# Module 7: Regulatory & Legal Landscape in India


The **Regulatory & Legal Landscape in India** refers to the **framework of laws, rules, policies, regulatory bodies, compliance mechanisms, and judicial systems** that govern how individuals, businesses, and institutions operate within the country.
It establishes the **rights, responsibilities, standards, and limitations** required for lawful and ethical functioning in India's political, social, and economic environment.

In simple terms:
It is the entire system of laws + regulators + enforcement processes that ensures India runs in a structured and accountable way.

**Topics Covered:**

- SEBI BRSR Guidelines (2023)
- Ministry of Corporate Affairs ESG Policy Initiatives
- DPDP Act 2023 & ESG Data Governance
- Role of RBI, NITI Aayog & Global ESG Treaties
- Case Study: BRSR compliance journey of listed companies in India

## Regulatory & Legal Landscape in India – 7 Key Components

| ›. | Component | Description | Key Examples / Bodies |
|---|---|---|---|
| | **Constitutional Framework** | he supreme legal foundation defines ɣernance structure, rights, duties, and legislative powers. | ıstitution of India, Fundamental Rights, Directive Principles |
| | **ʒislative Bodies (Law-Making Authorities)** | National and state institutions are responsible for creating laws. | iament (Lok Sabha, Rajya Sabha), State Legislatures |
| | **ɡulatory Authorities (Sector-Specific Regulators)** | gencies that regulate, supervise, and force laws across different industries. | I, SEBI, IRDAI, TRAI, FSSAI, CPCB, CCI, DGCA |
| | **egal Framework for Business** | aws governing company formation, rations, taxation, labour, competition, and insolvency. | ɔmpanies Act 2013, IBC, GST, Labour des, Contract Act, Data Protection Act |
| | **vironmental, Social & ESG Regulations** | ıles ensuring sustainability, pollution trol, energy efficiency, corporate social responsibility, and ESG reporting. | SR, Environment Protection Act, Air & ter Acts, CSR Rules, Waste Management Rules |
| | **Compliance & Enforcement Mechanisms** | stems for ensuring adherence to laws ia supervision, penalties, audits, and disclosures. | gulatory audits, inspections, penalties, license approvals/suspensions, and statutory filings |
| | **Judicial System** | titutions responsible for interpreting ws, resolving disputes, and ensuring justice. | Supreme Court, High Courts, District ourts, NCLT/NCLAT, Green Tribunal |

## 1. SEBI BRSR Guidelines (2023)

### What is BRSR (brief)

BRSR = **Business Responsibility & Sustainability Report**. Introduced by SEBI first in May 2021 to replace the older BRR (Business Responsibility Report), the BRSR standardises ESG disclosures for listed entities so investors and stakeholders get consistent, comparable ESG data. The 2023 guidance introduced **BRSR Core** (a focused KPI subset) plus a formal **assurance and value-chain disclosure framework** — strengthening disclosure quality and reliability.

## Why SEBI tightened BRSR in 2023

- To move from narrative disclosure to **measurable, auditable KPIs** for easier investor use.
- To make certain leadership indicators mandatory for the largest listed companies and to require **assurance** on core metrics.
- To include **value-chain (supplier/contractor) disclosures** so impacts beyond the boundary are visible.

## Scope & Applicability (what companies must do)

- BRSR was mandated (phased) for the **top 1000 listed entities by market capitalisation** (voluntary earlier, mandatory for FY 2022–23 onward). SEBI's 2023 instruments add BRSR Core and assurance expectations to the LODR regime. Filing is aligned with LODR rules (i.e., reports alongside annual filings).

## Structure: BRSR vs BRSR Core (2023 changes)

- **BRSR (full):** The original, comprehensive format with broad disclosures across 9 principles (general disclosures, management & process, and performance indicators). Annexure II contains the full format.
- **BRSR Core (2023):** A **smaller set of Key Performance Indicators (KPIs)** selected from the full BRSR that are most material for Indian companies (e.g., energy from renewables, waste management KPIs, key social indicators). BRSR Core is intended for **assurance** and to be the "minimum common data set" for investors. SEBI published the Core format and guidance in July 2023.

## Key elements / mandatory disclosures introduced in 2023

(These are the most load-bearing reporting requirements introduced or clarified in 2023.)

1. **Mandatory Leadership KPIs for top 1,000** — certain previously voluntary leadership indicators became mandatory (e.g., renewable energy consumption details, gender/wage-related metrics for leadership indicators).
2. **BRSR Core KPIs** — an explicit list of KPIs grouped under the main ESG attributes (environmental, social, governance) designed to be assured. See Annexure I (BRSR Core format) for attribute-level KPIs.
3. **Value-chain disclosures** — entities must disclose ESG exposure and performance for their upstream/downstream value chain where material (supplier audits, procurement practices, cascading of policies). This was codified in the July 2023 circular.
4. **Assurance requirements** — BRSR Core requires independent assurance of KPIs (details below).

## Assurance framework (independence, scope, and approach)

SEBI's 12 July 2023 framework focuses heavily on **assurance quality and independence**:

- **Who can assure:** Only assurance providers that do not have conflicts of interest. If an assurance provider supplies non-assurance services to the listed entity or its group entities (financial or non-financial services), they are **ineligible** to assure BRSR Core. SEBI clarifies limits to preserve independence.
- **Assurance types and level:** SEBI aligns with international practice — assurance engagements can be **limited** (reasonable limited assurance) or **reasonable** assurance. The BRSR Core is the primary target for mandatory assurance; SEBI expects robust evidence and documentation. (SEBI circular sets the framework; firms often follow ISAE/ASAE/other assurance standards adapted locally.)
- **Assurance scope:** Focus on BRSR Core KPIs, and where provided, assurance statements must explicitly state scope, methodology, limitations, and independence declarations. SEBI requires disclosure if companies rely on third-party vendor certificates — with clarity on assurance boundaries.

