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Corporate Sustainability Decoupling in India: Examining the Gap Between ESG Disclosures and Environmental Performance

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Abstract

Environmental information has been ensured transparency through the Business Responsibility and Sustainability Reporting framework in India; however, disclosure does not equal or necessarily result in improved environmental outcomes. The concepts of sustainability decoupling adopted in this paper are based on the difference between the sustainability declarations and the sustainability actions and outcomes of the companies. The nature of the analysis is qualitative and secondary sources and institutional theory were used along with the regulatory provision and published assessment of Indian enterprises. Some improvements in disclosure related to the environment and the level of the emissions, however, other value chain disclosures are partial and there are inconsistencies in the measurement of air pollutants. These differences would make it difficult to measure how satisfactory progress is being made in substantive sustainability. The potential mechanisms of decoupling emerged from the analysis are reporting boundaries, indicator selection, organisational incentives, and verification limitations. A framework of disclosure credibility operational implementation and environmental outcome is drawn up. Thus, this paper concludes, the essence of effective sustainability governance is to measure it longitudinally, to have comparable indicators and accountabilities and to link it to actual and concrete change in the organisation.

Keywords: Corporate Sustainability Decoupling, ESG Disclosure, Environmental Performance, BRSR, Corporate Governance, Sustainability Accountability

1. Introduction

Corporate sustainability is now a major growing part in the governance of organisations, the evaluation of investments and competitiveness. Environmental, Social and Governance (ESG) disclosures include information about corporate responsibilities, environmental risks, and sustainability efforts. However, it is important to be aware that as more organisations become institutionalised regarding their approach and reporting of environmental matters, progress in disclosure will not necessarily result in change in their practices or in their environmental outcomes.

The Business Responsibility and Sustainability Reporting (BRSR) framework was introduced by the Securities and Exchange Board of India (SEBI) in 2021 and the framework purports to be the foremost framework for disclosing such matters in India, with the top 1000 companies listed by market cap required to disclose such matters from FY 22-23. Further, the regulatory advancements have further emphasized the key sustainability indicators and external assessment (SEBI 2023).

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These changes have strengthened the formal practices of corporate sustainability reporting. But disclosure compliance, environmental management and ecological performance are conceptually separate and various aspects of organisational responsibility. A company may have extremely big commitments to improve its environment performance, and have extraordinarily little absolute reduction in emissions, resource use, and pollution. On the other hand, significant operational improvements can be achieved, and operational disclosure practices may not be fully developed.

This concern is examined in the light of corporate sustainability decoupling, a concept that outlines potential disconnect between institutional statements, institutional practices, and desired impacts. Its impact goes beyond the accuracy of reporting to corporate accountability, environmental governance, and sustainability information for commercial decision making.

The main analytical challenge is to understand when introducing ESG reporting leads to more environmental accountability and when it does not do so, but rather to more visibility of corporate sustainability commitments.

2. Review of Literature and Theoretical Foundations

2.1. Institutional Decoupling and Organisational Legitimacy

The institutional theory explains why organizations adopt formal policy when they try to become legitimate and conform to the expected pattern. Bromley and Powell (2012) distinguish between the policy practice coupling fuzzy boundary and means ends coupling. The latter denotes failure of policies' application to achieve the policy's intentions; while the former stands for a gap between what has been said and what has been done.

This distinction is most applicable to the sustainability reporting arena. The effectiveness of the institutional response is not evident by the conformity of the environmental committees, management systems, and public commitments.

Marquis et al. (2016) examine the issues of selective environmental disclosure across 4,750 firms globally and how scrutiny and institutional environment can affect environmental disclosure behavior. They have found a positive correlation between their results and external accountability, and the amount of information that organisations share on the environment.

2.2. Sustainability Disclosure and Organisational Performance

Hawn and Ioannou (2016) look into the relationship between internal and external CSR actions and argue that both actions must go together to create value. Their results also suggest that it is not necessarily better to rely on more external communication than internal organisational communication; in other words that 'the more the better' is too optimistic.

