
# Navigating ESG in India: Current Regulations and Future Outlook

**India is undergoing one of the most significant financial evolutions of the modern era, guided by its net-zero 2070 pledge and the Viksit Bharat commitment to inclusive growth. ESG principles are moving from the sidelines to the center of policymaking, shaping how companies govern, conduct, produce, innovate, and report. The shift is powered by a three-way regulatory alignment:**

- **RBI is enacting climate-risk and green-deposit rules**
- **The Finance Ministry has unveiled a Sovereign Green-Bond framework; and**
- **SEBI is re-modelling ESG reporting and disclosures to demand usable, verifiable and comparable data from corporates.**

**Together, these developments reflect a shift from fragmented compliance to a unified, principle-driven ESG ecosystem, one that embeds sustainability at the core of India's economic competitiveness and financial integrity.**

## From Aspiration to Action: ESG Becomes Strategic

The global ESG agenda has shifted from narrative to execution. According to the NGFS 2023 survey, 60% of central banks now use third-party ESG data, 74% align disclosures with TCFD, and nearly 50% conduct internal climate stress testing underscoring ESG's role in supervisory frameworks.

Institutional investors are now widely adopting ESG as a mainstream practice, primarily through integration into investment processes and the use of screening techniques. Despite persistent gaps in data quality and historical baselines, cited by over 60% of financial regulators, ESG metrics supported by AI driven risk tools are increasingly used to inform pricing, credit evaluation, and capital flows. This shift reflects ESG's transformation from a compliance-driven reporting requirement to a strategic driver of financial performance.

India is following a similar trajectory. SEBI's enhanced BRSR framework introduces green credit reporting, phased value-chain disclosures and adaptable assurance options - offering companies a context-sensitive approach that elevates ESG from a box-ticking exercise to a strategic differentiator.

## Global Benchmarks, India's Trajectory, and the Road Ahead

ESG disclosure is shifting from narrative to numbers, from voluntary to verified. Globally and in India, the trajectory is clear—assured, decision-useful ESG data will be a license to operate and to grow. A quick overview of global ESG reporting requirements is as under:

| | Key Requirements & Trends | Current Assurances | Forward-Looking View |
|---|---|---|---|
| Global | **EU SFDR & CSRD**<br>Capital-allocation and double-materiality disclosures | **SFDR**<br>No EU-level mandate; many asset managers now obtain voluntary limited assurance to meet investor expectations<br>**CSRD**<br>Limited assurance on the full sustainability statement from the first CSRD year (FY 2024 reports) | **SFDR**<br>Investor demand should make third-party assurance the norm, driving SFDR toward the same global baseline as other regimes<br>**CSRD**<br>From FY 28, reasonable assurance becomes standard, and disclosures will sync progressively with ISSB metrics |
| Global | **SEC (US)**<br>ESG enforcement taskforce and climate-risk rulemaking. | Limited assurance over Scop 1-2 for LAF FY 2027; AF FY 2029<br>Reasonable assurance for LAF FY 2031 | Global investor pressure makes some form of assured climate reporting inevitable. Convergence toward a single global baseline<br>Scope 3 and broader ESG metrics could be revisited in future SEC rulemakings |
| Global | **ISSB IFRS S1/ S2**<br>investor-centric, globally consistent sustainability standards.. | ISSB assurance strongly encouraged (market-led). Early adopters using ISAE 3000 or national standards; regulators (e.g., UK) propose limited assurance from day 1 | Convergence toward a single global baseline.<br>ISSA 5000 (effective Dec 2026) will supply a global principles-based assurance standard, enabling jurisdictions to move from limited to reasonable assurance over time and further tighten convergence |
| India | **BRSR (2022-23)**<br>Mandatory for top 1,000 listed companies; aligns with GRI, SASB, TCFD. | No statutory assurance today | SEBI review (2024-25) expected to introduce phased assurance—beginning with BRSR Core metrics |
| India | **BRSR Core (23-24)**<br>Quantitative KPIs; supply-chain disclosures (>75% vendors) deferred to FY 2026 | SEBI signals shift to credible, audit-ready ESG data; market leaders already obtaining assurance | Growing linkage between ESG quality and access to competitive advantage, access to market, funds and customers, export eligibility, and credit ratings |

Around the world, ESG oversight is tightening, the EU's CSRD now requires third-party assurance, and the ISSB's IFRS S1/S2 demand investor-grade sustainability data. India is moving in lockstep.

SEBI has initiated a formal review of the BRSR framework to ensure what its Chair describes as "honest" and credible ESG disclosures. As part of this review, SEBI is also considering a phased introduction of assurance requirements. A key focus is the previously deferred mandate requiring the top 250 listed companies to report ESG metrics covering 75% of their value chains by FY 2026. The direction is clear: audit-ready, decision-useful ESG data—and the systems that generate it—are rapidly becoming essential for doing business, accessing capital, and maintaining competitiveness in global markets.

## India's ESG Compliance Playbook

India's ESG landscape is undergoing a decisive shift—from voluntary, narrative-driven initiatives to mandatory, data-backed regulation. SEBI's introduction of BRSR Core, with external assurance likely to follow, is set to align Indian ESG disclosures with leading global standards. The six actions outlined below offer a high-impact playbook, drawn from on-groundwork with listed companies and aligned with frameworks like ISSB, SASB, and CSRD. While these steps can rapidly elevate ESG credibility to investor-grade levels, companies will still require more detailed, sector-specific roadmaps to sustain long-term performance.

**Auditor's Approach:**

1. **Set Clear ESG Targets:** Establish board-approved ESG goals that align with SEBI's BRSR and global oversight standards like ISSB.
2. **Get Your ESG Data Audit-Ready:** Build reliable systems to track ESG data and prepare for limited assurance under BRSR Core and CSRD rules.
3. **Focus on What Matters for Your Sector:** Report sector-relevant ESG metrics using SASB guidelines to meet global investor materiality standards.

4. **Bring Suppliers on Board:** Create a supplier ESG portal to cover at least 75% of your spending by FY 2026—meeting SEBI and EU supply chain rules.
5. **Track and Report Green Credits:** Measure your green initiatives to go beyond compliance and unlock value in carbon markets.
6. **Prepare for Climate Risk Rules:** Run climate stress tests and align your financing with India's green finance goals, in line with upcoming RBI and ISSB standards

## Conclusion: From Obligation to Opportunity

India's ESG landscape is entering a pivotal phase, shaped by regulatory alignment and anchored in the core principles of governance, transparency, accountability, responsiveness, and stakeholder inclusion. With SEBI, RBI, and the Finance Ministry actively embedding ESG into policy frameworks, the expectation is clear: companies must deliver assured, decision-useful data. Those that embed ESG at the board level, ensure audit-ready disclosures, and extend governance across their value chains are already reaping the rewards—better access to capital, stronger credit standing, and increased global competitiveness. ESG is no longer just about reporting; it's a governance priority and strategic advantage that reflects a company's integrity, resilience, and long-term financial value.

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