrepresentation. The European Securities and Markets Authority has issued guidelines on the use of ESG and sustainability-related terms in fund names. The US Securities and Exchange Commission imposed a USD 19 million penalty on DWS Investment Management Americas for greenwashing in ESG fund disclosures. India has no comparable enforcement history.

C. The ESG Rating Architecture

The ESG rating industry occupies a structurally important but institutionally under-governed position. Research documenting divergence across ESG ratings has found that the correlation between major ESG rating providers' assessments of the same entity is substantially lower than the correlation between credit ratings from different credit rating agencies, reflecting fundamental methodological disagreements about what constitutes a material ESG factor and how raw data should be translated into a composite assessment.²⁰

SEBI introduced a regulatory framework for ESG rating providers in 2023, making India one of the earlier jurisdictions to regulate ESG ratings. Under this framework, ESG rating providers operating in India must register with SEBI, disclose their rating methodologies in a standardised manner, and maintain independence from conflicts of interest.²¹

Nevertheless, several accountability gaps remain. The registration requirement does not standardise methodologies, and SEBI's framework explicitly preserves methodological pluralism. The framework does not address the data reliability problem that sits upstream of rating methodology. Most significantly, global ESG rating providers such as MSCI and Sustainalytics — whose ratings determine inclusion in international ESG indices and thus the allocation of passive ESG capital to Indian equities — operate outside SEBI's regulatory

perimeter. The ratings that most directly affect large-scale international capital flows are those over which SEBI has least direct regulatory influence.

V. REGULATORY FRAGMENTATION: THE FDI–ESG DISCONNECT

A. The Structural Separation

India's FDI regulatory architecture is governed primarily by the Foreign Exchange Management Act, 1999, the Consolidated FDI Policy administered by the Department for Promotion of Industry and Internal Trade (DPIIT), and the Foreign Exchange Management (Non-debt Instruments) Rules, 2019. These instruments constitute a comprehensive framework governing the entry, conditions, and sectoral limits applicable to foreign investment in India.²² What is conspicuously absent from this architecture is any systematic integration of ESG criteria. The Consolidated FDI Policy does not incorporate ESG considerations into the screening, approval, or sectoral conditions applicable to incoming foreign investment. ESG thus operates in a parallel track: it is highly relevant to investor decision-making and reputational assessments, yet only indirectly connected to the legal architecture governing foreign investment inflows.

The disconnect is also institutional. DPIIT does not coordinate with SEBI in developing FDI policy, and SEBI does not have a role in the government-route approval process for incoming foreign investment. SEBI's BRSR framework does not make any provision for interaction with the FDI framework or for differential treatment of companies based on the nature of their foreign investment. An unlisted Indian company receiving FDI is entirely outside SEBI's disclosure framework and therefore subject to no sustainability disclosure obligations unless voluntarily adopted or contractually imposed by the investor.

B. Regulatory Fragmentation as a Systemic Risk

The structural gaps in India's investment governance framework are not isolated deficiencies but components of a broader pattern of regulatory fragmentation that constitutes a systemic risk to India's capacity to attract and retain ESG-linked foreign direct investment. Agencies whose mandates intersect with ESG-linked FDI include DPIIT, SEBI, the Reserve Bank of India, the Ministry of Environment Forest and Climate Change, the Ministry of Finance, the Ministry of New and Renewable Energy, and the National Green Hydrogen Mission administrative apparatus. No single agency has a mandate to coordinate the ESG dimensions of India's investment governance framework across these actors.²³

For the international ESG investor, this fragmentation creates a legibility problem. An investor seeking to understand whether an India-facing investment qualifies under its ESG mandate must navigate multiple regulatory frameworks that use different metrics, apply to different categories of entity, are administered by institutions that do not coordinate with one another, and do not collectively add up to a coherent statement of what India's investment environment requires or incentivises from a sustainability standpoint.

