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CORPORATE GOVERNANCE: TRANSPARENCY **AND ACCOUNTABILITY TO ESG**

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Abstract

Corporate governance is an important factor to protect investor's interest and credibility in capital market and create long term sustainability. In present the concept of corporate governance become something bigger that not only covers the economic interest of the investors but also covers environmental, social, and governance (ESG) issues, which shows the responsibility and accountability to the society. ESG focus on minimizing environmental harm, promoting strong and positive relationship and ensuring ethical and responsible corporate governance. Such principle enable stakeholder to evaluate whether business operations are aligned with societal objectives and long term sustainable goals. This article will examine how corporate governance actually brings ESG idea help into real decision making, risk management, and long term sustainability. It also examines the relationship between traditional methods of improving corporate governance such as independent directors in boards, disclosure regulations, stakeholder involvement, and legal compliance with the emerging requirements of ESG. When companies are open about what they're doing and take responsibility for their actions, people trust them more. There is a noticeable transition from focusing solely on shareholders to consider the interests of all stakeholders. This involves keeping a focus on communities, workers, and even the environment. This article explores the ways that new laws in India and around the world are pressuring businesses to give more consideration to environmental, social, and governance (ESG). This involves actions such as mandating more public disclosures and making sustainability reports mandatory. Effective corporate governance is essential to assign specific goals, records advancement, and holds board members responsible for their actions.

Keywords: *corporate governance, environmental social and governance (ESG), transparency, accountability, stakeholder.*

Introduction

In India SEBI is the regulator of the capital market which is established under the Securities and Exchange Board of India Act, 1992¹. SEBI takes several steps to enhance the corporate governance such as by enforcing stricter the Listing Obligations and Disclosure Requirements (LODR), enhancing related party disclosure, including mandatory independent directors² and separating chairperson's role and requiring shareholders' approval for director's tenure. SEBI formed many committees to enhance the corporate governance i.e. Kumar Mangalam Birla Committee (2000), Naresh Chandra Committee (2002), N.R. Narayana Murthy Committee (2003), J.J. Irani Committee (2005), Uday Kotak Committee (2017). In 2000, the recommendations of the Kumar Mangalam Birla committee incorporated by SEBI into its Listing Agreement. Finally SEBI added Clause 49³ to the Listing Agreement to mandate the Indian companies to comply with the corporate governance code.

SEBI in May, 2021 introduce new environmental, social and governance (ESG) to the mandatory disclosure under Business Responsibility and Sustainability Reporting (BRSR) framework for the top 1000 listed companies in India by replacing the Business Responsibility Report (BRR). The accountability and transparency are essential for the effective implementation and promotion of ESG principles. These elements guarantee that a company's ESG initiatives are measurable, credible, and in line expectations of stakeholder. The companies can improve their reputation, gain the trust of stakeholders, and guarantee the long term value creation of their operations by placing a high priority on accountability and transparency to the business. ESG promotes ethical business conduct and has a beneficial impact on society and the environment. ESG principles create a thorough framework for understanding how businesses may survive in an ethical and sustainable manner in a time when problems like social inequality, climate change, and corporate scandals are becoming more and more common. BRSR requiring the companies to disclose their sustainability report aims to strengthen stakeholder's trust, increase investor's confidence and bring the Indian companies

¹ The Securities and Exchange Board of India Act, 1992

² The Companies Act, 2013 § 149

³ <https://www.sebi.gov.in/legal/circulars/aug-2003/corporate-governance-in-listed-companies-clause-49-of-the-listing-agreement_15948.html> accessed 2 February 2026

compliance with the global standard of ESG.

Corporate Governance: Transparency

“Corporate Governance refers to the system of rules, practices and processes by which a company is directed and controlled.”⁴ Good corporate have four main pillars i.e. accountability, transparency, fairness and responsibility. Transparency is one of the key pillars of good corporate governance, and it ensures that all stakeholders, including shareholders, employees, and the general public, the government, have access to information about the operations of the company. Transparency promotes accountability which reduces the risk of fraud and corruption and encourages the investors gain. The Organisation for Economic Co-operation and Development (OECD)⁵ Principles of Corporate Governance emphasizes the importance of disclosure, fairness, and responsibility in business.

