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FROM DISCLOSURE TO ACCOUNTABILITY: A CRITICAL ANALYSIS OF INDIA'S ESG ARCHITECTURE

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Abstract: Over the past fifteen years, India's ESG architecture has evolved through four distinct regulatory phases, from voluntary National Voluntary Guidelines to mandatory Business Responsibility and Sustainability Reporting (BRSR) and, most recently, to the partially assured BRSR Core framework. While this progression has substantially enhanced disclosure quality, this paper argues that it has not produced genuine corporate accountability. Drawing on institutional decoupling theory and a longitudinal empirical design, we analyse BRSR filings for the top 89 NSE-listed companies across three consecutive financial years (FY 2022-23 to FY 2024-25). Mean Disclosure Quality Scores rose by 41.4% over the study period, driven primarily by the mandatory assurance requirement introduced under BRSR Core. Substantive ESG Outcomes (measured across emissions intensity, workforce diversity, grievance resolution, and value chain accountability) improved at less than half that rate. The resulting Decoupling Gap is 72.7% wider in FY 2024-25 than at the BRSR baseline, and mandatory assurance, rather than closing this gap, was initially associated with its widening.

Three structural causes are identified: fragmentation of ESG obligations across SEBI, MCA, and environmental regulators; the absence of outcome-based enforcement; and the persistent disconnect between mandatory CSR expenditure under Section 135 of the Companies Act, 2013 and performance-driven ESG governance under the BRSR. To close this gap, the paper proposes three targeted reforms: integration of ESG obligations into a dedicated chapter of the Companies Act; amendment of directors' fiduciary duties under Section 166 to impose an operational duty to engage

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with material ESG risks; and establishment of a Unified ESG Oversight Authority with turnover-based sanctions. Until disclosure is backed by legal consequence that attaches to outcomes rather than to reporting, India's ESG framework will continue to produce sophisticated reporters without producing meaningfully better performers.

Keywords: ESG Regulation; BRSR; Decoupling; Corporate Governance; Sustainability Law; India; Fiduciary Duties; BRSR Core; Greenwashing; Accountability.

Resumo: Nos últimos quinze anos, a arquitetura ESG da Índia passou por quatro fases regulatórias distintas, desde as Diretrizes Nacionais Voluntárias até ao Relatório de Responsabilidade Empresarial e Sustentabilidade (BRSR) obrigatório e, mais recentemente, ao quadro BRSR Core, parcialmente assegurado. Embora esta evolução tenha melhorado substancialmente a qualidade da divulgação de informação, este artigo defende que não resultou numa verdadeira responsabilização empresarial. Com base na teoria do desacoplamento institucional e num desenho empírico longitudinal, analisamos os relatórios BRSR das 89 principais empresas cotadas na NSE (National Stock Exchange of India) ao longo de três exercícios financeiros consecutivos (EF 2022-23 a EF 2024-25). As pontuações médias de qualidade da divulgação aumentaram 41,4% ao longo do período do estudo, essencialmente devido à exigência de garantia obrigatória introduzida no âmbito do BRSR Core. Os resultados substantivos em matéria de ESG (medidos em termos de intensidade de emissões, diversidade da força de trabalho, resolução de reclamações e responsabilização na cadeia de valor) melhoraram a um ritmo inferior a metade desse valor. A «lacuna de desacoplamento» resultante é 72,7% mais ampla no EF 2024-25 do que na linha de base do BRSR, e a garantia obrigatória, em vez de colmatar esta lacuna, esteve inicialmente associada ao seu alargamento.

Foram identificadas três causas estruturais: a fragmentação das obrigações em matéria de ESG entre a SEBI (Securities and Exchange Board of India), o MCA e as entidades reguladoras ambientais; a ausência de uma aplicação da lei orientada para os resultados; e a desconexão permanente entre as despesas obrigatórias em matéria de RSC, previstas na Secção 135 da Lei das Sociedades de 2013, e a governação ESG orientada para o desempenho ao abrigo do BRSR. Para colmatar esta lacuna, o artigo apresenta três reformas específicas: a integração das obrigações ESG num capítulo específico da Lei das Sociedades; a alteração dos deveres fiduciários dos administradores, nos termos da Secção 166, de modo a impor um dever operacional de abordar os riscos ESG materiais; e a criação de uma Autoridade Unificada de Supervisão ESG com sanções baseadas no volume de negócios. Enquanto a divulgação não for acompanhada de consequências legais ligadas aos resultados, em vez de à simples apresentação de relatórios, o quadro ESG da Índia continuará a produzir entidades com relatórios sofisticados, sem, no entanto, gerar desempenhos significativamente melhores.

Palavras-chave: Regulamentação ESG; BRSR; Desacoplamento; Governo das Sociedades; Direito da Sustentabilidade; Índia; Deveres Fiduciários; BRSR Core; Greenwashing; Responsabilização.

1. Introduction

Environmental, social, and governance (ESG) considerations have, over the past decade, moved from the periphery of voluntary corporate conduct to the centre of regulatory expectation. In the context of accelerating climate change, widening social inequality, and increasing investor scrutiny of non-financial risk, governments worldwide have responded by mandating disclosures, standardising metrics, and in some jurisdictions, embedding sustainability obligations into the core of corporate law. The European Union's Corporate Sustainability Reporting Directive requires large and listed companies to publish audited sustainability information as part of their mainstream financial reporting. The United States Securities and Exchange Commission has moved to formalise climate risk and human capital disclosures within securities regulation. The International Sustainability Standards Board has issued global baseline standards for climate-related and general sustainability disclosures, with endorsement from securities regulators across major economies. Across this landscape, the direction of travel is clear: ESG is being institutionalised as a legal obligation, not merely a corporate aspiration.

India's ESG journey has taken a distinctive path, shaped by its own legal traditions and developmental priorities. The cultural foundations of corporate responsibility in India long predate modern regulation. Ideas of *Sarva Loka Hitam* (the welfare of all), *Daana* (charitable giving), and *Dharma* (duty) informed business conduct through antiquity (Muniapan, Shaikh, 2007). The Arthashastra of Kautilya, written around the fourth century BCE, articulated an ethic of commercial conduct oriented towards social good (Devi, 2018: 406). These traditions provided the normative soil from which modern Indian philanthropy grew, and which eventually crystallised into formal legal obligation under the Companies Act, 2013. Section 135 of that Act made India the first country in the world to mandate corporate social responsibility spending, requiring companies above specified thresholds of net worth, turnover, or profit to spend at least 2% of average net profits on activities listed in Schedule VII of the Act. This provision is globally significant, but it is also the source of one of India's most persistent ESG design tensions: mandatory expenditure on listed social activities is not the same as governance-driven, performance-oriented ESG accountability.

Building on this statutory base, the Securities and Exchange Board of India (SEBI) has progressively expanded its non-financial reporting framework for listed companies. The Business Responsibility Report, introduced in 2012 and extended across successive cohorts of listed companies through 2019, established the first mandatory ESG disclosure regime. The Business Responsibility and Sustainability Report, introduced in 2021 for the top 1,000 listed companies from FY 2022-23, replaced narrative disclosure with quantified indicators (Scope 1 and 2 emissions, energy intensity, water consumption, workforce diversity, and safety metrics) aligned with the nine principles of the National Guidelines on Responsible Business Conduct. The BRSR Core framework, introduced in July 2023, extended this further by subjecting a defined set of key performance indicators to mandatory third-party assurance for the largest listed entities, marking India's first formal move toward audit-ready ESG data.

This progression represents a substantial regulatory achievement. In little over a decade, India has moved from aspirational guidelines to a structured, partially assured, and internationally comparable disclosure regime. Yet a fundamental question remains unanswered: does mandatory ESG disclosure actually produce corporate accountability? The presence of disclosure requirements does not, by itself, guarantee that companies manage ESG risks, improve environmental performance, or integrate sustainability into their governance and operational decisions. A framework that mandates reporting without ensuring that reporting translates into outcomes may, in fact, produce the worst of both worlds: imposing compliance costs on companies while offering only symbolic comfort to investors and policymakers.

This paper addresses that question directly. While previous studies have mapped BRSR compliance at scale, notably the IIMA study (Garg et al., 2025) analysing 1,012 BRSR filings and documenting disclosure patterns across Essential and Leadership Indicators, and the SES Governance-NSE study tracking the top 200 listed companies and acknowledging that tangible ESG performance improvement remains "far from optimum"; none has conducted a longitudinal firm-level test of the gap between what companies disclose and what they achieve. The practitioner literature describes the raw material; it does not apply the decoupling lens. This study does. Drawing on institutional decoupling theory as developed by Meyer and Rowan (1977: 340) and subsequently refined by Bromley and Powell (2012), we construct a Disclosure Quality Score and a Substantive Outcomes Score for 89 of the top 100 NSE-listed firms across three consecutive financial years (FY 2022-23 to FY 2024-25), compute a firm-level Decoupling Index, and test whether the most significant regulatory intervention in the study period (the introduction of mandatory assurance under BRSR Core) has narrowed or widened the gap.

