

Legal Dimensions of Environmental Governance in Merger and Acquisition Transactions: India and Beyond

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Abstract

The connection between commercial dealings and environmental stewardship is becoming increasingly significant in the era of sustainable development. This study examines how environmental governance obligations are integrated into mergers and acquisitions (M&A) with a focus on corporate responsibility within Indian and International regulatory frameworks. As environmental concerns increase globally regulatory bodies are imposing stricter obligations on companies to ensure environmental compliance across the transaction lifecycles. Particular attention is paid to the necessity for due diligence in meeting environmental criteria, duty transfers, and compliance issues. In addition to international norms like the Paris Agreement's tenets and the OECD guidelines, the research looks at significant legislation including the Environment (Protection) Act of 2010. It highlights the importance of representation and warranties, indemnity agreements and environmental due diligence in lowering liability. The findings point to a growing convergence between environmental governance and corporate law and support more transparency, stakeholder participation and robust enforcement mechanisms in M&A transactions.

Keywords: Corporate Liability, Environmental Governance, Mergers & Acquisition, Corporate Accountability.

1. Introduction

Mergers and Acquisition (M&A) have historically helped business expansion, diversification, and restructuring. However, in addition to regulatory compliance, environmental risks, the firm's survival, and its reputation have made the integration of environmental governance need in M&A transaction an essential area of legal and economic study. Due to the worldwide trend toward sustainable growth and evolving legislative frameworks, business must consider environment, Social and Governance (ESG) aspects at every level of the M&A process. This study investigates the legislative frameworks governing environmental pledges in M&A and the strategies employed to ensure corporate accountability in environmental matters, with a focus on both the Indian and International Contexts.

2. The Evolution of Environmental Governance in Merger & Acquisition

2.1. From ESG integration to Financial Metrics

Financial factors like as market share, cost synergies and revenue growth have historically been prioritize in mergers and acquisition (M&A). however, the addition of environmental, social and governance (ESG) concerns has radically altered how agreements are evaluated, transforming environmental risks into critical variables determining the success of the transaction. Acquirers must increasingly review objectives of environmental compliance, climate resilience and sustainability practices in addition to normal financial measures because to increased regulatory scrutiny, investor demands and stakeholder engagement.

In the early 2000s, industry pioneers like Unilever demonstrated the strategic benefits of aligning M&A with ESG objective through acquisitions like Ben & Jerry's¹, which emphasized similar social and Environmental ideals.

¹ Page, A. And Katz, R., 2012. The Truth About Ben And Jerry's.

However, widespread adoption accelerated after 2015 as a result of international agreements such as the Paris Agreement and regulatory regulation such as the EU's Corporate Sustainability Reporting Directive. India's Environment (Protection) Act of 1986 established environmental due diligence. SEBI's Business Responsibilities and Sustainability Reporting (BRSR) standards require purchasers to review compliance records, environmental obligations, and carbon footprints².

Environmental issues now have a direct influence on risk allocation and transaction value. Transition risks such as carbon taxes and stranded assets may devalue carbon-intensive assets that were previously priced based on their short term profitability. For example, the shutdown of Vedanta Sterlite's Tuticorin mill owing to environmental breaches wipes out billions in worth, demonstrating the financial ramification of non-compliance³. Similarly, Shell's 2021 Dutch court verdict, which demanded a 45% reduction in emissions by 2030, highlighted how the threat of a climate lawsuit may change M&A strategies in the energy business⁴. Acquirers now utilize sophisticated technologies such as TCFD-Aligned climate scenario analysis and an AI Driven due diligence platform to estimate risk. These technologies go beyond financial models to evaluate regulatory risks and physical weakness, such as flood-prone facilities. This transformation is also influenced by stakeholder expectations.

As seen by the resistance to Adani's Carmichael coal mine in Australia, communities and NGO's want transparency, while institutional investors such as BlackRock link financing conditions to ESG performance⁵.

