

Green Finance and Corporate Governance: Legal Mechanisms for Promoting Sustainable Investments

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Abstract

A transformation in the global landscape of sustainability has brought a new definition of the function of corporations and a new face of financial systems. The era of profit-driven corporate growth is indeed over, as both the corporate world and governments now recognize the extent of climate change, biodiversity loss and resource scarcity (Richardson, 2020). Since this regulation on businesses by governments, investors, and civil societies is increasingly recognized as necessary, green finance has become a pivotal tool to further the ambitious targets of the United Nations Sustainable Development Goals (SDGs) and the goals of the Paris Climate Agreement. Green finance refers to a wide range of financial products, services, and instruments that enhance environmental sustainability, including green bonds, sustainability-linked loans, and climate-aligned investment portfolios (Zhang & Wang, 2022). However, within this broader framework, corporate governance serves as the internal guidepost that steers a company strategy toward consideration for environmental, social, and governance ESG issues by embedding sustainability into corporate decision-making (Sjåfjell Bruner, 2019).

Introduction:

The nexus between green finance and corporate governance is more understood through legal and policy lenses; and is increasingly recognized as a legal and policy imperative. Corporate governance lays down the rules and procedures under which corporate decision making and supervision will be carried on, especially with respect to the duties of the board of directors, management, and shareholders (Tricker, 2019). Corporate governance mechanisms that embed ESG goals can align capital to sustainability projects and also mitigate their environmental, reputational, and regulatory risk (Clark, Feiner, & Viehs, 2015). According to World Bank (2021), strong governance improves investors' confidence in green financial instruments and hence promotes capital mobilization for sustainable investment. Nonetheless, across many jurisdictions, the legislative environment remains piecemeal with sustainability largely regarded as an ancillary to corporate social responsibility (CSR) rather than a substantive component of fiduciary duty (Klettner, Clarke & Boersma 2014).

Green finance as a domain is quite fresh on the policy landscape; however, a lot of ideas have come out of what the legal pathways are to incentivise sustainable investment behaviour. This serves as a reminder that legal reforms—e.g. through ESG disclosures, sustainability-linked reporting, and the redefining of fiduciary duties—are essential to shift from voluntary to compulsory corporate accountability mechanisms (OECD 2020). Legal clarity on what constitutes environmentally sustainable activity is provided by the

Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy Regulation in the European Union (EU) (European Commission, 2021). Likewise, sustainability is embedded within the Companies Act and Corporate Governance Code in the United Kingdom, where boards are required not only to promote the success of the company, but also, amongst other things, to consider the impact of its activities on the environment and society (Financial Reporting Council, 2018). Building Blocks: The Companies Act, 2013 and the Securities and Exchange Board of India (SEBI) guidelines on Business Responsibility and Sustainability Reporting (BRSR) constitute a framework for integration of sustainability into governance (SEBI, 2021). All these developments taken together further demonstrate the maturity of the point of overlap between corporate law and sustainability finance.

Yet many of these frameworks, legal scholars argue, have a limited impact and are not enforceable (Richardson, 2020; Sjøfjell & Bruner, 2019). The question is how to turn sustainability criteria not only into a procedure but also into a substantive one in the way in which they influence corporate behavior. It comes with a reformulation of historic legal ideologies: such as those fiduciary obligations of directors towards shareholder primacy, intentionally to incorporate the corporate purpose with, at least, some notion of nature in it. In other words, the fiduciary obligations to shareholders can be reformulated as the obligations to values as stewardship of the environment,

intergenerational equity by the directors of companies (Lipman, 2021). On the same note, the corporate disclosure requirements may be extended to encompass climate-related financial disclosures to enable investors to gain access to plausible sustainability-related information (TCFD 2017).

The transition to green finance also raises critical questions about the shape, capabilities and responsibilities of boards (from a governance perspective). Such capability is needed to assess environmental risks and carbon exposure and the opportunities from/ for sustainable investment which must exist by all boards (Eccles & Klimenko, 2019). Last but not least, institutional investors, including pension and sovereign funds, increased demand on boards to show sustainability capability and on executive pay to be linked to the performance metrics (Boffo & Patalano, 2020) related to ESG. Shareholder activism aimed at climate change has rapidly expanded in the last few years—perhaps epitomized with initiatives such as Climate Action 100+—demonstrating how the market can spur regulatory pressure to get firms to adopt sustainability (Henisz, Koller, & Nuttall, 2019).

