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Legal imperatives vs. ethical commitments: Corporate governance and compliance in 2025

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Abstract
In the evolving corporate legal landscape of 2025, the tension between legal obligation and ethical responsibility has intensified, reshaping how businesses navigate compliance, governance, and global operations. The present research critically examines the dual dimensions of corporate behavior mandated legal norms and moral imperatives across key thematic areas: Corporate Social Responsibility (CSR), insider trading regulations, comparative bankruptcy law, Environmental, Social, and Governance (ESG) compliance, and cross-border mergers and acquisitions (M&A). The article first interrogates whether CSR is a binding duty or a strategic ethical choice, exploring frameworks in India, the European Union, and global soft law instruments. It then delves into recent shifts in insider trading enforcement, spotlighting SEBI's 2025 AI-led reforms in India and the United States' evolving 10b-5 jurisprudence. Through a comparative lens, it analyzes bankruptcy procedures in India and the U.S., identifying jurisdictional strengths and systemic inefficiencies. ESG compliance, propelled by 2025 mandates such as the EU's CSDDD and Australia's climate-financial reporting regime, is assessed for its legal, reputational, and strategic implications. Finally, the study investigates legal complexities in cross-border M&A transactions amid divergent national policies and rising ESG due diligence standards. The paper concludes that the corporate legal ecosystem is entering an era where legal mandates and moral obligations are increasingly interdependent. Effective governance now demands a fusion of regulatory foresight, ethical clarity, and adaptive legal strategy.

Keywords: Corporate social responsibility, ESG compliance, insider trading, bankruptcy law, cross-border M&A, corporate governance

1. Introduction

1.1 Contextual Landscape of Commercial Law in 2025: The corporate legal ecosystem in 2025 reflects a pivotal convergence of regulatory expansion, ethical imperatives, and technological disruption. Around the globe, commercial law is being reshaped by rising environmental and social expectations, increased market scrutiny, and sophisticated tools of enforcement. Legal systems are no longer confined to mandating minimum compliance standards they are being recalibrated to guide corporate moral conduct and enforce broader accountability. Recent legislative developments underscore this trend. The European Union has operationalized the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD), thereby codifying ESG obligations across supply chains and integrating human rights and environmental considerations into legal compliance frameworks [1]. Similarly, Australia's mandatory climate-financial reporting regime, effective January 2025, reflects the global transition from voluntary disclosure to legally enforceable sustainability obligations [2]. Meanwhile, the Securities and Exchange Board of India (SEBI) has pioneered a technologically driven enforcement model. Its 2025 reforms include the use of artificial intelligence for surveillance and the expansion of definitions related to Unpublished Price Sensitive Information (UPSI), signaling a proactive regulatory philosophy [3]. In the United States, although federal ESG mandates remain fragmented, the Securities and Exchange Commission (SEC) continues to enforce insider trading rules under Rule 10b-5, with heightened scrutiny of pre-arranged

[1] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 Dec. 2022 on Corporate Sustainability Reporting, 2022 O.J. (L 322) 15; Proposal for a Directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence, COM (2022) 71 final (Feb. 23, 2022).
[2] Climate-Related Financial Disclosure Bill 2023 (Cth) (Austl.).
[3] SEBI, Master Circular on Surveillance of Securities Market, No. SEBI/HO/MRD/MRD-PoD-1/P/CIR/2025/42 (Mar. 2025).

10b5-1 trading plans [4]. The present legal environment blurs the line between statutory duties and societal expectations. Corporate behavior is no longer judged solely on the basis of compliance with black-letter law but also on alignment with ethical standards and stakeholder trust. As global legal regimes evolve in response, commercial law increasingly embodies both legal imperatives and normative commitments, reshaping governance in the 21st century.

1.2 Core Inquiry (Is CSR Driven by Legal Mandates or Moral Duty?): The present research addresses a foundational question in modern governance; Is Corporate Social Responsibility (CSR) a legal obligation, or does it remain rooted in voluntary ethical norms? The answer varies across jurisdictions, but the global trajectory reflects a growing institutionalization of CSR through legislative and regulatory mechanisms. India's Companies Act, 2013 was a watershed in this regard, making CSR expenditure mandatory for companies exceeding certain financial thresholds [5]. This was further operationalized through SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework, requiring listed entities to disclose non-financial metrics, including social and environmental performance [6]. In contrast, the United States has maintained a predominantly voluntary approach to CSR and ESG, relying on market discipline, shareholder activism, and soft-law instruments. However, state-level ESG mandates are now emerging, reflecting a patchwork of regulatory developments in the absence of a federal consensus [7] In Europe, the CSDDD mandates that large companies identify, prevent, and mitigate adverse human rights and environmental impacts within their operations and value chains [8] This directive, backed by enforcement mechanisms and civil liability provisions, marks a decisive shift from aspirational standards such as the UN Guiding Principles on Business and Human Rights toward binding legal obligations. This normative shift presents a new legal landscape where CSR is no longer only a moral or reputational strategy but a juridically enforceable obligation in many contexts. It raises critical questions: Are businesses complying due to legal coercion or embracing their role as ethical actors? And to what extent should the law reflect societal values, particularly when regulating transnational corporate behavior?

1.3 Scope of the Study: The present research investigates the intersection of law and ethics in five critical areas of commercial governance, with a focus on recent reforms, enforcement trends, and jurisdictional comparisons.
The present research explores CSR's dual nature as a statutory obligation in India and a developing legal standard in the EU, contrasting it with soft-law global instruments and voluntary reporting regimes.

Insider Trading Enforcement: It examines the regulatory shift from reactive to preventive enforcement, focusing on India's SEBI-led AI surveillance model and recent 2025 amendments. These are compared with developments in U.S. insider trading jurisprudence under Rule 10b-5, especially regarding 10b5-1 trading plans [9].

