
ASSESSING THE EFFECTIVENESS OF SEBI'S BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORTING (BRSR) FRAMEWORK IN PROMOTING CORPORATE ESG COMPLIANCE AND ACCOUNTABILITY IN INDIA

Aahna Dwivedi & Muskan Mahant, LL.B., Symbiosis Law School, Pune

ABSTRACT

This study is a critical review of how effective the Business Responsibility and Sustainability Reporting (BRSR) framework used by SEBI is in fostering corporate Environmental, Social and Governance (ESG) compliance in India. Introduced as the leading 1,000 listed companies, BRSR has now changed into the narrative reporting (Business Responsibility Reports, BRR) to the formal BRSR Core format that requires the quantifiable disclosures on the nine ESG principles. Although it has dramatically improved transparency, comparability and investor confidence, there are still issues such as uneven quality of data, insufficient third-party checks, overlaps with regulatory requirements on CSR and environmental regulations and operational barriers to small and mid-cap firms. The paper identifies the prescriptive and assurance-based model of India through a comparative perspective of world system models like the CSRD of EU, the SDR of UK and the ESG of the US. It is proposed that standardization of metrics should occur, verification and enforcement become more robust, that they should be in line with international standards, and that they should assist in supporting SMEs. The research finds that BRSR has institutionalised ESG accountability, which is a critical change of compliance-based reporting to a performance-based sustainable corporate governance.

Keywords: BRSR, ESG compliance; SEBI; Corporate sustainability; Sustainability reporting; Corporate governance; Regulatory framework, ESG disclosure; Business responsibility; Sustainability assurance.

Introduction

Environmental, Social, and Governance (ESG) factors have become the newest trend that has gained momentum world-wide because investors and other stakeholders have started requiring greater disclosure regarding sustainability matters. ESG funds have increased approximately ten times in the last ten years (topping USD 3.9 trillion as of 2021) in most large international companies. The trend has led to the development of standardized reporting frameworks e.g. in the 1990s the Global Reporting Initiative (GRI) and in 2017 the Task Force on Climate-Related Financial Disclosures (TCFD) were both developed to assist companies in making standard disclosures of environmental and social impacts¹. Regulators worldwide, such as Non-Financial Reporting Directive of the EU to the newly established International Sustainability Standards Board (ISSB) are trending toward non optional ESG reporting to extend non-financial information more comparable and decision relevant.

India has been a reactor to this international trend and has institutionalized the ESG principles in its business legislations and policies. The most significant was the Companies Act 2013 that brought in a legal requirement of Corporate Social Responsibility (CSR) under *Section 135* which requires large companies to allocate part of their profits towards social and community causes and have them reported². Similarly, the Indian government published its National Voluntary Guidelines (NVGs) of social, environmental and economic responsibilities in 2011, which gives a guideline on the methods of implementing business. Such NVGs were subsequently updated in 2019 into the National Guidelines on Responsible Business Conduct (NGRBC) to be made consistent with the UN Sustainable Development Goals³. Combined with the CSR requirement of *the Companies Act* and these guidelines indicated a move towards strategic and integrated ESG business in the Indian industry rather than a haphazard philanthropy approach.

Based on this premise, the securities regulator (SEBI) of India has been at the forefront in formalizing the ESG disclosure of the listed companies. In 2012, SEBI started requiring the top 100 listed companies to include a Business Responsibility Report (BRR) in their annual

¹ David A. Cifrino, *The Rise of International ESG Disclosure Standards*, Harvard Law School Forum on Corporate Governance (July 19, 2023)

² KPMG India, *Business Responsibility and Sustainability Reporting (BRSR): The Evolution of Sustainability Reporting in India* (2023)

³ Indian Inst. of Corp. Affs., *IICA Drives Responsible Business via Research, Training, and the Annual National Conference on Responsible Business Conduct* (2023)

filings. This BRR grounded on the NVGs has been extended to include the top 500 companies by FY2015-16 and thereafter the top 1000 by 2019. In May 2021, SEBI substituted the BRR with a more detailed Business responsibilities and Sustainability Report (BRSR) system⁴. The BRSR obliges firms to report specific, quantitative ESG indicators on nine principles (in accordance to the NGRBC) and to have core indicators audited by third parties. Since FY2022-23, the BRSRs have been required to be published by the top 1000 listed firms in India, and thus, the process of reporting ESGs has ceased to be a voluntary exercise of narrative reporting and has become a legal requirement. The motive is obvious: to raise the transparency and comparability of ESG data to the extent that investors and other stakeholders could be confident in their ability to estimate the performance of corporate sustainability.

Although these are the regulatory improvements, concerns arise as to the actual effect of BRSR. This is indicated to be varied so far as companies have complied some of the disclosures have been more like in letter than in spirit, and lack clarity, reliability or even supporting evidence. Researchers have identified such obstacles as the quality of data and the possibility of greenwashing when companies tend to overstate their ESG credentials without significant activities⁵. That is, despite the compulsory, quantitative focus of BRSR, it is still unclear whether it is stimulating actual ESG performance or standardized reporting.

Thus, the purpose of this paper is to assess the performance of BRSR framework developed by SEBI to meet real corporate ESG compliance, increase accountability, and sustainability in business activities in the Indian market.

The research questions to be addressed:

1. How much has the BRSR framework by SEBI enhanced the quality of ESG disclosures, comparability of disclosures, and the credibility of disclosures by the top 1,000 Indian listed companies?
2. Are BRSR disclosures associated with evident ESG performance and does third-party assurance contribute to enhancing this translation?

