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# **GREENWASHING AND CORPORATE LIABILITY: THE LEGAL DIMENSIONS OF FALSE ESG REPORTING**

AUTHORED BY - ANSHIKA JAIN & GUDE SHRAVYA

## **ABSTRACT**

*ESG reporting has gradually become a significant aspect of the broader corporate responsibility landscape, supported by growing global concerns about sustainability and ethical business practices. The escalation of greenwashing has hugely affected the credibility of the whole ESG reporting system. The current research scrutinises the legal implications of fake ESG reporting and the extent of corporate accountability caused by misleading sustainability claims. It indicates the ways through which companies exploit legal uncertainties, opt for voluntary reporting, and encounter weak enforcement measures in order to mislead their stakeholders, hence coming down on the sustainability initiatives that are genuine. The research follows a doctrinal approach, relying on secondary sources, including legislation, court rulings, international treaties, and academic literature, to investigate the landscape of India and the world. The report summarises the existing regulatory frameworks and draws attention to the Companies Act of 2013 and the Business Responsibility and Sustainability Report (BRSR) from the Securities and Exchange Board of India (SEBI). The European Union, the United Kingdom, and the United States have laid down effective ways for proceeding with standardisation, getting independent certification, and taking measures against fraud in sustainability claims. This paper points out the difficulties in discerning corporate intentions, the deficiencies of existing legal remedies, and the necessity for global standards that are not only coherent but also applicable, all through the lens of cases like Volkswagen's "Dieselgate", BP's Deepwater Horizon spill, and several Indian cases involving ITC and Tata Steel. It has been found that even though there are rules and regulations in place, the combination of fragmented legislation, voluntary disclosure practices, and the imposition of very low fines makes it easier for firms to avoid being held accountable. The study proposes that tackling greenwashing will require a complex legal and regulatory strategy with different aspects like standardised ESG reporting, third-party verification and strict enforcement with precise sanctions for misleading claims. It emphasises the role of corporate governance, shareholder participation, and ethical compliance in the creation of a transparent and*

*trustworthy environment. Making corporations more responsible for wrong ESG reporting would not only hinder the occurrence of such frauds but also encourage real sustainability and grow investor trust, bringing business actions in line with the general environmental and social objectives.*

**Keywords-** *ESG, Greenwashing, Sustainability, Corporate Governance, Accountability*

## INTRODUCTION

Environmental, Social, and Governance (ESG) is a framework of criteria that influence how companies behave regarding environment, society, and governance. Socially responsible investors evaluate the company's sustainability and ethical accountability by using these criteria. ESG is quickly becoming a must-have for corporate sustainability, determining the moods of investors, the likes of consumers, and the areas of regulatory scrutiny. Companies that integrate ESG principles into their everyday business are viewed as more responsible towards society, and at the same time, they are likely to gain financial success in the long run by matching their strategies with the goals of sustainable development.

With the increasing importance of ESG, some companies have taken advantage of the situation by practising greenwashing. Greenwashing is when a company makes false, misleading or exaggerated claims about the environmental or social benefits of its products or services, to be perceived as more environmentally friendly than it really is. Such behaviour deceives both consumers and investors, and it also harms the very purpose of ESG by eroding trust in genuine sustainability efforts. The risk of greenwashing has increased with the increasing number of companies incorporating ESG principles into their business models, which continually raises questions about the credibility of ESG reporting and the degree of transparency employed.

Selective disclosure is one of the kinds of greenwashing in which a company highlights positive environmental impacts while deliberate, ignoring any negative impacts, irrelevant claims, such as a product that is described as "CFC free" despite CFCs already being banned from use, and vague or unsubstantiated claims, such as a product that is referred to as environmentally friendly with no supporting evidence. These aspects are intended to create a false impression of sustainability, often without making any actual changes to the company's real practices. The emphasis of this paper is on the response of current Indian law to the issue of greenwashing.

