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ENFORCING CORPORATE ENVIRONMENTAL ACCOUNTABILITY: PREVENTING GREENWASHING UNDER COMPANIES ACT AND SEBI REGULATIONS

Medha Joshi¹

ABSTRACT

‘Is India’s corporate regulatory framework capable of effectively scrutinising greenwashing and enforcing environmental accountability?’ embarks on scrutinising the deficit and credible framework under the Companies Act- Section 135 (CSR- corporate social responsibility) and the SEBI’s BRSR (Business Responsibility and Sustainability Reporting), which mandates Economic, Social, Governance (ESG) disclosures for top-listed corporations. The research dissects and evaluates SEBI’s power to penalise listed entities for misleading and non-performance, and analyses its coordination with environmental laws and consumer protection regimes. To curb the menace of greenwashing, an enforcement-driven regulatory framework should be adopted for enforcement-driven regulatory interventions, as proposed by this paper. The research directs a mechanism for transparency, investor confidence, and corporate accountability, ensuring sustainability.

Keywords- Greenwashing, Corporate accountability, BRSR, ESG, SEBI, CSR

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Introduction

A globalized world, which is fast-paced and interconnected, often faces the challenge of environmental protection and conservation. With the establishment of thousands of corporations, the primary concern before the state comes into play is bringing development (corporate) and ecological concerns into equilibrium. It is imperative that businesses, as leaders, portray their resilience and align leadership with ecological conservation as well. Human activity is inseparable from ecological systems and, thus, ecology becomes pivotal for conservation. Corporate Social Responsibility (CSR) Sustainability in business and the environment is critical for satisfying the collective benefits of ecological welfare, as there is a strong interdependence that cannot be overlookedⁱ (Mishra, Anshika, 2025). Corporations have accountability towards the environment, and by way of the ESG (Environmental, Social and Governance) regime and its authenticity, the corporations are expected to show their resilience in creating a business regime that is ecologically conscious and enforces measures to protect the environment (which is paramount).

To create equilibrium, the concept of corporate social responsibility was inculcated in the business sphere by way of the Companies Act, 2013ⁱⁱ (Companies Act, 2013, s. 135). There are two sides to a coin; similarly, a contrast to CSR by the green washing has emerged with regulatory practice, questioning the credibility of the entire frameworkⁱⁱⁱ (Sharma & Bansal, 2025; Taxmann, 2025). The core challenge for the authorities is identifying the menace and dealing with it accordingly^{iv} (Advertising Standards Council of India, 2024). A major lacuna that is faced by the legal authorities, primarily SEBI, is regarding the power it holds^v (Securities and Exchange Board of India, 2021). The ambit of SEBI's powers is wide, but it lacks the command of enforceability, which is reflected in its BRSR (Business Responsibility and Sustainability Reporting)^{vi} disclosures (Securities and Exchange Board of India, (2023), Business Responsibility and Sustainability Reporting (BRSR) Framework. Responsible business conduct in India is governed by the BRSR guidelines, which outline the statutory standards for ensuring ESG (Environmental, Social and Governance) metrics^{vii} (Securities and Exchange Board of India, (2021). Business Responsibility and Sustainability Reporting (BRSR) Framework; MCA, 2019.

Green washing refers to the practice of reporting ESG compliance by listed entities (on stock exchanges) regarding their non-financial matters, which constitutes the companies' responsible impact^{viii} (Li et al., 2021). Usually, the companies try to evade matters of ESG reporting in real time to prioritize their own interests, and this act becomes green washing. The concern of having a

responsible business act is to create a sense of social inclusion of businesses that derive profit out of the net of society, and it is imperative to give back to society, specifically to the development, upliftment and betterment of society and the environment wholly. Social responsibility involves the duty as a concerned subscriber to society to act in the length and breadth of the welfare of society and towards the protection of the interests of the people as well. The non-financial disclosures of the corporations are considered significant to develop and bring welfare to society through resource contributions by the corporations. The paper investigated the legal lacunae that are hindering the effective implementation of the legal regimes in the Indian corporate sphere to regulate law relating to green washing.

