From Tradition to Transformation: ESG Initiatives in Indian Corporate Landscape

Environmental, Social, and Governance (ESG) criteria have become increasingly important in the corporate world, reflecting a growing awareness of sustainability and responsible business practices. In the context of India, this article aims to comprehensively analyze the initiatives undertaken by Indian companies to incorporate ESG principles into their operations. The present article has explored the motivations behind these initiatives, the challenges faced, and the impact of ESG integration on both companies and society. By examining the efforts towards ESG by several Companies, this research seeks to provide insights into the current state of ESG adoption among Indian companies and its implications for India’s corporate landscape.

INTRODUCTION

The importance of ESG considerations in business has gained significant attention globally, driven by increasing awareness of environmental issues, social inequalities, and Corporate Governance failures. (Eccles & Serafeim, 2013; Linnenluecke, M. K. (2022). In the context of India, a similar awakening is taking place within the corporate landscape. Companies operating in India are increasingly recognizing the imperative nature of aligning their strategies and operations with ESG principles (Maji, S. G., & Lohia, P., 2023). This shift represents a significant departure from traditional business practices, highlighting a big transformation in the Indian business environment.

While there is a widespread discussions and research going on ESG at the Global level but there is a limited understanding of how Indian companies are following this transformative journey. This research aims to highlight the specific ESG initiatives taken by Indian companies and, more importantly, has highlighted the implications of these initiatives within the unique socio-economic and regulatory context of India.

By homing in on the Indian experience, this research paper offers a distinct perspective on the challenges, opportunities, and strategies that companies in this diverse and rapidly growing market employ to embrace ESG philosophy. The present research may be valuable resource for Indian businesses seeking guidance on ESG integration and offer insights to policymakers and stakeholders interested in shaping the ESG landscape in India.

MOTIVATIONS FOR ESG ADOPTION

Regulatory Environment

Regulatory bodies in India, such as the Securities and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs (MCA), play a crucial role in promoting Environmental, Social and Governance (ESG) reporting and integration into corporate practices.

SEBI as the primary regulatory authority for the securities market in India has taken several initiatives to promote ESG reporting and compliance among publicly listed companies. For example for FY2022-23, which ended on March 31, 2023, SEBI has made it mandatory for India's top 1,000 listed companies based on market capitalization to file Business Responsibility and Sustainability Report (BRSR). This requirement was introduced through a circular issued in May 2021 1. These companies are required to include a Business Responsibility and Sustainability Report (BRSR) as part of their annual reports, delineating their ESG performance and initiatives.

Further to ensure that companies focus on ESG issues that are prominent for their specific industry and operations, SEBI encourages companies to conduct a materiality assessment to identify ESG factors that are most relevant to their business. Debnath, P., & Kanoo, R.(2021) This approach ensures a structured framework for ESG reporting and integration, including guidelines on content, format, and disclosure requirements in the BRSR.

SEBI's recognition of certain ESG rating agencies for scoring and verifying ESG disclosures contributes to the reliability, transparency and comparability of ESG data. This boosts

investor confidence in the accuracy and credibility of ESG information, which can influence investment decisions and, consequently, encourage companies to improve their ESG performance.

On the other hand, the Ministry of Corporate Affairs (MCA) has also contributed in promoting ESG practices. The mandate under the Companies Act, 2013, requires companies meeting specific financial thresholds to mandatorily allocate a portion of their profits to Corporate Social Responsibility (CSR) activities. Majumdar, A. B. (2014) While not identical to ESG, CSR and ESG are closely interlinked Gillan et al. (2021), and this mandate has led companies to consider their social and governance responsibilities more seriously. Further, MCA has issued National Guidelines on Responsible Business Conduct to encourage companies to align their strategies with sustainable development goals and incorporate ESG considerations into decision-making.2 These guidelines provide a broader framework for ESG integration beyond reporting, influencing companies to integrate ESG principles into their business operations Mahajan, R. (2023) Additionally, requiring companies to report their CSR activities and expenditures in their annual reports enhances transparency and accountability regarding social initiatives. This reporting requirement ensures that companies fulfill their CSR commitments and provides stakeholders with visibility into their social efforts. Finally, the Corporate Governance codes issued by the MCA indirectly influence ESG adoption by emphasizing Board composition, transparency, and ethical conduct. These aspects are closely linked to governance and are integral components of ESG considerations.

