

STANDARDISATION OF ESG METRICS WITHIN THE PROFESSIONAL
SERVICES AND IT/ITES SECTORS IN INDIA POST-COVID

by

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Dedication

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ABSTRACT

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ESG ratings for Indian companies frequently diverge across providers and this problem is particularly acute for professional services and IT/ITES firms, whose asset-light, knowledge-intensive business models sit poorly within rating frameworks designed for asset-heavy industries. Post-COVID shifts in remote work, digital infrastructure and stakeholder expectations have widened this mismatch further. This research develops a conceptual framework for standardising ESG ratings across organisations in these sectors in India's post-COVID context. The study is grounded in qualitative secondary analysis of global and Indian ESG literature, covering leading rating models, disclosure norms, critiques of current systems and standardisation debates, supplemented by limited primary survey data collected via LinkedIn and WhatsApp to triangulate the secondary evidence. Stakeholder, Institutional and Legitimacy theories are used to interpret why organisations respond to ESG pressures as they do and to ground a set of propositions linking dynamism, organisational attributes and standardisation outcomes. The research also situates this analysis within the India's regulatory architecture, including SEBI's BRSR and BRSR Core requirements. Its emerging oversight of ESG rating providers shows why

standardisation is both complex, given diverse business models and regulatory interfaces, and increasingly necessary for investor confidence and policy coherence. Findings show that regulatory progress, particularly BRSR Core, has improved the availability and comparability of underlying disclosures, but methodological divergence between rating agencies persists, and current metrics remain poorly calibrated to sector-specific issues such as data privacy, hybrid work and digital governance. Practitioner survey responses reinforce this picture, showing strong support for standardisation alongside scepticism about whether existing metrics are driving meaningful outcomes. Building on these findings, this research proposes a four-dimensional framework, Environment, Social, Governance and Dynamism, along with practical guidelines on metric selection, weighting and scoring. The study concludes by outlining implications for organisations, rating agencies, standard-setters and policymakers, and by identifying the limitations of a secondary data led exploratory design, as a basis for more quantitative validation in the future.

TABLE OF CONTENTS

List of Tables	xiii
List of Figures	xiv
CHAPTER I: INTRODUCTION.....	1
1.1 Background and Context	1
1.2 Why ESG is Important	4
1.3 Rise of ESG: Global and Indian Trends	6
1.4 Professional Services and IT/ITES Sectors in India: Changes in the Post-COVID Era	8
1.5 Problem Statement and Fundamental Issues	9
1.6 Purpose of Research and Key Questions	11
1.7 Research Objectives and Expected Outcomes	13
1.8 Scope and Significance of the Study	14
1.9 Key Definitions and Components	16
1.10 Organisation of the Thesis	19
CHAPTER II: LITERATURE REVIEW – ESG RATINGS, STANDARDISATION AND POST-COVID DYNAMICS IN THE PROFESSIONAL SERVICES AND IT/ITES SECTORS.....	23
2.1 Global ESG Rating Models and Frameworks	23
2.2 Critiques of Existing ESG Rating Systems	25
2.3 Standardisation: Theories, Issues and Mechanisms	28
2.4 Impact of COVID-19 on Business Operations and ESG Expectations within the Sampled Sectors	29
2.5 Organisational Resilience, Remote Working and Digital Transformation	31
2.6 ESG Disclosure Trends Pre- vs Post-COVID	32
2.7 Voluntary vs Regulatory ESG Reporting Standards	34
2.8 Stakeholder Pressures, Changing Regulatory and Policy Landscape	35
2.9 Present Status of Metrics within the Sampled Sectors: Challenges and Opportunities	36
2.10 Barriers to ESG Standardisation in India: Data, Cost, Sectoral, Regulatory and Environmental	38
2.11 Key Gaps in the Literature	39
CHAPTER III: LITERATURE REVIEW – THEORETICAL FOUNDATIONS AND CONCEPTUAL MODEL.....	42

3.1 Relevant Theories	42
3.1.1 Stakeholder Theory and ESG in Professional Services and IT/ITES	42
3.1.2 Institutional Theory and ESG Standardisation	43
3.1.3 Legitimacy Theory and ESG Reporting Credibility	44
3.1.4 Other Supporting Theoretical Lenses	45
3.2 Conceptualising Standardisation of ESG Ratings	46
3.2.1 ESG ratings: Functions and Current Critiques	46
3.2.2 Meaning of Standardisation in this Thesis	47
3.2.3 Sectoral and Post-COVID Specificity	48
3.2.4 Balancing Comparability and Flexibility	49
3.3 Variables and Constructs: ESG Dimensions, Dynamism, Standardisation, Organisational Attributes	50
3.3.1 ESG Dimensions in Professional Services and IT/ITES	50
3.3.2 Dynamism	52
3.3.3 Standardisation of ESG Ratings	53
3.3.4 Organisational Attributes	54
3.4 Hypotheses or Propositions	54
3.4.1 Propositions Linking Theories and ESG Rating Standardisation	55
3.4.2 Propositions Relating Dynamism to Standardisation	55
3.4.3 Propositions Involving Organisational Attributes	56
3.4.4 Propositions About Sector-specific ESG Dimensions	56
3.5 Conceptual Framework	57
3.5.1 Overall Structure of the Framework	57
3.5.2 Key Components and Linkages	58
3.5.3 Sector-specific ESG Content within the Framework	59
3.5.4 Role of Information Quality and Credibility	60
3.5.5 Implications for Subsequent Chapters	60
 CHAPTER IV: LITERATURE REVIEW – REGULATORY, INSTITUTIONAL AND INDUSTRY CONTEXT IN INDIA	 62
4.1 Regulatory Landscape for ESG Reporting in India	62
4.1.1 Evolution of ESG Related Regulation in India.....	62
4.1.2 Business Responsibility and Sustainability Reporting (BRSR)	63
4.1.3 BRSR Core and Assurance Requirements	65
4.1.4 Other Relevant Laws and Regulations	66
4.1.5 Implications for Professional Services and IT/ITES in the Post-COVID era	67
4.2 Role of ESG Rating Agencies and Disclosure Bodies	68
4.2.1 ESG Rating Ecosystem in India	68
4.2.2 SEBI’s Framework for ESG Ratings and Investing	69

4.2.3 How Rating Agencies use BRSR and Other Disclosures	71
4.2.4 Standardisation Challenges specific to Rating Agencies	72
4.2.5 Role of Disclosure Bodies, Stock Exchanges and Industry Platforms	73
4.3 Industry Norms in Professional Services and IT/ITES.....	74
4.3.1 Sector characteristics affecting ESG	74
4.3.2 Emergent ESG Practices and Norms Post-COVID	75
4.3.3 Industry Benchmarks, Certifications and Voluntary Standards	77
4.3.4 Industry-specific ESG Materiality and Metrics	78
4.3.5 Gaps and Limitations in Industry Norms	79
4.4 Institutional Pressures, Cultural and Social Norms	80
4.4.1 Institutional Theory Perspective on ESG in India	80
4.4.2 Cultural and Social Norms influencing ESG Adoption	81
4.4.3 Organisational Culture and ESG Integration	82
4.4.4 Social Norms around Transparency, Data Privacy and ESG Reporting	83
4.4.5 Implications of Institutional, Cultural and Social Factors for ESG Rating Standardisation	83
 CHAPTER V: LITERATURE REVIEW – STAKEHOLDER PERSPECTIVES AND EXPECTATIONS.....	 86
5.1 Views of Regulators and Policymakers	86
5.1.1 Policy Intent behind ESG Disclosures and Ratings in India	86
5.1.2 Regulatory Architecture: SEBI, MCA and Related Policies	87
5.1.3 Regulatory Expectations for the Standardisation of ESG Ratings	88
5.1.4 Post-COVID Regulatory Learning for Services Sectors	89
5.2 Views of ESG Rating Agencies and Standard-Setters	89
5.2.1 Diversity of Rating Methodologies and its Implications	89
5.2.2 Indian ESG Rating Providers under SEBI Regulation	90
5.2.3 Standard-setters’ Perspectives on Harmonisation in Dynamic Sectors	91
5.2.4 Post-COVID Recalibration of ESG Priorities by Rating Providers	92
5.3 Corporate Management and Board-Level Perspectives	92
5.3.1 Board Strategic View of ESG in India	92
5.3.2 Management Perspectives in Professional Services and IT/ITES	93
5.3.3 Board Oversight in the Post-COVID Workplace	94
5.3.4 Perceived Costs, Benefits and Challenges of ESG Rating Standardisation	95

5.4 Employees, Consumers and Civil Society Expectations	96
5.4.1 Employee Expectations in the ESG Era	96
5.4.2 Consumers and Clients: Rising Expectations of Responsible Business	96
5.4.3 Civil Society, NGOs and Media: Accountability and Impact Focus	97
5.4.4 Multi-stakeholder Engagement and Materiality Assessment	98
5.5 Comparisons of Stakeholder Conflicts and Alignments	99
5.5.1 Areas of Alignment	99
5.5.2 Areas of Conflict and Tension	100
5.5.3 Implications for Standardising ESG Ratings in India's Service Sectors	102
CHAPTER VI: RESEARCH METHODOLOGY	104
6.1 Overview of the Research Problem	104
6.2 Research Design and Rationale	105
6.2.1 Overall Approach	105
6.2.2 Exploratory and Descriptive Orientation	106
6.2.3 Rationale for Sector Focus and Post-COVID Lens	106
6.3 Population, Sampling Strategy and Participant Selection	107
6.3.1 Target Population	107
6.3.2 Sampling Strategy	108
6.3.3 Sample Size Considerations	108
6.4 Data Sources: Primary and Secondary Data	109
6.4.1 Primary Data	109
6.4.2 Secondary Data and Information	109
6.5 Data Collection Methods	111
6.5.1 Online Surveys and Questionnaires	111
6.5.2 Documentary and Content Analysis	111
6.5.3 Use of Existing Databases and Reports	112
6.6 Data Analyses	112
6.6.1 Qualitative Analysis	112
6.6.2 Descriptive Quantitative Analysis	113
6.6.3 Comparative and Framework-Oriented Analysis	114
6.7 Operationalisation	115
6.7.1 Key Constructs	115
6.7.2 Survey Measures and Scales	115
6.7.3 Operationalisation in Documentary Analysis	116
6.8 Validity, Reliability, Limitations and Trustworthiness	116
6.8.1 Validity and Reliability in the Mixed-Methods Logic	116
6.8.2 Strategies for Trustworthiness	118
6.8.3 Limitations	119
6.9 Ethical Considerations	120

CHAPTER VII: RESULTS – CURRENT ESG RATING PRACTICES AND DRIVERS WITHIN PROFESSIONAL SERVICES AND IT/ITES IN INDIA IN THE POST-COVID ERA.....	122
7.1 Overview of Shortlisted Organisations	122
7.2 ESG Metrics Used, Reporting Frequencies, Formats and Transparency Levels	125
7.3 Internal Drivers (Leadership, Capability, Strategy)	128
7.4 External Drivers (Investors, Regulators, Customers, Global Markets)	130
7.5 Role of COVID-19 in Accelerating and Altering Drivers	134
CHAPTER VIII: RESULTS – PROPOSED FRAMEWORK FOR STANDARDISED ESG RATINGS IN THE SAMPLED SECTORS POST COVID	142
8.1 References for Standardised ESG Rating Frameworks	142
8.2 International Best Practices and Benchmarking	143
8.3 Lessons Learned and Applicability to Indian Context	148
8.4 Core Dimensions and Sub-Dimensions of the Framework	149
8.4.1 Focus on Dynamism as an Additional Dimension	150
8.4.2 Operationalising Dynamism in Standardisation Efforts	153
8.4.3 Recommendations for Integration into Existing Standards Architecture	154
8.5 Metric Selection, Weighting and Scoring Guidelines.....	155
8.5.1 Scoring Thresholds and Red Flags	158
8.6 Testing and Stakeholder Feedback	162
8.7 Incorporating Flexibility and Dynamism	163
8.8 An Integrated Framework.....	164
8.8.1 Developing the Integration Layer Concept	165
8.8.2 Conclusion	166
CHAPTER IX: DISCUSSION AND IMPLICATIONS	168
9.1 Interpretation of Findings in Light of Theories and Literature	168
9.1.1 LinkedIn Polls	168
9.1.2 WhatsApp Surveys	169
9.2 Implications for Organisations (Professional Services and IT/ITES)	173
9.3 A Summarised View of ESG Rating Ecosystems vs. Standardisation Challenges.....	174
9.4 Implications for Rating Agencies and Standard-Setters	180
9.5 Policy Implications for Indian Regulators and Government	180
9.6 Mapping of Propositions with Empirical Evidence	182
9.7 Conclusion and Chapter Summary	183

CHAPTER X: SUMMARY, LIMITATIONS, RECOMMENDATIONS FOR FUTURE RESEARCH AND CONCLUSION.....	187
10.1 Summary of Key Findings	187
10.1.1 Synthesis of Key Findings	188
10.1.2 Addressing the Research Question	190
10.2 Contributions to Theory and Practice	193
10.3 Limitations	194
10.3.1 Brief Summary.....	194
10.3.2 Detailed Explanation	194
10.4 Mapping of Propositions with Empirical Evidence	199
10.5 Directions for Future Research	200
10.6 Practical Next Steps for Stakeholders.....	201
10.7 Reflexive Concluding Statement	201
10.8 Final Reflections	202
APPENDIX A LINKEDIN POLL QUESTIONS	203
APPENDIX B WHATSAPP SURVEY QUESTIONS	204
REFERENCES	206

LIST OF TABLES

Table 1.1 Key Terms and their Definitions.....	16
Table 1.2 Chapter-wise Organisation of the Thesis	19
Table 2.1 Brief Comparison of the top ESG Rating Agencies, their Strengths and Limitations	27
Table 3.1 Sector-specific Sub-dimensions of the ESG Pillars	51
Table 5.1 Main Areas of Stakeholder Alignment on ESG and Ratings	100
Table 6.1 Strategies to enhance Methodological Rigour	118
Table 6.2 Inherent Limitations in the Research Design	119
Table 7.1 Comparative Influence of ESG Drivers on Large vs. Mid-Sized IT/ITES Companies in India.....	133
Table 7.2 ESG Metrics, Reporting Frequency and Transparency Levels Across Firm Types in India's Professional Services and IT/ITES Sectors	137
Table 8.1 WEF Stakeholder Capitalism Metrics relevant for the Indian Professional Services and IT/ITES Companies	145
Table 8.2 A simple conceptual framework 'ESG+D', where D interacts with all the other core pillars.....	155
Table 8.3 Scoring Rubric (Illustrative)	156
Table 8.4 Suggested Red-flag Categories and Scoring Consequences	159
Table 9.1 ESG Rating Ecosystem vs. Standardisation Challenges for the Professional Services and IT/ITES companies in India.....	175
Table 9.2 Pre-standardisation Challenges alongside Post-standardisation Benefits	179
Table 9.3 Common Current Gaps and Recommended Actions in Various Policy Areas	182
Table 9.4 Mapping of Propositions and their Respective Conclusions.....	182
Table 9.5 Aspects covered in line with the Research Questions, Objectives and Outcomes	184
Table 10.1 Mapping of Stakeholders with Theoretical Contribution and Practical Tool	194
Table 10.2 Mapping of Propositions with Empirical Evidence	199
Table 10.3 Mapping of Research Areas with Methods and Expected Outcomes	200

LIST OF FIGURES

Figure 1 Conceptual Framework Linking External Environment, Organisational Attributes, ESG Practices, Ratings and Standardisation (Chapter 3)	58
Figure 2 Drivers of ESG Metrics Standardisation (Chapter 7).....	128
Figure 3 The ESG+D Conceptual Framework (Chapter 8)	150
Figure 4 Structural Overview of the Conceptual Framework for Standardised ESG Rating (Chapter 8).....	166

CHAPTER I:

INTRODUCTION

This chapter provides a quick background and introduction for this research, covering why ESG is important, recent global and Indian trends, changes in the post covid era within the Indian professional services and IT/ITES sectors and the fundamental issues. It then focuses on the research purpose, key questions, objectives, outcomes and significance of the study, before closing with the key definitions and a brief outline on how the thesis is organised.

1.1 Background and Context

Over the past two to three decades, Environmental, Social and Governance (ESG) considerations have moved from a symbolic and superficial element of corporate social responsibility to the core of strategy, risk management and capital allocation for firms worldwide. ESG ratings or composite scores evaluate how well an organisation manages material environmental, social and governance issues. They have emerged as a key mechanism through which investors, regulators, customers and other stakeholders assess corporate sustainability performance. These ratings influence investment decisions, lending terms, reputation and even talent attraction, especially in knowledge-intensive sectors where intangible assets and stakeholder trust are critical. Despite the significant evolution and rapid maturing witnessed across ESG rating systems globally, many of them continue to have unintended consequences, such as covering up ‘greenwashing’ efforts of organisations and issues with the lack of standardisation and comparability between metrics. (Moyer, 2023).

This has led to a growing concern around the credibility and consistency of ESG ratings due to significant divergence in methodologies, indicators, weightings, data sources and scoring scales used by different rating agencies. Empirical studies show that the correlation between ESG ratings from major global providers is moderate at best, in the range of

roughly 0.38-0.71, in sharp contrast to credit ratings where correlations between leading agencies are close to 0.99.

A MIT Sloan working paper ‘Aggregate Confusion: The Divergence of ESG Ratings’ compares ESG ratings from five major agencies KLD, Sustainalytics, Moody’s ESG (Vigeo-Eiris), Refinitiv (Asset4) and S&P Global (RobecoSAM). The correlations among them average about 0.54 and they explicitly contrast this with the approximately 0.99 correlation between Moody’s and S&P credit ratings (Berg et al., 2022). Sustainalytics and Moody’s ESG have the highest level of agreement with each other, with a correlation of 0.71. The environmental dimension has the highest correlation of the three dimensions, with an average of 0.53. The social dimension has an average correlation of 0.42, and the governance dimension has the lowest correlation, with an average of 0.30. KLD and MSCI exhibit the lowest correlations with other raters, both for the aggregate ESG rating and individual dimensions.

Policy and industry documents have also helped in generalising the MIT results, and the disparities highlight the inconsistencies involved in measuring ESG performance compared to standardised financial metrics.

