GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
STARRED QUESTION NO. 214
TO BE ANSWERED ON MONDAY, AUGUST 3, 2026/ SHRAVANA 12, 1948 (SAKA)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRINCIPLES

***214: DR. SAMBIT PATRA:**

Will the Minister of Finance be pleased to state:

a) the action plan being implemented to promote ESG (Environmental, Social and Governance) Principles;
b) Whether any regulatory mechanism has been evolved to prevent violations of the Business Responsibility and Sustainability Reporting (BRSR) standards implemented by the Government in respect of ESG, if so, the details thereof;
c) Whether the Government has introduced a strict regulatory framework to curb misleading marketing strategies such as 'purpose washing', wherein certain companies falsely project a commitment to ESG standards, if so, the details thereof; and
d) the steps taken by the Government towards the regulation and standardisation of ESG rating agencies in alignment with international standards, along with the details thereof?

ANSWER

FINANCE MINISTER

(SMT. NIRMALA SITHARAMAN)

(a) to (d): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 214 RAISED BY DR. SAMBIT PATRA, HON'BLE MEMBER OF PARLIAMENT TO BE ANSWERED ON 03.08.2026 REGARDING ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRINCIPLES.

(a) and (b): Vide Circular dated May 10, 2021, SEBI has prescribed disclosure on ESG parameters based on the nine principles of National Guidelines on Responsible Business Conduct (NGRBCs), as formulated by MCA, under the Business Responsibility and Sustainability Report (BRSR). BRSR reporting is mandatory as part of the Annual Report for the top 1000 listed companies based on the Market Capitalization w.e.f. FY 2022-23. SEBI has designated the Stock Exchanges to act as first-level regulators for monitoring disclosures made by the listed companies. In case of receipt of any complaint regarding disclosures, the same is examined, and appropriate action can be initiated by SEBI, wherever necessary.

(c) SEBI has issued a Circular regarding ESG debt securities which defines purpose-washing as "*making false, misleading, unsubstantiated, or otherwise incomplete claims about the purpose for which bonds are issued*". SEBI has prescribed safeguards against purpose-washing for issuers of ESG debt securities under the NCS (Non-Convertible Securities) Regulations and the relevant SEBI Circulars. Issuers are required to utilise proceeds only for the specified eligible purposes, continuously monitor and disclose whether the funded activities are achieving the environmental, social and/or sustainability objectives envisaged in the offer document, quantify negative externalities, and disclose any deviations to investors, including undertaking early redemption where required by a majority of debenture holders.

Further, issuers are required to prevent purpose-washing by not using misleading labels, hiding trade-offs, cherry-picking data, or making false claims of third-party certification, and maintain the highest standards associated with the issue while adhering to the assigned rating. The issuer of ESG debt Securities shall also appoint an independent third-party reviewer/certifier to undertake the activities and responsibilities as specified.

(d) With a view to foster the ESG financing ecosystem in India, SEBI introduced a regulatory framework for ESG Rating Providers (ERPs) through the amendment of the SEBI (Credit Rating Agencies) Regulations, 1999, and the subsequent issuance of a Master Circular. Under this framework, registration with SEBI is mandatory for any entity to act as an ESG rating provider. To ensure transparency, regulations mandate detailed disclosures of the rationale behind each assigned rating, enabling stakeholders to assess the underlying factors. Currently, there are 19 ERPs registered with SEBI.

****