Global Trends and Investor Pressure

In recent years, institutional investors’ pressure and global ESG (Environmental, Social, and Governance) developments have had a big impact on Indian companies. Sharma & Dangwal, (2020). Indian enterprises’ are trying their best to follow the ESG norms and practices. This change is being brought about by the necessity to live up to the expectations of international investors Twinamatsiko, E (2022), who adhere to global ESG frameworks like the Sustainable Development Goals (SDGs) and the UN Principles for Responsible Investment (PRI). Indian businesses understand that adhering to these criteria makes them more appealing to a wider investment base.

Additionally, the desire of global money has evolved into a driving force. Indian companies seeking foreign investments and access to international capital markets are aware of the importance of proving outstanding ESG performance. Bodhanwala, S., & Bodhanwala, R. (2019). ESG factors are becoming more important to institutional investors around the world when making investment decisions. Indian businesses are driven to demonstrate their dedication to sustainability and ethical business practices in order to draw these investors and obtain foreign finance.

The emphasis on risk reduction is another significant factor. According to Galaz et al.(2012), Global ESG trends have highlighted possible hazards related to governance shortcomings as well as environmental and social challenges. These risks are now more fully understood by Indian businesses, who are also aware of the serious financial and reputational repercussions they may have. These businesses are responding by acting proactively to address ESG challenges, improve governance procedures, and increase risk management tactics. This strategy not only guards against potential problems, but it also fits in with the larger push towards sustainable and ethical business practices.

Impact of Global ESG frameworks and rating agencies on Indian corporations

Global ESG (Environmental, Social, and Governance) frameworks and rating agencies have exerted a profound influence on Indian corporations, shaping their ESG practices in several ways. Firstly, these international frameworks, including the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), have played a pivotal role in standardizing ESG reporting among Indian companies. The impact is significant as it has prompted these corporations to adopt consistent as well as structured approaches to reporting their ESG integration and performance. This standardization has resulted in more transparent and comparable ESG data, which is vital for both investors and stakeholders in assessing a company’s sustainability efforts. Further, the presence of international rating agencies specializing in ESG assessments has had a prominent effect on Indian corporations. Companies recognize that their ESG ratings can directly influence investor sentiment and access to global capital markets. Consequently, they are increasingly inclined to improve their ESG performance for securing favorable ratings. This not only enhances their attractiveness to international investors but also aligns with the broader trend of ESG integration into investment decisions globally.

In the present turbulent business scenario, the Indian corporations are increasingly aware of the reputational and operational risks associated with poor ESG performance on the international stage. International rating agencies often evaluate these risks and emphasize on the areas where companies need to improve. This resulting scrutiny has encouraged Indian corporations to proactively address ESG deficiencies to protect their reputations. Therefore, international ESG frameworks and rating agencies have played a crucial role in expanding the focus of Indian corporations beyond compliance to genuine sustainability efforts. Companies in India are focusing on meaningful sustainability initiatives that align with global sustainability goals and address environmental and social challenges effectively.

ESG INITIATIVES IN INDIAN COMPANIES

Indian enterprises are increasingly adopting Environmental, Social, and Governance (ESG) initiatives, underscoring their efforts and commitment to

---

sustainability and responsiveness to evolving stakeholder demands. These multifaceted initiatives encompass a wide spectrum of areas reflecting their dedication to responsible corporate practices and long-term value creation.