## INDIAN LEGAL FRAMEWORKS TO REGULATE CORPORATE GREENWASHING

Indian corporate law stipulates precise responsibilities regarding corporate accountability and the conduct of directors, but the application of these requirements is somewhat opaque, especially in terms of greenwashing. Section 134 of the Companies Act, 2013 requires the Board's Report to specifically disclose performance around matters like energy conservation as well as the company's approach to risk. If that disclosure is not accurate or is misleading, the company could be exposed to liability under applicable law. Section 166 requires directors to act with good faith and to promote the interests of all stakeholders. If misleading ESG disclosures are allowed and they lead to reputational injury or loss of capital, ultimately, it could amount to a breach of duties to all stakeholders.<sup>1</sup>

The CCPA Guidelines for Greenwashing and the ASCI Guidelines for Advertisements Making Environmental/Green Claims were the main regulations to follow for corporate environmental deception in India until they were enacted. Such practices had been primarily dealt with through the Consumer Protection Act 2019, the Bureau of Indian Standards (BIS)'s Certifications for standards of environmentally safe products, the Magic Remedies (Objectionable Advertisement) 1954 Act, the Food Safety and Standards Act, 2006 and the Drugs and Cosmetics Rules of 1945 before the sea change affected by the Guidance. *“Besides, Corporate Social Responsibility (CSR) Reporting provisions under the 2019 Companies Act, and the newly mandated Business Responsibility and Sustainability Reporting (BRSR) for reporting ESG by SEBI for the top 1000 listed corporations were also among the measures that hindered such practices.”*<sup>2</sup>

### 1. SEBI

#### A. SEBI'S ESG Reporting Framework

The function of SEBI with respect to ESG reporting is important in India. The LODR Regulations and the BRSR framework are primarily responsible for this function. The

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<sup>1</sup> Aaryan Pandit, *Greenwashing and ESG Compliance in India: Legal Accountability for Misleading Sustainability Claims, Record of Law* (Chanakya National L. Univ., Mar. 2025), available at <https://recordoflaw.in/greenwashing-and-esg-compliance-in-india-legal-accountability-for-misleading-sustainability-claims/>

<sup>2</sup> Dr. Priya A. Jagadish & Ryle James Ammagol, *An Unspoken Reality of Corporate Greenwashing in India's ESG Sphere*, *VBC Law Review* (Vol. 2, 2025), available at <https://www.vbclawreview.com/post/an-unspoken-reality-of-corporate-greenwashing-in-india-s-esg-sphere>

BRSR Core, which is the first requirement for companies to disclose their environmental actions in 2023, includes providing details about energy and water use, waste disposal, and emissions. In order to assure trustworthiness, SEBI has instituted external verification, beginning with the lead 250 listed companies in 2024–25 and extending to the top 1,000 by 2026–27.

Although SEBI cautioned companies in advance about presenting only good data or making baseless ESG claims, there is still no definition of greenwashing in its regulations. Further, SEBI's laws and LODR regulations do not specify consequences for companies that inflate or misrepresent their sustainability performance. This loophole in the law makes any enforcement difficult unless there is some overt instance of wrongdoing.

### ***B. APPLICABILITY OF BRSR***

In the fiscal year 2022–2023, the BRSR framework was made mandatory for the 1,000 largest listed companies as per their market capitalisation. This regulation obliges the largest Indian corporates to reveal their ESG performance, thus making it easier for the different stakeholders, including investors and regulators, to evaluate the risks and the opportunities for sustainability. Smaller public companies and private companies can still opt to incorporate the BRSR into their operations voluntarily, but this would mean moving more slowly towards universal ESG reporting.<sup>3</sup>

The BRSR requires organisations to disclose disclosures pertinent to ESG under these three pillars: **Environmental, Social, and Governance metrics.**

#### ***1. Environmental Metrics***

Organisations need to disclose details of their environmental impact and sustainability initiatives on the following topics:

Organisations must reveal their environmental impact and sustainability efforts information according to the following aspects:

- a. Carbon Footprint:** GHG emissions as per Scopes 1, 2, and 3.

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<sup>3</sup> Monica Kharola et al., *Mandatory ESG Reporting in India: Legal Obligations and Management Strategies*, 2 J. Marketing & Soc. Res. 167–77 (Mar.–Apr. 2025).

- b. Energy Efficient Enhancements:** The renewal of power sources, energy-efficient activities, and monitoring overall energy consumption are all included.
- c. Waste Management:** The practices of reduction of waste, recycling, safe disposal of hazardous waste, and the circular economy.
- d. Conserving Water:** Control of water consumption, treatment of wastewater, and conservation practices.
- e. Biodiversity Protection:** The impacts on nature and the plan for reducing these impacts.

