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GREEN ON PAPER: CORPORATE ENVIRONMENTAL CLAIMS AND THE LIMITS OF INDIA'S COMPANIES ACT, 2013

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Abstract

Environmental claims are now practically everywhere. Be it in terms of packaging, on the websites, in product names or across social media. It is understandable that companies want to highlight their greener production processes or their contribution to CSR or more sustainable offerings. The challenge is that the distinction between genuinely accurate disclosure and deceptive marketing is not always quite obvious. This article is less interested in whether those disclosures are sincere than in a narrower question - if one of them turned out to be wrong, who could do anything about it, and under what law? It traces those statutory routes through which Indian companies make environmental claims and the far thinner routes through which those claims are tested: the disclosure duties as in Section 134 and 135 of the Companies Act, 2013¹, the Business Responsibility and Sustainability Reporting (BRSR) framework introduced by SEBI², Consumer Protection Act, 2019³ and the Advertising Standards Council of India⁴. This article argues for greater clarity in environmental claims, stronger substantiation requirements and more consistent regulatory oversight to address misleading sustainability reports while encouraging genuine corporate environmental responsibility.

I. Introduction

The green claims of a company are what can attract consumers and potential investors, as many are interested in supporting companies that align with such values. This is where greenwashing comes into the picture. All of this counts as investors believe greenwashing is wide spread in

¹ The Companies Act, 2013, No. 18, Acts of Parliament, 2013 (India)

² Securities & Exchange Board of India, BRSR Core – Framework for Assurance and ESG Disclosures for Value Chain https://www.sebi.gov.in/legal/circulars/jul-2023/brsr-core-framework-for-assurance-and-esg-disclosures-for-value-chain_73854.html

³ The Consumer Protection Act, 2019, No. 35, Acts of Parliament, 2019 (India)

⁴ Advertising Standards Council of India (ASCI), <https://www.ascionline.in/> (last visited Sept. 19, 2026)

annual reports of companies⁵. Open almost any Indian annual report published in the last five years and somewhere between the chairman's letter and the balance sheet sits a section that looks different from the rest of the document. The typography turns green. There is usually a photograph of a solar array, a mangrove sapling, a wind turbine against a clean sky under a heading like "Our Commitment to the Planet." What it rarely offers is an answer to the question that actually matters - has anything measurably changed?

That gap between the photograph and the question is where greenwashing lives. The word was introduced in 1986 by the environmentalist Jay Westerveld, noticed a hotel chain asking guests to reuse their towel to save environment while doing little to reduce its own resource use elsewhere in the building. Four decades on, the same instinct has moved from hotel bathrooms to boardrooms, and from advertising copy into annual reports, prospectuses, and credit-rating submissions.⁶ A comparable study by the Advertising Standards Council of India found a striking share of environmental claims in Indian advertising were vague, unsubstantiated, or misleading.⁷

This article is less interested in relitigating whether greenwashing is a bad thing which is something that almost no one disputes, a more useful question is - setting aside advertising law and consumer law, does Indian company law give a shareholder, a regulator, or a competitor any real way to challenge a company that overstates its environmental performance in the very documents company law requires it to file? The honest answer, worked out across the sections that follow, is not yet, and not by much.

This article aims to address that gap by examining the interaction between the Companies Act, 2013, SEBI's BRSR framework, consumer-protection regulation and advertising self-regulation. It focuses particularly on the distinction between a company's obligation to disclose environmental information and the existence of an effective legal mechanism to verify or challenge the accuracy and completeness of that information. The paper therefore approaches greenwashing not merely as a problem of misleading consumers, but as a broader issue of corporate disclosure, directors' responsibilities and regulatory accountability.

⁵ Gavin Hinks, Most Investors Believe Annual Reports Contain Greenwashing, Board Agenda (Dec. 6, 2022) <https://boardagenda.com/2022/12/06/most-investors-believe-annual-reports-contain-greenwashing/>

⁶ Macdonald-Laurier Institute, What Is Greenwashing?, in Canada's Greenwashing Amendment: A Failure of Process and Policy 10–12 (2025) <https://www.jstor.org/stable/resrep68076.5?seq=1>

⁷ Outlook Business Desk, ASCI Moves to Curb Greenwashing with New Guidelines, Outlook Bus. (May 30, 2024), <https://www.outlookbusiness.com/sustainability/asci-moves-to-curb-greenwashing-with-new-guidelines>

II. How an Environmental Claim Can Mislead Without Actually Lying

Greenwashing does not always involve an outright lie. More commonly, it arises when statements that are technically accurate are presented selectively that creates a misleading impression. Regulators have identified many ways in which this can occur. Vague claims relying on terms such as sustainable or eco-friendly which often lack precise or universally accepted definitions, making their accuracy difficult to assess. Selective disclosure occurs when a company highlights a favourable environmental attribute such as the use of recycled packaging while failing to disclose a more significant negative impact, such as the emissions generated during manufacturing. Irrelevant claims draw attention to an environmental feature that is already legally mandatory for all competing businesses, thereby creating the impression of a distinctive environmental advantage when none exists.

