INDIAN JOURNAL OF LEGAL REVIEW

VOLUME 6 AND ISSUE 4 OF 2026

INSTITUTE OF LEGAL EDUCATION

INDIAN JOURNAL OF LEGAL REVIEW

APIS – 3920 – 0001 | ISSN - 2583-2344

(Open Access Journal)

Journal's Home Page – https://ijlr.iledu.in/

Journal's Editorial Page - https://ijlr.iledu.in/editorial-board/

Volume 6 and Issue 4 of 2026 (Access Full Issue on - https://ijlr.iledu.in/volume-6-and-issue-4-of-2026/)

Publisher

Prasanna S,

Chairman of Institute of Legal Education

No. 08, Arul Nagar, Seera Thoppu,

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Tiruchirappalli – 620102

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INDIAN JOURNAL OF LEGAL REVIEW [IJLR – IF SCORE – 7.58]

VOLUME 6 AND ISSUE 4 OF 2026

APIS – 3920 - 0001 *(and)* ISSN - 2583-2344

Published by

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ESG DISCLOSURES, BRSR CORE AND INVESTOR PROTECTION: AN ANALYSIS OF THE INDIAN LEGAL FRAMEWORK

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BEST CITATION – MR. MRUTYUNJAY SARAMANDAL* & MR. YOGESH YADAV, ESG DISCLOSURES, BRSR CORE AND INVESTOR PROTECTION: AN ANALYSIS OF THE INDIAN LEGAL FRAMEWORK, *INDIAN JOURNAL OF LEGAL REVIEW (IJLR),* 6 (4) OF 2026, PG. 651-659, APIS – 3920 – 0001 & ISSN - 2583-2344. DOI - https://doi.org/10.65393/IJLRV6I462

ABSTRACT

This paper undertakes a critical study of the statutory and regulatory framework in the Security Law domain, namely, the Business Responsibility and Sustainability Report (BRSR) of SEBI while keeping investor protection as the core concern. After tracing the evolution of ESG right from CSR and pre-CSR times to mandatory disclosures in the securities domain along side a systematic comparative study with the respective frameworks of the European Union and the United States. The paper highlights noticeable structural challenges such as scale differences among the players and the undue advantage vested upon the issuers who are more aware and educated about the Environmental, Social and Governance disclosure. For recommendations, it proposes calibration in the assurance standards, use of easy and interactive language for reporting and disclosures along with targeted practices such as sectoral materiality guidance and digital tagging for interoperability. The conclusion advocates for adoption of an approach that balances transparency with practicability to protect investors from any possible jeopardization.

KEYWORDS: ESG Disclosure, BRSR Core, Investor Protection, Sustainable Finance

1. INTRODUCTION

Background: Rise of ESG in Global Capital Markets

Over the past decade, Environmental, Social and Governance (ESG) considerations have evolved to central determinants of capital allocation in global financial markets from a mere voluntary corporate social responsibility initiative as it was initially. Institutional investors increasingly incorporate sustainability risks into investment decision-making, recognising climate change, labour practices and governance failures as financially material factors rather than merely ethical concerns.[1270] The 2006 launch of the United Nations Principles for Responsible Investment (UN PRI) marked an inflection point by formally linking fiduciary duties with ESG integration.[1271]

In parallel, regulatory interventions have expanded. The EU's regulations, namely the Sustainable Finance Disclosure Regulation (SFDR) and Corporate Sustainability Reporting Directive (CSRD) institutionalised mandatory sustainability reporting, signalling a shift from market-led to law-driven ESG governance.[1272] In the United States, the Securities and Exchange Commission has similarly proposed climate-

[1270] See OECD, ESG Investing and Climate Transition: Market Practices, Issues and Policy Considerations (2020).

[1271] U.N. Principles for Responsible Investment, *The Six Principles* (2006), https://www.unpri.org.

[1272] "Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on Sustainability-Related Disclosures in the Financial Services Sector, 2019 O.J. (L 317) 1; Directive (EU) 2022/2464, 2022 O.J. (L 322) 15."

related disclosure rules grounded in investor protection rationales.[1273]

This regulatory momentum reflects a broader reconceptualization of investor protection accurate sustainability disclosures are increasingly viewed as essential to addressing systemic risks, correcting information asymmetry and preserving long-term market integrity.

