

ESG TOOLS, INVESTMENT DECISIONS AND WORKERS' WELFARE

A Case Study of India



Research Report

ESG Tools, Investment Decisions and Workers' Welfare

A Case Study of India

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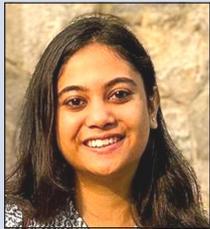
Abbreviations

ASEAN	:	Association of Southeast Asian Nations
CFA	:	Chartered Financial Analyst
CEO	:	Chief Executive Officer
CSO	:	Civil Society Organisation
CSR	:	Corporate Social Responsibility
CSRD	:	Corporate Sustainability Reporting Directive
CSDDD	:	Corporate Sustainability Due Diligence Directive
ESG	:	Environmental, Social, and Governance
GRI	:	Global Reporting Initiative
HDFC	:	Housing Development Finance Corporation
HUL	:	Hindustan Unilever Limited
IBEF	:	India Brand Equity Foundation
ICICI	:	Industrial Credit and Investment Corporation of India
IEEE	:	Institute of Electrical and Electronics Engineers
IIC	:	Impact Investors Council
IT	:	Information Technology
ITC	:	Indian Tobacco Company (Now ITC Limited)
KPI	:	Key Performance Indicator
KPMG	:	Klynveld Peat Marwick Goerdeler
MAS	:	Monetary Authority of Singapore
MSCI	:	Morgan Stanley Capital International
MSMEs	:	Micro, Small, and Medium Enterprises
NGO	:	Non-Governmental Organisation
NSE	:	National Stock Exchange
NSDC	:	National Skill Development Corporation
OECD	:	Organisation for Economic Co-operation and Development
S&P Global	:	Standard & Poor's Global
SBI	:	State Bank of India
SDG	:	Sustainable Development Goals
SEC	:	Securities and Exchange Commission
SPTF	:	Social Performance Task Force
SRI	:	Socially Responsible Investing
UK	:	United Kingdom
UN	:	United Nations
UNPRI	:	United Nations Principles for Responsible Investment
USA	:	United States of America

Contributors



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This study, "*ESG Tools, Investment Decisions and Workers' Welfare: A Case Study of India*," results from three years of intensive research under the project *Strengthening the Discourse on Economic Policy to Generate Good and Better Jobs in India*. It explores innovative economic growth models to foster inclusivity, expand financial access, and improve workers' welfare through sustainable and equitable solutions.

We extend our heartfelt gratitude to the distinguished stakeholders who participated in study consultations, providing invaluable insights on the priorities of companies and investors vis-à-vis ESG and perspectives on workers' welfare. Their contributions were critical in understanding whether ESG is a tool for achieving sustainable business models.

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Authorship

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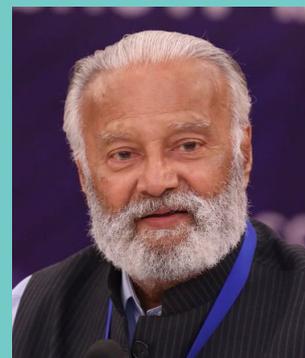
We also thank colleagues at CUTS Centre for Competition, Investment & Economic Regulation (C-CIER) for their support, particularly **Akshay Sharma**, **Yamini Kumawat**, and **Shivendra Singh**, as well as **GC Jain** and the Finance Team for their efficient management.

This report stands as a testament to the collective efforts of all contributors. We are deeply grateful for their commitment to advancing workers' welfare, ESG frameworks, and inclusive economic growth in India.

The Study Team
CUTS International

Preface

Pradeep S Mehta
Secretary General
CUTS International



India's economic ascent is marked by rapid growth and transformation, positioning it among the fastest-growing economies globally. The labour market is at the core of this progress - a key driver of productivity, innovation, and competitiveness. As technological advancements and automation reshape the nature of work, there is an urgent need to equip the workforce with specialised skills and ensure they are brought under a robust social protection mechanism. In this context, workers' welfare —encompassing fair wages, social security, upskilling, and safe working conditions — is fundamental to fostering sustainable and inclusive development.

This report, ***“ESG Tools, Investment Decisions, and Workers' Welfare: A Case Study of India”***, explores the potential of ESG frameworks in addressing these challenges. While ESG principles are gaining prominence, the 'social' dimension remains underexplored in India despite its critical role in reducing inequalities and fostering decent work. By integrating workers' welfare into investment decisions, businesses could enhance their productivity and profitability, fostering equitable growth.

CUTS International has consistently disproven the notion that worker welfare hinders profit maximisation. Empirical evidence underscores the positive correlation between firms' welfare initiatives and long-term economic gains. Investing in human capital is not merely a moral obligation but a strategic necessity. This report highlights the growing recognition among investors that sound labour practices reduce risks and enhance value creation. Nevertheless, systemic barriers remain, with short-term financial objectives often overshadowing social considerations.

Regulatory efforts, such as SEBI's BRSR framework, are steps in the right direction. However, there is a pressing need for simplified and adaptable ESG frameworks, particularly for small and medium enterprises.

Strengthening collaboration between workers and management, promoting sound industrial relations, and aligning economic growth with social equity will be crucial in harnessing India's demographic dividend.

This study underscores the urgency of prioritising workers' welfare as an integral component of India's development strategy. It advocates a paradigm shift in investment philosophies, encouraging stakeholders to recognise workers as assets. By embedding ESG principles into business strategies, India can achieve a future where economic growth is both sustainable and inclusive.

The findings and recommendations presented in this study are intended to guide policymakers, investors, and businesses in institutionalising workers' welfare through ESG frameworks. These measures should address the need for comprehensive and targeted social protections, ensuring that investments in human capital are prioritised alongside financial returns. Through such efforts, India can create good quality jobs, enhance workforce well-being, and build a resilient economy grounded in fairness, innovation, and inclusivity. This approach mitigates risks and drives productivity and profitability, offering a mutually beneficial outcome for businesses, workers, and the broader economy.

We hope this report serves as a valuable resource in shaping policies and practices that promote a more just and sustainable labour market and reinforce workers' essential role in India's economic future.

Executive Summary

This report explores the role of Environmental, Social, and Governance (ESG) frameworks in shaping investment decisions and promoting workers' welfare in India. Even as ESG investing has gained global recognition, the 'S' aspect has remained underdeveloped, particularly in India. The study examines how businesses in India have been integrating ESG principles into their operations. Specifically, the report examines whether investors have been prioritising social factors of ESG, such as fair wages, job security, and labour rights. By analysing corporate practices and investment behaviour, the report highlights key challenges, gaps, opportunities and impacts on workers to enhance ESG adoption in India.

The study employed a qualitative approach, including a literature review, in-depth stakeholder interviews, and data analysis. A purposive sampling method was used to identify 180 key stakeholders, including impact investors, financial institutions, corporate representatives, social entrepreneurs, and civil society organisations. From this pool, 22 stakeholders were selected for in-depth interviews based on their expertise and engagement with ESG-related initiatives. The information thus gathered was qualitative by nature. The information was coded, and a thematic analysis was conducted to identify patterns and insights.

Findings reveal significant variations in investor priorities. Global investors, mainly from Europe, adopt a more holistic ESG approach, but their primary focus remains environmental factors. Social factors are often perceived as secondary and harder to measure. Indian investors accord a higher priority to governance, as it directly affects operational efficiency and regulatory compliance than social considerations. Impact investors distinguish themselves by focusing on measurable social outcomes, prioritising long-term transformative change over short-term financial gains.

The study finds that ESG adoption in India remains largely regulation-driven. Businesses often view compliance as a requirement rather than an opportunity to create sustainable value. Securities Exchange and Board of India's (SEBI) Business Responsibility and Sustainability Reporting (BRSR) framework is crucial in mandating ESG disclosures for the top 1,000 listed companies. However, small and medium enterprises (SMEs) remain outside BRSR's scope. Many businesses also conflate ESG with Corporate Social Responsibility (CSR), leading to a philanthropic approach to social issues, which is sometimes a superficial, box-ticking exercise.

Overall, labour practices remain a weak area in ESG disclosures. Even when labour is

prioritised, subcontracted and company efforts on social initiatives do not cover informal labour. Cost-saving strategies and regulatory pressures drive the increasing reliance on contractual workers. These workers often receive low wages, limited job security, and inadequate social protections compared to full-time employees. The absence of legally compliant employment contracts further exacerbates their vulnerability. Stakeholders emphasised the need for mandatory appointment letters and structured employment terms to formalise informal work arrangements, ensuring fair wages and access to social protections.

Sector-specific challenges and opportunities in ESG adoption were also identified. In the construction sector, there is a heavy reliance on contractual workers and a lack of ethical labour-sourcing practices. SMEs struggle with ESG integration due to high compliance costs and limited awareness, but targeted financial incentives could encourage greater adoption. In the gig economy, an absence of formal contracts and social protections remains a significant concern. Financial institutions have begun offering sustainability-linked loans, yet incentives for businesses to prioritise social factors are insufficient.

The study recommends expanding ESG regulations to cover mid-cap and small-cap companies to address these challenges and ensure more inclusive and widespread adoption of sustainability practices. It calls for simplified compliance mechanisms tailored to SMEs to lower adoption barriers and make ESG integration more accessible. Strengthening regulatory frameworks is

crucial, particularly through stricter supplier regulations.

The study recommends that businesses embed workers' welfare into their ESG strategies by adopting clear social metrics, ensuring fair wages, and providing structured employment contracts to gig and contractual workers. Simplifying application processes and enhancing digital literacy among workers should also improve access to government-backed social protection schemes.

Another recommendation is introducing financial incentives such as tax benefits and low-interest loans to encourage businesses to integrate ESG practices into their operations. ESG-linked financing mechanisms can be a key driver in fostering responsible business behaviour. Strengthening investor commitment to social factors is equally critical. Institutional investors must adopt a more balanced approach to ESG, ensuring that social considerations receive the same level of attention as environmental and governance factors.

The study also recommends that the misconception, which equates ESG with CSR be addressed through public awareness campaigns and corporate training. Transparency in ESG disclosures must be improved, with businesses encouraged to report successes and challenges rather than merely complying with regulatory requirements. Establishing sector-specific ESG standards would further ensure meaningful social impact across industries.

Introduction



The evolving nature of work, coupled with increasing public scrutiny, has brought greater attention to how businesses treat their employees, globally and in India. Employee welfare and well-being have become more central in investment decision-making. Considering this, CUTS international aims to build a narrative on investors integrating social considerations into their strategic investments through this discussion paper under Exploring Alternate Models of Economic Growth, Inclusive Finance and Worker Welfare [Grow Jobs-II]. The rationale is that the advantages of proactively factoring environmental, social, and governance (ESG) in business go beyond increasing revenue.

Human capital management is an 'engagement priority' for investors globally. As per a 2018 Ernst & Young (EY) report¹, over one-third of surveyed investors had ranked labour and corporate culture issues as a top priority for boards, a considerable increase from 6 percent in 2015. The report further says that human capital, corporate culture, and other 'invisible assets' account for approximately 52 percent of a company's market value. This underscores the critical role of effective human capital management in driving financial performance.

The Sustainability Accounting Standards Board (SASB),² an independent organisation that develops and disseminates industry-specific standards for companies to disclose their sustainability-related information and identifies key labour issues that significantly influence financial and operational performance across industries. Known as through SASB's materiality mapping³, these include labour law compliance, human rights promotion, employee health and safety, and diversity and inclusion.

These issues have clear relevance with an 'S' umbrella of ESG frameworks.⁴ Increased investor demand for ESG investing approaches has driven their use. These approaches use non-financial information to guide asset allocation decisions, improving long-term value while also better-aligning portfolios with social values.⁵ Among the three ESG metrics, environmental and governance factors have gained more traction in India than the social aspect.⁶

The current study focuses on the workers' welfare element within the social dimension, examining labour practices, diversity, inclusion, and human capital management. It hypothesises that robust workers' welfare practices enhance operational efficiency, brand reputation, employee retention, and stakeholder relationships, contributing to human capital formation and sustainable economic growth.