This is particularly true with respect to India. India, a signatory to the climate commitments and one of the fastest growing economies of the world has been brazenly striking a balance between the two extremes of the dilemma of economic development and environmental sustainability (RBI, 2023). There is the overriding green financing narrative, (first sovereign green bonds in 2023) as well as the updated sustainable finance and ESG

disclosure framework by the market's regulator, SEBI. In spite of the events, there is the lack of laws and institutions in place ESG implementation, board responsibility and cross-sector policy wording (Mukherjee & Banerjee 2022).

The latest sources report that the transparency legal infrastructure with investor protection and environmental responsibility requires establishment (Dhaliwal et al., 2014; Richardson, 2020). It is in this context of lax regulation that any sustainability project can simply degenerate into compliance theatre or riverfront sunset greenwashing. The law that is, must not only be regulatory but must also be normative to assist in re orienteering towards the long-term environmental and social value rather than the maximisation of profits in the short run.

These queries are doubly multidisciplinary practice in scholarly study of law that cuts across corporate finance and theory of governance. Use the following reference to this article: Pollock, F., et al., Addressing regulatory fragmentation, *International Review of Law, Computers & Technology* (2023), doi:10.1080/13600869.2023.2267761. It embarks to determine compliance with legal frameworks in regulatory issues as well as compliance and standards of behaviour in disclosures necessary and fiduciary standards.

Analyzing the changing correlation between green finance and corporate governance, this paper maintains green finance might lead to sustainable development through proper legal tools, provided corporate law. Institutions re-enforced by legal commitments to

transparency and accountability to ecological debt enable governments to make commitments to global commitments to sustainable development and help the movement of capital to carbon neutral investment, technological frontiers of green innovation, and increase transparency and trust of investors to sustainable markets (World Bank, 2021b)[2].

This article is part of an emerging literature that re-examines corporate governance as a risk management role to a sustainable transformation mechanism. The lesson to be learned is obvious; law is binding; and law in corporate governance is the DNA of sustainability. It therefore creates corporate governance as not only a financial protector but also a normative-legal tool to ensure that further business operation is planetary and the principle of intergenerational equity (Sjafjell and Bruner, 2019; Lipman, 2021). In one word, green finance and corporate governance is no longer peripheral, but it is constative in business legitimacy and survival in the 21st century economics.

This transformation may be system or anti-systemic but the signal when this metamorphosis occurs in the operations of financial institutions and corporates will arise is through the compulsory nature in this dematerialisation delivery towards a sustainable future. We seek to explore the relationship between law, finance and governance and to propose an integrated legal pathway which encourages both sustainable investment and corporate accountability.

Literature Review:

Over the last ten years, there has been burgeoning academic discussion around aspects of green finance and corporate governance, at the intersection between the

fields of sustainability and corporate law as well as finance. Summary Existing literature in relation to legal mechanisms and sustainable investment has been synthesised from ten peer-reviewed Scopus indexed journals and sorted by theoretical underpinnings and empirical findings in order to understand research gaps relevant to how legal mechanisms facilitate sustainable investment.

Conceptualizing Green Finance and Sustainable Investment

Green finance refers to financial flows linked to environmentally sustainable projects and initiatives. Green finance, as suggested by Zhang and Wang (2022), also consists of financial tools to fund projects whose instruments encompass relevant instruments like green bonds, sustainability-linked loans, and climate funds, all of which are aimed at mitigating carbon footprints and promoting green energy use. Weber and Saravade (2019) discuss that while the traditional financial system follows the principle of capital allocation with risk-adjusted returns, capital allocation requisite needs to take into account ecological externalities as well and that is where green finance is the only remedy to bridge this gap.

The point is, if you want to embed environmental objects within finance as legal matters, this needs clarity in regulation. The EU Taxonomy Regulation defines what exactly qualifies as a sustainable activity, thereby clarifying and mitigating risks for greenwashing (European Commission 2021). Such a classification is fundamental for directing capital to actual sustainable products. It is in this context that Boffo and Patalano (2020) in the same year, indicated

transparency and disclosure as well as fiduciary responsibility and accountability are substantive components of the OECD Sustainable Finance Framework that are progressively becoming pillars of sustainable financial markets credibility.

While not disputing the economic value generated by green finance, existing literature (over twenty scholarly articles during the past eight years) contends that, in numerous jurisdictions around the world, green finance can neither leverage scale until legal and institutional frameworks are mature. Few practices are coordinated or even required, and sustainability practices thus have no power to effect systemic change (Richardson, 2020). Accordingly, the law is less an enabler than the indispensable precondition for aligning private capital flows with public environmental goals.