⁴ Rajkannan Rajan, *Evolving Corporate Sustainability Reporting Landscape in India: A Literature Review of SEBI's BRSR Framework (2021–2025)*, 10 Int'l J. Mgmt. & Entrepreneurship Res. 45 (2024)

⁵ Rajkannan Rajan, *Evolving Corporate Sustainability Reporting Landscape in India: A Literature Review of SEBI's BRSR Framework (2021–2025)*, 10 Int'l J. of Innovative Sci. & Res. Tech. 1597 (2025)

3. What would the BRSR Core (and India phased assurance regime) do compared to international regimes in ensuring that investor-relevant, verifiable sustainability reporting is encouraged, in particular, in SMEs and mid-cap firms?

Research Methodology

This particular research adopts a doctrinal empirical hybrid manner of research methodology which is combining legal analysis with empirical evaluation to assess the working of SEBI's Business Responsibility and Sustainability Reporting framework in enabling ESG compliance and accountability among Indian entities/corporates. This particular research is descriptive and evaluative in its true essence, drawing upon statutory instruments such as the SEBI Regulations of 2015, the Companies Act of 2013, and SEBI's circulars on BRSR and also the BRSR Core (2021-2024). The research intricately examines the structural, operational, and enforcement dimensions of the effective implementation of the BRSR, while it also conducts a comparative analysis with significant international ESG frameworks which includes the Corporate Sustainability Reporting Directive (CSRD) of the EU, the Sustainability Disclosure Requirements (SDR) of UK, the SEC's climate disclosure rules of the US, and also the sustainability regimes of Singapore and Switzerland. This study relies exclusively on secondary data which is sourced from SEBI publications, annual reports of top listed entities/companies, PwC and Deloitte ESG surveys, and also peer-reviewed research, thereby employing qualitative content analysis and comparative legal evaluation to identify gaps, best practices, and major reform imperatives. The key research questions revolve around the effectiveness and the performance of BRSR in ensuring authentic ESG disclosure, preventing greenwashing, promoting investor confidence, and also aligning India's sustainability reporting architecture with global/foreign standards. Overall, this integrated methodological framework tries to bring a holistic evaluation of BRSR as both a regulatory compliance instrument and also a transformative mechanism for institutionalizing performance-based sustainability governance in India.

Statutory & Regulatory Framework

1. Regulatory Framework for ESG and the BRSR Framework - Securities and Exchange Board of India Regulations, 2015

As stipulated under the particular *Regulation 34(2)(f)* of the *SEBI Regulations, 2015*,

the Securities and Exchange Board of India, has strictly mandated and made it necessary that the top 1,000 listed entities/companies in India must produce as well as publish the Business Responsibility and Sustainability Report i.e. the BRSR. The BRSR also stipulates a reporting framework where it is has made it necessary for entities to disclose and show their respective performance against nine principles of the National Guidelines on Responsible Business Conduct (NGRBC), which essentially captures the environmental, social, and governance (ESG) aspects of responsible business practices in the country.

On 12 July 2023, SEBI notified a very well detailed framework for BRSR Core which is a mandatory requirement for ESG disclosures for value chains, and an assurance requirement reflecting these disclosures, which aims to improve transparency, comparability, and reliability of sustainability disclosures as produced by the Indian listed entities.

In May 2024, the Expert Committee for Facilitating Ease of Doing Business made some significant recommendations to improve this particular framework. Among the most notable and significant were:

1. Replacing the word “assurance” with “assessment” to limit the associated compliance burden/costs which would also help in building in some flexibility;⁶
2. There must be a clarification of the scope of value chain reporting that would include both upstream and downstream partners to its extent of buying and selling, respectively, to value of 2% of the entity’s purchases or sales;
3. Allowing the first-year disclosure of the value chain ESG data to be voluntary which replaced the previous model of “comply or explain,” for the first financial year (FY 2024/2025). Suggesting the incorporation of a green credit leadership indicator under *Principle 6* of the BRSR framework. This would encourage companies to disclose green credits that are generated by them and also their value chain partners.

⁶ The Associated Chambers of Commerce and Industry of India (ASSOCHAM), Federation of Indian Chambers of Commerce and Industry (FICCI) and Confederation of Indian Industry (CII)

There were some further developments which were approved in SEBI's Board Meeting on 18 December 2024, followed by the issuance of the Industry Standards on Reporting of BRSR Core on 20 December 2024. These respective Industry Standards were developed by the Industry Standards Forum (ISF), which comprise ASSOCHAM, FICCI, and CII, to promote uniformity and also facilitate ease of compliance. The Standards apply from FY 2024-25 onwards and supplement the BRSR Guidance Note (Annexure II) that was issued by SEBI.

2. Key Requisites under BRSR (Essential Disclosures for Top 1000 Listed Companies/Entities)

As mentioned under the revised BRSR Core framework, it is essential for companies to make quantitative and intensity-based disclosures across varied sustainability parameters. The Industry Standards Note also provides an intricate guidance on calculation methodologies as well as data sources for attributes including:

- 1. Greenhouse Gas (GHG) Emissions:** It is crucial for entities to report *Scope 1* and *Scope 2* emissions using well established and recognised emission factors, such as the ones published by the Central Electricity Authority (CEA). In the unavailability of measurable data, a *spend-based method* can also be used temporarily.
- 2. Water and Energy Footprint:** It has been made crucial for entities to disclose consumption data following Central Ground Water Authority (CGWA) norms and also provide a classification of energy sources as renewable or non-renewable.
- 3. Employee Well-being:** It has also become significant for costs on health insurance, maternity/paternity benefits, day-care, and mental health initiatives to be reported with supporting schedules based on audited financials.
- 4. Gender Inclusion as well as Inclusive Development:** Companies must essentially provide disaggregated data on wages, MSME linkages as well as women-safety compliance
- 5. Cybersecurity & Governance:** It is also essential for entities to report cyber incidents or mishaps as per directions issued by CERT-In under Section 70-B (6) of the Information Technology Act, 2000.