Specifically, this report seeks to examine how Indian businesses have been incorporating ESG principles into their operations and the extent to which these practices influence investment decisions. It further investigates the practices of different types of investors, including institutional funds, impact investors, and shareholder activists on ESG integration. By analysing the connections between ESG tools and investment strategies, the study aspires to highlight patterns that reveal the impact of socially responsible investing⁷ on corporate performance and risk management⁸ to create long-term value.⁹



Methodology



The primary questions examined in this report were as follows:

1. How do diverse investor groups, including global, domestic, and impact investors, influence the adoption and integration of ESG principles in investment decisions, with a focus on social factors?
2. How do varying stakeholder perceptions, regulatory frameworks, and investor priorities influence the adoption, implementation, and integration of ESG principles in Indian companies, particularly concerning the balance between regulatory compliance, genuinely sustainable business practices, and the underrepresentation of social and governance factors?
3. What are the key factors and sector-specific challenges influencing investment decisions related to workers' welfare, particularly for blue-collar, contractual, and gig workers in India?

Study Design

The stages of the study involved 1) a review of secondary literature on ESG, workers' welfare issues and investment decision-making, 2) collection of qualitative information through semi-structured, in-depth interviews of key stakeholders, and 3) coding and analysis of the information thus obtained.

Secondary Literature Review

To comprehensively understand the ESG transition in India and the opportunities and challenges associated with its adoption, the study team reviewed existing literature. This section reviewed the evolving landscape of ESG in India, focusing on comparing such developments between India and the world.

Additionally, the review explored the role of social factors within the ESG framework and whether investors in India consider these social aspects when making investment decisions. The insights from this review provided a foundational understanding of the evolving landscape of ESG practices in India and the factors that influence the inclusion of social considerations in investment strategies.

Sampling Method

A purposive sampling method was initially employed to identify key stakeholders involved in ESG adoption and investment in India, followed by snowball sampling to focus the interviews on specific stakeholders. The initial list of stakeholders included various types of investors, banking representatives, corporate bodies, trade unions, and civil society organisations. Once the list was compiled, participants were contacted through emails and phone calls to participate in the study. This approach allowed for the inclusion of diverse perspectives from different sectors, ensuring a comprehensive understanding of ESG integration across various stakeholders.

Sample Size

A list of 180 stakeholders was identified, and semi-structured questionnaires were emailed. Findings of the literature review informed the questionnaires, and 22 stakeholders participated in the in-depth interviews. The breakup and profiles of 22 respondents are as follows:

In-depth Interviews

In-depth interviews were conducted to assess how corporates integrate ESG strategies into their operations, understand investor attitudes towards ESG factors, and explore the role of social considerations in investment decisions. The consultations, which were based on an open-ended questionnaire, were conducted virtually and encouraged in-depth discussions.

Table 1: Profile of Study Respondents

Type of Respondents	Description	Number
Impact Investors	Fund projects with social and environmental impact alongside financial returns.	4
Media	Shares information, raises awareness and shapes public opinion.	1
Social Entrepreneur	Creates innovative solutions for social and environmental challenges.	1
CSO	Advocates for social justice, environmental protection, and policy change.	2
Financial Institutions	Provide capital and financial services for sustainable projects.	7
ESG Expert	Advises on Environmental, Social, and Governance practices and strategies.	2
Consultancy Services	Offers guidance on sustainability, impact assessment, and ESG.	2
Environment Health Services	Promotes public health and environmental sustainability.	2
Research-Based International Law Firm	Provides legal services globally, leveraging in-depth research to support complex cases, policy analysis, and strategic advice.	1

Ethical Considerations

Data was collected and utilised with the participants' informed consent. Participants were assured that their contributions would be used solely for research purposes. The present report has been prepared on a non-attributable basis except in cases where the study team has obtained explicit permission from relevant interlocutors to use specific quotes or insights.

Data Analysis and Formulation of Policy Recommendations

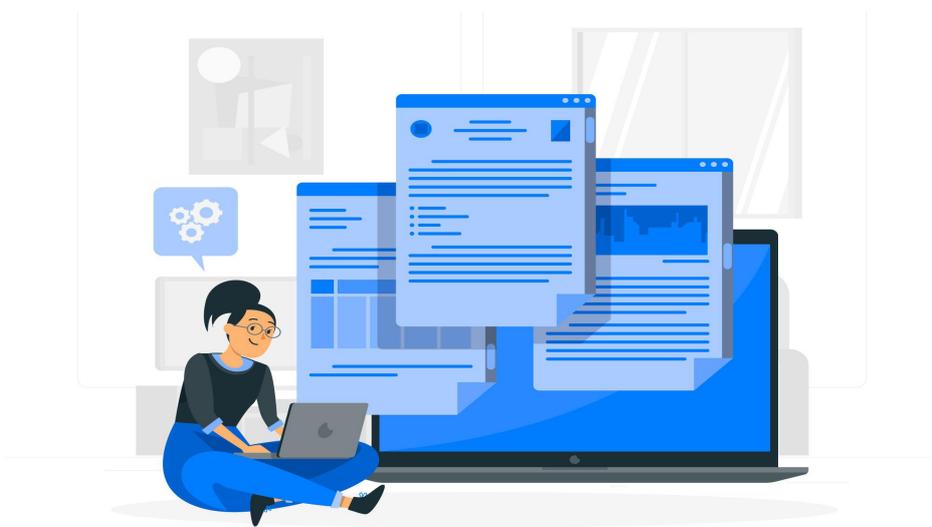
Data was coded and analysed using an online software programme. Qualitative thematic analysis was conducted to distill patterns and narratives from the coded data. Thematic analysis is a qualitative data analysis method that involves identifying, analysing, and reporting patterns (or themes) within the data. The approach allowed for a detailed and nuanced understanding of participants' perspectives on ESG adoption, investment decisions, and the role of social factors in corporate practices.

The process of thematic analysis followed several key steps:

- 1. Familiarisation:** The first step involved reviewing all interview transcripts and questionnaire responses to gain a general understanding of the data.
- 2. Coding:** Codes were assigned to meaningful data segments relevant to the research questions. These codes captured key concepts related to ESG integration, investor perspectives, and social factors in decision-making.
- 3. Theme Development:** The next step was to group related codes into broader themes that reflected the main ideas emerging from the data. This included identifying trends in how corporates view ESG adoption and how investors perceive its importance.
- 4. Reviewing and Refining Themes:** The identified themes were reviewed and refined to ensure they accurately represented the data and addressed the research questions.
- 5. Defining and Naming Themes:** Finally, clear definitions and names for the themes were developed, ensuring that each theme was distinct and aligned with the study's objectives.

The findings were distilled into recommendations for policymakers and regulators following a thematic analysis. These recommendations focused on enhancing regulatory frameworks, refining taxonomies, reducing compliance costs, and promoting targeted capacity-building initiatives. These measures aim to strengthen governance and foster inclusive, sustainable development focusing on workers' welfare.

Literature Review



Review of the Concept of ESG and Interconnection Among Its Three Pillars

A plethora of existing literature, globally and nationally, deals with the relevant concepts of ESG and its relationship with achieving business efficiency, accountability, and financial performance. The literature discussed below highlights that the concept of ESG has emerged as a critical framework for evaluating the sustainability and ethical impact of businesses and investments.

For instance, Bhat & Sharma (n.d.) (pp. 26–37) have dealt with ESG as a measure of sustainability, which has become the central theme in the Indian corporate world over the past decade. Additionally, as per CUTS International (2022), in India, ESG's significance has surged, driven by global trends, regulatory shifts, and heightened awareness among stakeholders regarding sustainable and ethical business practices.

When discussing the three pillars of ESG, the environmental dimension focuses on a company's impact on the natural environment and its efforts to mitigate adverse effects. Eccles et al. (2014) explain climate change and carbon emissions, further emphasising the importance of reducing greenhouse gas emissions and aligning them with global climate goals, such as the Paris Agreement. Under the principles of resource efficiency and the circular economy of the environment, Geissdoerfer et al. (2017) emphasise the importance of efficient resource management to address resource scarcity. This includes the sustainable use of critical resources such as water, energy, and raw materials.

As per Herring (2009), Diversity, Equity and Inclusion (DEI) under the umbrella of 'Social' of ESG underscores the benefits of diverse and inclusive workplaces linked to improved innovation and financial performance. Moreover, Jain & Kumar (2023) highlight employee welfare, workplace policies, stakeholder relationships, and specific key social issues such as fair pay, diversity, employee engagement, and corporate social responsibility, which offer a clear framework for evaluating a company's social impact.

Governance, another pillar of ESG, evaluates the structures and processes that guide a company's decision-making and accountability. Lundqvist and Vilhelmsso (2018) discuss how effective governance requires robust risk management frameworks to address ESG-related risks. Other studies, like those by Adams and Ferreira (2009), discuss the importance of diverse boards in promoting inclusive decision-making and long-term sustainability.

Further, ESG components are deeply interconnected, with social, environmental, and governance aspects overlapping, particularly as companies aim to meet environmental laws and sustainability goals. McKinsey & Company (n.d.) said effective governance is crucial, requiring adherence to laws, proactive engagement, and transparency with regulators to foster trust and prevent violations. An integrated approach to ESG acknowledges that these components are interdependent, where optimising one area often benefits others. For example, reducing a company's environmental footprint can enhance its social standing by protecting community health and improving its reputation International Regulatory Strategy Group & KPMG (2023). Further, it is seen that companies that successfully integrate ESG into their core operations are better positioned to create long-term value for stakeholders while addressing global challenges Eccles & Serafeim (2013).

Studies also highlight a positive correlation between ESG performance and operational efficiencies, stock performance, and lower cost of capital (e.g., see Atz et al., 2021). As per Kim & Li (2021), ESG factors positively affect corporate profitability, which is more pronounced for larger firms. Further, the analysis of Abdi et al. (2022) found that a higher level of financial efficiency positively and significantly rewards a firm's participation in social and environmental activities.

Additionally, empirical results from Kumar and Dua (2021) suggest a positive impact of environmental management on firm profitability and market valuation. Another study found a significant negative impact of carbon emissions on both measures of financial performance. It determined that environmentally sensitive firms are more exposed to such negative emissions influences than non-sensitive companies (Desai et al., 2021).

Review of Legal and Institutional Framework Governing ESG Investments in India and Globally

Various legal and regulatory frameworks globally have reinforced the adoption of ESG principles, underscoring the increasing focus on sustainability and corporate responsibility. The table below presents a compilation of literature that explores these frameworks, followed by India's ESG regulatory framework.