### Value-Chain / Supplier Disclosures (what to report)

- **Upstream (suppliers)**: Number/percentage of suppliers audited for ESG, supplier code of conduct distribution, supplier training, payments to small vendors, and inclusion of local suppliers.
- **Downstream (customers/use phase)**: Product sustainability impacts, take-back programs, product circularity metrics, where material.
  SEBI asks for **quantitative metrics where possible**, and a narrative on how value-chain risks are identified and mitigated. This broadens accountability beyond the factory/gate.

### Reporting format & filing

- SEBI provided **Annexure II (full BRSR format)** and **Annexure I (BRSR Core)** as templates — these specify line-by-line tables, units, measurement approaches, and cross-references to principles. Reports should be filed alongside annual filings under LODR and made publicly available on the company website.
  for more info: file:///C:/Users/Admin/Downloads/Annexure_II-Updated-BRSR_p.pdf

### Materiality & Mapping to other frameworks

- BRSR requires companies to conduct and disclose **materiality assessments** (what issues matter to the business & stakeholders). SEBI's format maps many BRSR items to international frameworks (e.g., NGRBC, GRI, SASB/IFRS Sustainability) as guidance to improve comparability — but BRSR remains the India-specific required template for listed entities.
  for more info:
  file:///C:/Users/Admin/Downloads/Business%20responsibility%20and%20sustainability%20reporting%20by%20listed%20entitiesAnnexure2_p.pdf

## Governance & Controls required inside the company

To produce credible BRSR outputs, companies need:

- **Data governance** (single source of truth for energy, emissions, social KPIs)
- **Internal controls** over ESG data collection (owner, frequency, methodology)
- **Board/Committee oversight** (ESG/BRSR sign-off, board disclosures)
- **Stakeholder engagement records** (for materiality & value-chain claims)
- **Assurance liaison processes** (prepare evidence packs for assurance providers).
  These are not just best practices — SEBI expects evidence of process.
  for more info: Annexure_I-Format-of-BRSR-Core_p.pdf

## Enforcement, penalties and practical implications

- BRSR reporting sits in the LODR (Listing Obligations) universe — non-compliance can attract scrutiny, queries, and actions under SEBI rules. SEBI guidance and FAQs also stress independence for assurance providers; failure to comply with assurance independence or to file required KPIs can trigger regulatory follow-up. (SEBI's enforcement posture has tightened since 2023 through circulars and FAQs.)
  for more info: file:///C:/Users/Admin/Downloads/1691500854553.pdf

## Practical implementation roadmap (recommended 9-step plan)

1. **Gap analysis:** Map current disclosures against Annexure II and Core format.
2. **Materiality refresh:** Re-run stakeholder materiality to prioritise KPIs.
3. **Data architecture:** Build a central ESG ledger (energy, emissions, waste, workforce, supplier data).
4. **Assign owners & timelines:** Function owners for each KPI, periodic data collection cadence.
5. **Select assurance provider early:** Check conflict-of-interest rules and ineligible relationships per SEBI FAQ/circular.
6. **Run pilot assurance:** Test a subset of KPIs to identify evidence gaps.
7. **Finalise BRSR & Core template:** Populate Annexure fields and cross-references for the annual report.
8. **Board oversight & approvals:** Ensure the board/ESG committee signs off on the report and assurance disclosures.
9. **Publish & engage:** Publish BRSR on the website, brief investors, and maintain a query log for follow-up.

## Common challenges companies face

- **Data gaps and inconsistent methodologies** across plants and geographies.
- **Supplier data scarcity** (value-chain disclosures are often the hardest).
- **Assurance independence constraints** (third parties frequently provide advisory services that disqualify them).
- **Capacity & skills shortage** — accountants/assurance firms are still scaling ESG assurance teams.

- **Complex units and normalisation** (e.g., intensity metrics require consistent denominators).

### Best practices & quick wins

- Start BRSR Core KPI collection first — cheaper to assure and covers investor priority items.
- Use external standards to shape methodology (GHG Protocol, ISO 14064, local labour statutes) for credibility.
- Build supplier onboarding questionnaires and minimum contract clauses for ESG.
- Publish methodology annexe in BRSR (units, boundaries, assumptions) — transparency reduces queries.
- Invest in one ESG data platform that feeds both management KPIs and statutory BRSR fields.

### Short FAQ (based on SEBI's guidance)

Q: **Is assurance mandatory for all elements of BRSR?**
A: SEBI's 2023 circular expects **assurance on BRSR Core KPIs**; companies often assure additional elements voluntarily. Check the specific circular and FAQs for independence rules.

Q: **Can the same firm provide advisory and assurance?**
A: No — SEBI's FAQs require that assurance providers **must not have conflicts**; if they provide non-assurance services to the listed entity or group, they are ineligible to assure BRSR Core.

Q: **How does BRSR link to investor needs?**
A: BRSR Core is explicitly designed to provide a comparable KPI set for investors and lenders to evaluate ESG risks and opportunities.

## 2. Ministry of Corporate Affairs ESG Policy Initiatives

### 1. Role of MCA in India's ESG Ecosystem

The **Ministry of Corporate Affairs (MCA)** is the **nodal authority** responsible for shaping India's corporate governance, ethical business conduct, and social responsibility framework. While SEBI focuses on **disclosures for listed companies**, MCA provides the **foundational ESG architecture** applicable to **all corporates—**listed and unlisted.

MCA's ESG approach is **principle-based + statutory**, combining:

- Voluntary guidance
- Mandatory CSR obligations
- Governance and accountability norms
- Alignment with global sustainability standards

In India, **ESG did not begin as an investor concept—**it started as a **governance and responsibility mandate**, driven by MCA.

