

Comparative Analysis of Cross-Border Merger Regulations: ESG Integration and Corporate Governance Convergence in the EU and India

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ABSTRACT

The landscape of cross-border mergers and acquisitions (M&A) has undergone significant transformation in recent years, driven by evolving regulatory frameworks that increasingly emphasize environmental, social, and governance (ESG) considerations alongside traditional corporate law principles. This article provides a comprehensive comparative analysis of cross-border merger regulations in two distinct yet increasingly interconnected jurisdictions: the European Union and India. Through systematic examination of legislative frameworks, judicial interpretations, and regulatory enforcement mechanisms, this study identifies patterns of convergence and divergence in how these jurisdictions approach the complex intersection of cross-border corporate restructuring, ESG compliance, and stakeholder protection. The article examines the EU's Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD) alongside India's evolving framework under the Companies Act, 2013, Foreign Exchange Management Act (FEMA), and the Business Responsibility and Sustainability Reporting (BRSR) regime. Through doctrinal analysis, comparative methodology, and empirical examination of recent merger cases, this research demonstrates that while both jurisdictions are moving toward mandatory ESG integration in corporate transactions, significant differences persist in enforcement mechanisms, extraterritorial application, and the balance

between regulatory compliance and business flexibility. The findings suggest that regulatory convergence, while incomplete, is creating a new paradigm in international corporate law where sustainability considerations are no longer optional but integral to the legal validity and commercial viability of cross-border mergers.

KEYWORDS: Cross-border mergers, ESG compliance, corporate governance, comparative corporate law, CSRD, CSDDD, BRSR, regulatory convergence, due diligence, sustainability reporting

I. INTRODUCTION

Cross-border mergers and acquisitions represent one of the most complex and consequential areas of contemporary corporate law, sitting at the intersection of multiple legal domains including company law, competition law, securities regulation, foreign investment rules, and increasingly, environmental and social governance frameworks[1]. The past decade has witnessed unprecedented growth in cross-border M&A activity, with global deal values exceeding USD 1.3 trillion in 2024, reflecting both the opportunities presented by economic globalization and the challenges posed by regulatory fragmentation[2].

However, the traditional legal framework governing cross-border mergers—primarily focused on shareholder protection, competition concerns, and procedural fairness—is undergoing fundamental transformation. The emergence of ESG as a central consideration in corporate decision-making, driven by stakeholder activism, climate imperatives, and regulatory intervention, has created a new paradigm in which corporate transactions must satisfy not only economic efficiency criteria but also sustainability benchmarks[3]. This shift is particularly pronounced in cross-border contexts, where companies must navigate multiple ESG regulatory regimes with varying standards, enforcement mechanisms, and philosophical foundations.

The European Union and India present particularly instructive case studies for comparative analysis. The EU has emerged as the global leader in mandatory ESG regulation, with the CSRD requiring comprehensive sustainability disclosures and the CSDDD imposing due diligence obligations extending throughout corporate value chains[4]. These directives represent a fundamental reconceptualization of corporate responsibility, moving from

voluntary guidelines to legally enforceable mandates backed by significant penalties. In parallel, India has developed its own distinctive approach through the BRSR framework introduced by the Securities and Exchange Board of India (SEBI), combining mandatory disclosure requirements with graduated enforcement and recognition of developing economy constraints[5].

This article addresses three central research questions. First, how do the legal frameworks governing cross-border mergers in the EU and India accommodate ESG considerations, and what mechanisms do they employ to ensure compliance? Second, what patterns of regulatory convergence and divergence can be identified between these jurisdictions, and what factors explain these patterns? Third, what implications do these evolving frameworks have for multinational corporations, legal practitioners, and policymakers seeking to facilitate efficient yet responsible cross-border corporate restructuring?

The analysis proceeds in five parts. Part II examines the legal framework for cross-border mergers in the European Union, with particular emphasis on recent ESG-related directives. Part III analyzes the Indian framework, including the Companies Act, FEMA, and BRSR requirements. Part IV provides comparative analysis identifying convergence patterns and persistent differences. Part V examines practical implications through case studies and empirical evidence. Part VI concludes with observations on the future trajectory of international corporate law in the ESG era.

II. THE EUROPEAN UNION FRAMEWORK FOR CROSS-BORDER MERGERS

A. Traditional Framework: The Cross-Border Mergers Directive

The foundation of EU law on cross-border mergers remains Directive 2005/56/EC (subsequently codified in Directive (EU) 2017/1132), which established harmonized procedures for mergers between companies incorporated in different Member States[6]. This framework was revolutionary in enabling corporate mobility within the internal market while preserving creditor rights, employee participation, and minority shareholder protections. The Directive established key principles including: (1) requirement for a common draft terms of merger; (2) management reports justifying the transaction; (3) independent expert examination; (4) information and consultation rights for employees; and (5) creditor protection mechanisms.