Corporate Governance and Sustainability Integration

Corporate governance offers the institutional framework within which companies can put their sustainability principles into practice. Governance, as per the OECD Principles of Corporate Governance (2020), is a framework that allows providing accountability, transparency and fairness in corporate operations. Tricker (2019) states that governance decides how corporate objectives are set, how risks are monitored and how performance is evaluated.

To date, one of the more influential empirical studies investigating the relationship between ESG integration and corporate overperformance over a long time horizon is Clark, Feiner, and Viehs (2015). Based on a meta-analysis of over 200 studies, they reveal that firms with strong ESG governance mechanisms

mitigate risks and stay resilient. Similarly, Eccles and Klimenko (2019) argue that sustainability is not a functional add-on, but instead, sustainability should be considered by a board just like any other strategic priority. Though, there exists both conceptual and practical difficulty of applying sustainability to the governance itself.

As argued by Klettner, Clarke and Boersma (2014) "[T]he outcomes of corporate governance reforms can sometimes be ensnared in a compliance climate which results in sustainability information disclosures devoid of any substantive integration of sustainability information in board level consideration and decision making [13]. This gives rise to a situation where the sustainability reporting remains symbolic as opposed to substantive. To solve this problem, they argue for statutory requirements to entrench sustainability within boards, fiduciary duties and performance-based pay.

Furthermore, Dhaliwal et al. Analyst forecast accuracy improves with voluntary non-financial disclosure (Jiang et al, 2014), suggesting that transparent ESG reporting is linked with better investor comprehension and stock prices embody values. In combination, these findings represent an argument for mandatory ESG disclosure regulations that create incentives.

Legal Mechanisms in Green Corporate Governance

The legal aspect of corporate sustainability has been mainly visible in speculative and policy debates over the last few years. In *The Cambridge Handbook of Corporate Law, Corporate Governance and Sustainability*, Sjøfjell and Bruner (2019)

contend that corporate law needs to overcome the limitations of shareholder primacy, and then incorporate within the fiduciary duties of directors the integrals of environmental and social objectives. Governance for Sustainable Development to Part of (and Rather than as Separately from) Corporate Law Discourses & Practices They propose that sustainability considerations become aspects of directors' duties of care and loyalty, making corporate governance (rather than corporate law) a vehicle of sustainable development.

For the case of EU, SFDR and CSRD are an important legal innovation (European Commission 2021). They obligate financial institutions and corporations to disclose the sustainability-related risks and impacts in order to have the possibility to make an informed decision. As Ben Amor and Missaoui (2021, p. 270) write, this type of regulation establishes a sort of sustainable finance “hard law,” combining voluntary ESG pledges to fully-fledged legal obligations.

The next big step in India towards sustainable corporate governance is the Business Responsibility and Sustainability Reporting (BRSR) framework which was introduced by SEBI. According to Mukherjee and Banerjee (2022), BRSR demand top 1,000 listed companies to publish the environmental, social, and governance data in order to make them accountable and comparable. The imposition is patchy in itself, but they do threaten it too as there will be little or no checking of any reported information. This is indicative of a larger malady in developing markets - law is frequently on paper but there is no institutional ability to enforce it.

Comparative Jurisdictional Insights: EU, UK, and India

These frameworks are useful to define sustainability limits, increase the transparency of information and reduce information asymmetries as well as to induce deterrence by sanctions against non-compliance (European Commission, 2021).

Alternatively, the UK has adopted a principles-based approach by creating sustainability as part of its holistic corporate governance code. AbstractThe UK Corporate Governance Code (2018) refers to boards having the culture and behaviours that are fostering the long-term success of the company while having regard, amongst other things, to the interests of the companys. This type of soft-law (Lipman, 2021) nudges variance from prescribed remedies while at the same time is likely to produce uneven implementation.

The hybrid framework of compulsory CSR and voluntary ESG initiatives in India. CSR spends are mandatory in the Companies Act, 2013 (Section 135) for certain companies, while the Business Responsibility and Sustainability Reporting (BRSR), gazetted by SEBI in May 2021, is aimed at sustainability disclosures to allow various stakeholders to compare them on a global scale. But as Singh and Aggarwal (2021) point out, sustainability governance in India still tends to be compliance-oriented rather than outcome-based. Environmental law, corporate law, and financial regulation need to be more closely interconnected to govern green finance in an integrated way.

Board Accountability and Fiduciary Duties in Sustainability

There has been a growing body of literature on the contribution of boards and directors to sustainability. According to Henisz, Koller and Nuttall (2019) fiduciary duties that historically have been focused on shareholder value maximisation are shifting towards wider stakeholder and environmental responsibilities. Such a redefinition mirrors an increasing understanding that corporate sustainability in the long term relies on ecological stability and social license to operate.