The findings establish that the gap is structural, not transitional. Disclosure quality has improved dramatically; substantive outcomes have improved modestly; and the Decoupling Gap is wider at the end of the study period than at its beginning. We then translate these findings into a concrete normative reform agenda that directly addresses the gaps identified in the Parliamentary Standing Committee on Finance's[1] recommendations on ESG governance, recommendations that the Ministry of Corporate Affairs declined to act upon on the grounds that existing statutory provisions are

1. *Standing Committee on Finance (2024–25), Twenty-First Report (Eighteenth Lok Sabha) on "Action Taken by the Government on the Observations/Recommendations contained in the Tenth Report on Demands for Grants (2025–26) of the Ministry of Corporate Affairs", presented to Lok Sabha on 4 August 2025 and laid in Rajya Sabha on 5 August 2025.* The report highlights concerns regarding ESG enforcement, transparency gaps in CSR implementation, and the need for stronger regulatory oversight.

adequate. The empirical evidence in this paper provides the basis for rejecting that position.

The paper proceeds as follows. Section 2 reviews the Indian and global ESG literature through bibliometric and theoretical analysis, situating the study within the decoupling literature and identifying the specific gap this research addresses. Section 3 traces India's ESG regulatory evolution across four phases, providing the institutional context within which the empirical findings must be interpreted. Section 4 presents the longitudinal empirical analysis, including the methodology, scoring frameworks, and key findings on decoupling trends, the assurance effect, and sector-level variation. Section 5 examines the structural limitations of India's current framework in light of the empirical evidence. Section 6 proposes three targeted reforms (a cohesive statutory framework, the integration of ESG duties into directors' fiduciary obligations, and a unified oversight authority with substantive enforcement power) and benchmarks these proposals against international comparators.

2. Literature Review

Bibliometric mappings of ESG disclosure regulations now appear as a distinct sub-field (Devi, Pant, 2025). Bibliometric analysis allows an empirically grounded map of the research landscape, it helps to identify the gaps, and situates the study in broader field. A systematic review of mandatory sustainability reporting effects, covering 171 articles across disciplines including law, found that “the positive effect of legislation on the quality, credibility and comparability of reports is more pronounced for countries outside Europe” (Papafloratos, Pantazi, 2025). The existence of such reviews signals that regulatory themes including compliance, enforcement, and mandatory disclosure mandates are present in the global corpus and acknowledged as significant drivers of the field. To map the contours of the study systematically, this section employs bibliometric analysis using R-Studio (Bibliometrix package) on a dataset of 264 Scopus-indexed articles retrieved using the search string "ESG Disclosure AND Performance", covering both Indian and global ESG disclosure literature. The later parts of this section moves beyond bibliometric mapping to engage directly with the theoretical and empirical literature on ESG decoupling.

2.1. Bibliometric Review of Indian ESG Disclosure

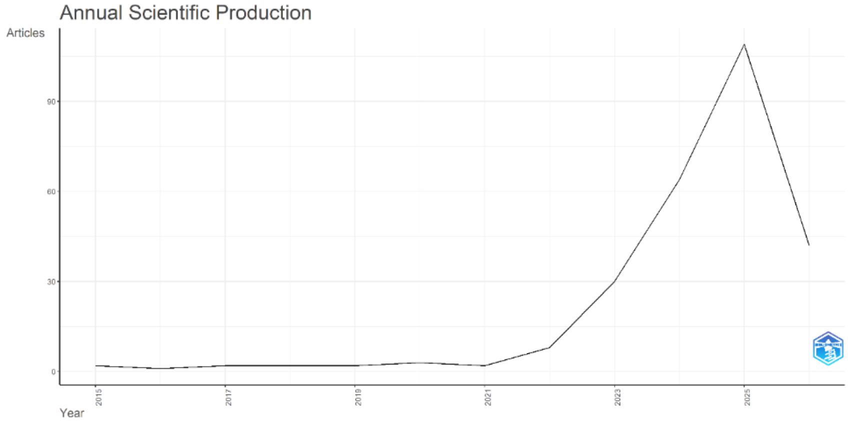

Figure 1: Annual Scientific Production of Scopus-Indexed Articles on ESG Disclosure (India)

A temporal analysis of publication output reveals low research activity before 2021. Between 2015 and 2021, only 14 papers were published on Indian ESG disclosure. This increased to 8 papers in 2022, 30 in 2023, 64 in 2024, and 109 in 2025. Consequently, approximately 85 percent of all Indian ESG studies have been published since 2022. This timing directly aligns with regulatory shifts: prior to 2021 the voluntary and non-standardised Business Responsibility Reports dominated; 2021-2022 saw the introduction of the structured Business Responsibility and Sustainability Report framework; and the post-2023 transition toward BRSR Core introduced verification requirements and comparability standards. The literature therefore expanded when data became standardised, suggesting that research production follows disclosure availability. Notably, the top source journals, include *Investment Management and Financial Innovations* (8), *Australasian Accounting, Business and Finance Journal* (7), *Asia-Pacific Financial Markets* (6), *Business Strategy and the Environment* (6), and *Journal of Cleaner Production* (5). While the latter two are sustainability-oriented, the concentration in finance and accounting journals confirms that ESG in India is studied primarily as a financial economics problem, not as an environmental law, governance, or accountability question.

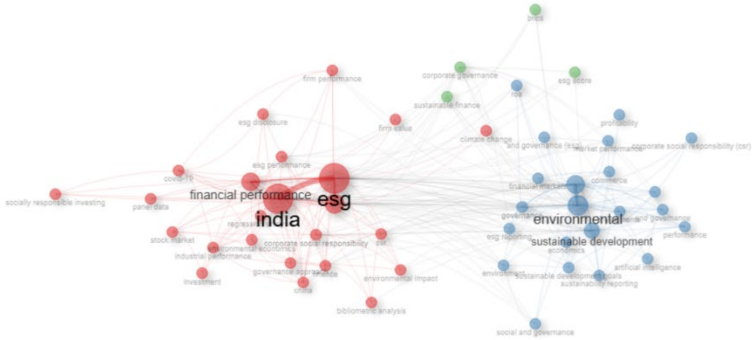

Figure 2: Keyword Co-occurrence Network of Scopus-Indexed Indian ESG Disclosure Literature

The Indian co-occurrence network reveals a clearly structured, multi-cluster landscape with a dominant finance-centric core. The red cluster is the most prominent, centred on large, highly connected nodes such as “esg,” “india,” and “financial performance,” indicating that the primary research focus is on the relationship between ESG factors and firm-level financial outcomes within the Indian context. This cluster shows dense internal connectivity, linking to terms like “corporate social responsibility,” “investment,” “stock market,” and “firm value,” suggesting a well-integrated and mature research stream. In contrast, the blue cluster, anchored around “environmental” and “sustainable development,” represents a secondary thematic grouping that incorporates terms such as “governance,” “financial markets,” “performance,” and “sustainability reporting.” Although relevant, these nodes are smaller and more loosely connected, indicating comparatively lower centrality and weaker integration with the core financial discourse. The green cluster, including nodes like “corporate governance,” “sustainable finance,” “ESG score,” and “BRICS,” appears more specialised and acts as a bridging domain, linking governance and international comparative perspectives to both the financial and environmental themes. Overall, node size and link density highlight that ESG research in this network is heavily driven by financial performance concerns, while environmental and governance dimensions remain more peripheral and fragmented, pointing to an imbalance in thematic emphasis and potential gaps in integrated, cross-cluster scholarship.

Thus, the literature treats ESG disclosure as financial signals whose effect on stock returns or cost of capital is to be estimated, rather than as a regulatory instrument whose effectiveness in reducing emissions, improving labour conditions, or strengthening supply chain accountability ought to be evaluated. The result is a literature that is methodologically sophisticated but substantively lopsided, finance dominates, and actual ESG outcomes are structurally marginalised.

2.2. Bibliometric Review of Global ESG Disclosure

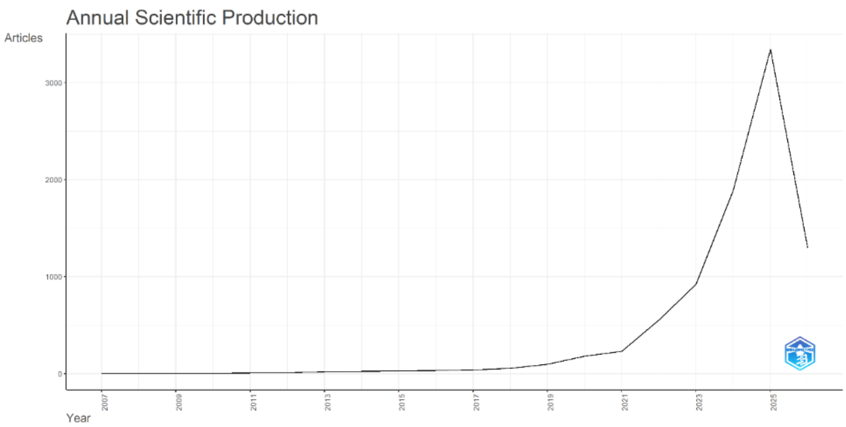

Figure 3: Annual Scientific Production of Scopus-Indexed Articles on ESG Disclosure (Global)

A bibliometric analysis of the 8,754 global ESG literature, drawn from Scopus-indexed articles using the search string “ESG Disclosure OR Performance” reveals a large, rapidly growing, and methodologically diverse field. The annual production data (Figure 2) shows a clear trajectory: from fewer than 10 articles per year before 2011, the literature grew slowly through the mid-2010s, then accelerated sharply after 2019. The most dramatic surge occurred between 2022 (554 articles) and 2025 (3,344 articles), reflecting the convergence of several factors: the Paris Agreement, rising climate concern, the COVID-19 pandemic highlighting systemic risks, the proliferation of mandatory disclosure regimes (EU’s CSRD, UK’s TCFD, ISSB standards), and the widespread availability of commercial ESG scores. The top source is *Sustainability (Switzerland)* (875 articles), followed by *Finance*

Research Letters (365), *Corporate Social Responsibility and Environmental Management* (285), *Business Strategy and the Environment* (231), and *International Review of Financial Analysis* (147). Unlike the Indian literature, which, as shown in Section 2.1, is concentrated in finance and management journals, the global corpus includes substantial contributions from environmental science, energy policy, and other interdisciplinary outlets.