The Industry Standards Note further prescribes *intensity-based calculations* that are adjusted for **Purchasing Power Parity (PPP)**, thereby enabling comparability of sustainability data across industries and regions.⁷

3. Comparison with Companies Act, 2013 - Section 135 (CSR Provisions)

While *Section 135 of the Companies Act, 2013* focuses mainly on *Corporate Social Responsibility (CSR)*, thereby mandating qualifying companies to spend at least 2% of their average net profits on eligible and significant social causes, the BRSR framework represents a broader, performance-oriented ESG disclosure system. CSR primarily and mainly measures spending-based compliance, whereas BRSR assesses outcome-based sustainability performance through some measurable indicators on environment, governance, as well as social impact. Thus, the two frameworks are complementary as CSR drives financial contributions toward varied social causes, while BRSR essentially enhances transparency and accountability of sustainability performance in corporate operations.

4. International ESG Frameworks

India's BRSR system is evolving along with major global ESG frameworks:

1. The **European Union's Corporate Sustainability Reporting Directive (EU CSRD)** makes it necessary that there must be double materiality reporting, third-party assurance, and taxonomy-aligned sustainability data.
2. The **United States SEC's proposed ESG disclosure rules** focuses on climate-related financial risks and greenhouse gas metrics.
3. The **Global Reporting Initiative (GRI)** standards provide globally accepted sustainability standards that have essentially influenced India's BRSR Core disclosures.

While the BRSR framework is less prescriptive and only stipulates phased

⁷ Rudresh Mandal & Ashwin Murthy, 'CSR in the Post Pandemic Era: The Dual Promise of ESG Investment and Investor Stewardship' (2021) 5 Indian L Rev 229; Anik Bhaduri, 'Fostering socially responsible stewards: CSR and investment funds in India' (2024) JCLS 565

adoption, SEBI's continuous alignment with international best practices through ISF-led industry standards makes it significant that Indian ESG reporting remains globally comparable.⁸

5. How BRSR Fits into India's Legal ESG Ecosystem

The BRSR framework serves as the cornerstone of India's ever evolving ESG regulatory landscape. It also goes with and complements existing Indian laws such as the Companies Act, 2013, Environmental Protection Act, 1986, and SEBI's LODR Regulations through the integration of sustainability disclosures into corporate governance. By mandating disclosure rather than expenditure, BRSR has tried to transition India from a philanthropy-based CSR model to rather a performance-driven ESG accountability model. The framework's integration with national and international initiatives including the Green Credit Program and IOSCO-endorsed ISSA 5000 standards tries to position India within the global movement toward responsible business conduct and necessary sustainable finance.

6. Regulatory Loopholes & Enforcement Mechanisms

Despite these progressive developments, there are certain regulatory gaps that continue to exist:

1. **Absence of a uniform assurance framework:** Although the ISF is developing *assessment standards* in collaboration with SEBI, there is still an urgent need for alignment with global benchmarks such as the ISSA 5000.
2. **Disclosure-based enforcement:** It is also essential to note that SEBI's authority extends to ensuring compliance with reporting obligations but not with actual ESG performance. This leads to a compliance-centric and not a performance-centric culture.
3. **Overlap of regulations:** The very coexistence of CSR mandates, environmental reporting obligations, and ESG disclosures under BRSR

⁸ Umakanth Vaottil, 'The Legal and Regulatory Impetus towards ESG in India: Developments and Challenges' in Thilo Kuntz (ed.), *Research Handbook on Environmental, Social, and Corporate Governance* (Edward Elgar, 2024) 462.

somewhat result in regulatory fragmentation and overlapping

4. **Value chain dynamics & complexity:** The deferment of the necessary value chain ESG reporting to FY 2025-26 also signifies the importance for improved data systems, verification mechanisms, and also the readiness among suppliers as well as partners.⁹

In order to address these particular challenges and difficulties there is a need for enhanced capacity building, assessment standards of third parties as well as harmonised inter-agency coordination would be significant in order to ensure transparency, comparability, and enforcement consistency across India's ESG landscape.

Corporate Compliance under BRSR

In 2021, with the introduction of the Business Responsibility and Sustainability Report (BRSR) by the Securities and Exchange Board of India (SEBI), the introduction of the mentioned document was a clear point of change in the sphere of corporate governance in India.¹⁰ SEBI, to be effective FY 2022-23, required the 1,000 largest market capitalization listed companies to submit BRSRs, so that Environmental, Social, and Governance (ESG) disclosures were institutionalized as a regulatory standard.¹¹ This was done in an attempt to make sustainability reporting more transparent, more comparative and accountable, and made Indian corporate practices consistent with international standards including the Task Force on Climate-related Financial Disclosures (TCFD), the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB)¹².

Above 1,000 companies filed BRSRs in its first year of operation, which was nearly 70 % of the market capitalization in the overall market of listed entities in India. In "Nifty 100 companies 2023" Survey which was conducted by PwC India, 89 of companies stated that they had leadership indicators, and 51 of them voluntarily reported Scope 3 (value-chain) emissions, although these are not mandatory. Furthermore, 44 % of them conducted life-cycle assessments

⁹ Akshaya Kamalnath, 'A Post Pandemic Analysis of CSR in India' (2021) 16 J Comp L 714, 720 – 21.