## 2. Evolution of MCA's ESG Thinking

### Phase 1: Voluntary Responsibility (2009–2012)

- MCA introduced **Voluntary Guidelines on Corporate Social Responsibility (CSR)**
- Focus: ethical conduct, transparency, stakeholder fairness
- ESG was framed as *"responsible business"*, not compliance

### Phase 2: Statutory Social Responsibility (2013)

- Introduction of **Companies Act, 2013**
- **Section 135** made CSR spending **mandatory**
- India became the **first major economy** to legislate CSR

### Phase 3: Principle-Based ESG Framework (2019)

- MCA released **National Guidelines on Responsible Business Conduct (NGRBC)**
- ESG moved from charity → **strategic responsibility**

### Phase 4: Strengthening Oversight & Transparency (2021–Present)

- CSR Rules amended
- Digital disclosures
- ESG alignment with capital markets (SEBI BRSR)
- Push towards ESG as a **fiduciary responsibility**

## 3. National Guidelines on Responsible Business Conduct (NGRBC), 2019

### 3.1 What is NGRBC?

NGRBC is MCA's **core ESG policy framework**.

It provides **9 principles** that define **how businesses should operate responsibly**, covering ethics, environment, human rights, governance, and stakeholder engagement.

### 3.2 The 9 NGRBC Principles (ESG Mapping)

| NGRBC Principle | G Dimension |
|---|---|
| thics, transparency, accountability | Governance |
| Sustainable products & services | nvironmental |
| Employee well-being | Social |
| Stakeholder engagement | Social |

| NGRBC Principle | G Dimension |
|---|---|
| Human rights | Social |
| Environment protection | nvironmental |
| Responsible public policy | Governance |
| Inclusive growth | Social |
| Consumer value & responsibility | Social |

NGRBC is **voluntary**, but it acts as:

- A **moral compass**
- A **benchmark for regulators**
- A **base document for SEBI BRSR**

## 4. CSR under Companies Act, 2013 – MCA's Strongest ESG Tool

### 4.1 Statutory CSR Framework

Companies meeting any of these thresholds must comply:

- Net worth ≥ ₹500 crore OR
- Turnover ≥ ₹1,000 crore OR
- Net profit ≥ ₹5 crore

Such companies must:

- Spend **2% of average net profits** on CSR
- Form a **CSR Committee**
- Disclose CSR activities in the Board's Report

### 4.2 CSR as a Social ESG Pillar

CSR in India is not philanthropy—it is **regulated social impact.**

Permitted areas (Schedule VII):

- Education
- Healthcare
- Women empowerment
- Environmental sustainability
- Rural development
- Skill development
- Climate action

CSR thus institutionalises the **"S" in ESG**.

## 5. CSR Policy Rule Amendments (2021 onwards)

MCA significantly tightened CSR governance to prevent misuse.

**Key Reforms:**

### 5.1 Mandatory Registration of Implementing Agencies

- NGOs/trusts must register with MCA
- Ensures traceability of CSR funds
- Reduces fraud and shell NGOs

### 5.2 Unspent CSR Rules

- Unspent CSR must be transferred to:
  - Special CSR account (ongoing projects), or
  - Government fund (non-ongoing)

### 5.3 Impact Assessment

- Mandatory for large CSR spends
- Third-party evaluation required
- Introduced **outcome-based accountability**

### 5.4 Board Accountability

- Directors are legally responsible for CSR compliance
- CSR failure can attract penalties

These changes transformed CSR from **check-box compliance to outcome-driven ESG governance**.

## 6. MCA and ESG Governance

### 6.1 Corporate Governance Framework

Through the Companies Act, the MCA governs:

- Board composition
- Independent directors
- Audit committees
- Whistle-blower mechanisms
- Related-party transactions

Strong governance = **"G" of ESG**

### 6.2 Fiduciary Duty & ESG

While ESG is not yet explicitly codified as a director's duty, MCA policy direction suggests:

- ESG risks are **business risks**
- Ignoring ESG may violate directors' duty of care
- Future amendments may explicitly include ESG

This marks a shift from:

"ESG is optional" → "ESG is governance responsibility"

## 7. MCA's ESG Digital & Transparency Initiatives

MCA is increasingly using **technology** to strengthen ESG oversight:

- CSR filings via MCA portal
- Digital Board's Reports
- Data analytics for CSR fund utilisation
- Proposed ESG dashboards (policy discussions ongoing)

This supports:

- Better enforcement
- Public accountability
- Investor and stakeholder trust

## 8. MCA–SEBI Alignment on ESG

| MCA | SEBI |
|---|---|
| Applies to all companies | Applies to listed companies |
| 'olicy & statutory framework | )isclosure & investor framework |
| CSR & NGRBC | BRSR & BRSR Core |
| Governance-first approach | Capital market-first approach |

MCA's NGRBC principles serve as the philosophical foundation for SEBI's BRSR disclosures.

Together, they create a **complete ESG ecosystem**:

- MCA defines **what a responsible business is**
- SEBI defines **how to report it**

## 9. MCA's ESG Impact on Businesses (Practical View)

### 9.1 For Companies

- ESG now affects:
  - Board decisions
  - Capital access
  - Reputation
  - Legal compliance
- CSR non-compliance is a **legal violation**

### 9.2 For Boards & Leadership

- ESG oversight is becoming unavoidable
- Directors must understand sustainability risks
- CSR & ESG are reviewed by regulators and investors

### 9.3 For Unlisted Companies

- Even unlisted companies face:
  - CSR obligations
  - Supply-chain ESG pressure
  - Bank & lender ESG expectations

## 10. Future Direction of MCA's ESG Policy

MCA's policy trajectory indicates:

1. **Stronger ESG integration into the Companies Act**
2. **Mandatory ESG governance disclosures**
3. **Greater accountability of directors**
4. **Standardisation of ESG metrics**
5. **Convergence with global sustainability norms**
6. **Increased scrutiny of CSR outcomes**
7. **Technology-driven ESG monitoring**

India is moving from:

Voluntary ESG → Structured ESG → Enforceable ESG

## 11. Why MCA's ESG Framework is Globally Unique

- First country to legislate CSR
- ESG rooted in **ethics and inclusion**, not just climate
- Strong focus on **social equity**
- Balance between **growth and responsibility**
- ESG seen as **nation-building**, not compliance
- DPDP Act 2023 & ESG Data Governance

# 3. DPDP Act 2023 & ESG Data Governance

## 1. Why DPDP Act, 2023 is an ESG Issue (Big Picture)

At first glance, the **Digital Personal Data Protection Act, 2023 (DPDP Act)** looks like a **privacy law**.
In reality, it is a **core ESG governance regulation**.