## 2. *Social Metrics*

The social component of BRSR highlights the company's commitment to employee welfare, the shortlisting of human rights within its social responsibility, and covers aspects of social responsibility, which include:

- a. Diversity and inclusion:** The demographic representation of the workforce, the diversity of genders and the representation of the underprivileged groups.
- b. Workers' Rights:** Just pay, secure environments, and even the checking of child and forced labour.
- c. Employee Welfare:** Regulated by health, safety, skill development and employee benefits policies.
- d. Corporate social responsibility (CSR) activities summary:** providing a preview of the CSR activities mentioned in the Companies Act, 2013.
- e. Community Impact:** The positive or negative effect of the company's business operations on local communities and participation in the responsible, sustainable development.

## 3. *Governance Metrics*

Governance disclosures underscore the value of ethical business practices, sustaining integrity, and managing risks related to:

Governance disclosures cement the importance of ethical business practices, maintaining integrity and controlling the risks associated with:

- a. Board Independence:** The board's makeup, having independent directors, and the separation of powers in leadership roles.
- b. Managing Risks:** Being able to work out the processes to spot and react to

ESG-related problems.

- c. **Protecting data, privacy, and security:** Having cybersecurity plans, taking precautions, and implementing data privacy practices.

## 2. COMPANIES ACT, 2013 AND CSR REGULATIONS

India introduced a compulsory **Corporate Social Responsibility (CSR)** program through the Companies Act, 2013, which was one of the very few countries leading the way in this aspect globally. Section 135 of the Companies Act declares that firms satisfying specified criteria regarding their finances will be obligated to follow the CSR directive, acknowledging the importance of the business sector as a driving force for sustainable development.

### *Corporate Social Responsibility Mandate (Section 135)*

*“Section 135 of the Companies Act 2013 identifies companies meeting any of the three criteria based on the previous fiscal year, which must spend at least 2% of their average net profits in the previous three fiscal years on CSR in India. A net worth of ₹500 crore or more, or a turnover of ₹1,000 crore or more, or a net profit of ₹5 crore or more.”<sup>4</sup>*

Assigned companies must also constitute a CSR Committee to oversee and monitor the CSR activity. The regulation identifies a number of pre-defined areas of interest, such as education, health, ecological sustainability, gender equality, rural development, and social welfare, to ensure corporate activity is consistent with the nation's development objectives.

## CORPORATE LIABILITY FOR FALSE ESG REPORTING

### **A. Under LODR Regulations**

Although listed companies face no specific penalties for inaccurate ESG disclosures, **Regulation 98 of the LODR Regulations<sup>5</sup>** addresses liability for violations of the Act, rules, or regulations. It reads as:

*“Liability for contravention of the Act, rules, or regulations  
98. (1) Any listed entity or individual associated with it that violates any provisions of*

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<sup>4</sup> Companies Act, No. 18 of 2013, § 135, India Code (2013).

<sup>5</sup> Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2023, Reg. 98, Gazette of India, June 14, 2023, available at [https://www.sebi.gov.in/legal/regulations/jun-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-second-amendment-regulations-2023\\_72609.html](https://www.sebi.gov.in/legal/regulations/jun-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-second-amendment-regulations-2023_72609.html).

*these regulations will face not only consequences under securities laws but also additional actions from the relevant stock exchange(s), as outlined in the circulars or guidelines provided by the Board.*

- a. the application of penalties;*
- b. Trading may be suspended.*
- c. The freezing of promoter or promoter group holdings of designated securities, as applicable, will be carried out in coordination with the depositories.*
- d. any additional actions that the Board may designate periodically.*

*(2) The way to revoke the actions mentioned in clauses (b) and (c) of sub-regulation (1) will follow the instructions outlined in the circulars or guidelines provided by the Board.”*

The possible outcomes under the LODR Regulations include liability under securities law and actions taken by the relevant stock exchanges. These can lead to substantial monetary fines, trading suspensions, freezing of the promoter or promoter group's securities holdings, and other measures that SEBI may announce periodically.

