

The background of the journal cover features a top-down view of a desk. On the left, a pair of black leather brogue shoes is partially visible. In the center, an open notebook with lined pages and a silver pen lies on a light-colored wooden surface. To the right, a black leather bag with a zipper and a black leather watch with a silver face are also on the desk. A large, semi-transparent white rectangular box is centered over the image, containing the journal's title and ISSN information.

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GREENWASHING AND ESG DISCLOSURES: LEGAL CHALLENGES AND INVESTOR PROTECTION IN INDIA

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Abstract

The quick evolution of ESG as an important component of corporate governance has led to tremendous changes in the regulation and reporting environment in India. With an increase in investor demands for transparency and sustainability, SEBI has come up with the BRSR framework, which mandates mandatory reporting on ESG by major listed companies. Although such efforts are geared toward creating accountability and making sound decisions, they have also contributed to the growing phenomenon of greenwashing.

The phenomenon of greenwashing, which is the act of exaggeration or deception about environmental, social, and governance (ESG) attributes, can be considered one of the major threats to the credibility of corporate disclosures and can lead to serious consequences for investors. The current paper will conduct an assessment of greenwashing in the Indian corporate setting, paying special attention to the ability of the current legislation to counter misleading information about ESG attributes.

Some of the key obstacles that have been outlined include a lack of a comprehensive statutory definition of greenwashing, inconsistencies in the use of environmental, social, and governance (ESG) metrics in disclosures, overlapping regulations, and insufficient enforcement mechanisms. Additionally, the potential repercussions of these issues are examined through their impact on investor protection, considering the misleading information in disclosures could misguide investors.

Comparative analysis is used in this research to illustrate the importance of implementing necessary changes in India's current regulatory system using lessons learned from other countries' experiences. The findings conclude by recommending specific legal amendments to address the existing shortcomings and enhance overall governance.

Keywords: Environmental, Social and Governance (ESG), Greenwashing, ESG Disclosures, Investor Protection, Corporate Governance, Business Responsibility and Sustainability Reporting (BRSR), Securities Regulation, Corporate Accountability, Sustainable Finance, Regulatory Framework in India.

Introduction

The corporate governance model in India has always revolved around issues of financial transparency, regulation, and shareholders' rights. Yet, this model has gradually undergone changes and now includes other elements such as sustainability, ethics, and corporate social responsibility. These changes have primarily been driven by the increasing global preoccupation with issues like climate change, environmental damage, and corporate responsibility. Consequently, stakeholders now demand that companies balance their economic goals with their social and environmental responsibilities.

In this evolving scenario, ESG criteria have come up as one of the most essential tools that can be used for evaluating corporate performance apart from the financial criteria. The concept of ESG criteria has assumed significance in the area of corporate governance, and it is being increasingly adopted by corporates as a tool for risk management, transparency, and creating value in the long run. In India, this paradigm shift is manifested in regulations like the Business Responsibility and Sustainability Reporting (BRSR) framework, which has been developed by SEBI to make disclosure on ESG criteria mandatory for the top listed companies in the country. Along with the rising importance of ESG disclosure, they have become one of the most important means that investors can use when trying to evaluate a company's reliability and sustainability. In most cases, companies that excel at ESG performance are viewed as highly resilient, ethical, and capable of future success. Therefore, it has become quite crucial to pay attention to ESG reporting when making investments.

Nonetheless, along with the growing importance of ESG, another trend has started gaining momentum – greenwashing. The term 'greenwashing' implies providing false or exaggerated information on the sustainability of an enterprise to create a false impression of how the organization performs in terms of its ethical side and environmental friendliness.

The increasing threat of greenwashing brings about numerous problems for the credibility of corporate governance through the lens of ESG. It leads to unreliable reporting from companies, misleading practices on the part of investors, and unfair market operations. Moreover, the situation worsens due to the lack of legislative definitions of greenwashing, proper reporting systems, and adequate enforcement within the existing system of legislation.