However, the traditional framework was primarily economic in orientation, focusing on facilitating market integration while protecting immediate stakeholders. Environmental, social, and broader governance considerations beyond shareholder rights received minimal attention. This narrow approach has been fundamentally challenged by recent legislative developments.

B. The Corporate Sustainability Reporting Directive (CSRD)

The CSRD, adopted in 2022 and entering into phased implementation through 2026-2028, represents a paradigm shift in European corporate law[7]. Unlike its predecessor, the Non-Financial Reporting Directive (NFRD), which applied to approximately 11,000 companies, the CSRD extends mandatory sustainability reporting to approximately 50,000 companies, including non-EU companies with significant EU operations.

The CSRD's implications for cross-border mergers are profound and multifaceted. First, it mandates comprehensive ESG disclosures using the European Sustainability Reporting Standards (ESRS), covering environmental impacts (climate change, pollution, biodiversity), social matters (workforce conditions, human rights, community impacts), and governance structures[8]. These disclosures must employ double materiality assessment, considering both how sustainability issues affect the company (financial materiality) and how the company affects society and environment (impact materiality).

Aspect	NFRD (Previous)	CSRD (Current)	Impact on M&A
Scope	~11,000 companies	~50,000 companies	Greater due diligence requirements
Standards	No specific standards	ESRS mandatory standards	Standardized comparability in valuation
Assurance	None required	Limited then reasonable assurance	Enhanced credibility of disclosures
Digital Format	Not required	XBRL/machine-readable required	Automated risk assessment tools

Value Chain	Optional	Mandatory reporting	Supply chain liability considerations
Double Materiality	Single materiality	Double materiality required	Broader risk identification

Table 1: Comparison of NFRD and CSRD requirements relevant to cross-border M&A transactions

For cross-border mergers, CSRD compliance creates new due diligence obligations. Acquiring companies must assess target companies' sustainability reporting compliance, identify potential liabilities from past non-compliance, and plan for post-merger integration of reporting systems[9]. The requirement for third-party assurance of sustainability information adds another layer of verification, effectively creating an ESG equivalent to financial audits. Moreover, the digital reporting requirements using XBRL tags facilitate automated analysis and comparison, enabling investors and regulators to identify discrepancies or risks more readily.

The February 2025 "Omnibus" proposal, while seeking to simplify certain CSRD requirements and extend compliance timelines, maintains the fundamental mandatory nature of sustainability reporting[10]. The proposal's recognition of "negative impacts of current geopolitical tensions and economic conditions" reflects ongoing tensions between sustainability ambitions and competitiveness concerns, a theme that will likely persist as implementation proceeds.

C. The Corporate Sustainability Due Diligence Directive (CSDDD)

Adopted in 2024 and representing perhaps the most ambitious mandatory due diligence regime globally, the CSDDD establishes legally enforceable obligations for large companies to identify, prevent, mitigate, and account for adverse human rights and environmental impacts throughout their operations and value chains[11]. The directive applies to EU companies with more than 500 employees and €150 million turnover, and to non-EU companies with €300 million EU turnover, creating significant extraterritorial reach.

The CSDDD's core obligations include: (1) integrating due diligence into corporate policies and risk management systems; (2) identifying actual and potential adverse impacts; (3)

preventing and mitigating potential impacts; (4) bringing actual impacts to an end and minimizing their extent; (5) establishing and maintaining a complaints mechanism; (6) monitoring effectiveness of due diligence measures; and (7) publicly communicating on due diligence processes[12].

For cross-border mergers, the CSDDD creates several critical considerations. First, it imposes proactive obligations to assess human rights and environmental risks not only in the target company's direct operations but throughout its supply chains and business relationships. This extends due diligence far beyond traditional financial, legal, and operational reviews. Second, the directive establishes potential civil liability for damages resulting from failure to comply with due diligence obligations, creating direct financial risk from ESG non-compliance[13]. Third, it requires directors to consider sustainability impacts when fulfilling their duty to act in the company's best interests, effectively modifying traditional shareholder primacy principles.

The CSDDD also introduces climate transition planning requirements for companies within scope, mandating adoption of plans to ensure business models are compatible with limiting global warming to 1.5°C in line with the Paris Agreement[14]. This requirement directly impacts merger strategy and valuation, as companies with business models incompatible with climate transition face both regulatory risk and potential stranded asset exposure.