Why?

Because today:

- ESG depends on **data**
- Data depends on **trust**
- Trust depends on **privacy, transparency, and governance**

**DPDP Act directly strengthens the "G" (Governance) pillar of ESG**, while deeply influencing **Social (S)** responsibilities such as human rights, employee dignity, and consumer protection.

## 2. What Is the DPDP Act, 2023? (Conceptual Definition)

The **Digital Personal Data Protection Act, 2023** is India's primary law governing:

- Collection
- Processing
- Storage
- Use
- Sharing
- Protection

of **digital personal data** of individuals.

> **"The DPDP Act, 2023, establishes a legal framework to ensure that personal data is processed lawfully, transparently, securely, and responsibly, while holding organisations accountable for misuse or breaches."**

## 3. Why the DPDP Act Was Introduced (Policy Intent)

India introduced DPDP because:

1. **Explosive digitalisation** (fintech, healthtech, edtech, e-commerce)
2. **Frequent data breaches**
3. **Misuse of personal data for profiling and surveillance**
4. **Lack of accountability in digital governance**

5. **Global alignment** with GDPR, OECD, and UN privacy principles

DPDP is about **data dignity**, not just compliance.

## 4. Core Concepts Under DPDP Act, 2023

### 4.1 Personal Data

Any data about an individual who can be identified:

- Name
- Phone number
- Aadhaar-linked info
- Email
- Location
- Biometric or financial data

### 4.2 Data Principal

The **individual** to whom the personal data relates
(ESG Link: stakeholder, employee, customer, citizen)

### 4.3 Data Fiduciary

The **organisation** that determines why and how data is processed
(Company, startup, hospital, school, employer)

### 4.4 Data Processor

A third-party processes data on behalf of the fiduciary
(Cloud provider, payroll vendor, ESG software vendor)

## 5. Key Principles of DPDP Act (Governance Lens)

The DPDP Act embeds **governance-first data ethics**:

| DPDP Principle | ESG Link |
|---|---|
| Lawful purpose | Ethical governance |
| Consent-based processing | Human rights & dignity |
| Purpose limitation | Responsible data use |
| Data minimization | Risk reduction |
| Accuracy | ESG data integrity |

| DPDP Principle | ESG Link |
| --- | --- |
| Storage limitation | Cyber risk control |
| Reasonable security safeguards | Governance & resilience |
| Accountability | Board & leadership responsibility |

## 6. Rights of Individuals (Social Pillar of ESG)

DPDP Act strengthens **stakeholder rights**, a critical ESG "S" component.

### Key Rights

- Right to information
- Right to correction and erasure
- Right to grievance redressal
- Right to withdraw consent
- Right to nominate (in case of death/incapacity)

This makes **privacy a social responsibility**, not just legal compliance.

## 7. Obligations of Organizations (Governance Pillar)

Under DPDP Act, organizations must:

### 7.1 Obtain Valid Consent

- Clear
- Specific
- Informed
- Unconditional

Dark patterns or forced consent violate governance norms.

### 7.2 Appoint Data Protection Officer (Where Applicable)

For **Significant Data Fiduciaries** (SDFs):

- Mandatory DPO
- India-based
- Reports to senior management

This embeds **data governance into leadership structure**.

### 7.3 Data Security & Breach Management

- Implement technical & organizational safeguards
- Notify Data Protection Board in case of breaches
- Maintain breach logs

Cyber resilience becomes an **ESG governance metric**.

### 7.4 Accountability for Vendors

Data fiduciaries remain responsible even if:

- Data is processed by third parties
- ESG data platforms mishandle personal data

This strengthens **value-chain governance**.

## 8. Penalties & Enforcement (Why Boards Must Care)

The DPDP Act has **significant financial penalties**:

| Violation | Penalty |
|---|---|
| Data breach due to negligence | Up to ₹250 crore |
| Failure to protect children's data | Up to ₹200 crore |
| Non-fulfilment of obligations | Up to ₹150 crore |
| Consent violations | Heavy fines |

ESG implication: **Data governance failures can destroy shareholder value and reputation overnight.**

## 9. What Is ESG Data Governance?

**ESG Data Governance** refers to:

- How ESG-related data is collected
- Who owns it
- How it is validated
- How it is protected
- How it is reported
- How personal data within ESG datasets is governed

Examples:

- Employee diversity data
- Health & safety records
- Supplier audits
- Community impact surveys
- Whistle-blower complaints

All of these often include **personal data**.

## 10. DPDP Act's Direct Impact on ESG Data

### 10.1 Environmental (E) Data

Usually, low personal data risk
BUT:

- IoT sensors
- Geo-tagged environmental monitoring
- Field worker tracking

Must ensure location & biometric data compliance.

### 10.2 Social (S) Data – Highest Risk Area

Includes:

- Employee demographics
- Gender diversity
- Wage data
- Health & safety incidents
- CSR beneficiary information

DPDP Act requires:

- Consent
- Anonymization where possible
- Restricted access
- Retention limits

### 10.3 Governance (G) Data

Includes:

- Whistle-blower complaints
- Ethics investigations
- Board evaluations
- Vendor compliance audits

Mishandling this data = governance failure.

## 11. DPDP Act & ESG Reporting (BRSR Link)

SEBI BRSR requires disclosure of:

- Diversity metrics
- Safety incidents
- Training hours
- Grievances
- Supplier compliance

DPDP Act demands:

- Data minimization
- Consent
- Purpose limitation

**Companies must balance transparency with privacy.**

Best practice:

- Report **aggregated and anonymized ESG data**
- Avoid personally identifiable disclosures

## 12. Board-Level ESG & Data Governance Responsibilities

Boards must now oversee:

- ESG disclosures
- Cybersecurity
- Data privacy
- Vendor data risks

DPDP transforms data governance into:

**A fiduciary duty of directors**

Failure may lead to:

- Regulatory action
- ESG rating downgrade
- Investor backlash

## 13. Practical ESG Data Governance Framework

### Step 1: ESG Data Mapping

Identify:

- What ESG data you collect
- Where personal data exists
- Who owns the data

### Step 2: Lawful Basis Assessment

For each ESG dataset:

- Consent-based?
- Legitimate use?
- Mandatory disclosure?

