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# ESG REPORTING IN BSE SENSEX - NAVIGATING SUSTAINABILITY CHALLENGE

**Dr.J.Meena Maheswari**
Associate Professor
GRG School of Management Studies PSGR Krishnammal College for Women meenaj@grgsms.ac.in

**M.S.RAMYA**
Assistant Professor
Apollo Enginnering College Chennai ramyasuriyan@gmail.com

**Dr.S.P.Depikaa**
Assistant Professor
PSGR Krishnammal College for Women spdepikaa@psgrkcw.ac.in

## ABSTRACT

In India, the SEBI has introduced ESG disclosure standards - BRSR Core -aligning with the World Economic Forum (WEF) and sharing significant similarities with its core metrics.The key performance indicators (KPIs) for environmental, social, and governance factors have been specifically tailored for India.The present study aims to categorize the Top 30 companies listed in BSE SENSEX as Leadership,Strong, Average,& Below-Average. Also the study reveals the Green-washing risk score of each company and has classified the sectors as High to Low risk.The study further has done a correlation analysis using Pearson's & Spearman's and has established their inter-relatedness. The study gains its importance by confirming the consistency in CRISIL ESG Methodology across BSE SENSEX Companies.

***Keywords: Green-washing risk, ESG Reporting, Sustainability,ESG Disclosures JEL Code: M14,G32,Q56***

## INTRODUCTION TO THE STUDY

Environmental, Social, and Governance (ESG) reporting shapes corporate behavior in modern business scenario. ESG reporting serves as a powerful catalyst for enhancing corporate transparency. By mandating the disclosure of environmental impacts,social initiatives, and governance structures, companies are compelled to operate in a more open and accountable manner.This transparency builds trust among stakeholders, fostering a culture of honesty and responsibility. The Governance factors include board structure, anti-corruption policies, compensation patterns, transparency and disclosure patterns and the like.Companies are required to adopt global standards in terms of consistency and comparability. Still there are certain challenges like lack of standardization, and the issues related to greenwashing, data reliability concerns.The study has ranked the Top 30 companies that are listed in the BSE SENSEX based on their ESG scores. The study gears up in categorizing the companies based on their composite and individual environmental,social and governance score and has identified the Leaders ,Strong, Average and Below-average performers. The study has established the correlation among the ESG with their relative individual score.The overall study identifies the high risky,low risky and has exposed the sector with a decent performance in India.


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## LITERATURE REVIEW

Hamdi et al. (2022) contend that when a firm embraces the ESG standardization approaches while engaging in ESG reporting, this standadization elevates the financial performance of the firm and parallely reduces the risks in all terms and automatically increases the firm's market value in terms of market capitilization.

O'Neill, (2022) has studied about the differences between the CSR and ESG practices and also proved that the CSR was normally seen as a philanthropic tool, focusing on social benefits without a financial value addition. Whereas, the contemporary ESG programs are believed vital to a shareholders wealth creation and acts as a good risk management strategy.

Chang et al. (2022) had thrown lights on the benefits of higher ESG score in terms of brand value, realising scable oppurtunities, accelerating future growth, reducing the risk and tax aspects, and enhancing the relationship with the companys stake holders. The researchers established that the companies and the stakeholders benefit out of the positive relationship between ESG Score and stock prices.

Verheyden et al. (2021) confirms that ESG reports always provide added insights to understand better about a company's future performance in terms of growth rate, which would directly influence the investor's decision in choosing a company as their investment option.

## OBJECTIVES OF THE STUDY

### Primary Objective:

The study offers a comprehensive assessment of the sustainability disclosure practices based on the ESG Scores.

### Secondary Objectives:

1. To segregate the BSE SENSEX COMPANIES into Leaders, Strong, adequate and Below-Average based on the ESG Scores.
2. To analyze the relationship between the composite ESG Score and the individual scores like Environment, Social and Governance.

## RESEARCH METHODOLOGY

The current study utilizes secondary data, featuring a sample of 30 Indian firms. Secondary data is collected from the official website of the BSE SENSEX and ESG scores of BSE SENSEX companies are extracted from the Credit Rating Information Services of India Limited (CRISIL website).