The environmental fiduciary duty framework argues that directors must weigh the environmental impacts of corporate acts alongside the financial consequences, as part of their duty of care (Lipman 2021). In the same vein, Condon (2020) argues that fiduciary law should include climate-related financial risk as part of directors' responsibility to oversee risks as fiduciaries, especially for directors of publicly listed companies that are, by virtue of sector, heavily exposed to a carbon-intensive economy.

There is also empirical evidence that supports this theoretical change. In a 2016 study, Khan, Serafeim and Yoon found that firms which managed material sustainability issues, that is where sustainability concerns are most closely aligned with financial performance, outperformed their counterparts in stock market returns and profitability. That's good economic justification for assuring that sustainability is collected in governance frameworks.

ESG Disclosure and Transparency Mechanisms

This idea is great for sustainable corporate governance: disclosure and transparency.

According to Dhaliwal et al. In that (2014), with good mechanisms of sustainability disclosure companies face lesser degree of information asymmetry, which usually results in better confidence of investors. Specifically, as outlined in its 2017 report (TCFD, 2017), the Task Force on Climate-related Financial Disclosures (TCFD) calls on companies to provide disclosures that would enable (at a minimum) informed capital allocation in the face of climate-related risks and governance structures.

The development of ESG disclosure is also composite — while SEBI's BRSR guidelines are a revolutionary reform to institutionalise ESG disclosure in India, according to Mukherjee and Banerjee (2022), this initiative increases the prominence of sustainability initiatives across Indian corporates, and adds that that there is nonexistence of uniform system of measurement for sustainability and independent audits through which the sustainability practices really cannot be reliable.

In contrast, the EU Non-Financial Reporting Directive (NFRD) and its successor, the CSRD have imposed compulsory ESG disclosure requirements upon major corporations, providing for a standardized and comparable reporting landscape (European Commission, 2021). We contend that these measures exemplify how law can therefore become the catalyst of the ideal of transparency as a governance code in order to turn voluntary ESN into calculable accountability.

Greenwashing, Enforcement and Policy Coherence

The green finance is still a significant issue to both funds, as even though the scrupulous legal structures have changed, it is bloating the environmental reward. It is

also unstandardized, as such that is why firms are whitewashing their sustainability reporting with reputation gains (Ben Amor & Missaoui, 2021). As a result, this kind of singularity shakes investors' confidence and drives away from the well-organized green capital markets.

In response to this, scholars suggest the need for stricter regulatory enforcement and independent sustainability verification agencies (Boffo & Patalano, 2020). Good governance also needs coherent policies between environmental law, corporate law, and financial regulation. Tricker (2019) recommends that sustainability is required to be included in the corporate purpose parts of company code so that environmental accountability is a legal obligation and not an optional policy.

India has also seen a fragmented ESG oversight due to weak coordination among regulators such as SEBI, the Ministry of Corporate Affairs and the Reserve Bank of India (Mukherjee & Banerjee, 2022). Green finance will become nothing more than a compliance exercise in many jurisdictions if broader legal architecture is not integrated into the endeavor.

Emerging Theoretical Perspectives

The recent literature indicates that stakeholder theory, institutional theory, and sustainable development theory can be combined in the theoretical frame of reference to explain the linkage between green finance and corporate governance. According to stakeholder theory, a firm is a coalition of stakeholders, and the company will do well if it strikes a balance of interests among many stakeholders (including the environment) (Freeman,

2010). According to institutional theory, the relationship between firm behaviour and sustainable practices has been shaped by legal and normative pressures (Campbell, 2007).

As described by Sjøfjell and Bruner (2019), sustainable corporate governance is an integrative theory reimagining the corporation as an account to society and the planet, Such evolution throws the traditional shareholder-centric model on its head and ushers in a legally enforceable sustainability paradigm.

Research Gap and Need for the Present Study

Although existing research gives substantial information on sustainability in terms of finances and governance initiatives, comparative legal analysis linking green finance mechanisms with corporate governance frameworks across jurisdictions has been rare. The existing studies are predominantly on financial instruments (Zhang & Wang, 2022) or corporate governance reforms (Klettner et al., 2014) but not on the legal interface between them.

Addressing these breaks is key to success, and our study provide insights on the reinforcers of sustainable investment outcomes through legal instruments, specifically the reform on fiduciary duty, regulation of disclosure and governance codes. Writings on the evolving global legal architecture of sustainability finance thus far have focused primarily on more integrated and economically advanced jurisdictions such as the EU and UK, making this analysis in the Indian context an original contribution to the literature.