This stands in marked contrast to the EU's Sustainable Finance Action Plan, which created a coordinated regulatory architecture aligning taxonomy, financial product disclosures under SFDR, corporate reporting under CSRD, and investment product labelling requirements into a system in which each component reinforces the others and in which investors can make portfolio-level sustainability claims with regulatory backing. India has no comparable architecture.

The systemic risk dimension operates through several channels. It creates investment uncertainty; it reduces the effectiveness of India's own sustainability objectives; it increases the risk of governance arbitrage — where investors deploy capital in India with weaker ESG conditions than they would apply in jurisdictions with more robust sustainability governance frameworks; and it creates a reputational gap between India's international climate diplomacy commitments and the domestic regulatory infrastructure that is supposed to give those commitments operational meaning.²⁴

VI. COMPARATIVE ANALYSIS: BRSR AGAINST GLOBAL FRAMEWORKS

Assessed against the three dominant global frameworks — the EU Sustainable Finance Framework, the ISSB standards, and the UN SDG architecture — India's BRSR regime exhibits material gaps across multiple dimensions.

Relative to the EU framework, the most fundamental structural divergence is the absence of an Indian equivalent to the EU Taxonomy. Without a science-based classification system for sustainable economic activities, India's BRSR framework lacks the definitional infrastructure to make comparable alignment claims, and sustainability disclosures produced under BRSR cannot be mapped directly onto the EU taxonomy framework. The CSRD's double materiality requirement — mandating disclosure of both the financial materiality of sustainability risks to the company and the impact materiality of the company's activities on society and environment — also has no direct equivalent in BRSR's design. Additionally, the CSRD's mandatory limited

assurance requirements, with a progressive pathway toward reasonable assurance, exceed what India's current BRSR Core provisions deliver.²⁵

Relative to the ISSB standards, four material gaps are identifiable. First, the BRSR framework does not currently require the comprehensive climate scenario analysis and strategic resilience assessment that IFRS S2 mandates, leaving investors without the forward-looking, scenario-informed assessment of Indian companies' climate resilience. Second, the BRSR's greenhouse gas accounting requirements do not yet mandate full Scope 3 emissions disclosure in accordance with the Greenhouse Gas Protocol methodology specified by IFRS S2 — a significant gap given that Scope 3 emissions typically represent the largest component of a company's total climate impact. Third, the integration between sustainability disclosures and financial reporting envisioned by IFRS S1 has not been operationalised in India's regulatory framework. Fourth, assurance requirements under BRSR Core do not yet achieve the level of independent verification rigour that ISSB-aligned disclosure is expected to attract as mandatory adoption matures across major jurisdictions.²⁶

The practical consequence is that India's current corporate ESG disclosure framework, even as it continues to develop, falls materially short of both the EU framework and the ISSB baseline in the areas most relevant to ESG-driven international capital allocation. For investors applying EU-origin ESG obligations, BRSR disclosures are insufficient to satisfy taxonomy alignment assessments, SFDR product classification requirements, or double materiality reporting obligations. For investors applying ISSB-oriented due diligence standards, the absence of mandatory Scope 3 reporting and scenario analysis creates gaps that raise the cost of ESG-compliant investment in India relative to jurisdictions with more developed disclosure infrastructure.

VII. POLICY AND REGULATORY RECOMMENDATIONS

A. Enact a Science-Based Green Taxonomy

The most consequential single regulatory reform India could undertake is the development and enactment of a comprehensive, science-based green taxonomy. Such a taxonomy would provide the definitional foundation for a more robust domestic green bond market, enable SEBI to strengthen its green bond standards, and give international investors the classification certainty needed to categorise Indian assets within their own portfolio frameworks. India's cumulative green and sustainability-linked debt issuance reached USD 55.9 billion by end-2024, a 186 percent increase since 2021, demonstrating substantial market appetite that a

credible taxonomy would further catalyse.²⁷

The recommended reform is for the Indian government, under the joint leadership of the Ministry of Finance and the Ministry of Environment, Forest and Climate Change, with SEBI and the RBI as key institutional partners, to initiate a formal taxonomy development process. The taxonomy should include both green categories and transition categories, recognising that an exclusively green framing that excludes transitional activities would limit its practical utility for a country at India's stage of development. Transition categories should be subject to rigorous criteria, including credible decarbonisation pathways and time-bound phase-out schedules.