D. Interaction with Competition and Foreign Investment Rules

EU merger control under Regulation 139/2004 (the EU Merger Regulation) traditionally focused exclusively on competition effects, with sustainability considerations relevant only insofar as they affected market definition or competitive dynamics[15]. However, recent developments suggest possible expansion of competition authorities' consideration of ESG factors. The European Commission's 2023 revision of its Market Definition Notice acknowledges that sustainability characteristics may define relevant markets when consumers systematically prefer sustainable products[16].

Similarly, foreign direct investment (FDI) screening mechanisms established under Regulation 2019/452 increasingly incorporate sustainability considerations, particularly regarding energy security and critical resource dependencies. The interaction between ESG requirements and national security screening creates additional complexity in cross-border transactions involving strategically sensitive sectors.

III. THE INDIAN FRAMEWORK FOR CROSS-BORDER MERGERS

A. Constitutional and Statutory Foundation

India's legal framework for cross-border mergers derives from multiple statutory sources, reflecting the federal structure and division of regulatory competencies. The primary framework consists of: (1) the Companies Act, 2013; (2) the Foreign Exchange Management Act, 1999 (FEMA); (3) the Competition Act, 2002; (4) the Securities and Exchange Board of India (SEBI) regulations; and (5) sector-specific regulations depending on the nature of business[17].

B. Companies Act, 2013: Section 234 and Cross-Border Merger Procedures

Section 234 of the Companies Act, 2013, introduced by the Companies (Amendment) Act, 2017, explicitly authorizes cross-border mergers between Indian companies and foreign companies incorporated in notified jurisdictions[18]. This provision marked a significant liberalization from the previous position where outbound mergers (Indian company merging into foreign company) were prohibited.

The statutory framework establishes several key requirements:

1. **Jurisdictional Limitation:** The foreign company must be incorporated in a jurisdiction notified by the Central Government. As of 2026, notified jurisdictions include major trading partners with reciprocal arrangements, though the list remains more restrictive than many companies would prefer[19].
2. **NCLT Approval:** The National Company Law Tribunal (NCLT) must approve the merger scheme after satisfying itself regarding compliance with statutory requirements, fairness to creditors and shareholders, and public interest considerations[20].
3. **Valuation Requirements:** Independent valuation by registered valuers is mandatory, with specific methodologies prescribed for determining share exchange ratios and ensuring fairness to minority shareholders[21].
4. **Creditor and Shareholder Protection:** The scheme requires approval by specified majorities of creditors and shareholders, with dissenting shareholders entitled to exit rights at fair valuation[22].

The procedural framework reflects a balance between facilitating cross-border transactions and protecting stakeholder interests, though implementation has revealed challenges regarding timelines, predictability, and consistency of NCLT decisions across benches.

C. Foreign Exchange Management Act (FEMA) and Capital Controls

FEMA and associated regulations govern capital flows arising from cross-border mergers, with the Reserve Bank of India (RBI) exercising regulatory oversight[23]. Key FEMA considerations include:

1. **Pricing Guidelines:** Share exchanges must comply with prescribed valuation methodologies to prevent capital flight or under-pricing of Indian assets. The pricing must be based on internationally accepted valuation methodologies and certified by independent valuers[24].
2. **Sectoral Caps:** Foreign investment resulting from cross-border mergers must comply with sectoral foreign direct investment (FDI) caps and conditions. Certain sensitive sectors including defense, telecommunications, and media have specific restrictions[25].
3. **Reporting Obligations:** Detailed post-transaction reporting to RBI is mandatory, with specified timelines and documentation requirements. Non-compliance can result in penalties and unwinding obligations[26].

FEMA's framework reflects India's graduated approach to capital account liberalization, maintaining controls while progressively relaxing restrictions as the economy develops and foreign exchange reserves strengthen.

D. Business Responsibility and Sustainability Reporting (BRSR)

SEBI introduced the BRSR framework in May 2021, replacing the earlier Business Responsibility Report[27]. The BRSR became mandatory for the top 1,000 listed companies by market capitalization from FY 2022-23, with subsequent extensions to additional categories of listed entities. In December 2024, SEBI introduced BRSR Core, a subset of BRSR indicators subject to mandatory reasonable assurance from FY 2024-25 onwards, with staggered implementation allowing deferrals into FY 2025-26 for certain companies[28].

