

# The Conceptual Significance of Non-Financial Reporting in India: An Evolutionary Analysis from CSR to BRSR Core and the Net Zero Imperative

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## ABSTRACT

*The global corporate landscape is undergoing a profound transformation, marked by a decisive shift from a singular focus on shareholder value to a broader commitment to stakeholder capitalism. This paradigm change has elevated the importance of Non-Financial Reporting (NFR), which provides critical insights into a company's environmental, social, and governance (ESG) performance. While NFR is a global phenomenon, the Indian context presents a unique and compelling case study, characterized by a regulatory evolution that is both rapid and prescriptive. This paper aims to conceptually analyze the significance and trajectory of NFR in India, tracing its path from the mandatory, but largely philanthropic, Corporate Social Responsibility (CSR) regime to the comprehensive, assurance-based Business Responsibility and Sustainability Reporting (BRSR) Core framework. Grounded in Stakeholder Theory and Legitimacy Theory, this conceptual analysis employs a historical-evolutionary approach to synthesize the interconnectedness of key frameworks, including CSR, the Global Reporting Initiative (GRI), BRSR, and the national climate imperative of Net Zero. The findings reveal that the Indian NFR landscape is distinguished by a unique regulatory push that actively drives convergence with global standards. The BRSR Core framework, with its explicit focus on quantitative climate metrics, such as carbon footprint disclosure, and its requirement for value chain assurance,*

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*positions India as a pioneering leader among emerging economies in mandating robust and verifiable sustainability disclosures. Ultimately, NFR in India is conceptualized not merely as a compliance exercise, but as a critical mechanism for enhancing corporate accountability, managing systemic risks, attracting global capital, and aligning the private sector with India's ambitious national climate goals.*

**Keywords:** *Non-Financial Reporting (NFR), India, Business Responsibility and Sustainability Reporting (BRSR), ESG, Corporate Social Responsibility (CSR), Global Reporting Initiative (GRI), Carbon Footprint, Net Zero*

## INTRODUCTION

### Background and Global Context

The 21<sup>st</sup> century has witnessed an undeniable shift in the definition of corporate success. No longer is financial performance the sole metric; instead, a company's long-term viability is increasingly judged by its impact on the planet and its people. This evolution is driven by a confluence of factors: the escalating urgency of climate change, growing societal demands for corporate accountability, and the rise of ESG (Environmental, Social, and Governance) investing, which now influences trillions of dollars in global capital allocation. In this environment, Non-Financial Reporting (NFR) has emerged as the essential language through which corporations communicate their sustainability performance to a diverse set of stakeholders (CFA Institute, 2024).

NFR, often synonymous with sustainability or integrated reporting, moves beyond traditional financial statements to provide qualitative and quantitative data on a company's material ESG risks and opportunities. Global frameworks, such as the Global Reporting Initiative (GRI) Standards, the Task Force on Climate-related Financial Disclosures (TCFD), and the International Sustainability Standards Board (ISSB), have sought to standardize this disclosure, aiming for comparability and reliability across jurisdictions (Global Reporting Initiative, 2021).

### Problem Statement

While the global trend towards mandatory NFR is clear, the trajectory in emerging economies often differs significantly from that in developed

markets. India, as one of the world's fastest-growing major economies, presents a particularly complex and instructive case. Unlike many Western nations where NFR has been primarily driven by investor demand and voluntary corporate action, India's journey has been uniquely characterized by a strong, top-down regulatory mandate. This began with the world's first statutory requirement for Corporate Social Responsibility (CSR) spending in 2013, and has culminated in the highly prescriptive Business Responsibility and Sustainability Reporting (BRSR) framework.