Emergence of ESG Regulation in India

The involvement of Indias with the ESG disclosure developed over time. In 2009, the Ministry of Corporate Affairs presented voluntary Corporate Social Responsibility (CSR) reporting principles, which were subsequently codified as mandatory CSR expenditure in the Companies Act, 2013.[1274] The top listed entities were the first to submit a Business Responsibility Report (BRR) in SEC listing obligation and disclosure requirements (LODR) framework in the securities market the Securities and Exchange Board of India (SEBI) required the report in 2012.[1275]

In 2021, SEBI introduced Business Responsibility and Sustainability Report (BRSR) with the view of replacing the BRR with a newer document, aligning Indian disclosure rules with international sustainability standards.[1276] The subsequent introduction of BRSR Core and mandatory third-party assurance signalled a decisive shift toward standardisation, verifiability and investor-centric sustainability reporting, thereby embedding ESG considerations within the architecture of securities regulation rather than corporate philanthropy.

LEGAL FRAMEWORK GOVERNING ESG DISCLOSURES IN INDIA

Statutory Basis under the SEBI Act, 1992 and LODR Regulations

The legal basis on compulsory disclosure of ESG in India is based on the disclosure and investor-protection requirement of the Securities and Exchange Board of India (SEBI). The legal avenue of prescriptive reporting requirements on listed entities is through SEBI Act, 1992 and its power of rule-making by the Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015. That requirement was operationalised by SEBI in 2021, by substituting the previous narrative Business Responsibility Report (BRR) with a machine-readable, Business Responsibility and Sustainability Report (BRSR) format, requiring the largest listed entities to use the BRSR as a component of their annual reporting requirement. The LODR framework is therefore the direct statutory means by which sustainability disclosures are standardised and by which non-financial disclosure expectations can develop the characteristics of legal force similar to other non-disclosure on-going requirements. Such legal framework presents ESG reporting as an element of investor-protection and market-integrity regulation and not as a voluntary business procedure.[1277]

Evolution from Business Responsibility Report (BRR) to BRSR

The replacement of the BRR with the BRSR is an intentional change of the regulatory approach of the narrative and principles-based disclosure system by the structured and metrics-based reporting system. BRR that focused on general corporate responsibility statements came under fire because it was uneven in comparability and had little quantitative content. BRSR format (with standardized fields, annexes) came in SEBI 2021 circular, in an

[1273] "The Enhancement and Standardization of Climate-Related Disclosures for Investors, Securities Act Release No. 11042, Exchange Act Release No. 94478, 87 Fed. Reg. 21,334 (proposed Mar. 21, 2022)."
[1274] Companies Act, 2013, § 135 (India).
[1275] "SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Reg. 34(2)(f)."
[1276] "SEBI Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (May 10, 2021) (introducing Business Responsibility and Sustainability Reporting by listed entities)."
[1277] "Securities and Exchange Board of India, Business Responsibility and Sustainability Reporting by Listed Entities, Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (May 10, 2021), available at SEBI website.; see also SEBI, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (last amended May 1, 2025)."

INDIAN JOURNAL OF LEGAL REVIEW [IJLR – IF SCORE – 7.58]
VOLUME 6 AND ISSUE 4 OF 2026
APIS – 3920 - 0001 *(and)* ISSN - 2583-2344
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attempt to enhance comparability, introduce quantitative KPIs and align disclosure with international themes, including climate and social risks. The phased rollout that initially required of the top 1,000 listed entities by market capitalisation reflected SEBI's preference for staged implementation, which allowed both market adaptation and data standardisation. The BRSR annexure captures general disclosures, management of material topics and performance metrics; this structural re-design aims to make sustainability information more usable to investors and to facilitate regulatory oversight, research and cross-firm benchmarking.[1278]