## ANALYSIS AND INTERPRETATION

The below given table depicts the ESG Score as well as the individual Environmental, Social and Governance score of the 30 companies listed in BSE SENSEX . These companies topped in terms of market capitalization on the day data was downloaded from the official website.


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**TABLE 1:**

| S. No | Name of the company | Sector | Environ ment | Social | Governance | ESG Score |
|---|---|---|---|---|---|---|
| 1 | Asian Paints Ltd | consumer durables | 58 | 62 | 76 | 67 |
| 2 | HCL Technologies Ltd | IT | 69 | 65 | 77 | 71 |
| 3 | Bharat Electronics Ltd | Aerospace & Defense | 74 | 83 | 72 | 74 |
| 4 | Reliance Industries Ltd | Oil & Gas - Refining & | 41 | 46 | 68 | 53 |
| 5 | Eternal Ltd | e-commerce and technolog y sector | 76 | 72 | 71 | 77 |
| 6 | Tech Mahindra Ltd | IT | 79 | 72 | 77 | 76 |
| 7 | State Bank of India | Banks & Finance | 60 | 56 | 71 | 63 |
| 8 | Tata Consultancy Services Ltd | IT | 78 | 72 | 78 | 76 |
| 9 | Infosys Ltd | IT | 77 | 69 | 81 | 76 |
| 10 | Larsen & Toubro Ltd | Construction | 56 | 65 | 68 | 63 |
| 11 | Kotak Mahindra Bank Ltd | Banks & Finance | 69 | 59 | 80 | 71 |
| 12 | Trent Ltd | Retail Sector | 43 | 44 | 64 | 53 |
| 13 | Power Grid Corporatio n of India Ltd | Power | 37 | 48 | 58 | 48 |
| 14 | Hindustan Unilever Lt d | FMCG | 53 | 61 | 76 | 64 |
| 15 | Bajaj Finserv ltd | Banks & Finance | 55 | 52 | 65 | 58 |
| 16 | HDFC Bank Ltd | Banks & Finance | 59 | 64 | 84 | 71 |
| 17 | UltraTech Cement Ltd | Construction | 45 | 58 | 73 | 59 |
| 18 | Maruti Suzuki India Lt d | Auto OEM | 38 | 46 | 63 | 50 |
| 19 | Titan Company Ltd | consumer durables | 41 | 54 | 72 | 57 |
| 20 | Tata Steel Ltd | Metal & Mining | 39 | 49 | 72 | 55 |
| 21 | ITC Ltd | FMCG | 57 | 55 | 68 | 61 |
| 22 | Axis Bank Ltd | Banks& Finance | 65 | 58 | 79 | 69 |
| 23 | Bajaj Finance Ltd | Banks & Finance | 64 | 60 | 71 | 66 |
| 24 | Interglobe Aviation Lt d (INDIGO) | Services | 41 | 43 | 40 | 50 |
| 25 | Mahindra & Mahindra Ltd | Auto OEM | 59 | 48 | 70 | 61 |
| 26 | Sun Pharmaceuticals In dustries Ltd | Pharmaceuticals | 57 | 66 | 60 | 60 |
| 27 | Bharti Airtel Ltd | Telecom | 60 | 61 | 70 | 64 |
| 28 | Adani Ports & Special Economic Zone Ltd | Services | 46 | 61 | 59 | 55 |
| 29 | ICICI Bank Ltd | Banks & Finance | 59 | 50 | 76 | 64 |
| 30 | NTPC Ltd | Power | 45 | 59 | 62 | 55 |

**OBJECTIVE 1**

**THE SEGREGATION OF THE BSE SENSEX COMPANIES INTO LEADERS, STRONG, ADEQUATE AND BELOW-AVERAGE BASED ON THE ESG SCORES**

**ANALYSIS AND INTERPRETATION**

**TOP 10 COMPANIES IN TERMS OF ESG SCORE: TABLE 2:**

| S.No | Name of the company | Sector | ESG Score |
|---|---|---|---|
| 1 | Eternal Ltd | e-commerce and technology sector | 77 |
| 2 | Tech Mahindra Ltd | IT | 76 |
| 3 | Tata Consultancy Services Lt d | IT | 76 |
| 4 | Infosys Ltd | IT | 76 |
| 5 | Bharat Electronics Ltd | Aerospace & Defence | 74 |
| 6 | HCL Technologies Ltd | IT | 71 |
| 7 | Kotak Mahindra Bank Ltd | Banks & Finance | 71 |
| 8 | HDFC Bank Ltd | Banks & Finance | 71 |
| 9 | Axis Bank Ltd | Banks& Finance | 69 |
| 10 | Asian Paints Ltd | consumer durables | 67 |

The results of the above table shows that IT Sector tops the list with 4 companies categorized as Leaders, followed by Banks & Finance Sector with 3 Leaders.