Table 2: Review of Global ESG Frameworks

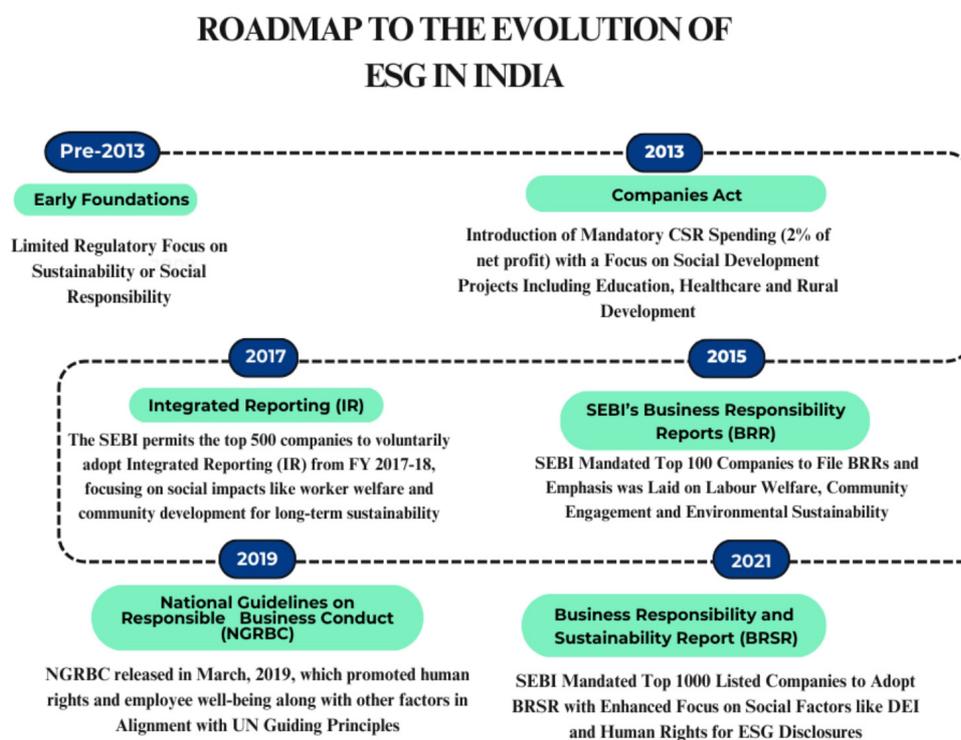
Country/ Region	Framework	Positives of the Framework
European Union	Sustainable Finance Disclosure Regulation (SFDR)	Enhances transparency by requiring financial market participants to disclose ESG risk integration in investments. (European Commission, 2021)
	EU Taxonomy for Sustainable Activities	Provides a clear classification system for environmentally sustainable activities, aiding alignment with climate goals. (European Commission, 2020)
	Incorporation of GRI principle	Modular structure and materiality focus enable tailored, transparent, and comparable ESG reporting across sectors. Global Reporting Initiative (GRI), (2023) It emphasises social factors such as labour rights, diversity, human rights, and community impact. Regulations like CSRD, SFDR, and CSDDD mandate corporate accountability for worker welfare, ethical sourcing, and social risk management in supply chains.
United Kingdom	Task Force on Climate-related Financial Disclosures (TCFD)	Mandates climate-related financial risk disclosures, ensuring businesses consider long-term climate impacts. (UK Government, 2020)
	TCFD-aligned disclosures (by 2025)	Reinforces leadership in climate-related financial reporting, promoting consistency and accountability. (Financial Conduct Authority, 2021)
United States	SEC Proposed Climate Disclosure Rules	Enhances climate-related reporting for publicly traded companies, improving transparency and investor confidence. (California State Legislature, 2021)
	California Climate Corporate Accountability Act	Large corporations must report greenhouse gas emissions, driving corporate accountability on climate issues.
Singapore	MAS Environmental Risk Management Guidelines	Mandates financial institutions to assess and disclose climate-related risks, promoting robust risk management. (MAS, 2020)
Japan	Revised Corporate Governance Code (2021)	Encourages companies to address sustainability issues and improve ESG disclosures, fostering better governance. (Tokyo Stock Exchange, 2021)

According to Sarangi (2021), this process in India reflects a concerted push towards embedding sustainability into corporate practices. A significant milestone in this journey was the issuance of guidelines by the Ministry of Corporate Affairs (MCA) to promote responsible investment and sustainable business practices in 2019.

Complementing this, the Securities and Exchange Board of India (SEBI) introduced the Business Responsibility and Sustainability Reporting (BRSR) framework in 2021, which mandates comprehensive ESG disclosures for the top 1,000 listed companies by market capitalisation. The BRSR framework requires detailed reporting on key sustainability metrics, ensuring greater transparency and accountability in corporate operations (SEBI, 2021).

Industry bodies, such as the Impact Investors Council, have also played a pivotal role in advancing ESG adoption. Their initiatives, alongside regulatory measures, aim to align corporate strategies with sustainability goals, thereby enhancing investor confidence and attracting socially responsible investments (EY, 2021). This dual approach — combining regulatory enforcement with industry-led efforts — has fostered a culture of sustainability within India's corporate sector. Figure 1 illustrates the evolution of ESG in India, highlighting key developments and their impact on corporate practices. Figure 1 demonstrates the evolution of ESG in India.

Figure 1: Evolution of ESG Frameworks in India with Focus on Social Pillar



Source: CUTS International 2025

Review of Literature on ESG Investments in India with an Emphasis on the Social Pillar

This section contains a literature review that examines the evolving landscape of ESG investing in India. Specifically, the review studies the extent to which Indian investors have prioritised the 'Social' (S) dimension of ESG, particularly with respect to workers' welfare. It draws comparisons with global investment trends in this area.

As Sharma et al. (2023) argue, the investment landscape is increasingly evolving to prioritise non-financial factors alongside traditional metrics like profitability and cash flow.

Since R. Edward Freeman's time, economists have explored several labour market and welfare theories, starting with the Stakeholder Theory. This theory provides a relevant lens, as it emphasises the need for businesses to prioritise the interests of all stakeholders, not only shareholders, in addition to the sustainable development goals (SDGs). A number of studies show how ESG investing embodies this approach by evaluating companies on their commitment to addressing environmental, social, and governance concerns that impact workers, communities, and the broader ecosystem.

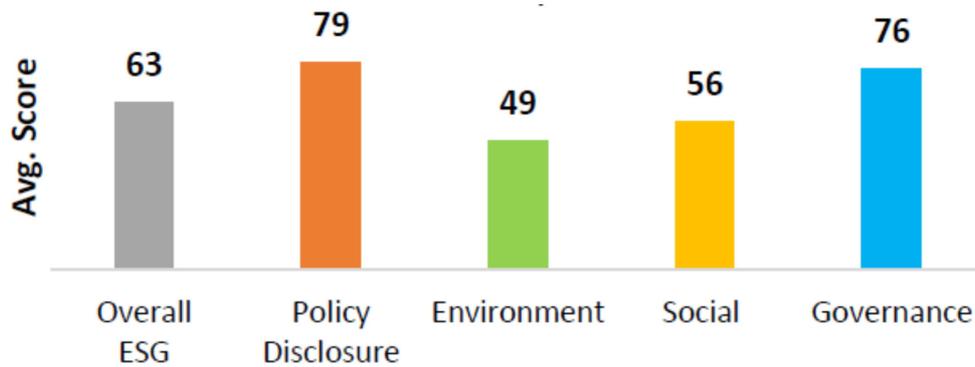
As CUTS International (2022) argues, corporations should invest in human capital formation that will not hinder their profitability. Furthermore, Prusty and Kumar (2016) noted a significant positive relationship between inclusive board composition return on assets and return on capital employed in IT companies.

Sustainable investing has evolved significantly from traditional practices by integrating ESG insights, which are now widely recognised for their long-term economic importance. Research by the CFA Institute (n.d.) underscores that this approach not only addresses the interests of diverse stakeholders but also strengthens asset management strategies by embedding ESG factors into decision-making processes, including emphasis on society. As argued by Eccles et al. (2014) and supported by Friede, Busch, & Bassen (2015), this integration fosters forward-looking value creation, ensuring alignment with societal (and environmental) priorities while driving sustainable financial performance.

Sarangi (2021) has highlighted the growing adoption of ESG practices among Indian companies and asset management firms. Leading asset management companies, such as Axis Mutual Funds, ICICI Prudential, and Aditya Birla Sun Life, have launched ESG-integrated investment schemes, embedding ESG norms into their decision-making processes.

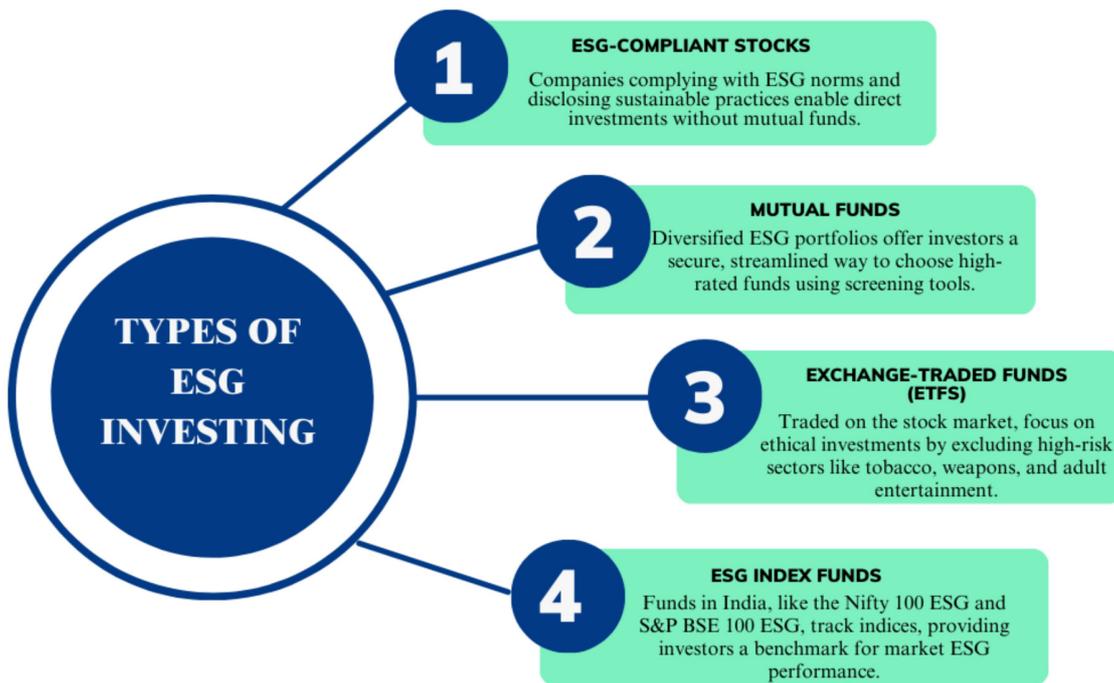
ESG investing, as noted by P & P (2024), represents an ethical approach where investors prioritise social values, environmental stewardship, and governance over mere financial returns. This approach, often termed sustainable or socially responsible investing, focuses on allocating funds to companies that deliver financial performance while adhering to ethical practices in governance, social welfare, and environmental impact (IBEF, 2024). Evidence from the National Stock Exchange (2022), India indicates that ESG-indexed companies outperform their non-ESG counterparts, reflecting the financial benefits of sustainable investing.

Figure 2: ESG Scores by NSE 2022



Source: NSE 2022

Figure 3: Types of ESG-Compliant Investment Vehicles



Source: CUTS International 2025

Reports such as those of NSE (2022) and Bhat and Sharma (2024) have argued that organisations have performed better regarding governance rather than biological and social parameters. And amongst the three, social forces have received the least attention. The accompanying Figure 2 illustrates these findings, highlighting that governance (G) achieves the highest average score¹⁰ of 76, outperforming the environmental and social factors. Among the three, the environment scores the lowest, with an average of 49, while the social factor scores 56, reflecting an improvement compared to previous years, as reported.

The 'Social' factor within ESG (Environmental, Social, and Governance) investing remains a significant challenge, as highlighted by the Investment Association (2021). Analysing and integrating the social pillar is particularly complex due to its qualitative nature.

The rise of ESG investing reflects a growing demand for investments that balance profitability with positive societal impact. According to Seth et al. (2021), investors increasingly seek companies that align with their ethical principles. This has led to the proliferation of ESG-compliant investment vehicles, such as stocks, mutual funds, exchange-traded funds, and index funds, which allow investors to select companies meeting stringent ESG criteria (IBEF, 2024). This is depicted in Figure 3.

However, as CUTS International (2022) shows, challenges persist in quantifying and disclosing social risks. The need for standardised social reporting and effective data capture tools is critical for aligning social demands with corporate goals. In India, developing a sustainable ESG ecosystem is underway, emphasising the positive impact of ESG programs on corporate performance. CUTS International (2022), further explains that issues such as difficulties in measuring social impact and limited corporate declarations on social issues remain barriers to progress.

As per T20 India (n.d), ESG is increasingly recognised as a valuable tool for addressing the future of work, skill development, and education in India. Investors' response to rising consumer awareness of social issues and demand for sustainable products drives the growing adoption of ESG principles. This trend underscores the importance of integrating ESG into decision-making processes to foster long-term social and economic benefits.