Introduction of BRSR Core and Mandatory Assurance Framework

To reduce reporting burdens while preserving investor-grade disclosure, SEBI introduced the concept of **BRSR Core**, a condensed subset of critical BRSR items intended for wider applicability together with a framework for external assurance or rather, the assessment of ESG disclosures and data related to value-chain. The July 12, 2023 circular articulated the "BRSR Core framework for assurance and ESG disclosures for value chain," requiring that certain value-chain disclosures be subjected to third-party assurance or assessment (terminology subsequently refined in SEBI's expert committee recommendations). The policy logic is twofold:

(a) to lower compliance costs for smaller reporting entities by allowing a core disclosure set; and

(b) to enhance the credibility of sustainability statements through independent assurance, thereby protecting investor interests against misstatement. SEBI has since sought to calibrate assurance requirements to ease implementation burdens (including targeted clarifications and 'ease of doing business' measures), while preserving meaningful external validation.[1279]

ESG Rating Providers and Regulatory Oversight

As the BRSR regime matured, SEBI turned to the intermediaries that translate company disclosures into investor signals, namely the ESG Rating Providers (also called ERPs). Regulatory attention has focused on conflicts of interest (issuer-paid models), methodological transparency and the withdrawal/continuity rules for ratings. In 2023–2025 SEBI expanded its supervisory perimeter by introducing registration and procedural norms for ERPs under the Credit Rating Agencies/ERP framework and launched a consultation process to strengthen ERP governance, including rules on when an ESG rating may be withdrawn. These supervisory steps aim to improve the reliability of ESG signals available to investors and to reduce the risk of misleading or abrupt rating removals that can harm market confidence.[1280]

BRSR CORE: ARCHITECTURE, COMPLIANCE AND MARKET IMPLICATIONS

Structure and Key Performance Indicators under BRSR Core

In July 2023, Securities and Exchange Board of India came up with BRSR Core which is a subset of the larger Business Responsibility and Sustainability Report. The Core summarizes reporting to few important Key Performance Indicators on nine attributes of ESG and asks the top 1,000 listed organizations to disclose KPI performance to enhance comparability and investor analysis. The design intentionally mixes quantitative measures with short qualitative stories such that disclosures can be read by a

[1278] See SEBI, Business Responsibility and Sustainability Reporting by Listed Entities, Annexure I (BRSR format), Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (May 10, 2021).; see also KPMG, "BRSR — Overview and Implementation Challenges," (June 2024).

[1279] SEBI, BRSR Core — Framework for Assurance and ESG Disclosures for Value Chain, Circular No. SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122 (July 12, 2023).; see also SEBI, "BRSR Recommendations by Expert Committee for Facilitating Ease of Doing Business" (May 2024).; SEBI, Measures to Facilitate Ease of Doing Business re: Framework for Assurance, Mar. 28, 2025.

[1280] SEBI, Consultation Paper on Draft Circular on "Strengthening of ESG Rating Providers (ERPs)," Feb. 13, 2025; see also SEBI, Measures towards Ease of Doing Business with respect to framework for ERPs (Dec. 1, 2024).; see reporting on SEBI norms for withdrawal of ESG ratings, Reuters, Apr. 29, 2025.

machine and act as decision-supporting information. SEBI also defines a glide path of phased independent assurance in order to improve the credibility. As with the selection of KPIs, the framework is trying to capture India-specific priorities, such as indicators on domestic job creation and supplier engagement, whilst not having an unrealistically broad reporting requirement.[1281] This reduction will enhance the market participants signal-to-noise, but must be based on normative judgments regarding materiality: sector-specific risks may not funnel into a standard set of KPI. Therefore BRSR Core sacrifices depth to breadth because it provides a small set of data that will allow better investor comparability but this will need to be recalibrated repeatedly to capture sectoral sensitivity and prevent superficial metric optimisation.[1282]

