CSF Center for Sustainable Finance India

Sustainability Reporting Frameworks

INTRODUCTION

Sustainability-related risks, particularly for the environment and climate, have emerged as major concerns for the financial system and the broader economy. These risks significantly impact companies and financial institutions, necessitating collective action by businesses, regulators, and policymakers. Corporations—which are particularly crucial to catalyzing a sustainable future—are facing growing demands for environmental and social responsibility from investors and other stakeholders.

In response, various jurisdictions are increasingly emphasizing sustainability disclosure frameworks. These outline what entities need to report to help stakeholders assess their vulnerability to such risks, their strategies to deal with them, and the metrics and targets they use to monitor progress. Disclosure frameworks have evolved over time and differ across countries in terms of the focus and stakeholders they cater to.

Sustainability reporting has evolved as it has become mandatory in more jurisdictions. What was once a largely voluntary exercise is increasingly becoming a regulated and globally aligned practice. Beyond compliance requirements, organizations are proactively communicating their environmental, social, and governance (ESG) commitments and progress, enabling stakeholders to understand how they address sustainability-related risks, opportunities, and challenges.

SUSTAINABILITY REPORTING FRAMEWORKS/STANDARDS

The landscape of sustainability reporting frameworks and standards has evolved globally with guidance from multiple entities, including the Global Reporting Initiative (GRI), Carbon Disclosure Project (CDP), Task Force on Climate-related Financial Disclosures (TCFD), and International Financial Reporting Standards (IFRS) Foundation, each emerging independently to serve different purposes.

Since 2021, the IFRS Foundation and its two standard-setting bodies—the International Accounting Standards Board (IASB) and International Sustainability Standards Board (ISSB)—have been working to harmonize global disclosure norms.

In India, the Business Responsibility and Sustainability Reporting (BRSR) Framework of the Securities and Exchange Board of India (SEBI) draws on global guidance, including the GRI Standards, as well as other region-specific priorities, reflecting convergence with addressing local needs.

Understanding how these standards compare with and complement one another, and their relevance to specific organizations, is essential. The following section outlines the prominent sustainability standards/frameworks adopted by financial and non-financial companies in India:*

*The above summary highlights a few key frameworks, rather than an exhaustive list..

Global Reporting Initiative

The Global Reporting Initiative (GRI) is an independent international non-profit organization that has been at the forefront of sustainability reporting standards since 1997. It is widely recognized that the GRI Sustainability Reporting Standards help businesses identify, assess, and transparently communicate their sustainability initiatives to stakeholders. Guided by ten key reporting principles for content and quality, the GRI ensures that sustainability disclosures are both relevant and reliable. Its standards fall into three groups: (a) universal standards that apply to all organizations, (b) sector-specific standards designed for high-impact industries, and (c) topic-specific standards addressing economic, social, and environmental dimensions. Reporting organizations must identify the material topics in consultation with the relevant sector disclosure standards. Many Indian companies have adopted the GRI Standards, which have played a pivotal role in standardizing reporting practices in the country.

Integrated Reporting Framework

Introduced in 2013, the Integrated Reporting Framework (IRF) articulates how a company's strategy, governance, performance, and future outlook contribute to the creation of sustainable value. The IRF promotes a holistic approach by linking financial reporting with ESG-related risk and opportunities. An IRF report provides insights into the external environment affecting the reporting organization, as well as the resources and relationships it uses and influences, referred to as "the six capitals." These capitals are: financial, manufactured, intellectual, human, social and relationship, and natural. The framework examines how an organization interacts with these capitals and its external environment to create, preserve, or erode value over the short, medium, and long term. In August 2022, the IFRS Foundation took over responsibility for further developing IRF and integrating it into its standard-setting process.

Task Force on Climate-related Financial Disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board (FSB) in 2015 to develop recommendations for climate-related financial disclosures. In 2017, the TCFD released climate-related financial disclosure recommendations to help companies provide better information to support market transparency and more informed capital allocation. TCFD recommendations are structured around four themes: governance, strategy, risk management, and metrics and targets. These themes are supported by 11 recommended disclosures that build out the framework with information that should help investors and others understand how reporting organizations assess climate-related risks and opportunities. In 2023, the FSB asked the IFRS Foundation to take over the monitoring of the progress of companies' climate-related disclosures, and the TCFD has been disbanded. In 2024, the Reserve Bank of India (RBI) issued draft guidelines on a Disclosure Framework on Climate-related Financial Risks, which largely follows the TCFD architecture in terms of disclosures by regulated entities.

International Sustainability Standards Board

The International Sustainability Standards Board (ISSB) was formed by the IFRS Foundation in November 2021 to develop a high-quality, comprehensive, and consistent global baseline of sustainability disclosures focused on the needs of investors and the financial markets. An overarching objective of the ISSB is to replace the current plethora of disclosure standards with a single baseline.

The ISSB has issued two key sustainability disclosure standards:

- **IFRS S1** mandates companies to disclose material information about sustainability-related risks and opportunities alongside financial statements, following the four-pillar framework of the TCFD (governance, strategy, risk management, and metrics and targets).
- **IFRS S2** focuses specifically on climate-related risks and opportunities, assessing their effects on a company's performance and prospects. It also aligns with the four-pillar structure of IFRS S1.

Authorities must adopt the ISSB standards in a particular jurisdiction to be mandatory for its companies.

