
INTERNATIONAL JOURNAL OF ADVANCED LEGAL RESEARCH

**IMPACT OF ESG (ENVIRONMENTAL, SOCIAL, GOVERNANCE) NORMS ON
COMPANY LAW**

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ABSTRACT

The integration of environmental, social and governance (ESG) norms into corporate governance has significantly reshaped the legal landscape of company law in India. This paper critically examines the evolving role of ESG principles in redefining corporate accountability, directors' duties and disclosure obligations under the companies act, 2013 and SEBI's business responsibility and sustainability reporting framework. Through doctrinal analysis and comparative insights, the study explores how ESG norms transition from voluntary ethical standards to enforceable legal mandates. It highlights the challenges faced by Indian companies in aligning with global ESG expectations, including regulatory ambiguity, compliance burdens and risks of greenwashing. The paper argues for a more robust statutory framework that explicitly incorporates ESG obligations into company law, ensuring sustainable corporate practices and stakeholder protection. The findings contribute to the broader discourse on corporate responsibility, legal reform and the role of law in advancing sustainable development goals (SDGS).

Keywords: Companies, Corporate, Environmental, Responsibility, Social and Governance.

INTRODUCTION

ESG standards have become a powerful force for change in corporate governance in recent years, forcing companies to go beyond making as much money as possible and instead focus on doing business in a way that is good for the environment and society. Around the world, regulators and investors are asking for more openness about standards for environmental impact, social responsibility and governance. This change is shown in India by changes to company law, especially through SEBI's BRSR framework and changes to the companies act, 2013. This paper examines the legal ramifications of ESG integration in Indian corporate law. It looks at how ESG standards affect directors' duties to protect the company, how companies share information and how they interact with stakeholders. The research additionally investigates the evolution from corporate social responsibility (CSR) to environmental, social and governance (ESG) criteria, emphasizing the

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transition from voluntary philanthropy to obligatory sustainability adherence. The paper seeks to evaluate the adequacy of Indian company law in enforcing ESG obligations and fostering responsible corporate behaviour through the examination of statutory provisions, regulatory guidelines and judicial trends.

LITERATURE REVIEW

1. The growth of ESG in Indian corporate law: legal consequences and compliance issues

Author: pratishta sharma, university of Mumbai published in the international journal of human rights law review, volume 3, issue 5 (2024)

This paper analyses the impact of ESG considerations on the transformation of Indian corporate law, specifically regarding directors' duties, reporting obligations and compliance risks. It shows how lawyers help people deal with ESG-related liabilities and make sure that local laws are in line with global standards.

2. ESG: a legal requirement for sustainable business practices in company law

Writers: Anukriti Jain and TanyaSinha from the Institute of Law at Nirma University published in: international journal of advanced legal research, vol. 4, issue 4 (2024)

This study examines the integration of ESG principles within diverse Indian legislation, encompassing the companies act and environmental regulations. It talks about the problems of finding a balance between the interests of shareholders and stakeholders, as well as how ESG fits in with the sustainable development goals (SDGs).

3. A comparative analysis of ESG and its legal framework

Author: JoyalShaji, Amity University, Noida published in the international journal of creative research thoughts (ijcrt), May 2024.

This paper provides a comparative analysis of ESG integration in corporate governance across various jurisdictions. It employs case studies and empirical data to examine the impact of ESG on investment strategies, legal compliance and sustainable development.

4. Corporate environmental responsibility in India: legal accountability and managerial challenges in ESG compliance

Dr. Koyel Roy and others (ArkaJain university, vel tech, brainware university), The international journal of environmental sciences, vol. 11 no. 20s (2025).

This paper examines the legal framework regulating ESG compliance in India, with an emphasis on corporate environmental responsibility (CER). It looks at SEBI'sBRSR rules, environmental audits and board-level

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oversight to come up with a policy roadmap for better ESG governance.

5. The legal and regulatory push for ESG in India: progress and problems

Prof. Umakanth Varottil from The National University of Singapore and Published in: NUS law working paper no. 2023/003.

This paper looks at how Indian corporate governance has changed from CSR to ESG. It talks about board responsibilities, ESG disclosures and investor stewardship, giving a comparison of how ESG is becoming a legal requirement in India.

6. The growth of ESG in Indian corporate law: legal consequences and compliance issues

Pratishtha Sharma is the author and works at the University of Mumbai. Published in the international journal of human rights law review, volume 3, issue 5 (2024).

This paper examines the impact of ESG norms on directors' responsibilities, reporting requirements and legal liabilities within Indian corporate law. It stresses how important lawyers are in making sure that ESG rules are followed.

RESEARCH METHODOLOGY

This research utilizes a doctrinal legal methodology, based on the methodical analysis of statutory provisions, regulatory frameworks, judicial precedents and academic commentary. The study primarily examines the companies act, 2013 specifically sections 134, 135 and 166 as well as the securities and exchange board of India's (SEBI) business responsibility and sustainability reporting (BRSR) framework, which together delineate the legal parameters of ESG compliance in India. Environmental and labour laws that are relevant are also considered to get a better picture of the regulatory environment that affects corporate governance. Judicial decisions are examined to evaluate the interpretative position of Indian courts regarding directors' fiduciary duties, stakeholder rights and corporate accountability within the framework of ESG obligations. Secondary sources, such as peer-reviewed journals, policy documents and comparative legal analyses, offer essential insights into the theoretical foundations and the development of global standards. A comparative analysis is employed to assess India's ESG regulatory progress in relation to international standards, specifically the European union's corporate sustainability reporting directive (CSRD) and the United States securities and exchange commission's ESG disclosure initiatives. Furthermore, the study includes a qualitative analysis of the compliance challenges, regulatory uncertainties and implementation obstacles encountered by Indian corporations. This integrated methodology enables a comprehensive comprehension of ESG's legal integration and guides suggestions for legislative reform designed to improve sustainable corporate governance.