The BRSR framework is structured around nine principles covering:

- Business conduct and ethics

- Product lifecycle sustainability
- Employee well-being
- Stakeholder engagement
- Human rights
- Environmental protection
- Policy advocacy
- Inclusive growth
- Customer value

Principle	Key Disclosures	M&A Relevance	Assurance Level
Principle 1: Ethics & Governance	Anti-corruption policies, board diversity, stakeholder complaints	Due diligence red flags, governance integration	BRSR Core
Principle 2: Product Sustainability	Product lifecycle impacts, sustainable sourcing	Operational synergies, regulatory compliance	Voluntary
Principle 3: Employee Well-being	Workforce composition, safety metrics, training	HR integration, cultural compatibility	BRSR Core
Principle 4: Stakeholder Relations	Community investment, stakeholder consultation	Social license, reputation risk	Voluntary
Principle 5: Human Rights	Human rights policies, vulnerable group protection	Supply chain liability, brand risk	Voluntary

Principle Environment	6: GHG emissions, water use, waste management	Climate transition risk, capex requirements	BRSR Core
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Table 2: BRSR Principles and their implications for cross-border merger evaluation

For cross-border mergers involving Indian listed companies, BRSR compliance creates several implications. First, foreign acquirers of Indian listed companies must ensure post-merger BRSR compliance, requiring integration of Indian subsidiaries into global ESG reporting systems[29]. Second, BRSR disclosures provide valuable due diligence information on ESG risks that might not be captured in traditional financial statements. Third, the move toward assured reporting under BRSR Core enhances credibility but also increases the stakes of non-compliance or misreporting.

India's approach differs from the EU's in several respects. The BRSR framework is less prescriptive than ESRS, allowing more flexibility in disclosure format and depth. The graduated enforcement approach, with initially voluntary compliance becoming mandatory over time and with deferrals for capacity building, reflects recognition of developing economy constraints[30]. However, the trajectory is clearly toward mandatory, assured sustainability reporting comparable to financial statements, suggesting convergence with global standards over time.

E. Competition Commission of India (CCI) and Merger Control

The Competition Act, 2002, requires notification to the CCI for combinations exceeding specified asset or turnover thresholds[31]. For cross-border mergers, thresholds include: (1) in India, assets exceeding INR 3.5 billion or turnover exceeding INR 10 billion; or (2) globally, assets exceeding USD 1 billion (with at least USD 350 million in India) or turnover exceeding USD 3 billion (with at least USD 1 billion in India)[32].

The CCI's assessment focuses on whether the combination would cause or is likely to cause an appreciable adverse effect on competition (AAEC) in India. Factors considered include market shares, barriers to entry, countervailing buyer power, and potential for foreclosure[33]. The CCI has traditionally not considered ESG factors in merger assessment, though this may evolve as global practice develops and if Parliament amends the Competition Act to incorporate sustainability considerations.

Recent amendments to merger control thresholds and procedures, introduced in 2023, have sought to streamline approval processes while maintaining substantive scrutiny. The introduction of a "green channel" for non-problematic mergers allows automatic approval within certain parameters, facilitating faster transaction completion[34].

IV. COMPARATIVE ANALYSIS: CONVERGENCE AND DIVERGENCE

A. Regulatory Philosophy: Mandatory Rules versus Graduated Flexibility

A fundamental distinction between the EU and Indian approaches lies in regulatory philosophy. The EU's framework, exemplified by CSRD and CSDDD, embraces comprehensive mandatory rules with limited exceptions and significant penalties for non-compliance[35]. This approach reflects several factors: high administrative capacity, strong enforcement infrastructure, political consensus on sustainability priorities, and lesser concern about competitiveness impacts given the EU's large integrated market.

India's approach demonstrates greater flexibility and gradualism. BRSR implementation has been staggered, with initial voluntary compliance, phased mandatory requirements, and explicit recognition of capacity constraints through deferred assurance requirements[36]. This reflects different priorities: balancing sustainability goals with economic development imperatives, recognizing varying corporate capacity, and avoiding excessive compliance burdens that might deter investment or disadvantage Indian companies in global competition.



Figure 1: Conceptual framework showing the spectrum of ESG regulatory approaches in cross-border M&A, from voluntary guidelines to mandatory enforcement with civil

liability. The EU occupies the mandatory end of the spectrum, while India demonstrates a transitional approach moving from voluntary toward mandatory compliance.

However, the trajectory in both jurisdictions points toward convergence on mandatory sustainability reporting and due diligence, differing primarily in timeline and implementation pace rather than ultimate destination. India's recognition that "internal data dictionaries are now essential" and adoption of "harmonised templates" under BRSR Core signals movement toward the comprehensive standardization already achieved in the EU through ESRS[37].