Comparative Bankruptcy Law (India vs. U.S.): The present research contrasts India's Insolvency and Bankruptcy Code (IBC) with the U.S. Chapter 11 framework, evaluating differences in procedure, creditor priority, and corporate restructuring outcomes, with implications for investor confidence and legal certainty.

The Rise of ESG Compliance: It assesses the 2025 legal landscape surrounding ESG, including enforcement of the CSRD, CSDDD, and Australia's financial climate disclosures. It also analyzes the reputational and legal consequences of ESG failures, such as the high-profile settlement between BlackRock and the state of Tennessee [10].

Cross-Border M&A Legal Challenges: The present research investigates legal complexities in international mergers and acquisitions, particularly conflicts arising from differing national ESG regulations, antitrust hurdles, and mandatory due diligence under new legal regimes such as the CSDDD and Carbon Border Adjustment Mechanism (CBAM). By analyzing these five domains, the study maps the evolving interplay between regulatory imperatives and ethical decision-making in shaping corporate conduct globally.

1.4 Research Relevance for Policymakers, Corporations, and Academia
The present research is timely and significant for a broad array of stakeholders. For policymakers, it offers comparative insights into how jurisdictions are aligning legal instruments with global ethical expectations. It presents regulatory models such as India's CSR mandate and the EU's ESG directives that could inform future domestic legislation and transnational governance frameworks. For corporations and legal compliance professionals, the findings underscore the need to adapt governance models to a more integrated framework that combines legal compliance with reputational risk management and value-driven leadership. Legal strategy must now incorporate ethical foresight as a key component of long-term viability. For the academic and legal research community, the present research contributes to the emerging scholarship on the convergence of law and ethics in commercial regulation. It advocates for an interdisciplinary approach to understanding how legal institutions are shaping and being shaped by the broader moral economy of corporate governance. Thus, we can say that the present research argues that the legal-commercial paradigm in 2025 is not defined merely by statutory adherence but by an evolving consensus that law must codify principles of ethical business conduct. As legal systems continue to incorporate ESG, CSR, and due diligence standards, the boundary between what is legally required and what is morally expected will continue to narrow.

[4] SEC, Insider Trading Plans: Rule 10b5-1 Amendments, Exchange Act Release No. 96524, 88 Fed. Reg. 48208 (June 2025).
[5] Companies Act, No. 18 of 2013, Sec-135 (India).
[6] SEBI, Format for Business Responsibility and Sustainability Report (BRSR), Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (May 10, 2021).
[7] See, e.g., Tenn. Code Ann. Sec-4-21-1101 (2025) (restricting ESG-based investment criteria).
[8] See supra note 1 (CSDDD).
[9] SEC, supra note 4.
[10] BlackRock Settles ESG Lawsuit with Tennessee for $20 Million, N.Y. Post (May 3, 2025), https://nypost.com/2025/05/03/blackrock-settlement-esg-lawsuit-tennessee/.

2. CSR (Legal Mandate or Moral Obligation?)

In the modern corporate governance paradigm, Corporate Social Responsibility (CSR) has moved from the periphery to the core of legal and business discourse. Once rooted in discretionary ethical practices and stakeholder appeasement, CSR has evolved into a structured, and in many jurisdictions, enforceable, legal framework. As states, supranational bodies, and regulators increasingly incorporate environmental, social, and human rights standards into commercial regulation, the question arises: Is CSR still a moral aspiration, or has it become a legal imperative?

2.1 International Overview (Evolving CSR Norms and Regulatory Frameworks): Historically, CSR emerged as a set of voluntary principles encouraging businesses to go "beyond compliance" to meet societal expectations. Early frameworks such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights operated as "soft law," shaping norms without legal compulsion [11] Over time, however, these instruments laid the groundwork for codified legal obligations. The global momentum toward formal CSR regulation accelerated after the 2008 financial crisis, which triggered widespread reevaluation of corporate accountability. By the 2020s, governments began embedding CSR principles into domestic legislation, mandatory disclosures, and sustainability-linked regulations. Today, the CSR landscape is marked by a hybrid model-where voluntary ethical commitments coexist with enforceable legal mandates-often blurring the boundary between the two. Notably, jurisdictions such as India and the European Union have taken decisive steps to make CSR compliance justiciable through statutory reporting, expenditure thresholds, and value-chain due diligence requirements.

2.2 India's Approach: From Voluntary Norms to Regulatory Mandates: India was among the first countries to enact a statutory CSR obligation. *Section 135 of the Companies Act, 2013* requires companies above specified financial thresholds to allocate at least 2% of average net profits over the previous three years toward CSR activities [12] This provision marked a global first in making CSR spending mandatory, with penalties for non-disclosure and non-compliance. Prior to this, India's approach was grounded in the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs), introduced in 2011 [13] These guidelines provided a framework for responsible business conduct but lacked enforceability. The shift from NVGs to binding CSR expenditure marked a transition from aspirational governance to legal obligation. Complementing statutory CSR, SEBI has mandated Business Responsibility and Sustainability Reporting (BRSR) for the top 1,000 listed companies (by market capitalization) from FY 2022-23 onwards [14] The BRSR framework requires companies to disclose environmental, social, and governance (ESG) metrics, aligning India's reporting practices with global sustainability standards. India's hybrid approach-combining mandatory spending, voluntary principles, and structured disclosure—has created a uniquely robust CSR regime. However, critics note challenges in implementation, such as box-ticking approaches, inconsistent project quality, and underutilization of funds [15].