Although there are now well-established reporting practices of sustainability, it is believed that these practices do not necessarily result in better disclosure as stated by Michelon et al. (2015). Their results demonstrate the symbolic nature of formal reporting mechanisms that do not necessarily result in greater informational completeness or accountability.

Indian research also provides more insights into the ESG disclosure and business performance. Agarwala et al. (2024) examined disaggregated ESG disclosures and corporate performance and Malik and Kashiramka (2024) examined disclosure, financial performance, and debt financing in Indian listed companies. Similarly, Desai (2024) discovers that there is a positive correlation between ESG reporting and firm value.

The economic value of communication of sustainability has been illustrated in this research. However, connections with profitability, financing cost, or value in the market are not sufficient in themselves to warrant improved environment outcomes. Operational definitions and measurement procedures need to be different for corporate financial performance and environmental effectiveness.

2.3. Indian Evidence and Research Gap

Guruprasad et al. (2024) are studying BRSR disclosures of 150 Indian companies to pinpoint areas for enhancement in disclosures. In recent years, the analysis of 982 suffice corporate filings across twenty-two sectors by Tripathi et al. (2026) could be used as a starting point to determine how sustainability information is organised and complete.

Rane and Naik (2026) continue the discussion by focusing on the institutional responsibility and engaging in a longitudinal analysis of ESG disclosures and their consequences for a select set of listed companies in India.

The focus of the overall contributions is the distinction between disclosure coverage, disclosure credibility, and measurable environmental performance. The final analytical question is whether there is anything to be done about these dimensions and if there is any joint assessment, what is to be done if the deficiencies are not interpreted as evidence of bad environmental conduct.

3. Objectives of the Study

1. Explore theory and institutions of corporate sustainability decoupling in India.
2. To critically review the impact on environmental performance for the companies that practice ESG reporting.
3. Determine the organisational, regulatory and measurement environment that may lead to disclosure and performance mismatches.
4. Create a comprehensive mechanism to enhance the environmental responsibility of the Indian enterprises.

4. Research Methodology

A qualitative research design has been used in the study for secondary evidence which is exploratory and analytical. It is based on theory from the three concepts of institutional decoupling, organisational legitimacy, and sustainability accountability.

The evidence comprises of the regulatory circulars of SEBI, peer reviewed research papers, published institutional research and assessments such as report from CFA Institute, National Stock Exchange, Indian Institute for Human Settlements, Indian Institute of Management Bangalore and Council on Energy, Environment and Water.

5. Analysis and Discussion

5.1. Environmental Disclosure and Regulatory Compliance

Exiting India's Business Responsibility and Sustainability Reporting (BRSR) has contributed to greater institutionalisation of environmental accountability of companies, through increased standardisation of disclosures. It has helped listed enterprises to systematically document the environmental indicators and, in the process, enhance the information available to investors, regulators and others on the listed enterprises. But in this case, it cannot be taken for granted that regulatory compliance equals to environmental improvement.

Further, according to the most recent study by CFA Institute and CFA Society India (2026), there has been an improvement in the sustainability disclosure of the Indian listed companies since Fiscal Year (FY) 2022-23 and the sample of 300 companies assessed by them find that emission disclosure and disclosure of renewable energy and environmental investment disclosure are areas that have improved. In addition, Scope 3 disclosures have also increased but there is still a large variance between sectors. While these are signs of how many organisations are getting involved in environmental reporting, they are not a measure of the improvement in ecological outcomes.

Efficiency in respect of environmental impact is not equal to the actual environmental impact. Any decrease in emissions or energy use per dollar of revenue could be due to improved operations, product composition, and revenue growth. Thus, intensity indicators can improve and coincide with an increase in the overall resource use or emission. In addition to consistent reporting boundaries, absolute and relative indicators of the environmental performance are needed if the performance of a business is to be measured in relation to the environment.

Thus, Tripathi et al., (2026) conclude that the sectoral level benchmarking is appropriate in the context of evaluation of CSR disclosures in India. Comparisons with uniform performance is less meaningful because of industrial processes and dependence on and environmental exposure to resources. In this context also sectoral dimension must be considered to have any real regulatory accountability, in case of disclosure conformities.

