ESG Framework: Balancing, Profit, Public & Planet

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INTRODUCTION

Corporate Governance in India is meant to ensure ‘transparency’ and ‘accountability’. Creating a well-calibrated compliance regime within a legislative framework has been very well regulated by the Security & Exchange Board of India (SEBI). Initially in clause 49 of the listing agreement by blending the right amount of ‘executive’ and ‘non-executive’(independent) directors, ‘dissent’ was brought on the board to rationalize the corporate decision-making process. The institution of ‘Independent Directors’ was empowered by Companies Act, 2013 by giving it statutory recognition[1].

The submissions of Rahul Bajaj committee, Kumar Mangalam Birla committee, Naresh Chandra committee, Narayan Murthy Committee, J.J. Irani Committee, Bhagwati J. Committee, Kotak Committee and Anil R. Dave's committee on a variety of issues of corporate governance made the whole corporate governance regime better and efficient. Time-bound implementation of recommendations in Kotak Committee (2017) by SEBI did wonderful work. Public listed companies became more compliant. However the abuse of corporate personalities resulted in mammoth size of scams and crisis naming a few Yes Bank scam, Satyam scam, Sahara scam, PNB scam, IL&FS (NBFC crisis) crisis and stakes are as high as 90,000 crore rupees. The Indian corporate regime became a plaything in the hands of scammers,

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[1] Companies Act, 2013, §149.

fraudsters who mercilessly looted the hapless, hopeless and helpless investors.

Fixing more and more criminal liabilities of 'officers in default' or Key Managerial Persons (KMP) under various sections of Companies Act, 2013 did not come to any help as it became antithetical for failed businesses. Efficient liquidation of non-viable businesses in the new insolvency regime is just getting shape that is often marred by a variety of disruptions which needs continuous tweaks in Insolvency and Bankruptcy Code, 2016. Attracting investment from the world with a 'Make in India' movement fostered by a variety of schemes like Production Linked Incentive (PLI) schemes goes against the idea that the business can't fail and even if a business fails the people responsible will be put in criminal penal liability. Suicide of Mr. Reddy of Café Coffee Day was an eye opener of the rigours of business failures. The Government made amendments to Companies Act[2] decriminalizing a variety of activities understanding that corporate decisions may go wrong due to market forces. Now this is the central idea that we may fail yet be acceptable in corporate regimes.

Corporate Governance based on majoritarian governance sometimes resulted in the biggest melodrama like Cyrus Mistry and TATA Sons disputes had and the ghost of Harbottle[3] Rule (Rule of Majority) again became a savior. Decision making in Corporations though desired to be participative have highly been manipulative due to hero-worshipping of so called charismatic and avatar like personalities who often fail the corporations. The Supreme Court in TCS case observed that, "We have not found any merit in the argument that Majority Rule has taken back seat by introduction of corporate

[2] Companies (Amendment) Act, 2020.
[3] Foss v. Harbottle, (1843) 2 Hare 461: Tata Consultancy Services Ltd. v. Cyrus Investment (P) Ltd. (2021) 9 SCC 449

governance in Companies Act, 2013 , it is like *corporate democracy is genesis, and corporate governance is species.* They are never in conflict with each other; the management is rather more accountable to the shareholders under the present regime. Corporate governance is collective responsibility, not based on assumed freehand rule which is alien to the concept of collective responsibility endowed upon the Board."[4]

DIP, ICDR and LODR regulations created a regime wherein vetting and compliances to laws, rules and regulations became the real venture sport. Fact, figures and data became the new currency and oil of society. Consumption, production, sale of goods and services in new economic order became the order of the society. Transparency and accountability of public listed companies was maintained by audited balance sheet with the help of IndoAS accounting standards in confirmation to International Financial Reporting Standards (IFRS). To facilitate good corporate governance a new insolvency regime was introduced by IBC, 2016[5].

The natural progression of regime well supported by submissions of various aforementioned national and international committees like Cadbury, Greenbury and Lord Davies committee reports brought many welcome changes bringing the element of protection of minority, gender diversity and care of all stakeholders. Confirmation to international standards has always been very tough and challenging. Fixing liability of auditors and auditing firms restraining big auditing companies in corporate scams like PwC by the SEBI & Supreme Court of India has been very challenging. Empowering the

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[4] Tata Consultancy Services Ltd. v. Cyrus Investment (P) Ltd. (2021) 9 SCC 449

[5] Swiss Ribbons Private Limited & Anr. v. Union of India & Ors. (2019) 4 SCC 1775; Jaypee Kensington Boulevard Apartments Welfare Association & Others v. NBCC (India) Ltd. & Others LNIND 2021 SC 262; Arun Kumar Jagatramka v. Jindal Steel And Power Ltd. & Another LNIND 2021 SC 257

audit committee by bringing back to back changes suggested by Kotak Committee, tweaking provisions relating to IDs, their training by Indian Institute of Corporate Affairs (IICA) for better and efficient boards could not retain their exodus and mass resignation.

Doing business responsibly is the need of the hour. Profiteering based on consumption economy and free market economy mooted by Milton Friedman did all anthropogenic damages to climate & planet. Milton Friedman states that, “There is one and only one social responsibility of business to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud[6].”

John Elkington’s idea about Corporate Social Responsibility (CSR) wherein People, Planet and Profit are to work in synchronization has replaced free market business idea. Now sustainable, responsible businesses can only do the business and it has to be voluntary. Now the sustainable investing and impact investing[7] have been developed to respond to sustainable business model. Terrence Keeley says that, “It seems that prosperity should and would be more broadly shared and sustainable, if say corporations focused less on paying higher dividends to wealthy people and more on urgent social priorities.”

I. CORPORATE GOVERNANCE & ESG

In public listed companies, corporate governance has been more or less limited to ‘accountability’ and ‘transparency’ through a variety of disclosures

[6] M. Friedman, *The Social Responsibility of Business Is To Increase Its Profits,* N. Y. TIMES, September 13, 1970, (Dec. 25, 2022, 10.05 AM), https://www.nytimes.com/1970/09/13/archives/a-friedman-doctrine-the-social-responsibility-of-business-is-to.html.

[7] The Rockefeller Foundation coined the word in 2007.

made to SEBI, MCA, RBI etc. DIP, ICDR and Listing Agreement, clause 49, LODR brought the element of transparency and accountability by bringing the right amount of 'dissent' via Independent Directors working in the best interests of corporate affairs who could muster courage to speak against the executive directors and promoters of the company. But their independence has often been found questionable due to large amounts of corporate scams and failures.