2.3 EU Developments (The CSDDD and Legal Due Diligence Obligations): The European Union has embarked on a path toward hard law CSR, with the proposed Corporate Sustainability Due Diligence Directive (CSDDD) leading this evolution. The directive, expected to take effect in stages starting 2025, imposes binding obligations on large EU and non-EU companies to conduct due diligence across their global operations and supply chains to identify, prevent, and mitigate adverse human rights and environmental impacts [16]. The CSDDD represents a paradigm shift—moving CSR from a realm of internal corporate policy into one of legal enforceability, backed by civil liability and administrative penalties [17]. Notably, the directive requires the integration of due diligence into companies' corporate governance structures, including board oversight, risk mapping, and stakeholder consultation processes. In conjunction with the CSRD, which mandates standardised sustainability reporting, the CSDDD creates a comprehensive legal framework requiring both substantive corporate responsibility and procedural transparency [18] This approach reinforces the EU's commitment to sustainable capitalism and enhances accountability in transnational corporate conduct.

2.4 Global Landscape (CSRD Enforcement and Expanding ESG Compliance): The CSRD, in force since 2023 and fully applicable to large enterprises by 2025, replaces the earlier Non-Financial Reporting Directive (NFRD) and significantly expands the scope and depth of ESG reporting requirements [19]. It introduces mandatory disclosures on climate risks, human rights practices, and governance models, with standardization through the European Sustainability Reporting Standards (ESRS). Globally, jurisdictions are increasingly aligning with similar models. In Australia, mandatory climate-related financial disclosures commenced in January 2025 for large companies, with phased implementation for smaller firms [20] In the United States, although federal ESG regulation remains fragmented under the Trump-Vance administration, several states have enacted or proposed ESG-related laws

[11] See U.N. Global Compact, https://www.unglobalcompact.org (last visited Aug. 23, 2025); OECD Guidelines for Multinational Enterprises, OECD (2011), https://www.oecd.org/daf/inv/mne.
[12] Companies Act, No. 18 of 2013, Sec-135 (India).
[13] Ministry of Corporate Affairs, Nat'l Voluntary Guidelines on the Social, Environmental and Economic Responsibilities of Business (2011).
[14] SEBI, Format for Business Responsibility and Sustainability Report (BRSR), SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (May 10, 2021).
[15] See Divya Kottadiel, Challenges in India's CSR Framework: Between Compliance and Impact, 12 Indian Corp. L. Rev. 45, 56-58 (2024).
[16] Proposal for a Directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence, COM (2022) 71 final (Feb. 23, 2022).
[17] See Corporate Sustainability Due Diligence Directive (CSDDD) - Overview, Hogan Lovells (2025), https://www.hoganlovells.com/en/publications/csddd-overview.
[18] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 Dec. 2022 on Corporate Sustainability Reporting, 2022 O.J. (L 322) 15.
[19] Id.
[20] Climate-Related Financial Disclosure Bill 2023 (Cth) (Austl.).

and fiduciary duties [21]. Private regulators and rating agencies also play a growing role in enforcing ESG behavior. Asset managers, institutional investors, and civil society are leveraging ESG benchmarks and litigation to ensure compliance and accountability-effectively extending CSR enforcement beyond state-based mechanisms [22]. As these frameworks evolve, they reinforce the global trajectory toward a legally bounded model of corporate responsibility.

2.5 Emerging Tensions (Legal Pressures vs. Strategic Moral Leadership): Despite this legal turn, CSR retains a powerful normative dimension. Many companies voluntarily exceed regulatory baselines, driven by long-term reputational concerns, employee activism, or stakeholder engagement goals. Law firms and multinational corporations are now developing internal ethical codes, ESG task forces, and responsible supply chain charters not merely to satisfy legal requirements but to align with evolving market and societal expectations [23] However, this coexistence of legal compulsion and ethical aspiration creates tension. Critics argue that overregulation may dilute genuine moral commitment, leading to "checkbox CSR," where firms prioritize formal compliance over substantive change [24]. Conversely, others contend that mandatory frameworks are necessary to overcome inertia, greenwashing, and performative responsibility. This duality underscores the need for legal systems that incentivize ethical leadership while enforcing minimum standards. Ultimately, the evolution of CSR in 2025 reveals a governance model where law and ethics are no longer in binary opposition. Rather, legal mandates now serve as minimum thresholds, while ethical leadership defines the aspirational ceiling. Navigating this continuum is the new challenge for global business.

3. Insider Trading (Regulatory Framework and Enforcement)

Insider trading remains one of the most critical concerns in securities regulation globally. The misuse of *Unpublished Price Sensitive Information (UPSI)* undermines investor confidence and market integrity. In 2025, both India and the United States have introduced strategic shifts in their enforcement approaches leveraging artificial intelligence, redefining regulatory timelines, and reinterpreting legal doctrines to address the evolving complexity of insider trading. Whereas the Securities and Exchange Board of India (SEBI) has embraced a preventive enforcement model marked by AI surveillance and behavioral analytics, the U.S. Securities and Exchange Commission (SEC) continues to emphasize case-based litigation under Rule 10b-5. This section compares both jurisdictions, evaluates enforcement innovations, and examines the broader implications of technologically enabled compliance frameworks.

3.1 India (SEBI's Strategic Shift from Punitive to Preventive Enforcement): In 2025, SEBI introduced significant regulatory and procedural reforms to its insider trading enforcement regime, marking a transition from traditional, punitive actions to a more proactive, preventive framework. Key reforms include the issuance of pre-enforcement warning letters, the deployment of AI-powered anomaly detection systems, and expansion of the scope of UPSI to cover digital communication and algorithmic dissemination of confidential information [25]. The March 2025 amendment to the SEBI (Prohibition of Insider Trading) Regulations, 2015 introduced a new compliance mechanism allowing the regulator to issue non-punitive warnings for first-time or borderline infractions [26]. This mechanism aims to promote compliance through deterrence and early intervention rather than ex post facto penalties. Simultaneously, SEBI's June 2025 circular introduced stricter disclosure timelines for trades by designated persons, shrinking the reporting window from 48 to 24 hours [27]. At the core of these changes lies SEBI's use of artificial intelligence and natural language processing tools for real-time monitoring of securities markets [28]. These technologies help identify abnormal trading behavior, correlate trading activity with news events, and track UPSI leakage through emails, chat applications, and voice data. The regulator's Market Intelligence and Surveillance System (MISS) now operates as a predictive platform to flag potential insider trades before they cause systemic harm. SEBI's approach reflects a fundamental reimagining of enforcement, seeking to build a culture of compliance through precision regulation, digital vigilance, and behavioral insights. It also signals a shift in global regulatory priorities from prosecuting wrongdoing to preventing it from occurring altogether.