Research Problem

The rising tendency towards ESG disclosures as a way to gauge company performance has added some novel features to corporate governance in India. The regulatory measures, especially those taken by the Securities and Exchange Board of India (SEBI) through its BRSR framework, strive for improved transparency and better decision-making ability on behalf of the investors. Nevertheless, the rising significance of ESG reporting has also given rise to the phenomenon of greenwashing, whereby firms distort the true nature of their sustainable practices.

This, however, stems from the mismatch between the objective of the disclosures and the reality on the ground. Even though there is an adequate legal framework, including the requirements stipulated by the Companies Act 2013 and securities regulations, which require certain levels of disclosure, there is nothing in place that specifically deals with the matter of deceptive environmental, social, and governance (ESG) claims made by companies.

This scenario poses some critical questions regarding the validity and trustworthiness of the information on ESG that investors have access to. Since investment choices are becoming increasingly dependent on environmental, social, and governance factors, any manipulation or misinformation could have serious repercussions on market behavior, investor trust, and corporate governance systems. Thus, the key question for research is whether the existing legal and regulatory framework in India is enough to safeguard against greenwashing and protect investors, or whether substantial changes are needed.

Research Questions

The current research is informed by the following research questions:

1. What is greenwashing, and how does it manifest in ESG disclosures within the Indian corporate landscape?
2. How well does the current legal and regulatory framework in India, specifically the SECBI and the Companies Act 2013, address ESG disclosures in terms of regulation?
3. What are the primary loopholes within the Indian ESG disclosure laws that make it possible for greenwashing practices to prevail?
4. What are the repercussions of misleading ESG disclosures within the Indian market in terms of investor protection and corporate governance?
5. What policies and strategies could be implemented to enhance ESG disclosure laws and protect from greenwashing?



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Research Objectives

In this paper, the following research aims have been set:

1. To explore the meaning and development of greenwashing with regard to ESG reporting requirements.
2. To review the legal and regulatory framework for ESG reporting in India, focusing on the role of the Securities and Exchange Board of India and relevant provisions of the Companies Act 2013.
3. To pinpoint and analyse the legal and regulatory gaps facilitating greenwashing, particularly in terms of insufficient enforcement measures, ambiguity of terminology, and lack of ESG reporting standards.
4. To determine the consequences of false ESG reporting on the protection of investors' rights, the integrity of markets, and corporate governance in India.
5. To recommend legal and policy measures to enhance ESG disclosure regulations and prevent greenwashing, thereby ensuring adequate investor protection.



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Research Methodology

In conducting this research, a black-letter approach will be adopted that will involve a critical analysis of the available legislation and regulations regarding the disclosure of ESG information and its efficiency in combating greenwashing in India. For this purpose, statutory instruments, regulations, judicial decisions, and secondary materials will serve as the basis for the evaluation of the existing legal regime's efficiency in this regard.

The doctrinal method entails the examination of the legal principles and statutory provisions concerning the Companies Act of 2013, focusing specifically on sections concerning corporate reporting and Corporate Social Responsibility (CSR). The study will also take into account the regulations provided by the Securities and Exchange Board of India, such as the Business Responsibility and Sustainability Reporting (BRSR) framework and the requirements for disclosure under the Listing Obligations and Disclosure Requirements (LODR) Regulations.

Apart from the primary source material, secondary source material, which includes academic journals, books, reports, and publications, is also used in order to analyze the theoretical underpinning of ESG and the growing problem of greenwashing.² This literature helps in understanding some of the key difficulties related to ESG reporting and, therefore, is crucial for our study.

Another method of comparison and analysis is used in relation to international best practices, such as practices developed in the European Union and other international organizations, for identifying lacunae in India's regulatory system and proposing reforms. The comparison methodology allows for more detailed analysis, and it is used to place the Indian model in an international context.