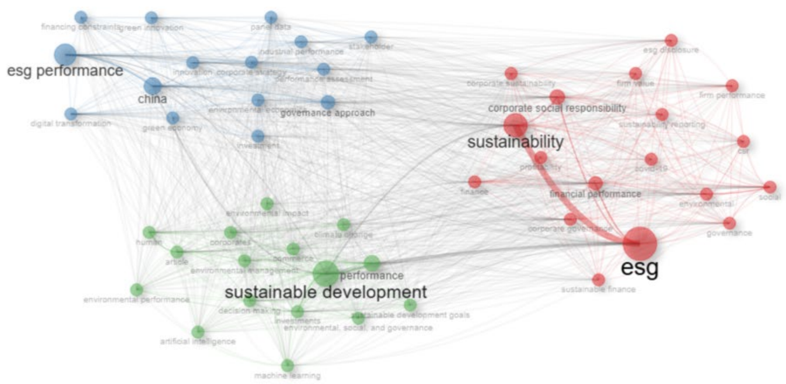

Figure 4: Keyword Co-occurrence Network of Scopus-Indexed Global ESG Disclosure Literature

The global co-occurrence network exhibits a more balanced but still clearly segmented three-cluster structure, with distinct thematic concentrations and varying node centrality. The red cluster forms the dominant core, anchored by large, highly connected nodes such as "esg" and "sustainability," which act as central hubs linking to "financial performance," "corporate social responsibility," "corporate governance," and "esg disclosure." The density and size of these nodes indicate that global research is strongly consolidated around ESG integration with firm performance and reporting practices. In contrast, the blue cluster, led by "esg performance" and "china," represents a geographically and innovation-oriented substream, connecting to terms like "green innovation," "corporate strategy," "panel data," and "industrial performance." While moderately connected to the red core, it maintains a semi-autonomous structure, suggesting a specialised empirical research focus, particularly in emerging markets. The green cluster, centred on "sustainable development," is more conceptually oriented, incorporating nodes such as "environmental management," "climate change," "artificial intelligence," and "sustainable development goals." Although this cluster is internally cohesive, its peripheral positioning and smaller node sizes indicate weaker integration with the dominant ESG-finance discourse. Overall, the network shows that while ESG research globally spans performance, innovation, and sustainability transitions, the strongest intellectual and structural emphasis remains on the ESG-financial performance nexus, with environmental and technological sustainability themes remaining comparatively fragmented and less central.

2.3 Decoupling Theory

Meyer and Rowan (1977) argued that organisational structures are shaped less by efficiency and more by widely accepted institutional norms or "myths." Organisations adopt these formal structures to gain legitimacy, resources, and stability. However, conforming to these norms can conflict with practical operational needs. To manage this tension, organisations often "decouple" their formal structures from actual practices, maintaining the appearance of compliance while continuing their core activities separately. This leads to reduced internal coordination and reliance on trust and good faith instead of strict oversight. Meyer and Rowan's framework is directly applicable to the ESG context: firms adopt BRSR disclosure structures to secure legitimacy with investors and regulators, while those structures remain decoupled from the operational practices they formally represent. Subsequent scholarship has extended this insight. Bromley and Powell (2012) identified a related but distinct form of decoupling, one where organisations implement prescribed actions diligently, but those actions fail to produce the intended outcomes. This study tests precisely that means-ends gap: whether the prescribed actions of BRSR disclosure and BRSR Core assurance produce their intended outcome of improved substantive ESG performance.

Decoupling theory is increasingly central to ESG assessment, providing a framework for analysing the gap between corporate sustainability rhetoric and actual practices. In ESG contexts, decoupling typically refers to the misalignment between what firms disclose or claim about their ESG performance and their real-world actions or outcomes. This concept is operationalised through various measurement frameworks that compare internal actions (such as implemented policies) with external disclosures (such as sustainability reports), often revealing significant and persistent gaps, sometimes labeled as greenwashing or symbolic compliance (Loko, Schiehll, 2025). As ESG reporting becomes more widespread and regulated, understanding and addressing decoupling is critical for ensuring the credibility and effectiveness of sustainability initiatives.

Empirical evidence shows that decoupling is widespread: over 80% of S&P 1500 firms exhibited significant policy-practice misalignment from 2016-2022 (Loko, Schiehll, 2025: 21), while selective disclosure was found in nearly 69% of negative events analysed (Roszkowska-Menkes, Aluchna, Kamiński, 2024). Key drivers include distracted investors (Liu, Li, Meng, 2023), CEO power (Gull et al., 2023), weak governance structures, market competition (Sun et al., 2024), financial pressure, media attention (Jiang, Wang, 2024), regulatory environment (Saleh, Eliwa, 2023), board gender diversity (Eliwa, Saleh, 2023), digital transformation (Chen et al., 2024), and institutional investor horizon (Cepêda, Monteiro, Aibar-Guzmán, 2025). Decoupling undermines corporate sustainability by reducing stakeholder trust, increasing financing constraints, destabilising customer partnerships, lowering firm value, hindering innovation, and potentially leading to negative long-term outcomes despite short-term gains from image management (Li, Wu, 2020). Regulatory interventions such as mandatory reporting can mitigate but not eliminate decoupling; strong formal institutions reduce its negative effects while informal pressures may amplify them.

The literature demonstrates that decoupling theory is widely used as both a conceptual lens and an empirical tool for assessing the credibility of ESG disclosures relative to actual corporate behaviour. Its application has evolved from qualitative critiques to sophisticated quantitative frameworks leveraging large datasets.

The present study adopts and adapts the internal vs. external actions framework (Loko, Schiehll, 2025) but, with a critical modification suited to the Indian BRSR context. While the previous study distinguishes between internal actions (operational practices) and external actions (public policies and disclosures) using ASSET4 data, this study operates entirely within the BRSR disclosure framework. Here, Disclosure Quality (DQS) serves as a proxy for the “external actions” dimension, measuring the completeness, quantifiability, standardisation, assurance, and governance depth of what firms report. Substantive Outcomes (SOS) serves as a proxy for the “internal actions” dimension, measuring the direction and magnitude of actual KPI trends (emissions, energy, water, waste, diversity, safety). The Decoupling Gap (DG = DQS - SOS) and Decoupling Index (DI = DQS / (SOS + 1)) directly operationalise the policy-practice gap, while the longitudinal design (three reporting periods, pre- and post-BRSR Core) allows testing of whether the assurance mandate reduces the means-ends gap i.e., whether prescribed actions (disclosure + assurance) actually produce the intended outcomes (improved environmental and social performance). In this way, the study translates decoupling theory into a replicable, disclosure-based empirical design tailored to India's regulatory trajectory.

2.4. Indian Stakeholder Literature

It is not that India has been entirely devoid of ESG related research. Practitioners and research institutions such as the Indian Institute of Management Ahmedabad (IIMA), the National Stock Exchange (NSE), and PwC have produced valuable descriptive and practitioner-oriented studies on BRSR disclosures. The IIMA report (Garg et al., 2025) analysed 1,012 BRSR filings and documented disclosure patterns, notably revealing that firms disclose 45 mandatory essential indicators but only 21 voluntary leadership indicators, and that only 17.7% made explicit net-zero commitments. The Stakeholder Empowerment Services SES-NSE study tracked the top 200 listed companies across multiple years, acknowledging that BRSR Core and assurance have improved data quality and credibility, while admitting that tangible ESG performance improvement remains "far from optimum". PwC's framework analysis mapped BRSR's architecture and the "3R" approach (research, recalibrate, report), explaining what BRSR was designed to do (PWC, 2021).

These contributions are valuable for understanding the regulatory landscape and the state of disclosure in India. However, they are not decoupling studies. They describe what firms disclose; they do not test whether disclosure reduces the gap between symbolic policies and substantive outcomes. The bibliometric analysis of Scopus-indexed academic journals in Section 2.1 confirms the broader pattern: the peer-reviewed Indian ESG literature is overwhelmingly finance-oriented, panel regressions, stock market outcomes, firm value with virtually no attention to decoupling, accountability, or the environmental and social impacts of BRSR disclosure. Thus, while India has a substantial volume of ESG research, it has almost none on ESG decoupling as conceptualised and measured in the global benchmark studies. The descriptive stakeholder reports document the raw material, disclosure quality over time, but they do not apply the decoupling lens. That is the precise entry point for the present study.