In India the transparency in corporate governance is maintained through regulatory frameworks such as The Securities and Exchange Board (SEBI) Act, 1992 and The Companies Act, 2013. These frameworks required to companies to disclosure about financial statement, board structure, risk management policies and related part transaction. Transparency also improves ESG performance by enabling stakeholders to evaluate sustainability and ethical business.

Corporate Governance: Accountability

According to Bosch, good governance is desirable and important for two reasons. First, despite the acknowledged lack of conclusive evidence, "investor protection has increased with the enormous surge in share ownership." Secondly, good governance can "increase the creation of wealth by improving the performance of honestly managed and financially sound companies."⁶

Accountability is also an important pillar in the corporate governance. Accountability in corporate governance refers as obligation of the board and management towards their action, decisions and performance to shareholders and stakeholders. It ensures power is exercise in a responsible manner. Internal controls are important for a company to ensure accountability that

⁴ Adrian Cadbury Committee Report, 1992

⁵<https://www.oecd.org/en/publications/g20-oecd-principles-of-corporate-governance-2023_ed750b30-en.html> accessed 4 February 2026

⁶ Priyanka Kaushik Sharma, Corporate Governance Practices in India (First edition, 2015, Palgrave Macmillan), 16

its financial statements are accurate and free from fraud and corruption. Risk management is another important area that helps companies assess risks and suggest methods to mitigate them. Accountability in corporate governance involves protecting the interests of shareholders. This involves protection of voting rights, protection of interest of minority shareholders fairly, obtaining access to information, and participating in decision making. Regulatory body SEBI takes various measures to enforce disclosure norms to protect the interest of investors. Transparent communication and fair dividend policies boost the trust between management and shareholders.

A whistleblower policy is a safe and confidential way for employees to report illegal, unethical, or improper behavior in an organization without fear of retaliation. It promotes transparency, safeguards whistleblowers from discriminatory treatment such as firing, and sets up procedures for investigating misconduct. The Indian Parliament enacted *The Whistle Blowers Protection Act, 2014*. This Act protects the whistleblowers who disclose the information on corruption and misuse of power.

SEBI has introduced various regulatory reforms that have improved the standards of corporate governance for listed companies. This is because the regulatory changes have been brought about to ensure transparency and accountability in the companies, and to safeguard the interests of investors. SEBI mandate periodic and timely disclosure by the companies about their financial statements, material events and related party transactions. SEBI also introduce E-voting system for their active participation in decision making. SEBI also mandate board diversity including such as at least one independent women director.

Corporate Governance and ESG

Corporate Governance is the backbone of the Environment, Social and Governance (ESG) that ensures the sustainability of the business. Governance is the key pillar that integrates environmental sustainability and social responsibilities with ethical leadership, transparency, and statutory compliance. In India, this alignment is done through the statutory provisions of The Companies Act, 2013⁷ and various SEBI's regulations. Environmental, Social, and Governance (ESG) considerations have become central to this decade as growing public

⁷ The Companies Act, 2013 §§ 135, 149, 177, 188

awareness highlights how everyday activities contribute to environmental degradation.⁸

The modern ESG framework in India started to develop in 2000s when Indian capital market influenced by globalization, foreign investment, and international sustainability standards. In 2009, the Voluntary Guidelines on Corporate Social Responsibility are issued by the Ministry of Corporate Affairs (MCA). These guidelines are incorporated under the Companies Act, 2013, which made CSR spending mandatory for certain qualifying companies and it making India one of the first countries of the world to legislate compulsory CSR. If a business operates ethically by protecting the environment, addressing social and community needs, valuing employees, ensuring transparent policies, strong governance, ethical sourcing, clean manufacturing, responsible marketing, and delivering sustainable products while responsibly managing end of life recycling.⁹

In 2012, SEBI mandated the top 100 listed companies according to their capital to file Business Responsibility Report (BRR) based on the National Voluntary Guidelines (NVGs) of 2009. In 2021, SEBI replaced BRR with the more comprehensive Business Responsibility and Sustainability Reporting (BRSR) framework. BRSR aligns the Indian reporting framework with the global reporting standards. Today's reporting frame work also aligns with the United Nations Sustainable Development Goals (SDGs) of 2015. Presently, it is shift from the voluntary guidelines to mandatory reporting framework which encourages the investors and help in maintaining the sustainability of the business.