In 2009 the Ministry of Corporate Affairs introduced National Voluntary Guidelines for Responsible Business Conduct (NGRBC) which could be adopted by listed or unlisted, private or public companies. In 2012, LODR Regulations provided that top 100 public listed companies will submit Business Responsible Reporting (BRR) in their corporate disclosures to SEBI, Stock Exchange and other regulators. In 2014, via section 135, provision of Corporate Social Responsibility for certain companies was provided. This was the first time BRR reporting or the ESG reporting was introduced. In 2015, the BRR disclosure was extended to top 500 public listed companies. In 2017, BRR was made voluntary. In 2018, MCA issued BRR formats for BRR disclosures. In 2019, MCA, replacing NVG of 2009 which was tweaked in 2011, issued National Guidelines for Responsible Business Conduct (NGRBC) for companies. In 2019, SEBI again amended LODR and extended BRR to 1000 public listed companies. In 2021, BRR reporting was rechristened as 'Business Responsibility and Sustainability Report' (BRSR). SEBI on 10 May 2021 provided for BRSR and SEBI in its Board Meeting on 25th March, 2021 decided for BRSR Disclosures. The BRSR reporting is in confirmation to international Environment, Social and Governance (ESG) reporting. BRSR reporting is voluntary for FY 2021-22 and mandatory from

FY 2022-23. SEBI[8] on the 6th May, 2022 constituted an Advisory committee on ESG matters in the chairmanship of Navneet Munot for recommending on the issues of enhancements of BRSR report, ESG investing and ESG ratings. The term of reference of the committee includes review of leadership indicators, sector specific ESG disclosure norms, uniformity in ESG ratings, developing uniform indicators for 'G' indicators, prudential norms of ESG funds, long-term plan for ESG disclosures to all mutual fund schemes.

In BRSR reporting following contents are required to be reported; ESG risks and opportunities, sustainability related goals, environment related disclosures like decarbonization goals, GHSs emissions, transition to circular economy, waste generation & management, biodiversity; social related disclosures like gender diversity, measures for workers, persons with disability, contractual employees, occupational safety & health, disclosure on social impact assessment, rehabilitation and resettlement of internally displaced persons, CSR, consumer disclosure like product labelling, recall, data privacy and cyber security.

Those listed entities which are already making ESG disclosures in international reporting frameworks like GRI, SASB, TCFD or Integrated Reporting may cross refer the reports under BRSR reporting. The BRSR reporting based on standard ESG parameters will provide accessible and comparable information to investors searching for sustainable businesses resulting in creation of long-term value. Under UNFCCC for climate change mitigation, the Paris Agreement, 2015 was signed. India is signatory to the agreement. CoP 26 sets out our national commitments towards

[8] SEBI constitutes Advisory Committee on Environmental, Social and Governance (ESG) Matters (Dec. 25, 2022, 10.05AM), https://www.sebi.gov.in/media/press-releases/may-2022/sebi-constitutes-advisory-committee-on-environmental-social-and-governance-esg-matters_58794.html .

decarbonization and CoP 27 has created a 'Loss & Damage Fund'. Covid-19 pandemic has put everything on test & review. Disruptions created by this pandemic have given life lessons to corporations and made them learn that 'sustainable investing' is the future of mankind. Companies which are doing green business in the line of egalitarian and inclusive philosophy are going to create a perpetual, priceless, value.

II. ESG ECOSYSTEM

In 1960, in South Africa in anti-apartheid movement, we can find certain traces of responsible investing. Stockholm Conference, 1972 put environment protection on the world agenda. Rio Earth Summit, 1992 brought the issue of 'ozone layer depletion' and 'global warming' at centre stage. Anthropogenic pollution caused 'radiative farcings' due to GHGs emissions that warmed the earth. In 1990, Socially Responsible Investment indexing (SRI) started. In 2003-04 'Ten Principles' were adopted for corporate sustainability on human rights, labour, environment and anticorruption on issues like protection of human rights, effective collective bargaining, stopping child labour & forced labour, elimination of discrimination in employment, protection of environment, adoption of environment friendly technologies, working against bribery, extortion and corruption[9]. Around 2004 and 2005 two UN reports, 'Who Cares Wins[10]' and 'Fresh Field[11]' Reports were developed for the ESG

[9] The Ten Principles of the UN Global Compact, (Dec. 25, 2022, 10.05AM) https://www.unglobalcompact.org/what-is-gc/mission/principles .

[10] U. N. (2004). *Who Cares Wins, The Global Compact, Connecting Financial Markets To A Changing World*. United Nations Department of Public Information; Kell, G. (2018). The remarkable rise of ESG, Forbes. Von, (Dec. 25, 2022, 10.05 AM), https://www.forbes.com/sites/georgkell/2018/07/11/the-remarkable-rise-of-esg/?sh=54e411821695 abgerufen.

[11] U. N. (2005). *Innovative Financing For Sustainability A Legal Framework For The Integration Of Environmental, Social And Governance Issues Into Institutional Investment*. Asset Management Working Group: United Nations Environment Programme; Kell, G. (2018). The remarkable rise of ESG, Forbes. Von, (Dec. 25, 2022, 10.05

roadmap, the former is for voluntary ESG and the latter is required ESG. In 2007 Sustainable Stock Exchange Initiative (SSEI) was launched[12]. SSEI is a collaborative contribution of UN agencies and programmes like UNEP Financial Initiative (UNEPFI) , UN Principle for Responsible Investing (PRI), UN Global Compact. International Organization for Standardization (ISO) issued ESG standards e.g. ISO 50001: 2018 for Energy Management System; ISO 56002: 2019 for innovation management; ISO 37000 for Governance of organization etc.[13]. These all cumulatively created an international framework and roadmap for ESG. Key performance indicators were also found and now being developed for a better ESG framework.

In the year 2000, Global Reporting Initiative (GRI) launched its first guidelines, it was tweaked in 2002, 2006 and 2013. GRI reporting is widely used for a variety of parameters disclosed in ESG reporting by investors and companies. In 2000, a UK Non-Profit Organization launched 'Carbon Disclosure Protocol' (CDP). In 2011 Sustainable Accounting Standard Board (SASB) was founded which started value creation by ESG reporting. In 2013, Integrated Reporting (IR) Framework for ESG disclosures was launched by International Integrated Reporting Council (IIRC). In 2020, IIRC and SASB have expressed their intention to merge the value reporting. In 2017, Task Force on Climate Related Disclosures (TCFD), started climate related disclosures in ESG compliances. These international reporting frameworks

AM),://www.forbes.com/sites/georgkell/2018/07/11/the-remarkable-rise-of-esg/?sh=54e411821695 abgerufen.

