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# **GREEN CONTRACTS IN INDIAN LABOUR LAW: FACILITATING DECARBONISATION AND JUST TRANSITIONS IN EMPLOYMENT RELATIONS**

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## **ABSTRACT**

The escalating climate crisis necessitates transformative shifts across legal domains, including labour law. This article examines 'green contracts' employment agreements that embed sustainability commitments as core obligations and their prospective role within India's regulatory framework. By integrating clauses on eco-efficient commuting, remote work arrangements, renewable energy adoption, and employee involvement in decarbonisation initiatives, green contracts advance national climate objectives while embedding environmental stewardship in employment relations. This paper analyzes the conceptual foundations of green contracts, their integration within India's four Labour Codes, their contributions to decarbonisation and just transitions, implementation challenges, and policy imperatives for effective operationalization. Drawing on comparative international models and India's constitutional and statutory framework, this article argues that green contracts represent a critical mechanism for aligning employment relations with environmental sustainability goals while ensuring worker protections during sectoral transitions.

Keywords: Green contracts, labour law, decarbonisation, just transition, Indian Labour Codes, environmental sustainability, collective bargaining, climate governance.

## **1. INTRODUCTION**

The climate crisis has emerged as the defining challenge of the twenty-first century, demanding comprehensive legal and institutional responses across all sectors of governance. While environmental law has traditionally focused on regulatory instruments such as emissions standards, pollution

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controls, and conservation mandates, the integration of environmental objectives into private law domains particularly contract law and labour law represents a relatively nascent but increasingly critical frontier.<sup>2</sup> Within this evolving landscape, 'green contracts' have emerged as innovative legal instruments that embed sustainability commitments directly into contractual obligations, thereby decentralizing climate governance and aligning private conduct with public environmental goals.<sup>3</sup>

In the employment context, green contracts constitute agreements between employers and employees that incorporate environmental performance metrics, sustainability targets, and climate-related obligations as core terms of the employment relationship. These provisions may mandate reductions in workplace energy consumption, adoption of low-emission commuting practices, participation in corporate decarbonisation strategies, or engagement in environmental volunteering initiatives.<sup>4</sup> By embedding such clauses within employment contracts and collective bargaining agreements, green contracts operationalize environmental stewardship at the micro-level of individual workplaces while contributing to macro-level national and international climate commitments.

India's engagement with climate governance has intensified significantly following its ratification of the Paris Agreement and subsequent commitments to achieve net-zero emissions by 2070. The industrial sector, which contributes approximately 30% of national greenhouse gas emissions, represents a critical domain for decarbonisation efforts.<sup>5</sup> Simultaneously, India's labour market characterized by substantial informal employment, sectoral heterogeneity, and ongoing regulatory consolidation through the four Labour Codes presents both opportunities and challenges for integrating environmental objectives into employment relations.

This article analyzes how such instruments can be integrated within India's recently consolidated labour regulatory framework, their potential contributions to decarbonisation and just transitions, the challenges they face in implementation, and the policy reforms necessary for their effective operationalization. The analysis proceeds in six parts: Part 2 establishes the conceptual foundations and comparative legal basis for green contracts; Part 3 examines their integration within India's four Labour Codes and existing jurisprudence; Part 4 assesses their contributions to decarbonisation and

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<sup>2</sup>Cristina Poncibò, "The Contractualisation of Environmental Sustainability," *European Review of Contract Law* 2016, no. 3 (2016): 335, <https://doi.org/10.1515/ercl-2016-0018>.

<sup>3</sup>Ole Hansen & Vibe Ulfbeck, "Sustainability Clauses in an Unsustainable Contract Law?" *European Review of Contract Law* 16, no. 2 (2020): 186, <https://doi.org/10.1515/ercl-2020-0010>.

<sup>4</sup>Natalia Sciuchina, "Legal Aspects of Sustainable Employment in the Green Transition of the Labor Market," *Revista Moldovenească de Drept Internațional și Relații Internaționale* 21, no. 1 (2026): 48, <https://doi.org/10.61753/1857-1999/2345-1963/2026.21-1.04>.

<sup>5</sup>India's Third Biennial Update Report to the UNFCCC (2021) estimates industrial sector emissions at approximately 30% of total national greenhouse gas emissions.

just transitions; Part 5 critically analyzes implementation challenges; Part 6 proposes policy imperatives and normative reforms.