The literature review establishes a specific and addressable gap. No study has applied the decoupling framework to India's BRSR regime, and no longitudinal firm-level test exists of whether regulatory interventions such as BRSR Core reduce the gap between what firms report and what they achieve. This study addresses that gap directly and, through the normative analysis in Section 6, translates its findings into concrete reform proposals.

3. The Evolution of India's ESG Framework

India's ESG journey has unfolded in four distinct regulatory phases, each building on the previous one while introducing its own architecture, logic, and limitations. The framework has grown through a combination of voluntary guidelines, mandatory disclosure circulars, and layered assurance requirements across multiple authorities, reflecting an uneven pace of development rather than a coherent legislative design. Understanding this evolution is essential for assessing whether the current framework merely formalises disclosure or genuinely advances corporate accountability. Figure 1 provides a visual overview of this progression. The empirical analysis in Section 4 directly tests whether the regulatory improvements in each phase have translated into narrower decoupling between disclosure quality and substantive outcomes.

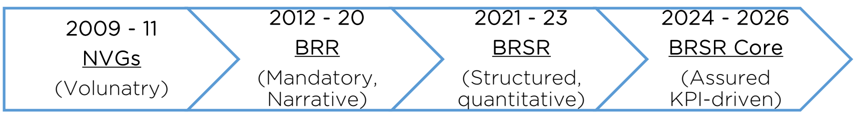

Figure 5: Timeline of ESG Regulatory Developments in India (2009-2026)

Phase I: Voluntary foundation (2009-2011)

The initial phase was characterised by soft-law instruments intended to shape corporate behaviour without legal compulsion. The Corporate Social

Responsibility Voluntary Guidelines (2009) introduced six core elements of CSR, shifting the narrative from pure philanthropy to board-level consideration. The National Voluntary Guidelines (NVGs) of 2011 expanded this framework into nine principles covering ethics, transparency, environmental stewardship, human rights, and stakeholder engagement, effectively creating a blueprint for responsible business conduct. However, as a purely voluntary regime, adoption was uneven, symbolic, and driven by reputational incentives rather than enforceable obligations. This phase established conceptual foundations but lacked any mechanism to ensure that stated policies translated into measurable practices, a gap that persists in attenuated form even in later phases, as the empirical evidence in Section 4.2.4 (governance deficits) confirms.

Phase II: The BRR era (2012-2020)

The transition to mandatory disclosure began with SEBI's introduction of the Business Responsibility Report (BRR) in 2012, first for the top 100 listed companies and later extended to the top 500 (2016) and top 1,000 (2019). The BRR operationalised the NVGs by requiring narrative reporting on policies, initiatives, and performance. During this period, the Companies Act, 2013 introduced two parallel provisions: Section 135 mandated CSR spending for eligible companies, creating an expenditure-based compliance model; Section 134(3)(m) and (o) required environmental and CSR disclosures in board reports. While India became the first country to mandate CSR spending, the conceptual disconnect between expenditure-driven CSR and performance-driven ESG governance became evident. The BRR's primary weakness was its qualitative, narrative-heavy format, which lacked standardised metrics, making cross-company comparison nearly impossible. Disclosure quality varied widely, and enforcement remained weak. SEBI could require filing but imposed no meaningful sanctions for vague or boilerplate reporting. The BRR thus became a procedural compliance exercise rather than a tool for accountability. This phase sets the baseline for our empirical analysis: the absence of quantified metrics directly informs the Quantifiability dimension of the Disclosure Quality Score (DQS) in Section 4.1.3.

Phase III: BRSR era (2021-2023)

Addressing the BRR's shortcomings, SEBI introduced the Business Responsibility and Sustainability Report (BRSR) in 2021, making it mandatory for the top 1,000 listed companies from FY 2021-23. The BRSR marked a structural shift from narrative to data-centric reporting, aligned with the nine principles of the revised National Guidelines on Responsible Business Conduct (NGRBC). It introduced a tiered structure of mandatory "Essential Indicators" and voluntary "Leadership Indicators", requiring quantified metrics on energy consumption, water use, Scope 1 and 2 emissions, workforce diversity, and training coverage. Despite these advances, challenges persisted: data collection and reliability remained uneven (a 2023 PwC survey found 67% of companies identified this as their primary ESG challenge), value-chain disclosures remained voluntary, and enforcement mechanisms for incomplete or misleading reporting were still largely absent. The BRSR improved transparency but did not yet embed accountability. The empirical analysis in Section 4 covers the first year of mandatory BRSR (FY 2022-23) as the baseline, capturing the initial state of disclosure quality and substantive outcomes before the BRSR Core assurance mandate took effect.

Phase IV: BRSR core era (2023-Present)

The most recent phase, beginning in July 2023, represents India's first move toward assured, audit-ready ESG disclosure. SEBI's BRSR Core framework introduces a selected set of Key Performance Indicators (KPIs) subject to reasonable assurance, including detailed methodologies for emissions (Scope 1 and 2), energy intensity, water usage, waste management, and gender diversity. The framework has been extended to smaller and mid-sized listed entities, broadening participation. Importantly, value-chain disclosures, requiring ESG data from upstream suppliers and downstream partners meeting specified thresholds (2% of purchases or sales, covering up to 75% overall) are currently voluntary for the top 250 listed companies but will become mandatory from FY 2026- 27. Simultaneously, SEBI's ESG Rating Providers (ERP) Master Circular (2023) introduced eligibility and transparency norms for rating agencies, while the Green Credit Programme (2023) began linking market-based incentives to environmental outcomes. The Parliamentary Standing Committee on Finance, in its examination of the regulatory framework for ESG in India, recommended that the Ministry of Corporate Affairs establish a dedicated ESG oversight body to monitor disclosures, prevent greenwashing, and improve enforcement. The Committee further recommended mandatory ESG committees at the board level and the explicit integration of ESG objectives into directors' fiduciary duties under the Companies Act, 2013. The Ministry of Corporate Affairs declined to act on these recommendations, maintaining that existing statutory provisions (including Section 166 directors' duties, Section 135 CSR obligations, and Section 134(3)(m) energy disclosures) already incorporate ESG considerations, and that the current disclosure-based framework combined with existing penalties constitutes an adequate monitoring system. The Committee found this response insufficient, pointing to the absence of empirical evidence that current mechanisms effectively prevent greenwashing or ensure consistent ESG compliance. This institutional exchange is significant: it represents the clearest official acknowledgement that India's ESG framework lacks a dedicated enforcement mechanism, and it is the direct legislative antecedent to the reform proposals advanced in Section 6 of this paper. This phase directly corresponds to the post-assurance period in our empirical design (FY 2023-24 and FY 2024-25). The analysis in Section 4.2.3 specifically tests the assurance effect, whether mandatory third-party verification under BRSR Core has narrowed the decoupling gap or merely improved disclosure precision without improving outcomes.

The four phases collectively illustrate a progressive layering of disclosure requirements, each introducing a distinct regulatory logic: soft-law guidance, mandatory narrative reporting, structured quantitative disclosure, and finally assured key performance indicators. The architecture has become more detailed, comparable, and transparent over time. Whether this improved architecture has produced improved outcomes is the question Section 4 addresses.

4. Empirical evidence of Decoupling in BRSR practice

4.1. Methodology

4.1.1. Research design and sample

This study employs a longitudinal empirical design to examine whether improvements in ESG disclosure quality under successive BRSR frameworks have translated into commensurate improvements in substantive ESG outcomes. The analysis covers three consecutive financial years, FY 2022-23, FY 2023-24, and FY 2024-25, spanning the transition from the original BRSR framework to the BRSR Core regime and enabling a direct pre- and post-assurance comparison. The sample consists of the top 100 NSE-listed companies by market capitalisation as of 31 March 2025. Of these, 89 firms provided complete three-year disclosure data and form the basis of the analysis. Eleven firms were excluded on account of either an initial public offering during FY 2024-25 or a structural transformation such as a merger or demerger that rendered longitudinal comparison methodologically unsound.

The decision to focus on the top 100 rather than the broader top 1,000 mandated under the BRSR is a deliberate one. These firms represent the largest, most resourced, and most closely scrutinised segment of India's listed universe. If decoupling is present within this sample, where reputational, investor, and regulatory pressure is at its peak, its structural character becomes especially apparent. These firms cannot plausibly attribute non-performance to resource constraints. Any gap between disclosure and outcome in this cohort reflects systemic design failure rather than individual incapacity.

4.1.2. Data collection

All data are drawn exclusively from firm-published BRSR disclosures in PDF or XBRL formats sourced from NSE filings[2]. The extraction protocol is strictly non-inferential: only explicitly disclosed values are recorded. Undisclosed indicators are coded as ND (Not Disclosed), with no estimation or interpolation. This approach ensures methodological integrity and legal credibility. To the extent that the Decoupling Gap reflects non-disclosure, it indicates a regulatory limitation of the BRSR framework rather than a data construction issue. Where firms restate prior-year figures, the revised values supersede earlier disclosures.

2. NSE INDIA. Corporate Filings Business and Sustainability Reports. Available at: https://www.nseindia.com/companies-listing/corporate-filings-bussiness-sustainabilitiy-reports [Accessed 28/02/2026].