Other academic and industry work (e.g., Avramov et al., ‘Investment and Asset Pricing with ESG Disagreement’) reports average ESG rating correlations between six major rating agencies, including Asset4 (Refinitiv), MSCI KLD, MSCI IVA, Bloomberg, Sustainalytics and RobecoSAM. It has found a significantly large variation band, while the average rating correlation is 0.48 (Avramov et al., 2020). These divergences complicate cross-company and cross-sector comparisons, create confusion among investors and raise the risk of ‘greenwashing’, situations where firms receive favourable ESG scores that do not fully reflect underlying sustainability risks or impacts.

In India, ESG has gained prominence as regulators, investors and companies are more consciously responding to global sustainability agendas, climate risks, social inequalities and governance failures. The Securities and Exchange Board of India (SEBI) has

progressively strengthened disclosure requirements, culminating in the Business Responsibility and Sustainability Report (BRSR). It is now mandatory for the top 1000 listed entities by market capitalisation. BRSR aligns Indian disclosures more closely with global frameworks such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD). It puts a lot of emphasis on quantitative ESG indicators (Srivastava, 2022). However, the translation of these disclosures into standardised, comparable ESG ratings remains a challenge, especially across heterogeneous sectors and dynamic business models.

Professional services and IT/ITES sectors occupy a central place in India's economy in terms of GDP contribution, export earnings, employment generation and knowledge-intensive value creation. These sectors are characterised by relatively low direct physical environmental footprints (compared to heavy industry). However, they have significant indirect environmental impacts through data centres, energy use, digital infrastructure and value chains, along with substantial social and governance implications related to human capital, data privacy, cyber security, diversity, remote working and ethical use of technology.

COVID-19 accelerated remote working and digital transformation in these sectors, which has altered operational models, workforce practices and stakeholder expectations. This has significantly reshaped material considered within ESG (Grant Thornton in India, 2020).

Against this backdrop, standardising ESG ratings across organisations in India's professional services and IT/ITES sectors in the post-COVID era is both a necessity and a challenge. On the one hand, investors and regulators seek comparability, reliability and transparency in ratings to guide capital flows and manage systemic risks. On the other hand, these sectors operate in a highly dynamic context marked by rapid technological change, evolving work models and shifting stakeholder expectations, which call for flexibility and sector-specific nuances in ESG assessment.

This thesis is positioned at the intersection of organisational ESG priorities, various ESG frameworks and the available metrics and data. It focuses on how ESG ratings can be made more standardised and useful for supporting decision-making, while remaining sensitive to the dynamism of professional services and IT/ITES organisations in India (Rebello, 2025).

1.2 Why ESG is Important

ESG is important because it links corporate performance to long-term value creation, risk management and societal outcomes in ways that go beyond traditional financial metrics. A substantial body of empirical research indicates that firms with strong ESG performance generally tend to exhibit better risk-adjusted returns, lower cost of capital, improved operational efficiency and greater resilience during crises.

For example, studies on ESG indices and stocks in India during the COVID-19 pandemic found that ESG oriented portfolios experienced lower volatility and, in some cases, better downside protection than conventional benchmarks. This suggests that ESG performance can be a proxy for superior risk management, engagement of stakeholders and organisational adaptability, all of which are qualities that are highly critical in volatile, uncertain, complex and ambiguous (VUCA) environments.

From an environmental perspective, ESG lays emphasis on issues such as carbon emissions, energy efficiency, water management and waste reduction, all central to climate action and resource sustainability.

In the IT/ITES sector, data centres and digital infrastructure are large consumers of electricity and contribute significantly to greenhouse gas emissions globally. In India, the data centre market is expected to expand rapidly, with estimates of more than a five-fold capacity increase over a five to seven year period. This implies substantial growth in energy demand and associated emissions if not managed responsibly. Leading firms like Infosys have responded by adopting aggressive energy efficiency measures, investing in on-site and off-site renewable energy and achieving carbon neutrality well ahead of global targets.

ESG frameworks help capture and benchmark such efforts, thereby incentivising improved environmental performance and innovation.

On the social dimension, ESG focuses on human capital, labour practices, health and safety, diversity and inclusion, community relationships and customer privacy, among others. These issues are particularly salient for professional services and IT/ITES companies, which rely heavily on skilled knowledge workers and engage in large-scale remote operations across geographies.

Post-COVID, themes such as employee well-being, mental health, remote and hybrid work, work-life balance, digital inclusion and responsible AI have become more visible and material for stakeholders. Evidence from Indian IT firms indicates that when remote-working models are designed thoughtfully, they can maintain client deliverables and profitability while potentially improving work-life balance and reducing commuting-related emissions. ESG provides a structured framework to document, evaluate and communicate these social outcomes.

The governance pillar of ESG addresses corporate leadership, board structure, transparency, ethics, risk management, shareholder rights and compliance. Strong governance is crucial to ensure that environmental and social commitments are integrated into strategy and are not merely symbolic. For Indian companies, governance issues such as board independence, audit quality, related-party transactions, executive remuneration and cyber security oversight continue to attract regulatory and investor scrutiny. Sector-specific ESG assessments of top Indian listed companies show that IT firms often score relatively high on governance metrics. This reflects long-standing compliance and disclosure practices, though gaps remain in areas such as cyber security or health and safety disclosures.

Beyond Business, ESG is also important at the societal and policy level. It supports national and international agendas such as the UN Sustainable Development Goals, Paris Agreement climate commitments and India's own sustainability and energy transition

targets. By internalising environmental and social elements in corporate decision-making, ESG can promote more inclusive and sustainable growth. In India's services-driven economy, where IT/ITES and other professional services connect domestic capabilities to global markets, robust ESG performance can enhance the country's competitiveness, attract responsible investment and reinforce its positioning as a trusted global delivery hub.

1.3 Rise of ESG: Global and Indian Trends

Globally, the rise of ESG has been driven by the interplay of investor preferences, regulatory initiatives, civil society pressures and corporate responses to systemic risks like climate change and social inequality. Over the past decade, assets under management in ESG labelled or sustainable investment strategies have grown rapidly in North America, Europe and parts of Asia, reflecting increased demand for responsible investment products.

ESG disclosure frameworks such as GRI, SASB, IIRC (now consolidated into the IFRS Foundation's sustainability reporting structures) and TCFD have gained widespread adoption, although their coexistence has also contributed to fragmentation and complexity in reporting. In parallel, a proliferation of ESG rating agencies, data providers and indices have created an elaborate ecosystem of sustainability analytics. It has also introduced significant variability in how ESG performance is defined and measured.

In India, ESG investment and reporting trends have accelerated particularly in the period surrounding and following the COVID-19 pandemic. Regulators have gradually shifted from voluntary corporate social responsibility and business responsibility reports towards more structured and mandatory ESG disclosures. The Ministry of Corporate Affairs introduced voluntary guidelines on responsible business conduct in 2009 and later developed the National Guidelines on Responsible Business Conduct. SEBI built on this foundation through the Business Responsibility Report (BRR) and subsequently the BRSR, which has now become the central ESG disclosure framework for top listed entities (Srivastava, 2022).

The BRSR framework requires companies to provide detailed information across environmental, social and governance aspects, through a set of essential and leadership indicators, many of which are quantitative. It is designed to be interoperable with global standards like GRI and TCFD, thereby facilitating international comparability while reflecting Indian priorities such as inclusive development and responsible value chains.

Recent regulatory developments have introduced the concept of BRSR Core, which is a standardised set of key performance indicators applicable across sectors and extended ESG reporting expectations into company value chains by requiring disclosure of upstream and downstream partner data for a significant share of purchases and sales (Rebello, 2025). While value-chain reporting timelines have been phased or deferred to recognise implementation complexity, these moves signal a deepening of ESG accountability in India.

On the investor side, institutional investors, including domestic mutual funds and foreign portfolio investors, are increasingly incorporating ESG factors into investment analysis and stewardship activities. International evidence that ESG oriented portfolios show resilience during crises, including during the COVID-19 shock, has reinforced this trend and similar patterns have been observed in Indian markets (Beloskar and Rao, 2022). Indian stock exchanges have launched ESG indices and several large companies have issued sustainability-linked or green instruments, further embedding ESG into the financial ecosystem.

Despite these advances, the Indian ESG landscape faces challenges similar to global markets, including inconsistent data quality, heterogeneous methodologies, limited coverage of mid-sized and unlisted firms and the absence of a common standard for ESG ratings. Literature on ESG rating divergence shows substantial dispersion in scores for the same issuer across providers, driven by differences in indicator selection, measurement, weighting and aggregation (Berg et al., 2022). In India, where BRSR is beginning to harmonise disclosures, there is a unique opportunity, but also a practical challenge, to explore greater standardisation in how ESG performance is translated into ratings,

especially in high-growth sectors like professional services and IT/ITES that are highly visible to global stakeholders.

1.4 Professional Services and IT/ITES Sectors in India: Changes in the Post-COVID Era

The Indian professional services and IT/ITES sectors have been at the forefront of the country's economic transformation, contributing significantly to GDP, exports, employment and innovation. These sectors include large global IT service providers, business process management firms, consulting and advisory services and a wide range of specialised digital and knowledge process outsourcing companies. Their business models rely heavily on global client relationships, project-based service delivery, agile teams and the intensive use of digital technologies (Grant Thornton in India, 2020).

COVID-19 triggered profound changes in how these sectors operate. Lockdown, travel restrictions and health concerns forced rapid adoption of remote work and distributed delivery models. Empirical studies of leading Indian IT companies show that firms were able to migrate a large proportion of their workforce to work-from-home (WFH) or work-from-anywhere (WFA) arrangements within a short period, leveraging technologies such as secure virtual desktops, collaboration platforms and cloud-based infrastructure (Kolluru et al., 2021). These changes allowed firms to maintain client deliverables and, in many cases, sustain or even improve profitability, demonstrating organisational agility and digital readiness. At the same time, remote work brought new challenges, including concerns about employee well-being, mental health, team cohesion and data security.

From an ESG perspective, these shifts have multiple implications. On the environmental side, remote work and reduced business travel contribute to lower commuting-related emissions and office energy consumption during the pandemic period. Some analyses indicate that carbon emissions associated with office operations in the Indian IT sector declined substantially during lockdowns, although data centre and network energy use has remained significant and continue to grow as digitalisation accelerated (Shankar, 2023).

Policymakers and industry bodies have responded by putting emphasis on energy efficiency and green data centres, issuing guidelines and policies that encourage renewable energy use in data centre operations.

Socially, the post-COVID environment has elevated issues such as flexible work policies, work-life balance, gender inclusion, caregiving responsibilities and digital well-being in ESG agendas. These developments make human capital management and employee engagement more central to ESG assessment for professional services and IT/ITES companies. Governance-related changes are also notable. With widespread remote operations and increased digital dependence, issues of cyber security, data privacy, IT asset management and ethical use of technology have gained prominence.

Sector-level ESG assessments of top listed Indian companies have highlighted relatively strong governance scores for IT firms and have revealed substantial divergence in specific metrics such as cyber security coverage, reflecting varying disclosure practices and risk management maturity. In this context, rating agencies and investors are placing greater emphasis on how boards and senior management oversee technology and cyber risks within their governance frameworks.

Overall, the post-COVID era has reinforced the strategic importance of ESG for the professional services and IT/ITES sectors in India while simultaneously increasing the complexity of what needs to be measured. Traditional ESG indicators focussed on environmental compliance and basic social and governance metrics are no longer sufficient. Dynamic factors such as remote work policies, digital resilience, inclusive leadership and innovation in low-carbon digital infrastructure must now be reflected in ESG measurement and ratings for these sectors to capture their true sustainability performance.

1.5 Problem Statement and Fundamental Issues

Despite the growing importance of ESG in India and globally, ESG ratings remain fragmented and often inconsistent, particularly when applied to dynamic, service-oriented

sectors like professional services and IT/ITES. Therefore, the core problem this research attempts to address is as follows: ‘How can ESG ratings evolve to a more standardised approach by identifying specific areas that need attention across organisations in India’s professional services and IT/ITES sectors in the post-COVID era, given the dynamism of these sectors and the current divergence in ESG rating methodologies?’

Several fundamental issues underline this problem. First, there is significant methodological divergence among ESG rating providers. Studies comparing ESG scores across agencies document substantial differences in indicator sets, data categories, weighting schemes, aggregation methods and sector classification systems. This results in low to moderate correlations in overall ratings for the same firm. This divergence can mislead stakeholders, undermine confidence in ESG ratings and obscure genuine differences in sustainability performance.

Second, current ESG rating frameworks are often designed with manufacturing, extractive, or capital-intensive industries in mind, where environmental metrics such as emissions, water and waste dominate. While these remain relevant, the material ESG issues in professional services and IT/ITES, such as human capital, data privacy, cyber security, digital inclusion, remote work practices and innovation in green digital infrastructure, may not be adequately captured or consistently weighted. This sectoral misalignment can result in ratings that do not fully reflect the real sustainability risks and opportunities of these organisations.

Third, although SEBI’s BRSR framework has created a more standardised foundation for ESG disclosures in India, there is no single, widely accepted standard for how these disclosures should be transformed into ratings, especially in the context of new regulatory developments like BRSR Core and value-chain reporting. Rating agencies and ESG data providers interpret and use BRSR information in different ways. This leads to continued divergence and reinforces the need for clearer guidance or frameworks to enhance comparability.

Fourth, the post-COVID environment has introduced new forms of dynamism in professional services and IT/ITES sectors, like rapid shifts in work models (on-site, hybrid, remote), evolving employee expectations, accelerated digital transformation and changing client demands. ESG rating systems that are static and slow to adapt may fail to capture this dynamism, resulting in outdated or incomplete assessments. There is, thus, a tension between the need for standardisation to achieve comparability and the need for flexibility to account for sector-specific and temporal changes.

Finally, the empirical basis for ESG rating standardisation in the Indian context remains limited, especially for professional services and IT/ITES. While literature exists on global ESG rating divergence and on ESG performance of Indian companies in general, relatively few studies focus specifically on how ratings function in these sectors in the post-COVID period. There is also limited work on how qualitative stakeholder perceptions align with or diverge from formal ESG ratings. This gap provides an opportunity for exploratory research using predominantly qualitative secondary information supplemented by limited primary data insights.

1.6 Purpose of Research and Key Questions

The overall purpose of this research is to explore, conceptualise and propose an approach based on which ESG ratings can evolve to a more standardised level by identifying specific areas that need attention across organisations in India's professional services and IT/ITES sectors in the post-COVID era, given the dynamism of these sectors and the current divergence in ESG rating methodologies. The study aims to understand how current ESG rating practices function in this context, what challenges arise from methodological divergences and how some of these challenges can be addressed through better alignment with sector realities and regulatory developments such as BRSR.

For this research, we are following an approach that relies mainly on qualitative secondary sources, supported by a small primary survey, and it is suitable as we require rich contextual understanding under tight time, budget and access constraints. With this

approach we are able to build the knowledge base quickly. Since ESG ratings and metrics have generally been well-studied globally, existing reports, articles and qualitative studies can answer some parts of our question. Furthermore, since our goal is exploratory (understanding meanings, perceptions, mechanisms) rather than precise measurement, qualitative secondary information supported by limited surveys can offer depth and meaningful insights without the cost of large primary studies.

To eliminate any impact of the typical limitations of secondary data-based research efforts, we are carefully including only relevant and recent information sources and not outdated ones. Furthermore, since the primary surveys provide only a small, often non-representative sample, the findings cannot be strongly generalised or statistically validated.

Given the largely qualitative, secondary-research-oriented nature of the study, supplemented by limited primary data from LinkedIn and WhatsApp surveys, the research is not intended to create a fully operational framework, rating model or statistically validated scoring system. Instead, it seeks to build a conceptual and practical foundation that can support subsequent empirical work and guide practitioners, as well as provide some relevant and meaningful supportive information for further research.

The **key questions guiding this research** include:

1. How have ESG ratings evolved globally and in India and what are the main sources of divergence across rating providers, mainly in the context of professional services and IT/ITES sectors?
2. In what ways has the post-COVID context altered the material ESG issues for professional services and IT/ITES organisations in India?
3. How do current ESG disclosures (e.g. BRSR) and rating practices capture or fail to capture this dynamism and what gaps exist from the perspective of key stakeholders?

4. What dimensions and principles would be appropriate to help evolve to a more standardised ESG rating approach for the professional services and IT/ITES sectors in India, while remaining adaptable to future changes?
5. How can insights from limited primary stakeholder surveys, combined with extensive secondary literature, be synthesised to generate practical recommendations and insights for further research in these sectors?

These research questions provide a coherent line of inquiry from conceptual understanding (what ESG ratings are and why they diverge) through contextual analysis of the post-COVID changes in the sampled sectors to following a path towards an evolved framework development (what a more standardised, yet flexible, rating approach might look like).

1.7 Research Objectives and Expected Outcomes

In line with the purpose and questions outlined above, the specific objectives of the study are as follows:

1. To critically study, evaluate and synthesise global and Indian literature on ESG ratings, with a particular focus on rating divergence, methodological differences and efforts towards standardisation.
2. To examine the evolution of ESG reporting in India, including regulatory developments such as BRSR and sector-level ESG performance patterns, with emphasis on professional services and IT/ITES sectors.
3. To analyse how the post-COVID context has reshaped operational models, ESG materialism and stakeholder expectations in professional services and IT/ITES sectors, drawing on secondary sources and limited primary survey insights.
4. To identify key challenges and gaps in current ESG rating practices for these sectors, including issues pertaining to information consistency, indicator relevance, sector comparability and responsiveness to dynamism.

5. To propose guiding principles and recommendations for evolving to a more standardised ESG rating approach by identifying specific areas that need attention across organisations in India’s professional services and IT/ITES sectors in the post-COVID era that can support future research.

The expected outcomes of the research include:

- A high level and indicative mapping of ESG rating ecosystems and standardisation challenges, with specific references to the Indian regulatory and market context.
- A nuanced understanding of how post-COVID transformations in professional services and IT/ITES sectors intersect with ESG dimensions, highlighting sector-specific material issues such as remote working, data centres, digital well-being and cyber security.
- Insights from limited primary stakeholder surveys (via LinkedIn and WhatsApp) that illustrate perceptions of ESG ratings and expectations around standardisation, recognising the exploratory and qualitative character of such data.
- A set guiding principles and practical recommendations for evolving to a more standardised ESG rating approach, with suggestions for future research involving more extensive analysis and validation.