## 2. CONCEPTUAL FOUNDATIONS AND LEGAL BASIS

### 2.1 DEFINING GREEN CONTRACTS IN EMPLOYMENT RELATIONS

Green contracts in employment relations constitute legally enforceable instruments that incorporate environmental performance metrics, sustainability targets, and climate-related obligations into the terms and conditions of employment. Unlike traditional employment contracts that focus exclusively on remuneration, working hours, job responsibilities, and termination conditions, green contracts expand the contractual scope to include environmental stewardship as a mutual obligation between employer and employee.<sup>6</sup>

The substantive content of green contracts varies considerably depending on sectoral context, organizational capacity, and regulatory environment. Illustrative provisions include: stipulations for low-emission commuting allowances that incentivize public transportation or cycling; prioritization of remote working arrangements to minimize travel-related emissions; allocation of 'green budgets' for employee-led sustainability projects such as solar panel installations or electric vehicle acquisitions; mandatory participation in corporate environmental training programs; and performance evaluation criteria that incorporate environmental metrics alongside traditional productivity indicators.<sup>7</sup>

The Chancery Lane Project, a collaborative initiative of legal professionals focused on climate-conscious contracting, has developed model clauses for employment agreements that exemplify this approach. These include provisions for 'climate career breaks' that enable employees to engage in environmental volunteering or climate-related professional development, as well as clauses requiring employers to provide transparent reporting on workplace carbon footprints and employee-specific emissions data.<sup>8</sup> Such provisions reflect a broader trend toward contractualizing environmental sustainability across diverse legal domains, extending beyond public procurement and commercial contracts into the employment sphere.<sup>9</sup>

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<sup>6</sup> Irina Gladilina et al., "Adapting ESG Principles to Contracting Practices: Towards Sustainable Business Agreements," *International Journal of Sustainable Development and Planning* 19, no. 7 (2024): 2628, <https://doi.org/10.18280/ijstdp.190719>.

<sup>7</sup> Ed Atkins, "Green Jobs, Just Transition, and the Future of Work," in *The Handbook for the Future of Work* (2024): 377, <https://doi.org/10.4324/9781003327561-40>.

<sup>8</sup> The Chancery Lane Project, *Climate Contracts Playbook* (2023), available at <https://chancerylaneproject.org>.

<sup>9</sup> Ezgi Uysal, "Sustainability Clauses in 'Public' Contracts," *European Review of Contract Law* 20, no. 2 (2024): 106, <https://doi.org/10.1515/ercl-2024-2004>.

## 2.2 COMPARATIVE INTERNATIONAL MODELS

The development of green contracts in employment relations has progressed unevenly across jurisdictions, with European nations demonstrating particular leadership in integrating environmental objectives into labour law frameworks. The European Union's Green Deal and associated legislative initiatives have catalyzed member states to adopt policies promoting 'green jobs' and sustainable employment practices.<sup>10</sup> In Germany, collective bargaining agreements in the automotive and energy sectors have increasingly incorporated provisions addressing workforce transitions from carbon-intensive to renewable energy industries, including retraining commitments, job security guarantees during sectoral shifts, and employee participation in corporate sustainability governance.<sup>11</sup>

France's 2019 PACTE Law (Plan d'Action pour la Croissance et la Transformation des Entreprises) amended the Civil Code to recognize corporate social and environmental responsibility as integral to business purpose, creating a legal foundation for embedding sustainability objectives in employment contracts.<sup>12</sup> Similarly, the Netherlands has witnessed growing adoption of 'sustainable employment agreements' in sectors ranging from construction to logistics, often negotiated through tripartite consultations involving employers, trade unions, and government representatives.<sup>13</sup>

In developing economies, green employment frameworks remain nascent but are gaining traction. South Africa's National Development Plan incorporates green economy transitions as a priority, with sectoral education and training authorities developing competency frameworks for green skills.<sup>14</sup> Indonesia's recent labour law reforms have begun addressing environmental considerations in occupational health and safety standards, particularly in extractive industries.<sup>15</sup> These comparative models demonstrate that green contracts can be adapted to diverse regulatory contexts, though their effectiveness depends critically on institutional capacity, enforcement mechanisms, and stakeholder engagement.

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<sup>10</sup> European Commission, *The European Green Deal*, COM(2019) 640 final (2019).

<sup>11</sup> Katharina Bohnenberger, "Greening Work: Labor Market Policies for the Environment," *Empirica* 49 (2022): 352, <https://doi.org/10.1007/s10663-021-09530-9>.

<sup>12</sup> Law No. 2019-486 of May 22, 2019 on Business Growth and Transformation, *Journal Officiel de la République Française* [J.O.] [Official Gazette of France], May 23, 2019.

<sup>13</sup> Bohnenberger, *supra* note 10, at 355.

<sup>14</sup> Republic of South Africa, *National Development Plan 2030: Our Future—Make It Work* (2012).

<sup>15</sup> "Green Employment Policies and Legal Frameworks in Developing Economies," *Intellectual Law Review (ILRE)* 3, no. 2 (2025): 90, <https://doi.org/10.59108/ilre.v3i2.113>.

## 2.3 PRIVATE AUTONOMY VERSUS PUBLIC INTEREST

The integration of environmental objectives into employment contracts raises fundamental questions about the relationship between private autonomy and public interest in contract law. Classical contract theory emphasizes party autonomy, freedom of contract, and the primacy of private ordering in determining contractual terms.<sup>16</sup> From this perspective, green contracts represent voluntary commitments by contracting parties to align their private arrangements with broader environmental goals, without state compulsion or regulatory mandate.

