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FROM VOLUNTARY CSR TO MANDATORY BRSR: A REVIEW OF ESG DISCLOSURE QUALITY AND BOARD OVERSIGHT IN INDIAN LISTED FIRMS

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Abstract : The landscape of corporate governance and non-financial reporting in India has undergone a seismic shift over the last decade [10]. This review article systematically examines the transition from voluntary Corporate Social Responsibility (CSR) initiatives to the mandatory Business Responsibility and Sustainability Reporting (BRSR) framework instituted by the Securities and Exchange Board of India (SEBI) [6]. By synthesizing 15 recent and relevant studies, this paper evaluates the impact of the BRSR mandate on the quality of Environmental, Social, and Governance (ESG) disclosures among Indian listed firms [2]. Furthermore, it explores the critical role of corporate board oversight in ensuring compliance, mitigating greenwashing, and integrating sustainability into core business strategies [15]. A specific focus is placed on the differential reporting behaviors between private and public sector enterprises, where statistical tools such as SPSS have been widely utilized to perform Chi-Square tests and correlation analysis on disclosure indices [11]. The findings indicate that while BRSR has significantly enhanced quantitative transparency, companies still prioritize mandatory "essential" indicators over voluntary "leadership" metrics [2]. The paper concludes with recommendations for strengthening board accountability and expanding third-party assurance mechanisms [1].

Keywords: Corporate Governance, ESG Disclosure, Business Responsibility and Sustainability Reporting (BRSR), Board Oversight, SEBI Regulations, Sustainability Reporting, Greenwashing, Indian Listed Firms.

I. INTRODUCTION

In recent years, global stakeholders, including institutional investors, regulatory bodies, and civil society, have increasingly demanded greater corporate accountability regarding social and environmental impacts [4]. The pressing issues of climate change, resource depletion, and human rights have shifted the paradigm of corporate reporting from a purely financial focus to a holistic evaluation of an entity's non-financial performance [14]. In India, this transition has been marked by progressive regulatory interventions, moving from voluntary guidelines to strict, mandatory disclosure regimes [3].

The origins of ESG reporting in India can be traced back to 2009 when the Ministry of Corporate Affairs (MCA) issued the 'Voluntary Guidelines on Corporate Social Responsibility' [9]. This was the first significant step toward mainstreaming the concept of business responsibility within the Indian corporate sector [10]. Subsequently, the Securities and Exchange Board of India (SEBI) introduced the Business Responsibility Report (BRR) in 2012, mandating the top 100 listed entities by market capitalization to file disclosures based on the National Voluntary Guidelines (NVGs) [6]. Over time, the applicability of BRR was expanded to the top 500 and eventually the top 1000 listed companies [10].

However, as the global momentum for ESG investing accelerated—evidenced by the exponential growth of assets in sustainability funds—the BRR framework was found lacking in quantitative rigor and comparability [6]. Recognizing these limitations, SEBI introduced the Business Responsibility and Sustainability Reporting (BRSR) framework in May 2021 [13]. The BRSR marks a definitive departure from narrative-driven reporting, establishing a comprehensive, data-

intensive mandate aligned with the National Guidelines on Responsible Business Conduct (NGRBC) [9]. This paper reviews the contemporary literature to assess how this regulatory evolution has impacted disclosure quality and the concurrent evolution of board oversight mechanisms [12].

2. THE REGULATORY EVOLUTION: FROM CSR TO BRSR CORE

The transition from BRR to BRSR represents a fundamental restructuring of corporate transparency in India [5]. The BRSR framework requires companies to disclose information across three distinct sections: General Disclosures, Management and Process Disclosures, and Principle-wise Performance Disclosures [13]. The performance disclosures are further bifurcated into 'Essential Indicators', which are mandatory, and 'Leadership Indicators', which are voluntary [9]. Essential indicators encompass data-intensive metrics such as greenhouse gas (GHG) emissions, water consumption, waste generation, and employee training [4].

A critical development in this regulatory trajectory was the introduction of the 'BRSR Core' for the financial year 2023-2024 [1]. The BRSR Core mandates that listed companies provide additional disclosures against specifically identified Key Performance Indicators (KPIs) and subjects these disclosures to independent third-party assurance [1]. This move aims to standardise ESG data reporting further and combat the pervasive risk of 'greenwashing' [2].

The literature highlights that India's approach to ESG regulation is an omni-comprehensive system, blending statutory requirements under the Companies Act, 2013, with market-led disclosure mechanisms enforced by SEBI [3]. For instance, Section 134(3) of the Companies Act requires boards to detail energy conservation measures, while the BRSR demands quantitative emissions data [3]. This dual regulatory pressure has effectively transformed ESG from a peripheral CSR activity into a central legal obligation for top-tier Indian firms [5].

3. EVALUATING ESG DISCLOSURE QUALITY

The primary objective of the BRSR mandate is to enhance the quality, reliability, and comparability of ESG disclosures [7]. Empirical analyses comparing pre-mandate corporate reports with post-mandate BRSR submissions demonstrate a significant improvement in corporate reporting behaviors [2]. Companies are increasingly providing specific, quantifiable data, which enhances the trustworthiness of their sustainability claims [2].

However, a granular review of the literature reveals underlying discrepancies in disclosure quality [11]. A comprehensive analysis of ESG disclosures from over 1,000 Indian businesses under the BRSR guidelines revealed that companies, on average, disclosed 72% of the total indicators [2]. Notably, there is a strong bias toward compliance: companies disclosed 73% of the mandatory essential indicators but only 50% of the voluntary leadership indicators [2]. This suggests that while regulatory nudges are effective, many firms still treat BRSR primarily as a compliance exercise rather than a strategic imperative [2].

