



UNDERSTANDING ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FRAMEWORK: A CONCEPTUAL OVERVIEW

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ABSTRACT

Environmental, Social, and Governance (ESG) factors are growing highly prominent in an evolving corporate world, exhibiting an increasing consciousness towards responsible business conduct and sustainability. ESG criteria has evolved as an essential investment factor of consideration among investors and global leaders in their investment decision. On that account, this article intends to broadly evaluate the evolution of ESG as a new sustainability benchmark along with cross-country comparison of ESG disclosure practices and how it is different from corporate social responsibility. With reference to the evolving regulatory frameworks of sustainability, the research seeks to analyse the opportunities and challenges of incorporating ESG disclosure practices by companies and its impact on various stakeholders and the society.

KEY WORDS: Sustainability, ESG reporting, Regulatory framework, Cross-country comparison, CSR.

INTRODUCTION

In recent years, the significance of ethical and sustainable business practices has significantly increased due to a combination of factors including environmental concerns, consumer demand, compliance pressures, and the acknowledgement of longstanding economic benefits. Sustainable and ethical business practices focus on ensuring that a company's operations are conducted in an environmentally sound, socially responsible, as well as economically viable manner. These practices not only help in maintaining a positive corporate image furthermore contribute to the enduring prosperity and sustainability of the business.

Sustainability and ethical business practices are crucial for sustained growth and transformative social influence. Embracing these principles involves minimising environmental impact, prioritising fair labor practices, and fostering transparency throughout the supply chain. By integrating sustainability into business strategies, companies can mitigate risks, enhance reputation, and contribute to a healthier planet and society. In today's world, businesses face increasing pressure to not only generate profits as well as to create a favourable influence on the environment, community, and governance structures. This pressure has given rise to a concept called as ESG.

Therefore, this article intends comprehensively evaluate Environmental, Social and Governance Disclosure framework in detail from its roots to present working scenarios. The fundamental focus of current research work is to critically analyse and comprehend the ESG disclosure practices from a sustainability framework perspective and how is it different from other sustainability disclosure practices in India as well as across the globe.

Making Sense of ESG: What It Means and Why It Matters;

ESG; Environmental, Social, and Governance is an evaluation of how conscientiously a corporation is operating beyond just its financial performance. It's about answering certain important questions such as; *Is a particular company taking care of the environment? Is it treating people fairly? Is it being managed in a transparent and ethical way?* where in these are not just feel-good questions but they're increasingly seen as critical for long-term business success and building trust with customers, investors, and communities.

ESG is seen as a set of guiding values, where Environmental factors examine how a company interacts with the planet, like its carbon footprint, energy use, or waste management. Social aspects focus on how a corporation serves people, both within and outside an organization covering labor practices, employee well-being, and



community engagement. Governance aspects involve appraisal of, how a corporation is carried forward, whether its leadership is ethical, transparent, and accountable.

By focusing on these indicators, companies are better equipped to understand where they stand, make improvements, and show stakeholders that they're committed to doing business the right way.

REVIEW OF LITERATURE

The research scholar has conducted an exhaustive literature review of various scholarly works focusing on the concepts of ESG, CSR, Regulatory frameworks of ESG in India and on global grounds. Along with several scholarly articles, researcher has also evaluated and reviewed several doctoral theses available on Shodhganga, circulars and hand books of MCA, SEBI and BSE in order to gain an understanding and conceptual clarity about ESG and its related aspects. The following tabular presentation exhibits the brief summary of the literatures reviewed.