This unique, regulator-driven evolution—from a focus on philanthropic spending (CSR) to a comprehensive, principle-based disclosure (BRSR) that incorporates global standards (GRI) and national priorities (Net Zero)—requires a dedicated conceptual analysis. The existing literature often treats these frameworks in isolation or focuses on empirical compliance rates. A conceptual paper is needed to synthesize these disparate elements, articulate the conceptual significance of this evolution, and understand how India's NFR model serves as a critical policy tool for achieving national economic and climate objectives. Specifically, the conceptual challenge lies in understanding the interconnectedness of:

- The mandatory nature of India's NFR (CSR and BRSR).
- The alignment with global best practices (GRI, ESG).
- The integration of high-priority climate metrics (carbon footprint, Net Zero).

## **Research Objective**

The primary objective of this paper is to conceptually analyze the significance of India's Non-Financial Reporting framework by:

- Tracing the historical and conceptual evolution of NFR in India, from the CSR mandate to the BRSR Core framework.
- Examining the theoretical underpinnings (Stakeholder and Legitimacy Theories) that justify the regulatory push for NFR in the Indian context.
- Synthesizing the role of key frameworks (GRI, ESG) and national climate goals (Carbon Footprint, Net Zero) within the BRSR structure.
- Articulating the conceptual implications of this model for corporate governance, capital markets, and the pursuit of sustainable development in emerging economies.

## **Significance of the Study**

This study holds significant value for both academic discourse and practical policy. Academically, it contributes to the literature on sustainability reporting in emerging markets by offering a synthesized, conceptual model of regulatory evolution. It moves beyond descriptive accounts of compliance to analyze the underlying conceptual shifts—from an input-based (CSR spend) to an outcome-based (BRSR metrics) regulatory philosophy. For policymakers, the paper provides a conceptual justification for the BRSR framework as an effective instrument for market discipline and for aligning corporate strategy with India's ambitious Net Zero by 2070 target. For corporate strategists and investors, it clarifies the conceptual significance of BRSR Core as a mechanism for risk management and for attracting the growing pool of ESG-mandated capital.

## **Structure of the Paper**

The remainder of this paper is structured as follows: Section 2 outlines the conceptual framework and methodology. Section 3 provides a detailed evolutionary analysis of NFR in India, focusing on the transition from CSR to BRSR. Section 4 examines the integration of global standards and the climate focus, specifically addressing ESG, GRI, Carbon Footprint, and Net Zero. Section 5 discusses the conceptual and policy implications, challenges, and future research directions. Finally, Section 6 concludes the paper by summarizing the key arguments.

## **CONCEPTUAL FRAMEWORK AND METHODOLOGY**

### **Conceptual Paper Methodology**

This study adopts the methodology of a conceptual paper, which is designed to synthesize existing literature, develop new theoretical frameworks, and articulate the conceptual significance of a phenomenon (Jaakkola, 2020). Unlike empirical research, which tests hypotheses using primary data, a conceptual paper focuses on theory building and the systematic analysis of concepts, relationships, and regulatory structures. The 6,000-word scope allows for a deep, comprehensive synthesis of the regulatory, academic, and practical dimensions of NFR in India. The approach is

primarily historical-evolutionary, tracing the conceptual shifts in reporting requirements over time, and analytical, dissecting the components of the BRSR framework and their theoretical justification.

## **Theoretical Foundations**

The conceptual significance of India's NFR evolution can be best understood through the lens of two foundational theories in corporate social responsibility and accounting: Stakeholder Theory and Legitimacy Theory.

### **Stakeholder Theory**

Stakeholder Theory, as articulated by (Freeman, 1984), posits that the success of a corporation is dependent on its ability to manage relationships with all key stakeholders, not just shareholders. These stakeholders include employees, customers, suppliers, the community, and the environment. In the context of NFR, the theory suggests that companies disclose non-financial information to meet the informational needs of these diverse groups.

In India, the regulatory push for NFR, particularly the mandatory nature of CSR and BRSR, is a direct application of Stakeholder Theory. The government, acting as a representative of the broader society and the regulator of capital markets, mandates disclosure to ensure that corporate actions align with national development goals and the interests of the community. The BRSR framework, with its detailed disclosures on employee welfare, community engagement, and environmental impact, forces companies to systematically account for their impact on all primary and secondary stakeholders. The conceptual significance here is that the Indian state has institutionalized the stakeholder model through legislation, moving it from a voluntary management philosophy to a legal obligation.