Identification of the Statement of Problem

The rapid globalization has induced the practice of green washing in the corporate sector, leading to challenging outcomes in ensuring actual environmental and sustainability disclosures reporting. The legal framework under the Companies Act, 2013 and the SEBI's ESG reporting mandate lacks the momentum in regulating the green washing gaps, with fragmented legislative policies in tackling the issue.

Research Objectives

1. To analyse the current framework of ESG and CSR under SEBI and the Companies Act, 2013, respectively.
2. To analyse the legal protection against green washing under the SEBI rules and the Companies Act.
3. To identify and understand the green washing administration in the Indian practice.
4. To decipher the ramifications of corporate environmental disclosures and development.
5. To elaborate and suggest mechanisms for a robust implementation

Hypotheses

The existing Indian regulatory framework is insufficient to prevent greenwashing effectively.

Research Questions

1. What is the current legal framework for preventing greenwashing under the Companies Act, 2013 and SEBI rules?

2. What are the relevant provisions for corporate environmental accountability and sustainability disclosures under the Companies Act, 2013 and the SEBI rules?
3. What is the extent and expanse of greenwashing practice in India?
4. What interventions can be credibly implemented to prevent greenwashing practices in India?

Scope and Limitation

The study focuses on critically analysing the greenwashing regulatory mechanism, specifically under the Companies Act, 2013 and SEBI's ESG reporting mandate. The research is limited to the Companies Act, 2013 and ESG norms of SEBI, focusing on the consumer's and investor interest in the same.

Research Methodology

The research adopts a doctrinal and analytical method of legal research methodology, focusing on the critical analysis of the current legal framework, regulations and other legal and policy instruments regulating the corporate environmental and sustainability reporting in India.

Analysis & Findings of the Research

A. Corporate Environmental Disclosure Mandate vis-à-vis Development Crusade

For a sustainable business operation, certain efforts were mandated for non-financial disclosures by the corporations to ensure sustainable development, which aligns with the development goals. The corporate disclosure scheme for non-financial matters gained traction from the CSR guidelines from 2009 (a result of the SEBI's Business Responsibility Report (BRR)). The basis of BRR can be traced to the National Voluntary Guidelines by the SEBI (Business Responsibility and Sustainability Reporting (BRSR) The evolution of sustainability reporting in India. The Companies Act, 2013, mandates a two per cent CSR contribution for companies having a net worth of five hundred crore rupees or more, for activities mandated under the seventh schedule of the statute.

The mandate for disclosure falls upon all listed entities, which have the responsibility to conduct business while maintaining a continuous stream of ESG disclosures. Companies frequently use greenwashing to evade the actual and tangible pursuit of CSR metrics, presenting a deficient framework in a perfunctory manner.

India has no one-stop law for greenwashing but has a scattered legal framework. The scattered legal framework, though, looks sufficient but lacks a proper enforceability mechanism to govern the landscape of evading responsibility and accountability. SEBI's BRSR mandates compulsory ESG disclosure for the top 1000 listed entities over 140 indicators consisting of certain mandatory and voluntary disclosures aligned to the NGBRC precepts. But BRSR disclosures have self-reported data, which might provide unverified metrics. Evolution of ESG mandates, which have developed over the years, yet they lack a robust and concrete mechanism. SEBI has continuously and effortfully continued to improve and incorporate an inclusive mechanism accounting for vigorous implementation^{ix} (Securities and Exchange Board of India, (2023). Business Responsibility and Sustainability Reporting (BRSR) Framework).