[12] TRACY DATHE, RENÉ DATHE, ISABEL DATHE, MARC HELMOLD, CORPORATE SOCIAL RESPONSIBILITY (CSR), SUSTAINABILITY AND ENVIRONMENTAL SOCIAL GOVERNANCE (ESG), MANAGEMENT FOR PROFESSIONALS, 131 (Springer, Germany, 2022) https://doi.org/10.1007.

[13] T. DATHE, RENÉ DATHE, ISABEL DATHE, MARC HELMOLD, CORPORATE SOCIAL RESPONSIBILITY (CSR), SUSTAINABILITY AND ENVIRONMENTAL SOCIAL GOVERNANCE (ESG), MANAGEMENT FOR PROFESSIONALS, 137 (Springer, Germany, 2022) https://doi.org/10.1007.

geared up a new ESG regime wherein the 'gatekeepers' started the due diligence and compliance to norms became order of day.

The Conference of Parties under the UNFCCC framework started a climate change mitigation programme. In 2011, United Nations Guiding Principles on Business and Human Rights (UNGPs) was endorsed by the United Nations Human Rights Council. In 2015, 'The Paris Agreement' was signed for climate change mitigation. In 2017, Sustainable Development Goals (SDGs) were set up by the United Nations. 17 goals were included in this e.g. climate action, no poverty, good health, quality education, gender equality, clean water, clean energy, life on land, life below water, industry, innovation & infrastructure, peace, justice and strong institutions, decent work and economic growth, reduced inequalities, sustainable cities, responsible consumption, inclusive, safe resilient human settlement and implementation of SDGs. In 2020, EU Taxonomy (Final Report) was published.

International ESG reporting framework and corollary international initiatives by various international agencies created an ecosystem for 'sustainable investing'. Big companies like *Bloomberg, MSCI* and *Refinitiv* created metrics and indices of mammoth size. Indian commitment at CoP 26 and CoP 27 towards deep decarbonization has paced up SEBI to create an ESG Compliant Regime. In March 2021, SEBI decided that top 1000 listed entities from FY 2021-22 make voluntary BRSR disclosure and mandatory BRSR disclosure from FY 2022-23. Companies Act, 2013 also under section 134 mandated the corporations to provide disclosure about energy conservation, technology absorption, risk management and corporate social responsibility (CSR) initiatives. Under section 135 of the Act, CSR a company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year will constitute a CSR committee which will formulate a CSR initiative and spend 2% of net profits on such CSR initiatives as identified in Schedule VII of Companies Act, 2013.

These international and national initiatives are putting the planet in centre as the saying goes there is no planet B. Therefore, sustainable investing based on ESG disclosures, is the future of mankind. 92% of MSMEs in India have put ESG in priority[14]. ESG funds have seen exponential growth in India. It has increased five times to the tune of Rs. 12450 crores in last four years[15]. As per Global Impact Investing Network (GIIN) the number of asset managers offering ESG strategies has grown by more thanks 400% in past 20 years[16]. Reserve Bank of India created a 'Sustainable Finance Group' (SFG) in May 2021 and created a Network for Greening the Financial System (NGFS)[17]. Indian Bank Association also made National Voluntary Guidelines for Responsible Financing in 2017[18]. In January, 2021, the Task Force for Sustainable Finance was set up by the Department of Economic Affairs, Ministry of Finance. In May 2021, RBI set up a new unit as Sustainable Finance Group. In September, 2021 The International Financial Services Authority (IFSCA) set up a committee of experts on Sustainable Finance. In July 2022, RBI issued a discussion paper on Climate Risk and Sustainable

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[14] Shariq Khan, *92% of Indian SMEs are Focused on Adopting ESG Measures: Study* THE ECONOMIC TIMES, November 14th, 2022, (Dec. 25, 2022, 10.05 AM), https://economictimes.indiatimes.com/small-biz/sme-sector/92-of-indian-smes-are-focused-on-adopting-esg-measures-tudy/articleshow/95504130.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst.

15 Chirag Madia, *Assets of ESG funds rise 5x in four years to Rs. 12,450 crore, shows data*, Business Standard, April 24th, 2022, (Dec. 25, 2022, 10.05 AM), https://www.business-standard.com/article/markets/assets-of-esg-funds-rise-5x-in-four-years-to-rs-12-450-crore-shows-data-122042400997_1.html.

[16] BRANDAN BRADLEY, ESG INVESTING FOR DUMMIES, 24 (John Wiley & Sons Inc., New Jersey, 2021).

[17] Available at https://m.rbi.org.in/scripts/PublicationsView.aspx?id=20941(Dec. 26, 2022, 08.05 AM).

[18] National Voluntary Guidelines for Responsible Financing issued by Indian Banks' Association in May 2017; (Dec. 25, 2022, 10.05 AM), https://www.iba.org.in/iba_data/attachdocs/jul-2018/1532502771528.pdf .

Finance. In August 2022, SEBI issued a consultation paper on 'Green and Blue Bonds on Sustainable finance'. In October 2022, IFSCA submitted a report. On 9th November, 2022, Government of India[19] in its pursuit of net zero carbon emission by 2070 and its commitment towards Nationally Determined Contribution (NDC) in Paris Agreement released sovereign green bond framework to cut carbon intensity on economy wherein the funds shall be raised for renewable energy, clean transportation, sustainable water, pollution control, green building, climate change adaptation, biodiversity conservation, energy efficiency, sustainable management of natural resources and fossil fuels run projects, direct waste incineration, landfills nuclear power generation etc. will be ousted[20]. Green financing has gained momentum. The World Bank issued its first green bond in 2008 and 10 years later had raised a total $12.6 billion through 150 green bonds[21]. We know that sustainable investment needs huge financial aid as alone India needs $2.5 trillion by 2030 and $15 trillion by 2070[22].

OECD confirms that ESG ratings are being used by central banks and financial authorities in assessment of climate transition risk and progress[23]. MSCI[24] in its Annual Report 2021 states quoting International Energy Agency that last year clean energy technologies and efficiency spending

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[19] *Government Unveils Sovereign Green Bonds Framework*, Time of India, 10th November, 2022 at 7.

[20] Framework for Sovereign Green Bonds Government of India (Dec. 25, 2022, 10.05 AM), https://dea.gov.in/sites/default/files/Framework%20for%20Sovereign%20Green%20Bonds.pdf.

[21] JOHN HILL, ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INVESTING A BALANCED ANALYSIS OF THE THEORY AND PRACTICE OF SUSTAINABLE PORTFOLIO, 141 (Academic Press, London, 2020).