Contractual Protection has been restructured as a result, with indemnities addressing latent risks such as groundwater pollution and representations and warranties now include explicit ESG conditions. As evidenced by Bayer's \$2.4 billion escrow for Monsanto's roundup case, escrow accounts, which generally contain 5-10% of the deal value, lower the risk of undetected contamination. The banking industry has reacted to boost sustainable M&A by offering green bonds and ESG linked loans⁶. Businesses such as Hlocim demonstrated how ESG integration generates long term value by leveraging bolt on acquisitions to accelerate decarbonisation. Companies with poor ESG records, on the other hand, may be excluded or have their prices reduced by purchasers in order to avoid penalties and reputational harm.

2.2 Drivers of ESG Integration in M&A

Regulatory Pressure: Government and international organizations have imposed rigorous environmental controls, increasing the cost of non-compliance and widening the acquirer's exposure.

Investor Expectations: Asset managers and institutional investors place a high value on ESG performance, making it a common demand for funding and investment.

Reputational Risk: Environmental conflicts have the potential to significantly hurt one's reputation, affecting stakeholder trust and market value.

Operational Synergies: Successful integration of environmental practices after a merger may result in cost savings, increased resources efficiency and a competitive advantage.

² Menghnani, B., Babu, S. And Head, F., 2022, March. Business Responsibility And Sustainability Reporting (BRSR)—An Exploratory Study. In *Proceedings Of The International Conference On Industrial Engineering And Operations Management* (Pp. 5166-5173).

³ Allwin Raj ST, R., 2023. FAILURE OF ENVIRONMENTAL GOVERNANCE IN INDIA-STERLITE CASE ANALYSIS. Available At SSRN 4887173.

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⁵ Hasler, O., 2020. Mining As Ecocide: The Case Of Adani And The Carmichael Mine In Australia. In *Illegal Mining: Organized Crime, Corruption, And Ecocide In A Resource-Scarce World* (Pp. 497-527). Cham: Springer International Publishing.

⁶ Bayer's \$2.4 Billion Escrow For Monsanto's Roundup Case, Escrow Accounts, Which Generally Contain 5-10% Of The Deal Value

3. Legal Frameworks Governing Environmental Obligations in M&A

3.1 Indian Legal Framework

3.1.1 Environment (Protection) Act, 1986

The overarching law environmental protection in India is this act. It gives the government the authority to control industrial operations, establish guidelines and levy penalties for environmental damage. The Act's provisions in M&A may result in successor liability for the target company's past or present environmental infractions⁷.

3.1.2 Companies Act, 2013

By establishing social responsibility and environmental accountability as fundamental elements of corporate governance, the Companies Act, 2013 marks a revolutionary change in Indian corporate law. Companies that meet certain financial thresholds (net worth \geq ₹500 crore, turnover \geq ₹ 1000 crore or net profit \geq ₹5 crore annually) are required by section 135, a historic provision, to devote at least 2% of their average net profits from the previous three year to Corporate Social Responsibility (CSR) initiatives. Schedules VII specially identifies environmental sustainability as a focal area, including initiatives pertaining to ecological balance, resource conservation and climate change mitigation, even if the provision generally covers social welfare. Due diligence must evaluate the target's environmental liabilities and compliance with CSR standards, and this legal framework requires directors to include environmental issues into strategic choices, including M&A transactions⁸.

CSR and Environmental Accountability in M&A

Directors are required by law to guarantee CSR compliance under Section 135⁹, which mandates that acquirers assess a targets environmental performance during due diligence. Deal valuation may be impacted, for example, if an industrial target operating without a legal consent to operate (CTO) under the Water Act of 1974 or the Air Act of 1981 requires post acquisition remedial expenses. In order to reduce reputational risks and increases stakeholder trust after a merger, directors must also determine whether the target's CSR initiative – such as waste management or tree planting projects- align with schedule VII's environmental obligations. Under Section 134(8), acquirers risk fines of up to ₹25 lakh for non-compliant corporation and ₹5 lakhs for executives in default if certain factors are not addressed.