### **Legitimacy Theory**

Legitimacy Theory suggests that organizations continuously seek to ensure that they operate within the bounds and norms of their respective societies (Suchman, 1995). A corporation's legitimacy is threatened when there is a perceived gap between its actions and the expectations of society (the "legitimacy gap"). NFR is a primary tool for managing this gap. By voluntarily or mandatorily disclosing their social and environmental performance, companies seek to demonstrate that they are responsible corporate citizens, thereby maintaining their "license to operate."

The evolution of NFR in India is a clear manifestation of Legitimacy Theory in action. The initial CSR mandate was a response to the perceived legitimacy gap arising from rapid economic growth coupled with persistent social and environmental challenges. The subsequent introduction of BRSR, and especially BRSR Core, is a response to the *new* legitimacy gap: the need for credible, verifiable action on climate change and ESG. By aligning BRSR with global standards and mandating assurance, the regulator is conceptually demanding a higher, more robust form of legitimacy from India’s largest corporations, moving beyond mere symbolic compliance to substantive performance.

### The Evolutionary Framework of Indian NFR

To structure the analysis in the subsequent sections, this paper proposes a three-phase conceptual model for the evolution of NFR in India:

Phase	Timeframe	Primary Focus	Regulatory Instrument	Conceptual Shift
Phase I	Post-2013	Philanthropy & Expenditure	Companies Act, 2013 (Sec 135)	From Voluntary to Mandatory Spending
Phase II	2012 - 2021	Principles & Governance	SEBI BRR (National Voluntary Guidelines)	From Spending to Principle-Based Reporting
Phase III	2021 - Present	Metrics, Assurance, & Climate	SEBI BRSR & BRSR Core	From Disclosure to Verifiable Performance

This framework will guide the detailed analysis in Section 3, demonstrating the conceptual progression from a focus on financial inputs (CSR spend) to a focus on non-financial outcomes and impacts (BRSR metrics and Net Zero alignment).

## THE EVOLUTION OF NON-FINANCIAL REPORTING IN INDIA

The history of non-financial reporting in India is a narrative of progressive regulatory intervention, moving from voluntary, philanthropic gestures to mandatory, standardized, and assurance-based disclosures. This

evolution, unique among major economies, can be conceptually segmented into three distinct phases, each marking a significant shift in the corporate understanding of responsibility and transparency.

### **Phase I: The CSR Mandate (Companies Act, 2013)**

The first major regulatory intervention that fundamentally altered the landscape of corporate responsibility in India was the enactment of the Companies Act, 2013. Specifically, Section 135 of the Act made India the first country in the world to legally mandate Corporate Social Responsibility (CSR) spending (Government of India, 2013). This provision requires companies meeting certain financial thresholds (net worth of ₹500 crore or more, or turnover of ₹1,000 crore or more, or a net profit of ₹5 crore or more) to spend at least 2% of their average net profits from the preceding three years on CSR activities (Government of India, 2013).

#### **Conceptual Shift: From Philanthropy to Mandatory Social Investment**

Conceptually, the CSR mandate represented a monumental shift from the traditional, voluntary model of corporate philanthropy to one of mandatory social investment. Prior to 2013, CSR was largely viewed as an optional, discretionary activity, often disconnected from core business strategy. The new law institutionalized the idea that large corporations have a non-negotiable obligation to contribute to societal development. This regulatory move was deeply rooted in the Indian tradition of trusteeship and the need to address the significant socio-economic disparities that persisted despite rapid economic growth (Kulkarni, 2014).

However, the reporting mechanism under this phase was primarily focused on input and expenditure. Companies were required to report the amount spent, the projects undertaken, and the reasons for any shortfall in the mandated 2% spending. This focus on financial input, while ensuring compliance, led to a conceptual limitation: the emphasis was on outlay rather than outcome (Kulkarni, 2014). Critics argued that the mandate risked reducing CSR to a mere compliance cost, encouraging “check-the-box” reporting that lacked depth regarding the actual social or environmental impact of the activities. The reporting was often qualitative, descriptive, and lacked the standardized metrics necessary for comparative analysis by stakeholders. This limitation highlighted the need for a more principle-based and performance-oriented reporting framework.