[22] Sudipto Dey & Richa Sharma, *The Missing Green List*, THE ECONOMIC TIMES, 4 November 20th, 2022.

[23] OECD (2022), *ESG Ratings And Climate Transition: An assessment of the Alignment of E pillar Scores and Metrics*, OECD Business and Finance Policy Papers, OECD Publishing, Paris, 7, c https*://doi.org/10.1787/2fa21143-en* .

[24] MSCI, Annual Report, 2021, (Dec. 25, 2022, 10.05 AM), https://www.msci.com/2021-annual-report .

totaled $750 billion and by 2026, in power capacity 95% will be renewable power.

Beth Haddock[25] argues in favour of ESG reporting and he observes that 'Gatekeepers' must include ESG compliances in their views as it uncovers and addresses governance gaps, prevents fraud, improves risk management & decision making.

III. REGULATORY CHALLENGES

In May, 2021 the SEBI circular[26] in Annexure I[27] provided for the 'BRSR formats' and in Annexure II[28] provided a 'Guidance Note for BRSR Reporting Format'. SEBI on 11 July 2023 included BRSR in its Master Circular No. SEBI/HO/CFD/PoD2/CIR/P/2023/120 and on 12 July 2023 SEBI decided to introduce disclosures and assurance for the value chain of listed entities, as per the BRSR Core which SEBI amended and provided in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) vide Gazette notification no. SEBI/LAD-NRO/GN/2023/131 dated June 14, 2023[29]. The BRSR and BRSR Core which

[25] Beth Haddock, Tucker Pribor and Kate Starr, *Why Corporate Attorneys And Other Gatekeepers Should Consider ESG And Sustainability Principles*, 30 Fordham Envtl. L. Rev, No. 1, Symposium: Corporate Sustainability in the Era of Shifting Federal Priorities 1-12 (2018).

[26] Business Responsibility And Sustainability Reporting By Listed Entities, (Dec. 25, 2022, 10.05 AM), https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities_50096.html.

[27] Business Responsibility & Sustainability Reporting Format (Dec. 25, 2022, 10.05 AM) https://www.sebi.gov.in/sebi_data/commondocs/may-2021/Business%20responsibility%20and%20sustainability%20reporting%20by%20listed%20entitiesAnnexure1_p.PDF .

[28] Business Responsibility & Sustainability Reporting Format (Dec. 25, 2022, 10.05 AM) https://www.sebi.gov.in/sebi_data/commondocs/may-2021/Business%20responsibility%20and%20sustainability%20reporting%20by%20listed%20entitiesAnnexure2_p.PDF .

[29] BRSR Core - Framework For Assurance And ESG Disclosures For Value Chain (Sep. 17, 2023, 10.05 AM) https://www.sebi.gov.in/legal/circulars/jul-2023/brsr-core-framework-for-assurance-and-esg-disclosures-for-value-is a subset of BRSR are a set of Key Performance Indicators of 9 ESG principles. There have been few new updates like job creation for small towns, openness of business, gross wages paid to women and for better global comparability intensity ratios based on revenue adjusted for Purchasing Power Parity have been included. In FY 2023-24 the top 1000 listed entities shall make BRSR disclosures in updated format. And likewise BRSR Core[30] will apply in FY 2023-24 to top 150 listed entities, in FY 2024-25 top 250 listed entities in FY 2025-26 top 500 listed entities in FY 2026-27 top 1000 listed entities. The assurance provider of BRSR core must have necessary expertise.

In BRSR Core 9 major issues are to be disclosed by assurance provider and issues are GHG footprint, water footprint, energy footprint, waste management, enhancing employee wellbeing and safety, enabling gender diversity in business, enabling inclusive development, Fairness in Engaging with Customers and Suppliers, and Open-ness of business.[31] This assurance disclosure is applicable in FY 2023-24 only for top 150 listed entities.

The perusal of format shows our concern about ESG compliances. To put it briefly the format has three sections. Section A provides for 'General Disclosures'[32]Section B provides for 'Management and Process Disclosures', and Section C is 'Principle Wise Performance Disclosure' (Based on NGRBC). In general disclosures, general details of listed entities like CIN, year of incorporation, registered office, website, email etc., FY of reporting

chain_73854.htmlhttps://www.sebi.gov.in/legal/circulars/jul-2023/brsr-core-framework-for-assurance-and-esg-disclosures-for-value-chain_73854.html

[30] *Ibid.*

[31] (Sep. 17, 2023, 10.05 AM)https://www.sebi.gov.in/sebi_data/commondocs/jul-2023/Annexure_I-Format-of-BRSR-Core_p.pdf

[32] (Sep. 17, 2023, 10.05 AM) https://www.sebi.gov.in/sebi_data/commondocs/jul-2023/Annexure_II-Updated-BRSR_p.PDF

etc. are to be disclosed. In part II onwards, products and services, description of business along with turnover, sale of products and services, location of operations, domestic and international market served, demographic details of customer or clientele base, employees male-female, differently abled employees & workers, inclusion of women, turnover rate for permanent employees & workers, details of holding, subsidiary and associate company, CSR details, transparency and disclosures compliances regarding complaints resolution, grievance redressal mechanism, issues relating to material responsible business conduct, identification of risk and opportunity etc. are to be reported.

In section B relating to 'Management and Process Disclosures' on 9 core principles of NGRBC are to be made e.g. policy and management process, governance, leadership and oversight, performance & compliance of entity on 9 core principles. Section C is about 'Principle Wise Performance Disclosure; wherein Principle 1[33] is about ethical, transparent and accountable governance wherein the composition of BoD, KMP and workers, training and awareness programmes held for them, details of amount paid in punitive and legal processes, case details in forums, cases of bribery & corruption against BoD, KMP and employees and workers, details of conflict of interests, leadership indicators via awareness programmes are to be reported.

Principle 2[34] about sustainable and safe goods and services provides heads of percentage of R&D and capital expenses on sustainable goods and services, details of improvement and social impacts, life cycle of products, perspective

[33] (Sep. 17, 2023, 10.05 AM) https://www.sebi.gov.in/sebi_data/commondocs/jul-2023/Annexure_II-Updated-BRSR_p.PDF

[34] (Sep. 17, 2023, 10.05 AM) https://www.sebi.gov.in/sebi_data/commondocs/jul-2023/Annexure_II-Updated-BRSR_p.PDF

assessment, significant social & environmental concern relating to goods & services, recycled and reused materials, reused, recycled and safely disposed packaging materials, reclaimed products with packaging materials.