Board Responsibilities and Liability Risks

Directors are required by the Act to act in the best interests of the firm, which now specifically includes environmental stewardship. In the course of M&A talks, boards need to :

Assess Environment Liabilities: examine targets for legacy problems such as soil pollution or failure to comply with the Hazardous Waste Rules, 2016, which may lead to successor responsibility in accordance with National Green Tribunal (NGT) precedents.

Make sure CSR is aligned: check to see if the targets CSR spending prioritizes environment initiatives and satisfies legal requirement, for instance, Tata Chemical demonstrated compliance that improves post - merger integration by allocating ₹ 160 million in FY 2022-23 to projects like organic farming and renewable energy¹⁰.

Disclose Material Risks: To provide Openness for investors and regulators, listed acquirers are required by SEBI's Business Responsibility Reporting (BRSR) to disclose inherited environmental liabilities in merger filings.

⁷ Prasad, P.M., 2006. Environment Protection: Role Of Regulatory System In India. *Economic And Political Weekly*, Pp.1278-1288.

⁸ Bergman, M.M., Bergman, Z., Teschemacher, Y., Arora, B., Jyoti, D. And Sengupta, R., 2019. Corporate Responsibility In India: Academic Perspectives On The Companies Act 2013. *Sustainability*, 11(21), P.5939.

⁹ Arora, A., 2023. Enforcement And Compliance: The Case Of Mandated CSR Provisions In An Emerging Economy. *Management And Labour Studies*, 48(1), Pp.64-75.

¹⁰ Aithal, P.S., 2024. Achieving Business Excellence Through Ethical Business Model: A Success Story Of Tata Group, India. *Poornaprajna Int. J. Manag. Educ. Soc. Sci*, 1(2), P.165.

Indian courts have strengthened the link between CSR duties and M&A responsibility. In the instance of Vedanta sterlite's Tuticorin facility, non compliance with environmental regulations resulted in operational shutdowns and financial losses. Highlighting the dangers of poor vigilance. The ministry of Corporate Affairs (MCA) has strengthened compliance with revision such as The Companies (CSR Policy) Rules, 2021¹¹, which mandate thorough CSR reporting and punish and fund misallocation. Acquirers who inherit non-compliant targets may face dual liability: regulatory fines under the Companies Act and environmental penalties under the NGT Act, 2010.

1. Contractual Security and integration strategies to reduce risk, acquirers include CSR-specific terms in deal documents.
2. Representations and Warranties: Sellers must disclose CSR expenditures, current environmental litigation, and compliance with Schedule VII projects.
3. Indemnities: Charge costs to fix pre-existing issues and allocate expenses for addressing pre-existing CSR shortcomings, such as underused money or uncompleted environmental initiatives.
4. Post-Merger Governance: Integrate CSR committees across combined firms to standardized environmental measures, as seen by Mahindra & Mahindra's post-acquisition congruence with its ESG 2030 objectives¹².

Case Study: The Tata Group's CSR-Driven M&A

Tata's acquisition of Bisleri's water sector in 2022 exhibits corporate Social responsibility integration. The agreement includes agreements to increase Bisleri's plastic neutrality programs, which line with Tata's CSR focus on circular economy concepts. Such tactics not only guarantee compliance, but they also boost brand equity and investor trust¹³.

Challenges and Reform Imperatives

Despite development, gaps remain. Only 6.96% of India's CSR monies in fiscal year 2021-22 were directed toward environmental initiatives, indicating a lack of compliance. The MCA's 2023 plan to enforce third-party CSR audits might improve accountability, but SEBI's BRSR core framework (2024) requires detailed disclosures on supply chain emissions and resource consumption, which has a direct impact on M&A values¹⁴.

3.1.3 National Green Tribunal Act, 2010

The Act established the National Green Tribunal (NGT) to resolve environmental disputes in an effective and timely manner. The NGT has the authority to impose strict accountability on firms for environmental damage, including those caused by M&A activity.

3.1.4 The Business Responsibility Reporting (BRR)

The Business Responsibility Reporting framework is based on India's 2009 voluntary Guidelines on Corporate Social Responsibility, which were developed by the Ministry of Corporate Affairs (MCA) to promote openness in non-financial disclosures. BRR was initially applied to the top 100 listed businesses by market capitalization under SEBI regulations in 2012, but it developed into Business Responsibility and Sustainability Reporting (BRSR) by 2021, with coverage increasing to the top 1,000 listed companies beginning in FY 2022-23. By 2025, BRSR will

¹¹ Joshi, M., 2022. Amendment Rules For (CSR Policy), 2021-A Dichotomy In Implementation And Further Challenges. *Issue 1 Int'l JL Mgmt. & Human.*, 5, P.2528.

¹² Potharla, S., 2025. Financial And Strategic Analysis Of Tata Motors: Insights From Corporate Finance Perspectives. *Available At SSRN 5294575*.

¹³ Raj, B., Rahul, J., Singh, P.K., Rao, V.V.K., Kumar, J., Dwivedi, N., Kumar, P., Singh, D. And Strzałkowski, K., 2023. Advancements In PET Packaging: Driving Sustainable Solutions For Today's Consumer Demands. *Sustainability*, 15(16), P.12269.

¹⁴ Ansari, S.T. And Ihlas, T.M., Effective Implementation Of Corporate Social Responsibility: Legal And Ethical Considerations. *Aid In Service: Strategic Outline For Merging*, P.33.

be mandated for these firms, with disclosures on ESG criteria linked with the National Guidelines for Responsible Business Conduct. The Framework stresses sustainability indicators like as emissions, supply chain ethics, and stakeholder involvement, while latest SEBI revision (2024) include value-chain ESG disclosures and enhanced assurance criteria. Unlisted corporations that exceed certain requirements may voluntarily use a “lite version”¹⁵.

3.1.5 Other Relevant Statutes

Water (Prevention and Control of Pollution) Act, 1974

Air (Prevention and Control of Pollution) Act, 1981

Hazardous Wastes (Management and Handling) Rules

3.2 International Legal Framework

3.2.1 OECD Guidelines on Multinational Enterprises

These principles urge multinational firms to engage in good corporate activity, including environmental stewardship during cross-border mergers and acquisitions¹⁶.

3.2.2 Paris Agreement and Climate Commitments

The Paris Agreement’s rules on climate risk disclosure and mitigation are increasingly influencing M&A due diligence and post-merger integration, particularly for corporations with large carbon footprints.

3.2.3 ESG Reporting Standards

Global guidelines, such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) guide the disclosure and management of environmental risks in Merger and Acquisition¹⁷.

4. Embedding Environmental Governance in the M&A Process

In order to prevent risks and comply with evolving regulatory and stakeholder expectations, environmental governance has emerged as a crucial element of contemporary M&A transactions, requiring thorough integration throughout pre-transaction due-diligence, deal structuring and post-merger integration. Thorough environmental due diligence, a multidisciplinary procedure that’s looks for hidden liabilities, compliance gaps, and long term sustainability risks, is the first step in the pre-transaction phase. As demonstrated in situations like ExxonMobil’s acquisition of XTO Energy, where hydraulic fracturing liabilities necessitated thorough evaluations, this calls for thorough site assessments, including Phase I/II Environmental site evaluation to identify contamination from hazardous waste underground storage tanks, or historical land use.¹⁸

As demonstrated by the shutdown of Vedanta Sterlite’s Tuticorin facility due to permit violations, regulatory compliance evaluations are crucial for validating licenses under frameworks like the US Clean Air Act or India’s Hazardous Waste Rules. Examining litigation histories, such as ongoing cases like Shell’s historic climate case in the Netherlands, which required a 45% reduction in emissions by 2030, and previous enforcement actions by organization like India’s National Green Tribunal (NGT), which fined Coca-Cola India heavily for groundwater depletion, are all part of legal due diligence¹⁹.

¹⁵ Menghnani, B., Babu, S. And Head, F., 2022, March. Business Responsibility And Sustainability Reporting (BRSR)—An Exploratory Study. In *Proceedings Of The International Conference On Industrial Engineering And Operations Management* (Pp. 5166-5173).

¹⁶ Weinert, L., 2021. Cooperation On Merger Policy And Best Practices. In *EU Competition Law Volume II: Mergers And Acquisitions* (Pp. 1515-1524). Edward Elgar Publishing.

¹⁷ Parfitt, C., 2024. A Foundation For ‘Ethical Capital’: The Sustainability Accounting Standards Board And Integrated Reporting. *Critical Perspectives On Accounting*, 98, P.102477.

¹⁸ Kelly, A., 2006. XTO Plans Big Push To Develop Permian Basin Oil Assets. *The Oil Daily*, 56(22).

¹⁹ Hassan, N., 2016. Ground Water Depletion Due To Water Mining—A Threat. *J. Environ. Sci. Comput. Sci. Eng. Technol*, 5(2), Pp.129-136.

In order to model financial impacts under various climate scenarios, especially for carbon-intensive sectors vulnerable to stranded assets or carbon taxes under the Paris Agreement, Climate risk assessments now play a significant role. Stakeholder participation during this phase, including discussions with local communities and NGOs, aids in conflicts prevention, as demonstrated by the reaction against Adani's Carmichael Coal Mine in Australia²⁰, where inadequate community communication compounded reputational risk.

Contractual safeguards are employed in transaction structure to distribute environmental risks and protect acquirers from unforeseen liabilities. The first line of defence is representation and warranties, which include sector-specific clauses for industries like chemicals or energy, where warranties on waste management or emission are common, and require sellers to disclose compliance status, the absence of undisclosed contamination, and litigation histories. As demonstrated by Bayer's \$2.4 billion escrow for Monsanto's Roundup legal responsibilities, indemnity provisions offer further security for buyers and are occasionally coupled with escrow accounts containing 5-10% of the contract value to cover clean-up expenditure²¹. Condition antecedent are more stringent, including third-party audits to guarantee ISO 14001 certification of environmental management systems or the correction of identified defects, such as soil decontamination in Dow-Dupont's merger²², with business like AIG offering specialized products for high risk sectors, insurance solutions including environmental liability policies and warranty & indemnity (W&I) coverage have grown in popularity. Judicial trends, such as India's enforcement of successor liabilities in cases like McLeod Russel India Ltd. V. Regional Provident Fund Commissioner (2022), where acquirers were held liable for past noncompliance, and the NGT's strict liability ruling against businesses inheriting hazardous waste sites, have an impact on these mechanisms. In order to ensure compliance and optimize ESG synergies, post-transaction integration seeks to standardize environmental governance across merger companies. The first phase is usually dominated by remediation activities, which include techniques like bioremediation or soil vapor extraction for contaminated areas, supported by liability monitoring software like Enviance to keep track of deadlines and achievements.

ESG integration entails harmonizing policies, such as implementing Science-Based Targets Initiative (SBTi) targets or ISO 14001 standards²³, as demonstrated by Schneider Electric's net zero roadmap, which standardized emissions reporting across acquisitions. Training programs are implemented to educate employees on updated protocols, such as hazardous waste segregation under India's 2016 Hazardous Waste Rules²⁴, while stakeholder engagement focuses on rebuilding trust through transparent communication, as demonstrated by Rio Tinto's post-acquisition partnerships with Indigenous communities in Australia. Reporting transparency is prioritized, with Indian enterprises conforming to SEBI's Business Responsibilities and Sustainability Reporting (BRSR)²⁵ regulations for carbon footprint disclosures, while foreign acquirer use GRI or SASB standards to fulfil cross-border expectation. Continuous monitoring through third-party audits, such as those conducted by ERM for Paris Agreement alignment, and IoT sensors for real-time emissions tracking, as used by Siemens Energy, assure long term compliance.

The chevron- Texaco case in Ecuador exemplifies the disastrous implications of poor environmental governance, as chevron acquired a \$9.5 billion liability for Texaco's prior oil contamination as a result of deficient due diligence and weak contractual safeguards. Proactive initiative, such as AI-powered due diligence tools like Diligent ESG for automated compliance checks and circular economy integration in Unilever's Sustainable Living plan, show how environmental governance can be transformed from a compliance obstacle to a value generator.

²⁰ Cassotta, S., Cueva, V.P. And Raftopoulos, M., 2021. A Case Study Of The Carmichael Coal Mine From The Perspectives Of Climate Change Litigation And Socio-Economic Factors. *Law Env't & Dev. J.*, 17, P.55.

²¹ Bayer's \$2.4 Billion Escrow For Monsanto's Roundup Case, Escrow Accounts, Which Generally Contain 5-10% Of The Deal Value

²² Kerber, W. And Vezzoso, S., 2019. Dow/Dupont: Another Step Towards A Proper Assessment Concept Of Innovation Effects Of Mergers. *Available At SSRN 3856885*.

²³ Söderberg, F. And Bergkvist, M., 2024. Setting Science Based Targets And Adapting Company Operations An Activities.

²⁴ Karthikeyan, L., Suresh, V.M., Krishnan, V., Tudor, T. And Varshini, V., 2018. The Management Of Hazardous Solid Waste In India: An Overview. *Environments*, 5(9), P.103.

²⁵ Debnath, P. And Kanoo, R., 2022. Business Responsibility And Sustainability Reporting: A Way Forward For Indian Corporate Disclosure. *Journal Of Commerce And Trade*, 17(2), Pp.23-31.

Emerging trends, notably India's Draft E-Waste Rules (2024) and the EU's Corporate Sustainability Reporting Directive (CSRD), are urging acquirers to embrace forward – thinking policies. Audits of climate sensitivity and objectives for decarbonizing supply chains are two examples. Effective M&A governance now necessitates a comprehensive approach that combines technical evaluations. Legal protections, and cultural integration to overcome regulatory fragmentation and stakeholder advocacy. Arbitration clauses for ESG disputes under bilateral treaties are becoming more popular, providing confidential settlements for cross-border obligations, whilst tax incentives for thorough ESG due diligence, as envisaged in India's 2024 policy changes, promote openness. By implementing these practices, business can reduce risks ranging from green washing penalties, such as H&M's misleading sustainability claims, to operational disruptions²⁶, while also unlocking opportunities in sustainable technologies and stakeholder trust, ultimately aligning corporate growth with planetary boundaries in an era of increased accountability.

5. Comparative Analysis: Indian and International Practices

5.1. Indian Context

Environmental governance is becoming increasingly important in Indian corporations M&A strategy as a result of regulatory reforms and judicial activism. The NGT had broadened the extent of accountability, making acquirers potentially liable for past environmental damage if due diligence is lacking. Indian case law shows a tendency toward strong enforcement of environmental commitments, especially in the context of corporate reorganisation.

5.2. International Context

Globally, ESG factors are becoming increasingly important in merger and acquisition decision making. In the European Union, rules such as the company Sustainability Reporting Directive (CSRD) and the Sustainable Finance Disclosure Regulation (SFDR) require greater openness and responsibility in company transactions. The OECD guidelines and Paris Agreement Principles emphasize the importance of strong environmental governance in cross border mergers and acquisition. Multinational firms must traverse complicated and frequently contradictory regulatory regimes, necessitating thorough due diligence and customized contractual safeguards.