The research is qualitative in nature because the objective of this research is the interpretation of legal texts, analysis of regulation development, and assessment of the impacts of such developments on the issues of investors' protection and corporate governance. No quantitative techniques have been used. All the research data used in this paper are obtained from secondary sources, which means that no interviews or surveys have been conducted. Nevertheless, the doctrinal approach is strong enough to address the legal aspects of greenwashing.

Tatiana L. Shapira, *Greenwashing and Its Legal Implications*, 45 Colum. J. Env't L. 1, 10–15 (2020); Jill E. Fisch, *Making Sustainability Disclosure Sustainable*, 107 Geo. L.J. 923, 930–935 (2019)

Review of Literature

The increasing number of studies dealing with ESG reporting indicates a growing interest among researchers in matters of transparency, accountability, and sustainability in the context of corporate governance. On the other hand, the phenomenon of greenwashing has become widely popular among scholars who explore how this problem affects investors' trust and market integrity.

Studies have recently shown that ESG disclosures, despite being used as measures aimed at increasing transparency within corporations, suffer from contradictions and misreporting. The findings of bibliometrics analysis suggest that greenwashing has a detrimental effect on the integrity of ESG disclosures, making it harder for investors to make decisions and causing a loss of stakeholder trust.² It is also noteworthy that systematic reviews of sustainability reports show how corporations misuse ESG disclosures for the purposes of improving their public image.

According to empirical evidence in the Indian scenario, there is the likelihood of ESG principles being adopted for purposes of compliance instead of any real commitment, thus leading to misleading reports.⁴ Studies conducted among Indian listed firms have established that there is high greenwashing behavior with weak enforcement and inadequate performance indicators identified as some of the reasons for such conduct.

The legal and governance aspects of ESG disclosures in India have also been explored by researchers. For instance, research conducted on the BRSR approach stresses its significance in improving transparency in companies, although issues like data accuracy, compliance difficulties, and the absence of standardization have been raised. There is also a need for greater board responsibility and regulation to ensure proper ESG compliance.

In relation to investors, research indicates that the quality of ESG reporting is critical in influencing their decisions and building their trust. Weak or erroneous ESG disclosures can result in investor distrust, and thus misallocate capital. On a global scale, the use of analytic models has shed light on the motivations underlying greenwashing, revealing that firms could adopt this strategy in order to maintain a positive reputation at a low cost.

Conceptual Framework: ESG and Greenwashing

ESG stands for the Environmental, Social, and Governance framework, which involves non-financial criteria used in assessing a firm's sustainability, integrity, and corporate social responsibility. The environmental aspect involves the influence that a business has on natural resources, including but not limited to climate change, carbon footprints, and environmental resource management. Social concerns revolve around dealings between the corporation and its employees, customers, and communities, involving labor practices, human rights, and diversity issues. Finally, governance entails corporate management and control within an organization, concerning matters of corporate governance and adherence to legal frameworks. In the last few years, the ESG model has become more than a voluntary one as it is now one of the key pillars in corporate governance which influences investment choices and policies as well. One such example of ESG integration within the Indian context would be the initiative of the Business Responsibility and Sustainability Reporting (BRSR) model brought forth by the Securities and Exchange Board of India which makes reporting mandatory for firms.

The act of greenwashing is an instance whereby firms misrepresent themselves to stakeholders through the provision of misinformation regarding their environmental impact or ESG performance in general. It includes a deliberate attempt to deceive using the disclosure of information in ways that make firms appear sustainable yet doing nothing different in practice. The phenomenon of greenwashing is becoming more significant as the role of ESG reporting grows in importance since businesses strive to improve their reputation and attract investments through demonstrating social responsibility. Nevertheless, the implementation of greenwashing makes ESG reporting less credible and misleads the investors whose decisions depend upon the information provided by firms.⁴ Moreover, the lack of clear definitions of greenwashing and the absence of common standards for reporting make the problem even more serious.