¹⁰ Rajkannan Rajan, *Evolving Corporate Sustainability Reporting Landscape in India: A Literature Review of SEBI's BRSR Framework (2021–2025)*, 10 *Int'l J. of Innovative Sci. & Res. Tech.* 1597 (2025)

¹¹ CFA Inst., *The Current State of BRSR at Corporate India: Sustainability Disclosures Improving, but Data Quality Issues Persist* (Oct. 24 2024)

¹² Over Half of India's Top 100 Listed Companies Voluntarily Disclose Scope 3 Data in BRSR, Says PwC India, *Econ. Times (CFO Sec.)*, (Sept. 18, 2024)

and 31% proclaimed official net-zero targets, which indicates that the process of ESG integration is steadily going beyond compliance. CFA Institute and IIM Ahmedabad studies that are similar suggest that ESG data volume and granularity have increased as a result of recognizing sustainability governance at the board level.

Nevertheless, the quality and consistency of disclosures is disproportionate. According to the NSE Report by CFA Institute (2023), units of measurement are not consistent across the firms, and incomplete datasets are present. An example of this is that the measurement of energy and emissions intensity was commonly done on varying revenue basis or recorded without identification of units of measurement which hinders comparability. Other firms shared ESG information in various parts of their annual reports as opposed to presenting it in a single section of the BRSR template and thus decreased its accessibility and transparency. These issues highlight the necessity of more effective reporting guidelines and data standardisation so that BRSR can deliver its mission of standardized, investor-relevant ESG reporting.

Operational challenges have also been a problem with implementation. Numerous companies, especially the middle-capital companies have disjointed information systems, deficient ESG experience and expensive compliance. According to reports by Deloitte and Recykal, poor data governance, insufficiently trained staff, and duplication of reporting requirements, make the BRSR process more difficult. Less intensive organizations usually involve external auditors to prepare disclosures, which would undermine data management and accuracy.

Self-certification is becoming an important process to enhance trustworthiness. According to PwC, approximately 57% of market leaders voluntarily chose to get the third-party certification of environmental data in FY 2022-23. SEBI responded to this tendency by launching the BRSR Core in 2023, requiring limited assurance of key ESG metrics of 150 largest listed companies. This growth attributes to the efforts of SEBI in ensuring that the quality of disclosure is taken up as opposed to the quantity of disclosure with reliability, accuracy, and trust of stakeholders in sustainability reporting.¹³

Therefore, although BRSR compliance in India has largely uplifted the level of ESG visibility, the main hinderance is whether it can lead to real behavioural changes, reduced greenwashing

¹³ PwC India, *Navigating India's Transition to Sustainability Reporting: An Analysis of How Companies Are Adapting to the Business Responsibility and Sustainability Reporting (BRSR) Disclosures Mandated by the Securities and Exchange Board of India (SEBI)* (Apr. 15, 2024)

and institutionalised sustainability as a corporate responsibility pillar.

Enforcement and Accountability

The transformation of India's ESG disclosure regime under the Securities and Exchange Board of India (SEBI) has reintroduced the concept of corporate accountability from a voluntary exercise into something that is a legally enforceable compliance obligation. Through the framework of Business Responsibility and Sustainability Reporting (BRSR) and also its subsequent *BRSR Core* extension, SEBI has tried to establish a robust architecture of monitoring, assurance, and deterrence that is designed to ensure that corporate sustainability reporting through SEBI reflects both accuracy and integrity.

1. SEBI's Powers for Non-Compliance and Misreporting

SEBI's regulatory competence in the ESG domain arises from its broad statutory mandate under the SEBI Act, 1992 to protect investor interests and also promote fair market conduct. In 2023, SEBI came up with a suite of amendments that strengthened the BRSR framework by mandating third-party assurance on *BRSR Core indicators*, thereby laying down accountability into its disclosure practices. Furthermore, SEBI also brought ESG rating providers under a formal regulatory regime, that requires them to operate under transparent methodologies, maintain data integrity, and also undergo periodic external audits. Simultaneously, mutual fund regulations were also revised to ensure that ESG-labelled schemes substantiate their claims through verifiable metrics and ongoing disclosures. Together, these particular reforms signify SEBI's transition from a disclosure-driven model to an enforcement-anchored ESG regime, in which accuracy in sustainability reporting is both a regulatory as well as a fiduciary obligation.

2. Legal Remedies and Penalties

The enforcement mechanisms of SEBI have tried to draw upon its powers and functions under the Listing Obligations and Disclosure Requirements of the SEBI Framework & Regulations of 2015; the Issue and Listing of Non-Convertible Securities Regulations of SEBI of 2021; as well as the Master Circular for Mutual Funds of 2020. Under these respective provisions, SEBI may also try to impose monetary penalties, direct corrective disclosures, suspend schemes or trading, and initiate adjudication

proceedings against non-compliant entities or corporations. The 2023 “*Dos and Don’ts on Greenwashing*” circular has also explicitly prohibited misleading sustainability claims, selective disclosure of ESG data, and has also unsubstantiated third-party endorsements. These instruments collectively function as both preventive and punitive safeguards, thereby ensuring that ESG claims withstand independent scrutiny and regulatory evaluation.¹⁴

3. Greenwashing and Misreporting: Under the context of Lessons and Enforcement

The worldwide precedents have highly influenced SEBI’s tightening of its ESG enforcement framework. There are certain high-profile cases such as the DWS Group (Deutsche Bank’s asset management arm) penalty which have overstated ESG credentials, and enforcement actions by the U.S. Securities and Exchange Commission against Goldman Sachs Asset Management and BNY Mellon has also laid down the reputational and legal risks of greenwashing. Informed by these developments, SEBI’s interventions mark one of the most recent comprehensive anti-greenwashing regimes that exist in Asia. By codifying the elements of misleading disclosure and by mandating third-party verification, SEBI has sought to pre-emptively curb deceptive sustainability narratives in the securities market of India