B. Extraterritoriality and Value Chain Responsibility

The CSDDD's extraterritorial reach represents a distinctive feature of the EU approach. By imposing due diligence obligations on non-EU companies based on their EU turnover, and by extending responsibility throughout value chains regardless of where suppliers are located, the CSDDD effectively exports EU sustainability standards globally[38]. This creates particular implications for Indian companies in supply chains of EU companies, who may face due diligence requirements and potential exclusion from supply chains if unable to meet EU standards.

India's framework currently lacks comparable extraterritorial reach. BRSR applies to Indian companies based on their listing status in India, without extending to foreign operations or foreign companies with Indian operations (unless they are listed in India)[39]. However, practical extraterritoriality may emerge indirectly: Indian companies seeking to maintain supply relationships with EU companies must de facto comply with CSDDD requirements, creating market-driven harmonization.

C. Enforcement Mechanisms and Sanctions

The EU's enforcement approach combines administrative sanctions, civil liability, and reputational mechanisms. The CSRD provides for penalties "effective, proportionate and dissuasive" for non-compliance with reporting obligations, with some Member States implementing fines up to 10% of annual turnover[40]. The CSDDD goes further by establishing direct civil liability, allowing victims of human rights or environmental harms to bring damages claims against companies that failed to fulfill due diligence obligations[41].

India's enforcement regime is comparatively lighter. SEBI can impose penalties for non-compliance with BRSR requirements, but these are typically administrative in nature and more modest in quantum[42]. The Companies Act provides for penalties for various violations related to mergers, but specific ESG-related sanctions remain limited. India lacks the direct civil liability mechanism for ESG due diligence failures that characterizes the CSDDD.

This enforcement gap reflects different legal traditions (common law versus civil law origins, though India's framework increasingly incorporates statutory mandates), judicial capacity considerations, and policy choices regarding the appropriate balance between encouraging voluntary corporate responsibility and mandating specific conduct.

D. Stakeholder Rights and Participation

Both jurisdictions recognize stakeholder rights in cross-border mergers, but with different emphases and mechanisms. The EU framework provides strong employee information and consultation rights, deriving from the European Works Council Directive and national codetermination traditions in countries like Germany[43]. The CSDDD further requires companies to establish complaints mechanisms allowing affected stakeholders to raise concerns about adverse impacts[44].

India's Companies Act requires creditor consent for merger schemes and provides for shareholder approval, but employee consultation rights are less developed[45]. Labor law protections exist separately, but are not integrated into merger approval processes to the same extent as in the EU. However, BRSR's Principle 3 (Employee Well-being) and Principle 4 (Stakeholder Relations) create disclosure obligations that may indirectly empower stakeholders through transparency[46].

E. Corporate Purpose and Directors' Duties

A subtle but fundamental distinction relates to corporate purpose and the scope of directors' fiduciary duties. The CSDDD explicitly requires directors to take into account the consequences of their decisions for sustainability matters when acting in the company's interest[47]. This represents a move away from pure shareholder primacy toward stakeholder-inclusive governance, though the precise implications remain to be determined through judicial interpretation.

Indian corporate law has long recognized broader stakeholder considerations. Section 166 of the Companies Act requires directors to act in good faith "to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment"[48]. This statutory mandate provides explicit basis for considering ESG factors in merger decisions. However, in practice, shareholder value maximization remains the dominant interpretive framework, particularly in public company contexts.

F. Timing and Transaction Efficiency

Cross-border merger timelines differ significantly between jurisdictions. In the EU, assuming no competition issues, mergers can typically complete within 3-6 months from signing to closing, with CSRD and CSDDD adding to due diligence timelines but not fundamentally altering approval processes[49]. The standardization achieved through ESRS and common procedures across Member States facilitates relatively predictable timelines.

Indian cross-border mergers involving NCLT approval typically require 12-18 months from initial filing to final court order, with significant variability across NCLT benches and depending on whether objections are raised[50]. FEMA compliance, sectoral approvals, and CCI clearance add further layers. BRSR compliance affects due diligence phases but does not directly extend regulatory approval timelines.

This timing differential affects deal structures, with parties to transactions involving Indian companies often preferring alternative structures (such as share purchases rather than statutory mergers) to avoid NCLT timelines, even at the cost of greater tax inefficiency. The efficiency difference reflects both procedural factors (judicial approval versus administrative approval) and capacity constraints in the Indian system.