5.2. Reporting Completeness and Environmental Measurement

Environmental reporting is a prerequisite for the publication of sustainability information, but it is also crucial that this information is complete, comparable, and dependable enough to add to the credibility of the information. In recent times, there has been a disconnect between the reported environmental indicator on the availability and quality, in the case of India.

In an extensive study, BRSR disclosures made by 1,258 NSE listed companies for the last three fiscal years (FY22-23 to FY24-25) have been analysed by Verma et al. (2026). Their analysis shows that 87.6% of greenhouse gas disclosures were covered in FY24-25, with 70.7% of air-pollutant disclosures covered during that same time. This split reflects the low prioritisation so far of the environmental impact of the company level in the field of sustainability reporting.

One area is fully reporting and varying practices that are in place in different sectors around disclosure. In manufacturing companies, emission sources are more apparent and in service companies they are much more varied. Thus, it is relevant to consider incompleteness of disclosures as a part of the sectoral materiality aspects and sectoral characteristic of operations and measurement.

One other reason that data presented here may not be quite as valid is the various units of measure and different reporting of data. It is pertinent to highlight that there is significant difference in reported values of particulate matter (PM) based on different units of measurements such as which are not comparable (Verma et al., 2026). This uncertainty makes it to be not possible to make real comparisons between enterprises and restricts the value of indicators published to evaluate the environmental performance of enterprises.

These restrictions also indicate a general issue of information asymmetry. External stakeholders' knowledge of operational conditions is significantly less as compared to corporate management. However, if the investment or regulatory body is not aware of the reporting areas, the content of the report, and assumptions and methodologies that management use to assess its environmental performance, it can be difficult to distinguish where management may have decreased its efforts, rather than actual environmental improvements. The standardisation should therefore not only be used for disclosure forms, but also the procedure used for the measurements.

5.3. Mechanisms of Corporate Sustainability Decoupling

Corporate sustainability decoupling can become a reality through inter-dependent organisational and institutional processes that impact the reported commitment environment relationship. In the corporate reporting context of India, there are three mechanisms which assume a special significance:

Selective Environmental Disclosure: Organisations have the freedom to disclose a lot about their own positive sustainability measures and less about any environmental effects from suppliers and outsourcing or of complicated production processes. Data will, and always should be, incomplete and reporting boundaries can be incomplete, leading to incomplete governing organisations environmental responsibilities. But it does not necessarily imply that it is intentional misinformation: sometimes the technical and regulatory aspects can play a role in reporting decisions.

Symbolic Compliance and Operational Implementation: At the institutional level, institutional compliance through the establishment of the institutional structures (e.g., sustainability committees, environmental policies and formal reporting, etc.) can be encouraged, but such measures do not necessarily result in inclusion in production decision-making and resource allocation. Bromley and Powell (2012) differentiate between 'Policy Practice decoupling' and 'means ends decoupling', which is a theory to explain differences between formal organisational arrangements and the desired events. Therefore, environmental policies should be measured from an operation investment that is distributed the responsibility to manage the environmental policies and whose results can be measured from the corporate Sustainability governance.

Performance Measurement and Attribution: May involve environmental results, effect of technological advances, increases in production, restructuring of businesses and outside economic factors. Information of improvement in environmental intensity does not necessarily mean an improvement of the environmental impact of products in absolute terms. For instance, where there are changes in Sustainability scores, it may be because of changes in disclosure policies of the organisation rather than the organisation itself.

The analysed explanations very much rely on each other and are not static. Reporting deficit means a lack of information and evidence of the decoupling means a gap must be demonstrated. Likewise regular observations for each company and in general the process of observation itself to know the divergence. The general lesson is over institutional legitimacy and effectiveness of the environment. While regulatory compliance may help to build up trust in the organisation, the only way it can have an influence on operational priorities and improvement is if there is some impact in compliance reporting.