**Environmental Sustainability**

Indian companies have been taking a range of initiatives to address critical sustainability issues, including carbon emissions reduction, renewable energy adoption, waste management, and resource conservation. Tata Motors, a leading Indian automobile manufacturer, has made significant strides in renewable energy adoption. The company installed solar panels at its Pune plant, resulting in a substantial reduction in carbon emissions and energy costs. Similarly, Wipro has set up large-scale solar power plants at its campuses to reduce its reliance on conventional energy sources [Wipro Sustainability Report 2020-21]. Firms like Tata Motors and Tata Power have entered into power purchase agreements with renewable energy providers to source a significant portion of their electricity from renewable sources.

Reliance Industries, one of India’s largest conglomerates, has implemented energy-efficient technologies across its refining and petrochemical operations, reducing energy consumption and greenhouse gas emissions [Reliance Industries Annual Report 2020-21].

Several Indian companies are transitioning from traditional fossil fuels to cleaner and more sustainable energy sources. For instance, Mahindra & Mahindra, a leading automobile manufacturer, has been working on electric vehicle technology and has introduced electric cars to reduce carbon emissions. Companies like Infosys and Tata Steel have implemented energy-efficient technologies and practices in their operations. Infosys, for instance, has reduced its per capita electricity consumption through innovative building design and energy-efficient systems in its campuses [Infosys 2023].

Some companies, including ITC Limited, engage in carbon offsetting initiatives by planting trees and investing in reforestation projects to compensate for their carbon emissions [ITC Sustainability Report 2022].

Companies like HUL (Hindustan Unilever) have implemented zero-waste initiatives, aiming to send zero waste to landfills. HUL’s program involves recycling and reusing waste materials and promoting responsible disposal practices.

Tech companies like Wipro have robust e-waste management programs that ensure proper disposal and recycling of electronic waste generated from their IT operations. Companies in water-intensive industries such as Tata Steel have adopted water-efficient technologies and practices. Tata Steel’s initiatives include rainwater harvesting and recycling water within its operations [Tata Steel Integrated Report 2021-22].

Larsen & Toubro (L&T), an engineering and construction conglomerate, focuses on resource efficiency in its construction projects by optimizing material use and minimizing waste generation [L&T Integrated Report 2021-22].

The aforementioned proactive sustainability measures carried out by Indian businesses demonstrate a thorough dedication to ecologically friendly practices, encompassing a wide spectrum of green behaviours. To lessen their impact on the environment, they are adopting renewable energy options like solar panels and taking part in carbon offsetting activities like planting trees. Additionally on the agenda are waste reduction techniques and a focus on resource efficiency, with businesses implementing cutting-edge technologies to reduce waste production and maximise resource utilisation. In India, where businesses are not only prospering economically but also promoting a greener, healthier world for future generations, this coordinated effort demonstrates a growing commitment to environmental responsibility and is helping to shape a more sustainable corporate landscape.

**Social Initiatives**

A company’s commitment to moral and sustainable business practices includes initiatives related to Corporate Social Responsibility (CSR), community involvement, and labour practises. Numerous businesses in India have