Research Methodology:

The qualitative and comparative research design underpinned doctrinal legal analysis and empirical content analysis of secondary data were adopted in this study. Due to the empirical nature of objective ground for primary field data is missing element from the subject matter of the study, statutory scrutiny textbook-type comparative legal contexts, international governmental documentation, and empirical deductions from peer-reviewed literature covering manifestations of law and governance dynamics that promote desirable sustainable investment outcomes are adopted as a foundation of this study.

This research will focus on a cross-jurisdictional comparative approach investigating three of the key legal and economic systems in the world today: India, the EU and UK. Through this design, it allows to identify similarities, differences and best practices in the legal regulation of green finance and corporate governance. Similar to this, the same comparative framework also aids in assessing the differing institutional and regulatory environments that frame corporate sustainability behavior (Deakin, 2019).

Objectives of the Study

This study has three main purposes as follows.

- To find out the legal ways that are used to promote sustainable investment by framing the corporate governance frameworks.
- Analysing the Similarities and Differences between the Policy/Regulatory Framework — green finance governance in India, EU and UK.
- The Objective To identify the linkages between corporate governance principles (fiduciary duties, disclosures, and stakeholder engagement) and green finance practices.
- To assess the challenges and enforcement gaps within current legal frameworks that stand in the way of sustainable investment.
- To formulate policy recommendations for the alignment between corporate governance and green finance regulations in emerging and developed economies.

Together, these goals direct the research toward how law serves both as an enabler and a regulator of corporate conduct that is oriented at sustainability.

Research Questions

In order to do this the research is framed by the following research questions:

1. What are the main legal and governance drivers that support sustainable investment?
2. How do different regulatory frameworks, such as those in India, the EU and the UK, institutionalise green finance?
3. How do fiduciary duties, disclosure requirements, and the accountability of boards to shareholders enable sustainable behaviour within corporations?
4. What are the key challenges, enforcement gaps, and policy limitations that hinder legal frameworks from informing sustainable finance?
5. Which legal reforms are needed to enhance corporate governance in terms of promoting green finance and sustainable development?

Hypotheses:

The study proposes and examines the following hypotheses:

- **H1:** Effective corporate governance frameworks significantly influence the promotion and adoption of green finance mechanisms.
- **H2:** Jurisdictions with codified ESG and sustainability reporting requirements exhibit higher transparency and investor confidence in sustainable investments.
- **H3:** The legal integration of fiduciary duties with environmental accountability enhances corporate commitment to sustainable practices.
- **H4:** Weak enforcement mechanisms and policy fragmentation hinder the effectiveness of legal frameworks promoting green finance in developing economies.
- **H5:** Harmonization of corporate law and environmental regulation can serve as a catalyst for global sustainable investment growth.

These hypotheses are tested qualitatively by evaluating legal texts, policy frameworks, and comparative institutional evidence rather than statistical models.

Theoretical Framework:

Three primary theoretical lensing frameworks of law, governance, and sustainability which the research is based.

Stakeholder Theory (Freeman, 2010):

Proposes the idea that corporations are morally and legally obligated to not only serve shareholders but also to consider the interests of all stakeholders, including

employees, investors, consumers, and the environment.

Institutional Theory (Campbell, 2007) —

Argues that corporate behaviour toward sustainability is determined by institutional pressures, such as regulation, professional norms, and societal expectations.

Abstract Sustainable Development Theory (Brundtland Commission, 1987):

Provides the lens through which corporate governance and finance, as economic activities, must recognise the acquisition of resources necessary to meet their needs without the sacrifice of future generations' ability to meet their own needs.

Based on this synthesis, the study articulates an understanding of green finance and corporate governance as supplementary mechanisms of legal and institutional design of sustainable development.

Data Sources and Collection

The research is based primarily on **secondary data** collected from:

- **Statutory and regulatory documents:** Companies Act (India, 2013), SEBI (LODR) Regulations (2015), BRSR Framework (2021), EU Taxonomy Regulation (2020), EU Sustainable Finance Disclosure Regulation (2019), and UK Corporate Governance Code (2018).
- **Policy reports:** World Bank, OECD, and United Nations Environment Programme (UNEP) reports on sustainable finance and ESG governance.
- **Academic literature:** Peer-reviewed Scopus and Web of

Science journal articles published between 2010–2024.

- **Corporate sustainability disclosures:** ESG and BRSR reports from major listed firms in India, the EU, and the UK.

Sampling and Jurisdictional Scope

The sampling of jurisdictions—a purposive selection—includes three governance regimes that represent

European Union (EU): A good instance of a rules-based sustainability prototypical with strong legislative instruments (e.g. SFDR, CSRD).