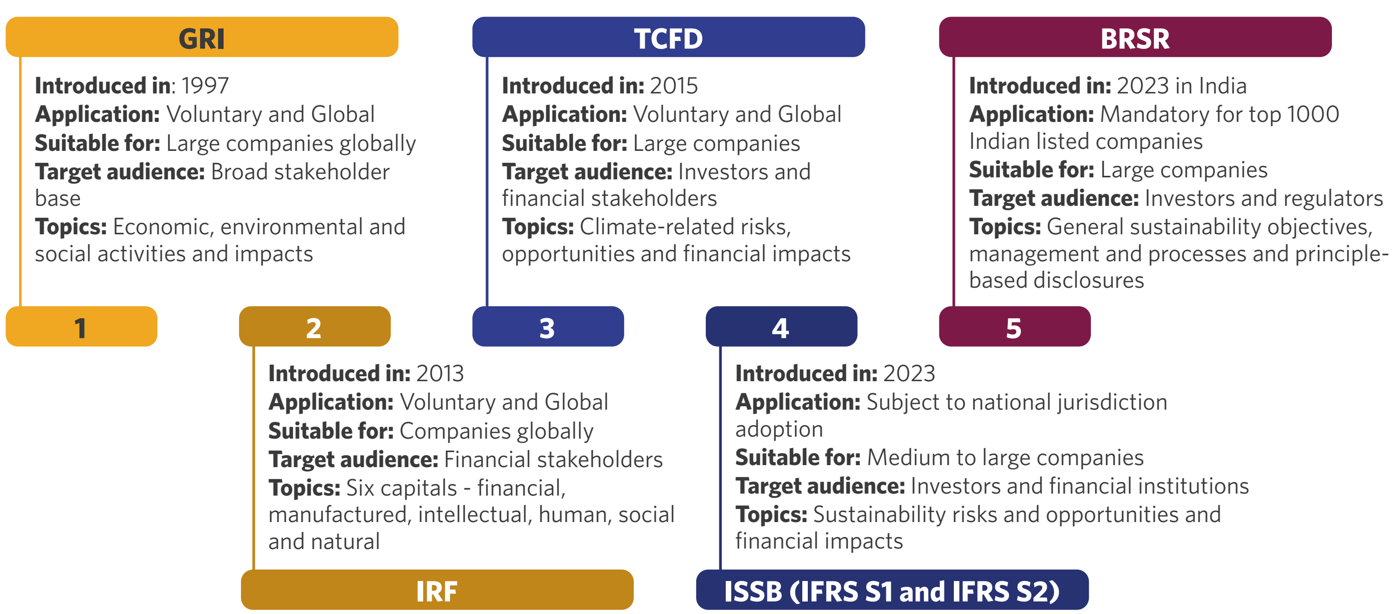
Business Responsibility and Sustainability Reporting Framework

The foundation for ESG disclosures in India for listed companies was the Business Responsibility Reporting framework, introduced by SEBI in 2015, and replaced with the more comprehensive BRSR Framework for the top 1,000 listed companies (by market capitalization) from FY 2023. Aimed at enhancing consistency and comparability, the BRSR framework draws on global sustainability standards such as the GRI Standards and the TCFD.

It mandates disclosures based on the nine principles of India's National Guidelines on Responsible Business Conduct (NGRBC) introduced in 2019, with reporting structured into essential and leadership indicators. The BRSR is organized into three categories: general disclosures (fundamental company details, business activities, and sustainability objectives); management and process disclosures (policies, systems, and processes implemented to support sustainability initiatives); and principle-wise performance disclosures (detailing how the company adheres to ESG based on nine guiding principles of NGBRC).

The BRSR framework includes both qualitative and quantitative and standardized disclosures on ESG parameters to enable comparability across companies, sectors, and time. Subsequently, in 2023, SEBI introduced BRSR Core, a subset of the BRSR Framework. The BRSR Core comprises key performance indicators/ metrics under nine key ESG attributes, requirements for limited assurance to be provided by reporting entities, and has also introduced value chain disclosures.

Figure 1: Key sustainability reporting frameworks and standards



Source: CPI analysis

CHALLENGES IN SUSTAINABILITY REPORTING

While investors and other stakeholders increasingly demand sustainability reporting, companies face several challenges related to this complex exercise. Although multiple standards, frameworks and industry-specific initiatives are increasingly becoming interoperable, continuing fragmentation makes it difficult for businesses to communicate effectively and for stakeholders to accurately compare and interpret information. Additionally, there is a lack of clarity on the appropriate methodologies for reporting sustainable activities, for instance, inconsistencies in how companies calculate or disclose greenhouse gas (GHG) emissions and assess climate-related risks. Collecting reliable data for sustainability reports is another major hurdle, as data sources are often inconsistent or unreliable, especially for value chain reporting, making the reports less actionable.

WAY FORWARD

Sustainability reporting in India has evolved significantly, shaped by various global and domestic reporting frameworks, growing awareness, and regulatory advancements. However, challenges persist around consistency, standardization of disclosure norms, and data quality. Transparent reporting will be instrumental in showcasing corporate dedication to a more sustainable and inclusive future. This would require continuous regulatory support and regular updates to expand the scope. For example, SEBI's recent amendment to include the Green Credit Program under the BRSR framework represents a significant step toward strengthening corporate environmental accountability.

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The Clarifying Concepts series provides short explanations of foundational ideas and terminology in sustainable finance to help professionals from different fields navigate emerging issues.

It is produced by the Center for Sustainable Finance (CSF), a knowledge and net-working hub which aims to accelerate India's financial sector towards a more sustainable future. CSF is managed by Climate Policy Initiative (CPI).