3.2 United States (Rule 10b-5 and Enforcement Focus on 10b5-1 Trading Plans): The United States continues to regulate insider trading primarily through Rule 10b-5 under the Securities Exchange Act of 1934, which prohibits fraud and deceit in connection with the purchase or sale of securities [29]. However, the SEC's 2025 enforcement focus has shifted toward abuse of Rule 10b5-1 trading plans, originally designed as a safe harbor for insiders to trade stock without implicating UPSI concerns [30]. Recent enforcement actions in 2024 and 2025 have exposed how corporate insiders manipulated the timing and structure of these plans to trade on confidential information while preserving the illusion of legality [31]. In response, the SEC amended Rule 10b5-1 to require cooling-off periods, director certifications of good faith, and enhanced disclosure obligations [32]. These changes aim to close regulatory loopholes and reinforce the principle that form cannot

[21] See e.g., Tenn. Code Ann. Sec-4-21-1101 (2025); S.B. 263, 89th Gen. Assemb., Reg. Sess. (Ark. 2025).
[22] Z2Data, ESG Compliance Tracker: Global Overview (2025), https://www.z2data.com.
[23] Law Firms Lead the ESG Push: Strategic Shifts in 2025, Cinco Días (Apr. 8, 2025), https://cincodias.elpais.com
[24] See Jennifer Howard-Grenville, Greenwashing and the Ethics of Compliance, 98 Bus. Ethics Q. 39, 42-46 (2025).
[25] SEBI Introduces AI-Based Market Surveillance to Curb Insider Trading, Legality Simplified (Mar. 15, 2025), https://www.legalitysimplified.com.
[26] SEBI, Master Circular on Insider Trading Prevention, SEBI/HO/ISD/ISD-PoD-1/P/CIR/2025/29 (Mar. 1, 2025).
[27] SEBI, Circular on Amendments to Insider Trading Regulations, SEBI/HO/ISD/CIR/P/2025/62 (June 5, 2025).
[28] Ruchi Verma, SEBI's Digital Leap in Surveillance, Cyril Amarchand Mangaldas Blog (Apr. 2025), https://www.cyrilamarchandblogs.com.
[29] 17 C.F.R. Sec-240.10b-5 (2025).
[30] SEC, Final Rule: Insider Trading Arrangements and Related Disclosures, Exchange Act Release No. 96328, 88 Fed. Reg. 11120 (Feb. 2024).
[31] See Wikipedia, Rule 10b5-1 Trading Plans (2025), https://en.wikipedia.org/wiki/Rule_10b5-1.
[32] Id.

override substance in compliance behavior. Moreover, the SEC has increased scrutiny on pattern-based trading anomalies and is investing in behavioral finance research and forensic data analytics to infer potential misuse of insider information, particularly in high-frequency trading environments.

3.3 Comparative Lens (UPSI Expansion and Surveillance Theories in India, U.S., and U.K.): A comparative analysis reveals that India's recent expansion of UPSI definitions provides greater regulatory flexibility than traditional frameworks in the U.S. and U.K [33]. The revised Indian regulations explicitly include digital communication, algorithm-based decision making, and passive information flows responding to the complex ways in which modern information travels through financial ecosystems [34]. While the U.S. still relies on a "classical" and "misappropriation" theory of insider trading rooted in fiduciary breach and deceptive practices [35]. India's framework is shifting toward a transactional and circumstantial model, emphasizing patterns of behavior over intent. This difference reflects broader regulatory philosophies: the U.S. enforcement model remains litigation-driven and retrospective, while India's model is increasingly AI-driven and preemptive. In the United Kingdom, the Financial Conduct Authority (FCA) adopts a mixed model, using both proactive data analytics and legal theories similar to U.S. standards. However, the FCA's regulatory updates remain relatively conservative in comparison to India's cutting-edge surveillance protocols.

3.4 Technology in Enforcement (AI, Surveillance, and Behavioral Detection): Technology now plays a pivotal role in shaping enforcement efficacy. SEBI's AI systems utilize machine learning models trained on vast datasets to detect "market anomalies" including unusual trading volumes, correlated activity across related accounts, and trades placed near significant corporate events [36]. The system flags these cases for deeper human investigation and, if necessary, escalation to enforcement. In contrast, the SEC has begun employing platforms like the Integrated Financial Data (IFD) system, which merges structured trade data with unstructured information sources (e.g., news reports, social media, and whistleblower data) to construct predictive models of insider behavior [37]. However, its systems are still in early stages compared to India's near real-time surveillance capacity. Moreover, academic research from 2024-25 highlights that AI-based regulatory systems outperform traditional audit mechanisms in detecting complex, collusive insider trading patterns [38]. These developments signal a shift toward algorithmic enforcement, where compliance is monitored not just through rules, but through continuous, adaptive feedback loops. In conclusion, both India and the United States are advancing toward a more technologically sophisticated and preventive regulatory architecture for insider trading. While their legal philosophies differ India's being more proactive and broader, the U.S. more principle-based and punitive both recognize that the complexities of modern trading demand new tools, new rules, and new enforcement strategies. In 2025, compliance is no longer just about obeying the law; it is about navigating a digitized surveillance ecosystem that anticipates and preempts misconduct.