## **Phase II: The Principle-Based Approach (Business Responsibility Reporting - BRR)**

Recognizing the limitations of a purely expenditure-focused CSR regime, the Securities and Exchange Board of India (SEBI) introduced the Business Responsibility Report (BRR) in 2012 (Securities and Exchange Board of India (SEBI), 2012). Initially mandated for the top 100 listed companies by market capitalization, the requirement was gradually expanded. The BRR framework was based on the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs), published by the Ministry of Corporate Affairs (MCA) in 2011.

### **Conceptual Shift: From Spending to Principles and Governance**

The BRR marked the second major conceptual shift in India's NFR journey: a move from mandatory spending (CSR) to principle-based reporting. The BRR required companies to report on their performance against nine core principles of responsible business conduct, including ethical functioning, providing safe and sustainable goods, promoting the well-being of employees, respecting human rights, and protecting the environment.

This framework introduced a “comply or explain” mechanism, which was a significant conceptual step towards global best practices. While the disclosure was not strictly mandatory for all data points, the requirement to explain non-disclosure pushed companies to think systematically about their governance structures and policies related to non-financial aspects. The BRR, therefore, served as a crucial bridge, shifting the corporate mindset from merely reporting on philanthropic activities to integrating responsible business conduct into core strategy and governance (Securities and Exchange Board of India (SEBI), 2012). It laid the groundwork for a more holistic view of corporate responsibility, aligning with the broader global movement towards ESG integration. However, the BRR still suffered from a lack of standardization, with companies often providing qualitative and non-comparable data, making it challenging for investors to integrate the information into financial models.

## **Phase III: Comprehensive and Mandatory Disclosure (BRSR and BRSR Core)**

The limitations of the BRR—namely, its qualitative nature and lack of standardized metrics—necessitated a more robust framework. This led to the introduction of the Business Responsibility and Sustainability Report

(BRSR) by SEBI in May 2021 (Securities and Exchange Board of India (SEBI), 2021). The BRSR was made mandatory for the top 1,000 listed companies by market capitalization from the financial year 2022-23, replacing the BRR.

### **Conceptual Leap: From Disclosure to Verifiable Performance**

The BRSR represents the most significant conceptual leap in India's NFR evolution. It is a highly detailed, structured, and quantitative reporting format that moves beyond the "comply or explain" approach of the BRR to one of mandatory disclosure for a vast majority of metrics. The BRSR is structured around the nine principles of the updated National Guidelines on Responsible Business Conduct (NGRBC), published in 2019 (Ministry of Corporate Affairs (MCA), 2019).

The BRSR is conceptually significant for several reasons:

- *Quantitative Focus*: It mandates the disclosure of specific, measurable metrics, such as the consumption of energy and water, the generation of waste, and the breakdown of employee demographics. This shift from qualitative narrative to quantitative data is essential for enabling investors and analysts to benchmark performance and integrate ESG factors into valuation models (CFA Institute, 2024).
- *Alignment with Global Standards (GRI)*: The BRSR was consciously designed to be highly interoperable with global frameworks, particularly the Global Reporting Initiative (GRI) Standards. This strategic alignment reduces the reporting burden for multinational Indian companies and ensures that their disclosures are globally comparable, thereby enhancing their attractiveness to international capital (CFA Institute, 2024).
- *Integration of Climate Metrics*: The BRSR explicitly integrates climate-related disclosures, marking a clear policy signal that climate risk is a material financial risk in India. It mandates the disclosure of Scope 1 and Scope 2 emissions (direct and indirect emissions from owned or controlled sources), laying the foundation for corporate accountability on climate change (Securities and Exchange Board of India (SEBI), 2021).