Value Chain Disclosures and Expanded Reporting Obligations

BRSR Core extends the transparency ambition beyond the reporting entity and asks listed firms to disclose salient ESG information for their **value chain**, moving from firm-centric reporting to network-aware disclosure. The rule recognises that a firm's material sustainability exposures (environmental footprints, labour risks, governance weak links) often lie with suppliers, contractors and distributors. Practically, listed entities must map their upstream and downstream partners, report on salient risks and describe due-diligence steps taken, although SEBI even permits aggregated reporting and phased implementation to reduce immediate burdens.[1283] Operational challenges are real: many value-chain partners (especially MSME suppliers) lack standardised recordkeeping and contractual confidentiality or commercial sensitivity may limit granular disclosure. To strike a workable balance, SEBI allows comply-or-explain approaches and sampling in early years, but it expects demonstrable efforts to obtain and verify material data. Consequently, the value-chain disclosure shifts the governance incentives in a way that the procurement of valuables, the terms of contracts, and the handling of suppliers will fall under scrutiny by the investors despite the fact that it will cast doubt on questions of data quality, assurance viability, and proportionality to the customers with smaller valuables.

Third-Party Assurance: Accountability and Liability Issues

The BRSR Core credibility strategy is to connect the chosen KPIs with the assurance of third-parties. SEBI imagines a transition of limited to reasonable assurance with regards to the largest listed parties, which introduces the audit-style checking in the non-financial sphere. The fact that importation is constructive because it will decrease the information asymmetry and will increase the trust of investors, nevertheless, it also raises the challenging technical and legal issues. Greenhouse-gas scopes and social metrics/supply-chain indicators Assurance methodologies Assurance methodologies are still in their early stages; good providers have to integrate accounting acumen with environmental science and supply-chain validation skills. The liability frames of assurance engagements also are not finalized legally: in a world where a proven KPI is subsequently revealed as being incorrect, issuers and assurance providers may be sued over negligence, but making the audit-level liability extend too soon will paralyze the assurance services market. The integration of assurance and statutory financial audits poses coordination and capacity problems to audit committees and regulators. To make the regime work, the regulators ought to base

[1281] SEBI (LODR) (Second Amendment) Regulations, Gazette Notification No. SEBI/LAD-NRO/GN/2023/131 (June 14, 2023) (amending Listing Obligations & Disclosure Requirements to introduce BRSR Core), available in SEBI circular annexures. (https://www.saoicmai.in/elibrary/SEBI-on-BRSR-core-framework.pdf)

[1282] KPMG, **First Notes — SEBI framework on BRSR Core and value chain** (July 15, 2023), https://assets.kpmg.com/content/dam/kpmg/in/pdf/2023/07/firstnotes-sebi-framework-on-brsr-core-value-chain-disclosures-assurance-by-listed-entities.pdf .

[1283] Vinod Kothari, **BRSR disclosures for Value Chain Partners eased by SEBI** (Apr. 7, 2025), https://vinodkothari.com/2025/04/brsr-disclosures-for-value-chain-partners-eased-by-sebi/ .

assurance on accepted professional standards, scope between limited and reasonable assurance and proportionate liability regulation to promote a competition assurance market.

Compliance Burden vs Market Transparency: A Regulatory Balance

The policy trade-off at the centre of BRSR Core is also obvious: to improve investor protection with the help of standardised, assured ESG data, but not excessively high cost or market distortion. Targeted KPIs and gradual certitude raise institutional stewardship and valuation transparency, however reporting and validation expenses might be significant to mid-sized issuers and their value-chain collaborators. SEBI time schedules, sampling concessions, and comply-or-explain concessions at the expense of trying to maintain proportionality, but regulators should watch out of a negative impact of: diminished market participation, box-ticking disclosure or concentration of assurers. Although this will need active supervision, capacity-building assistance (particularly to MSME suppliers) as well as incentives to report well to ensure effective calibration, such as increased investor access or recognition to well-assured issuers. Continuous dialogue between market participants and the regulator will be essential to reconcile transparency objectives with the need to sustain market dynamism.

ESG DISCLOSURES AND INVESTOR PROTECTION: A CRITICAL ANALYSIS

Information Asymmetry and Sustainability Risk Disclosures

Information asymmetry in securities markets occurs when the issuers possess superior knowledge about risks and opportunities as compared to the investors. ESG disclosures seek to reduce this gap by making non-financial risks, mainly environmental, social, governance risks comprehensible, visible and comparable by the investor possessing inferior knowledge.