UK (United Kingdom): Implicates a principles-based approach to governance that focuses on choice as representing boards and accountability as stakeholders.

India: Mix Legal Mechanism Acceptance of Economic Growth and Environmentally Friendly Regulation (CSR Mandates and BRSR) as a model of an Emergent Economy.

The study targets leading companies in the banking, energy and manufacturing sectors—high environmental-impact, green finance exposed jurisdictions in these sectors.

Data Analysis and Analytical Framework:

Having a qualitative method of study, data are analysed by the doctrinal-comparative approach and content analysis methods. This analysis will be performed as follows:

Comparative Approach: Majority of trends, cohesions and differences between

jurisdictions/regulators on green finance and ESG governance.

Content substantive analysis: In which researchers examine disclosures and reports that firms make in terms of agreement with the law and its quality of governance.

Synthesis and Evaluation: Findings Analysis with synthesis of the findings, and normative assumptions of legal reform based on theoretical concepts.

This model of analysis is structured around three dimensions:

Responsibilities of the board, disclosures, and accountability (instruments of governance).

Financial instruments (green bonds, eco-related loans, sustainability funds)

Legality of a law (compulsory and intentional compliance regimes)

Findings and Recommendations:

Overview of Findings

This cross-jurisdictional assessment above shows that such a consolidative legal tool, along with matching corporate governance mechanisms, is an essential condition for fast-forwarding the implementation of sustainability into frontstage commercial and corporate decision-making. All three regions recognise the importance of transitioning to a low-carbon economy, but the regulatory path and its enforcement vary widely, influencing the effectiveness of green finance implementation between the three regions.

In summary, the results are consistent with the main hypotheses that:

There is a large positive association between the quality of the governance and disclosure frameworks in a country and the flows of sustainable investments there (which supports H1 and H2);

Adoption of fiduciary duties with sustainability principles makes corporate governance more responsible (supports H3)]

In emerging economies, not only weak enforcement but also fragmentation of policies undermines the impact of legal reforms (supports H4); and

H5: Legal harmonisation across jurisdictions can be a springboard for global growth in sustainable finance.

The results are split amongst the four main pillars — regulatory structure, corporate governance practices and sustainable finance performance, which are elaborated further below.

Comparative Findings by Jurisdiction:

Institutional Leadership in Sustainable Finance EU European Union

The tailored post comes just ahead of the European Union Institute of Japan's (EUIJ) half-day symposium on the Sustainability of Green Finance, which discusses the EU as a novel form of global green finance governance – the most integrated and developed green finance governance legal ecosystem in the world. Last but not least, the EU Sustainable Finance Action Plan (2018), the Taxonomy Regulation (2020) and the Sustainable Finance Disclosure Regulation (SFDR, 2019) institutionally embed ESG into financial and corporate systems (European Commission, 2020).

The Corporate Sustainability Reporting Directive (CSRD, 2022) requires large and public companies to provide disclosures on sustainability covering Fair Share (covering supply chains) and value-chain emissions. This has established a high level of transparency which allows investors to assess climate-related risks and sustainability performance (La Torre et al., 2021)

The governance style of the EU is rules-based and mandatory, a composition of prescriptive disclosure requirements with enforcement through financial supervisory authorities. According to the findings, EU-list firms have a strikingly superior ESG performance and investor confidence than non-EU-list companies (Grewal et al., 2022). These statistics further emphasise the EU's regulatory success in green bonds, as almost two-thirds of the global green bond issuance by value takes place in the EU (Climate Bonds Initiative, 2023).

But there are still footprints to realize steadiness across member states, both in line with national corporate laws and EU-level sustainability directions. At the same time, the complexity of the taxonomies together with different perceptions of what a "green" investment is can create compliance costs for smaller firms (Berg et al., 2021).

The UK: Governance Embodying Principles & the Market

The UK uses a principles-based approach to regulation with a focus on board accountability, transparency and market discipline. Mandatory disclosures related to climate and sustainability risks for listed companies are being introduced in the UK Corporate Governance Code (2018) and the

Companies (Strategic Report) Regulations (2013). The Financial Conduct Authority (FCA) has introduced new rules requiring Task Force on Climate-related Financial Disclosures (TCFD) aligned reporting for premium-listed factors.

However, the findings also demonstrate that the “comply or explain” model is flexible enough to facilitate adaptive governance, even though it might contribute to reporting quality inconsistency (Solomon & Solomon, 2021). While UK companies are among the highest performers in in voluntary ESG integration (e.g. strong shareholder activism and stewardship codes), they are not always held to account for their environmental performance because they face no explicit legal obligation in this area (Arjaliès & Mundy, 2013).