The advent of the disclosure scheme can be traced to BRR, which focuses on the aspect of 'responsibility', giving a structure to the ESG disclosure mechanism. BRR was made mandatory for only the top 100 listed companies, and later included the top 500, followed by the top 1000 companies, focusing on policies and broad action. Later, the IRDAI Stewardship Code, 2017, extended disclosure to institutional investors along with listed companies. SEBI Integrated Reporting, 2017, which mandates the voluntary disclosure of the top 500 listed companies, encourages linkage between financial and non-financial data, but the framework was at a qualitative level. SEBI Green Securities Disclosure, 2017, provided the requirement for green bond-issuing entities to report based on climate-focused transparency. Furthermore, the SEBI Stewardship Code, 2019, embeds ESG responsibilities in investment for listed entities. The MCA Committee of Business Responsibility Reporting and Sustainability Board (2020) mandated a coordinated scheme ensuring sustainability norms. BRSR was introduced by SEBI in 2021 and provided a more comprehensive and coherent ESG framework tied to NGRBC standards. From 2023 onwards, BRSR mandates for the top 1000 listed entities, covering quantitative and qualitative measures and indicators, enabling a robust check system for controlling greenwashing.

Section 135, Companies Act, stipulates the requirement of a CSR Committee consisting of three or more directors, out of which at least one must be an independent director. The following is the eligibility criterion for a company to be able to fulfil the CSR requirement-

1. Net-worth of 5 billion or more; or
2. Turnover of 10 billion or more; or

3. Net profit of 10 million or more.

Based on this eligibility, the Act requires the Company to contribute two per cent towards activities listed in the Seventh Schedule, such as imparting vocational training, educational and skill development, women empowerment, etc. The CSR Committee is tasked with the functions of formulation, regulation and recommendation of policy for CSR for the company. The Committee is to disclose the contents of the policy in the report (yearly). The Seventh Schedule provides for a non-exhaustive list giving direction to companies' contributing to social accountability, aligning with the SDGs.

Carroll's pyramid lays down the four components of CSR, where the foundational stone, like economic, ethical, legal and philanthropic responsibilities, form the pillars of a robust corporate responsible being. The ethical responsibilities require the businesses to act in accordance with right, just and fair conduct. Legal responsibilities state for obeying the law and complying with its requirements, avoiding any breach or violation of it. Economic responsibilities state that the businesses must establish a ground of economic agenda and a basic block on which the finance of the company rests, aligning with a nation's economic tone. Philanthropic responsibilities require corporations to be good citizens of the corporate community, and their alignment with improving and aiding the quality of life by contributing resources to society.

B. Anti-Green washing Administration and Its Possibility

Green washing is derived from two words, 'green' and 'brainwashing'^x (Mitchell and Ramey, 2011) and with evolving consciousness of environmental issues, modeled the corporate sphere and legal regimes. Green washing poses a critical challenge to achieving genuine sustainability due to the inconsistencies that arise among the claims and compliance eroding public trust^{xi} (Devireddy, K. R. (2024)) India lacks a dedicated 'greenwashing' law, whereby the mechanisms of green washing are covered under various acts like environmental laws, company law, SEBI regulations and mandates, consumer law, and unfair practices laws. Judiciary, through various cases, has scrutinized and evolved the domain of claims over corporate environmental disclosures. In *Vellore Citizens Welfare Forum v. Union of India*, the Supreme Court established the 'polluter pays' principle and the 'precautionary' principle for conscious business accountability to the environment. The case became the base framework for mandatory EIA (Environmental Impact Assessment)^{xii}. The judiciary, by reinforcing strict liability for sustainability measures, rejected corporate defiance of compliance^{xiii}. In

the recent case, the SEBI investigated green bonds for non-disclosure of the use of proceeds, fining promoters for ESG misrepresentation^{xiv} (Securities and Exchange Board of India, 2024).

Misleading and false claims under green washing lead to deception by corporations towards consumers, attracting the attention of the CCPA and ASCI in remedying the interests of Indian consumers (DoCA and ASCI, 2024)^{xv}. The authorities require the companies to substantiate the claims made under certain labels such as ‘eco-friendly’, ‘environmentally friendly’, ‘carbon-neutral’, and ‘sustainable’ (CCPA, 2023; Lim, 2024)^{xvi}. Patanjali Ayurveda Limited's claim on ‘herbal and natural’ products was laid out to not meet the requirements as stated, and was declared against ethical advertising and emphasized the concern of the consumers^{xvii} (Ajoy Sinha Karpuram, 2024).