Regulatory Framework Governing ESG

In India ESG performance is measured through Business Responsibility and Sustainability Reporting (BRSR) frameworks. Under BRSR structure the main focus on transparency, accountability and sustainability performance. The main regulatory body is SEBI and it plays an important role in institutionalization of ESG for the listed companies. In 2021, SEBI introduced BRSR by replacing earlier BRR. In starting it is applicable only 1000 listed companies by the market capitalization and it became mandatory from financial year 2022-23. The framework requires both quantitative and qualitative disclosures on environmental performance such as energy consumption, greenhouse gas emissions, water usage, biodiversity

⁸ K.S. Ravichandran, CSR, ESG and Charitable Institutions (first published 2021, Lexis Nexis 2024) 226

⁹ Dr. Garima Dadhich, Dr.Ravi Raj Atrey, Demystifying ESG, (first published 2024, Taxmann 2024) 1

impact, climate related risks and waste management Social issues including employee health and safety issues, workforce diversity, labour standards, human rights and community relations, and governance practices includes board structure, ethics, compliance, and risk management. Section 166(2)¹⁰ of the Companies Act, 2013, it describes the role of a director that “the company’s director has a responsibility to society at large.” Therefore, this section is in consonance with the concept of ESG compliances.

BRSR is based on the National Guidelines on Responsible Business Conduct (NGRBC) issued by the Ministry of the Corporate Affairs in 2019 aligns Indian business sustainability reporting framework disclosure global reporting standard of the business. Apart from SEBI’ regulations ESG related compliance supported by the Companies Act of 2013 by making CSR provisions mandatory, environmental laws such as The Environmental Protection Act, 1986, labour and social welfare legislations and climate related goals under national policies.

Structure of BRSR¹¹

The Business Responsibility and Sustainability Report (BRSR) is a mandatory ESG reporting framework for India's top 1,000 listed companies, structured into three distinct sections: **General Disclosures** (company profile), **Management and Process Disclosures** (policies/governance), and **Principle-wise Performance Disclosures** (quantitative/qualitative data based on 9 NGRBC principles).

The structure of the BRSR is divided into three main sections:

Part A: General Disclosures

Covers basic company information such as Corporate Identity Number (CIN) of the Listed Entity, Name of the Listed Entity, Year of incorporation, Registered office address, Corporate address, E-mail, Telephone, Website, Financial year for which reporting is being done, Name of the Stock Exchange(s) where shares are listed, Paid-up Capital, etc. and includes CSR details

Part B: Management and Process Disclosures

Focuses on governance and leadership, including policies related to the nine principles of the National Guidelines on Responsible Business Conduct (NGRBC). Covers risk management,

¹⁰ The Companies Act, 2013 § 166(2)

¹¹ ‘Business Responsibility and Sustainability Reporting by Listed entitiesAnnexure1_p.PDF’ <https://www.sebi.gov.in/sebi_data/commondocs/may2021/Business%20responsibility%20and%20sustainability%20reporting%20by%20listed%20entitiesAnnexure1_p.PDF> accessed 10 February 2025.

stakeholder engagement, and oversight mechanisms.

Part C: Principle-wise Performance Disclosures

Requires reporting on Key Performance Indicators (KPIs) aligned with the nine NGRBC principles and includes both quantitative and qualitative disclosures covering environmental performance such as energy consumption, greenhouse gas emissions, biodiversity impact, climate related risks and waste management Social issues including employee health and safety issues, labour standards, human rights and governance practices includes board structure, ethics, compliance, and risk management.

