From Paris to the Boardroom: Can Voluntary Corporate Climate Governance Deliver India's NDCs?

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The highly contentious adoption of the Paris Agreement has been a harbinger of climate governance, altering the relationships among states, markets, and even non-state actors, without primarily focusing on state obligations; rather, it has adopted a dual-strategy approach to meaningful decarbonisation that must go beyond state actors. It recognises the importance of the participation of businesses, financial institutions, investors, civil society organisations, and other allied market actors to achieve the climate goal of keeping the temperature rise to 1.5°C–2°C above pre-industrial levels. The International Court of Justice's characterisation in its Advisory Opinion on Climate Change, of this temperature goal as necessarily collective reinforces this broader conception of climate governance. It states that no State can achieve the goal in isolation, its attainment necessarily depends upon coordinated action extending beyond governments to the market and other non-state actors. This post argues that the climate ambition can be achieved by incorporating both voluntary standards and enforceable climate mandates on private entities as well.

Apart from being home to the world's largest population affected by climate change, India is also one of the world's leading economies, and this dichotomy puts it in the middle of leading change to include climate as a developmental metric, not merely at the state level but also at the individual corporate level. Indian corporations have also taken this mantle seriously, even voluntarily, as they routinely publish sustainability reports, announce net-zero targets, undertake climate-risk assessments, participate in carbon market preparations, and disclose environmental, social and governance (ESG) metrics. These are voluntary mechanisms that have also been linked to better market acceptance and higher returns, as investors have become increasingly focused on these metrics and on valuing companies accordingly. These voluntary disclosures, such as the National Guidelines on Responsible Business Conduct, have also been incorporated by regulatory institutions such as the Securities and Exchange Board of India (SEBI), which has introduced the Business Responsibility and Sustainability Reporting (BRSR) framework – a disclosure framework specifically for large market-cap companies intended to increase transparency and accountability regarding corporate environmental performance. Though the central question remains – to adopt a dual strategy approach (which involves state and market forces) to achieve our climate targets under the newly published Nationally Determined Contributions (NDCs), whether voluntary corporate climate governance alone can be meaningful, or does it require a stronger regulatory enforcement mechanism?

Before we delve into that question, we need to first understand India's recently published NDC (March 2026), which is an attempt to balance developmental imperatives, energy security, poverty alleviation, and economic growth with the need for deeper decarbonisation, building on its earlier commitments, which have seemingly been achieved ahead of schedule. The NDC explicitly recognises the importance of private investment, research and development, technological innovation, market participation, large-scale renewable energy deployment, green hydrogen initiatives, carbon market development, and climate adaptation measures. This distinction becomes crucial for evaluating corporate climate commitments, where any corporation's actions must be assessed against India's broader developmental context rather than through frameworks imported wholesale from developed economies, while achieving decarbonisation and simultaneously expanding energy access, industrial production, urbanisation, and economic development.

In recent years, India has witnessed a remarkable expansion of voluntary corporate climate initiatives through adopting international frameworks such as the Global Reporting Initiative and the Task Force on Climate-related Financial Disclosures, establishing ESG committees at the board level, integrating climate risk into enterprise, announcing net-zero targets beyond timelines committed by India in its NDCs, and business risk management systems, and simultaneously committing to renewable energy procurement. These climate performance metrics across industrial sectors have also been seen as determinants of competitiveness, investor confidence, and access to international markets, and as a means to ensure business outcomes aligned with their bottom line. Investors are also keen on climate disclosures, and international supply chains are imposing sustainability requirements, including carbon border adjustment measures and sustainability-linked procurement requirements, which are therefore becoming part of corporate strategy. While there are legitimate concerns about their effectiveness, voluntary corporate initiatives play an important role in advancing climate action, as they often move faster than litigation and legislation. It also includes voluntary initiatives that encourage innovation and mainstream climate considerations across sectors, helping boardrooms increasingly view climate risks as financial risks and fostering an overall culture of climate responsibility, which may facilitate stronger adherence to eventual regulations.

However, viewing these solely as "voluntary" disclosures and commitments may also create a misleading impression, as they often operate within a broader regulatory architecture that indirectly encourages adherence to the overall climate architecture. A notable example is SEBI's BRSR framework, which does not mandate emissions reductions; it requires specified companies to disclose sustainability-related information, including environmental performance indicators, thereby exerting reputational and market pressures on corporate behaviour and, in turn, increasing their financial strength. Another example is the Carbon Credit Trading Scheme, which influences market-based mechanisms, though initially restricted to certain sectors. In this sense, much of what is described as voluntary climate governance actually operates within a framework of regulatory requirements and market incentives.