### **B. Under FUTP Regulations**

If ESG disclosures impact investor decisions (in the listed company's securities [5]) and the disclosure is deemed to be "fraud," as defined by the Securities and Exchange Board of India (**Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ("FUTP Regulation")**), listed companies may also be subject to penalties under the LODR Regulations in addition to liability under the LODR Regulations.<sup>6</sup> "Fraud", as defined in the FUTP, refers to a representation made recklessly or carelessly, regardless of its truthfulness<sup>7</sup>, as well as any act or omission that is explicitly labelled as fraudulent by other laws<sup>8</sup>.

- According to **Regulation 3(d)** of the FUTP Regulation, it is prohibited for any individual to participate in any actions, practices, or business activities that could be considered fraudulent or deceptive towards anyone involved in the buying,

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<sup>6</sup> Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, Reg. 2(1)(b)(ii), Gazette of India, July 17, 2003.

<sup>7</sup> Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, Reg. 2(1)(c)(5), Gazette of India, July 17, 2003.

<sup>8</sup> Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, Reg. 2(1)(c)(6), Gazette of India, July 17, 2003.

selling, or issuing of securities that are currently listed or intended to be listed on a recognised stock exchange, in violation of the Act or its associated rules and regulations.<sup>9</sup>

- **Regulation 4(2)(a)** addresses the act of intentionally engaging in behaviour that gives a false or misleading impression of trading within the securities market.
- **Regulation 4(2)(f)** addresses the act of knowingly publishing or facilitating the publication of information related to securities by individuals involved in securities transactions. This includes details such as financial results, financial statements, mergers and acquisitions, and regulatory approvals. It specifically pertains to information that is false or that the individual does not genuinely believe to be accurate, either before or during their engagement connected to the securities market.
- **Regulation 4(2)(k)** addresses the act of sharing information or advice via any medium, be it physical or digital, that the person sharing it knows to be false or misleading, done recklessly or carelessly, and intended to, or likely to, sway the decisions of investors involved in securities.
- **Regulation 4(2)(s)** addresses the issue of mis-selling in relation to securities or services connected to the securities market.
- **Regulation 11** outlines the penalties that listed companies could incur if they breach the FUTP Regulation. These penalties may involve seizing and holding onto the proceeds or securities related to any transaction that is found to be in violation or seemingly in violation of the Regulation.

### ***C. Under the Indian Contract Act, 1872 and the Companies Act, 2013***

Value chain partners and other participants in the reporting process may also be held liable for fraud under the Companies Act of 2013 and/or the Indian Contract Act of 1872 if they intentionally gave inaccurate information with the intention of misleading. Companies that are publicly traded might consider ending contracts and pursuing legal measures against partners for any losses resulting from misleading ESG disclosures.

## **GLOBAL PERSPECTIVES (EU, US, UK)**

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<sup>9</sup> Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, Reg. 3(d), Gazette of India, July 17, 2003.

As India develops its ESG and sustainability disclosure frameworks, it can be useful to draw insights from regulatory models in other regions. It helps in tackling the problem of greenwashing within the legal frameworks and for the application of practical problems.

### **1. European Union**

The Green Claims Directive was introduced by the European Commission with the intention of creating stricter rules for how companies operating in the EU submit their Environmental Claims. Businesses must substantiate any claims they make and have outside organisations evaluate them within a certain period of time.

Despite the directive's withdrawal in 2025, as a result of business and governmental opposition, its framework remains a useful benchmark for comparison. It showed how enacting regulations, carrying out outside evaluations, and applying actual penalties can improve the integrity of environmental communication. The outcome also brought attention to the difficulties in creating laws that both protect the consumers and provide businesses the freedom they require to adapt.<sup>10</sup>

### **2. United States**

In the USA, the Securities and Exchange Commission (SEC) has started to integrate ESG disclosures and climate-related risks into the framework of securities law. The 2022 Climate Disclosure established rules requiring businesses to disclose their greenhouse gas emissions, the dangers posed by Climate Change, and the sustainable governance structures they have in place. This suggests that even in the absence of recently enacted ESG-focused legislation, regulators can use existing legal frameworks to combat greenwashing.<sup>11</sup>

### **3. United Kingdom**

India's evolving rules can take inspiration from the UK's well-defined guidelines regarding ESG disclosure and greenwashing. According to the Financial Conduct Authority (FCA), companies that market financial services or products as sustainable must make sure that their statements are accurate, supported by data, and not misleading. To increase transparency and prevent greenwashing, this idea is incorporated into the Sustainability Disclosure Requirements (SDR) and the associated product labelling system.<sup>12</sup>

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<sup>10</sup> PANDIT, supra note 1, at 3.