Greenwashing can occur in different ways, depending on the tactics employed by the organization concerned in their misleading of ESG results. One example is selective reporting whereby an organization emphasizes the positive aspects of its sustainable initiatives while downplaying any negatives. The other way is through the utilization of unclear statements like claiming to be 'eco-friendly' or 'sustainable' without offering any evidence.⁵

Moreover, organizations might resort to misleading labeling or certification, giving the illusion of following established environmental norms without having any formal approval for doing so. Another common phenomenon is that of exaggerating performance and making unattainable goals of sustainability without any actual means of achieving those goals. Some

organizations, on the other hand, make efforts in insignificant environmental aspects in order to mask their environmental misconduct, termed as “green camouflage.”

Taken together, these practices result in an imbalanced depiction of corporate sustainability, making it difficult for ESG reporting to achieve its intended purposes. To solve these problems, both effective legal regulations and greater standardization of ESG reporting will be needed.



Organisation for Economic Co-operation and Development (OECD), *G20/OECD Principles of Corporate Governance* 9–12 (2015); Jill E. Fisch, *Making Sustainability Disclosure Sustainable*, 107 Geo. L.J. 923, 928–930 (2019).

Legal Framework Governing ESG Disclosures in India

Legal Requirements Pertaining to ESG Disclosure in India the development of the ESG disclosure requirements framework is based on legislative acts, regulations of the securities market, and government policies. Despite the absence of special ESG-related legislation in the country, the current regulatory environment created primarily by the Securities and Exchange Board of India and the Companies Act 2013 provides a base for sustainability reporting. It can be said that a certain evolution took place in the sphere of corporate accounting when shifting from finance-based reporting to more inclusive models.

One such development in this context is the formulation of the Business Responsibility and Sustainability Reporting (BRSR) system by the Securities and Exchange Board of India in 2021. As per this system, the top 1000 listed firms are required to provide specific details about the ESG factors, including the impact on the environment, social responsibilities, and corporate governance. The system is designed to facilitate standardized reporting and complies with international sustainability standards.¹ Nevertheless, although the BRSR system is exhaustive, it primarily depends upon the self-reports of the companies.

Other than the BRSR structure, there is the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which compel companies listed in India to provide non-financial disclosures in their annual reports. In particular, regulation 34 provides for disclosures on aspects of corporate social responsibility.² However, the weakness in these regulations lies in the fact that there are no stringent measures put in place in order to enforce compliance with the guidelines.

In addition, the Companies Act, 2013 is another important legal framework in relation to the development of ESG governance, especially in regards to provisions concerning Corporate Social Responsibility (CSR). For instance, Section 135 of the Act stipulates that certain categories of companies must set aside at least 2% of their net profit for CSR activities. In essence, this section provides a mechanism to integrate the social pillar into ESG governance. Furthermore, Section 134 of the Act requires the Board of Directors to make disclosures about the company's performance, risks, and CSR activities in the annual report. With regard to protection from fraud, the SEBI Act, 1992, and its regulations have mechanisms that can help curb fraudulent or misleading disclosures.

Securities and Exchange Board of India, *Business Responsibility and Sustainability Reporting (BRSR)*, Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (May 10, 2021), at 2–6.

According to Section 12A of the SEBI Act, manipulative and deceptive practices in the securities markets are prohibited. In addition, the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 deal with issues of misrepresentations and misleading statements. Such laws could be useful in instances of material misstatements in ESG disclosures. However, they are not specifically tailored for such purposes.

Also, there have been several judicial pronouncements emphasizing the significance of transparency and investor protection within the securities market. For example, in the case of *SEBI v. Rakhi Trading Pvt. Ltd.*, the Supreme Court made it very clear that any practice which may amount to deception can lead to market integrity and erosion of investor confidence. In a similar fashion, the court while dealing with the case of *Sahara India Real Estate Corp. Ltd. v. SEBI* had stressed the need for disclosure.⁶

In general, although there have been efforts to incorporate ESG principles into the corporate governance structure within the Indian legal framework, it continues to remain fragmented and developing. The absence of uniformity within the regulatory process, the non-standardized nature of the norms followed by companies while making disclosures, and the lack of enforceability mechanisms have resulted in certain challenges. With ESG reporting becoming ever more important for investors' decision-making, it becomes imperative to address these challenges legally.