1.8 Scope and Significance of the Study

This study focuses on ESG ratings in the context of professional services and IT/ITES sectors in India during the post-COVID era. The term ‘professional services’ here broadly includes consulting, advisory, legal, accounting and other knowledge-intensive service firms that share similar characteristics with IT/ITES in terms of human capital dependence, digital operations and global client engagement. IT/ITES covers information technology services, business process management, knowledge process outsourcing and related service segments. The study is primarily concerned with large organisations that are directly subject to BRSR requirements.

The research adopts a primarily qualitative, secondary data-driven approach. It draws on academic literature, regulatory documents, industry reports, ESG rating agency publications and other credible sources. Limited primary data collection through online surveys or questionnaires distributed via LinkedIn and WhatsApp, targeting professionals working in or indirectly connected with the sampled sectors is within the scope. These primary inputs are meant to complement, not substitute the secondary research. They provide contemporary insights into perceptions of ESG ratings and standardisation challenges but are not statistically representative.

The significance of the study can be considered along several dimensions, as briefly outlined below.

First, from a theoretical and academic standpoint, the research contributes to the growing literature on ESG rating divergence and standardisation by focusing on a specific national and sectoral context (India's professional services and IT/ITES sectors), that has not received as much focussed attention as heavy industries or financial institutions. By examining how ESG concepts and rating technologies interact with the dynamism of post-COVID work models and digital transformation, the thesis offers insights relevant to debates in stakeholder theory, institutional theory and organisational resilience.

Second, from a policy and regulatory perspective, the study is significant because it engages with recent Indian ESG regulatory initiatives, particularly BRSR and related SEBI guidelines, and considers their implications for rating practices. Regulators refine ESG disclosure requirements and consider oversight of ESG rating providers. Research that clarifies the challenges and opportunities of standardising ratings in key sectors helps in policy design and supervisory approaches.

Third, for practitioners including corporate managers in professional services and IT/ITES firms, ESG analysts and rating agencies, the study offers a structured perspective on sector-specific ESG materialism and on how ratings might better capture the realities of remote work, digital risk and human capital management in a post-COVID environment. A more

standardised and transparent rating framework usually helps firms communicate their sustainability performance more effectively, align internal metrics with external evaluation and benchmark themselves against peers.

Finally, for investors and other stakeholders, improved understanding and standardisation of ESG ratings in these sectors can enhance decision-making, reduce confusion arising from divergent scores and support more sustainable capital allocation. This is especially relevant as ESG investing in India continues to grow and as global clients and partners scrutinise the sustainability performance of Indian service providers and digital value chains.

1.9 Key Definitions and Components

To ensure clarity and consistency, the following table defines the key terms and components used in the study.

Table 1.1: Key Terms and their Definitions

No.	Term	Definition
1	Environmental, Social and Governance (ESG)	It refers to a set of non-financial factors used to assess a company's performance and risk profile in relation to environmental stewardship, social responsibility and corporate governance practices. The environmental component typically covers issues such as greenhouse gas emissions, energy use, water management, waste, pollution and biodiversity. The social component includes labour practices, health and safety, diversity and inclusion, human rights, community impact and product responsibility. The governance component addresses board structure and effectiveness, management quality, internal controls, shareholder rights, ethics, transparency and compliance.

2	ESG Ratings	They are evaluative scores or grades assigned to companies by specialised rating agencies or data providers based on their ESG performance and disclosures. These ratings aggregate multiple indicators into composite assessments at the overall ESG level as well as for each pillar. Methodologies vary across providers in terms of indicator selection, materiality determination, data sources such as public reports, questionnaires, news and controversies, scoring algorithms and sector weighting schemes. ESG ratings are used by investors for portfolio construction, screening, engagement and reporting, as well as by companies for benchmarking and communication.
3	Standardisation of ESG Ratings	In this thesis, it refers to efforts to increase the comparability, transparency and methodological consistency of ESG ratings across organisations and providers, especially within a given sector and jurisdiction. This may involve harmonising definitions, aligning indicator sets with accepted reporting frameworks such as BRSR, GRI, SASB and TCFD, improving data quality and developing common taxonomies or reporting formats (e.g., XBRL-based ESG data). Standardisation aims to reduce unnecessary divergence arising from opaque or idiosyncratic methods and to facilitate meaningful comparison.
4	Professional Services Sector	In this context, it includes firms providing specialised knowledge-based services such as management consulting, legal and accounting services, engineering services and other advisory functions. These organisations are typically characterised by high human capital intensity, client specific project work and significant reliance on reputation and trust.

		ESG issues in this sector centre on professional ethics, independence, confidentiality, diversity and inclusion, talent development, data security and environmental impacts related to offices and travel.
5	IT/ITES Sector	It comprises companies providing information technology services, business process management, knowledge process outsourcing and related digital services. In India, this sector has grown rapidly and plays a major role in exports and high-skilled employment. ESG issues in IT/ITES include data centre energy use and carbon footprint, e-waste management, responsible AI, cyber security, data privacy, remote working practices, labour conditions in outsourced operations and governance of complex global delivery networks.
6	Post-COVID Era	It refers to the period following the initial acute phases of the COVID-19 pandemic, when organisations and societies began to stabilise into new patterns of work, consumption and regulation. This era is characterised by widespread adoption of remote and hybrid work models, increased digitisation, renewed focus on business continuity and resilience and evolving stakeholder expectations regarding health, safety and well-being. It also includes fact that many of these practices extended over time and became permanent as the new normal.
7	Business Responsibility and Sustainability Report (BRSR)	It is the mandatory ESG disclosure framework introduced by SEBI for the top 1000 listed companies in India by market capitalisation. It requires reporting on a broad set of ESG indicators divided into essential (mandatory) and leadership (voluntary) disclosures, structured around principles of responsible business conduct. BRSR is aligned with international frameworks such as GRI and TCFD and is

		evolving to include BRSR Core (a standardised KPI set) and value-chain reporting requirements.
8	Dynamism	In this study, it refers to the rate and unpredictability of change in the external and internal environment of organisations, including technological change, market volatility, regulatory shifts and changes in work arrangements and stakeholder expectations. It manifests in rapid innovation cycles, frequent updates to digital tools, evolving cyber security threats, shifting client demands and ongoing experimentation with remote and hybrid work models.

These definitions provide conceptual vocabulary for empirical and theoretical discussions in subsequent chapters.

1.10 Organisation of the Thesis

The thesis is organised into ten chapters, each addressing a distinct aspect of the research problem while directionally striving to evolve to a more standardised approach by identifying specific areas that need attention across organisations in India's professional services and IT/ITES sectors in India.

The following table shows the chapters and the aspects of the research problem that they address.

Table 1.2: Chapter-wise Organisation of the Thesis

Chapter No.	What It Contains
1 (the present chapter)	It introduces the background, context and rationale for the study. It explains why ESG and ESG ratings matter, outlines global and Indian ESG trends, describes the post-COVID transformations in the professional services and IT/ITES sectors, as well as sets out the

	problem statement, purpose, research questions, objectives, scope and key definitions.
2	It provides a detailed literature review on ESG ratings, standardisation and post-COVID dynamics in the sampled sectors. It examines global ESG rating models and frameworks, critiques of existing systems, theories and mechanisms of standardisation, the impact of COVID-19 on business operations and ESG expectations and the evolution of ESG disclosures, both before and after the pandemic. It also reviews barriers to ESG standardisation in India and identifies key gaps in the literature that this thesis seeks to address.
3	It discusses the theoretical foundations and conceptual model underpinning the research, drawing on stakeholder theory, institutional theory, legitimacy theory and related perspectives to explain why organisations respond to ESG pressures and how rating standardisation may shape organisational behaviour. It defines key constructs such as ESG dimensions, dynamism, standardisation and organisational attributes.
4	It analyses the regulatory, institutional and industry context in India relevant to ESG rating standardisation. It discusses the ESG reporting landscape, the role of SEBI and other regulators, the emergence of ESG rating providers and industry norms in professional services and IT/ITES sectors. It also considers institutional pressures, cultural factors and social norms that influence ESG practices and perceptions.
5	It explores stakeholder perspectives and expectations related to ESG ratings and their standardisation. It captures views from regulators, policymakers, rating agencies, corporate boards and management, employees, consumers and civil society and analyses areas of alignment and conflict in stakeholder interests.

6	It outlines the research methodology. It describes the research design and rationale, information and data sources, including the dominant qualitative secondary research approach and the limited primary surveys and questionnaires conducted via digital platforms. It also covers considerations of validity, reliability, limitations and ethics.
7	It presents findings on current ESG rating practices and drivers in the sampled sectors, extensively drawing on secondary information and data, with limited primary survey insights. It describes the ESG metrics used by organisations, reporting frequencies, formats, internal and external drivers of ESG adoption and the role of COVID-19 in accelerating ESG initiatives.
8	It introduces the guiding principles and recommendations for evolving to a more standardised ESG rating approach by identifying specific areas that need attention across organisations in India's professional services and IT/ITES sectors. It draws lessons from global case studies and international best practices and discusses mechanisms for incorporating flexibility and dynamism.
9	It discusses the findings considering the theoretical foundations and literature, elaborating implications for organisations, rating agencies, standard-setters and policymakers.
10	It concludes the thesis by summarising key findings, highlighting contributions to theory and practice, acknowledging limitations and references to directions for future research on ESG rating standardisation in dynamic service sectors like professional services and IT/ITES.

In conclusion, based on the critical review of existing literature, it is clearly understood that our research question has not been asked in this way before and it is trying to tackle a problem that existing work has only partially addressed. Furthermore, the specific study in

this area for the Indian IT/ITES and professional services industry during the post-COVID era has also never been focussed upon at length.

So, in Chapter 1 we have covered the background, context and rationale for the study and now we will move forward to Chapter 2 where we would focus on a detailed literature review on ESG ratings, standardisation and post-COVID dynamics in the IT/ITES and professional services sectors in India.

CHAPTER II:

LITERATURE REVIEW: ESG RATINGS, STANDARDISATION AND POST- COVID DYNAMICS IN THE PROFESSIONAL SERVICES AND IT/ITES SECTORS

This chapter reviews the global and Indian literature on ESG rating models, critiques of current systems, standardisation debates and the effects of COVID-19 on ESG expectations, with a specific focus on professional services and IT/ITES firms operating in India. The review is based on qualitative secondary research, supported by selected empirical studies, reports and conceptual articles and is intended to provide a coherent backdrop for later chapters of the thesis.

2.1 Global ESG Rating Models and Frameworks

Global ESG rating systems have grown rapidly as institutional investors and other stakeholders seek structured information on corporate environmental, social and governance performance. ESG ratings combine multiple indicators into composite scores or letter grades to assess how well a company manages its key sustainability risks and opportunities. The most widely cited providers include MSCI, Sustainalytics, Refinitiv, S&P Global, ISS ESG and others, each with proprietary methodologies and coverage universes. Within ESG reporting, ratings are used for comparing companies and entities across ESG metrics, regulations and policy standards.

MSCI ESG Ratings use a rules-based approach, assessing companies on 37 key ESG issues grouped under three pillars (E, S and G) and 10 themes. MSCI rates firms relative to industry peers on a seven-point scale from AAA (leader) to CCC (laggard), with weights assigned to issues based on sector-specific materialism and company exposure. The methodology is primarily risk-based and industry-relative, focusing on how well firms

manage their most critical ESG risks rather than absolute sustainability performance (MSCI ESG Research LLC, 2024).

By contrast, Morningstar Sustainalytics provides ESG Risk Ratings that measure a company's unmanaged ESG risk on an absolute scale, where a lower score indicates lower residual risk. The methodology assesses a company's exposure to industry-specific ESG risks and the strength of its management systems, then produces an overall risk score comparable across industries. This absolute, risk-oriented approach is often used for portfolio risk management and due diligence rather than pure relative benchmarking (Morningstar Sustainalytics, n.d.).

Refinitiv ESG Scores are based on more than 450-630 ESG data points, aggregated into 10 categories mapped to the three ESG pillars. The scores are built from publicly reported data, including quantitative measures (e.g. emissions and employee turnover) and qualitative disclosures (policies, programmes and controversies), with sector-specific weightings and normalisation. Refinitiv puts emphasis on transparency of data points and category scores, though the overall aggregation process and relative importance of themes remain somewhat opaque to external users (McKinsey & Company, n.d.).

S&P Global and other index-linked providers often integrate ESG into credit ratings and sustainability indices, combining questionnaire responses, public disclosures and media screening. Their models blend peer-relative scores with forward-looking climate and social risk assessments and are widely used for index construction and thematic investment products.

Alongside commercial ratings, several global disclosure frameworks shape the data that feeds rating models. The Global Reporting Initiative (GRI) Standards provide topic-specific disclosure requirements and have become the most widely used sustainability reporting framework globally, especially outside the United States. The Sustainability Accounting Standards Board (SASB) develops sector-specific disclosure standards focused on financially material sustainability information for investors, while the

Integrated Reporting Framework seeks to connect financial and non-financial capitals in a concise integrated report. The Task Force on Climate-related Financial Disclosures (TCFD) introduced a widely adopted structure for climate governance, strategy, risk management and metrics, which has now influenced the International Sustainability Standards Board (ISSB) IFRS S1 and S2 standards.

These frameworks do not themselves produce ratings but they influence the standardisation of inputs and allow rating agencies to harvest more consistent and comparable ESG data across markets. In India, SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework explicitly draws on global principles and aims to provide a single, structured template for ESG related disclosures of the top listed companies, thereby increasing the robustness of inputs to rating models (Garg et al., 2024).

2.2 Critiques of Existing ESG Rating Systems

The rapid growth of ESG ratings has been accompanied by significant critique in the academic and practitioner literature. One of the most widely discussed problems is the divergence of ESG scores across rating agencies for the same firm, which is often called 'aggregate confusion'. Berg, Kölbel and Rigobon analyse data from six prominent ESG rating agencies and show that correlation among their ratings is modest, driven by differences in scope (what is measured), measurement (how it is measured) and weighting (how indicators are aggregated) (Berg et al., 2022).

Such divergence creates confusion for investors and issuers, undermines confidence in ESG ratings and makes standardisation difficult. Studies comparing specific providers highlight methodological differences. As a quick example, Sustainalytics provides absolute risk scores, while Refinitiv produces sector-specific performance scores and their scales run in opposite directions (lower vs higher is better), requiring transformation for empirical work. Even after conversion, researchers often find non-trivial differences in the distribution and relative rankings of firms.

Another major critique concerns the opacity and subjectivity of rating methodologies. Many agencies rely on proprietary algorithms and qualitative analyst judgement, which are not fully disclosed to users. This lack of transparency makes it difficult for companies to understand how to improve their scores and for stakeholders to assess whether ratings genuinely reflect performance or simply disclosure quantity and narrative sophistication.

Data quality is also a recurring concern. ESG ratings rely heavily on self-reported company data, which can be incomplete, inconsistent and occasionally biased, particularly in emerging markets where assurance is limited. ‘Garbage in, garbage out’ is a common phrase in practitioner discussions, implying that if underlying data are weak, even sophisticated models cannot produce reliable ratings. Limited coverage of small and mid-sized enterprises and service-dominated sectors further exacerbates the issue, creating a bias in ESG assessments towards large, well-resourced firms.

There is also concern that ratings may not adequately capture real-world impact or long-term resilience. Some scholars argue that ESG ratings reward extensive disclosure rather than real-world impact. Others note that ratings are mainly designed to assess financially material risks for investors rather than broader social welfare or environmental integrity, which can lead to misalignment with public policy objectives and stakeholder expectations.

In the Indian context, critics highlight additional issues such as varying interpretations of materiality, limited sector-specific guidance for service industries and the lack of contextualisation for local socioeconomic challenges (e.g. informal labour, contract workforce, digital inclusion). These critiques are central to debates on standardising ESG ratings in India’s professional services and IT/ITES sectors, where intangible assets, human capital and digital risks are more material than heavy physical environmental impacts.

Beyond these challenges, external shocks like the COVID-19 pandemic introduced new pressures that standardisation frameworks were not fully prepared for.

Given below is a brief table to compare some of the top ESG rating agencies, their strengths and limitations.

Table 2.1: Brief Comparison of the top ESG Rating Agencies, their Strengths and Limitations

Agency	Strengths	Limitations
MSCI ESG Ratings	Strong for investors and focusses on financially material ESG risks and sector-specific resilience.	Scores can differ sharply from other providers because the methodology is proprietary and not fully standardised.
Morningstar Sustainalytics	Clear risk-focussed approach, which is widely used for assessing unmanaged ESG risk across many companies.	Emphasises risk exposure more than positive impact and as such may understate companies with strong sustainability initiatives outside risk reduction.
S&P Global CSA	Broad corporate sustainability assessment with strong peer benchmarking and investor use in ESG indices.	Heavily questionnaire-based and coverage is narrower than some peers, so comparability can be uneven across sectors.
ISS ESG	Useful for governance and portfolio-level ESG analysis and is grounded in recognised standards and public disclosures.	Methodology transparency and score differences versus other agencies remain common concerns.
Moody's ESG Solutions	Strong for credit-focussed users who want ESG integrated with issuer risk and credit quality analysis.	More relevant for lenders and fixed-income users than for broad corporate sustainability benchmarking.
CDP	Best known for deep disclosure on climate, forests and water, with high utility for environmental transparency.	Narrower thematic scope than full-spectrum ESG rating agencies and as such it is not a complete ESG score by itself.

If we critically compare the above, the biggest difference is that some agencies try to measure financially material ESG risk, while others emphasise disclosure, governance, or theme-specific environmental performance. Because each uses its own methodology, the same company can receive very different scores across providers, which is one of the most common criticisms of ESG ratings. From a practical standpoint, MSCI and Sustainalytics are often favoured by portfolio investors, S&P Global CSA is useful for benchmark-style sustainability comparison and CDP is strongest when you care specifically about climate and environmental disclosure.