<sup>11</sup> *Id* at 9.

<sup>12</sup> FCA, *UK Sustainability Disclosure and Anti-Greenwashing Rules Finalised: PS23/16*, Nov. 30, 2023, available at <https://www.ashurst.com/en/insights/uk-sustainability-disclosure-and-anti-greenwashing-rules->

The UK relies on consumer protection regulations, which are enforced by the Competition & Markets Authority and the Advertising Standards Authority, in addition to financial markets, to ensure that environmental statements made to consumers are true and not exaggerated.

## **MITIGATION STRATEGIES AND TOOLS TO CURB GREENWASHING IN REPORTING**

### **A. MITIGATION STRATEGIES**

Greenwashing in ESG Reporting must be identified and addressed to preserve openness and trust between limited partners (LPs) and general partners (GPs). The following methods can be used to accomplish this<sup>13</sup>:

- 1. Use artificial intelligence to look for ambiguous terms and slogans-** When discussing ESG KPIs, companies need to be careful with their sustainability claims, like “eco-friendly” and “sustainable,” ensuring they can provide solid evidence to support these statements. For example, new stories, social media posts, and more can now be analysed by AI and natural language processing techniques to find discrepancies between a company’s claims and its actual behaviour.
- 2. Ensure transparency in ESG reporting-** Businesses must adhere to established guidelines, closely review sustainability disclosures, conduct third-party verification, and maintain transparency throughout the ESG reporting process. This method makes it possible for private-market companies to obtain thorough and lucid information about ESG performance.
- 3. Assess ESG ratings and certifications**  
Various ESG rating agencies employ distinct approaches when it comes to scoring ESG factors. Therefore, companies need to carefully evaluate ESG ratings by employing various methodologies. They should prioritise assessments grounded in evidence regarding a company's performance, future earnings, cash flow, and past actions that are supported by verifiable Proof.

### **B. TOOLS FOR PREVENTING GREENWASHING ALLEGATIONS**

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[finalised/?utm\\_source=chatgpt.com](#).

<sup>13</sup> Pooja Khandelwal, *Greenwashing – the Illusion of Sustainability and How to See Through It*, Acuity Knowledge Partners (Apr. 25, 2025), available at <https://www.acuitykp.com/blog/understanding-greenwashing-sustainability-insights/>

The Sustainable Finance Disclosure Regulation (SFDR) of the EU is one such framework that encourages the decrease of greenwashing in the context of sustainable investment products. It makes the following Contributions<sup>14</sup>-

- The SFDR aims to enhance transparency and facilitate improved product comparisons, which in turn helps to minimise the chances of greenwashing, all in response to particular disclosure needs.
- The SFDR assists investors in identifying funds that truly aim for sustainability versus those that might be making questionable assertions. It categorises funds into three types: Article 6 (conventional), Article 8 (light green), and Article 9 (dark green).
- It needs comprehensive information for incorporating ESG factors into the investment choices by the asset managers, and also calls for clear and honest marketing materials to reduce the claims of overstated sustainability.
- To impose penalties on those companies that do not comply with the SFDR, which helps to prohibit the use of greenwashing.

## CHALLENGES, GAPS AND EMERGING ISSUES

### A. CHALLENGES

Due to the adverse effects of ESG factors on business structures, there is an urgent need to emphasise the challenges arising from them. As regulatory frameworks and investor expectations grow more demanding, achieving strong and dependable ESG compliance presents numerous systemic, structural, and strategic hurdles, not only on a global scale but also in emerging economies such as India.<sup>15</sup>

#### a. Disparate and Inconsistent Standards

There is absence of an uniform and standard ESG standards at the international level, which results in issues in reporting i.e, sense of exhaustion and also regulator inconsistencies. Different frameworks present such as SASB, GRI, TCFD, GRI, EU Taxonomy, and ISSB, have led to certain conflicts and issues in regards to overlapping disclosures and inconsistent metrics, thereby leading to differences across jurisdictions

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<sup>14</sup> *Id* at 11.