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AIMS OF THE RESEARCH

1. To examine the integration of ESG standards into Indian corporate law and governance structures.
2. To investigate the legal responsibilities of directors and businesses under ESG-related rules.
3. To see how India's ESG laws stack up against those in other countries.
4. To find problems with enforcing and following ESG rules in Indian businesses.
5. To suggest changes to the law that would make ESG accountability stronger in company law.

THE LEGAL SYSTEM IN INDIA

The incorporation of ESG standards into Indian corporate law is progressively materializing through legislative measures, regulatory requirements and the development of governance practices. The Company's Act of 2013 is the main law that governs how businesses should act. Section 134 requires the board's report to be included. This report now increasingly includes information related to ESG, especially when it comes to environmental impact, social initiatives and governance practices. Section 166 lists the responsibilities of directors, such as the duty to act in good faith and in the best interests of the company, its employees, shareholders and the community. This shows that the company is following ESG principles and is focused on its stakeholders. Section 135 also talks about corporate social responsibility (CSR) obligations, which are different from ESG but set the stage for including social and environmental issues in business strategy.

The business responsibility and sustainability reporting (BRSR) framework from the securities and exchange board of India (SEBI) has been very important in making ESG compliance official. BRSR requires the top 1,000 listed companies to give detailed information on ESG metrics like greenhouse gas emissions, gender diversity, board independence and how to handle complaints. These disclosures are not just optional; SEBI's regulatory oversight makes them mandatory and failing to follow them can result in fines or damage to your reputation.

Other laws, in addition to corporate law, help shape the ESG legal landscape. The environment protection act of 1986 makes companies responsible for reducing the labour codes deal with social issues like worker safety, welfare and fair treatment, while the environmental laws deal with damage to the environment. The proposed data protection bill sets rules for how data privacy and cyber security should be handled, which is in line with the "G" in ESG. Together, these laws make up a broken but growing framework that helps companies include ESG in their governance.

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ANALYSIS OF COMPARISONS

India's ESG regulatory framework is still being developed when compared to global standards, even though it is moving forward. The European union's corporate sustainability reporting directive (CSRD) is a strong model. It requires large companies to make full ESG disclosures and have their sustainability data checked by a third party. The CSRD stresses double materiality, which means looking at how ESG factors affect the company and how the company affects society and the environment. This method is broader than India's current BRSR framework, which mainly relies on self-reported metrics and does not require outside verification.

The securities and exchange commission in the United States has suggested rules that would force publicly traded companies to make public information about climate-related risks, governance structures and emissions data. These proposals are still being looked at, but they show a move toward making ESG transparency and investor protection required. There are also more shareholder activism and lawsuits over ESG failures in the US, which makes companies more accountable.

India's regulatory efforts, especially through SEBI, show that the country wants to follow global standards. But there are still not enough ways to enforce ESG obligations and courts are still figuring out what they mean. India does not have a single set of laws that clearly define ESG duties, which makes things less clear and consistent than in the EU and US.

CHALLENGES AND CRITICISM

Even though regulations have improved, there are still several problems that make it hard for Indian company law to fully adopt ESG standards. First, there is a lack of clear laws about ESG obligations. These obligations are spread out across many laws and guidelines and there is no one law that clearly defines all of them. This fragmentation makes it hard to understand and follow the rules consistently.

Small and medium-sized businesses have a lot of rules to follow. Big companies that are publicly traded may have the money and people to set up ESG frameworks and report metrics, but small and medium-sized businesses often have trouble doing so because they do not have enough people, money, or expertise. This makes it harder for everyone in the sector to reach their sustainability goals.

More companies are green washing, which means they lie or exaggerate about how well they do on ESG issues. Without mandatory third-party audits or standardized metrics, companies may release ESG reports that are not credible or useful, which could mislead investors and other stakeholders.

There is little judicial interpretation of ESG-related disputes. Indian courts have not yet established a coherent jurisprudence regarding ESG obligations, director liability for ESG deficiencies, or stakeholder

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rights within ESG frameworks. This lack of laws makes enforcement weaker and makes ESG compliance mostly depend on regulatory discretion and market pressure.

SUGGESTIONS

To make it easier for Indian companies to follow ESG rules, several changes to the law and policy are needed. First, the companies act of 2013 should be changed to make it clear that ESG obligations are included, such as the duty of directors to think about the effects on the environment and society when making decisions. This would make the law clearer and make ESG a legal requirement instead of just a suggestion.

The ways that SEBI enforces the law need to be better. This includes putting in place penalties for not following BRSR rules, requiring third-party verification of ESG disclosures and publishing compliance ratings to encourage openness.

Board members should always get ESG training. Directors need to know how to understand ESG risks, read sustainability data and include ESG in their strategic planning. Industry groups and regulatory bodies can work together to offer workshops and certification programs.

The courts should come up with rules for settling ESG-related disputes, such as how to judge director liability, stakeholder claims and corporate responsibility. This would set legal precedents and encourage a culture of good governance.

CONCLUSION

The integration of ESG standards into corporate law signifies a pivotal advancement in corporate governance, indicating a transition from profit-driven paradigms to stakeholder-oriented frameworks. In India, regulatory efforts like SEBI's BRSR and the company's act's CSR provisions have set the stage, but a complete and enforceable legal framework is still being built. To make sure that ESG principles lead to meaningful behaviour by companies, we need to make statutory clarity, regulatory enforcement, judicial interpretation and board-level capacity stronger. To build strong, responsible and future-ready businesses, we need a proactive legal approach that balances economic growth with sustainability and social justice.

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