---

launched initiatives to solve various social challenges after realising the significance of these factors. These businesses demonstrate a wide variety of CSR initiatives, demonstrating their commitment to addressing urgent social concerns in India and making a constructive contribution to society. For example, ITC Limited, a prominent Indian conglomerate, has been actively engaged in community development through its Social Investments Program. This initiative focuses on rural development, providing livelihood opportunities, and supporting agricultural practices. Similarly, The Tata Group stands out for its enduring commitment to Corporate Social Responsibility (CSR). Through the Tata Trusts, they have consistently funded a plethora of social initiatives, encompassing healthcare, education, and rural development projects. Notable among their endeavors is Tata Consultancy Services’ (TCS) “Adult Literacy Program,” aimed at promoting education among adults in rural areas. The organisation invested INR 1,095 crore in CSR activities in FY19, which had a positive impact on 11.7 million lives. Further adding to the list of prominent industries, Infosys, a leading IT company, focuses on education, rural development, healthcare, and sustainability through its Infosys Foundation, which supports underprivileged students with scholarships and constructs sanitation facilities in rural areas. Reliance Industries (RIL) actively participates in CSR projects in the areas of rural development, healthcare, and education. One such project is the Sir H.N. Reliance Foundation Hospital, which provides high-quality, reasonably priced healthcare. During the recent Annual General Meeting of Reliance Industries Limited (RIL), Chairman Mukesh Ambani revealed the allocation of a substantial amount of Rs 1,271 crore towards Corporate Social Responsibility (CSR) initiatives. With its “Swachh Aadat, Swachh Bharat” campaign, Hindustan Unilever (HUL) encourages sustainability, hygiene, and sanitation while also empowering women in rural regions. Rural development and environmental sustainability are prioritised by ITC Limited, with programmes like the “e-Choupal” network helping farmers. For making a meaningful impact on society, a company like Mahindra & Mahindra is also committed to Corporate Social Responsibility (CSR) and sustainability. Their comprehensive approach encompasses skill development, healthcare, and environmental conservation, and they prioritize the promotion of girl child education through their impactful “Nanhi” program.

The highlighted instances from these corporate entities demonstrate a diverse range of Corporate Social Responsibility (CSR) initiatives signifying the persistent commitment of the prominent companies in India for tackling crucial social challenges. These companies are not only profit-seeking entities, but also active promoters of social improvement, focusing on initiatives that promote positive change. Through subsidy programs, affordable health care, sanitation, hygiene campaigns, sustainable procurement practices and supporting girls’ education, they exhibit a holistic approach to Corporate Social Responsibility that transcends commercial interests and ultimately fostering a more equitable and prosperous society.

**Governance Initiatives**

Corporate Governance in India has undergone significant reforms in recent years. The Companies Act, 2013, represents a landmark legislative overhaul, introducing crucial provisions aimed at enhancing transparency and accountability. These include the mandatory appointment of independent Directors, the strengthening of audit committees, and stricter disclosure requirements. Additionally, the Securities and Exchange Board of India (SEBI) has introduced listing regulations for listed companies, mandating practices such as the separation of the roles of chairman and CEO, the establishment of risk management committees, and the enhancement of the role of independent Directors. The establishment of the National Financial Reporting Authority (NFRA) further reinforces governance by overseeing financial reporting quality and auditor independence.

Board diversity has emerged as a pivotal aspect of Corporate Governance in India. Rao, K., & Tilt, C. (2016) Efforts are underway to bring diverse perspectives and expertise to boardrooms. Notably, the Companies Act, 2013, has introduced provisions to encourage diversity by mandating the appointment of at least one woman Director on the board. Further, the Securities and Exchange Board of India (Sebi) has mandated that effective 1 April 2020, each of the top 1,000 listed companies by market capitalization must have a woman Board Member who is also an independent Director. This measure aims to address gender imbalances in corporate leadership. Singh, G. (2020). While progress has been made in this regard, there is growing recognition of the need for broader diversity, including in terms of skills, backgrounds, and experiences, to enrich board decision-making processes. Several leading companies in India are increasingly acknowledging the importance of Board diversity in Corporate Governance. Major examples include Wipro, which appointed its first woman director Ireena Vittal, Tata Group companies such as Tata Motors with additional and independent Director like Usha Sangwan, HDFC Bank’s long-standing commitment to diversity with Renu Karnad as a Non-Executive Director, Infosys with its diverse Board composition, and a recent Indian Railway appointment of Jaya Verma Sinha as a CEO and chairperson of the

---

Railway Board. These examples demonstrate a rising appreciation for the value of varied viewpoints and backgrounds in top leadership in India, which reflects a wider movement towards diversity in India’s corporate landscape.

