ARTICLE 5

Sustainability Reporting: Concept, Evolution and Audit Relevance

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Received : 15 January 2026 **Accepted: 18 April 2026**

Abstract
Sustainability reporting has evolved from voluntary environmental disclosures into a structured governance mechanism that integrates Environmental, Social and Governance (ESG) considerations into organisational accountability frameworks. This evolution reflects growing recognition that financial reporting alone is insufficient to capture long-term risks, externalities, and value creation. The paper examines the etymology and conceptual foundations of sustainability reporting, traces its global and Indian evolution, analyses major reporting frameworks and datasets, and evaluates the relevance of sustainability reporting for public sector auditing. It argues that sustainability reporting is no longer peripheral but central to assessing governance quality, fiscal sustainability, policy effectiveness, and highlights emerging challenges for audit institutions in assuring sustainability-related information.

Keywords
Sustainability Reporting, Environmental, Social and Governance (ESG), Public Sector Audit and Governance Accountability.

5.1 Introduction

Economic growth has delivered unprecedented prosperity, but at the cost of environmental degradation, social inequality, and governance fragility. The triple planetary crisis, climate change, biodiversity loss, and pollution, underscores the inadequacy of traditional financial reporting, which overlooks environmental and social externalities as well as long-term risks.

Sustainability reporting has emerged to bridge this gap, evolving from voluntary narratives to standardised, and increasingly mandatory ESG disclosures. For public audit institutions, ensuring the credibility and completeness of these disclosures is vital to strengthen accountability, inform decision-making, and address climate, social, and fiscal risks.

5.2 Etymology and Conceptual Foundations

5.2.1 Etymology of Sustainability

The word sustainability is derived from the Latin term sustinere, meaning “to hold up” or “to endure”. In its literal sense, sustainability implies the capacity of a system to continue over time without collapse or irreversible damage. The term entered modern environmental and development discourse during the late twentieth century, with concerns about ecological limits and intergenerational equity.

In 1713, Hans Carl von Carlowitz, responding to a crisis of timber shortages in Saxony, wrote Sylvicultura Oeconomica, calling for the careful, regenerative use of forests. His work introduced the

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concept of "Nachhaltigkeit" (sustainability), the idea that natural resources must be used in a way that does not compromise their availability for future generations. It linked economic activity with ecological stewardship, predating modern sustainability discourse for centuries. (Carlowitz, 1713).

The Brundtland Commission's 1987 report "Our Common Future", later offered the widely accepted definition of the term sustainable development which refers to idea of 'meeting present needs without compromising the ability of future generations to meet their own needs'. The concept of sustainable development integrates economic development, environmental protection and social equity. (WCED, 1987).

5.2.2 Concept of Sustainability Reporting

Sustainability Reporting refers to the systematic disclosure of information on an organisation's environmental, social and governance performance, and its impacts, risks, and opportunities. Unlike financial reporting, which primarily addresses shareholders and creditors; the sustainability reporting adopts a broader stakeholder orientation, encompassing employees, communities, regulators, and future generations.

Conceptually, sustainability reporting serves multiple purposes:

- Assessing environmental impacts
- Enhancing transparency regarding non-financial impacts
- Supporting risk assessment and long-term planning
- Facilitating accountability for policy and managerial decisions
- Enabling comparability across organisations and sectors

From an audit perspective, sustainability reporting represents an expansion of the accountability framework within which public and private entities operate.

5.2.3 Triple Bottom Line

The Triple Bottom Line (TBL) framework expands organisational performance measurements beyond financial profit to include:

- People (Social performance)
- Planet (Environmental performance)
- Profit (Economic performance)

Popularised by John Elkington in the mid-1990s, it underpins modern sustainability reporting by arguing that organisational performance should be assessed jointly on economic, social and environmental dimensions rather than profit alone. Instead, it should be assessed on three aspects together: economic performance (profit), social impact (people) and environmental impact (planet). Sustainability reports, therefore, include information on employee welfare, community development, environmental protection, and financial value creation.