B. Strengthen the BRSR's Scope 3 and Scenario Analysis Requirements

To achieve alignment with the ISSB's IFRS S2 standard and to meet the informational requirements of globally mandated ESG investors, SEBI should progressively introduce mandatory Scope 3 greenhouse gas emissions disclosure and climate scenario analysis requirements within the BRSR framework. Given the significant data and institutional capacity demands of Scope 3 accounting, a phased implementation approach — beginning with the BRSR Core category and providing transitional relief in the initial years — would be appropriate.

Climate scenario analysis should be required to include at least one scenario consistent with limiting global warming to 1.5 degrees Celsius above pre-industrial levels, mirroring the IFRS S2 requirement. The integration of sustainability disclosures with financial statements, including simultaneous publication and explicit cross-referencing of sustainability risks to financial statement line items, should be established as a medium-term regulatory objective.

C. Address the FDI–ESG Regulatory Disconnect

The structural separation between India's FDI governance and its ESG disclosure architecture requires institutional coordination mechanisms that currently do not exist. The creation of an inter-agency Sustainable Finance Coordination Committee, encompassing DPIIT, SEBI, the RBI, and the relevant line ministries, would provide an institutional mechanism for developing a common conceptual vocabulary and aligning the objectives, standards, and instruments of the various relevant regulatory actors.

Invest India, in collaboration with SEBI and the Ministry of Environment, should develop a comprehensive, regularly updated ESG regulatory guide for international investors, and should establish a dedicated ESG-oriented investment facilitation function serving as a single

point of contact for ESG-focused investors. India should also seek bilateral regulatory cooperation agreements with the EU and the United Kingdom on green taxonomy mutual recognition and disclosure standard alignment, which would reduce compliance burdens on Indian issuers accessing international sustainable finance markets.

D. Develop a Dedicated Anti-Greenwashing Regulatory Framework

The absence of a specific greenwashing regulatory framework in India creates a credibility deficit for sustainability disclosures made by Indian companies and fund managers. SEBI should develop a dedicated anti-greenwashing regulatory instrument that defines greenwashing as a distinct violation, establishes specific evidentiary and procedural standards for greenwashing investigations, and creates a deterrent penalty regime. The development of mandatory sustainability accounting standards, analogous to the Ind AS framework for financial reporting, would provide an authoritative benchmark against which the accuracy of sustainability disclosures can be assessed for enforcement purposes.²⁸

E. Strengthen Corporate Governance Standards

India's governance pillar preparedness benefits from the country's democratic institutions, independent judiciary, and free press — assets that distinguish India from many emerging market competitors. However, persistent concerns around regulatory consistency, judicial delays in commercial dispute resolution, and corruption perceptions at subnational levels remain material risk factors for ESG-focused investors whose governance filters are among the most rigorous components of their assessment frameworks. India's Supreme Court has affirmed that directors' fiduciary duties extend beyond shareholders to encompass employees, community, and the environment — a foundation upon which stronger governance standards can be built.²⁹

The recommended reforms include establishing formal consultation and notice requirements before making material changes to the regulatory framework affecting existing investments; strengthening the capacity and independence of anti-corruption enforcement bodies; accelerating the implementation of beneficial ownership registries; and further strengthening SEBI's corporate governance requirements for listed companies, particularly in relation to the governance of promoter-controlled entities and the quality of audit and assurance.