### Step 3: Privacy-by-Design

- Anonymization
- Role-based access
- Encryption
- Retention limits

### Step 4: Vendor Governance

- DPDP clauses in contracts
- Breach notification obligations
- Audit rights

### Step 5: Board Oversight

- ESG + DPDP dashboard
- Incident reporting
- Annual data governance review

## 14. Example: ESG Data Breach Scenario

**Scenario:**
An ESG consultant leaks employee gender & salary data used for BRSR reporting.

**Impacts:**

- DPDP violation
- Employee trust loss
- Governance failure
- ESG rating downgrade
- Possible ₹250 crore penalty

Lesson: **ESG transparency without data governance is dangerous.**

### 15. DPDP Act & Global ESG Alignment

DPDP aligns India with:

- GDPR (EU)
- OECD Privacy Guidelines
- UN Guiding Principles on Business & Human Rights

This improves:

- Global investor confidence
- Cross-border ESG credibility
- Trust in Indian corporate disclosures

### 16. Future Outlook: Where DPDP & ESG Are Headed

Expect:

1. Mandatory ESG data governance disclosures
2. ESG ratings factoring in data privacy performance
3. DPDP audits becoming part of ESG assurance
4. Stronger enforcement
5. ESG-linked penalties for data failures

India is moving towards:

**Trust-based digital ESG governance.**

## 4. Role of RBI, NITI Aayog & Global ESG Treaties

### 1. Why These Institutions Matter in ESG (Big Picture)

ESG in India does not operate in isolation. It is shaped by:

- **RBI** → Financial system stability & climate-risk governance
- **NITI Aayog** → National sustainability strategy & policy direction
- **Global ESG Treaties** → International commitments that influence domestic laws

Together, they ensure ESG is not just **corporate reporting**, but a **national economic, financial, and developmental framework**.

### 2. Role of RBI (Reserve Bank of India) in ESG

#### 2.1 RBI's Mandate & ESG Connection

RBI's primary mandate is:

- Monetary stability

- Financial system stability
- Banking regulation

However, ESG—especially **climate risk and governance failures**—poses **systemic financial risks**.

RBI treats ESG as a **financial risk issue**, not a moral or CSR topic.

### 2.2 Climate Risk as Financial Risk

RBI recognises two major climate-related risks:

#### A. Physical Risks

- Floods, cyclones, and heatwaves are damaging assets
- Loan defaults in agriculture, MSMEs, and infrastructure
- Insurance losses

#### B. Transition Risks

- Sudden policy changes (carbon taxes, emission limits)
- Fossil-fuel asset devaluation (stranded assets)
- Technology shifts (EVs, renewables)

These risks directly affect:

- Banks' balance sheets
- NBFC loan portfolios
- Insurance solvency

### 2.3 RBI's Key ESG Initiatives

#### 1. Climate Risk & Stress Testing

- RBI has asked banks and NBFCs to:
  - Identify climate risks
  - Integrate them into **risk management frameworks**
  - Conduct climate stress testing

#### 2. Sustainable Finance Framework

RBI supports:

- Green bonds
- Sustainability-linked lending
- Climate-aligned credit policies

Banks are encouraged to:

- Finance renewable energy
- Support low-carbon projects
- Integrate ESG risk scoring

### 3. Governance & Disclosure Expectations

RBI expects:

- Strong board oversight
- Cybersecurity governance
- Data privacy controls
- Ethical lending practices

Governance failures = financial instability.

### 2.4 RBI's ESG Impact on Corporations

Indirect but powerful:

- ESG-poor companies face:
  - Higher borrowing costs
  - Restricted access to finance
- ESG-strong companies get:
  - Preferential green finance
  - Better credit perception

RBI makes ESG **financially consequential**.

## 3. Role of NITI Aayog in ESG

### 3.1 NITI Aayog's Purpose

NITI Aayog is India's **policy think tank**, responsible for:

- Long-term development strategy
- Federal coordination
- SDG alignment
- Sustainable growth pathways

Unlike the RBI (regulator), NITI Aayog is a **strategic architect**.

### 3.2 NITI Aayog & Sustainable Development Goals (SDGs)

India's ESG framework is deeply tied to **UN SDGs**, and NITI Aayog is the **nodal body** for:

- SDG mapping
- National Indicator Framework
- State-level SDG rankings

Each SDG aligns with ESG pillars:

| ESG | SDGs |
|---|---|
| Environment | SDG 7, 12, 13, 15 |
| Social | SDG 1, 3, 4, 5, 8 |
| Governance | SDG 16, 17 |

### 3.3 Key ESG Initiatives by NITI Aayog

#### 1. National SDG Index

- Ranks states & UTs
- Drives competition and accountability
- Pushes ESG-aligned policy outcomes

#### 2. Climate & Energy Transition

- Supports renewable energy targets
- Electric mobility policy frameworks
- Green hydrogen mission support

#### 3. Circular Economy Roadmap

- Sector-specific circular economy strategies:
  - Electronics
  - Construction
  - Plastics
  - Batteries

This directly influences corporate ESG strategies.

#### 4. ESG Capacity Building

- ESG awareness programs
- Public-private partnerships
- ESG data standardisation efforts

### 3.4 NITI Aayog's Influence on Corporations

Although not a regulator:

- Shapes future laws
- Guides ministries
- Influences incentives and funding

Corporations aligned with NITI Aayog's vision are **future-proofed**.

## 4. Role of Global ESG Treaties

### 4.1 Why Global Treaties Matter for Indian Companies

India is a signatory to multiple international ESG treaties.
These treaties:

- Influence domestic laws
- Shape investor expectations
- Affect export competitiveness

Even if treaties are **not directly enforceable**, they are **policy drivers**.