Highlights on Global and Indian Best Practices Revolving 'Social' Factor

EcoVadis has assessed over 73,000 companies across 180 countries, evaluating their labour and human rights performance, including fair treatment, workplace safety, diversity, and ethical practices. According to the Harvard Law School Forum on Corporate Governance (2022), European companies, particularly in France, Germany, and Nordic countries, tend to score higher in the social aspect of ESG due to strict regulations and a strong focus on Corporate Social Responsibility.

A Morgan Stanley survey of 120 institutional investors, highlighted by Pathak and Dey (2021), revealed that 95 percent of Millennials are interested in ESG investing. 70 percent already incorporate sustainable criteria into their decisions, and 14 percent are considering it.

However, the 2021 Global Economic Survey highlighted that 51 percent of respondents find social factors the most challenging due to data scarcity and a lack of standardised metrics, despite their growing importance to investors. Similarly, a 2021 PwC survey of 325 global investors found a strong commitment to ESG goals. However, 81 percent were unwilling to sacrifice more than a one percent return to achieve them, emphasising reliance on sustainability reports and benchmarks for emissions, human rights and diversity.

In ASEAN, the social dimension of ESG has been instrumental in advancing Sustainable Development Goals (SDGs), particularly in prioritising public and stakeholder welfare, including employee well-being. Taiwan has also focused on sustainable communities, emphasising the social aspect of ESG (T20 India, n.d.). The Kakanj Cement case study also demonstrates how the cement industry has adopted sustainable practices, built stakeholder trust, and promoted gender equality and sustainability awareness, showcasing the sector's commitment to social responsibility (United Nations Development Programme, 2023).

According to Agrawal (2023), Indian companies like ITC, Tata Group, Infosys, Reliance Industries, Hindustan Unilever, and Mahindra & Mahindra have set Corporate Social Responsibility (CSR) benchmarks through impactful initiatives. As per the study, ITC's "e-Choupal" and Tata's "Adult Literacy Program" focus on rural development and education, while Reliance's Sir H.N. Reliance Foundation Hospital provides affordable healthcare. Infosys Foundation supports underprivileged students and rural sanitation, and HUL's "Swachh Aadat, Swachh Bharat" campaign promotes hygiene and sustainability. These efforts highlight a strong commitment to addressing social challenges.

It has also highlighted Mahindra's "Nanhi Kali" initiative, which empowers girl children through education. Tata Trusts and Reliance allocate substantial funds (₹1,095 crore and ₹1,271 crore, respectively) to CSR activities. Companies like ITC and HUL also prioritise environmental sustainability and women's empowerment. By integrating CSR into their operations, these firms go beyond profit-making, fostering equitable growth and addressing critical issues like healthcare, education, and rural development, thereby contributing to a more prosperous society.

Review of Challenges to ESG Investing

Indian companies face multifaceted challenges in adopting and implementing ESG practices, as Seth et al. (2021) and Agrawal (2023) highlighted. A primary concern analysed by these studies is the tension between ethical objectives and financial performance, as prioritising ESG may limit profitability, notably when excluding high-yield sectors like oil.

Additionally, the studies have highlighted that extensive evaluation, which is required for ESG compliance, increases costs, while scepticism about long-term returns and regulatory ambiguities, such as limited fiduciary guidance, further deter investors.

Agrawal (2023) explains that operational challenges further complicate ESG adoption in India. Companies struggle with inconsistent data quality, limited historical data, and diverse data collection methods. Despite initiatives like the Business Responsibility and Sustainability Reporting (BRSR) framework, the lack of a uniform reporting system leads to compliance complexities.

Other challenges highlighted by the report were that the outdated technology infrastructure necessitates costly upgrades, while cultural, societal, and supply chain issues hinder data collection. Balancing transparency with data privacy concerns and engaging stakeholders with varying ESG awareness levels adds another layer of difficulty. Nevertheless, Indian businesses recognise the importance of ESG for long-term sustainability and are actively working to overcome these obstacles.

Table 3: Key Takeaways from Literature Review

Takeaways	Details
Investment Decision-Making Shift	The investment landscape is evolving, with non-financial factors like ESG gaining prominence over traditional financial metrics. Investors now demand a holistic evaluation of businesses that includes sustainability and social responsibility.
Global ESG Investment Growth	ESG investments have seen significant global growth, driven by initiatives like the UNPRI and increasing awareness among institutional investors. The US and European nations remain the largest contributors, while Asia is emerging as a key player.
India's ESG Investment Landscape	India is rapidly developing its ESG investment framework, with commitments to reduce carbon emissions and increase renewable energy sources. Companies like Tata Group and Infosys are integrating ESG factors into their operations to promote sustainability.
Corporate Social Value Initiatives	Companies are encouraged to centre people at the centre of their business strategies through the "S" in ESG, address jobless growth, and invest in skilling initiatives to enhance human capital in India.
Challenges in Social Reporting	There is a need for standardised social reporting and better measurement of social impacts. Despite growing awareness, challenges in quantifying social risks remain, and the number of corporate declarations on these issues is low.

Findings from the Stakeholder Consultation

This section consolidates key insights gathered from stakeholder consultations, offering a comprehensive analysis of the ESG investing landscape in India. It is structured around four distinct sub-themes: a) the varying investment priorities of different investor groups within the ESG framework, b) the approaches adopted by Indian corporates to integrate the social dimension into their ESG-aligned business models, c) the state of ESG disclosures and workers' welfare practices across different sectors in India, and d) the primary challenges faced by companies and investors in embedding ESG considerations into their decision-making processes, as highlighted by the study's respondents.

1. Differing Investor Priorities



The current section includes an analysis of interview data on the manner in which diverse investor groups influence the adoption and integration of ESG principles. Stakeholder responses highlighted a significant variation in the overall priorities of global, domestic, traditional, and impact investors. Figure 4 depicts these different types of investors and their investment priorities.

Global Investor Priorities

A few respondents stated that global investors, particularly from Europe, adopt a more holistic approach to ESG. They tend to scrutinise environmental (E) and social (S) factors more closely, primarily when investing in larger corporations capable of meeting stricter standards. **Nevertheless, even among global investors, environmental factors dominate due to their measurable nature and global relevance. Social and governance aspects are often viewed as "soft" or culturally contingent issues that are less standardised.** The emphasis on social outcomes remains limited, with many global investors prioritising compliance and reputation management over genuine social impact.

Indian Investor Priorities

Study respondents explained that domestic traditional investors (including retail, institutional, venture capitalists, angel, and real estate investors) largely focus on legal compliance and profit margins in India. ESG

non-compliance typically garners attention only when it poses significant legal risks. This profit-driven approach limits the willingness to invest in long-term ESG strategies. Investors do focus on governance (G) due to its direct connection to operational management. These investors, also identified as traditional investors by some stakeholders, are aligned with short-term financial priorities, favouring investment horizons of 3-7 years, restricting the implementation of comprehensive ESG strategies and contributing to scepticism about the tangible value of ESG integration.

Some of the stakeholders explained that Indian family businesses demonstrate greater openness to integrating ESG into their operations, often driven by values rather than by regulatory compliance. In contrast, larger corporations are more likely to adopt ESG practices as part of compliance measures as they help them better meet stakeholder expectations.

Impact Investors

Interview respondents have also mentioned that a segment of domestic investors — known as impact investors—is mission-driven and focused on measurable social outcomes. Their investments are characterised by their deliberate focus on transformative/sustainable change. These investors adopt longer-term horizons of 7-10 years. Impact investors support enterprises addressing critical challenges, such as providing affordable products or services to underserved populations. Boxes 1 and 2 include examples of two such successful Indian impact investors.

Figure 4: Types of Investors and Their Focus



Source: CUTS International 2025

"Impact is our first screen, and it's about understanding the context. We invest in businesses that create jobs and livelihoods, provide access to essential products and services for the underserved, and promote environmental sustainability – all these should be closely aligned to the business performance metrics," says Sowmya Suryanarayanan from Aavishkaar Capitals.

"Our biggest priority is to invest in financially sustainable business models that create meaningful social impact, especially for those at the bottom of the pyramid. We are not looking for abnormal profits but for sustainable business models that balance financial returns with measurable & tangible social benefits," says Arpita Pal Agrawal from Dia Vikas.

Box 1: Story of Upaya Social Ventures: An Impact Investor

AB Chakravarthy, an experienced professional in impact investing, shared insights into Upaya Social Ventures' impactful work during the study's stakeholder consultation. The organisation was founded on the belief that underserved sectors such as agriculture, waste management, and artisan-based industries require targeted investments to create scalable, income-generating opportunities.

The organisation's focus on job creation in economically challenged regions of India was illustrated through their investment in Tamul Plates, an enterprise based in Barpeta, Assam, that produces eco-friendly dinnerware from areca nut leaves. The investment was made in 2015 when the region faced significant employment challenges. Since then, the company has grown substantially, providing stable employment and exporting its products internationally. Reflecting on this impact, it was noted that where income opportunities were previously irregular or nonexistent, stable livelihoods have now been created with the organisation's support.

Upaya's contributions extend beyond financial investment. All investee companies are actively encouraged to integrate social impact metrics into their business models. By addressing issues such as gender pay gaps and employee financial resilience, sustainable growth is prioritised to benefit both enterprises and their workforce.

This holistic approach has facilitated the creation of over 44,000 jobs across India. Under the joint leadership of Chakravarthy and Shruti Goel, Upaya Social Ventures continues to exemplify how strategic investments can drive transformative social change.

Box 2: Story on Dia Vikas Capital: Impact Investors

Dia Vikas Capital, a key entity within the global Opportunity International network, exemplifies how financial inclusion initiatives can uplift marginalised communities and foster sustainable livelihoods. As articulated by Managing Director and CEO Arpita Pal Agrawal, the organisation's mission is to invest in financially sustainable organisations prioritising social impact, particularly for those at the base of the economic pyramid.

Efforts have been directed towards enhancing credit availability in sectors such as microfinance and nano/micro enterprises. Partnerships are formed with financial institutions extending credit to underserved populations, especially women. These initiatives provide essential capital and promote responsible financing through frameworks like social performance management and client protection. Investments are guided by the dual principles of improving lives and ensuring financial sustainability.

A notable achievement includes supporting microfinance institutions that serve over 8 million clients across India. Access to capital has enabled women to engage in small-scale enterprises, including tailoring, business correspondence, dairy farming, and local retail. The outcomes have extended beyond income generation, enhancing household resilience through timely access to healthcare and education for children.

Collaboration with global organisations such as CERISE-SPTF ensures the adoption of standardised frameworks for governance, customer protection, and social impact assessment. These partnerships strengthen responsible investment practices that foster ethical and sustainable development.

Dia Vikas Capital operates across India, bridging financial gaps for underserved communities. By aligning with the Sustainable Development Goals on gender equality and poverty alleviation, the organisation demonstrates how patient capital and impact-driven investments can catalyse systemic change and economic stability.

Through its comprehensive, ethical, and accountable approach, Dia Vikas Capital highlights the transformative power of impact investments to create meaningful social change.