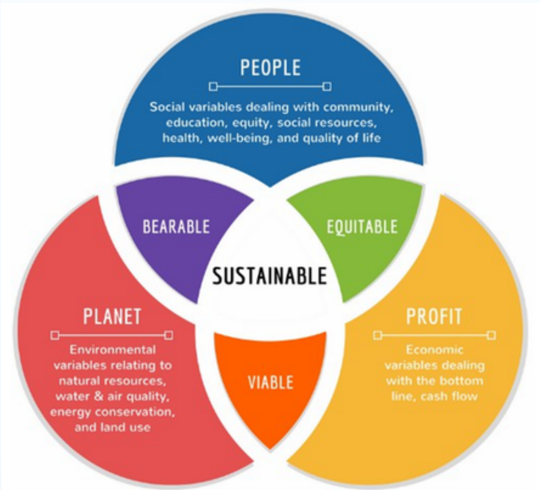

Figure 5.1: Triple Bottom Line

5.2.4 Double Materiality

Double materiality assesses sustainability from two complementary angles: how environmental and social issues affect an organisation's financial position and performance, and how the organisation's activities affect society and the environment.

For instance, climate change may damage a company's assets, and at the same time, the company's emissions may contribute to climate change. This concept is increasingly embedded in regulatory and reporting frameworks, requiring auditors to consider not only financial materiality but also impact materiality when evaluating sustainability information. It thereby deepens the link between sustainability reporting, risk assessment and public interest oversight.

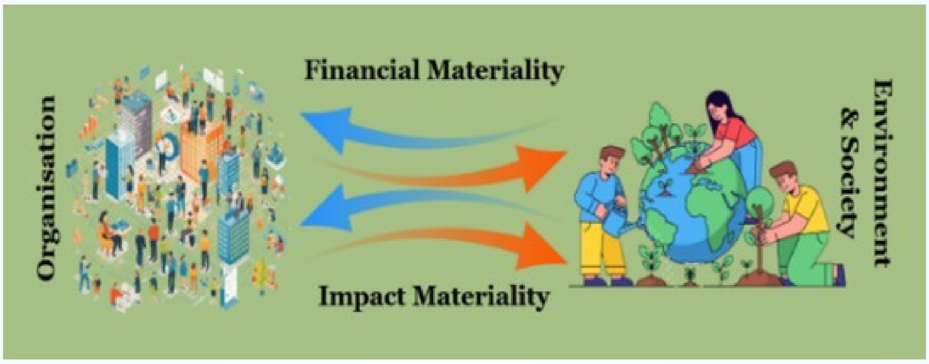

Figure 5.2: Impact & Financial Materiality

5.2.5 Assurance and Reliability

Assurance and reliability have become increasingly important as sustainability reporting moves towards mandatory disclosure. Stakeholders need confidence that the reported data is accurate and reliable. Assurance by independent professionals improves trust in sustainability information. However, sustainability data often involves estimates and non-financial measurements, making assurance more challenging. Auditors must therefore apply professional judgement and appropriate methodologies while providing assurance.

5.3 Global Evolution of Sustainability Reporting

5.3.1 Early Environmental Disclosure (1970s–1980s)

The origins of sustainability reporting can be traced to environmental disclosure practices that emerged in the 1970s. These early disclosures were compliance-oriented, focusing on pollution control measures and adherence to environmental regulations. They were typically qualitative, fragmented, and limited in scope.

Key international developments during this period included:
- The United Nations Conference on the Human Environment (1972)
- Growing recognition of environmental limits to growth
- Emergence of environmental impact assessments

These developments laid the groundwork for linking organisational accountability with environmental responsibility.

5.3.2 Institutionalisation through Reporting Frameworks (1990s–2000s)

The 1990s marked a turning point, as sustainability reporting began to be institutionalised through formal frameworks and guidelines. The establishment of the Global Reporting Initiative (GRI) in 1997 was a significant milestone. GRI provided standardised indicators covering environmental, social, and economic dimensions, enabling greater consistency and comparability in reporting.