<sup>15</sup> Gabrielle G. Freiburg et al., *Inside the Black Box of Corporate ESG Data: Evidence from a Field Experiment*, Harv. Bus. Sch. Working Paper No. 23-003 (2022), available at [https://www.hbs.edu/ris/Publication%20Files/23-003\\_d32c11b4-df51-41d0-8dc0-baf8611c358f.pdf](https://www.hbs.edu/ris/Publication%20Files/23-003_d32c11b4-df51-41d0-8dc0-baf8611c358f.pdf)

and sectors.<sup>16</sup> The SEBI's BRSR framework, though in alignment with global principles, includes certain KPIs designed specifically for emerging market situations, making cross-border evaluations more complicated.

**b. Limitations in Resources and Shortages in Capacity**

In emerging markets, the lack of technical know-how, inadequate infrastructure, and low understanding of ESG at the board level hinder effective implementation. Disclosing ESG information can be quite demanding, often needing collaboration across various departments. This can be particularly challenging for smaller companies and mid-cap firms that may find it hard to allocate the necessary resources or make it a top priority. Research conducted by Aich et al. (2021) indicates that factors such as organisational inertia, a lack of awareness, and challenges in incorporating ESG into investment strategies frequently hinder successful ESG integration and compliance.<sup>17</sup>

**B. COMPLIANCE ISSUES AND GAPS**

There are various legal and structural gaps against greenwashing, even after making progress in regulating ESG disclosures. Such problems lead to enforcement gaps, reduce investors' trust, and allow companies to destroy sustainability claims without facing significant repercussions.<sup>18</sup>

**a. No legal definition of "Greenwashing"**

The lack of clarity complicates the ability to differentiate between subpar ESG reporting and intentional deceit. In the absence of a clear standard, enforcement agencies often have to depend on personal interpretations, leading to inconsistencies and diminishing the effectiveness of deterrence.

**b. Limited ability to implement ESG regulations**

The ESG framework established by SEBI applies solely to the top 1,000 companies that are listed. A large number of medium and large unlisted companies, many of which have considerable environmental impacts, are not required to engage in mandatory ESG reporting or obtain third-party assurance. A significant portion of the corporate sector remains beyond the scope of sustainability compliance mandates.

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<sup>16</sup> Securities and Exchange Board of India, *BRSR Core: Framework for Assurance and ESG Disclosures for Value Chain* (July 12, 2023), available at [https://www.sebi.gov.in/legal/circulars/jul-2023/brsr-core-framework-for-assurance-and-esgdisclosures-for-value-chain\\_73854.html](https://www.sebi.gov.in/legal/circulars/jul-2023/brsr-core-framework-for-assurance-and-esgdisclosures-for-value-chain_73854.html)

<sup>17</sup> Laura T. Starks, Parth Venkat & Qifei Zhu, *Corporate ESG Profiles and Investor Horizons*, 76 J. Fin. 1389 (2021), <https://doi.org/10.1111/jofi.12969>

<sup>18</sup> PANDIT, supra note 1, at 3.

**c. Insufficient Standardisation in assurance**

There is still a lack of a method and an accreditation process for assurance providers, even after SEBI has framed out the third-party assurance for specific ESG metrics. Even though credibility and quality of disclosures can also make a difference, businesses may select the agencies that help in providing more substantial evaluations to reduce the chances of regulatory oversight.

**d. Fragmented Regulatory Power**

Various elements of ESG disclosures, their advertising practices, and safeguarding consumer rights are being monitored by the SEBI, CCPA and ASCI. Nonetheless, there is still a lack of a proper method for disseminating information, conducting investigations, or implementing its enforcement to enable companies to take advantage of the judicial vacuum and to avoid responsibility.

**e. Inadequate Sanctions for false statements about ESG**

There is no inclusion of penalties related to ESG that leads to the extent and severity of greenwashing, but it does provide guidelines for misleading statements. Consequently, the potential commercial advantage of making daring, unverified assertions frequently surpasses the associated legal risks.