V. PRACTICAL IMPLICATIONS AND CASE ANALYSIS

A. Due Diligence Evolution

Traditional merger due diligence focused on financial, legal, operational, and tax matters. ESG integration has added a distinct workstream requiring specialized expertise[51]. In EU transactions subject to CSDDD, due diligence must now include:

1. **Human Rights Assessment:** Evaluation of forced labor risks, child labor, working conditions, and indigenous peoples' rights throughout supply chains[52].
2. **Environmental Impact Review:** Assessment of greenhouse gas emissions, pollution, waste management, biodiversity impacts, and water usage across operations and supply chains[53].
3. **Governance Evaluation:** Analysis of anti-corruption controls, board diversity, whistleblower protections, and stakeholder engagement mechanisms[54].
4. **Climate Transition Analysis:** Evaluation of business model compatibility with 1.5°C warming scenarios, physical and transition risks, and capital expenditure requirements for decarbonization[55].

For Indian transactions, while BRSR disclosures provide a starting point, significant additional diligence is typically required, particularly given the recent introduction of assurance requirements and the reality that many companies are still developing robust ESG data collection and reporting systems[56].

B. Valuation and Risk Pricing

ESG considerations increasingly affect merger valuation through multiple channels:

1. **Regulatory Risk Adjustment:** Potential liabilities from past or future non-compliance with ESG regulations must be quantified and reflected in purchase price adjustments or indemnities[57].
2. **Stranded Asset Risk:** Assets that may become economically unviable due to climate transition (such as coal-fired power plants, internal combustion engine manufacturing capacity, or fossil fuel reserves) require impairment consideration[58].
3. **Reputation and Brand Value:** ESG performance affects corporate reputation, which increasingly translates into financial value through customer loyalty, employee attraction, and investor preferences[59].
4. **Cost of Capital Impact:** Companies with strong ESG performance typically achieve lower cost of capital due to reduced risk perception and access to sustainability-linked financing[60].

5. **Revenue Opportunities:** Strong ESG positioning can create revenue opportunities through access to customers requiring sustainable supply chains, eligibility for green public procurement, and premium pricing for sustainable products[61].

ESG Factor	Valuation Impact (EU)	Valuation Impact (India)	Magnitude
CSRD/BRSR Non-compliance	Administrative penalties up to 10% turnover in some MS; remediation costs	SEBI penalties; remediation costs	2-5% of EV
Supply Chain Due Diligence Gaps	Civil liability exposure under CSDDD; supply chain restructuring costs	Potential supply chain disruption; customer requirements	3-8% of EV
Carbon-Intensive Assets	High carbon price exposure; potential stranded assets; transition capex	Lower immediate exposure but increasing; customer pressure	5-15% of EV
Social License Issues	Operational disruptions; regulatory intervention; NGO campaigns	Community opposition; regulatory delays; labor disputes	2-7% of EV
Governance Deficiencies	Board restructuring costs; control system enhancement; audit failures	Regulatory scrutiny; minority shareholder disputes	1-4% of EV

Table 3: Estimated range of valuation impacts from ESG factors in cross-border M&A transactions (EV = Enterprise Value; MS = Member States). Actual impacts vary significantly based on sector, company-specific factors, and transaction structure.

C. Deal Structure Considerations

ESG requirements influence optimal deal structures in cross-border transactions:

1. **Direct Merger versus Share Acquisition:** Where significant ESG liabilities exist or are uncertain, buyers may prefer share acquisitions with robust indemnities over statutory mergers that result in automatic succession to all liabilities[62].
2. **Staged Transactions:** Complex transactions may be structured in stages, with initial acquisition of a controlling stake followed by full merger only after ESG due diligence is completed and remediation measures implemented[63].
3. **Carve-Outs:** Assets with significant ESG risks or incompatibility with buyer's sustainability commitments may be carved out prior to merger completion[64].
4. **Jurisdictional Structuring:** Transaction structures may be influenced by differing ESG requirements across jurisdictions, with holding companies potentially located in jurisdictions with lighter regulatory burdens, subject to anti-avoidance rules[65].

D. Post-Merger Integration

ESG integration represents a critical post-merger integration workstream:

1. **Reporting System Integration:** Combining target and acquirer ESG reporting systems, particularly where different standards previously applied (e.g., EU company acquiring Indian company)[66].
2. **Policy Harmonization:** Aligning ESG policies, codes of conduct, and supplier requirements across the combined entity[67].
3. **Supply Chain Management:** Extending due diligence and sustainability requirements to target company's supply chains[68].
4. **Culture and Governance:** Integrating corporate cultures, governance structures, and stakeholder engagement approaches[69].
5. **Performance Monitoring:** Establishing KPIs and tracking mechanisms to monitor ESG performance post-merger and demonstrate regulatory compliance[70].