An individual environmental claim may be factually correct on its own, but the misleading nature becomes apparent when the claim is examined alongside the company's overall environmental expenditure, performance, emissions trends etc. This makes greenwashing particularly difficult to address through disclosure frameworks that focus on specific and independently verifiable statements. Unlike conventional accounting fraud, where a false figure may be more readily identified and traced, greenwashing can arise from the selective presentation of truthful information, making legal enforcement considerably more complex.

III. Where Indian Law Currently Looks

A. The Companies Act, 2013: Asking Companies to Disclose, Not to Prove

The Companies Act, 2013 touches corporate environmental conduct at two main points. Section 134(3) requires the Board's Report to include a statement on the company's Corporate Social Responsibility policy⁸. Section 135, read with Schedule VII⁹, requires companies above certain thresholds of turnover, net worth, or profit to spend at least two per cent of average net profits on CSR activities, several of which environmental sustainability, ecological balance, conservation of natural resources are explicitly environmental.

These provisions ask a company to disclose, not to prove. Section 134 requires a company to say what it has done, but nothing requires that statement to be independently checked before filing, and the statutory auditor's report under Section 143 concerns the truth and fairness of the financial statements, not the accuracy of a sustainability narrative sitting next to them¹⁰. A

⁸ Companies Act, 2013, No.18 of 2013, s.134(3) (India)

⁹ Companies Act, 2013, No.18 of 2013, s.135 & sched.VII (India)

¹⁰ Companies Act, 2013, No.18 of 2013, s.143 (India)

company could comply with Section 135 to the letter, fund a genuine afforestation project with its mandated two per cent, and still publish a report that wildly overstates what that project does for its overall carbon footprint, without tripping any liability under the Act.

Directors carry a general fiduciary duty under Section 166 to act in good faith and under Section 166(2), in the interests of the environment¹¹ Read generously, this could prohibit a board from knowingly signing off on a misleading environmental claim.

B. SEBI and the BRSR: A Quieter Shift Toward Verification

SEBI's Business Responsibility and Sustainability Reporting framework, introduced under Regulation 34(2)(f) of the LODR Regulations¹², replaced the older, largely voluntary Business Responsibility Report and made structured ESG disclosure mandatory for the largest listed companies. Unlike the broader requirements in Companies Act, BRSR asks for quantified, comparable metrics across environmental, social, and governance parameters.

C. The 2024 CCPA and ASCI Guidelines: Progress, But from a Different Direction

The Central Consumer Protection Authority's own draft, in 2024 as the Guidelines for Prevention and Regulation of Greenwashing or Misleading Environmental Claims¹³. The CCPA guidelines ask an advertiser to back up any environmental claim with credible, verifiable, current evidence; to disclose unfavourable findings alongside favourable ones rather than cherry-picking and to steer clear of vague, unqualified terms such as "eco-friendly" unless accompanied by clear, accessible detail.

This is real progress, but its architecture is consumer protection, not corporate governance. The guidelines sit under the Consumer Protection Act, 2019, and their remedies corrective advertising, monetary penalties on the advertiser and, where relevant, the endorsing celebrity are aimed at the advertisement, not the corporate disclosure it is often lifted from. A misleading statement in a sustainability report that never becomes an advertisement falls outside their reach entirely, even though such reports are usually where institutional investors, rating agencies, and green-bond subscribers actually go to assess a company's environmental credentials.