SEBI v. Rakhi Trading Pvt. Ltd., (2018) 13 SCC 753, ¶¶ 39–45.

Sahara India Real Estate Corp. Ltd. v. SEBI, (2013) 1 SCC 1, ¶¶ 98–102.

Legal Challenges and Regulatory Gaps

While the emerging paradigm of ESG disclosure in India represents an innovative step forward, several inherent weaknesses remain that detract from the impact of ESG disclosures on tackling the problem of greenwashing. Perhaps one of the foremost of these deficiencies is that there is no definition of greenwashing in Indian law. The Companies Act 2013 and SEBI's regulations have not defined greenwashing as a separate offense. This lack of definition makes it difficult for regulatory authorities to identify any violations related to misleading information regarding environmental practices.

One more major difficulty is the problem of non-standardization and non-binding nature of ESG reporting measures. While the framework of Business Responsibility for Sustainability Reporting (BRSR) launched by the Securities and Exchange Board of India provides a standard structure for disclosure, it is flexible in terms of reporting and interpretation.² In this way, differences are created among firms, which makes it impossible for the investors to meaningfully compare their ESG performance. In the absence of uniform criteria, the firm can disclose only the positive sides while hiding the negative ones.

The matter gets even worse due to inadequate enforcement and monitoring. Although SEBI can monitor disclosure and impose penalties for fraudulent activities, it does not seem that any measures have been taken with regard to ESG-related deception. Given the fact that the provided information has not been verified by third parties, errors may be made either unintentionally or intentionally. Finally, the fragmented approach to ESG regulation in India creates structural issues. There are several authorities involved, such as SEBI and Ministry of Corporate Affairs. However, they deal with separate elements of corporate performance according to Companies Act 2013 and securities legislation. There seems to be a lack of an authority that would handle ESG regulation comprehensively.

Investor Protection Issues in terms of protecting investors, the problem of the inadequacy of securities laws for ESG disclosures is evident. While there are rules that cover misleading statements or fraudulent practices in accordance with the SEBI Act, 1992 and the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003, these have not been explicitly written for ESG reporting and are thus ineffective when it comes to holding liable those involved in greenwashing practices. The difficulty in enforcing legal sanctions lies in determining the nature of the statement, which may be subjective or non-standardized.

SEBI Act 1992, § 12A; SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations 2003.

Impact on Investor Protection and Market Integrity

The rising use of Environmental, Social, and Governance (ESG) reporting has greatly impacted the decision-making process involved in investment in India. The inclusion of sustainable metrics and financial performance metrics for evaluation is one way through which this effect can be seen. In this regard, the importance of ESG reporting comes in, as it acts as an important source of information for evaluating a firm's ethics, impact on the environment, and governance. Greenwashing, which is on the rise lately, has become a matter of great concern when it comes to misleading reporting.

Greenwashing has various negative impacts on investment decisions; however, one of the most significant is its impact on the process of investing itself. If companies are found exaggerating or even lying about their ESG performance, then the investors will make decisions using incorrect information. It means that the very basis of decision-making under securities laws, i.e., the principle of informed decision-making, will be compromised. Research shows that investors today increasingly base their decisions on ESG ratings and reports.

The other effect of greenwashing is that of eroding the trust of the investors. Confidence in corporate reporting is key to the proper working of capital markets, and when it is broken, it will have serious repercussions. The moment the trust in the ESG disclosures of corporations is eroded, then the willingness of investors to participate in the sustainable finance products decreases.

There is also the effect of distorting the integrity of markets and the concept of fair competition. Firms involved in greenwashing will get an unfair competitive edge since they will attract investors through misleading ESG disclosure. This would be to the detriment of firms that comply with ESG because they will incur higher costs to do so.