## 5. Key Global ESG Treaties & Frameworks

### 5.1 Paris Agreement (Climate – Environmental Pillar)

#### Purpose

- Limit global warming to below 2°C (ideally 1.5°C)
- Reduce greenhouse gas emissions

#### India's Commitments

- Net-zero by 2070
- 50% energy capacity from renewables by 2030
- Reduce emissions intensity of GDP

#### Corporate Impact

- Carbon disclosure expectations
- Renewable energy transition
- Climate risk reporting (TCFD alignment)

### 5.2 UN Sustainable Development Goals (SDGs)

- 17 global goals adopted by UN members
- Blueprint for inclusive, sustainable growth

**Corporate Impact**

- ESG materiality mapping
- CSR alignment (India)
- Sustainability reporting frameworks

### 5.3 UN Guiding Principles on Business & Human Rights (UNGPs)

#### Three Pillars

1. State duty to protect human rights
2. Corporate responsibility to respect human rights
3. Access to remedy

**Corporate Impact**

- Human rights due diligence
- Labour practices
- Supply-chain accountability

### 5.4 ILO Conventions

- Labour rights
- Fair wages
- No child/forced labour
- Occupational safety

**Corporate Impact**

- Social audits
- Supplier compliance
- ESG "S" metrics

### 5.5 OECD Guidelines for Multinational Enterprises

- Responsible business conduct
- Anti-corruption
- Environmental responsibility
- Disclosure & transparency

This influence:

- Global investors
- ESG rating methodologies
- Cross-border operations

## 6. How Global Treaties Influence Indian ESG Regulations

| Global Treaty | Indian Translation |
|---|---|
| Paris Agreement | Climate policy, renewable targets |
| SDGs | NITI Aayog SDG Index, CSR priorities |

| Global Treaty | Indian Translation |
|---|---|
| UNGPs | NGRBC principles |
| ILO | Labour codes |
| OECD | Governance & disclosure norms |

ESG regulations in India are **globally aligned but locally contextualised**.

## 7. Combined Impact: RBI + NITI Aayog + Global Treaties

Together, they create a **3-layer ESG governance system**:

### Layer 1: Global Direction

- Climate goals
- Human rights norms
- Sustainability benchmarks

### Layer 2: National Strategy

- NITI Aayog policy alignment
- SDG roadmap
- Long-term sustainability vision

### Layer 3: Financial Enforcement

- RBI climate risk governance
- Sustainable finance
- Banking & credit discipline

## 8. Practical Impact on Corporations

### For Companies

- ESG affects financing, valuation, and reputation
- ESG compliance is no longer optional

### For Banks & Investors

- Climate-risk pricing
- ESG screening
- Portfolio alignment

### For Boards

- ESG oversight is fiduciary duty
- Climate & data risks must be discussed at board level

## 9. Example: ESG Impact in Action

**Scenario:**
A thermal power company seeks bank financing.

- **RBI lens:** Climate transition risk
- **Global treaty lens:** Paris Agreement alignment
- **NITI Aayog lens:** Energy transition roadmap

Result:

- Higher interest rate
- Shorter loan tenure
- Mandatory transition plan
- ESG-linked covenants

# 5. Case Study: BRSR Compliance Journey of Listed Companies in India

## 1. Background: Why BRSR Changed the ESG Game in India

Before BRSR, ESG reporting in India was:

- Voluntary
- Narrative-heavy
- Inconsistent
- Difficult to compare across companies

SEBI introduced **Business Responsibility & Sustainability Reporting (BRSR)** to:

- Standardise ESG disclosures
- Improve investor confidence
- Align India with global ESG expectations
- Move ESG from "storytelling" to **data-driven accountability**

For listed companies, BRSR became not just a report—but a **transformation journey**.

## 2. Phase 1: Initial Awareness & Mindset Shift (FY 2021–22)

### What Companies Initially Thought

- "This is just another disclosure requirement"

- “CSR data will be enough”
- “Sustainability team can handle it alone”

### Reality Check

Companies soon realized:

- BRSR touches **operations, HR, finance, procurement, legal, and IT**
- ESG data is **fragmented**
- Historical data was missing or inconsistent
- Boards and CXOs were unprepared

**Key Learning:**
BRSR is **enterprise-wide governance**, not a sustainability report.

## 3. Phase 2: Gap Assessment & Readiness Mapping

### Step 1: Applicability Confirmation

The top 1000 listed companies by market cap were mandated to comply.

### Step 2: Gap Analysis

Companies compared:

- Existing BRR/sustainability reports
- CSR disclosures
- Annual report data
  against **BRSR principles & indicators**

### Common Gaps Identified

- No Scope 1 & 2 emissions tracking
- No gender-pay or diversity analytics
- Weak supplier ESG monitoring
- Limited human rights documentation
- Inconsistent safety data across plants

**Key Learning:**
Most companies were **not ESG-data ready**.

## 4. Phase 3: Internal Governance Restructuring

### Board & Leadership Involvement

Companies created or strengthened:

- ESG Committees
- Sustainability Steering Committees

- Board-level oversight on ESG risks

### Functional Ownership Mapping

| BRSR Area | Owner |
|---|---|
| Energy & emissions | Operations / EHS |
| Diversity & labour | HR |
| Governance & ethics | Legal / Compliance |
| Supplier ESG | Procurement |
| Reporting | Finance / ESG Team |

**Key Learning:**
Without clear ownership, BRSR data collapses.

## 5. Phase 4: ESG Data Infrastructure Creation

### Data Challenges

- Manual spreadsheets
- No centralised ESG system
- Poor audit trails
- Inconsistent measurement units

### Company Responses

- ESG data platforms introduced
- SOPs for ESG data collection
- Standardised KPIs
- Internal controls similar to financial reporting

### Example

A manufacturing company:

- Installed energy meters across plants
- Digitised safety incident reporting
- Centralised HR diversity dashboards

**Key Learning:**
BRSR pushed companies toward **ESG internal controls**.

## 6. Phase 5: Materiality & Stakeholder Engagement

### What Changed

Earlier: ESG issues chosen internally
Now: **Stakeholder-driven materiality**

### Stakeholders Engaged

- Employees
- Customers
- Investors
- Suppliers
- Local communities

### Outcome

Companies narrowed their focus to **material ESG risks**, such as:

- Climate risk (energy-intensive sectors)
- Worker safety
- Supply-chain ethics
- Data privacy

**Key Learning:**
BRSR shifted ESG from "everything" to **what matters most**.

## 7. Phase 6: First-Time BRSR Reporting Experience (FY 2022–23)

### Initial BRSR Submissions

- Heavy reliance on narratives
- Partial data
- "Not applicable" disclosures
- Conservative language to avoid scrutiny

### Challenges Faced

- Tight timelines
- Interpretation confusion
- Lack of industry benchmarks
- Board nervousness

### SEBI's Role

- Issued clarifications

- Allowed learning curve
- Focused on disclosure rather than penalties

**Key Learning:**
First-year BRSR was about **learning, not perfection**.

## 8. Phase 7: Introduction of BRSR Core & Assurance (2023)

### Major Turning Point

SEBI introduced:

- **BRSR Core** (key ESG KPIs)
- **Mandatory assurance**
- **Value-chain disclosures**

This transformed BRSR from:

Reporting exercise → **Risk & credibility exercise**

### Impact on Companies

- Data accuracy became critical
- External assurance readiness required
- Supplier data became unavoidable
- ESG risks entered board discussions

**Key Learning:**
BRSR Core forced **ESG discipline**.

## 9. Phase 8: Assurance Journey & Governance Maturity

### Assurance Challenges

- Evidence gaps
- Weak documentation
- Conflicts with assurance providers
- Limited ESG assurance expertise in India

### Company Actions

- Strengthened documentation
- Built evidence repositories
- Appointed independent assurance firms
- Conducted mock audits

### Outcome

- ESG data began resembling **financial audit quality**

- Boards demanded assurance reports

**Key Learning:**
Assurance professionalised ESG governance.

## 10. Phase 9: Value Chain ESG Integration

### Supplier Challenges

- Low ESG awareness
- Resistance to audits
- Data reliability issues

### Company Responses

- Supplier codes of conduct
- ESG questionnaires
- ESG clauses in contracts
- Capacity-building workshops

### Example

A consumer goods company:

- Audited top 50 suppliers
- Linked ESG compliance to vendor ratings
- Provided ESG training

**Key Learning:**
BRSR expanded ESG **beyond company boundaries**.

## 11. Sector-Specific Experiences

### IT & Services

- Strong on governance
- Focus on diversity & data privacy
- Easier Scope 1 emissions reporting

### Manufacturing

- High environmental data burden
- Safety & waste management focus
- Capex-intensive ESG improvements

### Financial Services

- Focus on governance & data security
- ESG risk in lending portfolios

- Climate risk disclosures emerging

## 12. Key Benefits Observed by Listed Companies

### Operational Benefits

- Better energy efficiency
- Reduced safety incidents
- Improved supplier discipline

### Financial Benefits

- Improved ESG ratings
- Access to ESG funds
- Lower cost of capital (select cases)

### Reputational Benefits

- Stronger investor trust
- Better employer branding
- Improved regulator confidence

## 13. Key Challenges & Pain Points

| Challenge | Reality |
|---|---|
| ESG data quality | Still evolving |
| Supplier data | Weakest link |
| Assurance costs | Increasing |
| Skill gaps | ESG professionals' shortage |
| Fear of greenwashing | High caution |

## 14. Strategic Shift Observed

BRSR moved companies from:

- CSR → **ESG strategy**
- Reporting → **risk management**
- Sustainability teams → **Board ownership**
- Voluntary → **Accountability**

## 15. Future Roadmap for Listed Companies

Expected next steps:

1. Real-time ESG dashboards
2. Integrated ESG-financial reporting
3. Climate transition plans
4. Deeper Scope 3 disclosures
5. Stronger enforcement & penalties
6. ESG-linked executive incentives

## 16. Key Takeaways for Learners

1. BRSR is not a report—it is a **governance transformation**
2. Data systems matter more than narratives
3. Assurance changes ESG behaviour
4. Supplier ESG is unavoidable
5. Boards must own ESG
6. ESG maturity is a journey, not a one-time compliance

## Quizzes Questions with Answers

**1. The primary objective of introducing BRSR Core in 2023 was to:**
A. Replace financial statements
B. Reduce CSR spending
C. Improve credibility and assurance of ESG disclosures
D. Make ESG reporting voluntary
**Answer: C**

**2. BRSR is mandatory for which companies?**
A. All private companies
B. Top 1000 listed companies by market capitalization
C. MSMEs only
D. Start-ups registered with DPIIT
**Answer: B**

**3. BRSR Core mainly focuses on:**
A. Narrative ESG disclosures
B. Marketing sustainability initiatives
C. Key ESG KPIs with assurance
D. CSR expenditure details only
**Answer: C**

**4. Under BRSR, materiality refers to:**
A. Issues important only to management
B. Issues significant to both business and stakeholders
C. Only environmental issues
D. Only investor interests
**Answer: B**

**5. Which area became mandatory under BRSR Core assurance?**
A. Brand value
B. Employee satisfaction surveys
C. ESG KPIs disclosure
D. Advertising expenses
**Answer: C**

**6. BRSR reporting is governed under which SEBI regulation?**
A. ICDR Regulations
B. LODR Regulations
C. PIT Regulations
D. Takeover Code
**Answer: B**

**7. Value-chain disclosures under BRSR mainly cover:**
A. Competitors
B. Suppliers and vendors
C. Only customers

D. Government bodies
**Answer: B**

**8. BRSR replaced which earlier framework?**
A. CSR Report
B. Integrated Report
C. Business Responsibility Report (BRR)
D. Annual Sustainability Report
**Answer: C**

**9. The biggest shift introduced by BRSR is from:**
A. Profit to loss reporting
B. Voluntary to data-driven ESG governance
C. Environmental to social focus
D. Public to private disclosures
**Answer: B**