Apart from these reporting mechanisms working within the aspects of the regulatory governance framework, there are multiple other issues, such as the problem of greenwashing, where net-zero pledges may seem lucrative, but may extend to several decades in the future, requiring minimal immediate action or not presenting a clear pathway to achieve these targets. In fact, most of these corporations often rely on carbon offsets rather than direct emissions reductions, while offsets may have a role in climate mitigation, excessive dependence on them risks delaying genuine decarbonisation, which becomes incredibly problematic in sectors such as steel, cement, aviation, shipping, and fossil fuel production, where meaningful emissions reductions require substantial structural changes rather than symbolic commitments.

Another issue is alignment with national climate goals, such as the NDCs, which set economy-wide commitments that balance climate action with developmental priorities, where corporate strategies, by contrast, are typically designed to maximise shareholder value and minimise business risk. While these objectives may overlap, they are not identical,which creates a risk that voluntary initiatives generate impressive sustainability metrics at the firm level without producing sufficient emissions reductions at the national level. India's own experience also demonstrates that mandatory regulation alone has produced mixed results. Measures such as the Perform, Achieve and Trade scheme, Renewable Purchase Obligations, and emissions standards for thermal power plants have improved energy efficiency and encouraged renewable energy deployment, but their effectiveness has often been constrained by uneven enforcement, compliance gaps, regulatory delays, and sector-specific exemptions. These experiences suggest that while mandatory regulation is indispensable, it is insufficient on its own. Equally, voluntary corporate initiatives may be effective among firms seeking international investment or export market access, but domestic industries facing limited external pressure often have fewer incentives to adopt ambitious climate strategies. The debate, therefore, should not be framed as a choice between voluntary action and regulation, but rather as a hybrid governance model in which regulatory mandates set minimum standards while voluntary initiatives drive innovation and ambition.

Voluntary initiatives can drive innovation, experimentation, and leadership. Regulatory frameworks can establish minimum standards, ensure accountability, and prevent free-riding, which, combined with several policy measures, could strengthen this hybrid model. The effectiveness of this hybrid model, however, depends on careful institutional design. Disclosure frameworks such as SEBI's BRSR can improve transparency and enable investors, lenders, and consumers to distinguish genuine climate performers from greenwashing, but disclosure alone cannot compel emissions reductions. Instead, information generated through such frameworks should complement sector-specific regulation, climate finance, and carbon market mechanisms. Equally, carbon markets must be supported by robust monitoring, reporting, and verification systems to maintain environmental integrity and avoid the over-crediting and reliance on offsets that have undermined similar markets globally. The principal challenge, therefore, lies not in expanding disclosure obligations into substantive climate mandates but in ensuring that regulatory institutions, financial markets, and corporate governance operate in a coordinated manner so that voluntary commitments translate into measurable progress towards India's NDCs.

Some proposed policy measures could include gradually evolving climate disclosures from procedural reporting requirements towards outcome-oriented performance metrics, developing sector-specific decarbonisation pathways to align corporate action with national climate objectives, and ensuring carbon markets incorporate robust monitoring, reporting, and verification mechanisms to ensure environmental integrity. Given that climate-risk assessments and ESG investments are directly linked to investor confidence and financial returns, they should also be integrated into financial regulation and lending practices while keeping the NDCs in mind.

Comparative experience from emerging economies similarly demonstrates that effective corporate climate governance is most successful when voluntary initiatives operate alongside regulatory intervention. China has adopted a hybrid model by combining mandatory energy-efficiency targets, its national Emissions Trading System, and green finance policies with voluntary corporate sustainability reporting and net-zero commitments. Likewise, South Africa integrates carbon pricing under the Carbon Tax Act with climate disclosure requirements and the Just Energy Transition framework, balancing emissions reductions with developmental and energy security concerns. These examples illustrate that hybrid governance succeeds by assigning complementary roles to regulation, market incentives, and corporate initiative: regulation establishes minimum standards and accountability, while voluntary commitments encourage innovation, investment, and climate leadership beyond legal compliance. As India seeks to achieve its NDCs while balancing economic growth and developmental priorities, a similarly integrated governance framework may offer a more effective pathway than reliance on either voluntary or mandatory measures alone.

The journey from Paris to boardrooms in India ideally reflects a profound transformation in climate governance, where corporations are no longer peripheral actors in climate policy but are now considered central participants in the global transition towards a low-carbon economy. While voluntary mechanisms have worked thus far, India's ambitious NDCs require more than corporate ambition. The country's climate commitments involve complex trade-offs between decarbonisation, industrialisation, poverty reduction, energy security, and developmental justice. Such objectives cannot be achieved solely through voluntary initiatives. Achieving meaningful climate progress will require a governance architecture in which corporate commitments support, rather than merely symbolise, India's transition towards a climate-resilient and low-carbon future.

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