2.3 Standardisation: Theories, Issues and Mechanisms

Standardisation of ESG ratings refers to the development of consistent criteria, metrics, methodologies and reporting formats that make ESG scores more comparable across firms, sectors and geographies. Theoretically, standardisation can be linked to institutional theory and stakeholder theory (later discussed in Chapter 3), as it reflects the emergence of shared norms under regulatory, normative and mimetic pressures (DiMaggio and Powell, 1983).

The literature identifies several issues that complicate standardisation:

- Heterogeneity of ESG concepts: Different authors prioritise distinct aspects of ESG (e.g. climate vs social equity), leading to divergence in rating focus and weighting schemes.
- Sectoral materiality: Material ESG issues vary significantly by industry. As such a uniform metric set may overlook critical sector-specific risks, especially in human-capital intensive services.
- Contextual variation: Emerging economies like India different development priorities, regulatory capacity and data infrastructure mean that simply adopting global templates is often inadequate.

Despite these challenges, several mechanisms for standardisation are emerging. At the global level, the ISSB aims to provide a ‘global baseline’ of sustainability-related financial

disclosures, integrating TCFD concepts and drawing from standards such as SASB. In the European Union, the Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS) provide detailed, mandatory reporting requirements and dual materiality concepts, which indirectly push rating agencies to align their data models (KPMG, 2024).

In India, SEBI's BRSR framework is a central mechanism for standardisation of ESG disclosures. Introduced in 2021 for the top 1000 listed entities, BRSR replaces earlier Business Responsibility Reports and is aligned with the National Guidelines for Responsible Business Conduct (NGRBC). BRSR seeks to normalise the format of disclosures, shift from narrative (telling) to quantitative (counting) through KPIs and gradually expand coverage to the value chain. Recent analyses of BRSR submissions from more than 1000 Indian companies show significant progress in the availability of standardised ESG data, though quality and consistency still vary across sectors.

Theories of commensurability and measurement also highlight tensions in standardisation. On the one hand, comparable metrics facilitate benchmarking, capital allocation and regulatory supervision, but on the other hand, overly rigid standardisation may fail to reflect sector-specific and regional nuances. The emerging view in both global and Indian literature is that ESG standardisation should be principles-based yet flexible, allowing sectoral customisation (for example, tailored metrics for IT/ITES on data privacy, cybersecurity, remote work and digital inclusion) within a common disclosure and scoring architecture (Erhart, 2022).

2.4 Impact of COVID-19 on Business Operations and ESG Expectations within the Sampled Sectors

The pandemic significantly reshaped business operations worldwide, particularly in service-oriented sectors that could shift to remote work. Studies on the pandemic's impact on ESG performance indicate that crises can act as stress tests for corporate sustainability practices and stakeholder trust. Firms with stronger preexisting ESG performance often

showed more resilience in stock performance and operations during the pandemic, although findings varied across sectors and regions.

In professional services and IT/ITES, COVID-19 accelerated digitisation and widespread adoption of remote and hybrid working models. Indian IT and business process management (BPM) companies rapidly moved large portions of their workforce to a WFH (work from home) mode, requiring investments in secure infrastructure, collaboration tools and new HR policies around health, mental well-being and productivity. These shifts spotlighted social and governance dimensions of ESG, such as employee safety, equitable access to digital infrastructure, data privacy and responsible outsourcing practices.

The pandemic also raised stakeholder expectations on corporate responsibility. Employees, clients and civil society demanded that firms protect vulnerable workers, support communities and maintain critical digital services. In India, COVID-19 revealed the precarious situation of informal and gig workers in supply chains, pushing discussions around the 'S' in ESG to the forefront. Professional services and IT/ITES companies were expected to demonstrate not only economic resilience but also empathy and social support through flexible work policies, health benefits and community engagement (Venkateswaran, 2021).

Furthermore, the pandemic highlighted the importance of business continuity planning, cybersecurity and robust IT governance, which are central to the governance pillar in service-based sectors. It can be observed that regulators and rating agencies started paying closer attention to how companies managed remote access risks, data protection and digital ethics. These operational shifts altered the materiality profile of ESG in the sampled sectors, a trend that must be considered when designing standardised rating frameworks for the post-COVID era.

Standardising ESG rating metrics in India's IT/ITES and professional services sectors is critical to making sustainability performance genuinely comparable and credible for investors, regulators and organisations. At present, different frameworks and rating

agencies (such as GRI, SASB, India's BRSR etc. and various ESG rating providers) apply different indicators and methodologies, producing significantly different scores for the same company and weakening the reliability of ESG ratings as decision support tools. Research focused specifically on these people and knowledge-intensive sectors can identify and standardise the most material metrics, like data-centre energy intensity and emissions, employee wellbeing, diversity and governance of data privacy and cyber-risk. This will help define appropriate sector-specific weighting schemes. Such work would refine Indian frameworks like BRSR Core for top listed companies, curb risks of methodological inconsistency and greenwashing already observed in Indian ESG ratings to strengthen alignment with global expectations on transparent, assured sustainability data. Empirical studies that compare harmonised ESG scores with financial and resilience outcomes across leading IT/ITES and consulting firms would further show whether improved ratings translate into higher long-term returns and risk mitigation, thereby informing both public policy and corporate strategy in India's service economy.

2.5 Organisational Resilience, Remote Working and Digital Transformation

Organisational resilience refers to the capacity of firms to withstand shocks, adapt to disruptions and continue creating value for stakeholders. Research shows that firms with stronger ESG scores experienced smaller performance declines during lockdowns and recovered more quickly. This effect is particularly relevant in service sectors where human capital, culture and digital capabilities drive value creation.

Remote working emerged as a critical resilience strategy for professional services and IT/ITES firms. Literature on remote and hybrid work indicates both opportunities and challenges from an ESG perspective. On the environmental side, reduced commuting and business travel can lower carbon footprints, though increased home energy use and data-centre emissions partly offset these gains. On the social side, remote working raises issues of work-life balance, mental health, ergonomics, inclusion (especially for those with limited home infrastructure) and boundary management between work and personal life.

Governance implications include the need for stronger policies on data security, monitoring, performance evaluation and fair treatment of on-site vs remote staff.

Digital transformation, already underway before the pandemic, accelerated across sectors during the pandemic. Firms adopted cloud computing, automation, AI and advanced collaboration tools to support distributed teams and digital service delivery. Literature suggests that digital transformation can support ESG goals by improving data collection, enabling real-time monitoring of ESG indicators and facilitating innovative solutions (e.g. online education, online medicine, digital financial inclusion). However, it also introduces new ESG risks relating to algorithmic bias, surveillance, digital exclusion and increased energy use from data centres.

For professional services and IT/ITES firms in India, resilience, remote working and digital transformation intersect in several ways. The sector's ability to pivot to remote work preserved employment and service continuity but also exposed disparities in home infrastructure and digital access among employees across cities and regions. Client expectations around cybersecurity, uptime and data privacy increased, while regulatory scrutiny on digital operations and outsourcing arrangements tightened. These developments suggest that any standardised ESG rating framework for the sector must carefully integrate metrics on remote working practices, digital ethics, employee well-being and cybersecurity governance.

2.6 ESG Disclosure Trends Pre- vs Post-COVID

ESG disclosure has expanded globally over the past decade and COVID-19 further accelerated this trend. During the pandemic, firms under high social and regulatory scrutiny disclosed more on health, safety, employee support and crisis management. For example, healthcare companies disclosed more detailed information on employee protection, community engagement and crisis responses, illustrating how stakeholder pressures shape disclosure content during crises.

In India, ESG disclosure has been influenced by both market forces and regulatory interventions. Before the pandemic, the Business Responsibility Report (BRR) framework required top listed entities to disclose non-financial information aligned with the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business. However, BRR came under criticism for being largely narrative, with limited quantitative metrics and poor comparability across firms (Mehta and Surana, 2025).

SEBI's introduction of BRSR has led to a more structured disclosure landscape. BRSR mandates detailed reporting on nine principles of responsible business conduct, including environment, employee well-being, stakeholder engagement, human rights and governance, with a mix of qualitative and quantitative indicators. Analyses of BRSR submissions for FY 2022-23, covering more than 1000 Indian companies, show high reporting rates for certain metrics (e.g. energy consumption, anti-corruption policies, POSH compliance, diversity ratios etc.), but weaker coverage and data quality for value-chain impacts, Scope 3 emissions and social supply-chain issues (Garg et al., 2024).

Large listed IT/ITES and professional services firms typically disclose well on governance and employee training, but environmental reporting is often limited to Scope 1 and 2 emissions. Social disclosures have expanded post the pandemic to include flexible work arrangements, mental health initiatives, digital upskilling programmes and diversity, equity and inclusion (DEI) efforts, though the level of detail and consistency varies across companies. This suggests a shift from generic CSR narratives to more explicit ESG metrics, partly driven by BRSR and investor expectations.

Nonetheless, several gaps remain. Many firms still rely on boilerplate statements, lack external assurance and provide limited forward-looking targets or performance baselines. For IT/ITES, there is also limited standardisation in reporting on digital-specific ESG topics such as data breaches, AI governance, remote-work productivity and digital inclusion, which complicates efforts to design sector-focused standardised ESG ratings.

These disclosure trends have renewed the debate on whether ESG reporting should remain voluntary or become mandatory.

2.7 Voluntary vs Regulatory ESG Reporting Standards

ESG reporting historically evolved as a voluntary practice, guided by frameworks such as GRI, CDP and SASB, with firms choosing whether and how to report based on investor pressure, reputational incentives and industry norms. Voluntary reporting allows flexibility and innovation but can lead to selective disclosure, green washing and inconsistency, prompting regulators to move towards mandatory standards.

Recent literature and policy reports highlight a global shift from voluntary to mandatory ESG reporting. The EU's CSRD, for instance, requires large and listed companies to report according to ESRS, with phased implementation and third-party assurance. Several jurisdictions, including Australia, the UK, Japan and Singapore, have begun to adopt ISSB-aligned mandatory climate or sustainability disclosure rules, often building on TCFD guidelines (KPMG, 2024).

In the United States, although federal SEC climate rules have been contested, state-level regulations like California's SB 253 and SB 261 introduce mandatory climate-risk and emissions disclosure for large firms (California Air Resources Board, n.d.).

Scholars examining voluntary standards argue that frameworks such as GRI and SASB can improve the materiality and comparability of ESG information, but only when firms implement them substantively rather than symbolically. Empirical work suggests that voluntary adherence to these standards is associated with more complete and decision-useful disclosures yet also reveals that companies sometimes use them as symbolic tools to gain legitimacy without significantly changing underlying practices.

In India, ESG reporting has transitioned from largely voluntary CSR narratives under the Companies Act and BRR to more structured regulatory requirements through BRSR. While BRSR is mandatory for the top 1000 listed entities, many smaller companies still rely on

voluntary disclosures or limited reporting for specific stakeholders (e.g. international clients). The literature notes that Indian firms that voluntarily adopted global frameworks (GRI, Integrated Reporting) before regulations tended to be better prepared for BRSR and future ISSB alignment.

The tension between voluntary and regulatory approaches is central to the standardisation debate. Voluntary frameworks encourage innovation and allow sectoral and local adaptation, whereas regulatory standards provide enforcement, comparability and accountability. For professional services and IT/ITES firms in India, a hybrid approach may be most appropriate. This would cover regulatory baselines through BRSR and future ISSB adoption, complemented by voluntary sector-specific guidance to capture digital and human-capital intensive ESG dimensions.

2.8 Stakeholder Pressures, Changing Regulatory and Policy Landscape

Stakeholder theory indicates that firms operate within a network of stakeholders including investors, employees, customers, regulators and communities whose expectations shape corporate behaviour and disclosure. In the ESG context, stakeholder pressures have intensified over the past decade, particularly after the pandemic, resulting in stronger demands for transparency, accountability and measurable impact.

Institutional investors have driven ESG integration, using ratings to screen portfolios, engage companies and meet responsible investment commitments. Divergent ratings and weak data have led many investors to call for greater standardisation and regulatory oversight of ESG rating agencies and data providers. In response, several regulators, including SEBI in India, have issued guidelines for ESG rating providers, focusing on transparency, conflict-of-interest management and methodology disclosure.

The Indian regulatory landscape for ESG is evolving quickly. SEBI's BRSR framework, circulars on assurance and its oversight of ESG rating providers collectively signal the mainstreaming of ESG considerations in corporate governance and capital markets. The Ministry of Corporate Affairs, through NGRBC and CSR rules, as well as various

environmental and labour regulations also contribute to a complex regulatory environment affecting ESG performance in India. This institutional context will be elaborated in Chapter 4, but it is important as a key driver of standardisation and rating convergence.

Employees and civil society are also increasingly influential stakeholders. The pandemic revealed vulnerabilities in worker protections, mental health and community resilience, prompting employees to expect more supportive work cultures, flexible arrangements and inclusive policies from employers, especially in knowledge-intensive sectors. Consumer and client expectations around data privacy, ethical AI and responsible outsourcing have grown, particularly in IT/ITES, where firms handle sensitive global data and rely extensively on subcontracting and contract workers.

Policy discourses on climate change, digital rights and social inclusion further shape ESG expectations. India's climate commitments, including the net-zero by 2070 target and its digital public infrastructure initiatives (such as UPI and other platforms) create both expectations and opportunities for service sectors to contribute to national sustainability goals. These multi-layered stakeholder and policy pressures create a strong impetus for more standardised, credible and sector-relevant ESG ratings.

2.9 Present Status of Metrics within the Sampled Sectors: Challenges and Opportunities

The professional services and IT/ITES sectors have distinctive ESG profiles, marked by relatively low direct environmental footprints but high social and governance relevance. The literature, along with emerging BRSR and corporate report analyses, suggests that current ESG metrics in these sectors are unevenly developed and only partially standardised.

On the environmental side, common metrics include energy consumption, renewable energy share, greenhouse gas emissions (mainly Scope 1 and 2), water use and waste management. For IT/ITES, additional environmental considerations include data-centre efficiency and e-waste management, but these are not yet reported consistently. Many firms

disclose broad climate commitments but lack detailed interim targets, sector-specific benchmarks or robust Scope 3 coverage, especially for value-chain emissions related to outsourced services and employee commuting.

Social metrics are more prominent and include employee headcount, diversity ratios, training hours, health and safety indicators, attrition rates and CSR/community investment. After the pandemic, there is increased reporting on remote-work policies, mental-health initiatives and flexible benefits, but quantitative metrics for these areas are still evolving. Contract labour, gig work and informal workers in support functions remain under-represented in formal ESG metrics, despite being central to the social risk profile of many service companies.

Governance metrics are relatively mature, including board composition, independence, committee structures, anti-corruption policies, risk management frameworks and information security governance. For IT/ITES, cybersecurity, data-privacy certifications and incident reporting are critical, yet disclosure levels and standardisation vary across firms and are often framed in qualitative rather than quantitative terms.

Key challenges in the current metric landscape include:

- Fragmented and non-standardised indicators across companies, making cross-firm and cross-time comparisons difficult.
- Limited coverage of digital-specific ESG issues (e.g. AI ethics, algorithmic bias, remote-work impacts) that are highly material for IT/ITES.
- Weak data on value-chain and outsourced operations, especially social and environmental conditions in vendor ecosystems.
- Resource constraints and lack of methodological guidance for smaller service firms, which may not have dedicated ESG teams.

At the same time, there are important opportunities. BRSR provides a common reporting backbone that can be tailored for sector-specific ESG metrics. Digital transformation and

data-analytics capabilities within IT/ITES firms themselves can be leveraged to improve ESG data collection, real-time monitoring and scenario analysis. Client and investor interest in responsible digital services creates incentives to develop standardised metrics on cyber security, digital inclusion and responsible AI, which can differentiate firms competitively. These opportunities support the case for a context relevant, standardised ESG rating framework for the sectors under study (Sharma et al., 2024).

While these opportunities exist, realising them depends on overcoming persistent barriers that continue to limit ESG standardisation in India.

2.10 Barriers to ESG Standardisation in India: Data, Cost, Sectoral, Regulatory and Environmental

Indian literature and practitioner reports identify multiple barriers to ESG standardisation, which are particularly salient for service sectors. A first major barrier is data. Companies often struggle with limited availability, poor quality and fragmentation of ESG data across internal systems and external partners. This is compounded by lack of historical time series, inconsistent definitions and limited assurance, which restrict the reliability of ratings and benchmarking exercises.

Cost and resource constraints are a second significant barrier. Building robust ESG data and reporting systems requires significant investment in technology and expertise, which is especially hard for smaller firms or those where ESG is not yet a strategic priority. Professional services and IT/ITES firms may also face competing priorities between investing in client-facing digital transformation and building internal ESG systems, especially in a highly competitive labour market (Efthymiou et al., 2023).

Sectoral and contextual issues form a third barrier. Service sectors have intangible outputs and complex, global, client relationships, making it more difficult to define clear sector-wide environmental benchmarks compared to manufacturing or extractive industries. Social risks, such as work stress, mental health, overtime, diversity and inclusion and vendor-labour conditions, are harder to quantify and standardise than physical safety

incidents. Indian cultural and institutional factors, such as hierarchical structures, informal labour markets and varying regional norms, further complicate uniform application of global ESG metrics.

Regulatory complexity is another barrier. While BRSR provides a structured format, companies must also navigate multiple overlapping regulations under the Companies Act, SEBI regulations, environmental laws and labour codes. The evolving nature of these regulations, such as phased extension of BRSR value-chain disclosures and potential future ISSB adoption creates uncertainty about future requirements and may discourage early investments in standardised, long-term ESG systems.

Environmental and infrastructure constraints also impact ESG standardisation. For instance, it is observed that limitations in grid-level renewable availability, municipal waste-management systems and urban transport infrastructure affect firms' ability to achieve certain environmental targets, especially for offices in congested Indian cities. This contextual reality needs to be acknowledged in standardised ESG frameworks to avoid unfair penalties on firms operating in constrained environments.

Finally, there are conceptual barriers related to 'theorisation and commensurability' (Erhart, 2022). Commentary on the Indian ESG ecosystem notes that different stakeholders conceptualise ESG differently, leading to a lack of common language and shared understanding of what should be measured and how. Without a robust theoretical and practical consensus, standardisation risks would be either too generic or too fragmented. These barriers underscore the need for an approach that balances global comparability with local and sectoral relevance.