Enhancing transparency is a fundamental pillar of Corporate Governance in India. Regulatory authorities, market forces, and investor expectations have driven efforts to improve disclosure and transparency. SEBI listing regulations, for instance, impose stringent disclosure norms on listed companies. Moreover, institutional investors and proxy advisory firms have taken on more active roles in engaging with companies on Environmental, Social, and Governance (ESG) matters and voting on resolutions, thereby advocating for greater transparency and accountability. The establishment of the NFRA has bolstered efforts to ensure the quality of financial reporting and auditor independence, further reinforcing transparency in corporate operations. Tata Consultancy Services (TCS), India’s largest IT services firm, has consistently emphasized transparency and accountability in its governance practices. The company discloses comprehensive ESG-related information in its annual reports, providing stakeholders with a clear view of its sustainability initiatives [TCS Annual Report 2020-21].

DATA COLLECTION AND REPORTING-CHALLENGES

In India, companies encounter specific challenges when collecting and accurately reporting Environmental, Social, and Governance (ESG) data, shaped by the country’s unique socio-economic and regulatory context. Dissanayake et al. (2021) A primary obstacle is the quality and availability of ESG data. Many Indian businesses, particularly those in sectors historically less focused on ESG metrics, struggle with gathering reliable data on environmental impact, social performance, and governance practices due to diverse data sources, limited historical data, and variations in data collection methods. The regulatory environment makes ESG reporting more difficult. Even though India has implemented programs like the Business Responsibility and Sustainability Reporting (BRSR) framework, compliance issues arise since no one industry has a uniform, standardized reporting system. Companies must manage numerous reporting obligations, which could lead to uncertainty and uneven reporting. Integrating ESG data into existing technology infrastructure is another hurdle. Legacy systems may not be equipped to handle the sophisticated data collection and reporting needs of ESG, necessitating costly investments in new technology solutions and data management systems. Stakeholder engagement and disclosure pose unique challenges in India’s diverse social
landscape. Companies must handle the varied degrees of employee and stakeholder awareness and comprehension of ESG issues. It might be tricky in this situation to strike a balance between the requirement for transparency and worries about data privacy and security. Cultural and societal aspects have an impact on the gathering of ESG data. The willingness and capacity to gather correct data across the business may be affected by variances in attitudes and knowledge regarding ESG that companies may run across. Furthermore, tracking and reporting ESG performance across the supply chain can be difficult for businesses with complicated supply chains, especially in industries like manufacturing and agricultural. Another level of complication is added by ensuring that vendors and subcontractors adhere to ESG guidelines. Despite these difficulties, numerous Indian businesses see the value of ESG reporting for long-term sustainability and are actively attempting to implement it.

Need for standardized ESG reporting frameworks in India

Standardized Environmental, Social, and Governance (ESG) reporting frameworks are crucial for India’s corporate landscape. They provide a standardized and common platform for companies to report their sustainability efforts consistently, allowing stakeholders to assess and compare performance effectively. This standardization promotes transparency and enables the businesses to recognize and address ESG challenges. In addition, it supports in streamlining the regulatory compliance, reducing reporting complexities. Standardized ESG reporting enhances risk assessment and management, which is beneficial for both investors and companies. From a global perspective, it’s worth noting that standardized ESG (Environmental, Social, and Governance) reporting frameworks are in place across several nations, and positively influencing the growth and operations of companies in these Countries Park et al., (2021). The research by Busco et al. (2020) showed how corporations have been encouraged to report on industry-specific ESG measures since the US Sustainability Accounting rules Board (SASB) rules were introduced. This has helped companies enhance their transparency regarding sustainability and ESG factors. While SASB standards were initially voluntary, many U.S. companies have recognized that robust ESG reporting could improve their reputation, attract socially responsible investors, and mitigate risks associated with ESG issues. Similarly, In Europe, the EU Non-Financial Reporting Directive (NFRD) has been a catalyst for ESG reporting. The implementation of Directive 2014/95/EU (also known as the “Non-financial Reporting Directive”) on the disclosure of non-financial and diversity information put the EU on a clear path towards increased corporate transparency and accountability on social and environmental issues. The Commission stated its intention to evaluate the NFRD as part of the strategy to improve the foundations for sustainable investment on December 11, 2019, in its announcement on the European Green Deal.²⁶ The study conducted by Krueger et al.,(2021).