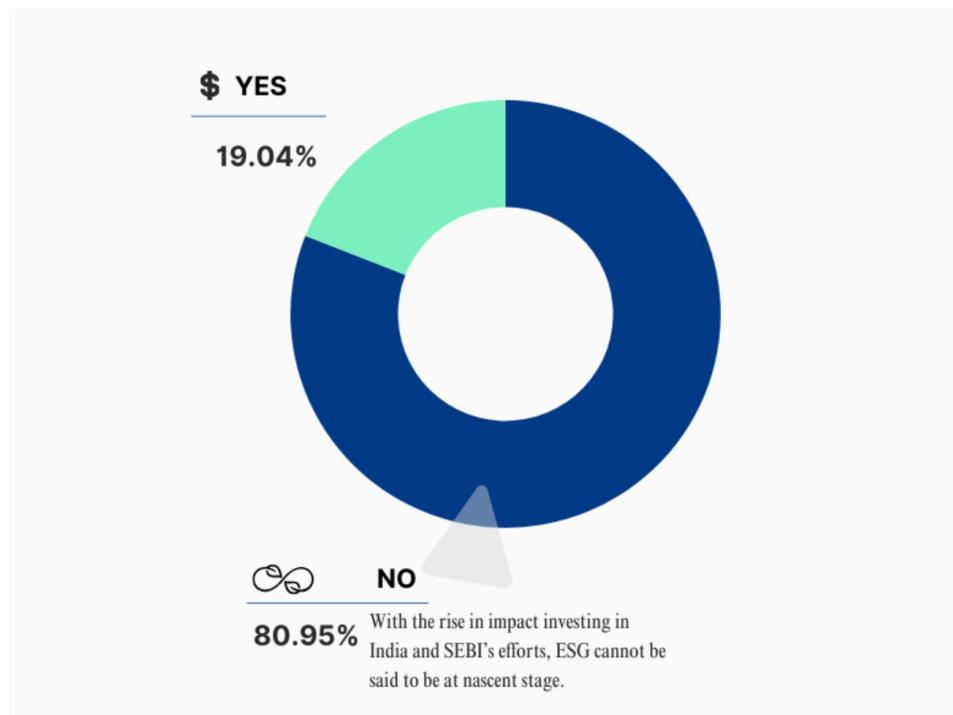
2. Status of ESG Disclosures by Indian Companies on Social Issues



The study respondents indicated that ESG adoption in India is steadily gaining momentum, with large conglomerates leading the way and mid-cap and small-cap companies gradually following suit.

Over 80 percent of respondents agreed that ESG practices are no longer in their infancy and are progressively becoming more mainstream, as depicted in Figure 5.

Figure 5: Stage of ESG Adoption in India



This shift is attributed to India's journey in establishing the BRSR guidelines under SEBI, which provides a framework for corporates to follow to adopt ESG practices. According to a few respondents, the country has made significant strides towards sustainability, aligning its efforts with the broader global sustainable development goals.

A key concern raised by several respondents is that the Business Responsibility and Sustainability Reporting (BRSR) guidelines currently apply only to the top 1,000 companies, leaving a significant portion of the corporate ecosystem, particularly small and medium enterprises (SMEs), with limited regulatory oversight. Additionally, the absence of robust mandates—such as stringent, enforceable regulations and clear penalties for non-compliance—diminishes the effectiveness of ESG adoption. Without strong legal frameworks and accountability mechanisms, companies may lack sufficient incentives to prioritise ESG practices, resulting in inconsistent or superficial implementation. This gap particularly undermines the broader adoption of ESG initiatives, especially among smaller enterprises that operate with minimal regulatory scrutiny.

Thus, for many firms, ESG remains largely a regulatory compliance exercise rather than a core component of business strategy, which contrasts with the more purposeful focus on impact investing. To be sure, there are companies that genuinely commit to ESG initiatives, demonstrating ESG's potential to evolve into a transformative framework for sustainable growth. The challenge is to make the adoption of ESG initiatives more widespread.

"Impact investing is much more than ticking boxes for ESG compliance. It is about creating positive social change with intentionality embedded in the DNA of the enterprise," says a respondent from the Impact Investors Council.

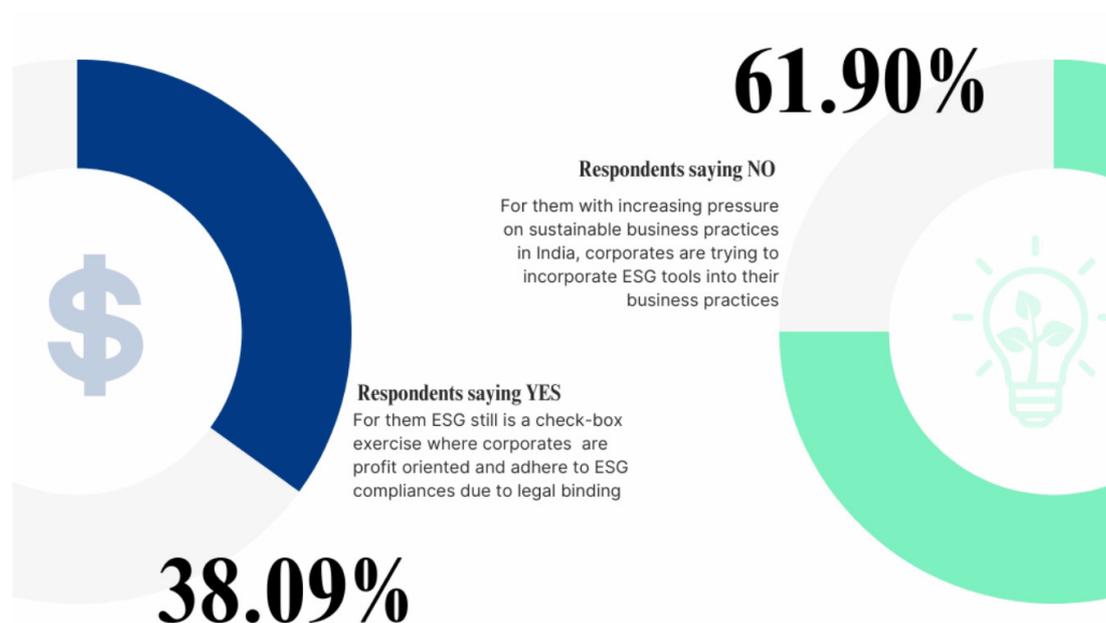
"For us, ESG is not just about compliance; it's about institutionalising environmental and social governance in a company's operations, ensuring long-term sustainability," says Sowmya Suryanarayanan from the Aavishkaar Capitals.

"The social dimension of ESG is not just about compliance; it's about creating systems that uphold labour practices, human rights, and community engagement." Says Shree Dhar Bhatia from the ESG Institute

Figure 6 shows a breakdown of responses on whether ESG is mere "pen and paper work" or a compliance checkbox exercise: 38.09 percent of the study respondents replied affirmatively to this assertion. The 62 percent of the respondents who responded negatively to this question stated that over time, companies would embed the ESG principles into their fundamental practices such as hiring, employee benefits, and community engagement.

A key insight from the stakeholder consultations is that as ESG reporting increasingly becomes a cornerstone of a company's reputation, integrating sustainability into core messaging highlights a commitment to ethical practices, thereby enhancing brand value. Notably, Indian firms operating overseas, especially in Europe, adhere to more stringent ESG regulations, showcasing their capacity to adapt effectively when necessary.

Figure 6: ESG in India: A Checkbox Exercise?



Respondents also drew attention to the fact that financial performance continues to take precedence in mergers and acquisitions. Figure 7 presents respondents' responses on whether ESG reporting contributes to enhancing brand value: while 45 percent of respondents believe that it does, 57 percent do not perceive any such advantage. This underscores the need for stronger regulatory frameworks to emphasise ESG factors in investment decisions. Many respondents who do not see the branding benefit of ESG reporting attribute this to the corporates' focus on short-term profit motives, market strategies, and advertising efforts, which they believe are more directly linked to building a brand reputation in the highly competitive business environment.

"Balancing financial returns with high-impact goals remains a challenge, particularly in sectors like education and healthcare for marginalised communities, where profitability can take longer to achieve," says a respondent from the Impact Investors Council.

Figure 7: ESG as a Tool for Improving Brand Reputation



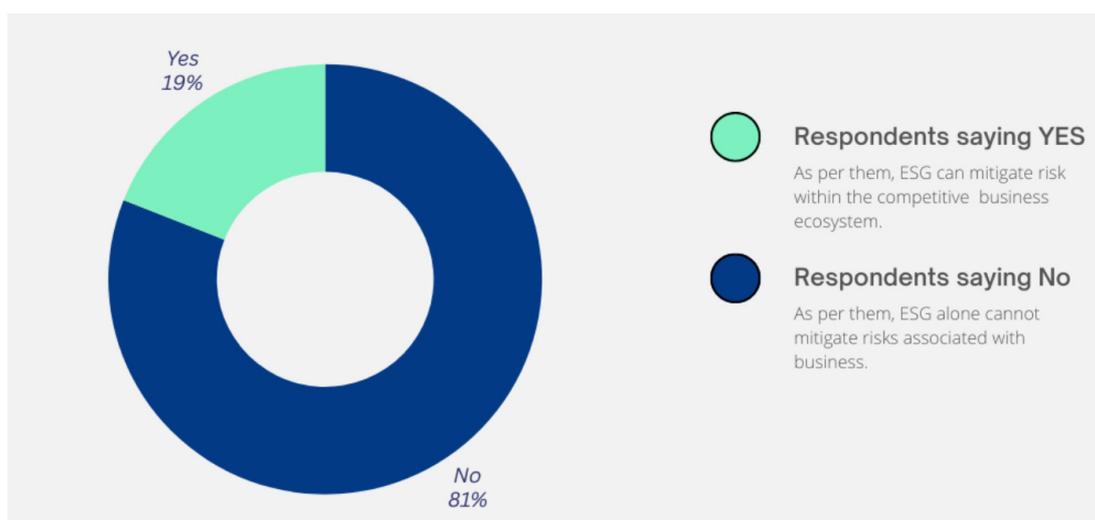
As per the stakeholders' responses, many companies deploy ESG primarily as a risk management tool rather than a direct investment mandate. Large projects with significant financial exposure are more likely to incorporate ESG considerations, reflecting the higher reputational risks associated with these investments. Some firms use exclusion lists to eliminate investments in high-risk sectors, such as coal mining and hazardous chemicals, which is a proactive approach to mitigating ESG-related risks.

However, according to some of the respondents, this strategy focuses on avoiding risks rather than addressing or transforming high-risk sectors. While exclusion reduces exposure to potential liabilities, it limits the broader impact ESG principles could achieve through active engagement and improvement in such sectors.

"Success in social impact initiatives is measured by the extent of their transformative impact, not by return on investment. By leveraging scalable technologies to address critical needs in water, healthcare, education, and rural livelihoods, we ensure projects include economic incentives for communities, driving long-term sustainability", says Suresh Shenoy from the Wheels Global Foundation.

Figure 8 shows around 19 percent of the study respondents think ESG is a risk management tool, while 81 percent do not. This discrepancy in respondents' views stems from differing interpretations of ESG's role. While some respondents have positioned ESG as a risk management tool, many respondents believe its purpose extends beyond risk mitigation to driving sustainable value creation and long-term impact. They argue that viewing ESG solely through a risk lens overlooks its potential to foster innovation, improve operational efficiency, and contribute positively to societal and environmental outcomes rather than merely avoiding high-risk sectors.

Figure 8: ESG as a Risk Management Tool



One of the major findings from the consultations is that the increasing awareness of sustainability among societal groups puts pressure on corporations to align their businesses with ESG principles. Even in such a scenario, the 'social' aspect of ESG often remains under-communicated. Stakeholders emphasised the need for relatable ESG messaging through simple language and storytelling to highlight tangible community impacts.

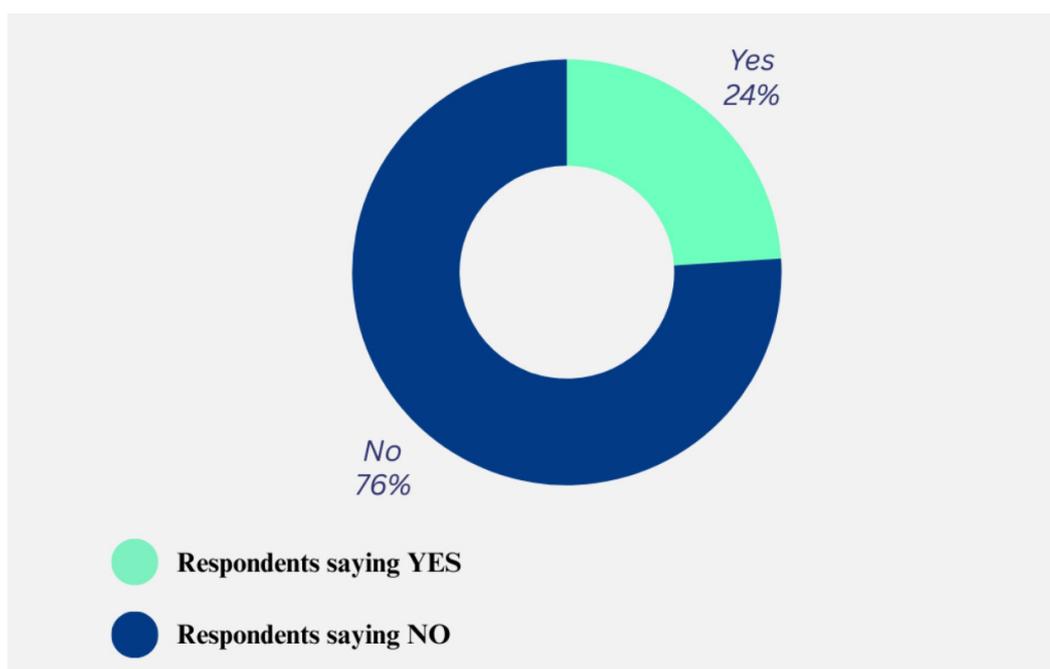
A few stakeholders pointed out that many companies in India approach social issues primarily through mandated CSR initiatives, focusing on areas like health, education, training, and social security. However, they noted that this approach is often inadequate, as CSR operates separately from broader ESG frameworks.