Principle 3[35] is related to the well-being of employees wherein issues of health insurance, accident insurance, paternity & maternity benefits and day care facilities for male and female employees are to be reported. Details of retirement benefits, accessibility of workers for differently abled employees, retention of workforce, grievance redressal of employees, membership of employees of trade unions & association, training to employees and workers, performance and career development review of employee and worker, health and safety management, safety incidents relating to work injuries, details of complaints by workers and employees, life insurance in case of death, details of occupation health issues, transition assistance relating to employability etc. are to be reported.

Principle 4[36] relates to the respect of interests of all stakeholders. The contents are identification of vulnerable marginalized groups, communication with them, frequency of communication, purpose and scope of engagement, stakeholder consultation processes, details of engagement are to be reported. Principle 5[37] is about respect and protection of Human rights, in this head the issues of policies related to human rights and its training to employees, details of minimum wages paid, details of remuneration, grievance redressal of violation of human rights, number of complaints of sexual harassment, discrimination at workplace, child labour, forced labour, wages and other issues etc. are to be reported.

[35] *Ibid.*
[36] *Ibid.*
[37] *Ibid.*

Principle 6[38] concerns with respect, protection and restoration of the environment. In this head electricity, fuel & energy consumption, energy intensity per rupee turnover, facilities of entity under Performance Achieve and Trade Scheme, water consumption from surface, ground, sea, desalinated third-party water resources and water intensity per rupee turnover, implementation of zero liquid discharge, air emissions other than GHGs like NOx, Sox, PM, POP, VOC, HAP etc. in measurable units, assessed by independent external agency, details of GHGs CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, its breakup value assessed by an independent external agency, details of project reducing GHGs, details of waste management of plastic, electronic, bio-medical, battery, radioactive, hazardous and non-hazardous wastes, recycled and reused wastes, incinerated and wasted used in landfilling, location of operation and environmental clearance, environment impact assessment of projects, clearance and approvals under environmental laws, water discharge details, water withdrawal and discharge details, emission details with emission intensity per rupee of turnover are to be reported.

Principle 7[39] is about responsible and transparent influencing of public and regulatory policy. In this affiliation of the entity with trade & industry chambers, associations, its membership of trade associations, details of public policy advocated etc. are to be disclosed. Principle 8[40] speaks about inclusive growth and equitable development wherein details of social impact assessment, resettlement & rehabilitation due to ongoing projects, grievance redressal, percentage of input source materials from small and MSMEs and

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[38] *Ibid.*
[39] *Ibid.*
[40] *Ibid.*

local districts and places, details of CSR, ABS-benefit shared of traditional knowledge are to be disclosed.

Principle 9[41] is related to value to the consumer in a responsible manner. In this head consumer complaints and feedback details, product recall details, cyber security policies and issues of data privacy and safety of products and services taken are to be disclosed.

National Stock Exchange, realizing the challenges of transition to BRSR dislosures, is assisting companies in 38 sectors for BRSR compliant disclosures[42].

a) Compliance of ESG Framework

Now the real question is that creating a framework for ESG disclosures is one thing and ensuring compliance is the other. Data collection, data analysis, and data mining is a new order of the society. The quantitative and qualitative data metrics in BRSR disclosure to stock exchange is creating a great business opportunity for credit rating and IPO grading companies. New Courses on ESG compliances have been launched by IICA and ISB. Creating an ecosystem takes time. ESG compliances by top 1000 listed public listed entities will not be an easy thing to do. The disclosures made by companies in BRSR formats to stock exchanges will need some sort of standardization in near future. It will also generate a new type of outsourced business wherein the entities may offer data collection and data disclosure services on paid basis. Accreditation may be a real tough call to take. Accreditation of ESG Rating Providers (ERPs) is not a good idea according to KPMG, SEBI in line of International Organization of Securities Commissions (IOSCO) recommended that accrediting of ERPs will not be a good idea as the ESG is

[41] *Ibid.*

[42] An Integrated Guide to BRSR, (Sep. 19, 2023, 10.05 AM https://www.nseindia.com/resources/research-initiative-corporate-governance-integrated-guide-brsr

evolving nationally and internationally both and ESG contents and parameters are not uniform. ESG reporting depends upon accurate, high quality data but at the same time non-regulatory framework of ERPs may result in 'green washing' and 'misallocation of funds'.[43] OECD emphasizes upon improving, consistency, comparability and quality of core ESG metrics and also effective trafficking and verification process[44].

b) Data Validation

Surely we will have special independent entities in near future wherein data submitted will be assessed by an independent body which will provide grades to listed public entities like IPO grading or credit rating. ESG ratings is a recent phenomenon but we have a very reliable history for credit rating. Data validation and verification (DVV) will be a very apt question in such scenario. The reliability of grades or standards of such entities based on ESG disclosure will be questioned. Another pertinent question which comes for consideration is that in this ESG format a lot of data sets need to be audited by an independent body like water, energy, and emission auditors. The SEBI still has not identified the independent or governmental bodies which will be doing this audit. These kinds of audits in India are really in very bad shape and reports can be managed without proper data verification on payment of handsome fees. OECD in one of its assessment reports submits that ESG reporting needs to strengthen the transparency in ESG rating, improve ESG methodology framework, provide sufficient information to investors, create

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43 KPMG, First Notes, (Dec. 25, 2022, 10.05 AM) https://assets.kpmg/content/dam/kpmg/in/pdf/2022/03/firstnotes-sebi-esg-consultation-paper-rating.pdf .

44 OECD (2022), *ESG ratings and climate transition: An assessment of the alignment of E pillar scores and metrics*, OECD Business and Finance Policy Papers, OECD Publishing, Paris, p. 7, https://doi.org/10.1787/2fa21143-en.

long term value, promote market integration and promote sustainability goals.[45]

c) Formats of Reporting

Conventional businesses have been very profiteering. Sin Stocks show a great amount of return despite attracting maximum criticism. The FTSE All World Tobacco Index showed a 988% return from 2000 to 2016 versus a 13% return for the FTSE All World Index[46]. The next big challenging issue shall be that in certain sectors of 'sin stocks' i.e. alcohol, tobacco, arms, adult, gambling business due to strict regulatory framework BRSR disclosures will be immaculate and impeccable but accuracy of disclosures in other sectors may be seriously doubtful. Inconsistent reporting frameworks may bring the issue of data invalidation and consequential effect may be antithetical to sustainable investing. The variety in ESG formats due to variety of sectors may be a serious threat to uniformity of international and national regulatory framework[47]. Adeboye Oyegunle finds that there is great inconsistency in sector-wise standards and metrics of ESG. He observes that this kind of financing in banking sector is new and will take time to sync in[48].

d) Data Manipulation

[45] OECD (2022), *Trends in ESG Investing and Quality Infrastructure Investment in Asia-Pacific*, OECD Paris, 25, (Dec. 27, 2022, 11.05 AM), http://www.oecd.org/finance/Trends-in-ESG-Investing-and-Quality-Infrastructure-Investment-in-Asia-Pacific.htm.