2.11 Key Gaps in the Literature

The literature review highlights several gaps that the present research seeks to understand better. First, although there is a rich global body of work on ESG rating divergence, data quality and the need for standardisation, relatively few studies focus specifically on professional services and IT/ITES sectors in emerging markets such as India. Most studies

focus on developed markets or heavy-emission industries, leaving a gap in how ESG ratings should work for human-capital intensive, digital service sectors.

Second, while there is growing documentation of ESG disclosure trends under BRSR, existing analyses tend to be cross-sectoral and descriptive, with limited deep-dive assessments into sector-specific material issues, metric suitability and rating implications for IT/ITES and related professional services. There is insufficient research on how the unique post-pandemic dynamics of remote working, digital transformation and organisational resilience in these sectors should be reflected in ESG metrics and standardised rating frameworks.

Third, the literature on voluntary versus regulatory ESG reporting in India has primarily examined legal obligations, compliance levels and high-level challenges, but has not yet fully explored how this evolving regulatory environment interacts with the methodologies and business models of ESG rating agencies in the Indian context. There is a need to understand how regulatory standardisation of disclosures (e.g. BRSR, potential ISSB adoption) translates into actual convergence of ESG ratings and where divergences remain due to methodological choices, sectoral nuances and stakeholders' priorities.

Fourth, limited attention has been paid to the perspectives of different stakeholder groups, such as company management, employees, clients, rating agencies and regulators on what constitutes a 'good' ESG rating framework for service sectors in India. Existing work tends to focus on investors and regulators, with less systematic exploration of intra organisation views (e.g. HR, IT security, operations) and end-user expectations in professional services and IT/ITES.

Finally, there is a methodological gap related to combining qualitative insights with limited quantitative data, especially in fast-moving contexts like post-pandemic digital transformation. Much of the empirical ESG research relies on large quantitative datasets from rating agencies, which may not adequately reflect local nuances and the views of practitioners. This creates space for mixed-methods and more exploratory, qualitative

studies such as the present research, which integrates extensive secondary literature with small-scale primary data collection such as LinkedIn and WhatsApp-based questionnaires, to generate grounded insights and practitioner-relevant frameworks.

Addressing these gaps, the subsequent chapters of this thesis will try to draw on stakeholder, institutional and legitimacy theories (Chapter 3), examine India's regulatory and industry context (Chapter 4), capture stakeholder perspectives (Chapter 5), present the research methodology (Chapter 6), analyse current ESG rating practices in the sampled sectors (Chapter 7) and propose a context sensitive approach to evolve to a more standardised way by identifying specific areas that need attention (Chapter 8).

We feel that the present lack of standardisation in ESG metrics globally, which also is visible within the IT/ITES and professional sectors in India, is too complex to be resolved quickly. The views of organisations, regulators, rating agencies and the core diversity in sector specific nuances lend full standardisation next to impossible. As such, our approach as part of this research is to try and evolve to a more standardised approach by identifying specific areas that need attention across organisations in India's professional services and IT/ITES sectors after the pandemic, given the dynamism of these sectors and the current divergence in ESG rating methodologies.

So in Chapter 2 we have covered a detailed literature review on ESG ratings, standardisation and emerging dynamic after the pandemic in the sampled sectors and now we will move forward to Chapter 3, where we would discuss the theoretical foundations and conceptual model underpinning the research, drawing on stakeholder theory, institutional theory, legitimacy theory and related perspectives to explain why organisations respond to ESG pressures and how rating standardisation may shape organisational behaviour.

CHAPTER III:

LITERATURE REVIEW: THEORETICAL FOUNDATIONS AND CONCEPTUAL MODEL

This chapter explores the theoretical foundations and conceptual model for analysing how ESG ratings can be standardised across organisations in the professional services and IT/ITES sectors in India in the post-COVID era. It integrates key theories, clarifies the main constructs, formulates propositions and presents an overview and conceptual framework aligned with a predominantly qualitative, secondary-research-based study design.

3.1 Relevant Theories

3.1.1 Stakeholder Theory and ESG in Professional Services and IT/ITES

Stakeholder theory argues that firms must create value not only for shareholders but also for a broad set of interested parties including employees, customers, suppliers, communities and regulators (Freeman and McVea, 2001). ESG practices and ESG ratings can be interpreted as mechanisms through which organisations demonstrate how they balance between and respond to these multiple and often diverse stakeholder interests. Empirical work links stakeholder engagement with the breadth and quality of ESG disclosures, suggesting that firms engaging more deeply with stakeholders tend to identify material ESG topics more accurately and disclose them more comprehensively (Freeman and McVea, 2001).

In the Indian service sector, especially IT/ITES, ESG adoption is closely tied to stakeholder expectations around digital transformation, supply chain sustainability and workforce well-being. Research shows managers view ESG both as a response to investor demands and a way to address internal concerns, though emphasis often skews toward external perceptions and supply-chain issues rather than employee well-being (Efthymiou, Kulshrestha and

Kulshrestha, 2023). This reflects partial alignment with stakeholder theory. Organisations often respond strongly to investors and global clients but selectively to internal stakeholders. From an ESG ratings perspective, stakeholder theory suggests ratings should capture the priorities of diverse groups, not just investors. In knowledge-intensive sectors like IT/ITES, this means giving greater weight to human capital, diversity, data privacy and digital well-being, since employees, clients and communities are directly affected by remote work, algorithmic tools and platform-based delivery models.

In the post-COVID era, stakeholder expectations have shifted. Employees demand more flexible work arrangements, mental health support and continuous upskilling in the digital-era, while clients and investors scrutinise business continuity, cyber security and carbon emissions from digital infrastructure. Stakeholder theory therefore provides a basis for arguing that standardisation of ESG ratings in these sectors must integrate changing stakeholder needs, especially employee well-being and digital-ethics considerations into core metrics and scoring logic rather than treating them as peripheral indicators.

3.1.2 Institutional Theory and ESG Standardisation

Institutional theory focuses on how organisations conform to rules, norms and belief systems in their environment, often through coercive, normative and mimetic isomorphic pressures (DiMaggio and Powell, 1983). In the ESG context, coercive pressures can come from regulators and stock exchanges, normative pressures from professional bodies and industry associations, while mimetic pressures come from competitors and global peers. ESG disclosure regimes and rating methods can thus be viewed as institutional arrangements that shape, constrain and channel corporate behaviour.

In India, SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework has introduced strong institutional pressure for firms to disclose ESG data in a structured and comparable way. ESG rating agencies such as CRISIL, ICRA, India Ratings, MSCI ESG Research and Sustainalytics operate within this evolving field, yet challenges persist

with diverse methodologies, inconsistent indicators and green washing concerns, that hinder true standardisation (Securities and Exchange Board of India (SEBI), 2023b).

From an institutional theory perspective, the move towards standardised ESG ratings reflects a shift from voluntary, loosely defined reporting to more formalised, semi-mandatory standards. New regulations capture societal expectations of transparency and reinforce reporting as a tool for corporate legitimacy. In the Indian IT/ITES and professional services sectors, additional pressures come from global clients demanding compliance with international ESG standards, industry codes and digital-ethics guidelines, driving the need for adoption of global frameworks and rating tools.

Institutional theory therefore underpins the argument that any attempt to standardise ESG ratings in these sectors must explicitly account for regulatory developments, industry norms and global bench-marking pressures. It also suggests that standardised frameworks are more likely to be accepted and internalised if they are aligned with dominant institutional logic, for example, aligning the conceptual model with SEBI's BRSR categories and widely recognised international frameworks while leaving room for sector-specific interpretation.

3.1.3 Legitimacy Theory and ESG Reporting Credibility

Legitimacy theory posits that organisations seek to operate within the bounds of societal norms and values and when there is a perceived legitimacy gap, firms adopt strategies, including disclosures to restore, maintain or defend their legitimacy (Suchman, 1995). ESG reporting and by extension ESG ratings, can be seen as means for demonstrating conformity with societal expectations regarding responsible and sustainable behaviour.

Recent trends on corporate sustainability reporting transformation point out that legitimacy theory remains relevant even as sustainability disclosure shifts from voluntary practices to mandatory reporting regimes. Standardisation of ESG reporting helps formalise expectations around transparency and comparability, thereby amplifying the role of ESG information as a tool for constructing and maintaining legitimacy. At the same time,

scholars highlight that this approach may expose limits of legitimacy-seeking behaviour, particularly when firms treat ESG reporting as a symbolic exercise rather than integrating sustainability into core operations.

The notion of ESG reporting legitimacy stresses dimensions such as accuracy, completeness, consistency and verification of data as central to whether stakeholders perceive ESG disclosures as credible. Inconsistencies between self-reported ESG performance and external ESG ratings, or large divergences between different rating agency scores, can undermine legitimacy and provoke scepticism about greenwashing. In dynamic sectors like IT/ITES, where material ESG issues such as data privacy, cyber security, digital inclusion and remote-work practices evolve rapidly, legitimacy depends not only on what firms disclose but on whether their disclosures keep pace with emergent social concerns and technological risks.

Legitimacy theory thus supports the need for standardised ESG ratings that emphasise transparent methodologies, clear definitions of indicators, rigorous data validation and alignment between ratings and genuinely material sector-specific risks. By doing so, such standardised ratings can serve as a credible signal of responsible conduct to investors, clients, employees and regulators.

3.1.4 Other Supporting Theoretical Lenses

While stakeholder, institutional and legitimacy theories provide the primary theoretical grounding, several additional lenses are useful for constructing a robust conceptual model.

First, signalling theory explains how firms use ESG disclosures and ratings to convey otherwise unobservable attributes such as commitment to sustainability or resilience (Spence, 1973). In the Indian service sector, evidence shows that firms often adopt ESG frameworks to project a positive image to investors and external stakeholders, which reinforces the directory role of ESG ratings. Standardisation can increase the reliability of these signals by reducing noise and improving comparability across organisations.

Second, risk and uncertainty perspectives, including research on ESG uncertainty and volatility spillovers, highlight that ESG information is intertwined with financial risk dynamics. ESG uncertainty can propagate through markets and affect volatility, suggesting that more consistent and standardised ESG metrics might help investors price risk more effectively. For IT/ITES firms facing rapid technological and regulatory changes, standardised ESG ratings could function as structured risk indicators related to climate exposure of data centres, cyber security incidents, or social risks linked to distributed workforce.

Third, dynamic capabilities theory, although not always explicitly framed under ESG, is relevant because the post-COVID environment requires organisations to sense, seize and transform in response to evolving ESG expectations. Post-COVID, work strategies in the Indian IT sector rapidly pivoted to remote-work models, maintained client service quality and simultaneously influenced environmental and social outcomes such as reduced carbon footprint and altered employee well-being. These adaptive responses suggest that ESG performance in such sectors is inherently dynamic, reinforcing the need for any standardised rating scheme to integrate time-sensitive and context-sensitive indicators.

Taken together, these theories provide a multi-layered foundation for conceptualising ESG rating standardisation as a process shaped by stakeholder demands, institutional pressures, legitimacy concerns, indicating incentives, risk considerations and organisational dynamic capabilities.

3.2 Conceptualising Standardisation of ESG Ratings

3.2.1 ESG Ratings: Functions and Current Critiques

ESG ratings aggregate information about a firm's environmental, social and governance performance into summary indicators used by investors, lenders, customers and other stakeholders. In principle, ratings should facilitate capital allocation towards more sustainable businesses, support risk management and incentivise improvements in corporate practices. However, research consistently documents significant discrepancies

across rating agencies and questions about reliability, comparability and conceptual clarity (Chen, 2025).

A paper released a couple of years ago on developing a global ESG rating system, creates a summary of persistent shortcomings, including heterogeneous indicator sets, differing weightings across E, S and G pillars, inconsistent treatment of controversies, limited transparency about methodologies and heavy reliance on self-reported data (Chen, 2025). Another conceptual framework for ESG ratings calls out three main stages in the rating production process, namely data collection and disclosure, measurement and aggregation, and finally, dissemination and use. At each stage, methodological choices introduce potential biases and divergences, which partly explain why the same firm can receive very different ESG scores from different providers (Neyland, Cruz Lopez and Smirnow, 2024).

In the Indian context, studies of ESG ratings highlight similar concerns. Recent trends in ESG ratings in India highlight that while SEBI's BRSR aims to standardise reporting, ratings still vary considerably because agencies employ distinct models, while issues such as green washing and inconsistent data quality continue to exist. At the same time, there is growing regulatory and investor interest in strengthening ESG rating practices, reflecting both domestic policy priorities and alignment with global sustainable finance trends (Securities and Exchange Board of India (SEBI), 2023b).

3.2.2 Meaning of Standardisation in this Thesis

Standardisation, by definition, refers to making things follow one common standard, while harmonisation means making different systems compatible enough to work together. Hence standardisation enforces 'one same rule' while harmonisation pushes for 'aligned but not identical'. In other words, standardisation focuses on uniformity and consistency across everything and often means adopting the same format, process or set of rules. On the other hand, harmonisation focuses on reducing differences so that separate systems can coexist. It allows for some variation as long as the results are compatible.

Within this thesis, ‘standardisation of ESG ratings’ is conceptualised as a continuing, yet slow process of evolution, involving use of more coherent, comparable and transparent principles for evaluating ESG performance across organisations in the professional services and IT/ITES sectors in India. Standardisation does not necessarily imply a single unified rating provider or a singular all-encompassing framework, but instead, it refers to consensus around:

- A shared understanding of which ESG dimensions and sub-dimensions are material to these sectors in the post-COVID context.
- Adopting more consistent definitions and measurement approaches for key indicators, especially those relating to digital work, human capital and governance of technology.
- Arriving at greater transparency in weighting schemes, aggregation methods and treatment of controversial events.
- Aligning more closely with national regulatory frameworks such as BRSR and relevant global ESG reporting standards, while still allowing for sector-specific nuances.

Thus, standardisation is viewed as a continuum rather than a binary state. The focus is on identifying conditions under which higher degrees of standardisation become feasible and desirable and how sector-specific dynamism interacts with these conditions.

3.2.3 Sectoral and Post-COVID Specificity

Standardisation must be conceptualised in light of the distinctive characteristics of professional services and IT/ITES in India. These sectors are knowledge-intensive, often asset-light, globally integrated and heavily reliant on skilled human capital and digital infrastructure. Unlike energy-intensive manufacturing industries, their environmental footprint is often mediated through office spaces, data centres and travel patterns, while social and governance issues revolve around labour practices, diversity, digital rights, data security, algorithmic fairness and remote-work cultures.

The pandemic accelerated several transformations that directly affected ESG metrics in these sectors. Studies on post-COVID work strategies in Indian IT firms, show a rapid shift to work from home (WFH) or work from anywhere (WFA) arrangements, with generally stable client service quality and financial performance but mixed implications for employee well-being and team cohesion (Kolluru, Krishnan and Kolluru, 2021). Research on the service sector points to selective implementation of sustainability frameworks, where technology can both enable and hinder sustainability and where internal human rights issues may be given somewhat lesser importance relative to investor-oriented sustainability narratives.

For this thesis, these findings recommend that standardisation of ESG ratings should explicitly integrate post-COVID dimensions such as:

- Remote-work policies, digital inclusion and cyber security.
- Carbon footprint of digital operations (e.g., data centres, cloud usage).
- Psychosocial risks, work-life balance and digital surveillance concerns.
- Flexibility and resilience in organisational structures and supply chains.

Standardisation, therefore, is conceptualised not as a static point of view, but as an approach that can incorporate new indicators and reweigh existing ones as sectoral dynamics evolve.

3.2.4 Balancing Comparability and Flexibility

A central conceptual challenge is balancing the need for comparability across organisations with the need for flexibility to account for organisational heterogeneity and environmental dynamism. Overly rigid standardisation may obscure important contextual differences and encourage box-ticking behaviour, while excessively flexible systems fail to deliver meaningful comparability and risk perpetuating green washing.

In the conceptualisation approach, standardisation entails:

- A core set of mandatory indicators and measurement rules that apply across organisations within the sectors, ensuring basic comparability.
- A set of optional or adaptive indicators that organisations can select based on specific business models, maturity levels and stakeholder priorities, provided that the selection logic is transparent.
- A set of criteria and guidelines for periodically reviewing and updating indicators in light of technological, regulatory and social changes in the post-COVID environment.
- A recommended set of thresholds for acceptability based on industry and sector specific business context or dependencies.

This layered approach allows standardisation to coexist with dynamism. It also aligns with the reality that the empirical research underpinning this thesis is primarily qualitative and exploratory, with limited quantitative surveys, making it appropriate to focus on conceptual clarity and theoretically grounded propositions rather a focus on collection or use of large quantity of data or detailed statistical models.

3.3 Variables and Constructs: ESG Dimensions, Dynamism, Standardisation, Organisational Attributes

This section defines the main constructs for the conceptual framework.

3.3.1 ESG Dimensions in Professional Services and IT/ITES

As we are all aware, the environmental (E), social (S) and governance (G) pillars are widely recognised, but their specific content varies by sector. For professional services and IT/ITES in India, secondary research suggests the following sector-specific sub-dimensions.

The following table shows the key sector-specific sub-dimensions of the ESG pillars.

Table 3.1: Sector-specific Sub-dimensions of the ESG Pillars

No.	ESG Pillar	Sub-Dimensions
1	Environmental (E)	• Energy use and emissions of office and data-centre infrastructure, including renewable energy adoption and energy-efficient buildings. • Carbon footprint of digital operations and remote-work patterns, including reduced commuting and travel but increased reliance on servers and cloud services. • E-waste management, responsible procurement of IT equipment and life cycle management of hardware.
2	Social (S)	• Human capital management, including hiring, training, up skilling and retention for a highly skilled workforce. • Diversity, equity and inclusion, particularly gender diversity, representation in leadership and inclusion of marginalised groups in tech roles. • Employee well-being, mental health, work-life balance and psychosocial risks in remote or hybrid work environments. • Data privacy, information security and respect for digital rights of employees and customers, which function as social plus governance issues in digitally intensive sectors.

3	Governance (G)	• Board oversight of ESG issues, including integration of ESG into risk management, strategy and executive compensation. • Ethical use of technology, including policies on algorithmic bias, surveillance and AI governance where applicable. • Transparency and quality of ESG disclosures, internal controls over ESG data and responsiveness to stakeholder engagement.
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These dimensions guide the mapping of specific indicators within a conceptual model (Efthymiou, Kulshrestha and Kulshrestha, 2023; Garg *et al.*, 2024).

