International Journal for Research Trends in Social Science & Humanities
ISSN: 2584-2455
Volume 4, Issue 3
May-Jun 2026, PP 1-6

The Evolution of ESG Disclosures and Rating Governance in India: A Regulatory and Conceptual Analysis

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Abstract- This study provides a comprehensive regulatory analysis of the transition of corporate sustainability disclosures in India from voluntary Corporate Social Responsibility (CSR) to mandatory Environmental, Social, and Governance (ESG) reporting. We systematically examine the institutional milestones spearheaded by the Ministry of Corporate Affairs (MCA) and the Securities and Exchange Board of India (SEBI)—from the 2011 National Voluntary Guidelines (NVGs), the Business Responsibility Report (BRR, 2012–2016), and Section 135 mandatory CSR provisions of the Companies Act, 2013, to the 2019 National Guidelines on Responsible Business Conduct (NGRBC) and the comprehensive Business Responsibility and Sustainability Reporting (BRSR) mandate enacted in 2021. The article unpacks the architectural structure of the BRSR framework across its General Disclosures (Section A), Management and Process Disclosures (Section B), and Principle-wise Performance Disclosures (Section C), distinguishing mandatory Essential Indicators from advanced Leadership Indicators. Furthermore, this paper analyzes SEBI's regulatory oversight framework governing nineteen registered ESG Rating Providers (ERPs), contrasting Category-I and Category-II provider categories across Issuer-pays and Subscriber-pays models, and detailing the structured analytical evaluation and surveillance workflow instituted by CRISIL ESG Ratings. Grounded in Stakeholder Theory and the Resource-Based View, this research provides an institutional foundation for understanding sustainability reporting in emerging capital markets.

Keywords: Business Responsibility and Sustainability Reporting (BRSR), Corporate Governance, ESG Rating Providers, SEBI Regulations, CRISIL ESG Ratings, Companies Act 2013, Emerging Markets**.**

I. Introduction

Corporate reporting systems within global financial markets have experienced a structural realignment. Historically, corporate reporting primarily prioritized financial metrics such as net profitability, balance sheet liquidity, and shareholder wealth maximization. However, increasing concerns relating to climate change, resource scarcity, social inequality, and corporate governance failures have broadened corporate accountability beyond conventional accounting measures (Eccles et al., 2014; SASB, 2018). Investors, regulators, and civil society increasingly require transparency regarding corporate non-financial impacts, prompting the transition toward structured Environmental, Social, and Governance (ESG) disclosures (GRI, 2021).

In India, the institutionalization of sustainability reporting has progressed through systematic regulatory interventions introduced by the Securities and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs (MCA). Moving from voluntary corporate philanthropy toward a data-driven, mandatory reporting ecosystem, India established the Business Responsibility and Sustainability Reporting (BRSR) framework, applicable to the top 1,000 listed entities by market capitalization. Simultaneously, SEBI introduced a regulatory framework for ESG Rating Providers (ERPs) to ensure analytical consistency and prevent greenwashing. This study provides an institutional and conceptual

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examination of this transition, analyzing regulatory milestones, the structural taxonomy of the BRSR, and the governance architecture of domestic ESG rating providers.

II. Historical Evolution: From Csr To Mandatory Esg

1. Theoretical Foundations Of The Shift

The transition from Corporate Social Responsibility (CSR) to ESG represents a shift in corporate governance and investment decision-making. Modern corporate accountability can be traced to Howard R. Bowen (1953), who argued that business organizations have an obligation to pursue policies aligned with societal expectations. While Milton Friedman (1970) contended that the primary objective of business is shareholder wealth maximization within legal boundaries, Edward Freeman (1984) proposed Stakeholder Theory, asserting that firms must create value for a broader array of constituents, including employees, customers, suppliers, and communities.

During the 1990s, Archie Carroll (1991) formalized the Pyramid of CSR, while John Elkington (1997) introduced the Triple Bottom Line framework ('People, Planet, Profit'). However, early CSR practices remained largely voluntary and focused on philanthropic initiatives. The formal introduction of the term 'ESG' in the United Nations Global Compact's report 'Who Cares Wins' (2004) and the establishment of the Principles for Responsible Investment (PRI, 2006) reoriented corporate sustainability around measurable, financially material non-financial risks.