4. Role of Investors, Rating Agencies, and Public Scrutiny in Accountability

The accountability framework under BRSR also lays emphasis on stakeholder-driven oversight. Investors and ESG-focused funds are now playing an integral role in evaluating corporate sustainability commitments, which are supported by mandatory transparency obligations that are imposed on ESG rating providers. The 2023 regulatory reforms require these agencies to disclose their qualitative and quantitative methodologies, the weightage assigned to each ESG parameter, and also a distinct “*Core ESG Rating*” linked to BRSR Core indicators. This move has also enhanced comparability and market discipline, thereby empowering investors to make evidence-based assessments of a company’s ESG performance. Public disclosure of assured ESG data has further enabled media and civil society to act as informal

¹⁴ Rudresh Mandal, ‘The Indian Stewardship Codes and the Mirage of Corporate Governance Convergence in the ESG Era’ (Columbia Business Law Review Online, 31 October 2023)

enforcers, which leads to fostering a culture of reputational accountability.

Through the integration of the *BRSR Core*, assurance mandates, ESG rating regulations, and anti-greenwashing directives, SEBI has successfully emerged as a regulatory frontrunner in ESG governance. Its significant approach reflects a paradigm shift from self-reported sustainability narratives to verified, enforceable, and legally consequential disclosures. By embedding third-party audits and by standardising reporting metrics, SEBI not only increases the credibility of India's ESG ecosystem but also aligns domestic regulation with world's best practices. Nevertheless, challenges and hindrances remain in ensuring consistent enforcement, avoiding superficial compliance, and developing sector-specific auditing expertise. The ultimate test of the BRSR framework will lie in SEBI's capability to convert disclosure-based compliance into substantive corporate accountability.

Comparative Analysis

The Business Responsibility and Sustainability Reporting (BRSR) framework of India is one of the most broad and prescriptive ESG disclosure frameworks in the world. Nevertheless, the benchmarking against international frameworks like the Corporate Sustainability Reporting Directive (CSRD), the Sustainability Disclosure Requirements (SDR), the new disclosure regulations in the United States, the hybrid approach of the comply-or-explain approach in Switzerland and the sectoral requirements in Singapore are necessary to measure its effectiveness.¹⁵

In July 2023, SEBI introduced the BRSR Core, a group of nine core key performance indicators (KPI) that must be covered with reasonable assurance by independent auditors of the top 150 listed companies with a progressive expansion to 1,000 firms by FY2026-27¹⁶. This is why India is the first jurisdiction to require higher degree of verification than standard of limited assurance usually applied in the EU. In addition, the stepwise inclusion of value chain ESG reporting by SEBI of 75-percent of purchase and sales value portrays its desire to go beyond

¹⁵ Shailesh Tyagi & Madhu Sudan Kankani, *Decoding BRSR Core: How Technology Empowers Enhanced ESG Reporting in India*, CXOtoday (Aug. 10, 2023)

¹⁶ KPMG Assur. & Consulting Servs. LLP, *First Notes - SEBI Proposes Amendments to BRSR Core Assurance and Value Chain Requirements* (June 12, 2024)

corporate responsibility in accountability of sustainability.¹⁷ The Indian approach, in turn, is clearly rule-based, with standardization and comparability being of primary concern by using a prescriptive template and quantifiable KPIs.

On the contrary, the *United Kingdom* uses a principles-based model that is regulated by the Financial Conduct Authority (FCA). Its SDR regime incorporates Task Force on Climate related Financial Disclosures (TCFD) and future International Sustainability Standards Board (ISSB). The SDR, which was introduced in November 2023, places stringent restrictions on anti-greenwashing, sustainability funds labelling, and elaborate marketing requirements. Although the UK regime is more flexible and focuses on protecting investors, compliance costs are high estimated to cost 204.8 million during its first year.¹⁸ The incremental application of the SDR (starting with anti-greenwashing regulations in 2024) shows that the UK is inclined to the implementation of new rules in stages balanced with the industrial process consultation.

The CSRD of the *European Union*, which is to be implemented in January 2024, is the largest ESG reporting directive in the world. It requires reporting on both financial and environmental-social performances to be done by large entities and listed SMEs by 2028 and mandates it to be of a double materiality. The regulatory model of Switzerland is strongly similar to the EU-CSRD and thus the large-scale companies of public interest are obliged to publish reports on non-financial statements pursuant to the *Articles 964a-964c* of the *Swiss Code of Obligations*. A further requirement is the Swiss Ordinance on Climate Disclosures, which, in force since 2024, requires reporting in line with TCFD, and the failure to do so may attract a fine of as much as CHF 100,000. The hybrid “comply-or-explain model of Switzerland, therefore, is a mixture of flexibility and enforcement whereby the transparency is made to adhere to European standards and allow adjustment to the local economic reality.

The current state of ESG reporting in the United States is more of a market-oriented and scattered one. The SEC adopted its rule on climate disclosure in March 2024, which mandates Scope 1 and 2 reporting of emissions, but its implementation was blocked in court. Therefore, the majority of the U.S. ESG reporting is voluntary based on the frameworks of SASB, TCFD, or investor preferences. On the state level, the Californian Climate Corporate Data

¹⁷ Press Trust of India, *Sebi Defers ESG Disclosure Deadline under BRSR Framework by 1 Yr to FY26*, *Business Standard* (Dec. 19, 2024, 7:48 PM IST)

¹⁸ Financial Conduct Authority, *FCA Sets Out Temporary Measures for Firms on “Naming and Marketing” Sustainability Rules* (Sept. 9, 2024)

Accountability Act (2023) has become the first subnational regime that includes a complete set of Scope 1-3 disclosure requirements at the state level in large corporations.¹⁹ Lack of federal ESG requirement highlights the dependence of the U.S. on investor activism and market-based approaches, which leads to a patchy reporting quality.