However, contemporary contract scholarship increasingly recognizes that purely voluntarist approaches may prove insufficient to address collective action problems and externalities inherent in environmental degradation.<sup>17</sup> The climate crisis constitutes a paradigmatic example of market failure, where individual rational choices aggregate into collectively irrational outcomes. In this context, legal scholars have argued for reconceptualizing contract law to incorporate public interest considerations, including environmental sustainability, as implicit terms or mandatory provisions in certain contractual categories.<sup>18</sup>

The tension between private autonomy and public interest manifests distinctly in employment contracts, where power asymmetries between employers and employees complicate notions of voluntary consent. Labour law has long recognized that formal contractual freedom may mask substantive inequality, justifying protective legislation, mandatory terms, and collective bargaining rights.<sup>19</sup> Extending this logic to environmental provisions, green contracts might be conceptualized not merely as voluntary sustainability commitments but as mechanisms for operationalizing constitutional environmental rights and international climate obligations at the workplace level.

## 2.4 VOLUNTARY VERSUS MANDATORY PROVISIONS

A critical design question for green contracts concerns whether environmental provisions should remain voluntary, subject to negotiation between parties, or should be mandated through legislation or regulatory standards. Presently, most green contract provisions operate on a voluntary basis, reflecting principles of private autonomy and contractual freedom. Proponents of voluntary approaches argue that flexibility enables tailoring environmental commitments to specific sectoral

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<sup>16</sup> Nicholas Mouttotos, "The Unidroit Principles on International Commercial Contracts and Sustainable Development," *Uniform Law Review* 29, no. 3 (2024): 365, <https://doi.org/10.1093/ulr/unae035>.

<sup>17</sup> Hansen & Ulfbeck, *supra* note 2, at 190.

<sup>18</sup> Yann Queinnec, "Sustainable Contracts—A Legal Innovation Aimed at Serving the Common Good?" in *Social Responsibility, Entrepreneurship and the Common Good* (2012): 38, [https://doi.org/10.1057/9780230354890\\_3](https://doi.org/10.1057/9780230354890_3).

<sup>19</sup> International Labour Organization, *Decent Work* (1999).

contexts, organizational capacities, and workforce characteristics, thereby enhancing feasibility and compliance.<sup>20</sup>

However, voluntary approaches face significant limitations. Absent regulatory mandates or market incentives, employers may lack motivation to adopt green contract provisions, particularly where such commitments impose costs or operational constraints. Information asymmetries, transaction costs, and collective action problems may further impede voluntary adoption, especially among small and medium enterprises with limited resources for sustainability initiatives.<sup>21</sup> Moreover, voluntary provisions risk creating competitive disadvantages for early adopters, potentially deterring widespread uptake.

Mandatory approaches, conversely, ensure universal coverage and level the competitive playing field by imposing uniform environmental obligations across employers. Legislative mandates can be calibrated to sectoral characteristics, with differentiated requirements for high-emission industries versus service sectors. Mandatory provisions also facilitate enforcement through labor inspectorates and judicial mechanisms, enhancing accountability.<sup>22</sup> However, rigid mandates may prove inflexible, failing to accommodate legitimate variations in organizational capacity or sectoral feasibility. A hybrid approach combining baseline mandatory provisions with voluntary enhancement mechanisms may offer an optimal balance, ensuring minimum environmental standards while incentivizing ambitious voluntary commitments through recognition schemes, tax benefits, or preferential procurement access.<sup>23</sup>

### **3. INTEGRATION WITHIN INDIAN LABOUR LAW**

#### **3.1 THE FOUR LABOUR CODES: MAPPING GREEN CONTRACT INTEGRATION**

India's labour law regime has undergone substantial consolidation through the enactment of four Labour Codes between 2019 and 2020: the Code on Wages 2019, the Industrial Relations Code 2020,

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<sup>20</sup> Mouttotos, *supra* note 15, at 370.

<sup>21</sup> Antti Palmujoki et al., "Green Public Procurement: Analysis on the Use of Environmental Criteria in Contracts," *Review of European Community & International Environmental Law* 19, no. 2 (2010): 255, <https://doi.org/10.1111/j.1467-9388.2010.00681.x>.

<sup>22</sup> Hamza Djebaili & Amraoui Khadidja, "The Effectiveness of Administrative Contracts in the Framework of Sustainable Development and the Realization of the Green Economy," *Journal of Law and Sustainable Development* 13, no. 2 (2025): e4335, <https://doi.org/10.55908/sdgs.v13i2.4335>.

<sup>23</sup> Qingbin Cui & Xinyuan Zhu, "Green Contracting in Highway Construction," *Transportation Research Record: Journal of the Transportation Research Board* 2228 (2011): 15, <https://doi.org/10.3141/2228-02>.

the Code on Social Security 2020, and the Occupational Safety, Health and Working Conditions Code 2020. These Codes amalgamate and rationalize 29 pre-existing central labour statutes, aiming to simplify compliance, enhance worker protections, and modernize regulatory frameworks.<sup>24</sup> While environmental obligations have not achieved explicit codification within these instruments, progressive interpretations and strategic amendments could facilitate integration of green contract provisions.