During this period:

- Sustainability reports expanded beyond environmental issues to include labour practices, human rights, and governance.
- Multinational corporations increasingly adopted voluntary sustainability reporting.
- Stakeholder engagement emerged as a core reporting principle

By the early 2000s, sustainability reporting had become an established, though still voluntary, practice among large global corporations.

5.3.3 Integration with Climate and Financial Risk (2010s)

The 2010s witnessed a fundamental shift in how sustainability reporting was perceived. Environmental and social issues, particularly climate change, began to be recognised as sources of material financial risk. This shift was reinforced by:

- The adoption of the Paris Agreement in 2015
- The launch of the Sustainable Development Goals (SDGs)
- Growing investor demand for ESG information

The establishment of the Task Force on Climate-related Financial Disclosures (TCFD) in 2017 marked a critical development, as it explicitly linked climate risks with financial stability. Sustainability reporting has increasingly moved from a corporate responsibility exercise to a risk disclosure mechanism.

5.3.4 Transition towards Mandatory Reporting (2020 onwards)

In recent years, sustainability reporting has transitioned from a voluntary practice to a regulatory requirement in many jurisdictions. The European Union's Corporate Sustainability Reporting Directive (CSRD) and the issuance of global baseline standards by the International Sustainability Standards Board (ISSB) have accelerated this shift.

By 2024:

- A majority of G20 countries had introduced mandatory or semi-mandatory ESG disclosure regimes.
- Sustainability reporting was increasingly subject to assurance requirements.
- Public sector entities began exploring sustainability disclosures aligned with national climate and development commitments.

5.4. Evolution of Sustainability Reporting in India

5.4.1 Early Phase: CSR-Oriented Disclosure

In India, sustainability disclosure initially evolved through Corporate Social Responsibility (CSR) reporting. Before statutory intervention, CSR disclosures were voluntary and philanthropic, focusing on charitable activities rather than systemic sustainability impacts.

The enactment of the Companies Act 2013 marked a significant shift by mandating CSR spending for eligible companies. However, CSR reporting during this phase primarily emphasised financial expenditure rather than outcomes, effectiveness, or long-term sustainability.

5.4.2 Regulatory Push through Capital Markets

A more structured approach to sustainability reporting emerged with interventions by the capital market regulator. The introduction of Business Responsibility Reports (BRR) in 2012 represented India's first attempt at standardised ESG disclosure for listed entities.

This framework was strengthened in 2021 with the introduction of Business Responsibility and Sustainability Reporting (BRSR). From FY 2022–23, BRSR became mandatory for the top 1,000 listed companies by market capitalisation.

5.4.3 Scope and Data Trends under BRSR

BRSR is aligned with the National Guidelines on Responsible Business Conduct and covers environmental, social and governance indicators. Early datasets reveal mixed levels of maturity:

- High disclosure rates for energy consumption and workforce diversity
- Moderate disclosure for Scope 1 and Scope 2 emissions
- Limited disclosure for Scope 3 emissions and supply chain impacts

These trends highlight both progress and challenges in India's sustainability reporting ecosystem.

5.4.4 Public Sector Context

In the public sector, sustainability reporting remains less formalised. While ministries, departments and public sector undertakings publish outcome budgets, environmental statements and performance reports, comprehensive sustainability reports are limited. Nevertheless, sustainability dimensions are increasingly addressed through environmental audits, SDG audits and performance audits conducted by the Supreme Audit Institution.