3.3.2 Dynamism

‘Dynamism’ in this thesis refers to the degree of volatility, complexity and speed of change in the external and internal environments affecting ESG issues in the professional services and IT/ITES sectors after COVID-19. It is a multi-faceted construct that encompasses:

- Regulatory dynamism includes frequent changes or new requirements in ESG reporting, such as evolving BRSR expectations, data-privacy laws and international sustainability reporting standards.
- Technological dynamism includes rapid adoption of remote-work technologies, cloud computing, AI-based systems and digital collaboration tools that reshape ESG risk profiles and opportunities.
- Market and stakeholder dynamism includes shifting investor preferences for ESG integration, changing client procurement criteria, evolving employee and civil-society expectations regarding social justice, climate action and digital ethics.

- Risk and uncertainty dynamism includes fluctuations in ESG-related risk perceptions and their correlation with financial volatility, indicating that ESG factors are not static but interact with broader market conditions.

Dynamism is expected to moderate the relationship between organisational attributes and ESG rating standardisation. In more dynamic contexts, organisations may need more flexible and adaptive ESG rating frameworks, while still facing pressures to converge on core standards.

3.3.3 Standardisation of ESG Ratings

For modelling purposes, the approach towards standardisation of ESG ratings needs to include the extent to which:

- The ESG metrics used by rating agencies and organisations in the sector align with a shared set of sector-relevant indicators.
- The definitions, measurement approaches and data sources underlying these metrics are harmonised or at least openly disclosed so that users can understand and compare them.
- The weighting of E, S and G pillars and sub-dimensions follows broadly similar principles or ranges across ratings used in the sector.
- Ratings demonstrate longitudinal consistency, i.e., indicators and scales do not change so frequently that historical bench marking becomes impossible.

In empirical terms, this construct could be reflected in perceived comparability of ESG scores across organisations, alignment with BRSR and global standards and the presence of sector-specific guidelines adopted by rating agencies (Berg *et al.*, 2022). However, in this thesis, given the qualitative emphasis and limited primary data, standardisation will be examined largely as a perceived and conceptual phenomenon as reflected in literature, regulatory guidelines, rating methodologies and stakeholder perspectives.

3.3.4 Organisational Attributes

Organisational attributes refer to characteristics of firms that may influence both their ESG practices and the degree to which they can or do conform to standardised ESG rating frameworks. Based on secondary research, salient attributes in the Indian professional services and IT/ITES sectors include:

- Size and scale: Larger firms tend to have more resources for ESG reporting systems, dedicated sustainability teams and engagement with rating agencies.
- Ownership and listing status: Listed firms and those with significant foreign institutional investment often face stronger ESG pressures and participate more actively in rating processes compared to privately held or smaller entities.
- International exposure: Firms with global clients and cross-border operations are more likely to align with international ESG frameworks and respond to global investors' ESG expectations.
- Digital maturity: Organisations more advanced in digital transformation may both face more complex ESG risks (cyber security, data privacy) and possess better capabilities for data collection, analytics and reporting.
- ESG governance capabilities: The existence of board committees, dedicated ESG officers or cross-functional sustainability structures influence how ESG issues are systematically managed and disclosed.

These attributes serve as independent or contextual variables in the conceptual approach, shaping how firms experience dynamism and how they engage with ESG rating standardisation.

3.4 Hypotheses or Propositions

Given the qualitative and exploratory orientation of the study and the reliance on secondary information with limited primary data, this chapter evaluates options and propositions

rather than strictly testable statistical hypotheses. These propositions are theory-driven statements that guide subsequent analysis and interpretation.

3.4.1 Propositions linking Theories and ESG Rating Standardisation

Proposition 1 (Stakeholder Orientation and Standardisation).

Organisations in the professional services and IT/ITES sectors that exhibit stronger stakeholder-oriented governance and engagement practices will show a higher propensity to adopt and advocate for standardised ESG rating frameworks that reflect diverse stakeholder concerns. This follows from stakeholder theory and evidence linking stakeholder engagement with more comprehensive ESG disclosures.

Proposition 2 (Institutional Pressures and Convergence).

Coercive, normative and mimetic institutional pressures, particularly SEBI's BRSR requirements, professional guidelines and global client expectations will drive convergence in ESG metrics and disclosure practices across organisations, thereby fostering greater standardisation of ESG ratings in the sectors (Securities and Exchange Board of India (SEBI), 2023b).

Proposition 3 (Legitimacy Motives and Transparency).

Firms experiencing legitimacy pressures due to public scrutiny, ESG controversies, or strategic positioning will favour standardised and transparent ESG ratings to signal credibility and reduce legitimacy gaps, especially with global investors and clients (Mack, 2022).

3.4.2 Propositions relating Dynamism to Standardisation

Proposition 4 (Dynamism as a driver of Adaptive Standardisation).

From a framework design approach standpoint, high levels of post-COVID dynamism in regulatory, technological and stakeholder environments will increase demand for ESG rating frameworks that are standardised at the core but flexible in their sector-specific and

time-sensitive components, leading to adaptive standardisation rather than rigid uniformity.

Proposition 5 (Dynamism and Perceived Usefulness of Ratings).

In more dynamic contexts, perceived user utility is extremely critical. Investors, clients and boards will perceive standardised ESG ratings as more useful for risk assessment and decision-making, provided that the ratings incorporate forward-looking and resilience-oriented indicators rather than only static historical metrics.

3.4.3 Propositions involving Organisational Attributes

Proposition 6 (Organisational Scale and Capabilities).

Larger and more digitally mature organisations in the professional services and IT/ITES sectors will be better positioned to comply with and shape standardised ESG rating frameworks because they can invest in data systems, internal controls and specialised expertise.

Proposition 7 (Global Exposure and Alignment).

Organisations with significant global client portfolios and international listings will exhibit higher alignment with standardised ESG metrics and are more likely to push for harmonisation between Indian frameworks and global ESG standards.

Proposition 8 (ESG Governance and Measurement Quality).

The presence of formal ESG governance structures (e.g., board-level ESG committees, dedicated sustainability teams) will positively influence the reliability, completeness and consistency of ESG data, thereby increasing the feasibility and quality of standardised ESG ratings (PwC India, 2024).

3.4.4 Propositions about Sector-specific ESG Dimensions

Proposition 9 (Human Capital and Digital Well-being as Core Metrics).

In the post-COVID professional services and IT/ITES sectors, human capital management and digital-era employee well-being will be recognised as central social metrics within

standardised ESG ratings, reflecting the sectors' reliance on skilled labour and remote-work models.

Proposition 10 (Digital Ethics and Data Governance).

Data privacy, cyber security and ethical technology use will be increasingly integrated into the governance pillar of standardised ESG ratings for these sectors, becoming key differentiators in both investor assessments and client procurement decisions.

These propositions will guide the evolution of principles for a conceptual framework and the interpretation of empirical evidence from secondary sources.

3.5 Conceptual Framework

3.5.1 Overall Structure of the Framework

The conceptual framework proposed in this chapter connects theoretical lenses, key constructs and the specific context of professional services and IT/ITES in India after COVID-19. At a high level, the summary framework can be as follows:

1. The **external environment** (regulatory, technological, market and societal) is characterised by high dynamism and evolving institutional pressures around ESG.
2. **Organisations** in the sectors possess varying attributes like size, global exposure, digital maturity and ESG governance and adopt different levels of stakeholder orientation and legitimacy strategies.
3. These **organisational attributes** interact with external dynamism to shape ESG practices, disclosure quality and engagement with ESG rating agencies.
4. The **content and structure of ESG ratings** for these sectors are influenced by sector-salient ESG dimensions and through convergence and differentiation among rating methodologies.

5. The **degree of standardisation** achieved is reflected in the alignment of metrics, methods and transparency across organisations and rating providers, while allowing adaptive flexibility for emerging, sector-specific issues.

Given below is a diagrammatic representation of the framework with clearly labelled components and arrows showing theoretical linkages.

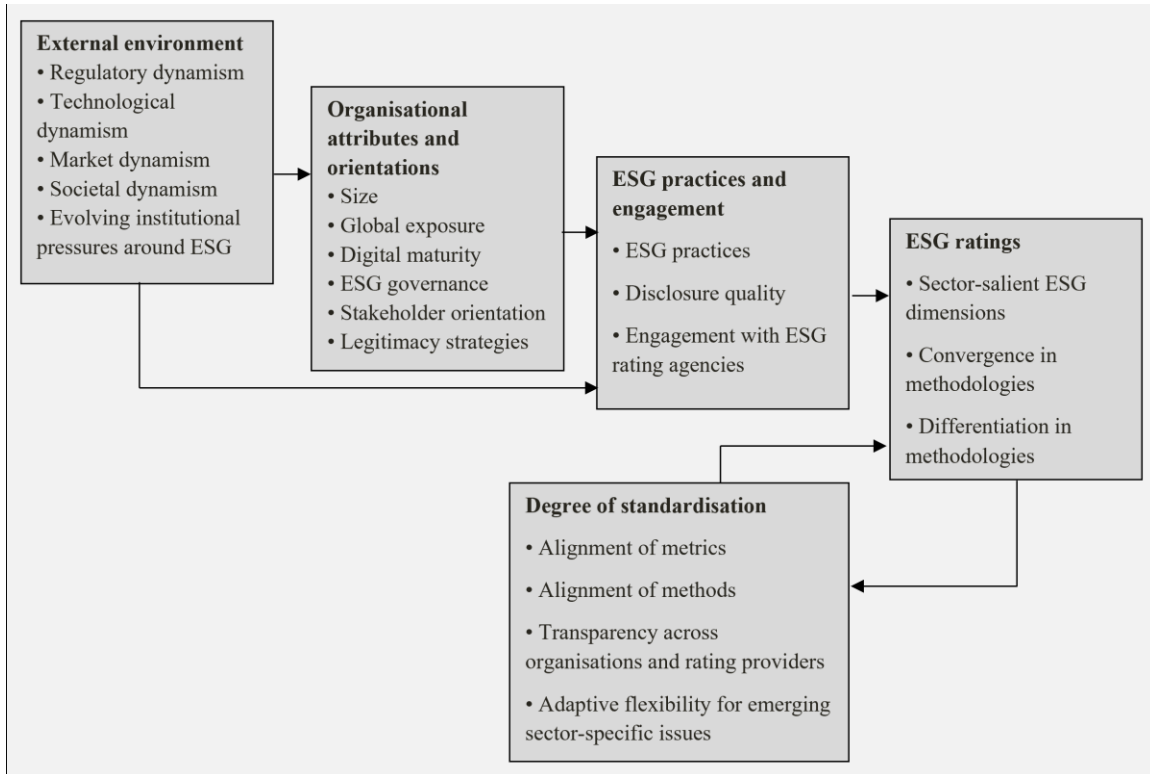


Figure 1: Conceptual Framework Linking External Environment, Organisational Attributes, ESG Practices, Ratings and Standardisation

3.5.2 Key Components and Linkages

The conceptual framework embeds the three main theories as follows:

- **Stakeholder theory** informs how stakeholder demands shape which ESG issues become material and how organisations select and report on them. As stakeholder pressure increases for issues such as remote-work conditions, diversity and data privacy, these topics gain prominence in the standardised ESG indicator set.

- **Institutional theory** explains how regulatory frameworks like BRSR, industry guidelines and global ESG norms exert isomorphic pressures that gradually align metrics and disclosures across firms and ratings.
- **Legitimacy theory** clarifies why organisations may support standardisation as a way to demonstrate credible alignment with societal expectations and reduce suspicion of green washing.

These theoretical mechanisms converge on the central approach towards standardisation of ESG ratings, which is further shaped by:

- **External dynamism:** Regulatory shifts, technological changes and market volatility that can either accelerate convergence by highlighting the need for reliable ESG information or complicate it by constantly introducing new issues to measure.
- **Organisational attributes:** Larger, globally exposed and digitally mature firms with robust ESG governance are generally expected to serve as institutional entrepreneurs, helping define and diffuse standardised practices within the sectors (DiMaggio and Powell, 1983).

3.5.3 Sector-specific ESG Content within the Framework

Within the framework, the ESG content layer is structured to reflect sector-specific priorities in the post-COVID Indian context:

- **Environmental** components include digital carbon footprints, data-centre energy use and travel-related emissions.
- **Social** components include human capital, digital well-being, diversity and community impact in a hybrid or remote-work setting.
- **Governance** components include board-level oversight of ESG, data governance, cyber security and transparency of ESG methodologies and data.

Standardisation is conceptualised as creating stable and coherent definitions and measurement rules for these sub-dimensions across organisations while providing adaptive

space for new indicators such as AI-ethics or gig-worker conditions, as these continue to become more material.

3.5.4 Role of Information Quality and Credibility

Information quality and credibility are crucial intermediate outcomes. ESG reporting legitimacy depends on accuracy, completeness, consistency and verification. These attributes serve as both prerequisites and consequences of standardisation. On the one hand, higher-quality ESG data facilitate more robust and comparable ratings, thereby enabling standardisation across organisations. On the other hand, the diffusion of standardised indicators and reporting formats encourages organisations to improve data systems and controls, which in turn enhances information quality.

It is important to include feedback loops where improved standardisation would strengthen legitimacy and stakeholder trust, which then would reinforce incentives to further refine and adopt standardised practices.

3.5.5 Implications for Subsequent Chapters

The conceptual framework developed in this chapter provides a coherent lens to interpret observations and points of view from later chapters. In the regulatory and industry context chapter, institutional pressures and emerging standards can be mapped onto the external dynamism and institutional environment component. In chapters focusing on stakeholder perspectives, the framework can guide analysis of how different groups prioritise ESG dimensions and perceive the usefulness of standardised ratings.

When examining current ESG rating practices and drivers in the sampled sectors, the organisational attributes and ESG content layers of the framework can help categorise observed practices and identify gaps relative to a standardised core. Finally, the proposed framework for standardised ESG ratings in the post-COVID context can be guided by this conceptual model, translating its theoretical insights into more specific approach for metric selection, weighting, scoring and adaptive mechanisms.

By grounding the study in stakeholder, institutional and legitimacy theories, clarifying key constructs, articulating propositions and presenting an integrated conceptual framework, this chapter lays the foundation for a systematic exploration of how ESG ratings can be standardised.

So, in Chapter 3 we have covered the theoretical foundations and conceptual model underpinning the research, drawing on stakeholder theory, institutional theory, legitimacy theory and related perspectives to explain why organisations respond to ESG pressures and how rating standardisation may shape organisational behaviour. Now we will move forward to Chapter 4, which analyses the regulatory, institutional and industry context in India relevant to ESG rating standardisation.

CHAPTER IV:

LITERATURE REVIEW: REGULATORY, INSTITUTIONAL AND INDUSTRY CONTEXT IN INDIA

This chapter explores the regulatory, institutional and industry environments shaping ESG reporting and ratings in India, with a focus on the professional services and IT/ITES sectors in the post-COVID era. It provides the contextual foundation for understanding why standardising ESG ratings across organisations in these sectors is complex due to the specific nature of regulatory and business context yet is increasingly becoming more important with the passing of every day.

4.1 Regulatory Landscape for ESG Reporting in India

4.1.1 Evolution of ESG related Regulation in India

ESG regulation in India has evolved gradually from soft, principle-based guidance to more prescriptive, disclosure-driven requirements, especially for listed entities. Early efforts began with the Ministry of Corporate Affairs (MCA) issuing the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) in 2011, which encouraged responsible business conduct but did not mandate ESG reporting. These guidelines were later updated as the National Guidelines on Responsible Business Conduct (NGRBC) in 2019, outlining nine principles for responsible business practices across environmental, social and governance dimensions.

In parallel, the Securities and Exchange Board of India (SEBI) introduced the Business Responsibility Report (BRR) framework in 2012 for the top 100 listed companies by market capitalisation, requiring disclosures aligned to the earlier NVGs. Over time, the BRR requirement was extended to the top 1,000 listed entities, signalling a gradual shift from voluntary corporate and social responsibility-based disclosures to more structured

ESG-oriented reporting. However, the BRR format was relatively high-level and its qualitative nature limited comparability and the usefulness of data for ESG rating purposes.

Recognising these limitations, SEBI replaced BRR with the Business Responsibility and Sustainability Reporting (BRSR) framework in 2021, with mandatory implementation for the top 1,000 listed companies from FY 2022-23 onwards under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This transition marked a critical turning point with ESG reporting in India is moving from largely narrative, CSR-style reporting toward standardised, indicator-based sustainability reporting that can feed into ESG ratings and investment decisions (Securities and Exchange Board of India (SEBI), 2023a).

4.1.2 Business Responsibility and Sustainability Reporting (BRSR)

The BRSR framework is now the centrepiece of India's ESG disclosure regime for listed entities. It is explicitly aligned to the NGRBC's nine principles and draws on global frameworks such as the Global Reporting Initiative (GRI) and the Task Force on Climate-related Financial Disclosures (TCFD).

Key features of BRSR include:

- Coverage and applicability
 - Mandatory for the top 1,000 listed companies by market capitalisation from FY 2022-23 onwards, with phased adoption prior to this date.
 - Applies irrespective of sector, thereby covering professional services and IT/ITES firms that are listed among the top 1,000 companies.
- Structure and indicators as clearly outlined in Annexure II are as follows :
 - Requires information around 26 categories in Section A for General Disclosures covering details of the listed entity, products and services, operations,

employees, holding, subsidiary and associate companies (including joint ventures), CSR, transparency and disclosure compliances.

- In Section B pertaining to Management and Process Disclosures, there are several sub parts divided into 12 broad questions aimed at helping businesses demonstrate the structures, policies and processes put in place towards adopting the NGRBC Principles and Core Elements.
 - Principle wise performance disclosures in Section C comprising of 68 ‘essential’ questions and 39 ‘leadership’ indicators pertaining to the 9 principles. (Securities and Exchange Board of India (SEBI), 2023b).
 - Indicators span environmental metrics (energy consumption, GHG emissions, waste, water), social metrics (workforce composition, wages, diversity, training, occupational health and safety, community initiatives) and governance metrics (board composition, independence, ethics mechanisms, risk management).
 - The format emphasises both quantitative data and qualitative explanations, including policies, targets and management approaches.
- Standardisation and comparability
 - BRSR provides a common template and standardised definitions, which enhances data comparability across companies and sectors.
 - The alignment with global standards makes it easier for investors and rating agencies to integrate Indian companies into global ESG assessment frameworks.