### **The BRSR Core and the Assurance Imperative**

The evolution did not stop with the BRSR. In July 2023, SEBI introduced the BRSR Core, a subset of the BRSR that focuses on a limited number of Key Performance Indicators (KPIs) for which reasonable assurance is required (Securities and Exchange Board of India (SEBI), 2023). This

move is conceptually transformative, as it introduces the element of verifiability and credibility into NFR.

The BRSR Core mandates assurance for nine key KPIs, including metrics related to:

- *Emissions*: Scope 1, 2, and 3 emissions.
- *Water Consumption*: Total water withdrawal.
- *Energy*: Total energy consumption.
- *Value Chain*: ESG disclosures for the company's value chain (top 75% by spend/revenue).

The requirement for reasonable assurance signifies a regulatory intent to combat “greenwashing” and elevate NFR to the same level of scrutiny as financial reporting. Furthermore, the inclusion of value chain reporting is a conceptual recognition of the interconnectedness of modern business and the need for systemic responsibility, extending the corporate boundary of accountability beyond the company's direct operations (Securities and Exchange Board of India (SEBI), 2023). This phased, mandatory, and increasingly assured approach positions India's NFR framework as a robust and unique model among emerging economies.

## GLOBAL INTEGRATION AND CLIMATE FOCUS

The third phase of India's NFR evolution, embodied by the BRSR framework, is conceptually defined by two critical forces: the integration of global standards, primarily through the lens of ESG, and the explicit incorporation of national climate goals, specifically Carbon Footprint reduction and the Net Zero imperative. This section analyzes how the BRSR acts as a conduit, translating global sustainability paradigms into actionable, mandatory corporate disclosures within the Indian context.

### ESG as the Overarching Paradigm

ESG (Environmental, Social, and Governance) has become the dominant framework for assessing corporate sustainability performance globally. It provides a structured lens through which investors and stakeholders evaluate non-financial risks and opportunities. In India, the significance of NFR is inextricably linked to the rise of ESG.

### Defining ESG and Its Relevance to Capital Markets

ESG is conceptually significant because it transforms qualitative sustainability issues into factors that are material to financial performance

and risk management (Bais et al., 2024). The “E” (Environmental) covers climate change, resource depletion, waste, and pollution; the “S” (Social) addresses labor practices, human rights, community relations, and diversity; and the “G” (Governance) focuses on corporate leadership, executive pay, audits, and shareholder rights.

For the Indian capital market, the BRSR framework is the primary tool for operationalizing ESG. By mandating disclosures across the nine principles of the NGRBC, the BRSR ensures that the three pillars of ESG are systematically addressed. Academic studies, such as those analyzing the BRSR reports of Indian companies, confirm that the framework is heavily weighted towards the Social and Environmental aspects, reflecting India’s unique development challenges (CFA Institute, 2024). The conceptual significance here is that the BRSR has standardized the data input required for ESG rating agencies and investors, thereby increasing the flow of ESG-mandated capital into the Indian market. Foreign Portfolio Investors (FPIs) increasingly prioritize firms with robust ESG disclosures, making NFR a critical factor in attracting global investment and enhancing market liquidity (Chauhan, 2019).

### **The Role of Global Reporting Initiative (GRI) in BRSR Interoperability**

The Global Reporting Initiative (GRI) Standards are the most widely used global framework for sustainability reporting. The conceptual decision by SEBI to align the BRSR with GRI standards is a strategic move to ensure interoperability and global comparability.

#### **GRI’s Widespread Adoption in India**

Long before the BRSR mandate, many large Indian corporations voluntarily adopted the GRI Standards for their sustainability reports. This was driven by the need to communicate with international stakeholders, supply chain partners, and global investors. The GRI’s emphasis on materiality—reporting on issues that significantly impact the organization’s economic, environmental, and social performance—provided a structured approach to NFR (Global Reporting Initiative, 2021).