4. Comparative Study of Bankruptcy Laws (India VS. The U.S.): Corporate bankruptcy is not merely a financial process it is a legal and strategic event that determines the survival or dissolution of a business. In global commerce, the choice of jurisdiction for insolvency resolution can significantly impact creditor recoveries, restructuring outcomes, and the feasibility of mergers and acquisitions (M&A). As India's Insolvency and Bankruptcy Code, 2016 (IBC) matures, and the U.S.'s long-established Chapter 11 continues to evolve, a comparative study offers critical insight into how legal frameworks shape corporate rescue or liquidation. This section explores key features of the IBC and U.S. Chapter 11, analyzes procedural contrasts, and assesses the implications of each regime for creditor rights, debtor control, and cross-border corporate restructuring in 2025.

4.1 Legal Frameworks (IBC vs. Chapter 11): India's Insolvency and Bankruptcy Code, 2016 was enacted to consolidate disparate insolvency laws, speed up resolution, and maximize asset value [39]. The Code introduced a time-bound Corporate Insolvency Resolution Process (CIRP), with a 180-day standard (extendable to 330 days), driven by creditor committees and a professionalized approach [40] By contrast, the U.S. Bankruptcy Code, specifically Chapter 11, has been in place since 1978 and allows debtors to reorganize under court protection while continuing operations [41]. Chapter 11 is debtor-in-possession (DIP) centric, giving management significant control unless a trustee is appointed for cause [42]. Unlike the IBC's rigid timelines, Chapter 11 provides procedural flexibility, often lasting years. The IBC is fundamentally creditor-driven, whereas Chapter 11 is debtor-centric, creating divergent dynamics in restructuring negotiations, litigation risk, and business continuity.

4.2 Procedural Differences and Control Mechanisms: Under the IBC, once a CIRP is triggered, the National Company Law Tribunal (NCLT) appoints an interim resolution professional (IRP), who takes over the management of the debtor company [43]. The IRP facilitates the formation of a Committee of Creditors (CoC), which exercises de facto control over the process, including the approval of resolution plans and selection of bidders [44]. In contrast, Chapter 11 allows the existing management to remain in control of operations while restructuring the debt.

[33] Arjun Mehta, India's Expanding UPSI Framework: A New Global Benchmark?, Mondaq (July 2025), https://www.mondaq.com
[34] Id.
[35] U.S. v. O'Hagan, 521 U.S. 642 (1997).
[36] SEBI Deploys Predictive AI to Detect Market Anomalies, LinkedIn Pulse (May 2025), https://www.linkedin.com/pulse.
[37] SEC, Integrated Financial Data System Overview, https://www.sec.gov/ifd-system (last visited Aug. 23, 2025).
[38] Jayant Sharma *et al*., AI Enforcement Algorithms for Insider Trading Detection, arXiv:2404.09876 [cs.AI] (Apr. 2025), https://arxiv.org/abs/2404.09876.
[39] Insolvency and Bankruptcy Code, No. 31 of 2016, INDIA CODE (Ministry of Law and Justice).
[40] IBC Sec-12.
[41] 11 U.S.C. Sec-1101 et seq. (2025).
[42] 11 U.S.C. Sec-1107.
[43] IBC Sec-16-18.
[44] IBC Sec-21.

The debtor files a plan of reorganization and negotiates with creditors, subject to court approval [45]. The U.S. model emphasizes autonomy and rehabilitation, whereas the Indian model prioritizes creditor oversight and expediency. Another critical procedural distinction is the automatic stay. Both jurisdictions impose a stay on legal actions upon initiation of insolvency. However, the U.S. stay is more expansive, applying to creditors globally, whereas India's stay is territorially limited, complicating cross-border insolvencies [46]. Furthermore, the Indian IBC prohibits promoters from submitting resolution plans if they are classified as "willful defaulters" or have been associated with non-performing assets [47]. The U.S. system places no such restrictions, often enabling controversial but strategically viable "insider restructurings" [48].

4.3 Creditor Rights and Recovery Models: The IBC classifies creditors into financial and operational categories, with financial creditors typically banks and financial institutions occupying dominant voting rights within the CoC [49]. Operational creditors may present claims but have no voting rights unless no financial creditors exist. This two-tier structure has raised questions of fairness, especially for MSMEs and trade creditors. In the U.S., all creditors are organized into classes under a reorganization plan, each of which must vote to accept the plan. The process allows for cramdown provisions, enabling courts to approve a plan over dissenting classes if fairness tests are met [50]. This ensures a more balanced stakeholder approach. Importantly, recovery rates under the IBC have been improving, but remain volatile, averaging 30-45% in recent years.[51] Chapter 11 outcomes vary widely, with secured creditors often recovering significant portions, while unsecured creditors may receive minimal distributions. Yet the flexibility of Chapter 11 sometimes enables value-maximizing reorganizations, especially for complex entities with intangible assets [52].

4.4 Impact on M&A and Corporate Restructuring: The IBC has created a dynamic market for distressed M&A through section 29A restrictions and a bidding-based resolution process [53]. Major corporate houses and foreign investors have acquired distressed assets through NCLT-led auctions, enhancing transparency but also adding procedural complexity. The emergence of a "pre-packaged insolvency" scheme for MSMEs (introduced in 2021) aims to accelerate in-court restructurings, though uptake remains limited [54]. Conversely, Chapter 11 enables in-court asset sales under Section 363, including "going concern" sales and stalking horse bids, allowing efficient transfer of viable businesses.[55] High-profile restructurings (e.g., Hertz, LATAM Airlines) demonstrate the system's utility in preserving enterprise value and jobs. Moreover, Chapter 11 is increasingly used strategically in cross-border M&A, enabling buyers to eliminate legacy liabilities and renegotiate labor, tax, and lease obligations [56]. Despite its rigidity, India's IBC has proven valuable in facilitating consolidated restructurings, particularly in industries like steel, telecom, and infrastructure. Yet, concerns over delays in resolution, judicial backlog, and procedural appeals have led to recent proposals for enhancing digital filing, limiting adjournments, and setting appellate timelines [57].