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**Categorization as Leadership, Strong, of the companies & Green-washing risk based on the ESG Score:**
**TABLE 3: The below table classifies the companies as Leaders(71-100),Strong(61-70), Adequate(51-60)and Below Average (40-50).Also the table depicts the Green-washing risk which is gap between ESG Score and the Environment score**

| S. No | Company Name | Sector | Environment | Social | Governance | ESG | Category | Greenwa shing Risk |
|---|---|---|---|---|---|---|---|---|
| 1 | Asian Paints Ltd | consumer durables | 58 | 62 | 76 | 67 | Strong | 9 |
| 2 | HCL echnologies Ltd | IT | 69 | 65 | 77 | 71 | Leadership | 2 |
| 3 | Bharat Electronics Ltd | Aerospace Defence | 74 | 83 | 72 | 74 | Leadership | 0 |
| 4 | Reliance Industries Ltd | Oil Gas - Refining | 41 | 46 | 68 | 53 | Adequate | 12 |
| 5 | Eternal Ltd | e-commerce | 76 | 72 | 71 | 77 | Leadership | 1 |
| 6 | Tech Mahindra Ltd | IT | 79 | 72 | 77 | 76 | Leadership | -3 |
| 7 | State Bank of India | Banks Finance | 60 | 56 | 71 | 63 | Strong | -3 |
| 8 | Tata Consultancy Services Ltd | IT | 78 | 72 | 78 | 76 | Leadership | -2 |
| 9 | Infosys Ltd | IT | 77 | 69 | 81 | 76 | Leadership | -1 |
| 10 | Larsen Toubro Ltd | Construction | 56 | 65 | 68 | 63 | Strong | 7 |
| 11 | Kotak Mahindra Bank | Banks Finance | 69 | 59 | 80 | 71 | Leadership | 2 |
| 12 | Trent Ltd | Retail Sector | 43 | 44 | 64 | 53 | Adequate | 10 |
| 13 | Power Grid Corp | Power | 37 | 48 | 58 | 48 | Below Avg | 11 |
| 14 | Hindustan Unilever Ltd | FMCG | 53 | 61 | 76 | 64 | Strong | 11 |
| 15 | Bajaj Finserv Ltd | Banks Finance | 55 | 52 | 65 | 58 | Adequate | 3 |
| 16 | HDFC Bank Ltd | Banks Finance | 59 | 64 | 84 | 71 | Leadership | 12 |
| 17 | Ultra Tech Cement Ltd | Construction | 45 | 58 | 73 | 59 | Adequate | 14 |
| 18 | Maruti Suzuki India Ltd | Auto OEM | 38 | 46 | 63 | 50 | Below Avg | 12 |
| 19 | Titan Compan y Ltd | consumer durables | 41 | 54 | 72 | 57 | Adequate | 16 |
| 20 | Tata Steel Ltd | Metal Mining | 39 | 49 | 72 | 55 | Adequate | 16 |
| 21 | ITC Ltd | FMCG | 57 | 55 | 68 | 61 | Strong | 4 |
| 22 | Axis Bank Ltd | Banks Finance | 65 | 58 | 79 | 69 | Strong | 4 |
| 23 | Bajaj Finance Ltd | Banks Finance | 64 | 60 | 71 | 66 | Strong | 2 |
| 24 | Interglo be Aviation Ltd | Services | 41 | 43 | 40 | 50 | Belo w Avg | 9 |
| 25 | Mahindr a & Mahindr a Ltd | Auto OEM | 59 | 48 | 70 | 61 | Strong | 2 |
| 26 | Sun Pharma Industrie s Ltd | Pharmace uticals | 57 | 66 | 60 | 60 | Adequate | 3 |
| 27 | Bharti Airtel Ltd | Telecom | 60 | 61 | 70 | 64 | Strong | 4 |
| 28 | Adani Ports SEZ Ltd | Services | 46 | 61 | 59 | 55 | Adequate | 9 |
| 29 | ICICI Bank Ltd | Banks Finance | 59 | 50 | 76 | 64 | Strong | 5 |
| 30 | NTPC Ltd | Power | 45 | 59 | 62 | 55 | Adequate | 10 |