In the context of law, the existing regulatory structure offers little recourse to affected investors in the face of misleading ESG communications. Despite the fact that there are laws within the SEBI Act 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 that prevent fraudulent and deceptive behavior, they do not make specific provisions to cover any misrepresentations made with regards to ESG factors. This means that any liabilities are hard to prove especially in cases involving non-quantitative data.

Greenwashing exacerbates the information asymmetry between the companies and investors. The companies have insider knowledge about their operations while the investors depend on the information released to the public. In cases where there are omissions or distortions in the information, investors are at risk, making the capital allocation process inefficient.⁶ This issue is even more significant in the nascent ESG marketplaces.

These issues will have consequences on the larger goal of sustainable finance and economic development. With the growing perception of greenwashing among investors, there could be an aversion to investing in sustainable companies, thus hampering the shift towards environmental and social responsibility within corporations.⁷ This will affect not just individual investors but also the entire nation and the world, in their pursuit for sustainability.

To summarize, although ESG disclosures can help improve transparency and protect the interests of investors, their impact will be greatly diminished due to the existence of greenwashing. There is therefore a need for a strong regulatory framework to ensure the veracity of such disclosures.



United Nations Environment Programme (UNEP), *Global Environment Outlook 6* 22–30 (2019).

Comparative Analysis: India and Global ESG Regulatory Frameworks

Analysis of ESG regulation frameworks across various jurisdictions shows that while there has been commendable progress in establishing sustainability disclosures frameworks in India, the country's approach continues to be largely developmental and disclosure-based. Other jurisdictions such as the EU, US, and UK have developed relatively more mature, enforceable and standardized approaches towards regulating ESG activities. An analysis of the existing regulatory frameworks from other jurisdictions can serve as useful benchmarks for improvement within the Indian legal landscape.

One of the most mature ESG frameworks is that of the European Union (EU). The EU has developed mandatory and standardized sustainability regulations such as Non-Financial Reporting Directive (NFRD) and Corporate Sustainability Reporting Directive (CSRD).¹ These regulations require companies to make standardized and detailed ESG disclosures covering their impacts on the environment and social spheres. One of the major aspects of the EU ESG regime is the adoption of the EU Taxonomy Regulation that helps categorize economic activities on a scientific basis as being environmentally sustainable or not. The EU Taxonomy Regulation helps overcome the issue of ambiguity and greenwashing in sustainability reports. Besides this, the EU has made it mandatory for the third party verification of ESG disclosures. On the other hand, the ESG reporting regime in India, which is mainly regulated by the Securities and Exchange Board of India using the BRSR reporting guidelines, emphasizes structured reporting without standardized mandates and mandatory verification requirements.³ There is a high possibility of inconsistencies due to self-reporting and lack of a common taxonomy.

The United States utilizes an approach that is based on disclosures aimed at protecting investors. In this regard, the Securities and Exchange Commission (SEC) has put forward guidelines for mandatory climate-related risks and related financial implications. This contrasts with the Indian model since the enforcement mechanism adopted by the United States places high emphasis on anti-fraud rules, where the penalties associated with financial and ESG misreporting can be severe. However, in India, although there exist general regulations for fraud prevention under the SEBI Act 1992, such rules do not directly apply to ESG disclosure. The lack of any special regulation to govern the disclosure of ESGs makes the regulatory regime ineffective.

European Commission, *EU Taxonomy Regulation*, 2020 O.J. (L 198) 13, 20–25.

The United Kingdom operates under a principle-based approach in relation to the management of ESGs. Under Section 172 of the UK Companies Act, 2006, directors are required to have regard to the effect of their activities on the community and the environment.⁶ Furthermore, through the Corporate Governance Code, it is emphasized that boards should focus on ESG issues in their decision-making processes.