The Guidelines for the Prevention and Regulation of Green washing by the CCPA (under the Ministry of Consumer Affairs) in 2024 defined green washing as

- ‘any deceptive or misleading practice where companies exaggerate, omit, or make unsubstantiated environmental claims to mislead consumers.’
- ‘use of deceptive words, symbols or imagery, placing emphasis on positive environmental aspects while downplaying or concealing harmful attributes.’

These guidelines lay down a framework that requires the companies to display all information to the consumers truthfully by way of links or generated bar codes on the packaging^{xviii} (Chatterjee & Siddique, 2025). Greenwashing, thus, incorporates any false or misleading claims in relation to environmental consistency in the products. The Consumer Protection Act, 2019, protects greenwashing under unfair trade practices, which undermines the interest of the consumers and erodes their trust in such corporations^{xix} (Consumer Protection Act, 2019, s.2(47)).

ASCI performs a critical role in regulating the false spread and misleading advertisements claiming to be in line with environmental standards, ensuring absolute transparency from the business. The enforcement metric of ASCI is relatively weaker due to the non-binding nature of the law^{xx} (Chatterjee & Siddique, 2025). For instance, in one of the directives, the ASCI intervened where the product was not eco-friendly but carried the label, misleading potential buyers (Ekam Eco Solutions Pvt. Ltd.)^{xxi} (Chatterjee & Siddique, 2025).

The recent introduction of the Environment Audit Rules, 2025 (Ministry of Environment, Forest and Climate Change), is a critical measure to foster compliance with the environmental legislation^{xxii}

(Chatterjee & Mukherjee, 2025). The rules aim for strong transparency by creating a new group of qualified and registered professionals called Registered Environment Auditors. These auditors are managed and assessed by the Environment Audit Designated Agency (EADA). The regulations provide a clear mechanism and structure for independent environmental auditing. To avoid conflicts among the auditors, tasks are assigned randomly. Auditors have two ways for acquiring the certification, one is by passing the national exam and the other is receiving credit for prior learning. To aid the current regulating bodies like CPCB and State Pollution Control Boards, the Registered Environment Auditors can conduct on-site inspections, collect the samples, review records and evaluate the project compliances falling under the scope of the environmental laws, inclusive of waste management and green credit rules. The framework aims to boost transparency and trust in environmental governance by allowing reliable third-party verification of compliance and supporting India's broader sustainability and ESG goals.

C. Critical Analysis of Greenwashing Prevention Framework: A Necessary Enquiry

India's legislative approach to greenwashing has evolved significantly in recent years. This change comes as ESG standards have become established in the corporate governance regime and the capital markets. Greenwashing, which refers to the practice of making false, exaggerated or unverified environmental claims, erodes investor's trust and the credibility of the sustainability efforts. Presently, there are fragmentary laws in India dealing with greenwashing practice. Although progress has been made in this regard, there are crucial operational barriers in bringing consolidation among the consumer, corporate and securities laws concerning cooperation, clarity, definitions and enforcement^{xxiii} (Delmas & Burbano, 2011).

The SEBI is duty-bound to protect the investors and maintain the market integrity, and address misleading ESG disclosures. The introduction of the BRSR regime marked a major shift from voluntary sustainability reporting to mandatory ESG disclosure for the top 1000 listed companies. (SEBI, 2023). Under the BRSR framework, the companies are required to provide both qualitative and quantitative data sets relevant to the environmental factors and sustainability, including indicators like greenhouse gas emissions, efforts to reduce climate risk, waste management, energy and water usage, etc. The aim of this is to standardize the reporting mechanism and to improve investor awareness and transparency.