The Industrial Relations Code 2020 governs trade unions, collective bargaining, and industrial disputes, providing the primary framework for negotiating employment terms beyond statutory minima. Section 2(g) defines 'conditions of service' broadly to include "matters pertaining to privileges, rights and duties of employers or workmen," potentially encompassing environmental obligations as legitimate subjects of collective bargaining.<sup>25</sup> Such provisions might include commitments to low-emission commuting reimbursements, renewable energy adoption targets, or employee participation in corporate sustainability committees.

The Occupational Safety, Health and Working Conditions Code 2020 establishes comprehensive standards for workplace safety, health, and welfare. While its primary focus remains traditional occupational hazards, Section 3(1)(q) defines 'hazardous process' to include activities that may cause environmental pollution, creating interpretive space for addressing climate-related workplace risks.<sup>26</sup> Green contract provisions addressing workplace energy efficiency, emissions monitoring, or climate adaptation measures could thus be framed as extensions of existing occupational health obligations.

The Code on Social Security 2020 extends social protection to diverse worker categories, including gig and platform workers. While environmental provisions are absent, Section 109 establishes a Social Security Fund that could theoretically be expanded to support workers displaced by sectoral transitions from carbon-intensive to green industries.<sup>27</sup> Green contracts might incorporate clauses guaranteeing access to retraining programs, income support during transitions, or preferential placement in emerging green sectors, operationalizing 'just transition' principles within individual employment relationships.

The Code on Wages 2019 primarily addresses remuneration, minimum wages, and payment mechanisms. While seemingly distant from environmental concerns, wage structures could be designed to incentivize sustainable behaviors for example, through 'green allowances' for employees

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<sup>24</sup> Ministry of Labour and Employment, Government of India, *The Labour Codes* (2019-2020).

<sup>25</sup> Industrial Relations Code, 2020, No. 35, Acts of Parliament, 2020 (India).

<sup>26</sup> Occupational Safety, Health and Working Conditions Code, 2020, No. 37, Acts of Parliament, 2020 (India).

<sup>27</sup> Code on Social Security, 2020, No. 36, Acts of Parliament, 2020 (India).

adopting low-emission commuting or achieving workplace sustainability targets.<sup>28</sup> Such provisions would require careful calibration to avoid creating perverse incentives or discriminatory wage structures, but could represent innovative mechanisms for aligning compensation with environmental performance.

### 3.2 JUDICIAL INTERPRETATIONS AND ENVIRONMENTAL LABOUR JURISPRUDENCE

Indian constitutional and environmental jurisprudence provides a foundation for integrating environmental considerations into labour law. Article 48A of the Constitution directs the State to "endeavour to protect and improve the environment," while Article 51A(g) imposes a fundamental duty on citizens to "protect and improve the natural environment."<sup>29</sup> The Supreme Court has consistently interpreted these provisions expansively, recognizing environmental protection as integral to the right to life under Article 21.

In *Vellore Citizens Welfare Forum v. Union of India* (1996), the Supreme Court articulated the 'polluter pays' principle and sustainable development as foundational to Indian environmental jurisprudence, holding that "the traditional concept that development and ecology are opposed to each other is no longer acceptable."<sup>30</sup> While this precedent addressed industrial pollution rather than employment relations specifically, its recognition of sustainable development as a constitutional imperative extends logically to workplace practices and employment contracts that impact ecological outcomes.

*M.C. Mehta v. Union of India* (1987), the landmark Oleum Gas Leak case, established the principle of absolute liability for hazardous industrial activities, emphasizing employer responsibility for environmental and occupational safety.<sup>31</sup> This jurisprudence supports interpreting employer obligations under the Occupational Safety Code to encompass environmental dimensions of workplace safety, including emissions monitoring and climate risk mitigation.

More recently, *Ridhima Pandey v. Union of India* (2019), though ultimately dismissed on procedural grounds, highlighted judicial recognition of intergenerational equity and climate justice as emerging constitutional principles.<sup>32</sup> Such evolving jurisprudence creates interpretive space for courts to

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<sup>28</sup> Code on Wages, 2019, No. 29, Acts of Parliament, 2019 (India).

<sup>29</sup> India Const. art. 48A, 51A(g).

<sup>30</sup> *Vellore Citizens Welfare Forum v. Union of India*, (1996) 5 SCC 647 (India).

<sup>31</sup> *M.C. Mehta v. Union of India*, (1987) 1 SCC 395 (India).

<sup>32</sup> *Ridhima Pandey v. Union of India*, W.P. (C) No. 607/2017 (Delhi High Court, 2019) (India).

recognize green contract provisions as legitimate and potentially mandatory components of employment relationships, particularly in high-emission sectors.