Final BRSR filings for 89 firms across three financial years were downloaded directly from the NSE in their published formats 28/02/2026 to 13/03/2026. Data extraction was conducted manually by a single researcher using a structured template specifying each target field, its location, unit of measurement, and coding rules for ambiguous values. For each firm-year, disclosed values were located and entered into a master dataset accordingly. No automated parsing, OCR, or inference-based methods were used. Although labour-intensive, this approach ensured direct engagement with each filing and consistent application of the non-inferential protocol, including identification of omissions, narrative-only disclosures, or ambiguities.

Scoring across all dimensions and KPIs was performed by a single researcher using the rubric outlined in Sections 4.1.3 and 4.1.4. While the absence of a second coder is a limitation (noted in Section 4.3), subjectivity was mitigated through full pre-specification of the rubric prior to extraction and its uniform application across all firms and years. Ambiguities identified during the pilot phase were resolved in advance, and no firm-specific adjustments were introduced.

The dataset covers four disclosure categories: (A) General Disclosures (reporting boundary, assurance type, NIC classification, geographic presence); (B) ESG Governance (NGRBC policies, board approval, ESG committee or team, grievance data); (C) Environmental KPIs (Scope 1 and 2 emissions, energy consumption and intensity, water use and intensity, waste metrics); and (D) Social KPIs (female workforce and board representation, employee turnover, and lost-time injury frequency rates for employees and contract workers).

4.1.3. Disclosure Quality Scoring (0-100)

Disclosure quality is assessed across five dimensions. Each is described below with its weight, scoring logic, and the values observed across the 89-firm, three-year panel.

Completeness (0-30). Records how many of 22 designated KPIs a firm discloses in numeric form. The KPIs cover environmental indicators (Scope 1 and Scope 2 emissions, total and renewable energy consumed, renewable energy share, energy intensity, water consumed, water intensity, waste generated, and waste recovered), social indicators (total employees, female employee and board shares, employee and worker turnover, and employee and worker LTIFR), governance indicators (customer and value chain grievances filed and pending), and sustainable sourcing percentage. The list is derived from BRSR Essential Indicators and BRSR Core Leadership Indicators per SEBI's master circular. A KPI counts as disclosed only where an explicit numeric value is stated; a narrative description without a supporting figure is coded as not disclosed. Scoring is proportional: Completeness Score = round(KPIs disclosed / 22 x 30), yielding a continuous scale from 0 to 30. Observed values range from 10 to 30.

Quantifiability (0-30). Assesses what proportion of the 22 KPIs are expressed as specific numeric values rather than narrative descriptions, qualitative statements, or ranges. The scoring formula is identical to Completeness: Quantifiability Score = round(KPIs quantified / 22 x 30). A KPI is treated as quantified only where an absolute figure or precisely defined intensity ratio is stated; a narrative such as "energy consumption has declined" without an accompanying number scores zero on this dimension regardless of whether the indicator was counted as disclosed under Completeness.

Standardisation (0-10). Evaluates alignment with SEBI's prescribed BRSR/XBRL format and the consistency of unit specification across indicators. Four values are applied. A score of 10 is assigned for a full XBRL-tagged filing with consistent unit specification throughout. A score of 9 is assigned for a PDF filing with clear and internally consistent units and methodology. A score of 8 is assigned for a PDF filing with minor or isolated inconsistencies, such as an unexplained change in the intensity ratio denominator between years or partial omission of units for a sub-set of indicators. A score of 6 is assigned for a PDF filing with pervasive inconsistencies that materially impede comparability.

Assurance (0-10). Records the level of third-party verification obtained. Three values are applied: 10 for reasonable assurance in accordance with ISAE 3000 or an equivalent standard; 5 for limited assurance; and 0 for no external assurance.

Governance Depth (0-20). Assessed across four sub-components, each scored from 0 to 5: (a) NGRBC policy adoption, from 0 (none disclosed) to 5 (all nine principles with board approval and named policy owners); (b) ESG committee structure, from 0 (no governance body identified) to 5 (board-level committee with disclosed terms of reference); (c) value chain ESG coverage, from 0 (no supplier engagement disclosed) to 5 (quantified ESG data for value chain partners meeting the SEBI threshold); and (d) grievance system operationalisation, from 0 (no grievance data disclosed) to 5 (all four counts, i.e., customer filed, customer pending, value chain filed, value chain pending, are disclosed). Intermediate scores reflect partial fulfilment within each sub-component.

4.1.4. Substantive Outcomes Scoring (0-100)

Substantive ESG Outcomes are assessed separately, based not on what companies report about their performance but on the direction and magnitude of actual KPI trends across the three-year panel. Each KPI is scored on a 0 to 10 scale by reference to year-on-year changes: strong improvement or consistently strong performance receives 8 to 10 points; moderate improvement or stability receives 5 to 7 points; weak performance receives 2 to 4 points; and worsening performance or missing data receives 0 to 1. Critically, non-disclosure scores zero; the framework does not extend the benefit of the doubt to unreported indicators.

Outcomes scores are aggregated across three weighted categories: Environmental performance (30%), encompassing emissions, energy, water, and waste; Social performance (20%), covering workforce diversity, safety, and employee turnover; and Governance (50%), covering ESG targets, grievance management, value chain accountability, and the alignment between CSR expenditure and material BRSR risks. The relatively high weight assigned to Governance and Integration (50%) is theoretically derived rather than arbitrarily assigned. Bromley and Powell (2012) identify governance structure failure (and not environmental underperformance) as the primary driver of means-ends decoupling, arguing that organisations implement prescribed actions diligently but those actions fail to produce intended outcomes precisely because governance mechanisms do not transmit formal commitments into operational behaviour. Loko and Schiehll (2025) similarly treat governance mechanisms as the primary transmission channel through which policy-practice alignment is either achieved or frustrated. On this theoretical account, structural accountability mechanisms (board-level ESG oversight, grievance resolution, value chain accountability, and the alignment between CSR expenditure and material ESG risks) are the decisive variables in determining whether disclosure translates into outcome change, and they are weighted accordingly. The resulting Substantive Outcomes Score (SOS) for each firm-year likewise ranges from 0 to 100.

4.1.5. Decoupling Framework

The relationship between disclosure quality and substantive outcomes is operationalised through two complementary measures. The Decoupling Gap (DG) is defined as the arithmetic difference: DG = DQS - SOS. Positive values indicate that disclosure quality exceeds outcomes performance; negative values would indicate that companies are performing better than they are reporting, a pattern not observed in this sample. The Decoupling Index (DI) is computed as DI = DQS / (SOS + 1), following Meyer and Rowan's theoretical distinction between formal structure and operational practice. The addition of 1 to the denominator prevents division-by-zero distortion in cases of near-zero outcomes scores.

The Decoupling Index is interpreted on a four-tier scale: values at or below 1.2 indicate low or aligned decoupling, where disclosure and outcomes are broadly in equilibrium; values between 1.21 and 1.8 indicate moderate decoupling; values between 1.81 and 2.5 indicate high decoupling, where disclosure significantly outpaces performance; and values above 2.5 indicate extreme decoupling. All intermediate calculations are carried to full precision; final scores are rounded to two decimal places.

4.2. Key findings

4.2.1. Disclosure quality has risen sharply, outcomes have not kept pace

Table A presents the aggregate longitudinal results across the 89-firm panel. The data reveal a pronounced and widening structural asymmetry between how India's largest listed firms report on ESG and how they perform on it.

Table A: Overall descriptive statistics by year

Year	Mean DQS	Mean SOS	Mean DI	Median DI	% Firms with DI > 1.8
FY 2022-23	64.56	50.64	1.31	1.28	9%
FY 2023-24	88.07	60.82	1.48	1.45	15%
FY 2024-25	91.27	67.23	1.38	1.34	8%

The most significant development in the disclosure trajectory is the 23.51-point increase in mean DQS between FY 2022-23 (64.56) and FY 2023-24 (88.07), representing a 36.4% improvement in a single year. This jump is directly attributable to the mandatory assurance requirement introduced under BRSR Core from FY 2023-24 onwards, which compelled firms to develop audit-ready data systems, specify emission calculation methodologies, and formalise assurance engagement with third-party providers. The further improvement to 91.27 in FY 2024-25, though modest by comparison (an additional 3.20 points), suggests that the initial assurance-driven uplift has largely plateaued, and that the marginal return from further disclosure tightening alone is diminishing.