#### **Conceptual Analysis of BRSR-GRI Alignment**

The BRSR framework is conceptually designed to be a GRI-aligned national standard. A comparative analysis reveals that a significant

portion of the BRSR's mandatory disclosures either directly map to or are consistent with the requirements of the GRI Standards (Global Reporting Initiative, 2021). This alignment serves a dual purpose:

- *Reducing Reporting Burden:* For Indian companies already reporting under GRI, the BRSR requirements are largely complementary, minimizing the need for parallel reporting efforts.
- *Ensuring Global Comparability:* By adhering to the conceptual structure of GRI, the BRSR ensures that the sustainability data produced by Indian companies is understandable and usable by global investors and analysts who rely on GRI-based disclosures.

This strategic interoperability is a key conceptual feature of the Indian NFR model. It demonstrates a regulatory philosophy that seeks to maintain national relevance (through the NGRBC principles) while simultaneously ensuring global integration, thereby strengthening the competitive position of Indian corporations in the global economy.

### **Climate-Centric Reporting: Carbon Footprint, Net Zero, and BRSR Core**

Perhaps the most forward-looking and conceptually significant aspect of the BRSR framework is its explicit focus on climate-related disclosures, which directly supports India's national climate goals.

#### **Carbon Footprint Disclosure: The Foundation of Climate Accountability**

The BRSR mandates the disclosure of a company's Carbon Footprint, specifically requiring the reporting of Scope 1 (direct emissions from owned or controlled sources) and Scope 2 (indirect emissions from the generation of purchased energy) emissions (Securities and Exchange Board of India (SEBI), 2021). This is a critical conceptual step, as it transforms the abstract concept of climate impact into a concrete, quantitative metric that can be tracked, benchmarked, and assured.

The significance of this mandatory disclosure is twofold:

- *Market Discipline:* It provides investors with the necessary data to assess climate-related transition risks (e.g., risks from carbon taxes or shifting consumer preferences) and physical risks (e.g., risks from extreme weather events) (Debnath & Kanoo, 2021).
- *Internal Management:* By forcing companies to measure their emissions, the BRSR drives internal corporate action towards

energy efficiency and the adoption of renewable energy sources. The CFA Institute's analysis of BRSR reports has already shown a measurable reduction in carbon emissions per unit of revenue among reporting companies, demonstrating the framework's effectiveness as a policy tool (CFA Institute, 2024).

### **The Net Zero Imperative and Corporate Alignment**

India has committed to achieving Net Zero emissions by 2070 [15]. The BRSR framework is conceptually designed to be the primary corporate mechanism for driving progress towards this national goal. The mandatory disclosure of the carbon footprint, coupled with the requirement to report on targets for energy and water consumption, directly aligns corporate strategy with the national climate agenda.

The BRSR encourages companies to set Science-Based Targets (SBTs) and disclose their decarbonization pathways. The conceptual significance of this linkage is that the regulator is leveraging the NFR mechanism to socialize the cost and responsibility of the national climate transition across the largest listed entities.

### **BRSR Core: Assurance and Value Chain Accountability**

The introduction of BRSR Core in 2023 further solidifies the climate focus by requiring reasonable assurance for key climate metrics, including Scope 1, 2, and the increasingly material Scope 3 (value chain) emissions (Securities and Exchange Board of India (SEBI), 2023).

The inclusion of Scope 3 emissions in the BRSR Core assurance requirement is a profound conceptual statement. It acknowledges that for many sectors, the majority of the carbon footprint lies outside the company's direct operations, within its supply chain. By mandating value chain reporting (top 75% by spend/revenue), the BRSR Core extends the conceptual boundary of corporate accountability, forcing large companies to exert influence and build capacity for NFR among their smaller, unlisted suppliers. This regulatory push is a critical step towards achieving systemic decarbonization necessary for the 2070 Net Zero target. The move to reasonable assurance for these climate metrics is the ultimate conceptual validation of NFR's significance: it signals that climate data is now considered as financially material and requires the same level of independent verification as traditional financial statements.