4.5 Looking Forward (Convergence or Divergence?) Both jurisdictions are grappling with a post-pandemic environment where insolvency law is central to economic revival. India's IBC remains a work in progress, striving to balance creditor rights, time-bound resolution, and business rehabilitation. The U.S., in contrast, faces increasing pressure to reform Chapter 11 to curb excessive DIP financing, forum shopping, and abusive restructuring tactics. There is growing recognition that effective insolvency systems must blend procedural efficiency with flexibility. The Indian model's strengths in creditor empowerment could benefit from the U.S. model's adaptive mechanisms, while Chapter 11 could integrate clearer timelines akin to the IBC's structure. In 2025, as cross-border M&A and ESG compliance intersect with insolvency proceedings, convergence in global bankruptcy principles may be inevitable. Legal harmonization, though complex, will be key to building resilience in an increasingly interconnected corporate landscape.

5. The Rise of ESG Compliance and Legal Implications

5.1 2025's Regulatory Shift: CSRD, CSDDD, CBAM, and EUDR from Planning to Enforcement: In 2025, ESG compliance frameworks in Europe transitioned decisively from aspirational goals to enforceable obligations, transforming sustainability from voluntary reporting into mandatory regulatory architecture. The Corporate Sustainability Reporting Directive (CSRD) expanded coverage to include large companies and introduced standardized European Sustainability Reporting Standards (ESRS), significantly elevating reporting requirements.[58] Concurrently, the Corporate Sustainability Due Diligence Directive (CSDDD) adopted in mid-2024 mandates that large companies conduct due diligence across global operations and value chains to mitigate environmental and human rights harms [59]. The newly launched EU Deforestation Regulation (EUDR) established a digital due diligence system for traders and operators to certify products do not contribute to deforestation [60]. Meanwhile, the Carbon Border Adjustment Mechanism (CBAM) imposes carbon tariffs on imports to incentivize cleaner

[45] 11 U.S.C. Sec-1121-1129.
[46] See UNCITRAL, Legislative Guide on Insolvency Law, U.N. Doc. A/CN.9/WG.V/WP.120 (2020).
[47] IBC Sec-29A.
[48] Lynn M. LoPucki & Joseph W. Doherty, Bankruptcy Fire Sales, 106 MICH. L. REV. 1, 25-30 (2007).
[49] IBC Sec-5(7)- (8).
[50] 11 U.S.C. Sec-1129(b).
[51] Insolvency and Bankruptcy Board of India (IBBI), Quarterly Newsletter (Q1 2025), https://ibbi.gov.in
[52] Edward Janger, Predicting Failure in Chapter 11, 83 AM. BANKR. L.J. 625 (2009).
[53] IBC Sec-29A.
[54] IBC, Part III, Ch. IIIA (Pre-Packaged Insolvency Resolution Process).
[55] 11 U.S.C. Sec-363.
[56] Andrew B. Dawson, Bankruptcy's Global Footprint, 95 TEX. L. REV. 929 (2017).
[57] Ministry of Corporate Affairs, Draft Discussion Paper on IBC Reforms (2025), https://www.mca.gov.in
[58] See European Business Organization Law Review, The Introduction of Mandatory Corporate Sustainability Reporting in the EU and the Question of Enforcement, 25 Eur. Bus. Org. L. Rev. 509, 509-32 (2024).
[59] Corporate Sustainability Due Diligence Directive, Directive (EU) 2024/1760 (June 13, 2024).
[60] A&L Goodbody LLP, Sustainability Reporting and Due Diligence Update - June 2025, at notes regarding EUDR Information System and due diligence statements.

global production [61]. Collectively, these instruments mark a turning point legally binding ESG norms now shape corporate transparency, supply chains, and market access. However, a "Simplification Omnibus" package proposed by the European Commission in early 2025 introduces delays and narrowed application: CSRD's rollout is deferred by two years for some entities; CSDDD's scope is postponed by one year; and reporting thresholds are limited to enterprises with annual turnover above €450 million or over 1,000 employees [62]. While aimed at reducing compliance burdens, the move has sparked concerns about diluting corporate accountability [63]. The Omnibus also tasks the European Financial Reporting Advisory Group (EFRAG) to revise and simplify ESRS, with a draft due in October 2025 [64].

5.2 Regional Highlights

Australia: Starting January 1, 2025, Australia enacted a comprehensive mandatory climate-related financial reporting regime under amendments to the Corporations Act [65]. "Group 1" entities those with substantial revenue, assets, or workforce must begin reporting on governance, strategy, risk management, and Scope 1, 2, and scenario-based analysis, with phased requirements for Scope 3 [66]. A transitional "modified liability" framework protects certain forward-looking statements from litigation through 2027, allowing regulators to prioritize education and supervision [67]. The Australian Securities and Investments Commission (ASIC) has positioned these reforms as a "once-in-a-generation" transformation in corporate reporting [68].

United Kingdom: Although not directly sourced here, the UK is expected to shift from a "comply or explain" disclosure model to mandatory TCFD-aligned climate financial reporting for most sectors by 2025 [69].

United States: Under the Trump-Vance administration, the Environmental Protection Agency and SEC have rolled back or paused enforcement on federal climate disclosure rules, reflecting policy divergence [70]. However, several states like California and New York are creating their own ESG or climate reporting mandates [71].

Europe's Business and Consultancy Sector: Demand for ESG frameworks has surged among law firms, consultancies, and governance professionals, seeking to guide businesses through evolving compliance landscapes [72]. However, some corporate leaders argue that regulatory stringency impairs competitiveness adding political complexity and compliance burdens [73].