¹¹ Companies Act, 2013, No.18 of 2013, s.166 (India)

¹² LODR Regulation 34, CA2013.com, <https://ca2013.com/lodr-regulation-34/> (last visited Sept. 19, 2026)

¹³ Central Consumer Protection Authority, Guidelines for Prevention and Regulation of Greenwashing or Misleading Environmental Claims, 2024, https://ccpa.doca.gov.in/files/Greenwashing_Guidelines.pdf

IV. What Happens When the Story Doesn't Hold

A famous fashion brand and its "Conscious Choice" clothing line was promoted through in-store scorecards that gave products favourable water and energy-usage ratings. The Norwegian Consumer Authority found these scorecards left out the far larger environmental impact of raw material production and could not be backed up with the underlying data, and the brand eventually withdrew the scorecard system from the Norwegian market. Neither case involved a fabricated number in the sense a financial auditor would recognise; each involved a claim that looked accurate on its face but had been stripped of context that would have changed how it read precisely the selective-disclosure pattern described above.

India has not yet produced a greenwashing enforcement episode of comparable scale in the public domain, but the underlying conditions look familiar. The ASCI finding that a large majority of examined environmental claims in Indian advertising were misleading or exaggerated suggests the practice is at least as common here as abroad.

V. The Gaps That Remain

Three structural gaps stand out once the Indian regime is read as a whole rather than provision by provision.

The first is jurisdictional fragmentation. An environmental claim made by a listed company can, depending on where it appears, fall under the Companies Act (the Board's Report), the LODR Regulations (BRSR), the Consumer Protection Act (the CCPA guidelines), or self-regulatory codes (ASCI) - four regimes, four regulators, four sets of remedies, and no single body responsible for reconciling a mismatch between what a company tells SEBI in its BRSR filing and what it tells consumers in its advertising.

The second is the absence of any statutory definition of "greenwashing" inside company law itself. The CCPA guidelines define the term for consumer-protection purposes, but it appears nowhere in the Companies Act, 2013, which means a director's exposure for an inflated claim depends on whether it can be squeezed into some other, older category of wrong misstatement in a prospectus under Section 34¹⁴, oppression and mismanagement, or ordinary fraud under Section 447¹⁵ rather than on any provision addressed to the conduct directly.

The third is that assurance remains the exception rather than the norm. BRSR Core's reasonable-assurance requirement is a genuine step forward, but it applies only to a defined tier

¹⁴ Companies Act, 2013, No.18 of 2013, s. 34 (India)

¹⁵ Companies Act, 2013, No.18 of 2013, s. 447 (India)

of the largest listed companies and a specified set of indicators, phased in gradually. Section 134 disclosures carry no assurance requirement whatsoever, and unlisted companies including some of India's largest private conglomerates sit outside BRSR entirely, regardless of the size of their environmental footprint.

VI. Three Modest Proposals

A handful of reforms could move the Indian framework from its current fragmented, advertising centred shape towards one that treats environmental misrepresentation for what it is: a governance issue with the same underlying logic as a financial one.

First, BRSR Core's assurance requirement could be extended on a faster timeline to the full universe of BRSR-covered companies rather than staying confined to the largest tier, and the Ministry of Corporate Affairs could examine whether a scaled-down assurance obligation belongs in the Companies Act itself for large unlisted companies that currently sit outside BRSR altogether.

Second, a single coordinating mechanism a standing committee under the Ministry of Corporate Affairs, or a formal protocol between the MCA, SEBI, and the CCPA could be given responsibility for cross-checking a company's environmental claims across its filings, so a mismatch between a BRSR disclosure and an advertising claim does not simply go unnoticed. Third, Section 166's environmental duty could be given more practical weight through a lower evidentiary threshold for derivative action where the underlying complaint is a material environmental misrepresentation, paired with the whistle-blower protection under Section 177(9) ¹⁶explicitly extended to employees who report internal knowledge that a public environmental claim is false — mirroring the protection that already exists for financial fraud, and recognising that greenwashing is usually spotted earliest by the people inside the building making the product.

VII. Conclusion

Greenwashing works because it exploits a gap between two very different levels of scrutiny which are, the rigorous, independently assured verification that company law reserves for financial numbers, and the comparatively loose, narrative latitude it still extends to almost everything a company says about the planet. That gap made sense when environmental

¹⁶ Companies Act, 2013, No.18 of 2013, s.177(9) (India)

disclosure was voluntary and mostly reputational. It makes far less sense now, when a green claim can move a share price, secure a green-bond coupon, or win a public tender. Addressing this issue does not necessarily require an entirely new Companies Act, 2013. Rather, the existing framework can be interpreted and, where required, amended to recognise that a misleading representation concerning environmental impact can be just as significant as a misrepresentation concerning financial information. A false or exaggerated claim about carbon emissions is not less serious than an inflated statement about profits, it represents a newer form of corporate misrepresentation that the existing legal framework has yet to address with the same clarity.

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