In India, despite the incorporation of some governance principles through board report requirement in the Companies Act 2013, implementation of the said principle has been somewhat weak as ESG issues are considered more as legal compliance requirements rather than strategic considerations.⁷

One of the most important areas of difference pertains to the level of standardization and verification. For instance, the use of common standards and mandatory assurance makes the ESG disclosure by entities under EU law more credible. On the other hand, while the approach to ESG reporting in the United States is focused on enforcement and penalties for non-compliance, the United Kingdom prioritizes governance and fiduciary duties. In India, ESG disclosure requirements combine the concepts of both disclosure and governance, yet fall short of standardization and verification.

The second significant point of difference lies in the explicit acknowledgment of greenwashing within international instruments. Regulatory agencies in Europe and America have been increasingly recognizing greenwashing as a major issue and have been taking measures to regulate it with the help of guidelines and other means. India, on the other hand, lacks a legal definition of greenwashing, which hampers any efforts made in this regard.

Conclusion, From the above discussion, it becomes evident that while India has taken some crucial initiatives in the inclusion of ESG within its regulatory system, there are several aspects where improvements are needed. The experience of countries around the world can be utilized by India to develop an efficient ESG mechanism with mandatory reporting and verification norms, and a comprehensive greenwashing policy.

Florian Berg, Julian F. Kölbel & Roberto Rigobon, *Aggregate Confusion: The Divergence of ESG Ratings*, 41 Rev. Fin. Stud. 1315, 1320–1325 (2022).

Critical Analysis

The evolution of ESG disclosures to become an integral part of corporate governance in India is indicative of an increasingly positive attitude towards sustainability and responsible conduct within the corporate sector. Nevertheless, a closer look at the prevailing framework suggests that the effectiveness of these efforts is hindered by various constraints inherent to the system. While the reforms that have been instituted by SEBI through BRSR are aimed at broadening the scope of non-financial disclosures, the core problem areas of reliability, accountability, and enforcement are left unattended.

Firstly, the main issue with the present framework is related to its excessive focus on disclosure without adequate means of verification. ESG reporting in India remains predominantly a self-reporting process in which companies have considerable freedom in disclosing relevant information. The downside of this approach is that it may result in selective disclosure of information that paints a skewed picture of a company's activities. In other words, it leaves considerable space for highlighting positive aspects while neglecting any potentially adverse impacts associated with the company's operations.

The other important issue is that there is no standardization and legally enforceable ESG reporting criteria. While the BRSR model helps set up guidelines for ESG disclosures, there is still some leeway left open. As a result, ESG reporting lacks consistency between companies, which makes it hard for investors to compare the environmental, social, and governance performance across firms. Financial disclosures are bound by accounting principles that dictate benchmark requirements. This is not the case with ESG disclosures.

Another problem is that there is no legal definition of what constitutes greenwashing. The Companies Act 2013 and current securities laws do not make any references to this concept. Regulators will have to resort to general provisions against misrepresentation and fraudulent practices. It means that ESG disclosures and related practices may fall through the cracks of regulatory enforcement and remain under the radar because they cannot be considered as fraudulent per se.

However, enforcement is another area where shortcomings can be observed. Although the SEBI Act of 1992 provides some provisions to tackle fraudulent activities, there is a lack of regulatory activity related to ESG disclosures in India. It appears that no preemptive measures are undertaken by regulators, and most of the actions taken against fraudulent practices relate to reactive rather than preventative measures. As a result, the impact of this law is weakened, making greenwashing possible.

Another problem related to ESG issues is the fact that the regulation system in India does not operate in an integrated fashion. Different authorities are responsible for different aspects of the issue. For example, while SEBI is in charge of ESG disclosure requirements, the responsibility of corporate social reporting belongs to the Ministry of Corporate Affairs, creating overlapping spheres of influence and resulting in inefficiency.

Finally, the protection of investors' interests cannot be fully guaranteed in the current circumstances. Given the increased significance of ESG disclosures for investment decision-making, information asymmetry becomes a critical issue affecting stakeholders negatively. In addition to the negative implications for the reputation of companies, such problems can affect market efficiency due to the improper allocation of resources.