### **3.3 TRADE UNIONS AND COLLECTIVE BARGAINING**

Trade unions play a pivotal role in negotiating employment terms and protecting worker interests during economic transitions. The Industrial Relations Code 2020 empowers registered trade unions to engage in collective bargaining on behalf of workers, creating institutional mechanisms for incorporating green clauses into CBAs.<sup>33</sup> International experience demonstrates that trade unions can be effective advocates for environmental sustainability when worker protections are guaranteed during sectoral transitions.

The International Labour Organization's (ILO) Guidelines for a Just Transition towards Environmentally Sustainable Economies and Societies emphasize social dialogue and tripartite consultations as essential mechanisms for managing green transitions.<sup>34</sup> India, as an ILO member state, has ratified several core conventions addressing forced labour, child labour, and discrimination, though it has not yet ratified Convention No. 144 on Tripartite Consultation, which would formalize institutional mechanisms for government-employer-union dialogue on labour standards.<sup>35</sup>

Indian trade unions have historically focused on wage protection, job security, and working conditions, with environmental issues receiving limited attention. However, emerging examples suggest growing union engagement with sustainability. The Indian National Trade Union Congress (INTUC) and Centre of Indian Trade Unions (CITU) have participated in international forums on just transitions, advocating for worker protections during coal sector phase-downs and renewable energy expansions.<sup>36</sup> Collective bargaining agreements in sectors such as automotive manufacturing and power generation could incorporate provisions addressing workforce retraining, income support during transitions, and employee participation in corporate decarbonisation strategies.

Challenges remain, however. Union density in India's formal sector has declined, and the vast informal sector comprising over 90% of the workforce remains largely unorganized.<sup>37</sup> Extending green contract

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<sup>33</sup> Industrial Relations Code, 2020, § 18.

<sup>34</sup> International Labour Organization, *Guidelines for a Just Transition towards Environmentally Sustainable Economies and Societies for All* (2015).

<sup>35</sup> ILO Convention No. 144 concerning Tripartite Consultations to Promote the Implementation of International Labour Standards, June 21, 1976.

<sup>36</sup> "Promoting Green Jobs: Decent Work in the Transition to Low-carbon, Green Economies," in *The ILO @ 100* (2019): 260, [https://doi.org/10.1163/9789004399013\\_013](https://doi.org/10.1163/9789004399013_013).

<sup>37</sup> International Labour Organization, *India Labour Market Update* (2023).

provisions to informal workers requires innovative approaches, potentially including sectoral agreements, platform-based organizing, or legislative mandates that apply regardless of employment formality.

## **4. CONTRIBUTIONS TO DECARBONISATION AND JUST TRANSITIONS**

### **4.1 OPERATIONALIZING DECARBONISATION AT THE MICRO-LEVEL**

Green contracts operationalize decarbonisation at the micro-level by imposing accountability for emissions deriving from commuting, resource utilization, and operational decisions within individual workplaces. In India's context where the industrial sector contributes approximately 30% of national greenhouse gas emissions workplace-level interventions can yield substantial aggregate reductions.<sup>38</sup> Commuting alone accounts for significant urban emissions; studies estimate that employee commuting in major Indian cities contributes 15-20% of transportation-related carbon emissions.<sup>39</sup> Green contract provisions incentivizing public transportation, carpooling, cycling, or remote work can directly reduce these emissions while improving air quality and reducing traffic congestion.

Remote work provisions, accelerated by the COVID-19 pandemic, demonstrate significant decarbonisation potential. Research indicates that widespread remote work adoption in India's information technology sector reduced commuting emissions by an estimated 25-30% during 2020-2021.<sup>40</sup> Green contracts that institutionalize flexible remote work arrangements subject to operational feasibility can sustain these reductions while enhancing work-life balance and reducing urban infrastructure pressures.

Green contract provisions requiring employers to adopt renewable energy sources, implement energy-efficient lighting and climate control systems, and monitor workplace carbon footprints can drive substantial emissions reductions. India's corporate sector has demonstrated growing commitment to renewable energy procurement, with over 10 GW of corporate renewable energy capacity installed as

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<sup>38</sup> India's Third Biennial Update Report to the UNFCCC (2021).

<sup>39</sup> Centre for Science and Environment, *Urban Mobility in India: Challenges and Opportunities* (2022).

<sup>40</sup> National Association of Software and Service Companies (NASSCOM), *Impact of Remote Work on IT Sector Emissions* (2021).

of 2023.<sup>41</sup> Green contracts can accelerate this trend by embedding renewable energy commitments as contractual obligations, enforceable through labor dispute mechanisms.

## **4.2 SOCIAL JUSTICE DIMENSIONS AND WORKER PROTECTIONS**

The concept of 'just transition' recognizes that decarbonisation efforts must not impose disproportionate burdens on workers and communities dependent on carbon-intensive industries.<sup>42</sup> Green contracts can operationalize just transition principles by incorporating provisions that protect worker interests during sectoral shifts. These include guaranteed access to retraining and reskilling programs, income support during transitions, preferential placement in emerging green sectors, and employee participation in corporate sustainability governance.