5.4. Verification and Sustainability Accountability

Independent evaluation is one of the important institutional instruments that can contribute toward increasing the credibility of corporate environmental disclosures. SEBI's BRSR Core framework, in parallel, added more requirements on the sustainability indicators and the new regulatory changes in March 2025 provided for the assessment/assurance and value-chain reporting change. Subsequently, the provisions got included under the umbrella of the regulations as prescribed in the master circular issued by SEBI in January 2026 (SEBI, 2025, 2026).

But there are also different procedures to verified information and to calculated environmental effectiveness. A higher level of confidence in indicators disclosed, but no evidence of firm's attempts to reduce its environmental impact, could be achieved through an external assessment. Thus, an assessment of sustainability accountabilities must be conducted both from a perspective of the reliability of the measures and in the context of the substantive impact on the environment.

If your business is in multiple locations and has a huge supplier base, then reporting bounds, methodological uniformity and quality of assurance are some of the issues that have come up as concerns by CFA Institute and CFA Society India (2026). To strengthen the trust in the results achieved, the inclusion of the sustainability data of companies and of data gathered through environmental monitoring practised by companies could be enhanced.

There's also room for more management, in other words accountability, as some would say. An environmental indicator approach to environmental reporting by the sector should be promoted and encouraged by the regulatory bodies and targeted and evaluated by the Corporate Boards based on environmental outcome in operations. A longitudinal performance evaluation together with baseline and independent audit transparency can differentiate between a real environmental improvement due to procedural compliance.

Beyond the count of disclosures being made, another way to gauge the effectiveness of Indian Sustainability reporting is now the ability of it ‘to join the dots' between what companies commit to do, what they do and the environmental outcomes that they achieve.

6. Integrated Framework for Evaluating Sustainability Decoupling

Based on the above analysis, it is concluded that disclosure compliance is not sufficient to measure corporate sustainability decoupling. To fully assess, it is necessary to study the link between committed environmental messages, organizational practices, and environmental impacts. At this level, degree of opinion is added in a three-dimensional evaluative matrix to distinguish weaknesses with regard to aspect of operational accountability, environmental effectiveness, and reporting credibility.

6.1. Disclosure Credibility

Disclosure credibility is a term that means the reliability, completeness and comparability of the environmental information made available by enterprises. Beyond number of indicators reported, it is about the substantive nature and content of the indicators, methodological consistency, and transparency of what is being measured organisations. The information contained in sustainability disclosures should be adequate to differentiate any actual changes in performance from those that are achieved by how the disclosure is reported.

Special attention has to be paid to indirect emissions, the consumption of resources and the activities of the companies that affect the environment in the entire value chain. The use of various units of measurement, limitations in the scope of indicators and poor explanations of reporting assumptions can hamper the ability of stakeholders to judge environmental responsibility. Credible disclosure therefore involves verifiable information that in turn enables scientists to make meaningful comparisons between disclosure periods but not necessarily one that the more disclosure, the better the sustainability performance.

6.2. Implementation Accountability

Implementation accountability refers to the degree of public disclosure of "sustainability commitments" and their translation onto the priority of investments, decision making in operations and organisational strategies. Formal environmental policies turn into substance when they are specifically implemented by a few milestones, have financial support and managerial responsibilities.

Therefore, environmental capital investments, technological progress and resource management, internal monitoring, and the integration of sustainability into the corporate governance should be integrated as an assessment. But the effectiveness in implementation can only be determined through expenditure or policy adoption. There needs to be evidence of planned interventions that have been taken up, and organisational responsibilities need to be clearly defined for accountability. This dimension is symbolic institutional conformity and actual managerial action.

6.3. Environmental Outcome Verification

An environmental outcome verification assesses whether environmental outcome changes as a result of the environmental outcomes undertaken. Appropriate indicators are absolute greenhouse gas emissions, emissions intensity, energy consumption, water utilisation, waste, and industrial pollution.

Performance measurement should provide standardized performance basis, standardized period of reporting, and known minimum and maximum limits of performance. This is significant especially if a decrease in environmental intensity of production is accompanied by an increase in the level of emissions. In addition, sectoral characteristics, production expansion, and changes in operational structure should be considered before designating results to specific sustainability interventions as some may be effective in some contexts, and less effective in others.

The framework thus recognizes three analytically distinct ways in which potential decoupling can happen, which are incomplete environmental representation, inadequate operational implementation, and ineffective environmental outcomes. Their built-in evaluation assists in the interpretation of sustainability performance and prevents assumptions about organisational intentions.

7. Managerial and Regulatory Implications

The recommended structures apply to the governance, regulation supervision, and investment evaluation. The corporate board should incorporate material environmental indicators in capital allocation and its assessment and strategic planning of executives. Improving the linkage between reported policies and operational choices would be achieved by having clear responsibilities for the implementation of sustainability commitments. Environmental aspects affecting business activities should also be the target of internal monitoring, in addition to organisation goals.

The Business Responsibility and Sustainability Reporting could be improved, with some steps taken by the regulatory bodies, especially the Securities and Exchange Board of India, to ensure methodological consistency, clarity of boundaries of the report and environmental indicators relevant to the corresponding sector. Coordinated arrangements for sustainability disclosures and environmental monitoring could increase the verification of sustainability disclosures without increasing compliance requirements unduly.

Investors and financial institutions shall take into account sustainability disclosures in combination with other material, environmental information and indicators that have been reviewed separately, trend(s) and evidence of operational implementation. Overall ESG score does not necessarily indicate significant differences in ecological effects and quality of reporting.

Therefore, the coordinated accountability of corporate management, regulators, assurance providers, and capital market is needed in order to create the effective governance of sustainability. Disclosure credibility can assist in making reliable investment decisions along with implementation accountability and verification of environmental outcomes can be useful measures to curb and reduce the information asymmetry and work towards actual environmental improvement in the Indian businesses.

8. Research Limitations and Future Directions

It is not a measure of its own environmental performance of any one enterprise but is based on available secondary assessments. Because of the differences in corporate coverage, indicator definition, and measurement period, it is not possible to generalise it in this study.

Future research should involve the creation of firms' time-series databases which include disclosure quality, environmental expenditures, absolute emissions, pollution measures, and external verification. Panel analysis of sectors might explore substantive environmental changes and their relationship to changes in disclosure, before, after or concurrent with the environmental changes, whilst considering production scale and organisational aspects.

9. Conclusion

In India, the institutional development of corporate sustainability reporting has seen plenty of growth, especially with the launch of Business Responsibility and Sustainability Reporting framework. This evolution in regulation enables environmental information to become more and more available and standardised and thus creates better opportunities to evaluate corporate accountability. The evidence analysed, however, indicates significant ongoing issues related to completeness of reporting, consistency of measurement, scope of organisations and implementation of what is reported as environmental performance.

Analysis shows there is no link between improved sustainability reporting and improved environmental performance. The positive effects emissions intensity reductions, increase in disclosure coverage and adoption of environmental governance mechanisms – are minor but depend on changes in operational practice and ecological effects that can be documented. Where reporting is incomplete or inconsistent, this could be due to an issue with the measurement systems used, and not necessarily deliberate misrepresentation with the organisation. Hence, careful evaluation is needed to make sustainability decoupling decisions and cannot be exclusively based on the non-disclosure.

This proposed three-dimensional framework is useful to capturing sustainability accountability which consists of disclosure credibility, implementation accountability, and environmental outcome verification. This way, gaps in environmental communication can be differentiated from gaps in the execution of the organisation and effectiveness of sustainability interventions. Can be used to contribute to building more solid corporate performance assessments and strengthen the analytical foundation of environmental governance.

However, to take significant steps towards sustainability, Indian businesses need to consider the environment in their strategic plans, resource allocation, and management and monitoring processes. This movement can be reinforced through the consistent measurement and sector-sensitive disclosure requirements by regulatory bodies and external evaluation. Likewise, investors and others must be able to distinguish this nature of reporting from actual improvements to the environment.

Although secondary evidence does not show the extent and reasons for decoupling among Indian enterprises, it does point to some of the key areas where further study through a longitudinal approach at enterprise level is required. In general, true sustainability in companies is more than a transparent reporting; it is integrated and continuous, in terms of institutional commitments, behaviour of the organisation and concrete impacts on the environment.

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