VIII. CONCLUSION

India has constructed the foundational architecture of an ESG regulatory regime and demonstrated genuine political will in several areas, particularly around renewable energy deployment and mandatory disclosure. The BRSR framework represents a significant regulatory achievement — one of the more comprehensive mandatory ESG disclosure regimes among major emerging economies. India's cumulative FDI inflows totalled USD 1.14 trillion between April 2000 and December 2025, confirming its status as a premier destination for international capital, and its ESG regulatory development has kept pace with this growth in important respects.³⁰

At the same time, the analysis conducted in this paper confirms that significant structural gaps remain. India lacks a science-based green taxonomy, does not mandate Scope 3 emissions disclosure or climate scenario analysis, has not operationalised the integration of sustainability and financial reporting, and has not yet produced the greenwashing enforcement precedents that signal credible regulatory commitment to investors. The FDI and ESG regulatory architectures remain structurally separated, creating a legibility problem for international ESG investors that raises the cost of India-facing sustainable investment relative to jurisdictions with more integrated frameworks.³¹

The risk is not merely that India fails to attract incremental ESG-labelled capital. It is that without deliberate and sequenced regulatory acceleration, the frameworks of the EU and other major capital-exporting jurisdictions continue to tighten faster than India's domestic ESG infrastructure evolves, producing a widening rather than a narrowing of the preparedness gap. ESG-driven capital is no longer a marginal or niche phenomenon — it is a structural feature of global finance, and India's long-term competitiveness as an investment destination will increasingly be measured against the standards that govern it.³²

The recommendations advanced in this paper — a science-based taxonomy, mandatory Scope 3 and scenario analysis requirements, institutional coordination between the FDI and ESG regulatory architectures, a dedicated anti-greenwashing framework, and strengthened corporate governance standards — are neither novel nor unrealisable. They reflect established international practice in jurisdictions that have successfully positioned themselves as leading destinations for ESG-linked capital. India has the institutional foundations, the regulatory expertise, and the political will to close these gaps. The question is one of sequencing, pace, and sustained commitment.

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- ²⁰Florian Berg, Julian F. Koelbel & Roberto Rigobon, "Aggregate Confusion: The Divergence of ESG Ratings" (2022) 26 Review of Finance 1315, 1316–18.
- ²¹Securities and Exchange Board of India, Circular No. SEBI/HO/MIRD/MIRD_PoD1/P/CIR/2023/060 (April 5, 2023), regulatory framework for ESG Rating Providers.
- ²²Foreign Exchange Management Act, 1999 (Act 42 of 1999); Department for Promotion of Industry and Internal Trade, "Consolidated FDI Policy Circular 2020" (DPIIT, October 2020).
- ²⁴Niranjan Chipalkatti, Quan Vu Le & Meenakshi Rishi, "Sustainability and Society: Do Environmental, Social, and Governance Factors Matter for Foreign Direct Investment?" (2021) 14(19) Energies 6039.
- ²⁷Climate Bonds Initiative (CBI) and MUFG Bank, India Sustainable Debt State of the Market 2024 (June 2025): India's cumulative GSS+ debt issuance reached USD 55.9 billion by end-2024, a 186% increase since 2021.
- ²⁹Tata Consultancy Services Ltd v Cyrus Investments Pvt Ltd (2021) 9 SCC 1 (Supreme Court of India): the Supreme Court affirmed that directors' fiduciary duties extend beyond shareholders to encompass employees, community, and the environment.
- ³⁰Department for Promotion of Industry and Internal Trade (DPIIT), "India FDI Statistics" (Ministry of Commerce and Industry, Government of India, 2025): India's cumulative FDI inflows totalled USD 1.14 trillion between April 2000 and December 2025. ³¹Morningstar, "India Sustainable Funds Landscape" (Morningstar Research, 2023); SEBI, "Discussion Paper on ESG Investing and Sustainability Reporting" (November 2023).
- ³²Thaer M. Alshamsi et al., "Sovereign ESG and Foreign Direct Investment in the GCC: The Amplifying Role of Trade Openness in Economic Diversification" (2024) 16(21) Sustainability 9326.