revealed the need for mandatory ESG disclosures across the world. In order to survive, companies around the world are now required to establish ESG frameworks. Adopting a standardized reporting structure could help India, a developing country, improve its reputation in the world of commerce. This would make it easier to interact with international stakeholders who place a high value on ESG adoption and consideration. Policymakers in India must take specific actions that could enable the standardisation of ESG reporting.

RECOMMENDATIONS

To further promote ESG (Environmental, Social, and Governance) adoption in India, several policy measures can be considered:

- The regulatory body may extend the requirement for ESG reporting beyond the top 1,000 listed companies to cover all publicly traded companies. This would enhance transparency and comparability across the entire market and encourage smaller companies to embrace ESG practices.

- The government may announce the tax incentives, such as deductions or credits, to companies that invest in ESG initiatives, renewable energy projects, or sustainable technologies. This can incentivize businesses to allocate resources towards sustainability efforts. Further, the issuance of green bonds and sustainable financial products can be encouraged by offering tax benefits or subsidies to companies raising capital for environmentally responsible projects. This would boost sustainable investments.

- There should be clear cut guidelines for ESG disclosure for private companies, making it voluntary initially and gradually moving towards mandatory disclosure. This would extend the adoption of ESG practices beyond publicly traded firms.

- Independent audits of ESG reports must be introduced to ensure accuracy and reliability of data. Companies found to be providing inaccurate or misleading ESG information should face penalties.

- Public awareness campaigns can be launched to educate consumers, investors, and businesses about the benefits of ESG adoption and its positive impact on sustainability and long-term profitability.

CONCLUSION

In a rapidly changing business world where sustainability and responsible business practices are at paramount significance, India’s adoption of ESG principles has positioned it in a good place to compete on the global level. The consideration and adoption of Environmental, Social, and Governance (ESG) principles in India highlights a transformative shift in the corporate sector. Although, Indian companies are taking comprehensive ESG initiatives, addressing environmental challenges, engaging in meaningful social activities, and enhancing...
governance practices but still there are several formidable challenges that persist. The complexities in data collection and reporting systems, weak regulatory and enforcement frameworks, and the pressing need for technological infrastructure upgrades are the few obstacles that are creating difficulty in ESG reporting for Indian companies. To overcome these obstacles and for further advancing ESG adoption, standardized reporting of ESG principles is crucial in India. Policymakers may play a crucial role in driving this transformation through targeted measures and actions. First and foremost, creation of a robust regulatory framework is crucial. Such regulations should mandate companies to transparently disclose their ESG-related data, thereby ensuring that ESG considerations are an integral part of corporate operations. There must be clear and comprehensive reporting guidelines, aligned with international standards, to provide companies with a blueprint for consistent and meaningful ESG reporting. To equip businesses with the necessary knowledge and tools, the regulatory bodies must invest in training programs and capacity-building initiatives. These programs will educate companies about the importance of ESG adoptions and guide them on how to effectively incorporate these aspects into their reporting systems. Furthermore, investment in the development of data infrastructure and technology platforms is crucial now. These investments will facilitate in streamlined data collection, analysis, and reporting, and will contribute in enhancing the accuracy and reliability of ESG disclosures. These small initiatives form the bedrock for fostering transparency, accountability, and sustainability within India’s corporate sector. They will not only enable businesses to succeed on the global stage but also empower them to meaningfully contribute in addressing the critical societal and environmental challenges.

REFERENCES:


