

Mandatory ESG Disclosure in India: A Review of the Business Responsibility and Sustainability Reporting Framework and a Research Agenda

Eric Thomas Joseph

Assistant Professor, Nirmala College, Muvattupuzha, India

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Abstract

Environmental, social and governance (ESG) disclosure in India has moved from voluntary reporting to a mandatory, assured regime. Since 2022-23, the top 1,000 listed companies by market capitalisation have been required to file a Business Responsibility and Sustainability Report (BRSR), and since 2023-24 a subset of key indicators, known as BRSR Core, has been subject to independent assurance under a phased glide path. This paper reviews the theoretical foundations, empirical evidence and practitioner assessments relevant to this framework. Using a structured narrative review of peer-reviewed studies, regulatory circulars of the Securities and Exchange Board of India (SEBI) and recent reporting surveys, the paper examines four questions: why firms disclose, what mandatory disclosure achieves, how the BRSR regime has evolved, and what early reporting practice reveals. The review finds that international evidence links mandatory ESG disclosure to improved stock liquidity and information environments, while Indian evidence on the 2013 CSR spending mandate shows that compelled sustainability actions can carry costs for shareholders. Early BRSR practice shows near-universal reporting of energy use and emissions among large firms and widespread reasonable assurance of BRSR Core, but persistent gaps in data quality, value chain coverage, workforce diversity and comparability. Regulatory changes in 2024-25 eased value chain requirements and allowed assessment as an alternative to assurance. The paper proposes a research agenda on the capital market effects of BRSR, assurance quality, value chain disclosure, greenwashing and the reporting readiness of smaller listed firms.

Keywords: - ESG Disclosure, BRSR, Sustainability Reporting, Assurance, India

I. INTRODUCTION

Investors, lenders, regulators and customers increasingly expect companies to report on how they manage environmental and social risks and how they are governed. Across major economies, such reporting is shifting from voluntary, firm-designed sustainability reports towards mandatory disclosure under prescribed formats. The International Sustainability Standards Board issued its first two standards, IFRS S1 and IFRS S2, in June 2023 (IFRS Foundation, 2023), and several jurisdictions have since moved to adopt or adapt them.

India has been an early mover in this transition. The Securities and Exchange Board of India (SEBI) introduced the Business Responsibility and Sustainability Report (BRSR) through a circular dated 10 May 2021, making it voluntary for 2021-22 and mandatory for the top 1,000 listed entities by market capitalisation from 2022-23 (SEBI, 2021). The BRSR is structured around the nine principles of the National Guidelines on Responsible Business Conduct (Ministry of Corporate Affairs, 2019). In July 2023, SEBI went further by introducing BRSR Core, a set of key indicators grouped under nine ESG attributes that must be independently verified, and by announcing ESG disclosure requirements for the value chain (SEBI, 2023). Assurance of BRSR Core began with the top 150 listed entities in 2023-24 and is scheduled to extend to the top 1,000 by 2026-27.

These reforms raise questions that matter for commerce and management research. Does mandatory disclosure produce better information for investors, or mainly compliance costs? Can assurance make sustainability data reliable enough to influence capital allocation? And how are Indian firms actually responding? Although practitioner reports have begun to document BRSR practice, academic synthesis remains limited.

This paper addresses the following research question: what does existing theory and evidence suggest about the likely effects of India's mandatory BRSR regime, and what gaps does early reporting practice reveal? It contributes in three ways. First, it connects international research on mandatory ESG disclosure with Indian evidence on the 2013 CSR spending

mandate. Second, it documents the evolution of the BRSR framework up to the 2025 amendments. Third, it consolidates early evidence on reporting practice and derives a research agenda.

The rest of the paper is organised as follows. Section 2 reviews the literature, Section 3 describes the method, Section 4 presents the findings, Section 5 discusses implications, and Section 6 concludes.

II. LITERATURE REVIEW

2.1. Theoretical perspectives on sustainability disclosure

Three theories dominate explanations of why firms disclose ESG information. Stakeholder theory holds that firms depend on, and are accountable to, groups beyond shareholders, including employees, customers, suppliers and communities (Freeman, 1984). Disclosure is one way in which firms respond to the information needs of these groups. Legitimacy theory emphasises that organisations seek to appear consistent with social norms, and that disclosure can be used to gain, maintain or repair legitimacy (Suchman, 1995). Signalling theory, rooted in the economics of information asymmetry, suggests that firms with superior performance have incentives to disclose credibly so that outsiders can distinguish them from weaker firms (Spence, 1973).

These perspectives lead to different expectations about mandatory regimes. If disclosure is mainly a signal of quality, a mandate that compels all firms to report may reduce its signalling value but improve comparability. If disclosure is mainly a legitimacy device, firms may comply in form without changing behaviour, which places weight on assurance and enforcement. Christensen et al. (2021) synthesise these considerations and argue that the economic effects of mandatory sustainability reporting depend heavily on the standards adopted, the materiality concept used and the strength of enforcement.

2.2. Evidence on voluntary and mandatory ESG disclosure

Evidence on voluntary reporting suggests that disclosure can carry capital market benefits. Dhaliwal et al. (2011) find that firms initiating CSR reporting with superior social performance subsequently enjoyed a lower cost of equity capital. Khan et al. (2016) show that the link between sustainability and returns depends on materiality: firms performing well on issues material to their industry outperformed, whereas performance on immaterial issues did not predict returns. A large meta-review by Friede et al. (2015), aggregating evidence from more than 2,000 studies, reports that the majority find a non-negative relationship between ESG factors and corporate financial performance.

Studies of mandatory regimes have become more common as mandates have spread. Grewal et al. (2019) examine the European Union's directive on non-financial reporting and find that the average market reaction to its passage was negative, although firms with stronger pre-existing ESG disclosure reacted more favourably. Using mandates across many countries, Krueger et al. (2024) find that mandatory ESG disclosure improves stock liquidity, with stronger effects when mandates are implemented by governments rather than industry bodies, when they are not of the comply-or-explain type, and when enforcement is strong.

A recurring concern is the reliability and comparability of ESG data. Berg et al. (2022) document that ESG ratings from major providers diverge substantially, largely because they measure different attributes and measure the same attributes differently. Marquis et al. (2016) show that firms with greater environmental impact tend to disclose selectively, emphasising favourable information, unless they face strong scrutiny. These findings underline the importance of standardised formats and independent assurance.

2.3. Indian evidence on mandated sustainability actions

India offers unusual evidence on mandated sustainability behaviour because the Companies Act, 2013 requires qualifying firms to spend at least 2 per cent of average net profit on CSR. Manchiraju and Rajgopal (2017) find that the law caused a 4.1 per cent decline in the stock prices of affected firms, although firms with high advertising intensity did not experience a negative reaction, suggesting that firms already choose CSR levels that suit their interests. Dharmapala and Khanna (2018) find that the mandate raised CSR spending among firms that had spent little before, while some firms that had previously spent more than the threshold reduced their spending towards it.

Although the CSR mandate concerns spending rather than disclosure, it shows that compelled sustainability actions in India can impose costs and that regulatory thresholds can shape corporate behaviour in unintended ways. The BRSR regime differs in that it mandates transparency rather than specific actions, which, according to Krueger et al. (2024), is more likely to generate information benefits.

2.4. Research gap

The international literature on mandatory ESG disclosure is growing, and Indian evidence on the CSR mandate is well established. However, peer-reviewed research on BRSR itself is still at an early stage, and much of the available evidence comes from consultancy and industry reports. In particular, little is known about the capital market effects of BRSR, the quality of BRSR Core assurance, and the practical consequences of the 2024-25 amendments. This review seeks to bring these strands together.

III. METHODS

The study adopts a structured narrative review design. This approach is suitable because the relevant evidence spans academic journals, regulatory documents and practitioner surveys, which differ in method and purpose and cannot be combined in a statistical meta-analysis.

3.1. Sources and selection

Academic studies were identified through Google Scholar, RePEc/IDEAS and SSRN using combinations of the terms "mandatory ESG disclosure", "sustainability reporting", "CSR mandate", "BRSR", "assurance" and "India". Regulatory documents were obtained from SEBI circulars issued between 2021 and 2025 and related government guidelines. Practitioner evidence was drawn from recent large-sample analyses of BRSR filings published by professional bodies and audit firms. Studies were included if they :

- Analysed mandatory ESG or CSR disclosure or spending, or provided the theoretical basis for such analysis;
- Appeared in peer-reviewed journals, recognised working paper series, official publications or reports based on systematic analysis of company filings; and
- Were relevant to the Indian context. Selection was purposive, giving priority to studies with credible research designs and large samples.

3.2. Analysis

The regulatory documents were analysed chronologically to trace the evolution of the BRSR framework. Academic studies were coded by setting, data, method and principal findings, and grouped into themes. Practitioner reports were reviewed for quantitative indicators of reporting practice. Because the study relies entirely on published material, no primary data were collected and ethical approval was not required.

IV. RESULTS

4.1. Evolution of the BRSR framework

Table 1 traces the main regulatory milestones. The framework has moved in three phases: the introduction of a standardised report in 2021, the addition of an assured core and value chain disclosures in 2023, and a set of easing measures in 2024-25 that responded to industry concerns about cost and feasibility.

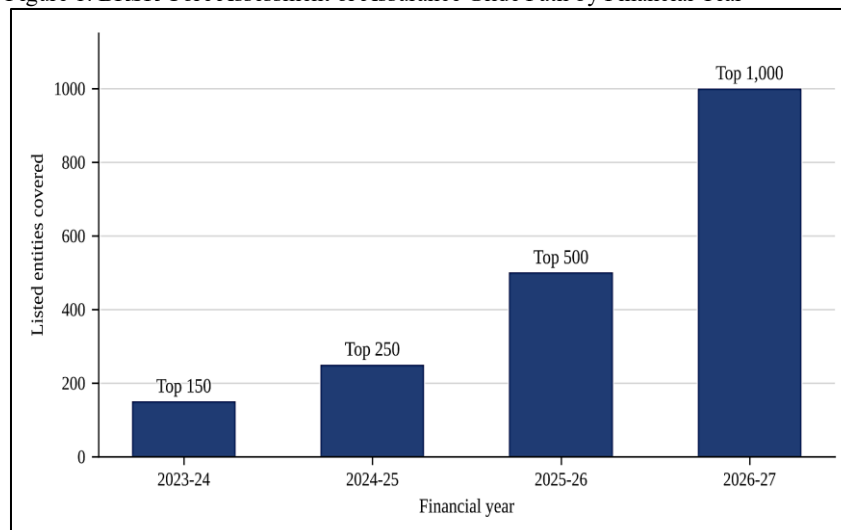
Table 1. Evolution of the BRSR Framework in India

Date	Instrument	Key provisions
2019	National Guidelines on Responsible Business Conduct (MCA)	Nine principles of responsible business conduct, later used to structure the BRSR
10 May 2021	SEBI circular SEBI/HO/CFD/CMD-2/P/CIR/2021/562	BRSR introduced; voluntary for 2021-22 and mandatory for top 1,000 listed entities from 2022-23
12 July 2023	SEBI circular SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122	BRSR Core with nine ESG attributes; reasonable assurance phased in from top 150 entities (2023-24) to top 1,000 (2026-27); value chain disclosures announced
20 December 2024	SEBI amendments to LODR provisions	"Assurance" replaced by "assessment or assurance" for BRSR Core; value chain limited to partners with at least 2% of purchases or sales
28 March 2025	SEBI circular on ease of doing business	Value chain disclosures voluntary from 2025-26, with assessment or assurance voluntary from 2026-27; voluntary green credit disclosure introduced

Source: Compiled by the author(s) from Ministry of Corporate Affairs (2019) and SEBI (2021, 2023, 2024, 2025).

Figure 1. shows the assurance glide path for BRSR Core. The number of companies required to obtain assessment or assurance doubles in each of the last two years of the phase-in, which means that many mid-sized listed firms will face external verification of sustainability data for the first time in 2025-26 and 2026-27.

Figure 1. BRSR Core Assessment or Assurance Glide Path by Financial Year



Source: SEBI (2023) and KPMG (2026). Coverage refers to listed entities ranked by market capitalisation.

4.2. Synthesis of empirical evidence

Table 2 summarises the principal empirical studies reviewed. Two patterns stand out. First, international evidence on mandatory ESG disclosure points to information benefits, particularly in liquidity, although the initial market reaction to new mandates can be negative. Second, Indian evidence on the CSR spending mandate shows that requirements which compel actions, rather than disclosure, can reduce shareholder value and shift behaviour towards the regulatory threshold.

Table 2. Synthesis of Selected Empirical Studies

Study	Setting and data	Principal finding
Dhaliwal et al. (2011)	United States; firms initiating CSR reports	Initiators with strong CSR performance enjoyed a lower cost of equity
Khan et al. (2016)	United States; firm sustainability ratings by materiality	Good performance on material issues predicts higher returns; immaterial issues do not
Manchiraju & Rajgopal (2017)	India; Companies Act 2013 CSR mandate	Mandate caused a 4.1% stock price decline for affected firms
Dharmapala & Khanna (2018)	India; CSR spending before and after 2013 Act	Low spenders increased CSR; some high spenders moved down towards the threshold
Grewal et al. (2019)	European Union; non-financial reporting directive	Negative average market reaction; less negative for firms with strong prior disclosure
Berg et al. (2022)	Global; six major ESG rating providers	Ratings diverge substantially because of differences in scope and measurement
Krueger et al. (2024)	Global; mandatory ESG disclosure regimes	Mandates improve stock liquidity, especially when government-led and strongly enforced

Source: Compiled by the author(s).

4.3. Early evidence on BRSR reporting practice

Large-sample practitioner analyses provide the first systematic view of BRSR practice. In a review of BRSR filings by 300 companies representing about 70 per cent of India's market capitalisation, Sharma (2024) reports that nearly 96 per cent disclosed energy consumption and 94 per cent reported Scope 1 and Scope 2 emissions for 2022-23. About one-third obtained external assurance of environmental data before it became mandatory, and about one-quarter assessed environmental impacts in their value chains. Participation of differently abled persons in the workforce remained below 0.5 per cent.

A review of 94 NIFTY 100 companies for 2024-25 finds that all obtained reasonable assurance on BRSR Core, and none chose the newly permitted assessment option (KPMG, 2026). Fifty-seven companies voluntarily sought assurance beyond the mandatory core, and 41 aligned their disclosures with GRI standards. At the same time, 45 companies revised their comparative figures for the previous year, many because of methodology changes or new industry standards, and one company received a qualified assurance opinion. The time taken to complete sustainability assurance after the financial audit varied widely, with 30 companies requiring more than 50 days.

4.4. Persistent gaps

Taken together, the evidence points to four gaps. The first is data quality and comparability: frequent restatements and differences in reporting boundaries, with some firms reporting on a standalone basis and others on a consolidated basis, limit comparison across firms and over time (KPMG, 2026). The second is value chain coverage, which remains limited and has now become voluntary. The third is the social dimension, where indicators such as workforce diversity show little progress (Sharma, 2024). The fourth is readiness beyond the largest firms: the evidence so far comes mainly from top-100 and top-300 companies, while the glide path extends assurance to firms ranked 251 to 1,000, which are likely to have weaker reporting systems.

V. DISCUSSION

The findings suggest that India's BRSR regime is well designed in several respects that the literature associates with effective disclosure. It is government-mandated, applies a standard format, and is not a comply-or-explain regime for its core indicators, all features that Krueger et al. (2024) associate with stronger liquidity benefits. The addition of assured core indicators responds directly to the concerns about reliability and selective disclosure raised by Berg et al. (2022) and Marquis et al. (2016). Early practice indicates that large Indian companies have embraced assurance, and many go beyond the minimum requirements.

At the same time, the Indian experience with the CSR spending mandate offers a caution. Manchiraju and Rajgopal (2017) and Dharmapala and Khanna (2018) show that prescriptive requirements can impose costs and lead firms to treat regulatory thresholds as targets. Although BRSR mandates disclosure rather than spending, a similar risk exists if firms treat BRSR Core as the ceiling of their sustainability reporting rather than a floor. The 2024-25 amendments, which made value chain disclosures voluntary and permitted assessment instead of assurance, reduce compliance burdens but may also reduce comparability if firms choose different routes.

The findings carry implications for several groups. For regulators, the priority is to monitor reporting quality as assurance extends to smaller firms, and to align BRSR with the ISSB standards to support comparability with international investors. For companies, investment in data systems, internal controls over sustainability information and integration of financial and sustainability reporting timelines can reduce restatements and assurance delays. For investors and analysts, BRSR

Core provides a more reliable basis for ESG assessment than voluntary reports or divergent third-party ratings, though users should remain alert to differences in reporting boundaries.

The review has limitations. Peer-reviewed evidence on BRSR itself is scarce, so the paper relies partly on practitioner reports, which may differ in methodology and sample selection. The study selection, although guided by explicit criteria, involves judgement, and the review does not estimate pooled effects. Finally, much of the international evidence comes from developed markets, and its applicability to India's ownership structures and enforcement environment should be tested directly.

VI. CONCLUSION

This paper reviewed theory, evidence and practice relevant to India's Business Responsibility and Sustainability Reporting framework. It finds that the regime incorporates several features associated with effective mandatory disclosure, and that large Indian companies have achieved high levels of environmental reporting and widespread assurance. However, data comparability, value chain coverage, the social dimension and the readiness of smaller listed firms remain significant gaps.

Several areas merit further research. First, event studies and difference-in-differences designs could estimate the effect of BRSR and BRSR Core assurance on liquidity, cost of capital and analyst coverage, exploiting the market capitalisation thresholds and the phased glide path. Second, research on assurance quality could compare assurance and assessment routes, assurance provider types and the incidence of restatements. Third, studies could examine whether value chain disclosure, now voluntary, is adopted selectively by firms with favourable supplier profiles. Fourth, content analysis could test for greenwashing by comparing BRSR narratives with assured quantitative indicators. Fifth, surveys of firms ranked below the top 250 could assess their capacity to meet assurance requirements. Addressing these questions would help determine whether India's mandatory disclosure regime translates into more sustainable corporate behaviour and better-informed capital markets.

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