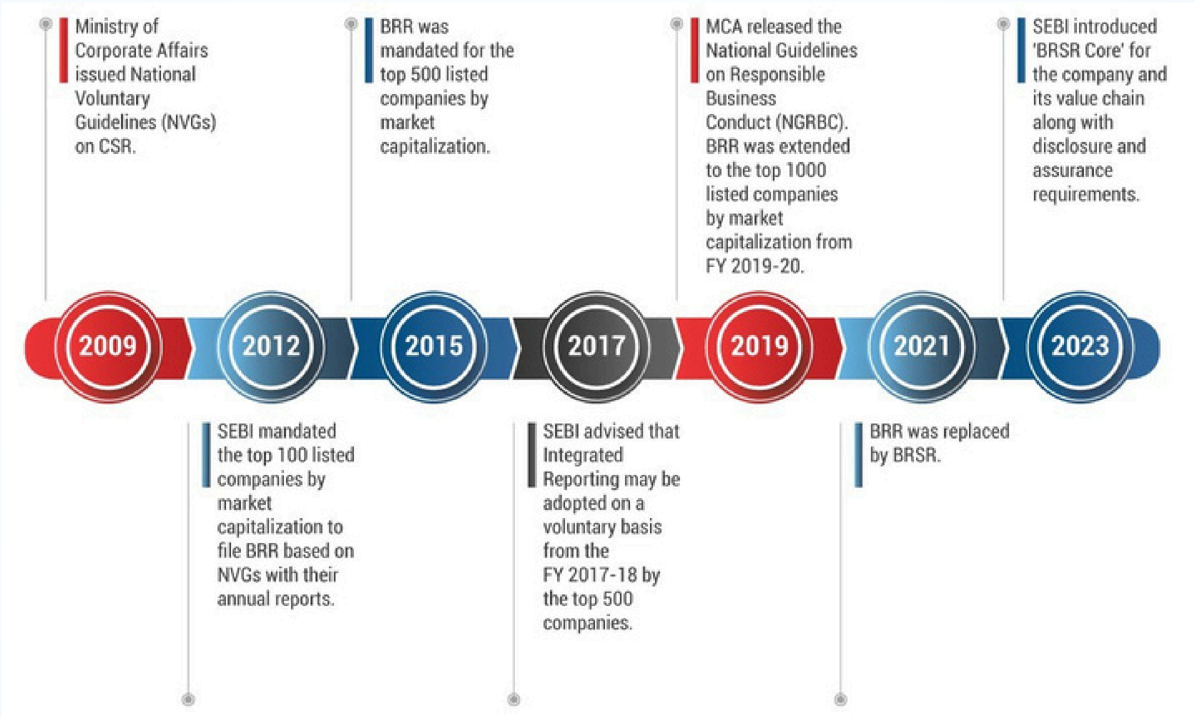

Figure 5.3: Timeline for Evolution of BRSR

5.5 Business Responsibility and Sustainability Reporting (BRSR) in India

5.5.1 Genesis and Regulatory Basis of BRSR

Business Responsibility and Sustainability Reporting (BRSR) represent India's most comprehensive attempt to institutionalise sustainability disclosures within the corporate regulatory framework. It was introduced by the Securities and Exchange Board of India (SEBI) through its circular dated 10 May 2021, replacing the earlier Business Responsibility Report (BRR) framework that had been in force since 2012.