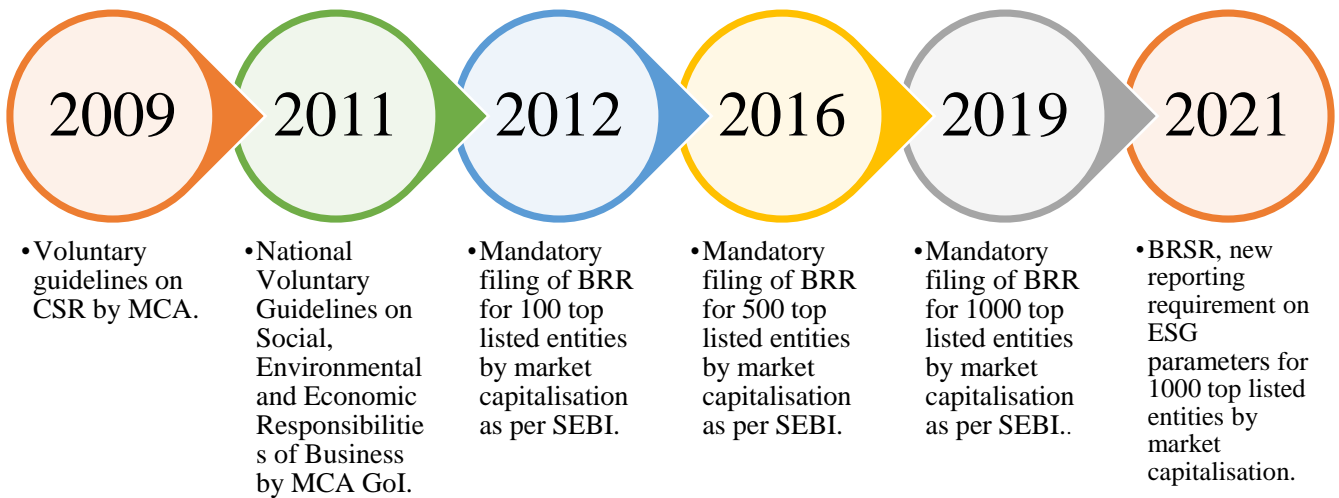
Table no. 01 showing the list and summary of Review of Literature:

Studies on Conceptual framework on Environmental, Social and governance (ESG)		
Sl. No	Contributors	Summary and Findings of the study:
01.	Deshpande et al.,2023	Presents concepts and current scenario of ESG & CSR. Also, similarities, difference & future of the same.
02.	Roy & Agarwal,2023	Evaluates the need for and evolving legal mandates of reporting of ESG in India as well as global frameworks for ESG reporting.
03.	Roy S,2023	Presents an evolution of CSR to ESG a paradigm shift. emphasizing on ESG's transformative role beyond CSR.
04.	Jha R,2023	Lays out conceptual understanding related to differences between CSR and ESG, regulations and best practices of ESG in India and on global platforms.
05.	Agrawal V, 2023	Provides a conceptual baseline on regulatory compliance or framework of ESG. initiatives undertaken by Indian companies to incorporate ESG principles and motivation behind these initiatives.
06.	Narula et al., 2023	Elaborates conceptual framework of ESG that is Economic, Social and Governance practices, linking it with value creation by firms after controlling certain variables such as firm and industry specific characteristics.
07.	Sinha R, 2017	Studies whether efforts made by businesses in line with ESG add value. and evaluates the awareness level of Indian corporate sectors regarding sustainability.
08.	Shah & Saraogi, (2020)	Highlights the conceptual background and current trends of reporting on Environmental, Social, and Governance activities of listed entities.
09.	Lokuwaduge & Heenetigala, 2017	Highlights the important contributions of Legitimacy theory and Stakeholder theory in combination to evaluate the motivation for ESG reporting in the industry sector of mining and metal of Australia.
10.	Aishwarya K, 2020	Focusing on disclosure of non-financial (ESG) disclosures, the study evaluates the association between ESGD and financial performance and its contribution in improving information environment of Indian companies
11.	Patel N, 2023	It highlights the importance of ESGD in reducing information asymmetry taking ESGD as a proxy for information risk.
12.	MARA et al., 2016	By framing a conceptual framework model which is in uniformity with Stakeholder's theory and Agency theory, the article appraises the association among ESG activities and Economic Performance in Malaysia and Singapore.
13.	Limkriangkrai, 2016	Marks out that the ESG activities of the firms are important because both the individual and institutional investors have lately begun to accredit that, ESG represents opportunities and risks facing the firm.

ESG Reporting Framework in India

ESG disclosures and reporting frameworks in India have been gaining significant momentum. The regulatory environment is increasingly supportive, with several key frameworks and guidelines geared towards transluence and accountability enhancement in corporate ESG performance. In India, Ministry of Corporate Affairs as well as Securities Exchange Board of India, are continuously working towards guiding corporates to conduct the

businesses in responsible, ethical and sustainable manner. For which several key decisions have been taken, by issuing various important voluntary and mandatory guidelines time to time, such as;



(Source: collected from various reports and compiled by researcher)

Table no.02 showing the Timeline of the evolution and growth of ESG globally:

Period	Key developments	Details
Pre-1960s	Religious and Ethical Roots, Moral investments	Promotion of investments, that are aligned with moral and religious values. Religious groups Quakers and Methodists avoided investments in alcohol, tobacco and gambling.
	Anti-Slavery and Temperance Movements	Promotes boycotts of companies involved in slavery and alcohol production.
1960s	Civil Rights Movement	Investors avoid investments in companies with discriminatory practices.
	Vietnam War	Anti-war sentiment leads to divestment from companies supporting the war effort.
1970s	Environmental Awareness	First Earth Day (1970) and creation of the United States Environmental Protection Agency highlight environmental protection.
	Anti-Apartheid Movement	Global campaign against apartheid leads to divestment from companies operating in South Africa.
	Launch of SRI Funds	The Pax World Fund, (1971) was the foremost mutual funds to use social criteria in the decisions of investment.
1980s	Growth of SRI Funds	Proliferation of SRI funds using screens to exclude industries like tobacco, alcohol, and weapons.
	Corporate Social Responsibility (CSR)	Companies begin publishing CSR reports and adopting CSR guidelines and standards.
	Formal Criteria Development	Development of structured criteria for SRI, including negative and positive screening.
1990s	Recognition of ESG Factors	Term ESG gains traction, recognizing ESG factors in investment analysis.
	Sustainable Development	1992 Earth Summit emphasizes sustainable development, influencing ESG integration.
	Increased Reporting and Transparency	Adoption of standardized reporting frameworks like Global Reporting Initiative (GRI).
2000s	UN Principles for Responsible Investment (PRI)	Launched in 2006, providing a global framework for incorporating ESG factors into investment decisions
	Carbon Disclosure Project (CDP)	Founded in 2000, encourages disclosure of carbon emissions and environmental impact.



	Global Reporting Initiative (GRI)	GRI guidelines become a standard for sustainability reporting, promoting greater transparency and accountability.
2010s	Mainstream Integration	ESG investing becomes mainstream, with evidence linking strong ESG performance to long-term financial returns.
	Impact Investing	Pursue investments that yield both financial returns and meaningful contributions to society and the environment
	Sustainable Development Goals (SDGs)	Adopted in 2015 by the UN, providing a framework for targeting social as well as environmental difficulties.
	Task Force on Climate-related Financial Disclosures (TCFD)	Established in 2015, developing recommendations for climate-related financial risk disclosures.
2020s	Increased Regulation and Standardization	Government as well as regulatory bodies around the globe have enforcing rigorous compliances and disclosure requirements related to ESG factors.
	Climate Change and Net Zero Commitments	Investors commit to net zero carbon emissions, and companies adopt science-based targets.
	Diversity, Equity, and Inclusion (DEI)	Emphasis on workforce diversity, equity, and inclusion; companies held accountable for DEI practices.
	Green Bonds and Sustainable Finance	Surge in disbursement of green bonds and other instruments related to sustainable finance.
	Stakeholder Capitalism	Concept gains prominence, encouraging holistic and sustainable business practices.
	Pandemic Response and Resilience	COVID-19 highlights importance of social factors, such as employee health and supply chain resilience.

(Source: collected from various reports and compiled by researcher)

ESG Reporting Frameworks followed in different countries:

Environmental, Social, and Governance (ESG) frameworks vary significantly across countries, reflecting differing regulatory environments, cultural values, and market conditions. Following is the general overview of some prominent ESG frameworks and regulations from different countries or regions:

Table no.03 showing the cross-country comparison of ESG reporting across the globe;