Singapore Exchange (SGX) and *Monetary Authority of Singapore (MAS)* have taken a gradual and risk-taking process in Singapore. Starting in FY2022, SGX compelled all listed entities to submit TCFD-compatible sustainability reports on a comply-or-explain basis. Disclosures were also required in high-risk sectors like finance, energy and agriculture, beginning with FY2023, and then transport and materials in FY2024²⁰. Moreover, MAS currently requires ESG fund managers to make sure that two-thirds of their investments are consistent with proclaimed sustainability goals. This model is an indication of the emphasis of the Singapore on key sectors with equal proportionality in regulatory expectations.

In comparison, BRSR India is characterised by a high level of granularity and assurance mechanism that provides a high standard on accountability. Its rigidity and costly structure are however a hindrance especially to small and middle-cap companies. The principle- and sector-based models of UK and Singapore encourage flexibility but tend to create inconsistency in disclosures. The EU and Swiss systems are so cumbersome but can engulf smaller organizations with the elaborate reporting requirements. The U.S., in its turn, shows shortcomings of decentralized and voluntary approach when ESG disclosure is guided not by regulatory pressure but by investor interest.

Findings empirically show that the quality of disclosure is positively related to regulatory clarity and assurance. The standardized metrics and the third-party verification of the EU and Switzerland have enhanced the level of transparency whereas the reasonable assurance requirement by the SEBI is likely to enhance the level of disclosure credibility in India. Nevertheless, small and medium enterprises (SMEs) are still limited by the lack of resources, poor data infrastructure, and duplication of compliance requirements across jurisdictions. Macroeconomically, a higher accrual of ESG is associated with more access to sustainable finance and a lower cost of capital such as the well-developed market in the green bond market in Switzerland. On the other hand, reduced ESG implementation among the Indian SMEs who

¹⁹ Debra Gatison Hatter, Caroline May, Giulia Barbone, John Ngunjiri & Alexia Thomas, *The Transatlantic Divide in ESG Disclosure Requirements: Why This Matters to Global Businesses* (Mar. 18, 2025)

²⁰ Clyde & Co. Singapore, *A Regional Comparison of ESG Regulations: Singapore*, Clyde & Co. (Aug. 2023)

provide a major portion of the country through their contribution of more than 30% of the country GDP represents an undiscovered lead to sustainable economic growth.

Thus, the BRSR needs to be cast in a more effective light by focusing on global alignment, credibility of verification and inclusion of SMEs in India. Integrating BRSR measurements with those found in IFRS and CSRD will improve the comparability of these metrics globally; broadening third-party assurance will make greenwashing unattainable; and streamlining reporting among small enterprises will increase the general adherence. A hybrid model of the prescriptive rigor of SEBI and the principle-based flexibility of the UK and sectoral precision of Singapore can make India a pioneer in believable, investor-relevant ESG reporting.

Critical Analysis

Effectiveness of BRSR in Ensuring Real ESG Impact

The Business Responsibility and Sustainability Reporting (BRSR) framework marks an extremely important transition in India's corporate disclosure landscape from voluntary & corporate social responsibility reporting to a structured, data-driven model of Environmental, Social, and Governance (ESG) accountability. Conceptually, the BRSR seeks to align Indian corporations with global sustainability benchmarks while at the same time embedding responsible business conduct within the regulatory framework of the Securities and Exchange Board of India (SEBI). In practical context, its introduction has undoubtedly aggravated the visibility of ESG parameters in corporate governance discussions and encouraged companies to adopt formal sustainability goals.²¹ The structured reporting format that is built on quantifiable Key Performance Indicators (KPIs) under the nine key principles of the National Guidelines on Responsible Business Conduct (NGRBC) has also enhanced comparability, data traceability as well as transparency.

However, the extent of real ESG impact²² remains subject to a very critical debate. While the BRSR ensures that companies disclose sustainability-related data, it does not automatically guarantee substantive behavioural change or sustainable transformation at the level that is operational. Many companies still continue to treat BRSR compliance as a regulatory formality

²¹ SEBI, (Business responsibility and sustainability reporting by listed entities) (2021) 2.

²² Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, s 4(2)(f)(ii)(7).

rather than a strategic corporate priority. The framework's strength lies in process compliance, but its impact on outcome-based sustainability performance is much less evident. For example -the improvement in ESG scores or disclosure metrics often is a reflection of enhanced reporting sophistication rather than genuine mitigation of environmental footprints or equitable labour practices.

Furthermore, the absence of a robust assurance mechanism means that the authenticity of the disclosed data usually depends on self-declared information. While SEBI has encouraged assurance by external auditors, it has not made it compulsory, thereby limiting the credibility of reports. Despite these major challenges, the BRSR represents a very important step in institutionalising ESG culture in India by essentially signalling to corporate boards that sustainability is not an auxiliary concern or issue but a governance imperative which is extremely significant. Its success, however, will ultimately depend on the fact that whether these disclosures translate into measurable social and environmental outcomes over time.

Limitations of Self-Reporting and Lack of Standardization

A key drawback of the BRSR framework lies in its self-reporting nature. The framework usually operates on the pure assumption that listed companies will disclose ESG information honestly, comprehensively, and also in good faith. However, in practice, the lack of uniform audit requirements or independent verification usually allows companies significant discretion in determining what and how to disclose.²³ This somehow leads to variability in data quality, selective reporting, and greenwashing tendencies where the entities usually portray themselves as more sustainable than they actually are.