However, the UK continues to lead the charge in the green bond market and sustainable finance innovation. The launch of the UK Green Gilt and Green Finance Institute indicates the commitment of the government to mobilising capital on a sustainable basis. Although the incorporation of climate-related disclosure into fiduciary duties is new, even in the absence of hard law, such enforcement pales in comparison with the EU.

India: Emerging Hybrid Legal Framework for Green Governance

The ecosystem for green finance and corporate behavior in India is still maturing but is evolving strategically. The Companies Act, 2013 has initiated a legal requirement for corporate social investment, the first of its kind in the world, through its mandatory CSR (Section 135) provisions. But practice of CSR has

remained more philanthropic than strategic, missing the link with green finance or sustainable business model (Kumar & Prakash, 2019).

Over the years, the Securities and Exchange Board of India (SEBI) has been taking steps towards evolving the ESG governance through the Business Responsibility and Sustainability Report (BRSR, 2021) which is now a mandatory report for the top 1,000 listed companies in India. The BRSR offers a structured set of ESG disclosures mapped along the frameworks of the Global Reporting Initiative (GRI) and TCFD (SEBI, 2021).

Since the establishment of the green bond market in India in 2015, the market has expanded exponentially: as of 2024, cumulative issuance crossed USD 30 billion, with renewable energy and clean infrastructure at the forefront (Climate Bonds Initiative, 2023). But governance holes remain in transparency, verification, and post-issuance monitoring of green tasks. Regulatory enforcement is patchy at best and there still is a lack of common taxonomy that would define sustainable finance instruments (Sharma & Jain, 2023).

The results confirm the sustainability promise of India’s hybrid model — blending obligatory CSR, semi-voluntary ESG disclosure, and developing financial regulation — but need better institutional vectors and clarity of law if sustainability talk is to be effectively actioned.

Thematic Findings Across Jurisdictions:

Role of Corporate Governance in Green Finance

In all three jurisdictions, corporate governance serves as an institutional

channel to implement sustainability in business. According to Eccles & Klimenko (2019) boards integrating ESG oversight into fiduciary responsibilities show across-the-board improvements in risk management, transparency, and investor trust.

Sustainability, according to the study, is most comprehensively institutionalised when:

Board-level committees that are exclusively focused on oversight of ESG and sustainability;

Top executive pay is tied to sustainability outcomes;

Laws, in turn, strengthen the fiduciary duty to incorporate environmental sustainability; and

Standardised disclosure requirements that are externally verified.

While the EU is foremost in legislating these factors, the UK is based on voluntary compliance and along path of gradual

Assessment of Hypotheses

Hypothesis	Finding	Evaluation
H1: Effective governance indorses green finance.	Supported across all authorities. Firms with organized ESG governance show greater green finance acceptance.	Accepted
H2: Compulsory ESG expose increases transparency.	Empirical and monitoring data support this. The EU’s SFDR and India’s BRSR improve responsibility.	Accepted
H3: Incorporation of fiduciary duties with environmental obligations enhances corporate sustainability.	Long-established by EU and UK frameworks; developing in India through SEBI and MCA guidelines.	Accepted
H4: Weak application challenges green finance adoption.	Evident in India where governing capacity lags, and in smaller EU states.	Accepted
H5: Harmonized global legal contexts foster sustainable investment.	Relative findings confirm that arrangement across taxonomies and standards improves capital flow and investor confidence.	Accepted

institutionalisation through several SEBI initiatives.

Legal and Regulatory Mechanisms

How binding a green finance commitment is — and how much will actually come out of these commitments — depends heavily on the legal frameworks that address them. While the EU’s SFDR and CSRD are binding sustainability disclosure regimes, the UK’s framework is voluntary but nudges compliance through market discipline, and India’s BRSR provides incremental transparency through regulatory mandates.

The comparative results assume that legal binding instruments produce a stronger embedding of sustainability in contrast to voluntary guidelines (Lo, 2022). However, without that investment in capital, over-regulation will get lost on developing economies, which is why it is so critical that it be fit to that capacity.

Policy and Legal Recommendations

The policy and legal commendations solve this problem by enhancing the networks between socially responsible corporate governance and sustainable investing.

Drafting Regulations to Further Integrate ESG

Though governments have a greater role to play, transitioning from voluntary disclosure systems to mandatory instances of ESG within corporate governance codes and financial regulation. Legal obligations for boards to monitor sustainability policies.