The BRSR framework has several implementational flaws despite its well-developed mechanism, as there is a lack of third-party verification and certification of the standards being reported and the reporting data being based solely on self-disclosures (see Table 1). SEBI has often brought to notice the instances of greenwashing by the corporate claiming false environmental claims, which undermines the ESG credibility and erodes investor and consumer trust^{xxiv} (Economic Times, 2025, as reported). This allows for selective disclosures and optimistic projections of environmental claims. SEBI has raised concerns about cases where companies have claimed environmental impact while committing violations simultaneously, amounting to greenwashing^{xxv} (Economic Times, 2025, as reported).

The Companies Act of 2013 also mandates for environmental disclosures under its CSR framework (Section 134), like the BRSR mandates, but varies in expanse and scope (see Table 1). Section 134 of the Companies Act of 2013 requires the CSR Board's report to include the information on aspects relevant to sustainability, environmental compliances, energy conservation, etc.^{xxvi} (Companies Act, 2013, s. 134(3)). In due course, it is required under the Act of 2013 that the Directors must act in good faith in such disclosures and for the benefit of the company, shareholders and the employees. Any misleading environmental claim can result in a violation of the Director's duty and will make him liable for concealing the environmental risks^{xxvii} (Companies Act, 2013, s. 166(2)).

There is no clarity in the law to prevent false or misleading environmental and sustainability claims, and there is no law defining what greenwashing is. The focus of Company law is primarily on the financial statements instead of the actual effective implementation. There is no provision under the law that requires checking and assessing whether the ESG compliance is being done under the stated report. The main focus is centered on the funding rather than on assessing the tangible inputs for environmental sustainability.

Consumer laws cover the aspect of greenwashing when it coincides with eroding the consumer trust and contains this practice under the ambit of unfair trade practices. The Consumer Protection Act, 2019, provides for remedies in cases of unfair trade practices under which false and misleading advertisements are also covered. This implicitly also covers the ambit of greenwashing, which companies use to portray their products in a way that is environmentally friendly. CCPA, thus, has the power to penalize false and deceptive environmental claims.

ASCI regulation plays a crucial role, alongside CCPA, in regulating the deceptive advertisement practice of environmental and sustainability claims. Some businesses often advertise themselves as ‘eco-friendly’ or ‘100% natural’ without any evidence of them being environmentally friendly. Voltas Limited and Godrej Consumer Products Limited are two cases that demonstrate misleading environmental claims can mislead consumers despite the disclosures being legal^{xxviii} (VBCL Law Review, 2024). ASCI’s power is limited to regulatory and does not create any deterrence for enforcing stricter compliance.

One significant challenge is the absence of any definition in the law for ‘greenwashing’, which creates a barrier in determining its occurrence. This lack of clarity in defining greenwashing creates barriers in legally acknowledging the ambit of what constitutes greenwashing^{xxix} (Lyon & Montgomery, 2015). Because of this, regulatory responses often lag evolving corporate sustainability reporting. The fragmented regulatory operations that rest with SEBI and ASCI create ambiguity and mismanagement, diminishing the standards of penalty and penalising, which in turn leads to overlapping of authority^{xxx} (Delmas & Burbano, 2011).

Conclusion and Suggestions

ESG is generally construed to be the circumference covering the CSR mandate and sometimes stands distinctively from it. The mandate of CSR and ESG plays a crucial role in disclosing the environmental claims, because the environment is the bubble in which the human race thrives and does its business, and thus needs conservation and mindful protection. To achieve such conservation efforts, resilient and mindful leadership in the business industry is pivotal to maintain the sustainability profile alongside development, which often shares a complicated and inverse relationship. With the pace of development, to keep the environment in check, the CSR and ESG mandates have evolved, requiring companies to make environmental disclosures, but with such compliance, there is an adversary that has also evolved that is the practice of greenwashing to erode the actual compliance.

The concern of greenwashing is important and challenging, as in India, there is a fragmentary approach in laws, which creates ambiguity and overlaps in determining the jurisdiction of a particular authority. The Company Act and SEBI’s BRSR are the major players requiring the adherence of corporates to the environmental accountability and sustainable reporting practice. The issue of

greenwashing is serious as it erodes investor and consumer trust and also weakens the sustainability governance.