5.3 Legal Challenges and Key Cases: The growing institutionalization of ESG standards has sharpened legal risks for non-compliance and misleading disclosures. A prominent example is the BlackRock settlement with Tennessee in January 2025, where the asset manager agreed to improve transparency, submit to regular audits and compliance training, and enhance investor communications but did not admit wrongdoing [74]. The agreement reflects mounting pressure from red states against ESG strategies in investment portfolios and underscores the reputational vulnerabilities firms face amid politicized ESG debates. As of 2025, ESG compliance has decisively matured into a legal obligation in many jurisdictions. In Europe, the combined force of CSRD, CSDDD, CBAM, and EUDR signals a transition to legally enforceable reporting and due diligence frameworks though simplification efforts may recalibrate the pace and scope of compliance. In Australia, mandatory climate disclosures usher in a new era of transparency, with phased obligations and regulatory safeguards. In the U.S., fragmentation continues, with state-level initiatives filling gaps left by federal rollbacks. High-profile legal developments like the BlackRock-Tennessee case reveal how ESG strategies are increasingly subject to political and legal scrutiny. These shifts illustrate that corporate governance in 2025 is not just about meeting ethical expectations it is now subject to multi-jurisdictional legal accountability. The era of voluntary ESG playbooks is giving way to compliance ecosystems enforced through law, litigation, and oversight.

6. Mergers & Acquisitions: Legal Hurdles in Cross-Border Deals

6.1 Key Legal Obstacles: Jurisdictional Conflicts, Antitrust, and ESG Divergence: Cross-border M&A transactions increasingly confront a complex tangle of legal barriers. Among the most prominent are jurisdictional conflicts, whereby differing legal standards across jurisdictions particularly in ESG regulation can impair due diligence, contract negotiation, and regulatory approval. For example, target entities may fall under the scope of the EU's Corporate Sustainability Due Diligence Directive (CSDDD), imposing mandatory human rights and environmental obligations, while the acquirer's home jurisdiction imposes no such requirement, creating regulatory asymmetry and litigation risk.[75] Antitrust regulators in both the U.S. and EU have also begun to scrutinize ESG collaborations such as joint sector-wide sustainability initiatives for potential violations of competition law, raising issues of anticompetitive behavior masked as cooperative ESG endeavors [76]. Additionally, the divergence in ESG policy landscapes with some U.S. states adopting anti-ESG measures while the EU presses ahead

[61] KWM, Global Developments on Mandatory Climate Reporting (2025), summarizing CBAM.
[62] Reuters, Europe plans to ease sustainability reporting rules to compete globally (Feb. 26, 2025).
[63] Id.
[64] A&L Goodbody, supra note 3.
[65] ESG Today, Australia Passes Law to Begin Mandatory Climate Reporting in 2025 (Sept. 9, 2024).
[66] Allens, Mandatory climate-related financial reporting (Apr. 8, 2025).
[67] Australian Institute of Company Directors (AICD), Climate Reporting Legislation Passes Senate—reporting from Jan. 1, 2025, and transitional Modified Liability provisions (2025).
[68] Australian Securities and Investments Commission (ASIC), Urges Businesses to Prepare for Mandatory Climate Reporting (2024).
[69] Wikipedia, Task Force on Climate-related Financial Disclosures (TCFD) (2025).
[70] Allens, supra note 9, summarizing U.S. federal rollback under Trump-Vance.
[71] KWM, supra note 4 (noting U.S. state-led climate disclosure mandates).
[72] Financial Times and Cinco Días commentary on booming consultancy demand for ESG frameworks (2025).
[73] Financial Times and Cinco Días, as above.
[74] BlackRock, Tennessee settle ESG lawsuit, N.Y. Post (Jan. 17, 2025).
[75] See Eversheds Sutherland, Addressing ESG Considerations in M&A, Global Legal Insights (2025); Clifford Chance, Sustainability due Diligence and Disclosures (2025).
[76] Global Legal Insights, supra note 1.

with stringent sustainability enforcement complicates risk assessments, compliance obligations, and reputational exposure [77].

6.2 Enforcement Complexity: Embedding 2025 ESG Mandates in M&A Agreements: In 2025, acquirers must actively discern whether target companies are already subject to or will soon fall within regulatory obligations such as the CSDDD or EU's Carbon Border Adjustment Mechanism (CBAM). As a result, M&A agreements must evolve beyond traditional representations and warranties to include express provisions on ESG compliance.
This includes:

- Due diligence covenants, requiring targets to map their supply chains, evaluate ESG risk metrics, and commit to compliance timelines aligned with CSDDD and CBAM [78].
- Indemnities or contractual assurances to shield buyers from liabilities arising from unresolved ESG violations, such as hidden deforestation risks or forced-labor exposures [79].
- M&A practitioners now routinely structure material adverse change (MAC) clauses, ESG-specific termination rights, and escrow arrangements to manage the unknowns inherent in rapidly evolving ESG regimes.

6.3 Strategic Solutions: Model Contractual Safeguards and Harmonized Frameworks
To navigate the cross-border ESG maze effectively, M&A parties are turning to a set of strategic contractual innovations:

- ESG-specific representations and warranties: Sellers explicitly warrant compliance with relevant ESG laws (e.g., CSDDD, EUDR, CBAM, forced-labor bans), and affirm the accuracy of environmental and human-rights disclosures [80].
- Indemnities tied to ESG liabilities: Buyers negotiate indemnities carved out specifically for ESG-related breaches, allowing claim recovery even after deal closing.
- Conditional closings and earn-outs: Implementation of expiry of liabilities only occuring upon evidence of ESG compliance post-acquisition (e.g., environmental remediation plans).
- Beyond contracts, harmonized disclosure frameworks aligned with standards such as SASB, GRI, or TCFD allow buyers to benchmark ESG performance consistently across jurisdictions [81]. Despite the lack of global ESG standardization, these frameworks serve as neutral reference points.
- In highly fragmented ESG environments, risk-sharing structures such as deferred consideration tied to sustainability performance or transitional outsourcing of compliance obligations offer further flexibility.
- Finally, M&A advisors recommend comprehensive regulatory mapping prior to transaction structuring, identifying all overlapping ESG regimes influencing both buyer and target. This allows parties to align corporate governance structures and internal disclosures to preempt jurisdictional conflict and reduce post-closing enforcement surprises. Cross-border M&A in 2025 occurs in a legally intensified environment. Negotiators must manage jurisdictional variance, embed dynamic ESG obligations into deal contracts, and craft protective structures that balance opportunity and accountability. Strategic foresight and precise contractual design are no longer optional in a world where ESG law and ethics intersect and where failure to align them can derail transformational transactions.