India's coal sector exemplifies the just transition challenge. Coal mining and power generation employ approximately 4 million workers directly and support millions more indirectly.<sup>43</sup> Decarbonisation pathways necessitate gradual coal phase-downs, raising concerns about employment displacement.

Social justice dimensions extend beyond employment security to encompass distributional equity. Green contract provisions must avoid creating new forms of inequality for example, by ensuring that sustainability incentives do not disproportionately benefit higher-income employees with greater capacity to adopt low-emission lifestyles. Provisions should be designed to be accessible across income levels, potentially through employer-provided infrastructure (e.g., workplace charging stations for electric vehicles, subsidized public transportation passes) rather than individual behavioral mandates.

## **4.3 CORPORATE COMPLIANCE AND SEBI'S BRSR FRAMEWORK**

India's Securities and Exchange Board (SEBI) introduced the Business Responsibility and Sustainability Reporting (BRSR) framework in 2021, mandating the top 1,000 listed companies to disclose environmental, social, and governance (ESG) performance metrics.<sup>44</sup> The BRSR framework includes detailed indicators on greenhouse gas emissions, energy consumption, waste management, and employee welfare, creating corporate incentives for adopting sustainable practices.

Green contracts align with BRSR compliance by providing mechanisms for operationalizing sustainability commitments at the workforce level. Companies can demonstrate BRSR compliance by

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<sup>41</sup> Ministry of New and Renewable Energy, Government of India, *Annual Report 2022-23* (2023).

<sup>42</sup> Juan Somavía, "Greening the Workforce," *UN Chronicle* 46, no. 3 (2012): 61, <https://doi.org/10.18356/0c1a8881-en>.

<sup>43</sup> Ministry of Coal, Government of India, *Annual Report 2022-23* (2023).

<sup>44</sup> Securities and Exchange Board of India, *Business Responsibility and Sustainability Reporting* (SEBI Circular SEBI/HO/CFD/CMD-2/P/CIR/2021/562, May 10, 2021).

reporting on green contract adoption rates, employee participation in sustainability initiatives, and emissions reductions attributable to workplace-level interventions. This creates a virtuous cycle: regulatory disclosure requirements incentivize green contract adoption, which in turn facilitates compliance reporting and enhances corporate reputation among investors increasingly focused on ESG performance.<sup>45</sup>

Investor expectations have shifted markedly toward sustainability, with ESG-focused investment in India growing from approximately \$2 billion in 2018 to over \$15 billion in 2023.<sup>46</sup> Companies adopting green contracts can leverage this trend to attract capital, reduce financing costs, and enhance market valuation. Green contracts thus serve dual functions: advancing environmental objectives while strengthening corporate competitiveness in sustainability-conscious capital markets.

## 5. CHALLENGES AND CRITICAL ANALYSIS

### 5.1 ENFORCEABILITY AND REMEDIAL MECHANISMS

A fundamental challenge confronting green contracts concerns enforceability. Environmental provisions, often involve complex, long-term commitments with ambiguous performance metrics. How should courts assess whether an employer has fulfilled a commitment to "minimize workplace carbon footprint" or "promote sustainable commuting"? What remedies are appropriate for breaches of environmental provisions damages, specific performance, or injunctive relief?<sup>47</sup>

Indian contract law, governed by the Indian Contract Act 1872, provides limited guidance on environmental performance obligations. Section 73 permits damages for breach of contract, but calculating environmental damages poses significant evidentiary and valuation challenges.<sup>48</sup> Specific performance, available under the Specific Relief Act 1963, may be more appropriate for ongoing environmental obligations, but courts have traditionally exercised discretion cautiously in employment contexts given the personal nature of employment relationships.

Legislative reform could address these challenges by establishing specialized dispute resolution mechanisms for green contract enforcement. The Industrial Relations Code 2020 provides for conciliation and arbitration of industrial disputes; amendments could explicitly include environmental

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<sup>45</sup> David Elliott, "Green Jobs and the Ethics of Energy," in *Ethical Engineering for International Development and Environmental Sustainability* (2015): 155, [https://doi.org/10.1007/978-1-4471-6618-4\\_5](https://doi.org/10.1007/978-1-4471-6618-4_5).

<sup>46</sup> Association of Mutual Funds in India, *ESG Investing in India: Trends and Outlook* (2023).

<sup>47</sup>Hansen & Ulfbeck, *supra* note 2, at 195.

<sup>48</sup> Indian Contract Act, 1872, No. 9, Acts of Parliament, 1872, § 73 (India).

provision breaches within this framework.<sup>49</sup> Alternatively, the National Green Tribunal Act 2010 could be amended to extend jurisdiction to employment-related environmental disputes, leveraging the Tribunal's specialized environmental expertise.<sup>50</sup>

## 5.2 THE INFORMAL SECTOR EXCLUSION

India's informal sector comprises over 90% of the workforce, encompassing approximately 450 million workers in agriculture, construction, domestic work, street vending, and other unorganized activities.<sup>51</sup> These workers typically lack written employment contracts, social security coverage, and access to labor law protections. Green contracts, predicated on formal contractual relationships, risk excluding this vast majority of workers from sustainability initiatives and just transition protections.