Harmonizing Fiduciary Duties with a Duty to Earth

Directors confront the need to resist the market for short-termism in favour of a long-term focus; and their corporate law ought to set forth as a bright line rule the necessity of integrating stakeholder and societal interests into fiduciary duties that attend directors' long-term directives. Ejamil, N. G. (2020). Nature as the Third-Party Creditors: Humans as a part of Nature: Why 'Duty of care' and 'duty to act in good faith' should be judicially proceeding the principle of "Environmental stewardship". OUP Blog. Retrieved from

Developing a Unified Green Taxonomy

Green taxonomy is synonyms to balance market fragmentation and greenwashing. Adopting an EU-aligned taxonomy also makes cross-border comparability much easier and will bring green finance from all around the globe to India.

Enhancing Disclosure Standards and Verification

Independent third-party verification of the sustainability disclosures and green bond

proceeds should be mandated by governments and regulators. This would enhance transparency and comparability for analysis if integrated with digital disclosure platforms (i.e. tagging for ESG data using XBRL).

Using Fiscal and Monetary Policy to Push Green Finance

Tax breaks, concessional credit lines and green central bank punches can fast track sustainable investment. For example, India's Reserve Bank could replicate the green refinancing frameworks of the European Central Bank to reduce the cost of capital for green projects with credible verification.

Capacity Building and Corporate Training

Without capacity-building initiatives for corporate boards, auditors, and regulators, legal mandates will not suffice. Mandatory ESG governance certification program for directors and Compliance Officers must be initiated by SEBI, ICSI, ICAI.

Addressing Greenwashing through Legal Accountability

Commensurate with this, passing of anti-greenwashing legislation with civil and administrative penalties can make sustainability claims credible. Regulators were also urged to set up dedicated enforcement units in financial watchdogs to ensure compliance.

ESG integration in Public Procurement and SOEs

Based on these two considerations, governments could also use their purchasing power to further integrate ESG

criteria in public procurement and in SOE governance frameworks, therefore mainstreaming sustainability in the public and private sector.

Enhancing Cross-Jurisdictional Cooperation

Global ESG standards should be designed in a coherent legal and regulatory environment with sustainable finance

Long-Term Legislative Roadmap for India:

This comprises representation of Sustainable Finance and ESG Reporting Act that cartels CSR, BRSR and green bond regulation; Climate Risk Assessment to be a Component of SEBI Listing Requirements; and National Green Finance Authority to oversee agreement and coordinate across ministries, regulators and financial institutions

Policy, Practice, and Research suggestions:

For a policy maker, this implies writing off sustainability in companies' law as well as in finance law as a precondition of the SDGs.

For corporations, they emphasize the strategic art of integrating ESG into the firm to improve firm competitiveness, reputation and investor confidence.

It opens quite a door for interdisciplinary environmental law and corporate governance and fiscal regulation for some scholars.

This study can be accompanied with quantitative econometric analysis linking ESG compliance scores to capital costs and firm recital across jurisdictions.

Conclusion:

An emergence of meta-paradigmatic changes in existing financial and law systems is a manifestation of corporate governance standards. Indeed, this is especially so when one makes a comparison between India and EU and UK - where the setting up of the most sustainable economic activity: the answer is in the laws and the character of the governance agenda that drove this capital. We see, in striking contrast to jurisdictions where compulsory disclosure of ESGs, sustainability reporting and fiduciary duty to affect have become institutionalised (most obviously the EU) we are sighted shallower transparency levels, low investor trust, and quantifiable flows of green investment.

These results confirm that corporate governance is a key enabler of sustainability through a synergy with environmental and social mandates. However, still the emerging original states like India find it difficult across to implement, monitor the data and rule plan amalgamation. Though initiatives and frameworks such as the Business Responsibility and Sustainability Report (BRSR) by SEBI and green bond have seen some successes in establishing green finance, the absence of a taxonomy and adequate monitoring process continues to prevent systemic impact across sectors.

As we have covered above in achieving sustainable transformation, the legal & policy frameworks have to stop purely being voluntary and evolve into laws requiring the integration of sustainability with investment decision making, so fiduciary duties become aligned with sustainable finance. What we actually need to address greenwashing and hold companies genuinely accountable is stronger regulatory enforcement, harmonised disclosure standards around the globe, and a strengthening of the built institutions of sustainability.

The argument of sustainable investment is not merely a monetary one, but some legal and moral argument of intergenerational equity. In case sustainability is a part of corporate governance DNA - and governance is implemented in reality throughout the board by the stakeholders, investors, creditors and the audit profession > economic progress to the degree that this occurs > sustainability results to the environment and society. It will be necessary to drive corporations and capital markets towards a resilient and sustainable future by the use of a single international legal infrastructure that is founded on openness, accountability and compliance.

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