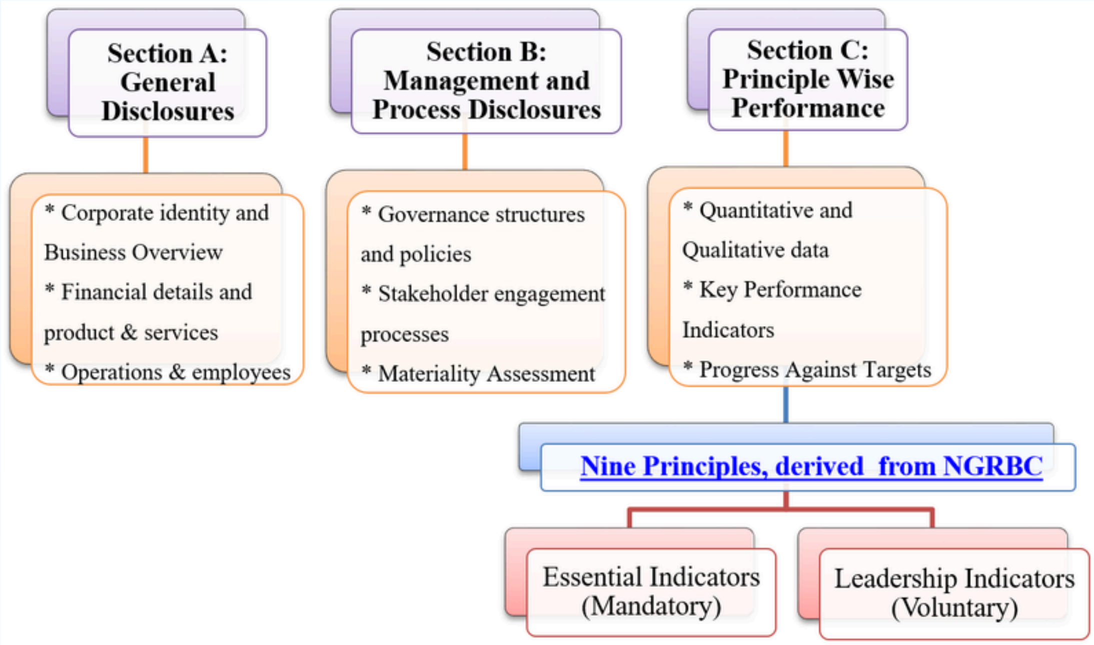

Figure 5.4: Structure & disclosure requirements in BRSR

Image Source: https://cag.gov.in/uploads/media/Green-Files-Volume-55-06993efa827dd55-76302713.pdf

The introduction of BRSR was driven by multiple, converging needs in India's evolving sustainability landscape. It sought to provide standardised, comparable and quantitative ESG disclosures in place of fragmented narratives, align corporate reporting with India's commitments under the SDGs and the Paris Agreement, and respond to growing investor demand for reliable sustainability data that could inform capital allocation and risk assessment. From FY 2022–23, BRSR became mandatory for the top 1,000 listed entities by market capitalisation, marking a major regulatory step towards mainstreaming ESG information within capital markets.

Structurally, BRSR is anchored in the National Guidelines on Responsible Business Conduct (NGRBC), which are built around nine principles spanning ethical governance, environmental stewardship, human rights, employee welfare, consumer protection and inclusive growth. These principles provide the conceptual backbone for the reporting framework, ensuring that disclosures are not ad hoc but systematically linked to a nationally endorsed vision of responsible business conduct.

From an audit perspective, this section functions as a set of environment control indicators for ESG governance, signalling whether the organisation's systems are robust enough to support credible disclosures. Principle-wise Performance Disclosures then translate each of the nine principles into quantitative and qualitative metrics, including energy consumption and intensity, Scope 1 and Scope 2 greenhouse gas emissions, water withdrawal and discharge, gender diversity and employee turnover, occupational health and safety metrics, and value chain sustainability. SEBI's 2023 analysis shows that while most companies report basic environmental metrics, data reliability and completeness, especially in relation to value chain disclosures, remain uneven, underscoring the ongoing challenge of deepening the quality of BRSR reporting.

5.6 BRSR Core and Proportional Reporting: Enhancing Credibility and Assurance

BRSR Core was introduced by SEBI through its circular dated 14 July 2023 to improve data consistency, comparability and assurance in ESG disclosure by identifying a subset of key indicators considered most critical for stakeholder decision-making. Initially applicable to the top 150 listed entities from FY 2023–24, this requirement will be progressively extended to the top 1,000 entities, signalling a phased but firm move towards more rigorous sustainability reporting.

BRSR Core narrows the focus to select quantitative ESG indicators, mandates reasonable assurance by independent assurance providers, and prescribes uniform measurement methodologies for these metrics, thereby shifting the regime from disclosure-only reporting to assured sustainability information. The Core set of indicators covers Scope 1 and Scope 2 greenhouse gas emissions, water consumption and intensity, waste generation and recycling, gender diversity in the workforce and leadership, and occupational injury frequency rates, capturing both environmental and social dimensions of performance.

BRSR has strengthened ESG transparency by introducing structured, principle-based disclosures aligned with global sustainability expectations. However, the comprehensiveness of the framework, especially with the rollout of BRSR Core and assurance-linked indicators, can pose implementation challenges for smaller entities with limited reporting capacity. In this context, BRSR Lite represents a proportional reporting pathway that enables smaller organisations to participate meaningfully in sustainability reporting without diluting the credibility of disclosures.