Extending green contract principles to informal workers requires innovative approaches. Sectoral agreements negotiated between government, employer associations, and worker collectives could establish baseline environmental and social standards applicable across informal employment. Platform-based organizing, increasingly relevant for gig workers, could incorporate sustainability commitments into platform terms of service.<sup>52</sup> Legislative mandates could impose environmental obligations on employers regardless of employment formality, with differentiated compliance mechanisms for micro-enterprises.

The Code on Social Security 2020 represents a significant step toward extending protections to informal workers, including gig and platform workers.<sup>53</sup> Future amendments could incorporate environmental provisions, such as requiring platforms to provide sustainable transportation options for delivery workers or mandating construction contractors to provide climate-adapted working conditions for informal laborers.

## 5.3 CONSTITUTIONAL AND ETHICAL CONSIDERATIONS

Green contracts raise constitutional and ethical questions regarding consent, equality, and fundamental rights. Article 14 of the Indian Constitution guarantees equality before law and equal protection of laws, prohibiting arbitrary discrimination.<sup>54</sup> Could green contract provisions that impose differential obligations or benefits based on environmental performance violate equality principles? For example,

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<sup>49</sup> Industrial Relations Code, 2020, §§ 54-62.

<sup>50</sup> National Green Tribunal Act, 2010, No. 19, Acts of Parliament, 2010 (India).

<sup>51</sup> International Labour Organization, *India Labour Market Update* (2023).

<sup>52</sup> Sciuchina, *supra* note 3, at 52.

<sup>53</sup> Code on Social Security, 2020, Chapter IX.

<sup>54</sup> India Const. art. 14.

if employers provide financial incentives for low-emission commuting, do employees lacking access to public transportation or cycling infrastructure face discriminatory disadvantage?

Courts would likely apply the 'reasonable classification' test, permitting differential treatment if based on intelligible differentia with rational nexus to legitimate objectives.<sup>55</sup> Environmental sustainability constitutes a legitimate constitutional objective under Articles 48A and 51A, and differential treatment based on environmental performance could satisfy rational nexus requirements if designed to avoid arbitrary discrimination. However, green contract provisions must be carefully calibrated to ensure accessibility across socioeconomic groups and geographic contexts.

Consent presents another ethical dimension. Labour law's protective ethos suggests that certain provisions particularly those imposing obligations on workers rather than employers should be subject to collective bargaining rather than unilateral employer imposition. Mandatory consultation with trade unions or worker representatives before adopting green contract provisions could enhance legitimacy and ensure that environmental objectives do not undermine worker autonomy.<sup>56</sup>

## **6. POLICY IMPERATIVES AND NORMATIVE PROSPECTS**

### **6.1 LEGISLATIVE AMENDMENT PROPOSALS**

Effective operationalization of green contracts requires targeted legislative amendments to India's four Labour Codes. The Industrial Relations Code 2020 should be amended to explicitly recognize environmental sustainability as a legitimate subject of collective bargaining. Section 2(g)'s definition of 'conditions of service' could be expanded to expressly include "environmental performance obligations and sustainability commitments." Section 18, governing collective bargaining agreements, could mandate consultation on environmental provisions in high-emission sectors.<sup>57</sup>

The Occupational Safety, Health and Working Conditions Code 2020 should incorporate climate-related occupational hazards within its regulatory scope. Section 6's employer obligations could be amended to include "protection from climate-induced occupational risks, including extreme heat, air quality degradation, and emissions exposure." Section 11, addressing welfare facilities, could mandate

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<sup>55</sup> State of West Bengal v. Anwar Ali Sarkar, AIR 1952 SC 75 (India).

<sup>56</sup> Patrick Verfe Schneider et al., "Green Jobs as an Ethical Alternative to Achieve a Low Carbon Economy," no. 58 (2022), <https://doi.org/10.21527/2237-6453.2022.58.11303>.

<sup>57</sup> Industrial Relations Code, 2020, §§ 2(g), 18.

provision of sustainable transportation infrastructure and remote work facilities where operationally feasible.<sup>58</sup>

The Code on Social Security 2020 should establish a Just Transition Fund to support workers displaced by decarbonisation efforts. Section 109's Social Security Fund could be expanded to include "income support, retraining, and reskilling for workers transitioning from carbon-intensive to green sectors." Contributions could be sourced from carbon taxes or emissions trading revenues, creating a dedicated financing mechanism for just transitions.<sup>59</sup>

The Code on Wages 2019 could be amended to permit 'green allowances' as a component of wage structures, subject to safeguards preventing discriminatory application. Section 2(y)'s definition of 'wages' could explicitly include "allowances for sustainable commuting, renewable energy adoption, or participation in employer sustainability initiatives," provided such allowances are accessible across employee categories without arbitrary discrimination.<sup>60</sup>