## CASE STUDIES

### A. ADANI GROUP: COMPARING ESG DISCLOSURES AND SCRUTINY AFTER HIDENBURG

The Adani Group has made significant promises and claims regarding its commitment to ESG principles, specifically in the areas of sustainable infrastructure and renewable energy development. They have released and published ESG reports adhering to international standards (GRI & BRSR Format as set by SEBI). The organisation has released ESG reports that are in line with international standards like GRI and the BRSR format set by SEBI.<sup>19</sup>

#### 1. ESG Disclosures

- Adani Green Energy, a subsidiary of the Adani Group, holds a major investment in wind and solar initiatives.
- Adani Enterprises is dedicated to UN SDGs and also adheres to ESG compliance and

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<sup>19</sup> *Id* at 15.

shares comprehensive ESG metrics, in regard to aspects such as water consumption and carbon intensity.

## 2. Issues in Greenwashing

- **The Hindenburg Incident's Report (January 2023):** There have been serious allegations against the Adani Group by the firm based in the US named Hindenburg Research, alleging serious allegations in accounting of fraud and also involvement in stock manipulation. These allegations have raised questions about the authenticity and reliability of Adani's ESG disclosures.
- **Environmental Impact:** The Adani's main activities depend upon coal and thermal power (Carmichael coal mine in Australia), leading to a major degradation in the environment. This puts an irony upon the company's commitment and portrayal of itself as a clean energy advocate.
- **Social Issues**  
The Adani SEZ projects and ports across India have raised various environmental concerns and protests by environmental enthusiasts.

## 3. FMCG Firms: A Comparison of HUL and ITC's Sustainability Claims and Their Plastic Usage

- **Background**  
The leading FMCG companies such as the Hindustan Unilever (HUL) and ITC consistently positioning themselves as frontrunners in sustainability through their ESG reports and marketing initiatives.<sup>20</sup>
- **Information on ESG Disclosures and Sustainability Claims**
  - a. HUL**
    - It states that it achieves complete plastic neutrality by collection and processing more plastic waste than it actually generates.
    - It releases yearly sustainability scorecards that highlights the decreases in water consumption, Emissions, and plastic usage.
  - b. ITC**
    - It announced its achievement of plastic neutrality starting in the year of 2021.
    - Spotlights such as "Well-being Out of Waste (WOW)" as an initiative

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<sup>20</sup> *Id* at 16.

along with afforestation efforts.

- **Worries about Greenwashing**

- a. **The Reality of Plastic Waste:**

Even with their assertions, both companies continue to be significantly contributing to plastic waste as a pollution in India. The 2023 report from Break Free From Plastic (BFFP) initiative highlights that HUL and ITC are among the leading corporate contributing to plastic pollution in India.

- b. **Criticism:**

The various environmental activists have by and large have contended that plastic neutrality is not an adequate measure, and permitting corporates to keep on generating new plastic when they are attempting to balance it out with recycling. This approach not at all ineffective in Indian context, where waste segregation practices are not used as guided.

## CONCLUSION AND SUGGESTIONS

The growing emphasis on sustainability and ethical business practices all across the world has led to a sudden increase in Environmental, Social, and Governance (ESG) reporting, which is an important component of risk management and corporate governance. The need for ESG reporting has grown through the introduction of various acts and legislations, most notably with the launch of SEBI's Business Responsibility and Sustainability Report (BRSR) framework. The introduction and thorough examination of different legislative measures and laws, i.e., the Companies Act and SEBI Guidelines, have laid down a foundation for ESG compliance, but still there are a lot of implementation issues which is faced by the companies.

The major obstacles include the burden of high compliance costs, challenges of data collection, a lack of a uniform ESG reporting framework and the potential for greenwashing. In spite of the above-mentioned obstacles, the strong ESG governance in India offers companies a competitive edge, ensuring good brand image, sustainable financial health, and the enhancement of trust of the investors over time. With the passage of time and due to a strong corporate governance framework in India, ESG compliance is playing an important role in regulatory scrutiny, investors' decisions, and stakeholder expectations on a global scale. The Indian companies need to look beyond the laws and regulations compliance, but instead should include ESG in their core business plans. This requires certain changes which need to be implemented, including a fundamental shift in the thinking of the corporate leaders, sustainable

practices' fresh approaches and a collective commitment to collaborate with all the stakeholders.