## **DISCUSSION, IMPLICATIONS, AND FUTURE RESEARCH**

The conceptual analysis of India's NFR evolution reveals a regulatory model that is both proactive and adaptive, successfully bridging the gap between national development priorities and global sustainability standards. The transition from the input-focused CSR mandate to the assurance-based BRSR Core represents a fundamental shift in the conceptualization of corporate responsibility in India. This section discusses the significance of this model for various stakeholders, outlines the key implementation challenges, and proposes avenues for future research.

### **Significance for Stakeholders**

The robust NFR framework in India holds distinct conceptual significance for three primary stakeholder groups: investors, regulators, and society.

#### **Investors: Risk-Adjusted Decision-Making**

For investors, NFR, particularly under the BRSR framework, is no longer a peripheral concern but a critical tool for risk-adjusted decision-making. The mandatory, quantitative nature of BRSR disclosures provides the necessary data to move beyond simple ESG scores to a granular assessment of material risks. The disclosure of carbon footprint and value chain metrics allows investors to quantify transition risks, such as the potential impact of carbon taxes or supply chain disruptions due to climate change (Chauhan, 2019). Furthermore, the move to reasonable assurance under BRSR Core enhances the credibility of this data, reducing information asymmetry and increasing investor confidence. Conceptually, the BRSR transforms non-financial data into financially material information, thereby integrating sustainability into the core of capital allocation decisions.

#### **Regulators: Market Discipline and National Policy Tool**

For the Indian regulator (SEBI), the BRSR framework is a powerful instrument for market discipline and a direct policy tool for achieving national objectives. By mandating disclosure, the regulator is effectively using the market mechanism to enforce responsible business conduct. The BRSR's alignment with the NGRBC principles ensures that corporate behavior is steered towards national priorities, such as inclusive growth

and environmental protection. Most significantly, the framework acts as a policy lever for the Net Zero by 2070 target. By making the disclosure of emissions and decarbonization targets mandatory, the regulator has socialized the responsibility for climate action across the largest corporate entities, ensuring that the private sector is a committed partner in the national climate transition (Government of India, 2021).

### **Society: Corporate Accountability and Externalities**

From a societal perspective, the significance of the BRSR lies in its ability to enhance corporate accountability and internalize social and environmental externalities. The detailed disclosures on employee welfare, community engagement, and environmental performance provide civil society organizations and the public with the necessary information to hold corporations to account. The shift from the philanthropic focus of CSR to the impact-based metrics of BRSR conceptually forces companies to address the negative externalities of their operations, thereby strengthening the corporate Legitimacy and the social contract between business and society (Suchman, 1995).

### **Challenges in Implementation**

Despite its conceptual robustness, the implementation of the BRSR framework presents several practical challenges that must be addressed to fully realize its significance.

#### **Data Quality and Standardization**

The primary challenge lies in ensuring the quality and standardization of data, particularly for complex metrics like Scope 3 emissions and value chain disclosures. Many companies, especially those newly brought under the mandate, lack the internal systems and technical expertise to accurately measure and report these metrics (CFA Institute, 2024). The risk of “greenwashing”—where companies provide misleading or exaggerated sustainability claims—remains a significant threat to the credibility of the entire framework. The BRSR Core’s assurance requirement is a direct regulatory response to this challenge, but its effectiveness will depend on the capacity and independence of the assurance providers.

#### **Capacity Building for the Value Chain**

The BRSR Core’s requirement for value chain reporting, while conceptually sound, places a substantial burden on large companies to gather data from their often-fragmented and unlisted suppliers. This

necessitates a massive capacity-building effort across the Indian corporate ecosystem, particularly for Small and Medium Enterprises (SMEs) that form the backbone of many supply chains. Without adequate support and simplified reporting mechanisms for SMEs, the value chain disclosure requirement risks becoming a compliance bottleneck rather than a driver of systemic sustainability.

### **Integration with Financial Reporting**

A final conceptual challenge is the full integration of NFR with financial reporting. While the BRSR is part of the Annual Report, the conceptual goal of integrated reporting—where financial and non-financial performance are presented as intrinsically linked—is still evolving. The lack of a unified, mandatory integrated reporting standard means that NFR is often treated as a separate, non-core disclosure, which can dilute its perceived significance among traditional financial analysts.