For professional services and IT/ITES companies, BRSR is particularly significant because it goes beyond traditional environmental metrics to include social and governance practices that are more material to knowledge-intensive, people-centric businesses, such as employee well-being, diversity, data privacy, responsible AI, ethical conduct. The

structured nature of BRSR data is critical for any attempt at standardising ESG ratings across such firms.

4.1.3 BRSR Core and Assurance Requirements

To further strengthen reliability and decision-usefulness of ESG data, SEBI has moved towards a more focused, assured subset of indicators called ‘BRSR Core’. BRSR Core identifies a narrower set of key ESG metrics that must be reported with higher rigor and eventually, third-party assurance (Cyrill, 2025).

According to SEBI’s recent decisions and associated guidance:

- BRSR Core is designed as a subset of the full BRSR, emphasising metrics that are considered most relevant for assessing ESG performance and risks. These include critical climate-related indicators, gender and wage indicators, health and safety, supply, value-chain disclosures and key governance attributes.
- SEBI has approved a phased implementation of BRSR Core and related assurance:
 - For FY 2025-26, value-chain-related ESG disclosures under BRSR Core are voluntary for the top 250 listed companies. These companies are allowed flexibility in providing prior-year comparative data.
 - From FY 2026-27, mandatory third-party assessment or assurance for BRSR Core indicators kicks in for the larger listed entities, with the scope gradually expanding to more companies over time.

The introduction of BRSR Core and assurance is closely linked to the regulation of ESG rating providers and ESG-labelled investment products (Securities and Exchange Board of India (SEBI), 2023a). A more assured and standardised ESG data set reduces information asymmetry and improves the reliability of ESG ratings, which is a key enabling factor for standardisation across organisations.

4.1.4 Other Relevant Laws and Regulations

Beyond BRSR and SEBI-specific rules, several Indian laws and policy instruments indirectly shape ESG behaviour and disclosures. These include:

- **Companies Act, 2013 and CSR rules**
 - Section 135 of the Companies Act mandates Corporate Social Responsibility (CSR) spending for certain companies based on net worth, turnover, or profit thresholds, requiring them to spend at least 2% of average net profits on CSR activities and disclose these in their annual reports.
 - While CSR is not the same as ESG, the formalisation of CSR has created governance structures, reporting practices and stakeholder expectations that overlap with the 'S' and 'G' dimensions of ESG, especially for larger IT and professional services firms.
- **Environmental and labour regulations**
 - Environmental laws (e.g., Environment Protection Act, 1986 and various pollution control norms) and labour legislation (e.g., codes on wages, occupational safety, social security) create minimum compliance baselines.
 - For IT/ITES and professional services, direct environmental regulation may be limited compared to heavy industry, but regulations related to energy usage in commercial buildings, e-waste management and workplace safety still apply.
- **Sector-agnostic but relevant guidance**
 - Standards such as ISO 26000 on social responsibility and various ISO management standards (e.g., ISO 14001, ISO 45001, ISO 27001) are widely adopted in Indian companies and intersect with ESG expectations (International Organization for Standardization(ISO), 2010).

- These standards are not mandatory but often serve as ‘de facto’ benchmarks that rating agencies and clients in professional services and IT/ITES use to assess ESG maturity.

Taken together, this regulatory architecture provides a partial foundation for ESG standardisation but remains fragmented and uneven in coverage, particularly for unlisted entities and smaller firms in the professional services ecosystem.

4.1.5 Implications for Professional Services and IT/ITES in the Post-COVID Era

The COVID-19 pandemic accelerated remote and hybrid work, digital transformation, cybersecurity concerns and emphasis on employee well-being, all highly material for IT/ITES and professional services firms. Post-COVID, ESG regulation interacts with these shifts in several ways:

- BRSR prompts disclosure on employee health, safety and well-being, including mental health initiatives, flexible work policies and training, which became central during and after the pandemic.
- Governance indicators emphasise risk management, business continuity planning, data protection and board oversight of ESG, all of which gained prominence due to pandemic-related disruptions.
- Social indicators such as inclusive employment, diversity and fair wages are increasingly scrutinised as the knowledge workforce is seen as a core stakeholder in these sectors.

However, BRSR and related regulations are primarily targeted at large listed entities. Many IT/ITES firms, consulting boutiques and professional services providers are unlisted or smaller and therefore remain outside mandatory ESG reporting. This split creates challenges for standardising ESG ratings across the entire sector, as larger firms generate structured ESG data while smaller firms may disclose little or only marketing-oriented information.

It would be also important to note here that this study focuses largely on the approach towards standardisation of ESG metrics within the Indian services sector specifically for firms already subject to SEBI's Business Responsibility and Sustainability Reporting (BRSR) requirements. It is evident that even these top 1,000 listed entities face substantial and still-unresolved challenges around data availability, fragmented systems, assurance and framework alignment even within the existing mandatory regime. The need to keep the unlisted companies out of the present scope is driven by the fact that it would significantly expand the analytical scope and complexity, risking a loss of depth and manageability in the core objective of metric standardisation. Accordingly, the treatment of firms not subject to BRSR is deliberately excluded at this stage to preserve methodological focus, while being explicitly recognised as an important extension area for future research once baseline standards for listed entities are more mature and operational challenges better understood.

4.2 Role of ESG Rating Agencies and Disclosure Bodies

4.2.1 ESG Rating Ecosystem in India

In India, ESG ratings are provided by a mix of domestic credit rating agencies, specialised ESG providers and international firms. Prominent players include CRISIL, CareEdge, ICRA, India Ratings and Research, Acuité, as well as global agencies such as MSCI ESG Research, Sustainalytics, Refinitiv and Moody's ESG solutions (Dhuri, Sinha and Shukla, 2024; ESG 360, 2025).

Domestic rating agencies have leveraged their credit rating experience and data infrastructure to develop ESG scoring methodologies that evaluate companies across sector-specific E, S and G indicators. For example:

- CRISIL launched its ESG scoring methodology in 2021, covering hundreds of Indian companies and assessing policy strength, implementation effectiveness and disclosure quality.

- CareEdge introduced an ESG Rating Matrix that scores companies on material ESG issues, transparency and risk management practices.
- ICRA, Acuité and others have developed ESG or sustainability scores, often aligning their metrics with SEBI's BRSR framework and global standards.

These ratings are used by investors for screening, portfolio construction and engagement and by companies themselves for benchmarking and communication. However, differences in methodologies, definitions, weightings and data sources lead to substantial rating divergence, complicating the goal of standardising ESG ratings across organisations.

4.2.2 SEBI's framework for ESG Ratings and Investing

Recognising the risk of inconsistent and potentially opaque ESG ratings, SEBI developed a regulatory framework for ESG rating providers and ESG-labelled investment products. In its 'Balanced Framework for ESG Disclosures, Ratings and Investing', SEBI set out principles to improve transparency, mitigate conflicts of interest and align ESG products with genuine sustainability outcomes (Securities and Exchange Board of India (SEBI), 2023a).

Key aspects of SEBI's framework include:

- **Registration and regulation of ESG Rating Providers (ERPs)**
 - SEBI now requires ESG rating providers who wish to offer ratings for listed securities or ESG-labelled investment products to be registered and regulated, similar to credit rating agencies.
 - As of late 2025, SEBI had recognised a group of ERPs (around 18 entities) that meet criteria related to governance, methodology disclosure and conflict-of-interest management.
 - While there are nearly 18+ SEBI registered ESG Rating Providers (ERPs), the first two to get registered were CRISIL and ESGRisk.ai. ESGRisk.ai is a specialist ESG rating provider within the Acuité Group focused only on ESG

risk assessments, while CRISIL is a large, diversified rating and analytics company (majority-owned by S&P Global) that also offers ESG ratings as one of many services. ESGRisk.ai is an ESG-focused analytics firm set up as ‘ESG Risk Assessments & Insights Limited’, positioned as India’s first dedicated ESG rating company using an India-specific framework. CRISIL is India’s first credit rating agency and a broad analytical company providing credit ratings, research, risk and policy advisory, and now ESG scoring, with S&P Global as the majority owner. Both are registered with SEBI as Category I ESG Rating Providers (ERPs), but CRISIL ESG Ratings & Analytics Limited holds Registration No. IN/ERP/Category-I/0001 (effective 25 April 2024), while ESGRisk.ai (ESG Risk Assessments & Insights Limited) holds Registration No. IN/ERP/Category-I/0003 (effective 29 April 2024), and all ratings post that date are issued under these licences (Securities and Exchange Board of India (SEBI), 2023a).

- **Methodology transparency and disclosure**

- SEBI expects ERPs to publish clear descriptions of their methodologies, including data sources, indicator selection, weighting and scoring approaches.
- This requirement aims to improve comparability and enable users to understand why ratings differ across agencies.

- **ESG-labelled mutual funds and investment products**

- SEBI has also introduced rules for ESG-themed mutual funds, requiring them to specify ESG strategies, use relevant ESG benchmarks and disclose the role of ESG ratings in portfolio construction.
- Funds must avoid ‘greenwashing’ by ensuring that their investment universe genuinely reflects ESG characteristics, supported by reliable data and ratings.

These regulatory moves directly affect the standardisation of ESG ratings by pushing rating providers toward more transparent, structured and comparable approaches. However, SEBI

stops short of prescribing a single uniform rating methodology, leaving room for heterogeneity.

4.2.3 How Rating Agencies use BRSR and Other Disclosures

BRSR has become a key input for ESG rating agencies in India. It provides standardised, company-reported data that rating providers can use for:

- Baseline quantitative indicators like energy intensity, emissions, employee diversity, board composition.
- Policy and governance assessments such as existence of formal ESG policies, board-level oversight structures, grievance mechanisms.
- Trend analysis over time, as BRSR requires annual disclosures for core indicators.

Nonetheless, rating agencies typically supplement BRSR data with:

- Information from annual reports, sustainability reports and integrated reports.
- News, controversies and third-party data sources.
- Direct company engagement and questionnaires in some cases.

In the context of professional services and IT/ITES, agencies often place greater emphasis on:

- Social metrics: talent management, attrition, skills development, diversity and inclusion, employee satisfaction, occupational health and safety in office and remote setups.
- Governance metrics: data privacy, cybersecurity controls, intellectual property protection, anti-corruption, board oversight of digital risks.
- Environmental metrics: though less resource-intensive than manufacturing, IT/ITES firms are increasingly evaluated on energy-efficient operations, green buildings, renewable energy usage and responsible e-waste management.

Because agencies apply their own sector-specific materiality lenses, ESG scores for the same IT/ITES or professional services company can differ significantly across providers, highlighting the central challenge of rating standardisation.

4.2.4 Standardisation Challenges specific to Rating Agencies

Several factors limit the standardisation of ESG ratings across agencies and organisations in India. These are quite closely interlinked to the top ten propositions that we had elaborated earlier in Chapter 3 Section 3.04.1. Some of the key challenges for rating agencies are briefly explained below.

- **Methodological divergence**
 - Different agencies choose different indicators, assign varied weights (e.g., governance may be 40% in one methodology and 30% in another) and interpret materiality differently.
 - This leads to ‘rating disagreement’, which has been documented in global literature and is now evident in the Indian context as well (Berg *et al.*, 2022).
- **Data quality and coverage**
 - While BRSR improves data availability for the top 1,000 listed companies, many unlisted or smaller entities in the professional services and IT/ITES sectors do not produce equivalent ESG disclosures.
 - Rating agencies either do not rate them, or rely on partial data and qualitative assessments, reducing comparability.
- **Overlap and confusion between ESG, CSR and compliance**
 - Some Indian companies treat ESG ratings as an extension of CSR or compliance reporting, focusing on project-based CSR spending rather than core business practices.

- This can skew ratings and move them away from a consistent assessment of long-term ESG risks and opportunities.

- **Regulatory focus on listed space**

- SEBI's regulatory scope is limited to listed entities and capital markets. Many professional partnerships, advisory firms and smaller IT service providers fall outside this perimeter, so their ESG practices and disclosures are less regulated.

For the dissertation's focus on standardising ESG ratings across organisations in professional services and IT/ITES, the key implication is that rating agencies operate in a partially standardised input environment (via BRSR) but still maintain diverse internal methodologies. Standardisation efforts may therefore need to concentrate on clarifying minimum common metrics, identifying specific areas leading to deviations that need attention across organisations and sector-specific indicators, rather than imposing a single unified rating.

4.2.5 Role of Disclosure Bodies, Stock Exchanges and Industry Platforms

Besides rating agencies and SEBI, several institutional actors facilitate ESG disclosure and indirectly influence rating standardisation:

- **Stock exchanges**

- Indian stock exchanges, including NSE and BSE, host ESG-related initiatives such as sustainability indices, ESG training for listed companies and guidance on BRSR compliance.
- They act as conduits for disseminating ESG data to investors and rating agencies, improving visibility and access.

- **Industry and professional bodies**

- Organisations such as the Confederation of Indian Industry (CII), NASSCOM and sector-specific associations provide frameworks, best-practice guidance

and benchmarking surveys on ESG themes relevant to IT/ITES and professional services.

- Professional institutes such as the Institute of Company Secretaries of India have published analyses of ESG initiatives and highlighted the need for standardised reporting, as well as the challenges of balancing transparency with data privacy (Agarwal, 2023).

- **Consulting and advisory firms**

- Large consulting firms and ESG specialists offer BRSR and ESG reporting support, materiality assessments and gap analysis services (PwC India, 2024).
- Their methodologies and templates often influence how companies interpret BRSR requirements and present ESG data, indirectly shaping the inputs used by rating agencies.

These bodies create a ‘soft infrastructure’ for ESG standardisation by diffusing norms, tools and expectations, particularly in sectors like IT/ITES where professional services networks and client expectations are powerful drivers.

4.3 Industry Norms in Professional Services and IT/ITES

4.3.1 Sector Characteristics affecting ESG

Professional services and IT/ITES sectors in India are largely knowledge-intensive, service-oriented and globally integrated. They differ from manufacturing or heavy industries in several ways, some of which are listed below. These affect how ESG norms emerge and how ratings can be standardised.

- **High reliability on human capital**

- Employee skills, engagement and well-being are central to value creation.
- Issues such as working hours, mental health, remote work policies, diversity, inclusion and learning and development are core ESG factors.

- **Lower direct environmental footprint, but growing indirect impacts**
 - Compared to energy-intensive industries, IT/ITES firms often have lower direct emissions but significant electricity use in offices and data centres and substantial electronic equipment turnovers (Ozdemir and Ludena, n.d.).
 - As clients and regulators emphasise climate impacts, expectations around energy efficiency, renewable energy, green buildings and e-waste management are increasing.
- **Strong global client and investor linkages**
 - Many Indian IT/ITES and professional services firms serve international clients, including in Europe and North America, where ESG norms and regulations are advanced.
 - Global supply-chain and client requirements such as adherence to modern slavery acts, data-privacy laws, climate-related disclosures shape ESG practices, even when domestic regulation is less stringent.

These structural features mean that industry norms around ESG often emerge from client contracts, global certifications and professional standards, rather than purely from domestic legal obligations.

4.3.2 Emergent ESG Practices and Norms Post-COVID

In the post-COVID period, several ESG practices have become more prominent in Indian professional services and IT/ITES and some of these are listed below.

- **Remote and hybrid work policies**
 - COVID-19 forced a rapid shift to remote working, leading firms to introduce policies on home-office support, flexible hours and digital infrastructure.

- ESG reporting now increasingly covers how firms manage ergonomic risks, mental health and work-life balance in remote settings, as well as inclusive access to technology.
- **Employee health, safety and well-being**
 - Firms have expanded health insurance, telemedicine support, counselling services and wellness programmes.
 - These measures are cited in ESG disclosures as part of the ‘social’ dimension, particularly under BRSR indicators related to employee welfare and occupational health and safety (Venkateswaran, 2021).
- **Diversity, equity and inclusion (DEI)**
 - Many IT/ITES and consulting companies have made explicit commitments to increase gender diversity, promote inclusive hiring, such as persons with disabilities, LGBTQ+ employees and address pay equity (SGS India, 2024).
 - BRSR and global ESG frameworks have reinforced the need to disclose workforce composition and diversity policies, making DEI a visible industry norm.
- **Data privacy and cybersecurity**
 - With digital operations and remote work, cybersecurity and data protection have become core governance concerns.
 - Leading firms report on information security certifications (e.g., ISO 27001), data-privacy governance and incident-response mechanisms as part of ESG narratives.
- **Responsible AI and digital ethics**
 - As Indian IT and professional services firms increasingly offer AI-based solutions, questions around algorithmic bias, transparency and responsible AI

usage have begun to appear in ESG discourse, though standardised metrics are still limited.

These evolving norms directly influence how rating agencies evaluate firms and what dimensions might be prioritised in any standardised ESG rating framework for these sectors.

4.3.3 Industry Benchmarks, Certifications and Voluntary Standards

In the absence of fully sector-specific ESG regulations, professional services and IT/ITES firms rely heavily on benchmarks, certifications and voluntary standards to signal ESG performance. Commonly used instruments include:

- **Management system standards**
 - ISO 14001 (environmental management), ISO 45001 (occupational health and safety), ISO 27001 (information security) and increasingly ISO 22301 (business continuity) are widely adopted.
 - These standards provide structured processes that can be mapped onto ESG metrics, though they are not ESG ratings in themselves.
- **Social responsibility and sustainability guidance**
 - ISO 26000 offers guidance on social responsibility and is explicitly linked to ESG concepts such as human rights, labour practices, fair operating practices and community involvement (International Organization for Standardization(ISO), 2010).
 - Adoption of such guidance helps firms demonstrate alignment with global ESG expectations.
- **Global reporting and framework alignment**
 - Many larger IT/ITES and consulting firms voluntarily align with GRI Standards, the UN Global Compact, TCFD and emerging International

Sustainability Standards Board (ISSB) norms, even if they are not legally required (Mani and Tyagi, 2026).

- This alignment aids in producing data suitable for global ESG ratings and investor comparisons.