As some of the respondents noted, unlike CSR, which is typically a standalone, philanthropic effort driven by regulatory requirements, ESG is a comprehensive strategy integrated into a company's core operations and decision-making processes. ESG encompasses environmental sustainability, social responsibility, and governance practices, influencing everything from supply chain management to financial reporting. While CSR tends to be project-based and externally focused, ESG drives systemic change by embedding sustainability into long-term business goals, risk management, and value creation.

Figure 9 shows that nearly 24 percent of the study respondents state that in India, ESG practices are often mixed with CSR and corporate philanthropy. Several respondents argue this is not ideal, as meaningful community impact requires prioritising internal practices such as fair wages, career development, and workplace safety.

Figure 9 also shows that 76 percent of respondents said that companies in India do not conflate CSR with ESG. These stakeholders contend that SEBI's ever-expanding mandates have had an impact in the sense that companies are increasingly prioritising social issues.

Figure 9: CSR and Philanthropy Misinterpreted as ESG in India



Respondents' feedback suggests that the COVID-19 pandemic has brought increased attention to the social pillar, particularly concerning the welfare of blue-collar workers and their socio-economic security. Even then, there are concerns about 'greenwashing' and the emerging threat of 'social washing,' where ambiguous and inconsistent criteria for assessing social impact allow companies to project a misleading image of commitment. This underlines the need for robust, standardised metrics for social and governance factors to ensure genuine accountability and avoid superficial compliance.

Additionally, as per a few stakeholders, companies concentrate more on improving operational sustainability, particularly within supply chains, as part of their ESG strategy. Examples include reducing water wastage in agricultural businesses. This inward-looking approach, however, often lacks a systemic perspective, focusing on incremental improvements rather than holistic transformation.

Inputs from stakeholder consultations further revealed significant gaps in how companies address and report social considerations within their supply chains and workforce management. While environmental factors such as Scope 3 emissions¹¹ are increasingly disclosed, and social issues like workers' compensation and contractual labour rights are often neglected. Current grievance redressal mechanisms under BRSR are insufficient, with regulators becoming more aware of these issues, especially post-COVID-19. Stakeholders recommended that there should be stricter supplier regulations to ensure labour law compliance and fair treatment of workers.

3. Workers' Welfare and ESG Disclosures by Indian Companies

Stakeholders stated that companies are increasingly reliant on contractual workers. This is driven by factors such as cost-saving and regulatory pressures. Often, such contractual workers receive lower benefits, limited job security, and inadequate social protections compared to the workforce on payrolls.

"While impact reflects the outcomes, jobs, access, and livelihoods, ESG focuses on how the business operates, from environmental sustainability to fair treatment of workers," says Sowmya Suryanarayanan from the Aavishkaar Capitals.

Additionally, labour management responsibilities are increasingly being transferred to third-party contractors. This allows companies to shift both legal obligations and reputational risks. However, this has diluted labour standards, as smaller contractors frequently lack strong compliance mechanisms. One interlocutor gave an example of child labour violations within the supply chain of a liquor company, which evaded accountability by shifting the blame to the contractor.

In this context, some stakeholders have emphasised that transparency in supply chains has emerged as a critical factor, as many businesses are reluctant to disclose information about their informal workforce. They noted that corporate social responsibility efforts primarily focus on permanent employees, leaving contractual and gig workers largely overlooked.

"The state must regulate working conditions while ensuring an understanding between governance and corporate boards about their shared responsibility. Further, while larger brands often audit their standards, they fail to address the subcontracted supply chain, leaving the most vulnerable workers unprotected," says Dr Meera Sundararajan, a gender expert who works on livelihood, gender-based violence and public safety issues in Southern India.

Respondents further stressed that leadership must commit to reforms, including adopting legally compliant appointment letters to formalise employment relationships without converting workers into full-time staff. However, they highlighted that resistance persists due to the perceived risks of increased legal obligations, which companies are often unwilling to take on.

Stakeholders were further informed about the significant gap in awareness and access to social protection for gig and contractual workers. Although government initiatives like the e-Shram portal offer benefits, many workers encounter challenges due to limited awareness, complex procedures, and inadequate digital literacy.

"Skills development programs must be aligned with market demands to ensure workers can secure jobs that provide sustainable living and support for their families given the speedy shift within the digital world," says Suresh Shenoy from the Wheels Global Foundation.

"We don't just count jobs. We evaluate the quantity and quality of income, financial resilience, social security, and opportunities for skill development. These dimensions make impact sustainable," says A B Chakravarthy from the Upaya Social Venture.

"India's strength lies in its large youth population, and investing in human capital is essential for economic growth. Training initiatives in smaller towns and rural areas are vital for unlocking this potential," says a respondent from the Impact Investors Council.

"To sustain women's workforce participation and ensure equitable benefits, enabling conditions such as safety, mobility, and social protection must be prioritised," says Dr Meera Sundararajan (Gender expert who works on livelihood, gender-based violence and public safety issues in Southern India).

Additionally, stakeholders emphasised enhancing customer attitudes and behaviour towards gig workers. Suggestions for Reverse Consumer Protection Mechanisms¹², though still in their infancy, are seen as a promising approach to reducing unreasonable demands. Participants in the study acknowledged their potential to tackle challenges such as excessive expectations, harassment, or exploitation experienced by gig workers, fostering a more equitable and respectful dynamic between customers and workers. Stakeholders also highlighted profitability constraints and insufficient worker protections as obstacles to direct investment. ESG-linked financing is a potential driver for encouraging improved social practices.

"Worker welfare, especially in sectors like waste management and the gig economy, requires systemic solutions to overcome deeply entrenched issues and exploitative practices," says a respondent from the Impact Investors Council.

The risks of climate change are particularly severe for gig workers in sectors like construction, ride-hailing, and delivery services. Extreme weather conditions, such as heat waves or heavy rainfall, directly impact their ability to work, reducing productivity and increasing health and safety risks. Stakeholders emphasised the urgent need for companies to address these challenges by implementing protective measures, such as providing weather-appropriate gear, flexible work schedules, and access to healthcare. Without such interventions, gig workers remain disproportionately vulnerable to the growing impacts of climate change.

Box 3: Story on Digital Labour Chowk

Digital Labour Chowk exemplifies how technology-driven platforms can enhance workforce management while supporting marginalised communities. As Mandal explained, the platform's purpose is to create equitable opportunities for informal workers by addressing systemic inefficiencies in workforce deployment.

Targeting the construction and manufacturing sectors, Digital Labour Chowk facilitates connections between labourers and employers, promoting transparency and improving access to employment. A key innovation is the creation of digital profiles for workers, which document their skills and employment history. This advancement provides workers with a professional identity, thereby enhancing access to job opportunities and social benefits.

A notable achievement includes onboarding thousands of migrant workers through digital campaigns and community outreach in underserved regions. Offering direct access to jobs reduces reliance on intermediaries, mitigating exploitation and delays in wage payments. Employment gaps are being bridged by ensuring that workers are informed about fair wages and safe working conditions.

The platform integrates social welfare initiatives through partnerships with organisations like the National Skill Development Corporation (NSDC). These collaborations support verification processes, skill development, and financial inclusion by linking workers to banking services.

Operating across Bihar and Delhi, Digital Labour Chowk has facilitated more than 300,000 job placements. Its alignment with Sustainable Development Goals, including decent work and economic growth, underscores its commitment to national expansion.

By employing a practical and impact-oriented approach, Digital Labour Chowk highlights how technology can effectively address workforce challenges and contribute to social progress and economic stability.

Box 4: Story on Wheels Global Foundation

Suresh Shenoy from the Wheels Global Foundation demonstrates how technology and innovation can be harnessed to tackle systemic challenges while empowering rural communities. A strong emphasis is placed on leveraging scalable technologies to address critical water, healthcare, education, and rural livelihood needs. By adopting a collaborative approach, partnerships are forged with local communities, NGOs, and international organisations to ensure sustainable rural development.

One of the foundation's key initiatives focuses on skill development programmes tailored to market demands, enabling rural youth to acquire employable skills. These efforts have created employment opportunities in manufacturing and healthcare while promoting self-reliance through community-owned businesses. Additionally, workforce deployment inefficiencies are addressed through market-aligned skill training initiatives, supported by collaborations with organisations like IEEE and Bosch, ensuring fair wages and stable working conditions for rural workers.

A notable achievement includes rejuvenating water streams in Himachal Pradesh, where geospatial analysis was utilised to guide tree plantation for aquifer replenishment. Starting with three streams, the project was scaled to cover ten, highlighting the effectiveness of technology-driven environmental restoration. It is emphasised that projects must incorporate economic incentives for communities to ensure long-term sustainability.

Operating across multiple Indian states, the foundation has impacted millions by providing access to clean water, education, and livelihoods. Its initiatives align with key Sustainable Development Goals, including clean water, decent work, and economic growth. Wheels Global Foundation continues to drive systemic change and create lasting impact for underserved communities through technology, philanthropy, and collaboration.

Specific sectors in India face unique challenges and opportunities in aligning their operations with ESG principles. The table below summarises the key points drawn from the stakeholder consultations.

Table 4: Sectoral Key Highlights of ESG Adoption in India

Sectors	Challenges highlighted	Opportunities for ESG Adoption
Construction	<ul style="list-style-type: none"> Reliance on contract workers. Lack of ethical sourcing practices. Need for fair labour conditions. 	<ul style="list-style-type: none"> Implementation of procurement KPIs for ethical sourcing. Improving worker welfare through better labour standards and safety. Focus on gender inclusivity and safer job opportunities.
MSMEs	<ul style="list-style-type: none"> High costs of ESG integration. Limited awareness of ESG practices. Lack of regulatory pressure. 	<ul style="list-style-type: none"> Tailored financing solutions from financial institutions. Support integrating ESG practices into daily operations. Strengthened regulatory frameworks for compliance. Certain financial institutions, including banks, have begun incentivising MSMEs to adopt ESG principles through financing linked to social empowerment programmes.
Gig Economy	<ul style="list-style-type: none"> Informal labour, lack of contracts. No job security or social protections for workers. 	<ul style="list-style-type: none"> Formalisation of gig work through structured contracts. Gig work should be included in corporate sustainability reporting. Implementation of social security measures for gig workers.
IT/ITES	<ul style="list-style-type: none"> Over-reliance on structured governance for ESG alignment, which may exclude smaller players. 	<ul style="list-style-type: none"> High degree of ESG compliance due to investor scrutiny. Setting a benchmark for other sectors through strong governance and worker rights protections.
Textiles	<ul style="list-style-type: none"> Potential for worker exploitation, especially in lower-tier supply chains. Challenges in ensuring consistent ESG practices across the sector. 	<ul style="list-style-type: none"> Established ESG compliance frameworks. Opportunity to improve worker conditions through better supply chain management and enhanced labour rights.
Pharmaceuticals	<ul style="list-style-type: none"> Lack of detailed ESG roadmaps. Limited sector-specific case studies. 	<ul style="list-style-type: none"> Potential for developing clear ESG guidelines. Aligning production and supply chains with sustainability goals. Strengthening social and environmental benefits.
FMCG	<ul style="list-style-type: none"> Difficulty in implementing ESG practices across diverse product lines. Insufficient focus on ethical sourcing in some areas. 	<ul style="list-style-type: none"> Need for sector-specific ESG roadmaps. Opportunity for ethical sourcing initiatives and supply chain transparency. Enhancing sustainability in product packaging and distribution.
Manufacturing	<ul style="list-style-type: none"> Worker exploitation in informal and unorganised settings. Safety and gender inclusivity concerns. 	<ul style="list-style-type: none"> Expanding opportunities for women through safe job creation. Implementing ESG-compliant safety standards. Opportunities for ethical sourcing in production.
Domestic Work	<ul style="list-style-type: none"> Informal status of workers and lack of formal contracts. Gender-based challenges and safety concerns. 	<ul style="list-style-type: none"> Formalisation of domestic work under structured contracts. Promoting workforce safety and gender inclusivity through dedicated ESG initiatives.