## **6.2 INSTITUTIONAL MECHANISMS AND OVERSIGHT**

Effective implementation of green contracts requires robust institutional mechanisms for monitoring, enforcement, and capacity building. A dedicated Green Employment Division within the Ministry of Labour and Employment could coordinate policy development, provide technical assistance to employers and trade unions, and monitor compliance with environmental employment provisions. This division could develop model green contract clauses tailored to sectoral contexts, publish best practice guidelines, and maintain a registry of green collective bargaining agreements.<sup>61</sup>

The National Green Tribunal could be granted jurisdiction over employment-related environmental disputes through amendments to the National Green Tribunal Act 2010. This would leverage the Tribunal's specialized environmental expertise while ensuring expeditious resolution of green contract disputes. Alternatively, specialized environmental benches could be established within existing labour tribunals under the Industrial Relations Code 2020.<sup>62</sup>

Capacity building initiatives are essential for enabling employers, trade unions, and workers to effectively negotiate and implement green contracts. The Central Board for Workers Education, established under the Ministry of Labour and Employment, could develop training modules on

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<sup>58</sup> Occupational Safety, Health and Working Conditions Code, 2020, §§ 6, 11.

<sup>59</sup> Code on Social Security, 2020, § 109.

<sup>60</sup> Code on Wages, 2019, § 2(y).

<sup>61</sup> Ministry of Labour and Employment, Government of India, organizational structure.

<sup>62</sup> National Green Tribunal Act, 2010, § 14.

environmental sustainability, just transitions, and green contract negotiation. Trade union federations could receive technical and financial support for establishing environmental committees and training union representatives on climate-related labour issues.<sup>63</sup>

### **6.3 ILO CONVENTION NO. 144 AND TRIPARTITE GOVERNANCE**

India's ratification of ILO Convention No. 144 on Tripartite Consultation would formalize institutional mechanisms for government-employer-union dialogue on labour standards, including environmental employment provisions.<sup>64</sup> Convention No. 144 requires member states to establish procedures ensuring effective consultations between government, employers' organizations, and workers' organizations on labour policy formulation and implementation. Ratification would strengthen social dialogue mechanisms essential for negotiating green transitions and ensuring that environmental policies incorporate worker perspectives.

Tripartite consultations could address critical design questions for green contracts: which environmental provisions should be mandatory versus voluntary? How should compliance be monitored and enforced? What support mechanisms are necessary for small and medium enterprises? How can informal workers be included? Institutionalized social dialogue ensures that green contract frameworks balance environmental objectives with worker protections, enhancing legitimacy and feasibility.<sup>65</sup>

India's engagement with the ILO's Just Transition framework has been limited despite its relevance to national climate and employment policies. Ratifying Convention No. 144 and actively participating in ILO just transition initiatives would signal commitment to internationally recognized principles while accessing technical assistance, best practice guidance, and peer learning opportunities.<sup>66</sup>

## **7. CONCLUSION**

Green contracts serve as a critical mechanism to operationalize decarbonisation and just transition principles at the workplace level, proving especially vital within India's context of ambitious climate goals and a vast informal economy. While India's four Labour Codes provide a foundational framework, progressive judicial precedents establishing environmental protection as a constitutional imperative currently help bridge the gap where explicit statutory recognition is missing. By reducing

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<sup>63</sup> Central Board for Workers Education, Ministry of Labour and Employment, Government of India

<sup>64</sup> ILO Convention No. 144, *supra* note 34.

<sup>65</sup> van der Ree, *supra* note 35, at 265.

<sup>66</sup> International Labour Organization, *Guidelines for a Just Transition*, *supra* note 33.

operational and commuting emissions, guaranteeing retraining and income support, and leveraging corporate compliance incentives like SEBI's BRSR, these contracts effectively align employment practices with national environmental objectives. Furthermore, empowered trade unions play a crucial role in negotiating green clauses that balance these ecological goals with steadfast worker protections. Despite their potential, green contracts face significant enforceability challenges requiring specialized dispute resolution and clearer metrics, alongside constitutional concerns regarding worker consent and the pressing issue of excluding the informal sector. Addressing these hurdles requires six key policy imperatives: (1) amending the Labour Codes to explicitly incorporate environmental provisions; (2) establishing a Green Employment Division within the Ministry of Labour and Employment; (3) extending the National Green Tribunal's jurisdiction to employment-related environmental disputes; (4) creating a Just Transition Fund under the Code on Social Security 2020; (5) ratifying ILO Convention No. 144 to formalize tripartite consultations; and (6) launching capacity-building initiatives for all stakeholders to ensure effective negotiation and implementation.

Moving forward, future research must examine the empirical impacts of pilot initiatives, assess worker perceptions, and develop sector-specific and comparative models tailored to India's diverse industrial landscape. Ultimately, green contracts demonstrate that environmental sustainability and labour justice are mutually reinforcing, rather than competing, imperatives. By embedding these principles into employment relationships, effective climate action can ensure that decarbonisation pathways actively protect worker livelihoods, promote social equity, and foster a truly sustainable and just economy.

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