BRSR Lite is not a separate regulatory framework but a scaled application of BRSR principles, grounded in materiality and organisational capability. It focuses on a compact set of essential indicators covering governance, environmental stewardship, employee welfare and stakeholder responsibility, while allowing flexibility for advanced disclosures to be added gradually. This approach prioritises relevance over volume, encouraging entities to report what is materially significant to their operations rather than producing compliance-driven boilerplate narratives. The proportional model is consistent with the broader philosophy of sustainability reporting articulated in Indian thought leadership, which emphasises practicality, phased adoption and integration with enterprise strategy. (ICMAI Sustainability Journal, 2024).

A key dimension of BRSR Lite is proportional assurance. Instead of mandating uniform third-party assurance for all disclosures, assurance is calibrated to risk and stakeholder reliance. Basic disclosures may rely on management attestation, while selected quantitative indicators can undergo limited or targeted external review. This layered approach maintains trust in ESG data while keeping assurance costs manageable for smaller entities. It also encourages preparers to build internal data systems gradually, improving reporting maturity over time.

For auditors, BRSR Lite requires a risk-based mindset: focusing on controls, sampling and data governance rather than exhaustive verification. For preparers, it provides an entry point into structured sustainability reporting, fostering early adoption and continuous improvement. Importantly, proportional reporting broadens participation in ESG disclosures, supporting comparability and transparency across India’s diverse corporate landscape.

In essence, BRSR Lite advances the core objective of sustainability reporting, embedding responsible business conduct into organisational practice, while ensuring inclusivity. By aligning disclosure expectations with organisational scale, it transforms sustainability reporting from a compliance exercise into a practical management tool that smaller entities can realistically adopt and sustain. (SEBI Expert Committee, 2024)

5.7 Audit Relevance and Emerging Challenges

Sustainability reporting is directly relevant to audit institutions because it intersects public expenditure, policy outcomes, and long-term fiscal risks. Auditors are increasingly required to:

- Assess the credibility of sustainability disclosures.
- Examine alignment between policy commitments and reported outcomes.
- Evaluate whether sustainability initiatives deliver value for money.

Internationally, audit institutions are expanding their mandate to include climate finance audits, SDG preparedness audits, and reviews of ESG governance mechanisms. Despite the progress, several emerging challenges hinder comprehensive auditing, most notably persistent issues with data quality and a lack of standardised reporting units for critical metrics like energy consumption and emissions. Auditors must also navigate the complexity of fragmented reporting, where data is often scattered throughout annual reports rather than consolidated, and inconsistencies in how companies define the underlying figures used for intensity calculations. Furthermore, transparency remains a significant hurdle in complex areas such as Scope 3 emissions and value chain assessments.

5.8 Conclusion

Sustainability reporting represents a significant evolution in accountability frameworks, reflecting the growing recognition that economic performance cannot be separated from environmental and social realities. Globally and in India, sustainability reporting has moved towards standardisation and regulatory enforcement, although challenges relating to data quality and assurance remain.

For audit institutions, sustainability reporting offers an opportunity to strengthen oversight of long-term risks and policy effectiveness. At the same time, it demands methodological innovation, interdisciplinary expertise, and institutional capacity building. Integrating sustainability considerations into mainstream audit processes will be essential for ensuring that sustainability reporting contributes meaningfully to transparency, accountability, and sustainable development.

Data Availability

None

Ethics Statement

This article is a conceptual and documentary analysis based on publicly available secondary sources, and it does not involve human participants, animals or primary field experiments requiring prior ethical approval. No sensitive personal data was collected, processed or reported, and no procedures with potential physical, psychological or social risk to individuals or communities were undertaken.

Funding

None

Conflict of Interest

No Conflict of Interest.

Acknowledgement

The author gratefully acknowledges the guidance and encouragement received from the faculty and colleagues at the International Centre for Environment Audit and Sustainable Development (iCED), Jaipur, during the preparation of this article. The author also thanks the National Academy of Audit and Accounts (NAAA), Shimla, for providing a platform for knowledge sharing through its publication Manthan.

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