Investors are increasingly viewing sustainability information as value-relevant because ESG factors can translate into financial risks for example, climate-related physical and transition risks may affect asset values, while governance failures can impair firm performance and investor returns.[1284]

In India, the introduction of the BRSR framework and even more particular BRSR Core, which targets essential KPIs and value-chain disclosures, is specially aimed at improving the "information mix" available to investors by standardising what sustainability data and how that sustainability data is reported.[1285] By requiring quantified metrics, a transparent reporting boundary and (in BRSR Core) scope for third-party assurance, the framework reduces opportunistic disclosure and improves comparability across firms.

Despite these improvements, important asymmetries remain. First, many listed firms, particularly smaller issuers and those with complex supply chains, across all scales lack the measurement capacity to produce reliable, auditable sustainability metrics. The above-mentioned capacity gap can produce noisy disclosures that fail to resolve information asymmetry and sometimes create the illusion of precision where it does not exist.

Second, ESG data often include forward-looking judgments such as emission reduction targets, supplier due-diligence coverage that are difficult for investors to verify at the time of disclosure, reintroducing subjective informational advantages for issuers.

Finally, multiplicity in ESG methodologies, for instance, scopes, boundaries and normalization across rating agencies and reporting frameworks can re-create asymmetric informational power for specialised intermediaries.[1286]

[1284] See SEC, Final Rule, The Enhancement and Standardization of Climate-Related Disclosures for Investors, Release No. 33-11275 (Feb. 29, 2024), https://www.sec.gov/files/rules/final/2024/33-11275.pdf .

[1285] Securities and Exchange Board of India ("SEBI"), Business Responsibility and Sustainability Reporting by Listed Entities, Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (May 10, 2021), https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities_50096.html .

[1286] SEBI, Guidance Note for Business Responsibility & Sustainability Reporting (BRSR), Annexure, (May 2021), https://www.sebi.gov.in/sebi_data/commondocs/may-

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Policy implications follow directly in the form of standardisation (BRSR Core), mandated assurance and clearer boundaries for reporting, which are necessary but not sufficient.

Complementary measures such as capacity building for smaller issuers, phased implementation of value-chain reporting and harmonised assurance standards are required to ensure disclosures and also to genuinely reduce information asymmetry rather than merely shift informational advantage to new intermediaries such as rating providers, assurance firms, etc.

Greenwashing, Misleading Statements and Enforcement Challenges

Greenwashing refers to the presentation of products, strategies, or performance as more environmentally or socially beneficial than they truly are. It poses a direct investor-protection problem because it corrupts the informational basis on which investment decisions are made. The investor has to rely on the claims and the information provided by the issuer and cannot conduct an in-depth scrutiny of every claim by the issuer, hence the risk.

When sustainability claims are overstated, selective, or unsupported by evidence, investors may misprice securities and suffer losses when reality emerges. Preventing greenwashing therefore becomes an enforcement priority for securities regulators.[1287] Several features of the current Indian regime complicate enforcement against the greenwashing risks.

The first is that evidentiary proving that a sustainability claim was knowingly misleading requires robust documentation, benchmarking and often expert technical evidence such as lifecycle analyses, emissions measurement techniques.

Second the variety of disclosure documents i.e. corporate sustainability reports, presentations to investors, claims on websites and rating by third parties dilutes liability and leads to the issue of what statements should form material misstatements in securities law.

Third this is because many sustainability claims are based on future promises such as those that are to be realized within a specified time-period, net-zero claims that are difficult to consider as action-oriented misrepresentations until post-factum.[1288]

New enforcement measures are intended to seal enforcement loopholes. Securities and Exchange Board of India has acted to mandate core disclosures provided assurance pathways of BRSR Core and elucidated procedural norms of ESG rating providers which is aimed at establishing audit trails and restricting opportunistic claims.[1289] Nonetheless, enforcement will require a calibrated toolkit: clear definitions of misleading ESG conduct; mandatory record-keeping and evidence obligations for claims; powers for proactive audits; and cooperation across regulators such as market conduct teams, consumer protection and sectoral regulators.