Table 1 Historical Evolution from Corporate Social Responsibility (CSR) to ESG

Stage	Period	Major Institutional Development	Major Conceptual Contributors
Stage I	1950–1970	Emergence of Corporate Social Responsibility (CSR)	Bowen (1953)
Stage II	1970–1980	Shareholder vs. Stakeholder Debate	Friedman (1970), Freeman (1984)
Stage III	1990s	CSR Institutionalization & Triple Bottom Line	Carroll (1991), Elkington (1997)
Stage IV	2000–2006	Emergence of ESG and Sustainable Investing	UN Global Compact (2004), PRI (2006)
Stage V	2000–2010	Development of Standardized ESG Reporting Frameworks	GRI, SASB
Stage VI	2015–2020	Mainstreaming via Global Sustainability Accords	UN SDGs (2015), Paris Agreement (2015), TCFD (2017)
Stage VII	2020–Present	Regulatory ESG Institutionalization & Mandatory Filing	ISSB, SFDR, CSRD, BRSR (SEBI, 2021)

Source: Compiled from Various Sustainability Reports

2. The Indian Regulatory Trajectory: Nvgs, Section 135, And Brsr

In India, sustainability reporting developed through progressive regulatory mandates:

- 2011: National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business introduced by the MCA, outlining nine principles of responsible business conduct.

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- 2012: SEBI introduced the Business Responsibility Report (BRR) framework, mandating sustainability disclosures for the top 100 listed companies based on market capitalization.
- 2013: Enactment of the Companies Act, 2013. Section 135 introduced mandatory Corporate Social Responsibility (CSR) provisions requiring eligible firms (meeting defined thresholds of net worth, turnover, or net profit) to allocate at least 2% of their average net profit toward approved CSR activities.
- 2015–2016: SEBI expanded the mandatory BRR reporting framework from the top 100 listed companies to the top 500 listed entities.
- 2019: Introduction of the National Guidelines on Responsible Business Conduct (NGRBC) by the MCA, replacing the NVGs to integrate sustainability into strategic operations.
- May 2021: SEBI introduced the Business Responsibility and Sustainability Reporting (BRSR) framework, replacing the qualitative BRR with a quantitative, KPI-driven reporting regime.
- 2022–2023 Onward: BRSR reporting became mandatory for the top 1,000 listed companies by market capitalization on Indian stock exchanges.

3. Structural Architecture Of The Brsr Framework

1. Tripartite Reporting Structure

The BRSR framework is structured into three distinct sections:

- **Section A**: General Disclosures: Captures basic organizational profile data, including listed products and services, manufacturing and office operational locations, workforce composition (employees and workers), subsidiary/joint venture mappings, and core transparency practices.
- **Section B:** Management and Process Disclosures: Documents governance structures, leadership accountability, board-level oversight of sustainability, stakeholder engagement frameworks, risk management procedures, and policy implementation mechanisms.
- **Section C**: Principle-Wise Performance Disclosures: Evaluates company performance against the nine principles of the NGRBC through standardized qualitative explanations and quantitative performance indicators.

6. Dual Indicator Hierarchy: Essential Vs. Leadership Indicators

Section C incorporates a dual disclosure architecture:

- Essential Indicators (Mandatory): Baseline quantitative metrics that all top 1,000 listed entities must disclose. These cover energy consumption, greenhouse gas emissions (Scope 1 and Scope 2), water consumption and withdrawal intensity, waste management and circularity, employee training hours, occupational health and safety incidents, workforce diversity, and community development investments.
- Leadership Indicators (Voluntary): Advanced sustainability disclosures intended to encourage firms to demonstrate ESG leadership. These cover Scope 3 value-chain greenhouse gas emissions, supply-chain sustainability assessments, biodiversity conservation efforts in ecologically sensitive areas, and advanced climate risk scenario analyses.

III. Regulatory Framework For Esg Rating Providers (Erps) In India

1. Institutional Registration And Business Models

To address methodological divergence and conflicts of interest in sustainable finance, SEBI introduced formal registration requirements for ESG Rating Providers under the SEBI

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(Credit Rating Agencies) Regulations. The registry classifies accredited providers into Category-I (full-service rating agencies subject to higher net worth and infrastructure criteria) and Category-II (specialized sustainability research firms), operating under either Subscriber-pays or Issuer-pays commercial models.

Table 2 SEBI-Registered ESG Rating Providers (ERPs) and Commercial Operating Models