[46] JOHN HILL, ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INVESTING A BALANCED ANALYSIS OF THE THEORY AND PRACTICE OF SUSTAINABLE PORTFOLIO, 17 (Academic Press, London, 2020).

[47] *Who are we*, International Financial Reporting Standards, (Dec. 27, 2022, 11.05 AM) https://www.ifrs.org/about-us/who-we-are/.

[48] Adeboye Oyegunle & Olaf Weber, *Report Part Title: ESG Integration -Why Bank*s? Development of Sustainability And Green Banking Regulations - Existing Codes And Practices Report, C. Hurst and; Company 3 (2015).

Data collection, data feeding, data analysis by software[49], data trimming, standardization of data, error in data and statistical analysis of data will create a big issue pertaining to normalization of data. The next very pertinent issue is related to lack of validation and verification of data and reliance on static versus dynamic metrics are also challenging issues in BRSR disclosures. The companies with the use of data analysis software, algorithm, cryptanalysis might resort to act of 'greenwashing[50]' which might actually be euphemistically paint the corporation green but it might not be in reality[51]. Compiling data and presenting it in coloured pie charts and bar charts has become a huge business and some companies are champions of it.

Data duplicity and inconsistency in ESG disclosures will be a common feature. Simultaneously it will increase a lot of cost of compliance as a public listed entity need to collect, feed & -collate data twice in a financial year once for stock exchange and once for MCA and with a lot of consultation, audits and reports with all kind of qualitative and quantitative data metrics[52].

The real issue in ESG reporting is cross-referencing or data validation so that investors can rationally make decisions for sustainable investing. Following international standards without losing sight of national ground realities must be kept in mind. We are mindful that the potential and caliber of top 1000 public listed entities is unquestionable but extending it to other companies

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[49] IBM Enivi ESG Suite, (Dec. 27, 2022, 11.05 AM), https://www.ibm.com/products/envizi..

[50] "Green-washing is the process of conveying a false impression or misleading information about how a company's products are environmentally sound." (Dec. 28, 2022, 09.05 AM) https://www.investopedia.com/terms/g/greenwashing.asp .

[51] OECD (2022), Trends in ESG Investing and Quality Infrastructure Investment in Asia-Pacific, OECD Paris, 45, (Dec. 29, 2022, 11.05 AM), http://www.oecd.org/finance/Trends-in-ESG-Investing-and-Quality-Infrastructure-Investment-in-Asia-Pacific.htm .

[52] Vartika Rawat, *SEBI's New BRSR Core For ESG Disclosures To Increase Compliance Burden*, ETCFO, July 14, 2023 (Sep. 19, 2023, 11.05 AM) https://cfo.economictimes.indiatimes.com/news/esg/sebis-new-brsr-core-for-esg-disclosures-to-increase-compliance-burden-say-experts/101737349

will be an uphill task. ESG compliance for high net worth companies may result in value creation in the long term but it may be very burdensome for lower or small scale companies. Jeremy Galbreath[53] in his survey of the period 2002-2009 in Australia concludes that ESG compliances by high net worth companies may always not result in creation of value.

Indian decarbonization commitment at COP 26 has geared the companies to adopt clean & green technology for climate change mitigation. Adopting renewable power, promoting national hydrogen missions, phasing out fossil fuels based technologies will be very challenging. Fowler presents a very apt analysis of metadata and concludes that beyond regulatory compliances, if the companies are investing in green technologies and environmental innovations, environmental performances, it does not always result in profiteering. He writes, "Firms that go beyond regulatory requirements and focus on prevention by integrating environmental concerns into process innovation, stakeholder collaboration, employee involvement, and other proactive approaches may not necessarily expect greater financial returns than firms focusing on mere compliance or end-of-pipe methods. In either case, firms reap similar positive financial returns."[54] But Hanna Silvola warns of irresponsible business and says that, "Companies are by no means immune to the consequences of irresponsibility. Environmental damage can become costly, operating licenses acquired through bribery can be lost and

[53] Jeremy Galbreath, *ESG in Focus: The Australian Evidence,* 118 J. BUS. ETHICS, No. 3 529-541, 529 (December 2013).

[54] H. R. Dixon-Fowler, D. J. Slater, J. L. Johnson, A. E. Ellstrand, A. M. Romi, *Beyond Does it Pay to be Green? A Meta-Analysis of Moderators of the CEP–CFP Relationship,* 112 J. BUS. ETHICS 353-366 (2013).

unethical and irresponsible business operations may drive consumers and operators away and thereby increase financial costs".[55]

e) Climate Change & ESG Reporting Incoherence

Climate change mitigation is the 'focal point' of world order. Climate change mitigation litigation is gearing up[56]. Depending upon disclosed datasets in BRSR reports, national and international climate change mitigation litigation may ensue. According to MSCI All Country World Investable Market Index, 10% of 9300 public companies are on the 1.5 degree pathway of reducing their carbon footprint as per MSCI Net Zero Tracker[57]. Florian Egli observes that asset owners and investment managers need to play a crucial role in transition to sustainable global economy by balancing large associated downside financial risks[58]. Analyzing a study of McKinsey & Co. Richa Sharma and Sudipto Dey say that net zero goal of 2070 requires decade wise total investment as % of real GDP in 2021-30=2.6%, 2031-40=3.1%, 2041-50=4.1%, and cumulatively 3.5% .[59]

ESG reporting does not have uniform and collective meaning shared by all corporations. Corporations these days are under tremendous pressure apart from performance in respective markets for compliance of various norms to various national and international agencies. There is a regulatory overreach. ESG disclosures are sometimes a speculative assessment. ESG disclosures are people, public and planet centric. The businesses are meant to do business.