Challenges in Ensuring Transparency and Accountability to ESG

In India there is no direct regulation which covers the ESG framework. In India ESG performance is measured through BRSR framework. India's ESG framework is not consolidated into a single binding law it is scattered under multiple regulations such as The Companies Act, 2013, the National Voluntary Guidelines on Social, Environmental, and Economic Responsibilities of Business. The current frameworks of ESG disclosure done through BRSR and the SEBI mandated it for the top 1000 listed companies. SEBI does not impose sufficient penalties for misreporting or non-compliance of ESG requirements. In 2025, The Parliamentary Standing Committee on Finance in India has recommended that the Ministry of Corporate Affairs (MCA) set up a separate and independent Environmental, Social, and Governance (ESG) body¹². According to the committee, there is a need for statutory amendments to the Companies Act, 2013, to explicitly enshrine ESG objectives as integral components of Directors' fiduciary duties. In spite of recommendations to form a separate ESG body with statutory powers, the Indian government has yet not established a separate body to oversee ESG. The move is intended to counter greenwashing and ensure compliance with ESG disclosure. The move is intended to counter green washing and ensure compliance with ESG disclosure. Due to the emergence of the widespread practice of **greenwashing** where companies intentionally misrepresent or exaggerate their ESG performance to appear more environmentally or socially responsible than they actually are¹³? This undermines the credibility of ESG reporting and deceives both investors and the general public.

¹²<https://www.thehindu.com/news/national/parliamentary-panel-pitches-for-esg-oversight-body-to-combat-greenwashing-activities/article69896854.ece>>accessed 15 February 2025

¹³ 'GREENWASHING AND ESG COMPLIANCE IN INDIA: LEGAL LOOPHOLES, CORPORATE PRACTICES AND INVESTOR RISK' (*The Amikus Qriae*, 9 September 2025) <<https://theamikusqriae.com/greenwashing-and-esg-compliance-in-india-legal-loop-holes-corporate-practices-and-investor-risk/>> accessed 18 February 2026.

Recommendations

1. The Governments must align ESG reporting standards with international frameworks such as Global Reporting Initiative (GRI), International Sustainability Standards Board (ISSB), and Task Force on Climate-related Financial Disclosures (TCFD).
2. ESG reporting should be mandated for medium size entities also.
3. Strong penalties should be imposed for greenwashing and misleading ESG disclosures.
4. The companies should established special ESG committees at board level and these committees shall consist of ESG experts.
5. ESG performance indicators should be included in board performance evaluations.
6. The third party should verify the ESG reports to enhance the credibility of the ESG report.
7. The role of the SEBI should be enhanced to monitor the ESG compliance.

Suggestions

1. The role of independent directors should be increased for monitoring ESG risks.
2. Regular ESG training programme should be conducted for directors and senior management.
3. Research collaborations should be encouraged between industry and universities.
4. The regulator and academic institution should promote ESG literacy.
5. Use Artificial Intelligence (AI) and blockchain for ESG data transparency and traceability.
6. For investor's access a centralized data base should be developed.
7. Establish grievance redressal mechanisms for investors, employees, and communities.

Conclusion

Corporate Governance is an important factor in ensuring transparency and accountability in the ESG framework. As businesses operate in a global world including many factors such as climate change, social inequality, and regulatory focus, corporate governance is not only limited to internal control and shareholder protection but also protect the investors' interest. Transparent and accountable governing framework ensures financial and no financial disclosures and also promote responsible decision making. Accountable mechanism of governance such as strong risk management system, internal management, stakeholder's engagement and performance of ESG help the organization move beyond symbolic compliance

towards substantive sustainable practices. India's Business Responsibility and Sustainability Reporting (BRSR) enforced by the SEBI demonstrate that transparent and accountable business become mandatory rather than voluntary expectations. Therefore, Corporate Governance is not only a regulatory requirement but also a principal catalyst for integrating ESG values into the main stream of the governance.

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