S.No.	Name of Registered ESG Rating Provider	SEBI Registration Number	Commercial Operating Model
1	BEACON ESG RATINGS AND RESEARCH PRIVATE LIMITED	IN/ERP/Category-II/0018	Issuer-pays
2	CARE ESG Ratings Limited	IN/ERP/Category-I/0005	Issuer-pays
3	CFC Finlease Private Limited	IN/ERP/Category-II/0011	Subscriber-pays
4	Cleancarbon ESG Score Private Limited	IN/ERP/Category-II/0019	Subscriber-pays
5	CRISIL ESG Ratings & Analytics Limited	IN/ERP/Category-I/0001	Subscriber-pays
6	EcoRatings Fintech Solutions Private Limited	IN/ERP/Category-II/0015	Issuer-pays
7	ESG RISK ASSESSMENTS & INSIGHTS LIMITED	IN/ERP/Category-I/0003	Subscriber-pays
8	Globetrend Climate Impact Private Limited	IN/ERP/Category-II/0008	Issuer-pays
9	ICRA ESG RATINGS LIMITED	IN/ERP/Category-I/0004	Issuer-pays
10	IIAS SUSTAINABILITY SOLUTIONS PRIVATE LIMITED	IN/ERP/Category-II/0006	Subscriber-pays
11	IMPACTIZEN SUSTAINABILITY PRIVATE LIMITED	IN/ERP/Category-II/0020	Issuer-pays
12	Niche Ninety Nine Capability and Certifications Private Limited	IN/ERP/Category-II/0016	Subscriber-pays
13	NSE Sustainability Ratings & Analytics Limited	IN/ERP/Category-I/0009	Subscriber-pays
14	PGS IMPACT PRIVATE LIMITED	IN/ERP/Category-II/0007	Subscriber-pays
15	Resurgent ESG Services Private Limited	IN/ERP/Category-II/0012	Issuer-pays
16	Rheaa ESG Excellence Private Limited	IN/ERP/Category-II/0014	Issuer-pays
17	SES ESG Research Private Limited	IN/ERP/Category-II/0002	Subscriber-pays
18	Shesh Enviro Solutions Private Limited	IN/ERP/Category-II/0010	Issuer-pays
19	SYNE RATINGS PRIVATE LIMITED	IN/ERP/Category-II/0017	Subscriber-pays

Source: Securities and Exchange Board of India (SEBI, www.sebi.gov.in).

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IV. Analytical Rating Process: The Crisil Evaluation Architecture

The standardized analytical process operationalized by accredited rating agencies such as CRISIL ESG Ratings & Analytics Limited follows a structured sequence:

- **Data Collection**
  Public information is collected from BRSR reports, annual reports, sustainability disclosures, corporate websites, and regulatory filings.
- **Analysis And Benchmarking**
  Analysts evaluate environmental, social, and governance indicators against industry peers and sector-specific materiality criteria.
- **Rating Committee Review**:
  Findings and benchmark metrics are presented to the ESG Rating Committee (ERC) for collective deliberation and score assignment.
- **Dual Communication**
  The assigned rating and rationales are communicated simultaneously to the rated entity and subscribers.
- **Issuer Representation**
  The rated entity may submit factual clarifications or additional public disclosures within two working days from the date of receipt.
- **Reassessment & Appeal**
- The analytical team assesses whether new information alters the evaluation; if material differences persist, the analysis is reviewed by the Appeal Committee.
- **Continuous Surveillance**
  Published ESG ratings are kept under active surveillance to reflect corporate controversies, governance changes, and annual performance updates.

1. Theoretical Conceptualization: Esg And Corporate Financial Performance

The thesis chapter establishes a conceptual framework linking composite ESG performance and individual sub-pillar scores (Environmental, Social, Governance) to firm financial performance, assessed via accounting-based indicators [Return on Assets (ROA), Return on Equity (ROE)] and market-based valuation [Tobin's Q].

Theoretical literature presents three primary perspectives on this relationship: (a) The positive relationship perspective, supported by Stakeholder Theory and the Resource-Based View (Barney, 1991; Freeman, 1984), positing that sound environmental management reduces regulatory fines and resource costs, ethical labor practices improve workforce productivity, and strong governance minimizes agency friction; (b) The negative perspective (Friedman, 1970), suggesting that sustainability investments create operational cost burdens that divert funds from immediate profit-generating projects; and (c) The neutral perspective, indicating that market benefits materialize over extended horizons and vary across capital-intensive versus service industries.

2. Critical Challenges And Emerging Opportunities In Indian Esg

While regulatory institutionalization has improved disclosure quality, several operational challenges remain in emerging economies. The absence of globally harmonized ESG metrics across international jurisdictions (e.g., ISSB, EU CSRD, and BRSR) creates reporting complexities for multinational firms. Furthermore, smaller listed firms face resource constraints when establishing comprehensive internal ESG accounting systems, and greenwashing risks necessitate robust external assurance mechanisms. Nevertheless,

structured reporting fosters capital formation by expanding green finance, sustainability-linked debt instruments, and foreign institutional investment into Indian capital markets.

V. Conclusion

India's progression from voluntary CSR guidance under the 2011 NVGs and mandatory philanthropic allocations under Section 135 to the standardized, quantitative BRSR framework marks a key institutional transition. Together with SEBI's regulatory oversight of ESG Rating Providers and structured analytical processes like those of CRISIL ESG Ratings, India has established a comprehensive framework for sustainability reporting. This institutional architecture provides the foundation for empirical investigations into corporate sustainability, capital allocation, and long-term enterprise valuation in emerging markets.

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