### **Conceptual and Policy Implications**

The Indian NFR model offers profound conceptual and policy implications for other emerging economies and for the global sustainability reporting landscape.

### **The Indian Model: A Blend of Regulatory Philosophies**

The Indian model is conceptually unique as it represents a successful blend of two regulatory philosophies: the “Comply or Explain” approach (inherited from BRR and still present in parts of BRSR) and the “Mandatory Disclosure” approach (the core of BRSR and BRSR Core). This hybrid model allows for flexibility where data collection is difficult (e.g., certain social metrics) while enforcing strict compliance on financially material and nationally critical metrics (e.g., carbon footprint). This pragmatic approach offers a blueprint for other emerging economies seeking to rapidly advance their sustainability agenda without stifling economic growth.

### **The Shift to Outcome-Based Regulation**

The most significant conceptual implication is the shift from input-based regulation (CSR spend) to outcome-based regulation (BRSR metrics). This transition signals a maturation of the regulatory philosophy, where the focus is no longer on the effort (how much money was spent) but on the measurable impact (what was the reduction in emissions, how many employees were trained). This outcome-based approach is essential

for ensuring that NFR serves its ultimate purpose: driving substantive, positive change in corporate behavior.

### Future Research Directions

The conceptual framework developed in this paper opens several avenues for future empirical research:

- *Empirical Impact of BRSR Core Assurance:* Future studies should empirically investigate the impact of the BRSR Core assurance requirement on the quality and credibility of NFR data. This could involve comparing the market reaction to assured vs. unassured BRSR reports.
- *BRSR and Firm Valuation:* Research is needed to quantify the relationship between the quality of BRSR disclosure (especially climate metrics) and firm valuation and cost of capital in the Indian context, providing empirical evidence for the financial materiality of the framework.
- *Effectiveness of Value Chain Reporting:* Empirical analysis of the effectiveness of the BRSR Core's value chain disclosure in driving sustainability improvements among SMEs and unlisted entities would be highly valuable for policy refinement.
- *Interoperability and Reporting Burden:* Studies should assess the extent to which the BRSR's alignment with GRI truly reduces the reporting burden for multinational Indian companies, providing practical feedback on the concept of regulatory interoperability.

## CONCLUSION

The conceptual significance of non-financial reporting in the Indian context is profound, marking a decisive and irreversible step towards a more accountable and sustainable corporate sector. The journey, traced from the mandatory, but expenditure-focused, CSR regime to the comprehensive, assurance-based BRSR Core framework, is a testament to India's unique, regulator-driven approach to sustainability governance.

This paper has conceptually analyzed this evolution, demonstrating that the BRSR is not merely a new reporting format but a sophisticated policy instrument grounded in Stakeholder and Legitimacy Theories. It serves as the primary mechanism for integrating global sustainability paradigms, such as ESG and the GRI Standards, with India's national development and climate imperatives. The BRSR's mandatory, quantitative

disclosure of carbon footprint and its extension of accountability into the value chain via BRSR Core assurance are conceptually critical moves that align corporate strategy with the ambitious Net Zero by 2070 target.

The Indian NFR model, characterized by its hybrid regulatory philosophy and its focus on verifiable outcomes, offers a powerful blueprint for other emerging economies navigating the complexities of rapid economic growth and urgent sustainability challenges. While implementation challenges related to data quality and capacity building persist, the conceptual foundation is firmly established: NFR in India is a non-negotiable prerequisite for corporate legitimacy, a vital tool for risk management, and an essential gateway for attracting global capital. The continued evolution of this framework, particularly the increasing focus on assurance and climate metrics, solidifies India's position at the forefront of the global movement towards mandatory, high-quality sustainability disclosure. The ultimate significance of this framework lies in its potential to transform the Indian corporate sector into a powerful engine for sustainable and inclusive national development.

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