**10. Which Act forms the backbone of MCA's ESG framework?**
A. SEBI Act
B. Companies Act, 2013
C. RBI Act
D. Environment Protection Act
**Answer: B**

**11. Section 135 of the Companies Act deals with:**
A. Board appointments
B. Corporate Social Responsibility (CSR)
C. ESG reporting
D. Data protection
**Answer: B**

**12. NGRBC issued by MCA contains how many principles?**
A. 5
B. 7
C. 9
D. 12
**Answer: C**

**13. CSR spending under the Companies Act is:**
A. Voluntary
B. Tax-deductible only
C. Mandatory for eligible companies
D. Optional for listed companies
**Answer: C**

**14. MCA's ESG approach is primarily:**
A. Investor-driven
B. Governance and ethics-driven
C. Market-driven

D. Advertisement-driven
**Answer: B**

**15. Mandatory CSR spending is calculated as:**
A. 1% of turnover
B. 5% of net worth
C. 2% of average net profits
D. Fixed annual amount
**Answer: C**

**16. NGRBC primarily focuses on:**
A. Financial reporting
B. Responsible business conduct
C. Marketing strategy
D. Tax planning
**Answer: B**

**17. MCA strengthened CSR governance by introducing:**
A. Higher tax rebates
B. Mandatory NGO registration
C. Optional CSR audits
D. Reduced disclosures
**Answer: B**

**18. MCA's ESG framework applies to:**
A. Only listed companies
B. Only large corporations
C. All companies under the Companies Act (as applicable)
D. Only government companies
**Answer: C**

**19. The DPDP Act, 2023 primarily governs:**
A. Financial data
B. Environmental data
C. Digital personal data
D. Non-digital records
**Answer: C**

**20. Under DPDP Act, an individual whose data is processed is called:**
A. Data Controller
B. Data Fiduciary
C. Data Processor
D. Data Principal
**Answer: D**

**21. Which ESG pillar is most directly strengthened by DPDP Act?**
A. Environmental
B. Social
C. Governance
D. Economic
**Answer: C**

**22. Employee diversity data used in ESG reporting falls under:**
A. Non-personal data
B. Personal data
C. Financial data
D. Public data
**Answer: B**

**23. Which principle is central to DPDP compliance?**
A. Unlimited data storage
B. Consent-based processing
C. Mandatory data sharing
D. Data monetization
**Answer: B**

**24. DPDP Act penalties can go up to:**
A. ₹10 crore
B. ₹50 crore
C. ₹100 crore
D. ₹250 crore
**Answer: D**

**25. ESG reporting must balance transparency with:**
A. Marketing strategy
B. Competitive secrecy
C. Data privacy and protection
D. Cost reduction
**Answer: C**

**26. Who is responsible for data protection compliance even when vendors process data?**
A. Vendor only
B. Data processor
C. Data fiduciary
D. Government authority
**Answer: C**

**27. Best practice for ESG data under DPDP Act is:**
A. Publishing individual-level data
B. Aggregation and anonymization
C. Storing data indefinitely
D. Ignoring consent
**Answer: B**

**28. RBI considers ESG primarily as:**
A. CSR obligation
B. Marketing trend
C. Financial and systemic risk issue
D. Environmental activism
**Answer: C**

**29. Climate-related risks recognized by RBI include:**
A. Legal and tax risks
B. Physical and transition risks
C. Political risks only
D. Market risks only
**Answer: B**

**30. NITI Aayog is best described as:**
A. Financial regulator
B. Policy think tank
C. Judicial authority
D. Market watchdog
**Answer: B**

**31. NITI Aayog is the nodal agency for:**
A. SEBI regulations
B. RBI supervision
C. UN Sustainable Development Goals in India
D. Tax reforms
**Answer: C**

**32. India's Net-Zero commitment year is:**
A. 2030
B. 2040
C. 2050
D. 2070
**Answer: D**

**33. Which global agreement drives climate disclosures and transition plans?**
A. WTO Agreement
B. Paris Agreement
C. Basel III
D. Kyoto Protocol
**Answer: B**

**34. ILO conventions mainly influence which ESG pillar?**
A. Environmental
B. Social
C. Governance
D. Financial
**Answer: B**

**35. RBI's ESG stance most directly impacts:**
A. Corporate advertising
B. Bank lending and cost of capital
C. CSR project selection
D. Board diversity
**Answer: B**

**36. Global ESG treaties influence Indian companies mainly through:**
A. Direct penalties
B. Investor expectations and policy alignment
C. Tax rebates
D. Criminal law
**Answer: B**

**37. The first major challenge companies faced during BRSR adoption was:**
A. Excess CSR spending
B. Lack of ESG data readiness
C. Investor resistance
D. Regulatory penalties
**Answer: B**

**38. BRSR implementation required involvement from:**
A. Only sustainability teams
B. Only finance teams
C. Multiple business functions
D. External consultants only
**Answer: C**

**39. BRSR shifted ESG responsibility primarily to:**
A. Marketing department
B. CSR teams
C. Board and senior management
D. External auditors
**Answer: C**

**40. The introduction of BRSR Core led to:**
A. Less reporting
B. Mandatory assurance and higher data quality
C. Reduced ESG focus
D. Optional disclosures
**Answer: B**

**41. Supplier ESG data became important because of:**
A. CSR rules

B. Value-chain disclosures
C. Tax compliance
D. HR policies
**Answer: B**

**42. First-year BRSR reports were largely:**
A. Perfect and complete
B. Narrative-heavy with partial data
C. Fully assured
D. Investor-focused only
**Answer: B**

**43. ESG assurance primarily improved:**
A. Marketing content
B. Data credibility and governance discipline
C. Shareholding pattern
D. Brand logos
**Answer: B**

**44. BRSR compliance helped companies move ESG from:**
A. Strategy to reporting
B. Reporting to governance and risk management
C. Governance to CSR
D. Operations to finance
**Answer: B**

**45. The biggest long-term impact of BRSR is:**
A. Increased paperwork
B. ESG as a boardroom and risk management priority
C. Reduced CSR obligations
D. Lower regulatory oversight
**Answer: B**