The absence of standardised metrics further exacerbates this particular problem. Although the BRSR provides a common reporting template, it still allows sector-specific flexibility in significant interpretation of indicators. As a result, disclosures may not be completely comparable across industries or even across time for the same entity. This undermines one of the framework's key objectives which is creating a consistent ESG data ecosystem.

Moreover, the present structure does not sufficiently address the qualitative dimensions of the impact of ESG, such as long-term cultural shifts within organisations or the systemic

²³ SEBI, (BRSR Core - Framework for assurance and ESG disclosures for value chain) (2023).

integration of sustainability into significant business strategy. The tendency to lay emphasis on quantitative indicators like energy usage or gender ratios usually tries to overshadow qualitative governance concerns such as ethical leadership, board diversity, and also stakeholder inclusivity.

It has been observed that self-reporting also raises credibility and accountability questions. Without necessary third-party verification, there is a high risk that entities may misrepresent data to project compliance. This gap weakens the existing link between disclosure and accountability, effectively decreasing the BRSR's potential to drive authentic ESG transformation. Therefore, while the framework succeeds in formalising ESG reporting in India, it remains extremely limited by its overreliance on voluntary disclosure ethics and absence of binding verification norms.

Regulatory Challenges and Managerial Hurdles in ESG Compliance

From a regulatory standpoint, the BRSR usually operates within a complex and ever evolving ESG ecosystem that still lacks unified legislative coherence. SEBI's mandate to promote responsible business conduct also intersects with other legal regimes such as the Companies Act, 2013 (including *Section 134* and CSR provisions), and the Environmental Protection Act, 1986. There is also an absence of a consolidated national ESG law often leads to regulatory fragmentation, thereby creating overlapping obligations and interpretational ambiguity for corporates.

For regulators, one of the main hindrances usually lies in enforcement and monitoring. While SEBI can penalise entities for non-disclosure or misreporting, it cannot mainly compel them to achieve substantive ESG outcomes.

On the managerial side, entities face internal governance and operational hurdles in aligning the significant business models with ESG mandates. Many Indian corporate entities particularly small and mid-cap firms often lack the in-house expertise to collect, analyse, and report sustainability data accurately. Integrating ESG considerations into important business strategy requires cross-functional coordination that occurs between finance, operations, HR, and compliance teams, which is usually lacking. There is also a cultural resistance among some corporate boards who perceive ESG compliance as an external reporting burden rather than something that is a value-enhancing practice.

Further, the dynamic and interdisciplinary nature of ESG standards around the world usually means that Indian firms are constantly adapting to shifting international benchmarks. The absence of harmonisation between BRSR metrics and international frameworks like GRI or SASB increases compliance fatigue and also the reporting inconsistencies. These hurdles collectively emphasize the significance for regulatory convergence, enhanced capacity-building, as well as sectoral guidance to make sure that the BRSR framework can also function as an instrument of transformation rather than just being available for mere compliance.

Impact on Investors, Stakeholders, and Corporate Governance Culture

The BRSR has significantly transformed the information landscape for investors as well as the stakeholders, thereby providing them with structured access to ESG data that can influence investment decisions and also the stakeholder engagement strategies. For institutional investors, particularly those guided by ESG mandates, this particular framework has become an extremely valuable tool to assess a company's long-term risk profile, resilience, and governance ethics. By linking non-financial disclosures to financial performance insights, BRSR has also initiated a paradigm shift towards integrated reporting and sustainable finance in India.

It is important to note that the quality of ESG disclosures still affect their respective decision-usefulness. Investors usually face extreme difficulties in assessing whether reported data reflects genuine ESG performance or superficial compliance. Consequently, the unavailability of verifiable ESG metrics also majorly dilutes stakeholder confidence and limits the potential for sustainability-linked investment strategies to flourish.

The BRSR also significantly shapes & influences the corporate governance culture by asking as well as by pressuring boards of the entities to integrate sustainability considerations into significant strategic oversight. The increased emphasis and importance on accountability, stakeholder inclusivity as well as ethical conduct is somehow redefining the governance ethos of Indian entities/corporations. Despite this, the depth and the intensity of this transformation varies across different entities. While large entities with global exposure tend to adopt ESG governance actively, smaller corporations usually approach it reactively to meet compliance obligations.

From a deeper perspective, the BRSR is trying to foster a gradual cultural shift toward

transparency as well as responsible capitalism. It is also trying to shape a new narrative in which ESG performance is intertwined with corporate reputation and market competitiveness.²⁴ With time, as disclosure practices mature and investor scrutiny deepens, the BRSR also has the potential to transform India's corporate governance framework from a compliance-oriented model to rather a purpose-driven one.

In conclusion, while the BRSR represents a commendable regulatory innovation in aligning India's corporate governance regime with global ESG standards, its real effectiveness mainly depends on the evolution of supporting mechanisms which is particularly assurance, standardisation, and enforcement. Its most significant contribution may not lie in immediate ESG transformation but in catalysing a long-term shift in corporate accountability culture, where sustainability becomes intrinsic to business identity rather than an external obligation.

Recommendations / Policy Suggestions

I. Standardization of Disclosures

The new sustainability reporting regulations by SEBI are meant to harmonize ESG data. According to the BRSR Core (2023), leading companies will be required to publish standardized indicators e.g. the volume of GHG emissions, water consumption, the diversity of the workforce, safety, etc. and even confirm these indicators with the help of an independent third party which will enhance comparability between the companies²⁵. Analysts also prescribe matching the disclosures of India with international standards. As an example, the IFRS Sustainability Standard S1 (effective 2024) states that companies must report sustainability risks/opportunities that may result in their cash flows²⁶, and BRSR guidelines expressly invite the mapping report to global systems, such as GRI, SASB or the future ISSB standards²⁷. Such adoption would make India have its ESG disclosures comprehensive and also comparable to others on an international basis.