A further challenge is resourcing. Regulators worldwide confront a surge in ESG filings while operating under finite inspection and technical capacities. To be effective, enforcement must therefore be strategic such as prioritising systemic risks as in large issuers, systemic sectors, using data analytics to spot outliers and leveraging market incentives in the form of penalties plus disclosure of enforcement outcomes to deter greenwashing. Finally, judicial and administrative interpretations, for example, whether forward-looking sustainability targets may ground civil liability, will shape future enforcement contours; this area remains

2021/Business%20responsibility%20and%20sustainability%20reporting%20by%20listed%20entitiesAnnexure2_p.PDF .

1287 See, e.g., India's market regulator issues norms for withdrawing an ESG rating, Reuters (Apr. 29, 2025), https://www.reuters.com/sustainability/boards-policy-regulation/indias-market-regulator-issues-norms-withdrawing-an-esg-rating-2025-04-29/ .

1288 See SEBI, Clarificatory and Procedural Changes to Aid and Strengthen ESG Rating Providers, Circular No. SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/59 (Apr. 29, 2025), https://www.sebi.gov.in/legal/circulars/apr-2025/clarificatory-and-procedural-changes-to-aid-and-strengthen-esg-rating-providers-erps-_93704.html .

1289 KPMG, First Notes — SEBI Framework on BRSR Core and Value Chain (Jul. 15, 2023), https://assets.kpmg.com/content/dam/kpmg/in/pdf/2023/07/firstnotes-sebi-framework-on-brsr-core-value-chain-disclosures-assurance-by-listed-entities.pdf .

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VOLUME 6 AND ISSUE 4 OF 2026

APIS – 3920 - 0001 *(and)* ISSN - 2583-2344

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legally unsettled and thus a fertile subject for doctrinal and empirical inquiry.

Materiality Debate: Financial vs Double Materiality in Indian Context

The concept of materiality determines the boundary of what firms must disclose. Traditional securities law focuses on *financial materiality* which refers to information that a reasonable investor would consider important in making investment or voting decisions. By contrast, *double materiality*, as articulated in the EU's Corporate Sustainability Reporting Directive, requires disclosure of not only what is financially material to the firm, but also the firm's material impacts on people and the environment, also termed as *impact materiality*.[1290] This theoretical change broadens the scope of disclosure as the focus is not limited to a risk that is investor centred but is now more about society and stakeholders.

The BRSR regime of India is in ambivalent positions between these models. SEBI model lays stress on the consistency of investor information and financial relevance with the securities law objectives in addition to disclosure requirements that incorporate value-chain and impact considerations. This was a biased step to double materiality.[1291] The practical effect is that Indian firms must report metrics that are both financially meaningful and socially informative, but without a fully developed legal doctrine clarifying when impact (non-financial) information becomes enforceable under securities law.

This hybrid approach creates both opportunities and tensions. On one hand, it aligns India with global best practices and enable the country to respond to investor demand for broader ESG intelligence. Whereas, it raises difficult questions about the legal consequences of non-compliance with impact-oriented disclosures, since securities litigation traditionally hinges on financial materiality and not the concerns that must additionally matter.[1292] Reconciling these tensions requires several interventions.

First, SEBI should decide and notify materiality thresholds and provide sectoral guidance that translates high-level principles into measurable indicators.

Second, assurance standards should be harmonised to ensure that both financial and impact metrics are subject to consistent verification. Third policymakers are to reflect on the presence and form of impacts disclosures may spur regulatory or civil repercussions independent of conventional securities fraud systems, such as by means of administrative fines or more specific consumer or labour action as opposed to investor delicts.

Lastly, education of the investors is essential: investors have to be informed about various uses of financial and impact disclosures so that they can make informed trade offs.

Comparative Perspective: Lessons from EU and US ESG Disclosure Models

Comparative study yields three practical lessons. First, the EU's CSRD (Directive (EU) 2022/2464) exemplifies a prescriptive, standards-based approach that embeds *double materiality* and mandatory assurance into law; it demonstrates how harmonised standards can improve comparability but also how regulatory ambition raises compliance costs and political pushback.[1293]

Second, the U.S. model, as reflected in the SEC's recent climate-related disclosure rules retains a financial-materiality orientation while providing detailed rules on climate risk, governance and scenario analysis; it illustrates the benefits of investor-focused, risk-based disclosure but also

[1290] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 Dec. 2022 on Corporate Sustainability Reporting (CSRD), EUR-Lex, https://eur-lex.europa.eu/eli/dir/2022/2464/oj .