The Companies Act provide the framework that is relevant in dealing with the financial statements of the CSR disclosure, and its focus is not on the enforcement requirement of the environmental claims being reported under the report, and this data set is generally self-reported and not authenticated by any third-party verification. To include a rigorous mechanism, third-party reporting and certification can be made mandatory for both ESG and CSR mandates, which will ensure transparency and fairness in the reporting. Greenwashing threatens the core of sustainable development, and any disclosure that is done without any enforcement becomes ineffective; thus, there is an urgent need to shift the balance from compliance reporting towards actual accountability.

The CCPA and the SEBI should work together to address the misleading and deceptive environmental claims and develop a system to coordinate for enforcing propriety in disclosures. The current ESG framework often overlooks the consumers, and thus inclusion of consumer-centric perceptions into the ESG mandate can ensure accountability. Strengthening coordination between regulators and increasing the Director's responsibility, alongwith mechanism such as the inclusion of consumer agencies and incorporating third-party verification of the sustainability claims, can be a potential tool in curbing the menace of greenwashing in India. More focused and integrated coordination between the SEBI, CCPA, ASCI and the companies' Board of Directors via a regulatory channel can ease the case of greenwashing. The regulatory channel can be established as the 'Corporate Environmental Disclosure Board, which will assess ESG and CSR reporting and will aid in the conduct of environmental reporting.

The menace of greenwashing can be curbed by addressing the enforcement gaps and by an integrated approach of legal frameworks in maintaining the validity of the same. The core element of curbing it lies in the hands of leadership, which is running the companies, and if they are responsible, then cases of such misleading claims are eliminated. The need of the hour is to have such resilient leadership as Ratan Tata, etc., who are paving the way for a sustainable future; along with keeping a balance between environmental preservation and development.

Annexure I: BRSR Disclosure and Greenwashing Risks in India

BRSR Disclosure Indicator	Nature of Disclosure under BRSR	Potential Greenwashing Risk	Regulatory / Enforcement Gap	Suggested Legal or Regulatory Safeguard
Greenhouse Gas (Scope 1, 2 & 3) Emissions	Quantitative, self-reported environmental data	Under-reporting, selective boundary definition, and omission of Scope 3 emissions	No mandatory independent third-party verification	Compulsory ESG assurance aligned with global standards (ISSB / GRI)
Energy Consumption & Efficiency Measures	Quantitative and descriptive disclosure	Inflated efficiency claims without verifiable baselines	Lack of audit of energy performance metrics	Mandatory energy audit disclosure under SEBI-MCA coordination
CSR Expenditure under Section 135	Financial disclosure of CSR spending	Emphasis on expenditure rather than environmental impact	Impact assessment is not uniformly enforced	Outcome-based CSR reporting with measurable sustainability indicators
Waste Management & Circular Economy Practices	Narrative and quantitative disclosure	Selective reporting of recycling initiatives while omitting hazardous waste	Absence of cross-verification with environmental regulators	Integrated disclosure review with CPCB data
Supply Chain Sustainability	Qualitative policy-based disclosure	Omission of adverse supplier practices	No obligation for supplier-level ESG verification	Mandatory supply-chain due diligence disclosures
Environmental Governance Structure	Board-level ESG oversight disclosures	Cosmetic ESG committees with no real authority	No liability for ineffective or misleading governance claims	Director accountability for false or misleading ESG governance disclosures
Stakeholder Grievance Redressal	Process-based disclosure	Overstatement of responsiveness or effectiveness	Weak monitoring of grievance outcomes	Periodic regulatory review and public outcome reporting
Climate Risk & Transition Planning	Forward-looking narrative disclosure	Vague or aspirational commitments with no implementation plan	Absence of penalty for non-performance	Mandatory transition roadmaps with timelines and penalties

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