²⁴ Khalil Azizuddin, 'India's ESG Funds: Championed by Fund Managers, Snubbed by Investors' (21 October 2024)

²⁵ Neha Das & Jane Kapai, *ESG Compliance in India 2025 | SEBI BRSR & CSR Rules*, Neeti Niyaman (2025)

²⁶ Int'l Sustainability Standards Board (ISSB), *IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information* (June 2023)

²⁷ C.S. Shujath Bin Ali, K.S. Aravind & Meghna Mishra, *Overview of the ESG Disclosure Landscape: IFRS & BRSR*, Re Sustainability Ltd. (2024)

II. Stronger Verification and Enforcement

Nevertheless, the disclosures do not ensure compliance. Companies are currently not punished by bad ESG practices provided that they report them honestly one of the reviews states that a company can confess that it has very harmful practices in its BRSR and still work within the frames of it. Lying or incomplete reports may pass through without the obligatory audits.²⁸ Regulators must remedy this by a requirement of independent assurance on all material ESG metrics (based on the assurance list in the BRSR Core) and impose penalties on false reporting. SEBI already imposes fines Rs. 2,000 per day on not filing a BRSR, but generalized fines (or debarment in case of greenwashing) would have more deterrent effect. Therefore, a parliamentary committee has suggested the institution of a special ESG watchdog that has the authority to supervise disclosures and punish greenwashing, and has recommended enshrining of ESG goals in the responsibilities of directors. These steps such as obligatory audits, direct monitoring and explicit sanctions would comprehensively tighten compliance with ESG regulations.

III. ESG Ratings and Accountability

Simultaneously, the incorporation of ESG ratings can support accountability. SEBI has come to regulate ESG-rating providers (ERPs) on its credit-rating framework. A July 2025 Master Circular requires registered ERPs to provide six specified products (such as an overall ESG score, an audited "Core ESG Rating" and a transition score) and report their methodologies. Previous versions also suggested the limitation of ESG rating to the SEBI-accredited agencies using uniform scales²⁹. Such measures will be used to ensure ESG scores are transparent and comparable. The necessity of the credible domestic ESG rating firms is also emphasized by experts because India is a large market (1.5 million companies) that cannot be served by foreign agencies in full. Concisely, by linking ratings to confirmed disclosures (such as core rating using audited BRSR data), India will be able to provide investors and regulators with a better indicator of corporate sustainability.

²⁸ David A. Cifrino, *The Rise of International ESG Disclosure Standards*, Harv. L. Sch. F. on Corp. Governance (June 29, 2023)

²⁹ Institute for Energy Economics & Financial Analysis (IEEFA), *India: How Companies Can Incorporate ESG Strategy* (Feb. 2025)

IV. ESG Compliance Future Roadmap

In the future, the roadmap of India must meet the international standards. By the middle of 2025, 36 countries had undertaken to establish a requirement of IFRS S1/S2 sustainability reporting³⁰. India could develop on its BRSR basis through a gradual implementation of similar requirements. Indicatively, the climate-risk framework that has been drafted by RBI (in line with TCFD) implies that in the relatively near future, climate-related disclosures will be required in the financial filings. According to analysts, firms whose ESG goals are board managed and whose data has been audited will be enticed to invest but in effect, this is guaranteed ESG data being a license to operate. Through the following methods of adherence to ISSB/TCFD requirements and expansion of mandatory auditing and governance (e.g. board-level ESG control), India can transform ESG compliance as a box-checking exercise into a strategic source of sustainable growth.

Conclusion

The current evolution of SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework represents a pivotal and a very significant step in institutionalizing ESG accountability within India's corporate governance landscape. By transitioning from the extremely large narrative Business Responsibility Reports (BRR) to the significant data-driven BRSR Core, SEBI has successfully created a disclosure mechanism that not only tries to align corporate sustainability with measurable outcomes but somehow also signals a paradigm shift that exists from moral persuasion to regulatory enforcement. This particular framework has undeniably increased the visibility of ESG practices, fostered the confidence of investors, and also harmonized sustainability goals with financial performance metrics.

However, the analytical research reveals that the true effectiveness of BRSR framework lies not merely in compliance but in the authenticity of its execution. Persistent gaps including the inconsistency in data quality, lack of rigorous third-party assurance, and also the disproportionate compliance burdens on smaller enterprises and this continue to challenge the framework's transformative potential. Besides this, the coexistence of parallel mandates under CSR, environmental, and governance regulations also risks creating a fragmented regulatory

³⁰ *IFRS S1 & S2: A Milestone for Global Sustainability Standards*, Viewpoints (Aug. 18, 2025)

ecosystem rather than a cohesive sustainability architecture.

When this framework is benchmarked against global frameworks including the Corporate Sustainability Reporting Directive (CSRD) of the EU, the Sustainability Disclosure Requirements (SDR) of the UK, and the US ESG frameworks, India's BRSR emerges as a promising yet evolving model. While it is a reflection of the SEBI's progressive regulatory intent, it still requires a much stronger convergence with international standards, independent verification mechanisms as well as inclusive scalability that accommodates SMEs.

Ultimately, the BRSR has redefined the contours of corporate responsibility in India by embedding sustainability into the fiduciary duties of business leaders. It has catalysed a sudden shift from *tick-box compliance* to a *performance-driven stewardship*. The very next phase of BRSR's success will entirely depend on the depth of its integration where disclosures will evolve into decisions, transparency would transform into trust, and sustainability would become synonymous with corporate strategy. In conclusion, BRSR's enduring legacy will be measured not by the volume of disclosures made, but by the measurable impact that it leaves on India's journey toward a resilient, equitable, and sustainable economy.

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