Sl. No.	Country\Region	Framework	Purpose	Scope	Key disclosures
1.	European Union (EU)	EU Taxonomy	Classify environmentally sustainable activities.	Companies and financial institutions	Criteria for sustainable activities, including environmental protection and climate change alleviation
		Corporate Sustainability Reporting Directive (CSRD)	Improve sustainability reporting	Large and listed companies, SMEs under certain conditions	Detailed reporting on environmental, social, and governance factors, double materiality perspective
		Non-Financial Reporting Directive (NFRD)	Disclose non-financial information	Large public-interest entities	Environmental impact, social and employee matters, human rights, anti-corruption
		Sustainable Finance Disclosure Regulation (SFDR)	Enhance transparency on ESG risks	Asset managers, pension funds, insurance companies	Disclosure of investment alignment with ESG criteria and impact of ESG risks
2.	United States	Securities and Exchange Commission (SEC)	Regulate ESG disclosure	Publicly traded companies	Guidance on climate-related disclosures, proposed rules for



					standardized climate risk disclosures
		Task Force on Climate-related Financial Disclosures (TCFD)	Framework for climate-related financial disclosures	Widely adopted globally, including in the U.S.	Governance, strategy, risk management, metrics and targets related to climate change
3.	United Kingdom (UK)	UK Companies Act 2006	Report on ESG factors	All UK companies	Disclosure of environmental matters, employee and social issues, human rights
		Task Force on Climate-related Financial Disclosures (TCFD)	Mandate TCFD recommendations	Large companies and financial institutions	Climate-related risks and opportunities reporting in line with TCFD guidelines
		Green Finance Strategy	Support green investments and disclosures	Financial institutions and companies in green finance	Transparency in climate-related financial disclosures, investment in sustainable projects
4.	China	China Securities Regulatory Commission (CSRC)	Provide ESG disclosure guidelines	Listed companies	Environmental and social responsibilities, ESG performance guidelines
		Green Bond Guidelines	Standards for issuing green bonds	Bond issuers	Bonds for projects contributing to environmental protection or sustainability
		Social Responsibility Guidelines	Encourage social responsibility	All companies	Social impact, corporate ethics, stakeholder engagement
5.	Japan	Corporate Governance Code	Enhance governance practices	Listed companies	Board diversity, executive compensation, stakeholder engagement, ESG issues
		Environmental Reporting Guidelines	Promote environmental transparency	All companies	Environmental performance, goals, and strategies
		Japan's Stewardship Code	Engage institutional investors on ESG issues	Institutional investors	Active stewardship and dialogue on ESG factors
6.	Canada	Canadian Securities Administrators (CSA)	ESG disclosure guidelines	Public companies	Disclosure of material ESG risks, climate-related disclosures
		Federal Sustainable Development Strategy (FSDS)	Outline sustainable development goals	Federal government departments, companies in federal projects	Environmental protection and social responsibility goals
7.	Australia	Australian Securities and Investments Commission (ASIC)	ESG disclosure guidance	Public companies, financial institutions	Disclosure of material ESG risks, integration into financial reports
		National Greenhouse and Energy Reporting (NGER) Act	Report on GHG emissions and energy use	Large companies and facilities	Reporting on direct and indirect emissions, energy consumption, energy production

(Source: collected from various reports and compiled by researcher)



Each country has its approach to ESG, reflecting its own economic priorities, environmental goals, and societal values. Companies operating internationally often need to navigate multiple frameworks and regulations to ensure compliance and align with global best practices. Each framework and regulation reflect the distinctive compliance, economic, and social state of affairs of the respective country, contributing to the global push for more transparent and sustainable and ethical practices of business.

Corporate Social Responsibility and Environmental, Social and Governance:

CSR indicates to a corporation's initiatives to appraise and accept responsibility and be accountable for its influence on social and environmental wellbeing. CSR primarily focuses on how a corporation manages its economical, societal, and environmental impacts. This includes philanthropy, ethical labor practices, environmental sustainability, and community development.

ESG indicates to a group of criteria utilised to assess a corporation’s performance and behaviour in environmental sustainability, social responsibility, and corporate governance. Broader in scope than CSR, ESG encompasses environmental factors like carbon footprint and resource use, social factors including work relations and community impact, and governance factors taking in consideration diversity in the board and transparency.