E. Illustrative Case Study: EU-India Cross-Border Merger

Consider a hypothetical transaction where a German automotive components manufacturer (GermanCo) acquires an Indian automotive parts supplier (IndianCo) through a cross-border merger. The transaction illustrates key issues:

ESG Due Diligence Findings:

- IndianCo has limited BRSR reporting history as it was below the initial threshold for mandatory reporting
- Supply chain includes potential child labor risks in raw material sourcing
- Carbon intensity significantly higher than GermanCo's European operations
- Limited board diversity and gender representation
- Solid waste management practices not compliant with emerging EU standards

Regulatory Requirements:

- CSDDD applies to GermanCo, making it responsible for IndianCo's supply chain post-merger
- CSRD reporting must incorporate IndianCo's operations and value chain
- NCLT approval required in India for merger
- CCI clearance required due to combined market shares in certain segments
- FEMA compliance for share exchange pricing

Transaction Adjustments:

- 18-month compliance roadmap developed for bringing IndianCo operations to CSDDD standards
- Purchase price reduced by EUR 12 million reflecting remediation costs
- Indemnity provided for pre-closing ESG violations
- Supply chain audit of all Tier 1 and Tier 2 suppliers conducted pre-closing
- Board composition commitment including addition of independent directors with ESG expertise
- Carbon reduction targets established with annual milestones

Timeline:

- Due diligence phase extended from typical 8 weeks to 16 weeks due to ESG workstream
- NCLT approval process required 14 months
- Overall signing to closing: 18 months

This case illustrates how ESG considerations extend transaction timelines, affect pricing, require specialized due diligence, and create ongoing post-merger compliance obligations.

VI. FUTURE TRAJECTORIES AND POLICY RECOMMENDATIONS

A. Anticipated Regulatory Developments

Several developments are likely to shape the future landscape of cross-border mergers:

1. **Further EU Harmonization:** The EU Omnibus simplification package, while making tactical adjustments, maintains the strategic direction toward comprehensive mandatory ESG regulation[71]. Future developments may include further standardization of enforcement and potential expansion of civil liability mechanisms.
2. **Indian Regulatory Evolution:** India's trajectory suggests continued movement toward mandatory, assured sustainability reporting comparable to financial statements. Potential developments include: expansion of BRSR Core to additional indicators; extension of mandatory reporting to smaller companies and private companies in certain sectors; and possible introduction of due diligence obligations similar to CSDDD for high-risk sectors[72].
3. **International Standards Convergence:** The International Sustainability Standards Board (ISSB) standards, while focused on financial materiality rather than double materiality, provide potential basis for international convergence. Both the EU and India are considering interoperability between their frameworks and ISSB standards[73].
4. **Competition Law Integration:** Competition authorities globally are beginning to consider whether and how to integrate sustainability considerations into merger assessment. This may include recognizing sustainability improvements as efficiencies or, conversely, considering whether mergers might reduce competitive pressure for sustainability improvement[74].
5. **Technology-Driven Compliance:** Advances in ESG data collection, artificial intelligence for supply chain monitoring, and blockchain for traceability will reduce compliance costs and enable more granular monitoring, potentially enabling more ambitious regulatory requirements[75].

B. Challenges and Tensions

Several tensions will persist:

1. **Competitiveness versus Sustainability:** Particularly in India and other developing economies, concerns about competitiveness and economic development will continue to create pressure for lighter ESG requirements than in the EU, limiting convergence[76].
2. **Extraterritoriality and Sovereignty:** The EU's extraterritorial application of ESG standards through measures like CSDDD creates sovereignty concerns and potential for geopolitical friction, particularly with jurisdictions skeptical of EU regulatory exports[77].
3. **Enforcement Capacity:** Effective ESG regulation requires significant administrative capacity for monitoring, investigation, and enforcement. Capacity constraints in many jurisdictions, including variability across Indian states and institutions, limit practical effectiveness regardless of formal legal requirements[78].
4. **SME Burden:** Extending ESG requirements down value chains inevitably affects small and medium enterprises, many of which lack resources for sophisticated compliance systems. Balancing sustainability goals with SME viability represents an ongoing challenge[79].
5. **Greenwashing Risks:** As ESG compliance becomes mandatory and consequential, incentives for misrepresentation increase. Ensuring integrity of disclosures through robust assurance and enforcement will be critical[80].

C. Recommendations for Policymakers

Based on this comparative analysis, several recommendations emerge:

1. **Prioritize International Cooperation:** Given the cross-border nature of modern commerce, unilateral ESG regulations create fragmentation costs. Policymakers should prioritize bilateral and multilateral cooperation to harmonize standards, recognize equivalence where appropriate, and avoid conflicting requirements.
2. **Graduated Implementation:** India's approach of graduated implementation with clear roadmaps and capacity-building support merits consideration in other

developing economies. Immediate imposition of comprehensive requirements risks non-compliance and economic disruption.