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[55] HANNA SILVOLA & TIINA LANDAU, SUSTAINABLE INVESTING BEATING THE MARKET WITH ESG, 3 (Palgrave Macmillan, Springer, Switzerland, 2021).
56 Urgenda Foundation v. State of the Netherlands, [2015] HAZA C/09/00456689
[57] Annual Report, 2021, 7, (Dec. 27, 2022, 11.05 AM), https://www.msci.com/2021-annual-report.
[58] Florian Egli and Sam Maule, *Missing In Action: The Lack of ESG Capacity At Leading Investors*, E3G (2017).
[59] Richa Sharma & Sudipto Dey*, Road To Net Zero*, THE ECONOMIC TIMES, November 13th , 2022

Harvard economist Theodore Levitt says in a subtle manner, "Government's job is not business, and business's job is not government".[60] Corporations and Government cannot be substitutes for each other. Frank Easterbrook and Daniel Fishel in The Economic Structure of Corporate Law, opines that a corporation is nothing but a nexus of contracts[61] . These contracts, among other things, generally assume that the managers of the corporation will maximize profits for the company's shareholders. Given this reality, Fishel claims that corporations are "incapable of having social or moral obligations much in the same way that inanimate objects are incapable of having these obligations[62]." Business houses may not be happy with Robin Hood syndrome. ESG is being seen as pre-emptive regulatory move wherein the investors and companies are being aligned ideologically to avoid any possible conflict[63].

One of the challenging issues in such a disclosure oriented regime is the way we are tightening the noose of the regulatory regime; the compliance officers especially the independent directors (IDs) may resort to exodus. We have seen that in the year 2017, 2018 and 2019, 717, 767, 1393 IDs resigned respectively.[64] We have witnessed such an exodus in 2009 post Satyam

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[60] T. Levitt, *The Dangers of Social Responsibility*, 36 HARV. BUS. REV., no. 5, 41-50, (1958).
[61] H. HANSMANN & R. KRAAKMAN, THE END OF HISTORY FOR CORPORATE LAW, (Harvard Law School, Cambridge, 2001).
[62] J. R. Macey, *An Economic Analysis of the Various Rationales for Making Shareholders the Exclusive Beneficiaries of Corporate Duties*, vol. 23, 1991; F. Easterbrook and D. Fishel, *The Economic Structure of Corporate Law,* vol. 12, 1996; A. A. Berle and C. Gardiner, *The Modern Corporation and Private Property*, 1932; D. Fishel*, The Corporate Governance Movement*, vol. 35, 1259-1273, 1982; *Mich 204 Mich. 459, 170.*
[63] European Commission, Communication From The Commission To The European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions, Commission Work Programme 2021, A Union of Vitality In A World Of Fragility, Brussels, (Oct. 19, 2020) COM (2020) 690 final, (Dec. 27, 2022, 11.05 AM) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020DC0690..
[64] Rica Bhattacharya, *Resignations by Independent Directors Double in 2019 as Risk Grow*, THE ECONOMIC TIMES, December 26th, 2019.

scandal when 620 IDs resigned[65]. This may create corporate instability and corporations may go stray and directionless. However a study by Capgemini Research Institute shows that only 49% of corporate executives of India responded that they have prioritized sustainable initiatives in next three years. 62% of companies are saying that it is not difficult to be sustainable and profitable both[66].

f) Arbitrary Computational Methodologies

In India if we analyze an ESG report of CRISIL[67] , we can observe that ESG disclosures relating to Part A and B are very beautifully & graphically presented but datasets related to environmental disclosures especially of GHGs emissions creates a lot of confusion. CRISIL has developed its own data computational methodology for GHGs emission which raises serious doubts. Data heads have been created in a whimsical way like hotel stay, work from home etc. which gives a lot of scope to companies to take into account a variety of factors to calculate and compute water, energy and emission intensity parameters. ESG computation methodology is big issue for example ESG disclosures regarding bribery and anti-corruption is not a settled issue. Gabriela Camacho[68] observes that not a single ESG anti-bribery parameter has been developed, ESG rating providers do not disclose the computational methodologies deployed which make datasets non-comparable and inconsistent. Bribery and corruption are challenging issues in developing

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[65] Vikramaditya Khanna & Shaun J. Mathew, *The Role of Independent Directors in Controlled Firms in India: Preliminary Interview Evidence,* 22 NLSIU REV., 36 (2010).
[66] *Going Green Still A Costly Do For India Inc…*, The Economic Times, 8, November 20th, 2022.
[67] CRISIL, Sustainability Report, 2022, (Dec. 27, 2022, 11.05 AM) https://www.crisil.com/en/home/investors/financial-information/annual-report-info-2021/sustainability-report.html.
[68] Gabriela Camacho, 'Anti-corruption in ESG Standards', *Transparency International* 12 (2022).

economies due to weaker enforcement of rule of law[69]. Unaudited ESG data, unregulated by the Global Governing Body may result in 'Green washing'. Green-washing is seen when companies unveil eco-friendly marketing campaign where they have spent more on campaign than on any environmentally positive practices[70].

One of the obvious impacts of ESG reporting will be ESG controversies wherein the various ESG ratings of companies by various agencies of suspicious social behavior and product harm-scandals put the company in the media spotlight and grab unnecessary attention of investors. Amal Aouadi[71] observes that such controversies might result in enhancing firm value. It simply means that firms may resort to creating ESG controversies which might affect the stakeholders of the firm.

IV. ESG: The Future

Emiel in 2015 found a trend in conventional fund managers who started including ESG parameters in their business[72]. Global ESG reporting is divided in voluntary 'comply or explain and mandatory regime[73]. Denmark has a mandatory regime. South Africa has a 'comply or explain' regime. In the USA, disclosures concerned with climate change are mandatory. The US follows a 'cap and trade' system on emission disclosures in climate change

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[69] BRANDAN BRADLEY, ESG INVESTING FOR DUMMIES, 92 (John Wiley & Sons Inc., New Jersey, 2021).
[70] *Ibid* 108.
[71] Amal Aouadi and Sylvain Marsat, *Do ESG Controversies Matter for Firm Value? Evidence from International Data*, 151 J. BUS. ETHICS, No. 4, Special Issue on Leadership and the Creation of Corporate Social Responsibility, 1027-1047, at 1027 (September 2018).
[72] Emiel Van Duuren, Auke Plantinga and Bert Scholtens, *ESG Integration and the Investment Management Process: Fundamental Investing Reinvented,* 138 J. BUS. ETHICS, No. 3, 525-533, 525 (October 2016).
[73] Organization For Economic Co-Operation & Development [OECD], Investment Governance And The Integration of Environmental, Social And Governance Factors (2017), (Dec. 27, 2022, 11.05 AM) , https://www.oecd.org/finance/Investment-Governance-Integration-ESG-Factors.pdf.

disclosure based on the Kyoto Protocol.[74] U.S. Financial system identified the risk of climate change and linked it to ESG reporting[75]. Security Exchange Commission on 25th May, 2022 proposed in regulatory framework of ESG reporting on GHGs emissions[76]. European commission[77] mandates large public entities to disclose non-financial information. The commission has published guidelines and methodologies of key performance indicators to make disclosures consistent and comparable. Victoria Cherkasova observes after conducting an ESG survey of 1259 companies of seventh region of North America, Latin America, Western Europe, Eastern Europe, Middle East and Africa, emerging Asia, and Developed Asia and find that heard-quarter of companies influences the inter-relationship of financial performance and ESG activities[78]. Bhaskaran after conducting a survey of 4886 firms confirmed that companies that invested in ESG projects will enhance their market value[79].