6. Case Studies and Judicial Trends

6.1 International Case: Chevron-Texaco (Ecuador)

The long-running Ecuadorian lawsuit against chevron (formerly Texaco) highlights the importance of thorough environmental studies and precise contractual responsibility allocation in merger and acquisitions. Chevron acquired hue environmental obligations from Texaco's activities, which resulted in protracted court battles and brand damage.

6.2 Indian Case Law

Acquirers have been found liable by Indian courts and the NGT for environmental harm caused by acquired companies, particularly in cases where due diligence or disclosure was insufficient. For instance, the NGT imposed strict accountability on successor business in cases involving hazardous waste and industrial pollution emphasizing the significance of proactive compliance and repair efforts.

²⁶ Zachariah, M.S. And Shayil, M.A., 2025. Greenwashing As A Catalyst For Market Failure: An Analysis Of H&M. *New Directions In Multidisciplinary Research Integrating Ideas Across Domains*, P.147.

7. The Role of ESG in Risk Management and Value Creation

7.1 ESG as a Risk Management Tool

Business may identify and reduce risks related to regulatory compliance, reputations, and operational disruption by including ESG components into M&A transactions. Because ESG risks are often interconnected and complex, multidisciplinary approaches to assessment and management are required.

7.2 ESG and Deal Valuation

Environmental liabilities may have a considerable influence on deal valuations and financing arrangements. Acquirers may demand price modifications, escrow agreements or insurance to mitigate recognized risks. In contrast, great environmental performance may increase the desirability and value of a target organization.

7.3 Post-Merger ESG Integration

Successful post-merger integration of ESG principles can result in better environmental performance, resource efficiency and stakeholder trust. According to studies, acquirers with strong ESG frameworks are better positioned to monitor and enhance environmental standards after the transaction.

8. Challenges in Integrating Environmental Governance in M&A

8.1 Regulatory Complexity

The diversity of environmental rules, which vary by jurisdiction, sector and transaction type, causes major compliance issues. Companies must balance varying legal requirements and enforcement methods in cross-border M&A transactions, making them particularly difficult.

8.2 Legacy Liabilities

Historical environmental liabilities are famously hard to calculate and may not be completely reported during due diligence. Acquirers must use specialized legal, technical, and financial knowledge to analyse and manage these risks.

8.3 Evolving Standards and Stakeholder Expectations

Companies must keep their policies and procedure up to date due to the fast growth of ESG standards and stakeholder expectations. Failure to do so may result in regulatory consequences, investor divestment and reputational loss.

9. Opportunities and Best Practices

9.1 Comprehensive Due Diligence

Conduct multi-disciplinary environmental evaluations that consider legal, technological, and economical factors.

Engage external specialists to conduct site investigations and compliance audits.

Examine previous operations, regulatory filings and lawsuit records.

9.2 Strong Contractual Protections

Negotiate specific representations, warranties, and indemnities to apportion environmental risk.

To cover future liabilities, consider using escrow or environmental insurance.

Include requirements for cleanup or regulatory approval.

9.3 Post-Transaction Integration

Develop and put into effect an environmental management strategy for the merged organization.

Harmonize ESG reporting and disclosure procedures with global standards.

9.4 Policy and Regulatory Reform

Policymakers should clarify liability regimes and encourage open ESG disclosure.

Encourage standardization to facilitate cross border M&A and decreases compliance requirements.

10. Conclusion

It is now required by law, strategy and ethics to incorporate environmental governance responsibilities into M&A transactions. The legal system in India and throughout the world are shifting towards stricter accountability, more transparency and robust enforcement of environmental obligations. Business may ensure regulatory compliance while also promoting corporate sustainability, risk reduction and long term value development by including ESG considerations throughout the M&A process.

A robust regulatory framework that increases environmental accountability in business restructuring is desperately needed as India advances with its climate commitments and global ESG trends pick up speed. To develop best practices and legislative changes that prioritize environmental sustainability in M&A transaction lawyers, politicians and business stakeholders must collaborate.

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