4. Challenges in ESG Adoption in India

Absence of standardised social metrics under ESG

Stakeholders highlighted the absence of standardised metrics and taxonomy for measuring companies' social impact as a significant barrier to expanding ESG integration across industries in India. Unlike environmental metrics, which benefit from historical data and predictive models for assessing risks and impacts, social metrics—such as those related to employee welfare—lack clear, measurable benchmarks. This makes them subjective, unpredictable, and harder to integrate into existing ESG frameworks. The inconsistency in defining and measuring social outcomes further complicates efforts to ensure comparability and transparency across sectors.

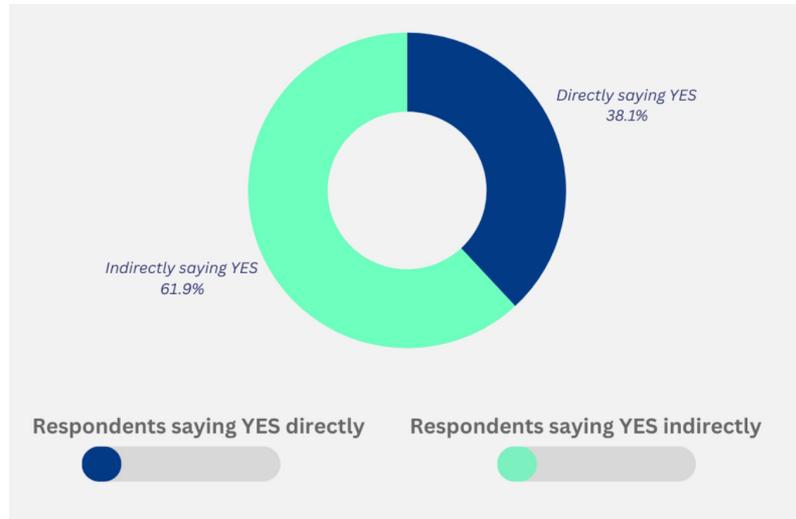
Stakeholders repeatedly emphasised the absence of localised standards as a key concern. They pointed out that while Indian institutions frequently refer to global frameworks such as the EU taxonomy, the lack of a nationally recognised ESG taxonomy weakens the consistency and comparability of social impact reporting. This gap creates significant disparities across industries, further hindering ESG adoption. Several respondents highlighted that companies face challenges in effectively measuring and navigating social impact without a clear, localised approach.

Stakeholders also pointed out investor perceptions as a critical challenge. Traditional investors in India, who dominate the market, primarily rely on financial metrics and find it difficult to quantify social returns in terms that resonate with their decision-making processes. Stakeholders underscored that this disconnect reduces investor confidence in social impact, making it harder to attract capital aligned with ESG principles. Despite some progress, such as the sustainable financing frameworks introduced by institutions like SBI and HDFC, the broader adoption of consistent ESG practices remains hindered by such a fragmented approach to social metrics.

As valuable references for India, stakeholders identified comparative insights from countries with relatively mature ESG frameworks, including the USA and Scandinavian nations. Stakeholders noted that countries like the UK and the US employ stringent conditions whereby funds labelled as "social" are required to allocate a significant portion (typically 70-80 percent) of their investments toward social objectives. There is an absence of similar guidelines in India, which has created ambiguity, potential misuse of funds, and weakening trust in ESG-labelled investments.

Additionally, stakeholders discussed the role of ESG rating agencies such as MSCI, Morningstar, and S&P Global. While these agencies contribute to ESG evaluations in India, their impact is constrained by the lack of universally accepted social impact metrics. Developing a national framework incorporating clear social benchmarks would strengthen their assessments and foster more meaningful ESG compliance.

Figure 10 illustrates stakeholders' responses regarding the need for standardised social metrics within ESG frameworks in India. It categorises respondents' perspectives into two groups: those who directly acknowledged the need and those who indirectly suggested it while discussing other related challenges.

Figure 10: The Need for Standardised Social Metrics

Most respondents (38.1 percent) explicitly stated that standardised social metrics are essential. This group recognised the direct link between such metrics and improved social impact measurement. They emphasised that without standardisation, it is difficult to ensure consistency, transparency, and comparability in assessing social performance across industries and regions in a country as diverse as India.

Further, most respondents (61.9 percent) indirectly acknowledged the importance of standardised metrics. While they did not explicitly call for standardisation, their responses highlighted issues that pointed towards the need for it. These issues included:

- Challenges in measuring social impact due to regional diversity and lack of clear benchmarks.
- Subjectivity in defining social welfare outcomes varies across communities. Translating social impact into financial or quantifiable terms that resonate with investors is difficult.

"The social aspect of ESG is often overlooked, but it is critical to address the needs of the most disenfranchised in society, especially women, who face systemic barriers daily," says Arpita Pal Agrawal from the Dia Vikas.

Lack of awareness of ESG in India

Stakeholders expressed concern over the significant knowledge gap on ESG principles, identifying it as a major barrier to widespread adoption and growth in India. This is particularly pronounced among small and medium-sized enterprises (SMEs), start-ups, and informal workers, including those in the gig economy. Entrepreneurs managing start-ups or emerging businesses often lack formal education and training on ESG standards, which inhibits the meaningful integration of sustainable practices and limits innovation.

The lack of standardised benchmarks for measuring social impact further compounds these challenges, impeding the development of effective tools. Stakeholders noted that limited

understanding also implies less scrutiny of practices like 'greenwashing' and 'care washing'. Such actions undermine investor confidence and weaken the overall credibility of the ESG landscape in India.

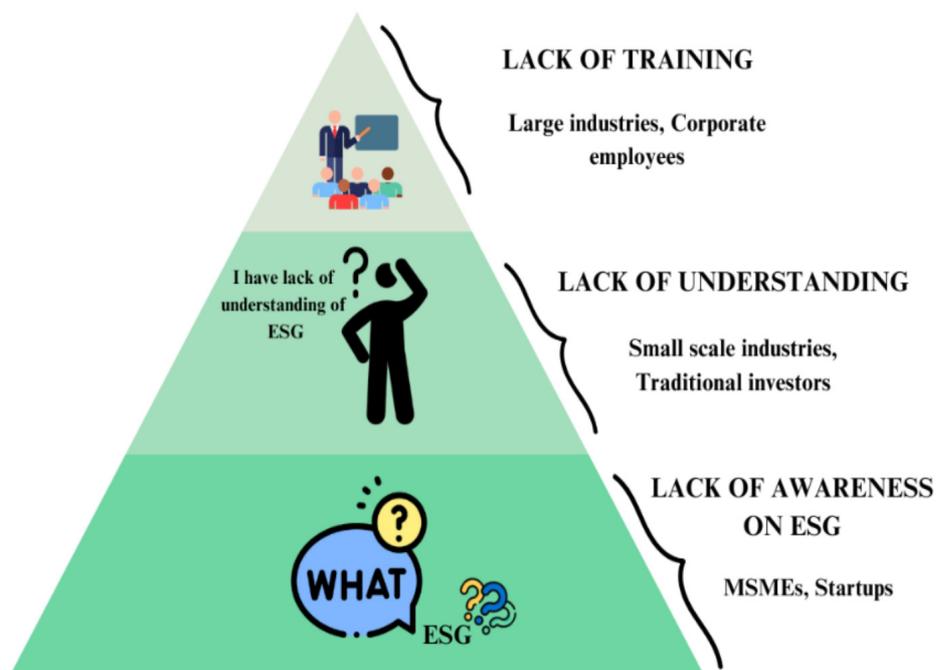
A lack of awareness among informal workers about social protection measures and procedural complexities exacerbates their vulnerability. Without targeted initiatives to enhance knowledge and simplify access, the potential benefits of ESG adoption for businesses, workers, and the broader economy will remain unreleased.

"We often encounter resistance or lack of awareness about ESG. Our role is to handhold businesses, demonstrating how these practices attract larger pools of capital and improve operations", says Sowmya Suryanarayanan from Aavishkaar Capital.

The pyramid in Figure 11, developed based on insights gathered from stakeholder consultations, illustrates the varying levels of awareness of ESG principles across different stakeholder groups and highlights the barriers to the widespread adoption of ESG practices in India. Structured into three tiers, the pyramid categories these challenges, with the base representing the most fundamental issues and the apex reflecting more advanced barriers.

At the foundation of the pyramid lies the lack of awareness of ESG, particularly among micro-enterprises, recently set-up MSMEs, and most startups. Being in their nascent stages, these businesses often grapple with more immediate challenges related to establishing their

Figure 11: ESG Awareness Levels



presence and scaling their operations. ESG is perceived as a luxury for them, mainly due to limited resources and capacity constraints. Furthermore, many are entirely unfamiliar with the concept of ESG and its implications.

The second tier of the pyramid represents a lack of understanding of ESG principles, particularly among small- and medium-scale industries and traditional investors. While stakeholders at this level may be familiar with ESG, they often fail to grasp its holistic value and potential to drive sustainable growth. Misconceptions about ESG being a costly and non-essential initiative deter its implementation. This also increases the risk of these small and medium-scale industries losing access to international markets, which are progressively mandating adherence to ESG standards.

The apex of the pyramid represents a lack of deeper understanding, e.g. because of a lack of access to training, an issue faced primarily by corporate employees and large industries. Such stakeholders lack adequate knowledge of advanced ESG practices, tools, and reporting frameworks. Some such companies resort to superficial compliance measures ("greenwashing"), which undermine the credibility of ESG initiatives and erode investor trust. The absence of robust training at this level limits the potential for large industries to set benchmarks for best practices in ESG adoption, further slowing progress across the ecosystem.

Rigidity in Established Practices

Some of the study stakeholders mentioned that older companies in India often encounter significant resistance to adopting ESG practices. Their established operational models, which have been developed over the years with minimal regulatory oversight, make adaptation challenging. Many of these organisations are reluctant to overhaul processes due to perceived high implementation costs and the absence of immediate regulatory repercussions.

Such reluctance is further reinforced by long-standing business practices and entrenched operational structures that hinder full alignment with evolving ESG standards. Without stronger regulatory incentives and clearer cost-benefit analyses, the transition for legacy companies remains slow.

"Older companies resist change due to entrenched practices, while newer ones struggle with understanding ESG standards, especially in the social domain," says a Shree Dhar Bhatia from the ESG Institute.

Operational Costs and ESG Compliance

Another important issue highlighted by the study respondents was the substantial operational cost involved in compliance. Aligning business practices with ESG requirements often necessitates significant investments in resources, technology, training, and infrastructure.

"The biggest challenge is helping companies understand that ESG isn't just a cost, it's an investment in their long-term profitability and sustainability", says Sowmya Suryanarayanan from Aavishkaar Capital.

Stakeholders emphasised the need for companies to establish robust systems for monitoring and reporting ESG metrics to ensure compliance across their supply chains. They highlighted that many businesses depend on third-party contractors, who must also adhere to these standards. This challenge is not limited to smaller or early-stage enterprises but is equally relevant to established corporate houses in India.