Table no.03 showing the Key differences between CSR and ESG:

Basis	CSR	ESG
Meaning	As per Ministry of Coal. GOI, CSR refers to a company’s initiative to make an assessment and act responsible for its impact social and environmental well-being and safety.	Broader framework encompassing ESG factors that are considered in business operations and investment decisions.
Focus	Primarily focuses on corporate actions and initiatives towards social causes and environmental sustainability.	Covers a wider range including corporate behaviour, risk management, and performance in areas beyond traditional CSR.
Scope	Often limited to philanthropic activities, community engagement, and sustainability initiatives directly managed by the company.	Includes not only corporate initiatives but also involves environmental impact, social responsibility, and governance practices into overall business strategy and operations.
Compliance	Generally guided by voluntary standards, industry norms, and stakeholder expectations rather than strict regulatory requirements.	Increasingly influenced by regulatory requirements, investor expectations, and industry standards. Companies are expected to disclose ESG-related information.
Stakeholder Engagement	Emphasizes engagement with local communities, NGOs, as well as other stakeholders in order to target specific issues or causes.	Extends beyond traditional CSR stakeholders to include investors, regulators, employees, customers, and communities, focusing on transparency and accountability.
Measurement and Reporting	Metrics and reporting often focus on specific CSR activities and their direct impacts on stakeholders and communities.	Requires standardized metrics and reporting frameworks to evaluate performance across ESG factors, facilitating comparisons across companies and industries.

(Source: collected from various reports and compiled by researcher)

While CSR and ESG both involve corporate responsibility and sustainability efforts, ESG provides a more comprehensive framework that integrates ESG practices into business strategy and making several business decisions, aiming for longstanding sustainable performance and transparency.

Opportunities and obstacles of ESG Disclosures by listed entities.

Adopting ESG (Environmental, Social, and Governance) practices brings numerous advantages to organizations. One key benefit is **easier access to capital**, as investors increasingly favour companies with strong ESG performance, seeing them as more stable and forward-thinking. Strong ESG credentials also contribute to an **improved corporate image and stronger brand recognition**, building stakeholder confidence and loyalty. Moreover, ESG compliance reflects **regulatory readiness**, helping firms stay ahead of changing laws and avoid legal setbacks. It also enables **more effective risk management** by proactively addressing potential environmental and social threats. ESG initiatives help **attract and retain skilled employees**, especially those who value purpose-driven work environments. Operationally, companies often achieve **higher efficiency and reduced costs** through sustainable practices like energy conservation and waste minimization. Collectively, these benefits support **sustainable long-term growth**, positioning companies for resilience and lasting success.



While ESG adoption offers numerous benefits, it also presents number of obstacles. One important hurdle is the **absence of standardized frameworks** in and across the globe, by creating challenges to measure and compare ESG efforts consistently throughout industries and nations. **Difficulties in gathering accurate and reliable data** further complicate reporting and decision-making processes. Many companies also struggle with **bounded monetary and human resources**, as implementing ESG initiatives often demands considerable investment. There's also a **concern about reputational damage**, where firms fear public backlash if their ESG efforts fall short or attract scrutiny. A common issue is the **lack of knowledge or specialized skills**, especially in organizations with little prior experience in ESG matters. Moreover, **uncertainty around evolving regulations** creates confusion and makes long-term planning difficult. Lastly, the risk of **being accused of greenwashing** - misleading stakeholders about sustainability efforts—can undermine trust and discourage transparent ESG reporting.

CONCLUSION

ESG has evolved from a voluntary concept into a vital framework for ethical responsible and sustainable business. Unlike CSR, ESG offers a structured and measurable approach that involves ESG aspects into core business strategies. India, along with other global economies, is actively strengthening its ESG reporting ecosystem through regulatory interventions by authorities such as Securities Exchange Board of India and the Ministry of Corporate Affairs. While regulatory support in India is growing, challenges such as inconsistent standards and limited resources remain. However, the benefits enhanced reputation, risk management, investor trust, and long-term value make ESG adoption essential. Companies must move beyond compliance and embed ESG into their culture to drive lasting impact and sustainable growth.

As ESG gains recognition as a vital tool for measuring corporate responsibility and performance, it becomes essential for businesses to look beyond regulatory compliance. Instead, they should embed ESG deeply into their organizational culture and strategic planning. By doing so, companies not only strengthen their market standing but also make significant contributions to welfare of the society and environmental sustainability-paving the way for long-term, inclusive growth.

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