Substantive Outcomes Scores improved across the same period, but at a substantially lower rate. Mean SOS increased from 50.64 in FY 2022-23 to 60.82 in FY 2023-24, a gain of 10.18 points, and further to 67.23 in FY 2024-25, a gain of 6.41 points. While this improvement is not negligible, it is structurally important that outcomes gains have consistently lagged disclosure gains by a ratio of approximately two to one. The Decoupling Gap, the arithmetic difference between DQS and SOS, has widened from 13.92 points in FY 2022-23 to 27.25 points in FY 2023-24 before moderating to 24.04 points in FY 2024-25. The introduction of BRSR Core, rather than narrowing this gap, was associated with its initial widening. This reflects the asymmetric pace at which disclosure quality and substantive performance respond to regulatory intervention. Mandatory assurance requirements generate immediate improvements in reporting completeness and precision, as firms must reorganise disclosure systems within the same reporting cycle. In contrast, substantive operational improvements (e.g., reductions in emissions intensity, workforce safety gains, and value chain accountability) require capital allocation, supplier engagement, and organisational change over multi-year horizons. BRSR Core sharply raised the disclosure ceiling in FY 2023-24, while the operational floor could not rise at a comparable rate. The resulting gap widened as a consequence of regulatory design, rather than corporate bad faith. Its persistence at elevated levels in FY 2024-25 (relative to the pre-BRSR Core baseline), despite continued improvements in outcomes scores, suggests that this asymmetry is structural rather than transitional within a disclosure-focused accountability model.

The mean Decoupling Index followed a corresponding trajectory: 1.31 in FY 2022-23 (moderate decoupling), rising to 1.48 in FY 2023-24 (approaching the upper bound of moderate decoupling), before declining modestly to 1.38 in FY 2024-25. The proportion of firms exhibiting high decoupling (DI above 1.8) peaked at 15% in FY 2023-24 before falling to 8% in FY 2024-25, suggesting that the most extreme cases of disclosure-outcome divergence are slowly moderating. However, the mean DI across all three years remains comfortably within the moderate decoupling range, and the Decoupling Gap in FY 2024-25 remains 72.7% wider than it was at the start of the BRSR era. This is the central finding of the study: mandatory disclosure tightening and third-party assurance have improved the technical quality of reporting without producing a commensurate improvement in the substantive ESG performance those reports purport to reflect.

This finding directly confirms the theoretical prediction of institutional decoupling as elaborated by Meyer and Rowan and subsequently developed in the organisational sociology literature. India's largest listed firms have become more sophisticated reporters without becoming meaningfully better performers. The formal structure of ESG governance — i.e., policies approved by boards, KPIs disclosed in XBRL format, assurance opinions obtained from third parties — is increasingly in place. The operational change that those structures are designed to drive is not.

4.2.2. Sector-level variation

The aggregate picture conceals substantial sector-level variation that carries important implications for regulatory design. Table B presents decoupling data disaggregated by sector for FY 2024-25.

Table B: Decoupling by Sector (FY 2024-25)

Sector	Mean DQS	Mean SOS	Mean DI	Firms in Sector	Firms with DI > 1.8
Banking	83.56	56.93	1.49	9	2

Cement and Construction	93.40	69.81	1.35	5	0
Consumer Goods	93.42	76.28	1.22	12	0
Financial Services	90.54	60.72	1.49	13	0
Industrial Manufacturing	92.81	66.00	1.42	16	2
IT and Telecom	87.83	69.13	1.29	6	0
Metals, Mining and Energy	93.94	71.49	1.33	17	1
Others	91.50	75.45	1.21	4	0
Pharma and Healthcare	90.14	61.39	1.52	7	2
Total	91.27	67.23	1.38	89	7

Pharma and Healthcare (DI: 1.52) and Banking (DI: 1.49) record the highest mean Decoupling Indices, followed by Financial Services (DI: 1.49). In each of these sectors, disclosure quality is high, reflecting the sophistication of their compliance infrastructure. However, outcomes scores lag materially, reflecting unresolved gaps in substantive performance on social and governance indicators. The Pharma and Healthcare sector presents a particularly acute version of this pattern: firms in this sector face material ESG risks relating to drug pricing, clinical trial governance, and supply chain integrity, yet the sector's mean outcomes score of 61.39 is among the lowest in the sample, suggesting that BRSR disclosures in this sector function primarily as a reporting exercise rather than as a governance tool.

By contrast, Consumer Goods (DI: 1.22) and the Others category (DI: 1.21) record the lowest Decoupling Indices and are the only sectors approaching the threshold of low or aligned decoupling. The Consumer Goods sector's relative performance with a mean outcomes score of 76.28, the highest across all sectors, may reflect greater investor and consumer pressure on sustainability outcomes in branded goods industries, where reputational risk from greenwashing is more commercially acute. The Others category is too small (four firms) to support confident generalisation.

It is notable that the Metals, Mining and Energy sector, which contains the largest number of firms in the sample (17) and has among the highest environmental risk profiles records a moderate DI of 1.33 and the lowest count of high-decoupling firms (one). This suggests that direct regulatory exposure under environmental statutes, combined with heightened investor scrutiny of physical climate risk in extractive industries, may operate as a supplementary accountability mechanism that partially compensates for the structural weaknesses of the BRSR framework. That this effect is sector-specific rather than systemic, however, reinforces the argument that durable accountability requires legal design rather than incidental market pressure.

Across the sample as a whole, seven firms (7.9%) exhibit high decoupling (DI above 1.8) in FY 2024-25. These firms are concentrated in Banking (two firms), Industrial Manufacturing (two firms), and Pharma and Healthcare (two firms), with one firm in Metals, Mining and Energy. Their presence, drawn exclusively from sectors with the most developed compliance infrastructure, confirms that high decoupling is not a symptom of reporting immaturity but of structural disconnection between the disclosure regime and the accountability mechanisms that would make it operative.

4.2.3. The Assurance Effect: Disclosure precision without outcomes accountability

The introduction of mandatory third-party assurance under BRSR Core from FY 2023-24 is the most significant regulatory intervention in the period under study, and the data permit a direct assessment of its effects. The assurance literature identifies two mechanisms through which verification might improve the alignment of disclosure and outcomes. The first is a direct effect: assurance providers identify and require the correction of inaccurate or misleading claims, thereby improving the reliability of reported data. The second is an indirect or anticipatory effect: the prospect of assurance disciplines firms' internal data collection and governance systems in advance of the verification engagement.

The data confirm that assurance has produced both effects on the disclosure side. The 36.4% increase in mean DQS between FY 2022-23 and FY 2023-24 is principally attributable to improvements in the Completeness, Quantifiability, and Standardisation dimensions of the scoring model that is precisely the dimensions on which assurance providers focus their attention. Firms subject to the BRSR Core assurance requirement developed more granular emissions accounting, adopted the calculation methodologies specified in SEBI's framework, and, in many cases, restructured their internal ESG data systems to produce audit-ready outputs.

What assurance has not produced is a commensurate improvement in substantive outcomes. The mean SOS increased by 10.18 points between FY 2022-23 and FY 2023-24, and by 6.41 points between FY 2023-24 and FY 2024-25. These are meaningful improvements, but they lag the disclosure gains substantially, and the Decoupling Gap remains wider in FY 2024-25 than it was before the BRSR Core was introduced. Third-party assurance, as currently designed, attests to the accuracy and completeness of what is reported; it does not attest to whether what is reported reflects genuine operational improvement. An assurance provider can confirm that a firm's Scope 1 emissions figure is correctly calculated and consistently presented without expressing any view on whether the firm's emissions are actually declining. The distinction is consequential. It means that BRSR Core's assurance regime is a strengthened disclosure verification mechanism, not an accountability mechanism in the substantive sense.

This finding has direct bearing on the Parliamentary Standing Committee's concern, noted in Section 3, that the government's existing provision-based approach is insufficient to ensure consistent ESG compliance. The evidence from this study permits that concern to be sharpened: assurance improves the technical credibility of disclosure without closing the gap between what is disclosed and what is achieved. The regulatory architecture needs something assurance cannot provide, which is a legal consequence that attaches to the outcomes, not merely to the accuracy of reporting about them.

4.2.4. The Persistence of Governance and Integration Deficits

The weighting structure of the Substantive Outcomes Score assigns 50% of total weight to Governance and Integration indicators, reflecting the theoretical position that structural accountability mechanisms such as board-level ESG oversight, grievance resolution, value chain accountability, and alignment between CSR expenditure and material ESG risks, are the primary levers through which disclosure translates into operational change. The data consistently show that this is precisely the dimension on which the sample performs worst relative to its disclosure quality.

Firms in the sample demonstrate high compliance with the formal governance indicators captured in the DQS dimension: most have adopted all nine NGRBC policies, established ESG committees, and obtained board approval for their sustainability frameworks. These structures are verifiable and auditable, and the assurance requirement has reinforced their adoption. What the outcomes data reveal, however, is that these structures are not systematically producing the downstream changes they are designed to drive. Value chain disclosure remains limited for most firms even among the top 100, grievance resolution rates are inconsistent, and the alignment between CSR expenditure patterns and the material ESG risks identified in BRSR filings is tenuous at best.

This governance-outcomes gap is particularly significant in the context of the CSR-ESG conceptual disconnect identified in Section 3. Firms in the sample with the highest CSR expenditure do not systematically record higher Governance and Integration outcomes scores, suggesting that mandatory CSR spending continues to operate as a parallel and largely unconnected compliance track rather than as a component of integrated sustainability governance. The legal architecture that separates Section 135 CSR obligations from BRSR governance expectations is, in this sense, producing measurable fragmentation in corporate behaviour.

4.3. Summary

The empirical analysis across 89 firms over three financial years produces three findings of direct relevance to the normative reform agenda developed in Section 6.

First, decoupling is structural, not transitional. The Decoupling Gap, 13.92 points in FY 2022-23 did not narrow as the BRSR framework matured. It widened to 27.25 points in FY 2023-24 following the introduction of BRSR Core before moderating to 24.04 points in FY 2024-25. Across the full panel, the gap has increased by more than 10 points from the baseline year. This trajectory is inconsistent with the view that the current disclosure-centric framework will self-correct over time.

Second, the decoupling is concentrated in governance and integration dimensions, which are precisely the dimensions that determine whether ESG reporting is connected to board-level decision-making, director accountability, value chain management, and the allocation of corporate resources. This concentration implicates the design of the regulatory framework rather than the behaviour of individual firms. A framework that mandates disclosure of governance structures but imposes no legal consequence on the absence of governance outcomes will, by design, produce firms that have the structures without the substance.

Third, neither mandatory disclosure nor third-party assurance has proven sufficient to close the gap. The assurance requirement introduced under BRSR Core produced the largest single-year improvement in disclosure quality in the dataset's history, yet the Decoupling Gap in the year following its introduction was at its widest. This is the clearest possible evidence that technical disclosure improvement and substantive accountability improvement are not, under the current legal design, the same thing. The reforms proposed in Section 6 proceed from this premise.

5. Structural limitations of India's current ESG framework

The empirical findings in Section 4 provide direct, quantified evidence of the structural limitations that the regulatory history alone could only suggest. Across three reporting periods, the persistence of a significant Decoupling Gap, the divergent effects of assurance on disclosure versus outcomes, and the concentration of decoupling in governance and integration dimensions all point to specific design flaws embedded in India's ESG architecture. This section examines five structural limitations: legal fragmentation, weak enforcement, CSR-ESG conceptual disconnect, standardisation and data reliability problems, and limited value chain accountability, in light of the empirical evidence.

5.1. Fragmentation of the legal framework

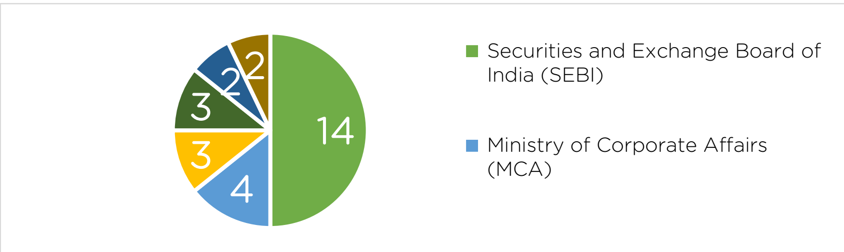

Figure 6: Share of ESG regulations by issuing authority in India (2009-2026)

The distribution of ESG regulation across SEBI, MCA, RBI, and environmental regulators has long been criticised as fragmented. Section 4 does not test institutional fragmentation directly, but it does show that even among the top 100 listed firms, the most resourced and scrutinised segment, the Decoupling Gap widened from 13.92 points in FY 2022-23 to 27.25 points in FY 2023-24 before moderating to 24.04 points in FY 2024-25. If a unified, enforceable ESG statute existed, one would expect a narrower and declining gap, particularly after the introduction of assurance. The persistence of moderate decoupling (mean DI of 1.38 in FY 2024-25) across a sample that cannot plausibly plead resource constraints is consistent with a fragmented regime where no single authority has both the mandate and the power to align disclosure with outcomes.

5.2. Weak enforcement: Disclosure enforcement works, Outcome enforcement does not

Section 4 produces a nuanced finding that refines the common critique of weak enforcement. Enforcement on disclosure quality has been strikingly effective. The mandatory assurance requirement under BRSR Core produced a 23.51-point (36.4%) increase in mean DQS between FY 2022-23 and FY 2023-24, and the proportion of firms with high decoupling (DI > 1.8) peaked at 15% in that year before falling to 8% in FY 2024-25. SEBI's ability to mandate third-party verification and specify calculation methodologies has clearly changed corporate reporting behaviour.

However, enforcement on substantive outcomes remains absent. The same assurance regime that improved disclosure quality did not narrow the Decoupling Gap; indeed, the gap more than doubled in the first year of BRSR Core (from 13.92 to 27.25) before improving only modestly. No legal mechanism currently attaches consequences to a firm's failure to reduce emissions, improve diversity, or manage waste, only to the accuracy of its reporting about those metrics. This distinction is critical. India's ESG framework has operationalised enforcement on process (assurance of disclosure) but not on performance (outcome-based liability). As noted in Section 4.2.3, an assurance provider can confirm that a Scope 1 emissions figure is correctly calculated without expressing any view on whether emissions are actually falling. The Parliamentary Standing Committee's concern about insufficient enforcement is therefore better directed at the absence of outcome-based sanctions than at the quality of disclosure enforcement.

5.3. CSR-ESG conceptual misalignment

Section 4.2.4 provides direct empirical evidence of the CSR-ESG disconnect that earlier critiques had only theorised. The Substantive Outcomes Score gives 50% weight to Governance and Integration indicators, including the alignment between CSR expenditure and material ESG risks identified in BRSR filings. The data show that firms with the highest CSR expenditure do not systematically record higher Governance and Integration outcomes scores. In fact, the Pharma and Healthcare sector, which has among the highest CSR spending due to regulatory requirements, records a mean SOS of only 61.39 (the second lowest in the sample) and a DI of 1.52 (the highest). This suggests that mandatory CSR spending operates as a parallel, largely unconnected compliance track. The empirical evidence confirms that expenditure-based CSR does not substitute for performance-driven ESG governance; if anything, it may create a false sense of compliance that masks underlying decoupling.

5.4. Standardisation and data reliability

The original critique that India lacks standardised, reliable ESG data is only half correct. Section 4 shows that standardisation has been remarkably successful on the disclosure side. The DQS improved from 64.56 to 91.27 over two years, driven by improvements in Completeness, Quantifiability, and Standardisation — precisely the dimensions that SEBI's BRSR Core framework targeted. The problem is not that data is unreliable; it is that improved data reliability has not translated into improved performance. The SES-NSE study cited in the original draft (absolute emissions up 6.55%, waste generation up 14.86%) is consistent with our finding that mean SOS improved only modestly (from 50.64 to 67.23) while DQS accelerated far ahead. India has successfully moved from a reporting framework to a measurement framework, but measurement without accountability does not produce outcomes. The challenge is not more standardisation; it is linking standardised data to legal consequences.

5.5. Limited value chain accountability

Section 4 did not directly measure value chain disclosures because the top 100 firms are not yet subject to mandatory value-chain reporting (the requirement becomes mandatory only from FY 2026-27). However, the Governance and Integration component of the SOS (which includes value chain indicators where voluntarily disclosed) recorded the lowest performance among the three SOS categories. This suggests that even among the largest firms, value chain accountability is minimal. The persistence of this gap is significant because many critical ESG risks — Scope 3 emissions, labour exploitation, unsafe sourcing — lie outside the direct control of the reporting entity. The empirical evidence from Section 4 implies that until value chain due diligence is mandatory and subject to assurance, the decoupling measured at the firm level will systematically understate the true gap between corporate claims and real-world impact.

6. From Disclosure to Accountability - A normative reform agenda

The empirical analysis presented in Section 4 establishes that India's ESG framework, in its current form, is systematically incapable of closing the gap between what companies report and what they do. A mean Decoupling Index of 1.38 in FY 2024-25, a Decoupling Gap that is 72.7% wider than at the BRSR baseline, and the concentration of high decoupling firms in sectors with the most developed compliance infrastructure together point to a structural diagnosis rather than a compliance maturity problem. The framework does not fail because firms are reporting immaturely. It fails because the legal architecture generates no consequence that attaches to outcomes rather than to disclosures. The three reforms proposed in this section are derived directly from that diagnosis. Each addresses a discrete structural failure identified in Section 5, each is grounded in the empirical findings of Section 4, and each is designed to function as part of a coherent legal system rather than as an isolated intervention.

6.1. A cohesive legal framework: Integration of ESG obligations into the Companies Act, 2013

The most foundational reform required is the consolidation of India's currently fragmented ESG obligations into a single, internally coherent legal framework. As documented in Section 5, ESG governance in India is presently distributed across at least four regulatory domains: SEBI's BRSR and BRSR Core frameworks governing disclosure for listed entities; Section 135 of the Companies Act, 2013 governing CSR expenditure; Section 134(3)(m) and the Companies (Accounts) Rules, 2014 governing energy-related board disclosures; and a set of environmental statutes administered by pollution control authorities. This fragmentation is not merely administrative inconvenience. It produces the empirically observable pattern identified in Section 4.2.4: firms maintain formal compliance across each regulatory domain independently while remaining unaccountable for the substantive outcomes that the system as a whole is intended to produce.

The appropriate legislative vehicle for consolidation is the Companies Act, 2013, amended to introduce a dedicated chapter on Sustainable Corporate Governance. This chapter should accomplish three things. First, it should establish ESG performance obligations (and not merely disclosure obligations) as a direct and enforceable duty of companies that meet specified thresholds aligned with the existing BRSR mandate. Second, it should bring SEBI's BRSR framework within the statutory architecture of the Act, so that ESG reporting obligations derive from primary legislation rather than from subordinate regulatory instruments that can be modified without parliamentary scrutiny. Third, it should require that each company's material ESG risks, as identified in its BRSR disclosures, form the basis for its annual board report under Section 134, thereby eliminating the structural disconnect between the BRSR filing and the company's core governance documentation. This last element directly addresses the CSR-ESG misalignment documented in Section 4.2.4: where the material ESG risks identified in BRSR filings must feed through to the Board's Report and the CSR policy, the current practice of directing CSR expenditure towards Schedule VII activities disconnected from the company's own identified risk profile becomes legally untenable.

This approach is not without international precedent. The United Kingdom's Companies Act, as amended through the Companies, Partnerships and Groups (Accounts and Reports) Regulations 2022, requires directors to include climate-related financial disclosures within their Strategic Report, directly integrating disclosure obligations into primary company law. The EU's Corporate Sustainability Reporting Directive operates through a similar logic, embedding sustainability reporting within the existing accounting and transparency directive framework rather than creating a parallel regulatory regime. India's proposed amendment follows this direction while adapting to the existing dual-regulator structure of MCA and SEBI, with the critical difference that consolidation under the Companies Act would subject the framework to parliamentary accountability and provide a stable legislative foundation for enforcement.

6.2. Integration of material ESG responsibilities into directors' fiduciary duties

The second reform is the explicit amendment of directors' fiduciary duties under the Companies Act to incorporate material ESG obligations. This is the reform that the Parliamentary Standing Committee recommended and that the MCA declined on the grounds that Section 166 already encompasses sufficient duties. The empirical evidence developed in this paper provides the basis for rejecting that position.

Section 166 of the Companies Act, 2013 provides that a director must act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community, and for the protection of the environment. This provision is, in formal terms, broadly drafted. But it has two critical deficiencies in the ESG context. First, it is formulated in aspirational rather than operational terms: it identifies constituencies whose interests directors must consider but does not specify what directors must do, or refrain from doing, with respect to material ESG risks. Second, it imposes no disclosure obligation on the director individually. The result is that Section 166 can be satisfied entirely through formal compliance with SEBI's disclosure framework, without requiring any director to personally assess or take responsibility for the company's ESG outcomes. This is precisely the legal architecture that produces decoupling as the duty is satisfied by the existence of the structure, not by the performance of the substance.

The proposed amendment to Section 166 should introduce a specific sub-section requiring that each director of a company subject to the BRSR mandate exercise reasonable care to satisfy themselves that the material ESG risks identified in the company's BRSR disclosure are subject to adequate board-level oversight and that the company's operational decisions are consistent with its disclosed ESG commitments. This formulation is modelled on the reasonable care standard familiar in company law and is designed to be legally operational rather than aspirational. Critically, it does not impose strict liability on directors for ESG outcomes; however, it requires that directors engage with ESG risk governance in a manner commensurate with their existing duty of care. The distinction between a duty to engage with ESG risk and a strict liability for ESG outcomes is important for the reform's political feasibility, as well as for its doctrinal coherence.

Alongside the amendment to Section 166, Section 134 should be amended to require that the Board's Report include a Directors' ESG Statement signed by all directors, attesting that the board has reviewed the company's material ESG risks for the year, that the BRSR disclosure accurately reflects the company's position on those risks, and that any material divergence between disclosed ESG targets and actual performance has been identified and addressed. This provision mirrors the existing requirement under Section 134(5) for a Directors' Responsibility Statement in respect of financial reporting and creates an equivalent mechanism for ESG governance. Where the annual financial audit creates individual director accountability for financial misrepresentation, the Directors' ESG Statement creates a commensurate mechanism for ESG misrepresentation, including greenwashing.

Finally, Section 135 should be amended to require that each qualifying company's CSR policy, as approved by the CSR Committee under Section 135(3), demonstrate material alignment with the ESG risk categories identified in its most recent BRSR disclosure. This amendment addresses the CSR-ESG disconnect documented throughout this paper by making it a board-level legal obligation, rather than a regulatory aspiration, to align philanthropic expenditure with the company's own evidence-based sustainability priorities.

6.3. A unified ESG oversight authority with substantive enforcement power

The third reform addresses the institutional dimension of the accountability deficit. At present, ESG compliance involves SEBI for listed entity disclosures, MCA for Companies Act obligations, the Reserve Bank of India for financial sector sustainability risks, and sector-specific environmental regulators for statutory environmental compliance. No single authority has jurisdiction over the full spectrum of a company's ESG obligations, which means that no single authority has the institutional capacity or the incentive to assess whether a company's ESG governance is functioning as a coherent whole. The Parliamentary Standing Committee's recommendation for a dedicated ESG oversight body reflects an accurate diagnosis of this problem.

The proposed Unified ESG Oversight Authority (UEOA) should be constituted as a statutory body under a new chapter of the Companies Act, drawing its mandate from both the Companies Act and the Securities and Exchange Board of India Act, 1992 through a co-regulatory framework. Its composition should include representation from SEBI, MCA, and the Ministry of Environment, Forest and Climate Change, with an independent technical secretariat staffed with ESG, legal, and financial expertise. This structure reflects the model of the Financial Stability and Development Council, which performs a coordination function across regulators without displacing their individual jurisdictions. The UEOA's mandate should encompass four specific functions: the annual review of a risk-based sample of BRSR filings for substantive accuracy, including comparison of disclosed targets against reported outcomes; the investigation and adjudication of greenwashing complaints from investors, civil society, and regulators; the power to impose penalties for material misrepresentation in ESG disclosures, calibrated to a percentage of the company's annual turnover rather than fixed monetary amounts; and the publication of an annual State of ESG Accountability Report covering sector-level decoupling trends and enforcement outcomes.

The calibration of penalties to turnover rather than to fixed amounts is essential to the deterrent function of the enforcement regime. Current penalties under the SEBI LODR Regulations (approximately Rs.2,000 per day of non-compliance) are plainly inadequate as a deterrent for the largest listed companies in the country. A penalty structure modelled on the CSRD's approach, where penalties may represent a percentage of global annual turnover for serious violations, would align India's enforcement framework with international standards and ensure that the cost of non-compliance exceeds the cost of compliance.

The reforms proposed in this section do not require the creation of an entirely new legislative architecture. They require targeted amendments to an existing statute (the Companies Act, 2013), the exercise of co-regulatory authority by two existing regulators (SEBI and MCA), and the establishment of a single new statutory body whose mandate is bounded and clearly defined. The feasibility case for these reforms is therefore not that they are easy, but that they are proportionate to the problem the evidence identifies. A Decoupling Gap of 24.04 points in FY 2024-25, persisting across nine sectors and three financial years, is not a problem that a better BRSR template can solve. It is a problem that requires directors to be legally accountable for ESG outcomes, that requires a single authority to enforce that accountability, and that requires the legal framework governing corporate conduct to be coherent enough for accountability to be meaningful.

7. Conclusion

India's ESG regulatory journey is, by any reasonable measure, a success story of disclosure architecture. In little over a decade, the framework has moved from aspirational voluntary guidelines to structured, quantified, and partially assured reporting obligations that are broadly comparable with leading international regimes. The BRSR Core framework represents a genuine regulatory achievement, and the 41.4% improvement in mean Disclosure Quality Scores recorded across the study period reflects the effectiveness of SEBI's disclosure enforcement.

The central finding of this paper, however, is that disclosure architecture and accountability architecture are not the same thing, and that India has built the former without the latter. Across 89 of the largest listed firms in India over three consecutive financial years, the Decoupling Gap between what companies report and what they achieve has widened by 72.7% relative to the BRSR baseline. Mandatory third-party assurance, the most significant regulatory intervention of the period, improved the technical precision of reporting while initially widening the gap it was implicitly intended to close. The firms exhibiting the highest decoupling are not reporting novices; they are concentrated in sectors with the most developed compliance infrastructure. These findings are inconsistent with the view that the current framework will self-correct as reporting matures.

The structural causes are identifiable and addressable. Fragmentation across SEBI, MCA, and environmental regulators ensures that no single authority can hold a company accountable for its ESG governance as a whole. The formulation of directors' duties under Section 166 as aspirational rather than operational means that the most consequential accountability mechanism in company law remains formally satisfied by the existence of disclosure structures rather than by the performance of the substance those structures are meant to drive. And the legal separation of mandatory CSR expenditure from performance-driven ESG governance produces measurable fragmentation in corporate behaviour, with high CSR spending correlating poorly with substantive ESG outcomes.

The three reforms proposed in Section 6 are derived directly from this diagnosis. They do not require a new legislative architecture; they require targeted amendments to an existing statute, co-regulatory coordination between two existing authorities, and the establishment of a single oversight body with a bounded and clearly defined mandate. What they do require is a regulatory consensus that disclosure without consequence is not accountability, and that the sophistication of India's reporting framework has outpaced the legal infrastructure needed to make that reporting meaningful.

The value chain accountability gap identified in Section 5, set to become mandatory from FY 2026-27, will test whether the reforms proposed here are introduced in advance of that expansion or in response to the predictable widening of the Decoupling Gap that will follow if they are not. The empirical trajectory documented in this paper suggests that the answer to that question will determine whether India's ESG framework becomes a genuine instrument of corporate accountability or remains, as it is now, a sophisticated mechanism for the production of increasingly precise reports about outcomes that are not improving fast enough.

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