[74] Commission Guidance Regarding Disclosure Related to Climate Change Release Nos. 33-9106; 34-61469; FR-82 17 CFR PARTS 211, 231 and 241, (Marc. 26, 2023, 11.05 AM) ,https://www.sec.gov/rules/interp/2010/33-9106.pdf.

[75] U.S. Commodity Futures Trading Commission, Market Risk Advisory Committee, Report of The Climate-Related Market Risk Sub-committee (2020), (Dec. 28, 2022, 11.05 AM), https://www.cftc.gov/sites/default/files/2020-09/9-9-20%20Report%20of%20the%20Subcommittee%20on%20Climate-Related%20Market%20Risk%20-%20Managing%20Climate%20Risk%20in%20the%20U.S.%20Financial%20System%20for%20posting.pdf.

[76] SEC Proposes to Enhance Disclosures by Certain Investment Advisers and Investment Companies About ESG Investment Practices, available at https://www.sec.gov/news/press-release/2022-92 (last visited on December 28, 2022).

[77] European Commission, Consultation Document On The Update Of The Non-Binding Guidelines On Non-Financial Reporting (2019), (Mar. 27, 2023, 11.05 AM) https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/2019-non-financial-reporting-guidelines-consultation-document_en.pdf (last visited on December 28, 2022).

[78] Victoria Cherkasova and Irina Nenuzhenko, *Investment in ESG Projects and Corporate Performance of Multinational Companies*, 37 J. ECONO. INTEGRATION, 54, No. 1 (March 2022), pp. 54-92, Center for Economic Integration, Sejong University.

[79] R.K. Bhaskaran, I.W.K Ting, S.K. Sukumaran, & S.D. Sumod, *Environmental, Social And Governance Initiatives And Wealth Creation For Firms: An Empirical Examination*, 41(5), MANAGE. DECIS. ECON., 710-729 (2020).

KPMG[80] , doing a survey of N100 companies observes that there is a need for comparable, consistent and credible quantitative metrics which is also emphasized by IOSCO. KPMG also observes that there is a need for global harmonized ESG rating and framework and preparedness of entities to prioritize stakeholder's insight and feedback. Scott Kalb makes a wonderful survey of COVID-19 and ESG interlinks. He submits that Responsible Asset Allocator Initiative (RAAI) of New America tracks how top leader companies are investing after COVID 19. Their investment shows two Dutch funds APG ($570 billion) and PGGM ($329 billion) scored 100% on COVID-19 tracker. 84% of these companies provided information about payment of pensions, salary freezing, bonus payment etc. 75% confirmed to ESG investing, 84% adjusted their portfolio for reducing risk[81].

OECD in 2020[82] suggested many reforms in ESG regulatory framework which includes, "(i) consistency, comparability and quality of core metrics; (ii) ensuring relevance of reporting through financial materiality; (iii) levelling the playing field of ESG disclosure and ratings across large and small issuers; (iv) transparency and comparability of scoring methodologies of established ESG ratings providers and indices (v) ESG product labelling and communication." These issues need immediate response. OECD in 2021 emphasized upon greater international co-operation for ameliorating market fragmentation and strengthen the investor's confidence[83]. Satyajit Bose

[80] KPMG, 'Accelerating the Change: ESG Reporting 2.0' (Mar. 27, 2023, 11.05 AM) https://home.kpmg/in/en/home/insights/2022/07/accelerating-the-change-esg-reporting.html.
[81] Scott Kalb, 'Asset Owners are Adapting ESG Frameworks to Respond to COVID-19', *New America* 4, 5 & 6 (2020).
[82] R. Boffo, & R. Patalano (2020), "ESG Investing: Practices, Progress and Challenges", OECD Paris, 62, (Mar. 27, 2023, 11.05 AM) www.oecd.org/finance/ESG-Investing-Practices-Progress-and-Challenges.pdf .
[83] OECD (2021), ESG Investing and Climate Transition: Market Practices, Issues and Policy Considerations, OECD Paris, 6, (Feb. 27, 2023, 11.05 AM) https://www.oecd.org/finance/ESG-investing-and-climatetransition-Market-practices-issues-and-policy-considerations.pdf .

writes that, "Adaptability and evolution of frameworks and composite indexes of sustainability is essential because the collective understanding of sustainability remains in flux. Investor motivations are sufficiently diverse that there remain important roles both for simplified, consistent frameworks and also for in-depth, arcane, and hard-to-interpret information."[84] Maintaining simplicity in BRSR disclosures will be a challenging task.[85]

V. CONCLUSION

Corporate Governance in India is evolving every day. Climate change mitigation has created a deep and pervasive impact on every walk of human life and corporate governance is not an exception to it. Improving standards and norms of corporate governance has been the focal point of SEBI. The journey from clause 49 to the BRSR or ESG regulatory framework has been very phenomenal. The journey from brown to green looks very promising. The Indian government has left no stone unturned in creating an environment for sustainable investing. However creating a regulatory framework is one thing and ensuring compliance is another. The challenges before the Indian regulatory framework are many but Indian companies have always shown vigorous response to all climate change mitigation initiatives. Being the fifth largest economy all developed and developing economies are seeing India. The ESG regulatory framework is still evolving at national and international level. Qualitative and quantitative metrics and computation methodologies are not uniform, however the data sets disclosed by ESG disclosures will help India to achieve its net zero goal. Compliance to international norms &

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[84] Satyajit Bose, 'Evolution of ESG Reporting Frameworks' in DAVID C. ETSY & TODD CORT (ED.), VALUES AT WORK SUSTAINABLE INVESTING AND ESG REPORTING 29 (Palgrave Macmillan, Springer, Switzerland, 2020).

[85] **Agyeya Tripathi** *BRSR: Revolutionizing Sustainability Reporting For Indian Companies*, Time of India August 6, 2023

standards by Indian ERPs will be very challenging however like all other occasions the hope and belief is that India will outperform on all ESG parameters. Sustainable investing will help to create a better and brighter world.

"Business without morality will destroy us."
Mahatma Gandhi