Additionally, few stakeholders informed us that Indian impact investing, reliant on 90 percent foreign capital, faces challenges in balancing social impact with financial performance. Unlike ESG's "do no harm" approach, the approach of impact investments demands measurable outcomes while often struggling with high costs and low returns, especially in low-profit sectors like education.

Transparency and Accountability

Stakeholders identified a lack of transparency as another critical challenge. While many organisations have made progress in this area, insight into their operations, practices, and impacts often remains limited to around 75–80 percent. This partial transparency is frequently attributed to concerns about disclosing sensitive business information and the potential repercussions of public scrutiny in areas that fall outside mandatory compliance measures.

"The biggest challenge in the social component of ESG is verifiability. People can make claims about impact, but it's hard to trust unless it's independently validated. At Upaya, transparency is key", says A B Chakravarthy from the Upaya Social Ventures.

"For companies to truly improve, they must embrace transparency, even if it means confronting uncomfortable truths," says a Shree Dhar Bhatia from the ESG Institute.

Despite increasing pressure for the adoption of comprehensive ESG disclosures, industry reluctance to move towards greater transparency persists. Some stakeholders noted that addressing this issue requires a fundamental corporate culture and governance shift.

Conclusion



The study majorly focused on understanding the relevance and effectiveness of ESG tools in making investment decisions to foster workers' welfare in India. Further, it assessed whether investors are progressively acknowledging that a company's social performance can exert a substantial influence on its extended financial viability and standing. 22 stakeholders were consulted while undertaking the study to understand their perspectives as impact investors, financial institutions or advisors, corporates, or worker union representatives on the current scenario of ESG investing in India and whether it is capable of addressing the challenges in workers' welfare.

The literature review section explored the evolving focus on sustainable business practices and workers' welfare, highlighting a shift from traditional financial metrics to broader evaluation frameworks integrating environmental, social, and governance considerations. Studies have demonstrated the growing adoption of ESG strategies, regulatory frameworks like BRSR, and corporate commitments to sustainability.

Evidence from the literature and insights from our analysis indicate a gap in the standardisation and measurement of the "Social" factor within ESG frameworks, particularly in social reporting and worker-centric welfare initiatives. It is observed that ESG adoption by many corporations in India has primarily been driven by regulatory compliance with SEBI's guidelines or the objective of attracting foreign investment rather than a genuine commitment to enhancing workers' welfare.

The key takeaways from the analysis of stakeholder consultations highlight that:

1. The adoption and integration of ESG principles among investors in India exhibit notable variations, influenced by investor type and priorities. While global investors, particularly from Europe, adopt a more holistic approach, they predominantly emphasise environmental factors due to their measurable nature, often overlooking social outcomes. In contrast, domestic investors prioritise governance for operational management, with impact investors standing out for their mission-driven focus on measurable social outcomes and long-term transformative change. Profit-driven decision-making among traditional investors slows ESG growth, but increasing societal awareness and impact-driven models are gradually reshaping priorities.
2. ESG adoption in India is growing, with large corporations leading the way, but regulatory gaps, limited enforcement, and high operational costs hinder full integration among mid-cap and small-cap companies.
3. The dominance of environmental factors highlights the need for standardised social and governance metrics to prevent greenwashing and enhance balanced ESG integration.
4. Misconceptions equating ESG with CSR limit sustainable business practices; embedding worker welfare, fair wages, and core operational sustainability is essential for meaningful impact.
5. Contractual and gig worker reliance, coupled with inadequate social protections, underscores the need for formalisation, stronger labour regulations, and corporate accountability.
6. Lack of awareness and understanding of ESG principles, particularly among MSMEs and traditional investors, combined with high operational costs and entrenched business practices, create significant barriers to effective ESG integration.

Recommendations



The study team received some suggestions and recommendations from the stakeholders consulted while undertaking this study. Based on these suggestions and the analysis of findings of the consultations as well as from the existing literature, the report puts forward the following suggestions:

Introduce Financial Incentives for ESG Compliance

Introducing financial incentives for ESG compliance can be crucial in encouraging the wider adoption of sustainable practices, especially among small and medium enterprises (SMEs). By offering grants, tax breaks, or low-interest loans linked to specific sustainability targets, governments and financial institutions can alleviate the initial costs of ESG integration for SMEs, making it more accessible.

Additionally, developing market-driven incentives, such as sustainability-linked bonds, can allow businesses to raise capital at preferential rates while rewarding those demonstrating exemplary ESG compliance. According to some of the study respondents, these incentives will not only support companies in achieving their sustainability goals but also foster a competitive business environment where long-term value creation is recognised and financially rewarded.

Strengthen Regulatory Frameworks

Expanding the scope of ESG regulations, such as the BRSR, to include small and medium enterprises (SMEs) would ensure that a broader segment of India's corporate ecosystem adheres to sustainable practices. This expansion could level the playing field, encouraging SMEs to align with ESG principles and enhancing the overall corporate responsibility landscape.

Additionally, establishing stricter mandates that integrate social impact into business practices—similar to international frameworks—would improve accountability and transparency, making companies more responsible for their social, environmental, and governance outcomes. This would help bridge the gap between large corporates and smaller enterprises in their ESG journey, creating a more inclusive and sustainable economy.

Raising the Cost of Non-Compliance

To encourage strict adherence to ESG norms, non-compliance should be penalised more heavily, with higher fines or other consequences for failing to meet ESG standards. This would incentivise businesses to prioritise ESG principles and ensure regulatory frameworks are consistently followed.

Develop Sector-Specific ESG Standards

Creating tailored ESG benchmarks for different industries is crucial to addressing each sector's unique challenges and opportunities, ensuring that ESG practices are relevant and effective. By developing industry-specific benchmarks, companies can better align their operations with the specific sustainability issues pertinent to their fields, such as ethical sourcing in textiles, worker welfare in manufacturing, or carbon emissions in energy production. Providing sector-specific guidelines would further support corporations in aligning their operations with long-term ESG objectives, offering clear, actionable pathways for integration and fostering greater accountability. This approach would help businesses optimise their impact and ensure that ESG efforts are meaningful and measurable within their respective industries.

Enhance Transparency and Stakeholder Communication

Encouraging companies to report both successes and setbacks in their ESG efforts is essential in fostering a culture of honesty and continuous improvement. By openly sharing both achievements and challenges, businesses can demonstrate transparency and accountability, ultimately driving more meaningful progress towards sustainable practices.

Support Capacity Building for ESG Adoption

Supporting capacity building for ESG adoption is crucial for ensuring widespread and effective integration of sustainability practices across sectors. This involves investing in training programs for financial institutions and corporations to deepen their understanding of ESG metrics, climate risks, and social impact assessment, enabling them to make informed decisions.

Additionally, simplifying regulatory processes for SMEs and offering technical support will help them navigate the complexities of ESG standards. This will make it easier for smaller businesses to comply with and integrate these principles into their operations. Such initiatives will foster greater ESG awareness, improve implementation, and ensure more inclusive progress towards sustainability goals.

Promote Worker Rights and Social Protections

- **Update Labour Laws:** Revise existing labour regulations to ensure gig and contractual workers receive benefits equivalent to those of regular employees, fostering workforce equity and advancing social sustainability goals under ESG frameworks.
- **Extend Social Protections:** Establish regulatory frameworks that provide gig workers with access to essential benefits, including insurance, regulated working hours, and paid leave, ensuring parity with traditional employment structures.
- **Enhance Corporate Disclosures:** Mandate the inclusion of labour protection metrics in corporate ESG disclosures to improve transparency, accountability, and alignment with social sustainability objectives.
- **Develop Inclusive Policies:** Formulate comprehensive policies that address the unique needs of gig and contractual workers, ensuring fair treatment, job security, and improved welfare across all sectors.

Development of Clear ESG Taxonomies

Clear taxonomies and classification systems for both environmental and social activities should be developed to reduce concerns around ESG adoption. Establishing well-defined categories for ESG activities would improve investor confidence and ensure consistent reporting across companies, fostering greater transparency.

Collaboration Between Government and Industry

Increased transparency and dialogue between government and industry stakeholders are essential for more effective ESG implementation. Collaborative efforts would foster a better understanding and enforcement of ESG-related laws, ensuring the successful integration of ESG into business practices.

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- 2 Sustainability Accounting Standards Board. (n.d.). *SASB materiality map*. SASB. <https://materiality.sasb.org/>
- 3 SASB materiality mapping is a tool that visually represents the ESG issues most likely to impact financial performance across different industries. It categorises these issues into five dimensions: Environment, Social Capital, Human Capital, Business Model and Innovation, and Leadership and Governance.
- 4 ESG criteria have emerged as essential benchmarks for assessing corporate behaviour, enabling socially conscious investors to align their investment strategies with sustainable and ethical business practices[#]. In India, the significance of ESG has grown rapidly, driven by global trends, regulatory reforms, and increasing stakeholder awareness. This shift has led to a surge in interest from institutional investors and fund managers prioritising businesses that adhere to ESG standards and provide transparent ESG disclosures.
Unlike traditional financial metrics, ESG evaluations encompass environmental sustainability, social impact, and governance practices. Businesses are increasingly motivated by rising concerns about human rights, environmental preservation, and social equity to adopt comprehensive ESG standards. Investors seeking sustainable growth opportunities and risk management tools view ESG integration as crucial in investment decisions[#]. The shift towards ESG-driven investing reflects growing awareness of its role in fostering long-term value creation. Various financial instruments, including mutual funds, hedge funds, and sovereign wealth funds, now incorporate ESG criteria to align with regulatory requirements, meet rising investor demand for responsible investments, and optimise risk-adjusted returns.
- 5 OECD. (2020). OECD business and finance outlook 2020. Retrieved from https://www.oecd.org/content/dam/oecd/en/publications/reports/2020/09/oecd-business-and-finance-outlook-2020_e807da73/eb61fd29-en.pdf
- 6 OECD (2020), *ESG Investing: Practices, Progress and Challenges*, OECD Publishing, Paris, <https://doi.org/10.1787/b4f71091-en>.
- 7 Socially Responsible Investing (SRI) refers to investment strategies considering environmental, social, and governance (ESG) factors to generate long-term financial returns while promoting positive societal impact. It aligns investor values with financial goals, prioritising ethical practices, sustainability, and social responsibility. SRI aims to drive meaningful change while delivering competitive performance.
- 8 Corporate risk management through ESG involves identifying and mitigating environmental, social, and governance risks that could impact a company's financial performance and reputation. By integrating ESG considerations, businesses can address regulatory compliance, operational resilience, and stakeholder expectations. This proactive approach enhances long-term sustainability and reduces exposure to emerging risks.
- 9 Jain, A. (2023). Environmental, social and governance (ESG) factors and financial performance: An analysis of investors' sagaciousness towards ESG in India. ShodhGangotri. <https://shodhgangotri.inflibnet.ac.in/bitstream/20.500.14146/13901/1/synopsis.pdf>
- 10 The NSE ESG Scores measure a company's performance and commitment to ESG factors. It is calculated by evaluating companies' performance on Environmental (E), Social (S), and Governance (G) factors using data from disclosures, filings, and third-party sources. Each factor is weighted based on industry relevance and the overall ESG framework. Scores are then normalised to ensure comparability across industries and companies. The scores for each factor are aggregated to produce an overall ESG score, with governance often achieving the highest average due to more substantial regulatory compliance and reporting standards.
- 11 Scope 3 emissions refer to indirect greenhouse gas emissions that occur across a company's value chain, including activities like purchased goods and services, employee commuting, and customer product use. Unlike Scope 1 (direct emissions from operations) and Scope 2 (emissions from purchased energy), Scope 3 covers a broader range of external activities, making it more complex to measure and manage. These emissions often represent the largest portion of a company's carbon footprint.
- 12 Reverse consumer protection mechanisms refer to policies or frameworks that aim to protect gig workers from unfair or excessive customer demands rather than focusing solely on protecting consumers.



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