3. **Technology Investment:** Governments should invest in digital infrastructure for ESG data collection, reporting, and monitoring. The EU's XBRL requirements and India's MCA21 V3 portal represent positive examples of technology enabling compliance[81].
4. **Capacity Building:** Particularly in developing economies, regulatory effectiveness depends on capacity building for companies, auditors, and enforcement agencies. This should include training programs, guidance materials, and technical assistance.
5. **Balanced Enforcement:** Enforcement approaches should balance deterrence of genuine wrongdoing with proportionality for technical violations, particularly during transition periods. Over-aggressive enforcement can chill legitimate business activity.

D. Guidance for Corporate Practitioners

For legal practitioners and corporate advisors, several implications emerge:

1. **ESG Integration in All Transactions:** ESG due diligence is no longer optional or peripheral but must be integrated into all cross-border transactions from the outset, with specialized expertise engaged early in the process[82].
2. **Proactive Compliance:** Companies should not wait for mandatory compliance dates but should develop robust ESG management and reporting systems proactively, both to reduce transaction risks and to position advantageously in M&A contexts[83].
3. **Supply Chain Management:** Companies must extend their ESG oversight deep into supply chains, requiring contractual provisions, audit rights, and willingness to exit relationships with non-compliant suppliers[84].
4. **Cross-Functional Collaboration:** ESG compliance in M&A requires collaboration across legal, finance, operations, sustainability, and human resources functions. Siloed approaches are ineffective[85].
5. **Long-Term Perspective:** ESG requirements will only intensify over time. Transaction structures and post-merger integration should anticipate future requirements, not merely satisfy current obligations[86].

VII. CONCLUSION

The integration of ESG considerations into cross-border merger regulation represents one of the most significant developments in international corporate law in recent decades. This comparative analysis of the EU and Indian frameworks reveals both substantial differences and notable convergence patterns. The EU has embraced comprehensive mandatory regulation through CSRD and CSDDD, backed by significant enforcement mechanisms including civil liability. India has adopted a more graduated approach through BRSR, recognizing developing economy constraints while moving progressively toward mandatory assured reporting.

Despite these differences in regulatory philosophy and implementation timeline, both jurisdictions are fundamentally reconceptualizing the legal framework for cross-border corporate transactions. ESG considerations have moved from voluntary corporate social responsibility initiatives to mandatory legal requirements with significant compliance obligations and penalties for failure. This transformation reflects broader shifts in societal expectations, recognition of climate and social imperatives, and evolving understanding of corporate purpose and directors' duties.

The implications for multinational corporations and legal practitioners are profound. Cross-border mergers now require extensive ESG due diligence examining human rights, environmental impacts, and governance structures throughout target companies' operations and supply chains. Valuation must account for ESG-related risks and opportunities, with significant potential impacts on transaction pricing. Deal structures must be designed to manage ESG risks and facilitate post-merger compliance. Integration processes must address reporting system harmonization, policy alignment, and cultural integration on sustainability matters.

Looking forward, further regulatory convergence appears likely, though complete harmonization remains improbable given different economic development levels, regulatory philosophies, and political contexts. The trajectory clearly points toward mandatory sustainability reporting and due diligence obligations becoming global norms, with international standards like those developed by the ISSB providing potential architecture for convergence. Technology will facilitate compliance while enabling more granular monitoring and enforcement.

For legal scholarship, this evolution raises fundamental questions about corporate purpose, stakeholder rights, and the appropriate role of mandatory law versus private ordering in addressing social and environmental challenges. The experience of the EU and India offers valuable lessons for other jurisdictions considering how to integrate sustainability imperatives into corporate law while maintaining business efficiency and competitiveness. As cross-border mergers continue to grow in volume and complexity, the frameworks examined in this article will significantly influence how global business restructuring occurs in the ESG era.

The ultimate success of these frameworks will depend not merely on formal legal requirements but on effective implementation, adequate enforcement capacity, and genuine corporate commitment to sustainability beyond compliance. The law can mandate disclosure and establish due diligence obligations, but achieving substantive improvements in environmental and social outcomes requires cultural transformation within corporations and sustained commitment from boards, management, and shareholders. As this regulatory experiment continues, ongoing monitoring, analysis, and refinement will be essential to ensure that cross-border merger regulation effectively serves the dual imperatives of economic efficiency and sustainable development.

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