Sectoral differences also play a crucial role in disclosure quality. Researchers evaluating ESG reporting practices among Indian private and public sector companies have utilized advanced statistical techniques, frequently employing SPSS software to conduct Chi-Square tests and correlation analysis, to map these variances [11]. Public sector enterprises, operating under a unique dual-control mechanism involving both government mandates and market expectations, often exhibit distinct reporting patterns compared to their private sector counterparts [11]. While public sector enterprises demonstrate robust reporting on social metrics such as employee welfare and inclusive growth, they occasionally lag in specific environmental leadership indicators [11].

Furthermore, the quality of disclosures varies across the nine principles of the NGRBC. Reporting is typically most robust for principles related to employee well-being, stakeholder interests, and human rights [2]. Conversely, principles concerning business ethics, public policy engagement, and inclusive equitable growth show markedly lower reporting levels [2]. This highlights the need for clarificatory guidance notes from regulators to address complex and ambiguous BRSR parameters, such as Scope 3 emissions and supply chain sustainability [1].

4. THE CRUCIAL ROLE OF BOARD OVERSIGHT

The implementation of the BRSR framework has fundamentally reshaped boardroom priorities in India [15]. Historically, sustainability reporting was often delegated to marketing or CSR departments, leading to narrative-led, disconnected reports [15]. Under the BRSR mandate, corporate boards are held directly accountable for the accuracy and completeness of ESG disclosures [4].

This accountability has necessitated an evolution in governance models [15]. Board discussions have shifted, with growth plans and capital expenditure now rigorously tested against environmental and social risk frameworks [15]. The literature emphasizes that effective ESG integration requires specialized board committees, such as Sustainability or

Risk Management Committees, to oversee non-financial performance [4]. Furthermore, Section 149 of the Companies Act and Regulation 17 of SEBI's LODR Regulations require board diversity, mandating the appointment of at least one woman director, which has been shown to positively influence ESG disclosure quality [3].

Investors and financial institutions are increasingly scrutinizing board oversight mechanisms during due diligence [8]. Strong and credible disclosures, backed by robust board governance, build investor confidence and lower the cost of capital [15]. Conversely, weak reporting driven by a lack of board engagement raises immediate red flags regarding risk management and operational resilience [15]. Consequently, there is a growing trend among progressive Indian firms to link executive compensation and leadership performance reviews directly to the achievement of sustainability outcomes [15].

5. STRUCTURAL DYNAMICS, VALUE CHAINS, AND CORPORATE RESTRUCTURING

The BRSR framework introduces unprecedented transparency requirements regarding a company's broader value chain [13]. Unlike the earlier BRR, which focused primarily on direct operations, the BRSR requires entities to encourage and support their value chain partners in adopting ESG principles [6]. This is particularly challenging given the fragmented nature of supply chains in India [5]. Companies must now compile data on parameters like electricity consumption, labor practices, and waste generation across multiple geographical locations and subsidiary operations [5].

Moreover, in the context of corporate restructuring—such as mergers, demergers, and acquisitions—the continuity and consistency of ESG disclosures become highly complex [12]. Maintaining robust governance and reporting continuity during such transitions is critical for retaining investor trust [10]. The BRSR framework demands that the financial implications of material ESG risks and the approach to mitigating these risks be clearly outlined, providing a standardized baseline that helps stabilize market expectations during periods of structural corporate change [6].

6. IMPLEMENTATION CHALLENGES AND THE RISK OF GREENWASHING

Despite the regulatory strides, Indian listed firms face significant hurdles in implementing the BRSR framework effectively [5]. The primary challenge is data management complexity [5]. Organizations struggle to collect, integrate, and harmonize fragmented ESG data from disparate sources, a task that requires substantial financial investment in new management systems and staff training [5].

This complexity heightens the risk of 'greenwashing'—the practice of presenting misleading or unsubstantiated claims about environmental performance [12]. Without robust internal controls, companies may intentionally or inadvertently report inaccurate metrics [7]. To mitigate this risk, the literature strongly advocates for the widespread adoption of third-party assurance [1]. The SEBI mandate for "Reasonable Assurance" of the 9 Core ESG attributes by independent providers is a critical step in this direction [7]. Assurance providers evaluate the data based on principles of independence, competency, and transparency, thereby reinforcing the reliability of the BRSR reports [7].

Additionally, leveraging specialized technological platforms can streamline the reporting process [9]. Automated workflows, XBRL compatibility, and centralized data collection systems allow companies to optimize resources while ensuring precise adherence to the BRSR formats [13].

7. CONCLUSION AND FUTURE RESEARCH DIRECTIONS

The evolution from voluntary CSR to mandatory BRSR marks a watershed moment in Indian corporate governance [14]. By emphasizing quantifiable metrics and mandating board-level oversight, SEBI has effectively integrated sustainability into the financial DNA of India's top listed firms [12]. While compliance levels for essential indicators are encouraging, there remains substantial room for improvement in voluntary disclosures and the standardisation of data across complex value chains [2]. Corporate boards must continue to transition from a compliance mindset to a strategic integration mindset, ensuring that ESG principles drive long-term value creation [15].

Future research should focus on longitudinal studies assessing the impact of BRSR Core assurance on stock liquidity and firm valuation [5]. Additionally, there is a need for deeper empirical research utilizing advanced statistical modeling to evaluate how specific board characteristics—such as independence, diversity, and tenure—correlate with the quality of Scope 3 emissions disclosures [3]. Finally, analyzing the ESG preparedness of mid-cap and unlisted companies, which will eventually fall under the expanding ambit of SEBI's regulations, represents a vital frontier for academic inquiry in commerce and management studies [1].

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