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**INFERENCE:**

The above table shows that 10 companies (33%) are classified as Leaders (>70) ,8 Companies(27%) are classified as Strong (61-70), 10 companies (33%) fall into the Adequate (51-60) category and 2 companies (7%) are categorized as Weak (41-50).

*GREEN-WASHING RISK:*

Green -washing risk = ESG Score - Environment score.This indicates if the company's composite ESG Score exceeds its actual environmental practices, claiming more sustainability credentials than they actually deserve.

*CATEGORIES OF RISK:*

**TABLE 4:**

| | Score Difference | Interpretation | No. Of Companies with discrepancy |
|---|---|---|---|
| High | >10 | Serious discrepancy - ESG inflated vs weak Environment | 4 companies (13%) |
| Medium | 5-10 | Moderate concern - needs environmental improvement | 8 companies (27%) |
| Low | 0-4 | Balanced performance - scores aligned | 12 companies (40%) |
| Negative | <0 | Genuine leaders - Environment exceeds ESG | 6 companies (20%) |

**CRITICAL FINDINGS:**

*TOP GREENWASHING RISK (High Scores)*

1. Ultratech Cements : +14 (High Risk)
2. Titan Company : +16 ((High Risk)
3. TATA Steel : +16 ((High Risk)
4. Powergrip Corp:+11 ((High Risk)
5. Reliance Industries: +12 ((High Risk)

Heavy Industries (Construction, Metals, Power, Oil & Gas) show largest gap.

*LOWEST RISK : SECTOR LEADERS*

1. Tech Mahindra : -3
2. State Bank of India : -3
3. TATA Consultancy : -2
4. Infosys : -1

*SECTOR-WISE FACTSHEET*

**TABLE 5:**

| **Sector** | **Avg Green-washing risk** | **Status** |
|---|---|---|
| IT | -3.0 | True Leaders |
| Banks | +4.8 | Medium Risk |
| Power | +10.5 | High Risk |
| Construction | +10.8 | High Risk |
| Metals | +16.0 | Critical |

**INFERENCE:**

1. Heavy Industries are always under SEBI's surveillance
2. The Leadership position claimed by the IT companies is verymuch real.

The above analyzed Green-washing risk scores claims that 13% of the BSE SENSEX listed firms are seen with severe discrepancies with more than 10 points. Followed by Heavy industries with a high exposure (Power sector +10.5 and Metals +16) and require urgent remediation. The Green-washing score of the IT sector exhibits a decent performance (-3.0).


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**OBJECTIVE 2**

**THE RELATIONSHIP BETWEEN THE COMPOSITE ESG SCORE AND THE INDIVIDUAL SCORES LIKE ENVIRONMENT, SOCIAL AND GOVERNANCE** ANALYSIS AND INTERPRETATION **RESULTS OF PEARSON's & SPEARMEN's RANK CORRELATION:**

| Particulars | ESG-Environment | ESG-Social | ESG-Governance |
|---|---|---|---|
| **Pearson r** | **0.977** | 0.950 | 0.955 |
| **Pearson p-value** | <0.001 | <0.001 | <0.001 |
| **Spearman ρ** | **0.975** | 0.954 | 0.955 |
| **Spearman p-value** | <0.001 | <0.001 | <0.001 |
| **Interpretation** | Very Strong | Strong | Strong |

**INFERENCE:**

All co-efficient s are greater than 0.95 confirming the extremely strong linear relationship.The values also confirms the consistency in CRISIL ESG Methodology across BSE SENSEX Companies.

**CONCLUSION**

The study reveals a clear sector categorization with IT Sector depicting a genuine leadership in sustainability while heavy industries face a severe sustainability risks. Extremely strong pillar correlations (r > 0.95) confirm rating consistency essential for investor confidence.


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