7. Conclusion: The corporate legal landscape in 2025 reflects an era of profound convergence between legal imperatives and ethical expectations. Across diverse domains Corporate Social Responsibility (CSR), insider trading, environmental, social, and governance (ESG) compliance, and cross-border M&A businesses are navigating a redefined regulatory terrain in which compliance is no longer simply a matter of avoiding liability but a strategic imperative tied to legitimacy, market access, and investor trust.

7.1 Interplay of Legal and Ethical Dimensions: In the realm of CSR, the evolution from soft-law frameworks to binding obligations especially within the European Union through the Corporate Sustainability Due Diligence Directive (CSDDD) demonstrates how what was once moral advocacy has become legal expectation. India's model, where CSR spending is statutorily mandated for certain companies, further complicates the question of voluntariness. Across jurisdictions, CSR is no longer optional branding it is a legal and reputational baseline. The insider trading regime, particularly with SEBI's 2025 shift from a punitive to a preventive enforcement model, shows how technological tools like AI-driven surveillance are recasting compliance as a real-time ethical practice. In the United States, the reinterpretation of Rule 10b5-1 trading plans has emphasized not just procedural compliance but the intent and fairness underlying executive transactions further blending legal enforcement with expectations of moral integrity. ESG compliance, meanwhile, stands at the forefront of regulatory transformation. The enforcement of CSRD, CSDDD, EUDR, and CBAM in the EU, the mandatory climate-financial disclosure regime in Australia, and diverging policy directions in the United States underscore the geopolitical fragmentation and rising complexity of ESG governance. Legal mandates are now the backbone of corporate sustainability practices, driving firms to adopt ESG not as philanthropy, but as risk management, investment strategy, and legal necessity. In cross-border M&A, ESG obligations increasingly influence deal structure, due diligence, and post-closing integration. Parties must account for jurisdictional asymmetries in ESG compliance, embed contractual protections, and harmonize disclosure practices. The negotiation table has shifted from financial valuation to include compliance forecasting and ethical alignment. Across these areas, the common thread is clear: ethical expectations are being codified into enforceable law, and businesses that fail to anticipate this

[77] Phoenix Strategy Group, Cross-Border M&A: Navigating Divergent Merger Laws (2025).
[78] Hogan Lovells, ESG Compliance Management and Corporate Strategy: What to Expect in 2025.
[79] Eversheds Sutherland, supra note 1.
[80] Financier Worldwide, Integrating ESG Considerations into Due Diligence (2025).
[81] Attorney Aaron Hall, Integrating ESG Metrics and Reporting Standards.

shift risk legal liability, reputational damage, and strategic failure.

7.2 Reflections on the 2025 Legal Paradigm

The regulatory paradigm of 2025 is moving decisively toward a proactive, ethically guided ecosystem. Legislators and regulators are no longer reacting to misconduct after the fact they are building frameworks that embed ethical foresight into legal obligations. The use of AI and data analytics in enforcement, the codification of due diligence across global supply chains, and the rising power of stakeholder capitalism reflect a legal order that no longer separates law from values. This shift also illustrates the limitations of traditional compliance models. Legal checklists, once sufficient to meet regulatory expectations, are now complemented or even replaced by dynamic compliance programs tied to purpose, social impact, and forward-looking governance. The law is no longer a floor; it is increasingly a moving target, guided by evolving public expectations, international standards, and technology. However, risks persist: jurisdictional inconsistencies, compliance fatigue among SMEs, and politicized backlash especially against ESG in certain U.S. states may create a fragmented and contested regulatory field. The future of corporate law depends on managing these tensions while preserving the integrity of global legal norms.

7.3 Recommendations: For Academia: Legal scholars and business ethics researchers must expand interdisciplinary inquiry into the normative foundations of corporate law, integrating insights from behavioral economics, data governance, and climate science. Comparative legal analysis should evolve to account not only for jurisdictional divergence but also for regulatory convergence, especially in ESG and cross-border corporate governance.

For Policymakers: There is an urgent need for harmonized regulatory architecture, particularly in ESG reporting and due diligence. International cooperation through forums such as the G20, OECD, or UN bodies must prioritize shared taxonomies and interoperable disclosure standards. Policymakers should also invest in capacity building for regulators and digital infrastructure to facilitate transparent enforcement.

For Compliance Officers and Legal Advisors: Compliance is no longer a siloed function it is a strategic driver of corporate risk management, investor relations, and brand value. Legal advisors must help clients embed ethical risk into board-level decisions, integrate ESG metrics into contractual terms, and build proactive reporting mechanisms that preempt both enforcement and reputational risk. Tailored training, AI-integrated surveillance, and ESG stress-testing should form the new compliance toolkit.

For Corporations: Organizations must embrace a culture of governance that aligns legal mandates with social legitimacy. This means not only adhering to law but committing to transparency, stakeholder engagement, and continuous ESG improvement. Strategic planning should anticipate regulatory shifts, with legal teams and ESG officers working collaboratively to build resilient, future-ready institutions.

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