[1292] Reuters, India to review ESG disclosures for listed firms, market regulator says (Apr. 16, 2025), https://www.reuters.com/sustainability/boards-policy-regulation/india-review-esg-disclosures-listed-firms-market-regulator-says-2025-04-16/.

[1293] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 Dec. 2022 on Corporate Sustainability Reporting (CSRD), EUR-Lex, https://eur-lex.europa.eu/eli/dir/2022/2464/oj.

the legal vulnerability of prescriptive rules in adversarial judicial environments.[1294]

Third, both jurisdictions highlight the centrality of assurance and regulatory coordination: the EU explicitly mandates assurance standards and the SEC's regime similarly contemplates robust internal controls and verification processes. In practice India needs to begin with a set of simple ESG measures and demand few and independent actions on those measures. Simultaneously, the regulators are able to introduce broader impact-focused reporting overtime and enhance enforcement and verification capacity overtime. This gradual increase in evidence based pathway would bring the investor protection goals closer to the reality of corporate reporting capacity and market structure.

REFORM, POLICY RECOMMENDATIONS AND CONCLUSION

Strengthening Enforcement and Supervisory Mechanisms

The tripartite supervisory architecture under the Securities and Exchange Board of India needs to be strengthened in order to render ESG disclosures meaningful and credible:

(i) clearer assurance standards for BRSR Core and value-chain data; [1295]

(ii) registration, periodic inspection and a code of conduct for assurance providers; and

(iii) a dedicated supervisory cell within the regulator coordinating with the Ministry of Corporate Affairs and sectoral supervisors.

A definite assurance standard will decrease heterogeneity in practitioner practices and enhance comparisons. The market will be professionalised through registration and periodic inspection of assurance firms and this will bring in accountability. Malpractice will be discouraged by an open disciplinary register and proportionate punishment of careless assurance. Lastly prompt action of material misstatements such as disgorgement and administrative penalties will enhance investor confidence and disclosures credibility. Enforcement should be coordinated with sectoral regulators and capacity building of smaller firms to avoid imposing on nascent reporting ecosystems obligations that are disproportionate and problematic by making obligations proportionate.

Standardisation, Global Alignment and Interoperability

To protect the investors in the most effective way, it is necessary to have comparable and machine-readable disclosures. Indicators of BRSR Core metrics should be calibrated to international standards of environmental and social risk, e.g. the International Sustainability Standards Board and the Global Reporting Initiative but with India-specific indicators of environmental and social risk. The implementation of a gradual taxonomy and digital tagging such as reforms of core ESG measurements would allow efficient aggregation and automatic analysis by the investors and rating agencies. A general materiality table, general definitions of Scope 1, 2 and 3 emission and sectoral indicator templates will deduce confusion and decrease reporting expenses in the long term. Pilot digital tagging with leading companies to check interoperability. In the long run arbitrage will be reduced and the international allocation of capital facilitated, through interoperability with international taxonomies and a public metadata registry.

Concluding Reflections on ESG and Long-Term Investor Protection

ESG disclosure regulation should target a proportionate, iterative approach with initially low cost and simple compliance requirements in the future followed by complex and expensive disclosure requirements and increased

[1294] U.S. Securities & Exchange Commission, The Enhancement and Standardization of Climate-Related Disclosures for Investors, Release No. 33-11275 (Feb. 29, 2024), https://www.sec.gov/files/rules/final/2024/33-11275.pdf.

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APIS – 3920 - 0001 *(and)* ISSN - 2583-2344
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assurance requirements due to increased reporting and assurance capacity. This moderated stance manages to equalize the protection of investors and the integrity of the market on the one hand and the costs of compliance and the opportunity to adapt to the changing global standards on the other. Regulators should be focused on correct disclosures with potentially broad and deep sector and stakeholder wide impacts and monitor outcomes with empirical evidence to optimise obligations and enforcement intensity. Such approach is there to protect the long-term investors and the stability of the market.[1296]

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