In addition, the current structure adheres to a compliance-based system compared to a principles-based one. Organizations usually consider their ESG reporting as compliance-related rather than a strategic consideration. This leads to surface-level compliance because the aim is to fulfil disclosure duties rather than attain actual sustainability goals.

In summary, despite being a positive move towards updating the country's corporate governance policies, India's ESG framework is still lacking. Its continued presence indicates the necessity to transform the current disclosure-based system into one that values accuracy, responsibility, and enforcement. Otherwise, ESG disclosures will amount to nothing but a ritualized activity.

Conclusion

The adoption of ESG within corporate governance in India has marked a notable revolution in terms of how businesses conduct themselves and report their activities. Moving away from the traditional view of financial governance, where the focus was solely on maximizing shareholder returns and profits, ESG has highlighted the connection between corporate success and sustainability. Regulatory policies such as those set forth by the Securities and Exchange Board of India through the BRSR guidelines have been instrumental in ensuring that ESG reporting is incorporated within corporate governance. In addition, the Companies Act 2013 has emphasized corporate responsibility and accountability within the legal framework.

Nevertheless, it is worth noting that the results obtained reveal a number of problems that exist in the current legal environment governing ESG reporting in India and make the existing legal regulations inadequate to meet the requirements related to counteracting greenwashing practices. With the growing importance of ESG reporting in investment decision-making among investors, it becomes crucial to pay attention to the problem of greenwashing. It should be stressed that the lack of a legally binding definition of greenwashing, together with the lack of mandatory reporting standards and control measures, makes it possible for corporations to make misleading reports without any punishment.

It is apparent from the analysis conducted that the existing ESG legal framework in India is focused mainly on the process of reporting rather than on ensuring accountability. Indeed, while there are mandatory reporting obligations concerning ESG issues, there is no sufficient focus placed on guaranteeing the reliability of information disclosed. Thus, while companies are expected to provide ESG-related data in their reports, no special attention is paid to verifying the authenticity and correctness of this information. In other words, reporting practices are not always reliable.

In addition, the fragmented structure of ESG regulations in India, where there are many regulatory authorities that share responsibilities and jurisdictions, is responsible for inconsistency in the application of the rules. This makes it difficult to regulate the activities in an efficient manner and, consequently, create the necessary regulatory framework. At the same time, other countries around the world like the EU and the USA take more systematic steps, introducing standardized reporting, mandatory audit, and defining greenwashing as part of their regulations.

Finally, another important lesson gained from the research is the necessity to go beyond a simple compliance approach and integrate ESG concepts into the company's management

processes. This concept should not only be viewed as a tool that helps to fulfill the obligations of providing information about certain aspects of the company's operations; it should become a fundamental part of corporate governance, having a significant influence on decision making at higher organizational levels.

Greenwashing, thus, goes beyond being just an enforcement problem, and it has implications that touch upon the governance system in general, as well as the workings of financial markets and the very legitimacy of business organizations. Failure to deal with greenwashing may result in a loss of credibility, misallocation of funds, and an inability to move forward with the goal of transitioning to sustainable economic growth.

In summary, although India deserves credit for taking some impressive steps to integrate the concepts of ESG into its governance regime, there is an urgent call for more extensive legislative and regulatory reforms. This should encompass developing a legal definition of greenwashing, establishing binding ESG disclosure standards, instituting mandatory independent audit processes, and enhancing monitoring systems. Additionally, the need for better collaboration between regulatory bodies must be emphasized in order to achieve consistency in the governance of ESG issues.

Through overcoming these difficulties, ensuring that its regulatory structure is in line with international standards, India will be able to increase the efficacy of ESG disclosures. In doing so, it will promote investor protection, enhance market integrity, and promote sustainable corporate behavior. In the end, through such an effective ESG disclosure regime, it will be able to not only protect the interests of investors but also advance the cause of sustainability and economic development.

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