From a research focus perspective, these industry practices show that de facto standardisation often arises through alignment with global frameworks and certification schemes. However, they also lead to heterogeneity, as firms adopt different combinations of standards and frameworks, making cross-company comparability difficult without a common base like BRSR.

4.3.4 Industry-specific ESG Materiality and Metrics

Material ESG issues for professional services and IT/ITES in India differ from those in heavy industry. Commonly recognised material topics are mentioned below.

- **Environmental:**

- Energy efficiency of offices and data centres, renewable energy use, GHG emissions (Scope 1 and 2 and selectively Scope 3), e-waste management and sustainable procurement of IT hardware (Ozdemir and Ludena, n.d.).

- **Social:**

- Employee engagement, turnover and retention, training and upskilling, diversity and inclusion, fair compensation, health and safety including psychosocial risks and community engagement through CSR and volunteering.

- **Governance:**

- Board composition and independence, ESG oversight at board and management levels, ethical codes, anti-corruption and anti-bribery frameworks, data privacy and cybersecurity governance and stakeholder grievance mechanisms.

Although BRSR applies the same template to all sectors, companies are formally encouraged to identify their most material ESG topics. This has led many IT/ITES and

professional services firms to highlight human-capital and governance issues as more material than direct environmental impacts. From a rating standardisation perspective, this sector-specific materiality means that a ‘one-size-fits-all’ scoring model will not be appropriate and standardised metrics which are somewhat customised to sector specific nuances are necessary.

4.3.5 Gaps and Limitations in Industry Norms

Despite progress, several gaps remain in ESG norms and practices within the professional services and IT/ITES sectors in India. Some of the main aspects are given below.

- **Limited coverage of smaller firms**
 - ESG practices are more advanced in large, listed, or globally exposed firms. Smaller domestic firms often lack formal ESG policies, structured data, or dedicated sustainability teams.
- **Heterogeneous disclosure quality**
 - Even among large firms, the depth and quality of ESG disclosures vary. Some adopt global best practices, while others provide minimal or highly qualitative information.
- **Fragmented metrics and indicators**
 - Firms may use different definitions, time horizons and calculation methods, reducing comparability.
- **Emerging issues under-reported**
 - Topics such as responsible AI, digital ethics and long-term impact of remote work are only beginning to be incorporated into ESG narratives and are not yet standardised in metrics.

These gaps underscore the need for a standardised ESG rating framework adapted to the specific dynamics of professional services and IT/ITES, while acknowledging the constraints of secondary data availability and qualitative measures.

4.4 Institutional Pressures, Cultural and Social Norms

4.4.1 Institutional Theory Perspective on ESG in India

Institutional theory emphasises that organisational practices are shaped not only by rational economic choices but also by pressures from the institutional environment such as regulators, professional bodies, societal expectations and cultural norms. In the Indian ESG context, professional services and IT/ITES firms experience three broad types of institutional pressures:

- **Coercive pressures**
 - Formal regulations and listing requirements, such as SEBI's BRSR mandates, Companies Act CSR provisions and labour and environmental laws, compel firms to adopt certain ESG practices and disclose information.
- **Normative pressures**
 - Professional associations, industry bodies, ESG consulting networks and global client expectations create norms about what constitutes responsible business behaviour.
 - Participation in global frameworks (e.g., UN Global Compact), adoption of ISO standards and membership of industry associations reinforce these norms.
- **Mimetic pressures**
 - In the face of uncertainty about ESG expectations, firms imitate peers, especially leading multinationals and large domestic champions.
 - ESG reporting formats, policies and targets often converge within an industry as firms' benchmark against each other's sustainability reports and ratings.

These institutional pressures collectively drive convergence in certain ESG practices and disclosures, providing a basis for partial standardisation of ESG ratings. At the same time, they can lead to 'isomorphic' behaviour focused on form rather than substance, such as copying policy templates without deep operational changes.

4.4.2 Cultural and Social Norms influencing ESG Adoption

India's cultural and social context shapes how ESG concepts are understood and implemented:

- **Historical Emphasis on Philanthropy and CSR**
 - Indian business culture has long placed emphasis on philanthropy and community giving, often driven by family or promoter values. This focus has influenced the way many firms initially approached ESG, through CSR projects rather than integrated sustainability strategies.
 - The statutory CSR mandate under the Companies Act reinforced this orientation (Agarwal, 2023).
- **Social Hierarchy and Inclusion Challenges**
 - Social stratification, gender norms and regional disparities influence workforce composition, inclusion policies and community engagement.
 - As ESG frameworks emphasise diversity, non-discrimination and inclusive growth, firms are increasingly expected to address these issues in a more structured way.
- **Growing Middle-Class and Youth Expectations**
 - Younger employees and urban middle-class stakeholders increasingly value purpose-driven, ethical and environmentally responsible employers.
 - For IT/ITES and professional services firms that compete fiercely for talent, responding to these expectations becomes a business imperative and therefore an ESG driver.

- **Collective Orientation and Community Welfare**

- Cultural norms around community and family responsibilities often find expression in CSR and social programmes, which are prominently reported in ESG disclosures in India.

These cultural factors both support and complicate ESG standardisation. For example, strong philanthropic traditions can lead to significant social contributions but may not align neatly with standardised metrics for impact or long-term sustainability.

4.4.3 Organisational Culture and ESG Integration

Within organisations, internal culture is a critical mediator between external institutional pressures and actual ESG practices. Board and leadership commitment, internal communication and HR policies determine whether ESG remains a compliance exercise or becomes embedded in strategy and operations. Guidance for boards in India increasingly stresses on the need to integrate ESG into culture by:

- Demonstrating leadership commitment through visible actions, not only policy statements.
- Fostering a culture that values responsibility, transparency, collaboration and innovation in addressing ESG issues.
- Linking performance management and incentives to ESG objectives (PwC India, 2024).

For professional services and IT/ITES firms, this cultural integration is particularly salient because employees at all levels interact with clients and handle sensitive data. A culture that puts significant importance on ethics, data privacy, diversity and well-being directly translates into an improved ESG performance. Conversely, cultures that tolerate excessive working hours, stress, or discriminatory practices can undermine ESG ratings, even if formal policies exist.

4.4.4 Social Norms around Transparency, Data Privacy and ESG Reporting

A specific challenge in India's ESG landscape is the tension between increasing demands for transparency and concerns about data privacy and security. As companies collect and disclose ESG data, especially on employees, communities and supply chains, relevant cultural and legal norms about privacy influence what is possible and acceptable.

Analyses of ESG initiatives in the Indian corporate context highlight that:

- Companies must balance transparency with privacy concerns when gathering and reporting ESG data.
- Variations in awareness and understanding of ESG issues across employees and stakeholders can make data collection difficult, especially for sensitive topics like diversity, inclusion and grievances.
- Fears about reputational damage may make companies reluctant to disclose negative information, such as workplace incidents or environmental violations (Agarwal, 2023).

In professional services and IT/ITES firms, where data security is critical and some operations are subject to client confidentiality constraints, these concerns are amplified. Companies might be cautious about sharing detailed data that could be perceived as exposing internal vulnerabilities, even if anonymous. This can limit the depth and comparability of ESG disclosures, thereby affecting the reliability and standardisation of ratings.

4.4.5 Implications of Institutional, Cultural and Social Factors for ESG Rating Standardisation

The interplay of institutional pressures, cultural norms and social expectations has several implications on the overall efforts to standardise ESG ratings in India's professional services and IT/ITES sectors. Let us look at a few areas where this impact is largely felt.

- **Convergence on minimum disclosure standards**
 - Coercive pressures through SEBI's BRSR and related regulations ensure that large listed firms provide a baseline of comparable ESG data, creating a platform for standardised rating inputs.
- **Persistence of qualitative, narrative-heavy reporting**
 - Cultural emphasis on philanthropic stories and qualitative narratives can lead to ESG reports that are rich in description but poor in standardised metrics, particularly among firms outside the top listed segment.
- **Potential for 'tick-box' compliance**
 - Institutional pressures may drive firms to satisfy formal requirements without deeper integration of ESG into strategy and operations, creating a gap between reported and actual performance.
- **Sector-specific adaptation**
 - Professional services and IT/ITES firms, shaped by global clients and talent market expectations, may adopt advanced ESG practices even in the absence of strict domestic regulation, but these practices can often be extremely heterogeneous and customised based on the company specific nuances.
- **Uneven coverage across organisational types**
 - Partnerships, small firms and unlisted entities remain under the radar of formal ESG regulation and rating systems. These organisations may respond more to client demands and professional reputation than to SEBI or stock-exchange requirements, making standardised sector-wide ratings difficult.

For a qualitative, secondary-research-based thesis with limited primary data like in this case, these contextual factors highlight why standardisation of ESG ratings must be approached as a gradual, multi-layered process. It depends not only on regulatory frameworks and rating methodologies, but also on shifting organisational cultures, societal

norms and cross-border influences in India's dynamic post-COVID professional services and IT/ITES landscape.

Thus, in Chapter 4 we have covered the regulatory, institutional and industry context in India relevant to ESG rating standardisation. Now we will move forward to Chapter 5, which explores stakeholder perspectives and expectations related to ESG ratings and their standardisation, where views from regulators, policymakers, rating agencies, corporate boards and management, employees, consumers and civil society would be covered.

CHAPTER V:

LITERATURE REVIEW: STAKEHOLDER PERSPECTIVES AND EXPECTATIONS

This chapter delves into how key stakeholder groups in India view environmental, social and governance (ESG) ratings and their standardisation, with a specific focus on professional services and IT/ITES organisations in the post-COVID context. It builds on the regulatory, institutional and industry related developments discussed earlier and connects them to the expectations, concerns and incentives of regulators, policymakers, rating agencies, corporate boards and management, employees, consumers, investors and civil society.

5.1 Views of Regulators and Policymakers

5.1.1 Policy Intent behind ESG Disclosures and Ratings in India

Indian regulators and policymakers increasingly see ESG disclosures and ratings as tools to improve market transparency, channel capital towards sustainable enterprises and align corporate behaviour with broader development goals such as inclusive growth and climate resilience. The Securities and Exchange Board of India (SEBI) has been central in this evolution, mandating Business Responsibility and Sustainability Reporting (BRSR) for the top 1,000 listed entities by market capitalisation and introducing the more granular ‘BRSR Core’ for high-impact entities (Securities and Exchange Board of India (SEBI), 2023c).

From a policy standpoint, these moves seek to:

- Create standardised ESG data that can be used consistently by investors, lenders and rating agencies.
- Reduce ‘greenwashing’ and selective disclosures by prescribing detailed, comparable indicators.

- Encourage boards and senior management to integrate ESG into strategy, risk management and long-term value creation rather than treating it as peripheral philanthropy.

In parallel, SEBI has brought ESG rating providers (ERPs) under a formal regulatory framework through amendments to the Credit Rating Agencies Regulations and the issuance of a dedicated master circular. This reflects a clear policy view that the methodologies, conflicts of interest and transparency of ESG ratings themselves need oversight, not just the underlying corporate disclosures.

5.1.2 Regulatory Architecture: SEBI, MCA and Related Policies

The current Indian ESG policy architecture is multi-layered:

- **SEBI - BRSR and BRSR Core:** SEBI's BRSR format replaces earlier Business Responsibility Reports and requires quantitative and qualitative ESG disclosures aligned with the National Guidelines on Responsible Business Conduct (NGRBC). BRSR Core further identifies a set of key assured indicators, such as greenhouse gas emissions, employee well-being, gender diversity and social impact, which must be reported with limited assurance for the largest companies and, over time, for their value chains.
- **Ministry of Corporate Affairs (MCA):** Through the Companies Act, 2013 and associated CSR rules, the MCA has embedded mandatory corporate social responsibility spending for qualifying companies, reinforcing the 'S' dimension of ESG and encouraging strategic CSR reporting.
- **Sectoral and environmental statutes:** Laws such as the Environmental Protection Act, 1986 and sector-specific labour, health and safety regulations continue to provide the legal support backbone for many of the parameters, which are now also captured in ESG metrics.

Regulators are conscious that professional services and IT/ITES firms have relatively low direct environmental footprints but significant social and governance impact due to their

large knowledge workforce, digital infrastructure and global client relationships. Policy discussions increasingly emphasise human capital management, data privacy, cyber security, remote working conditions and diversity as material ESG aspects for these sectors.

5.1.3 Regulatory Expectations for the Standardisation of ESG Ratings

Policymakers recognise that even with standardised disclosures, ESG ratings can diverge substantially if rating agencies use different scopes, measurement choices and weightings. International research shows that measurement differences and ‘rater effects’ (halo biases) account for the bulk of rating divergence. For regulators, this divergence undermines comparability, investor protection and the credibility of ESG as a signal useful for decision (Berg *et al.*, 2022).

Consequently, SEBI’s Master Circular on ESG Rating Providers stresses on the following:

- Transparent, documented methodologies and rating scales.
- Clear disclosure of data sources, use of estimates and handling of missing data.
- Governance arrangements to manage conflicts of interest, especially where rating providers also sell ESG advisory or data services (Securities and Exchange Board of India (SEBI), 2024).

In the Indian context, regulators increasingly expect that standardisation should not mean a single monolithic rating, but rather a progression on the following :

- A common taxonomy of ESG categories and indicators, aligned with BRSR/BRSR Core.
- Minimum expectations for coverage, assurance and methodology transparency.
- Sector-sensitive metrics that capture the unique risk profiles of IT/ITES and professional services, for example, remote work practices, digital inclusion, algorithmic fairness and supplier labour standards in outsourced operations.

5.1.4 Post-COVID Regulatory Learning for Services Sectors

The COVID-19 period exposed vulnerabilities around occupational health and safety, remote working infrastructure, digital surveillance, mental health and job security in white-collar industries. Policymakers observed that many IT/ITES firms rapidly transitioned to Work From-Home (WFH) but faced challenges managing productivity, data security and employee well-being at scale.

These experiences have prompted regulators and policy think-tanks to emphasise the following :

- Stronger disclosure on business continuity, remote work governance and cyber security as part of ‘S’ and ‘G’.
- Metrics on up skilling, digital inclusion and equitable treatment of contractual staff, given the accelerated automation and AI adoption in services.
- Integration of ESG considerations into India’s broader ‘Viksit Bharat 2047’ vision, where technology services are expected to be innovation-driven, human-centric and globally competitive (NITI Aayog, 2026).

For regulators, standardising ratings in these sectors is therefore not only about environmental metrics, but also about ensuring that the social and governance dimensions reflect the realities of a digitally transformed, post-COVID workplace.

5.2 Views of ESG Rating Agencies and Standard-Setters

5.2.1 Diversity of Rating Methodologies and its Implications

ESG rating agencies globally rely on complex, proprietary methodologies that aggregate hundreds of indicators into composite scores. Empirical research shows that ratings from leading agencies diverge due to three main factors :

- **Scope divergence:** Different sets of indicators and topics are included. As an example, some raters include political lobbying, while others do not.

- **Measurement divergence:** Different ways of measuring the same concept (e.g., labour practices assessed through turnover rates vs. legal cases).
- **Weight divergence:** Different weights assigned to E, S and G pillars and to underlying sub-indicators.

Measurement divergence and rater effects together explain a majority of the observed rating variances. Many rating agencies acknowledge that while diversity of opinion can be useful, excessive divergence reduces investor confidence and makes it difficult for organisations to respond coherently to ESG expectations.

In response, standard-setting initiatives such as the ISSB (International Sustainability Standards Board), EU's Corporate Sustainability Reporting Directive (CSRD) and various taxonomies aim to harmonise disclosure and category definitions, even if ratings themselves remain market-driven. Indian rating providers and standard setters increasingly benchmark against these developments while aligning with domestic regulations like BRSR (PwC India, 2024; Mani and Tyagi, 2026).

5.2.2 Indian ESG Rating Providers under SEBI Regulation

SEBI's decision to formally regulate ESG Rating Providers reflects concerns over opacity, potential conflicts and inconsistent practices. The Master Circular for ESG Rating Providers (ERPs) stipulates that (Securities and Exchange Board of India (SEBI), 2024).

- Only SEBI registered entities can offer ESG rating services to clients within securities markets.
- ERPs must publish their methodologies, including sectoral models, scoring systems and review processes.
- Boards of ERPs are accountable for internal controls, data quality and compliance with regulations.

From the perspective of Indian rating agencies, these rules create both constraints and opportunities. On one hand, increased compliance requirements raise operational costs and

may reduce flexibility in rapidly modifying models. On the other hand, regulatory recognition enhances the legitimacy of ESG ratings, clarifies expectations and can foster investor trust.

For professional services and IT/ITES companies, regulated rating providers may :

- Use BRSR/BRSR Core data as a primary structured input, improving comparability across peers.
- Develop sector-specific scoring frameworks that place greater emphasis on social and governance aspects such as human capital management, data protection and ethics in AI, while still capturing energy use and emissions.

5.2.3 Standard-setters' Perspectives on Harmonisation in Dynamic Sectors

Standard setters generally support convergence of disclosures as a way to reduce reporting burdens and improve data quality, but they are cautious about excessive standardisation of ratings in sectors characterised by rapid technological change. In knowledge-intensive services, issues such as remote work policies, mental health support, inclusion in digital workplaces, training for AI-augmented roles and cyber security risks can evolve faster than traditional environmental metrics.

As a result, many frameworks advocate :

- A core set of mandatory, comparable indicators (e.g., emissions, gender diversity, board independence, basic labour conditions).
- Sector-specific indicators that capture unique risks and opportunities, such as attrition rates, upskilling investments, data breaches, use of algorithmic decision-making and diversity in leadership roles for IT/ITES firms.
- Narrative disclosures and qualitative indicators that contextualise quantitative scores in high-dynamism contexts.

Rating agencies and standard setters also emphasise the importance of reliable, assured data. BRSR Core’s requirement for limited assurance on a subset of ESG indicators is seen as a step towards reducing ‘noise’ in ratings and enabling more robust sector comparisons.

5.2.4 Post-COVID Recalibration of ESG Priorities by Rating Providers

COVID-19 nudged rating agencies to re-evaluate the materiality of social and governance factors, particularly for service sectors heavily dependent on human capital and digital infrastructure. Key trends include the following :

- Increased emphasis on workforce health and safety, flexible working arrangements and mental health support as part of ‘S’.
- Broader consideration of business continuity planning, supply chain resilience and digital risk governance as part of ‘G’.
- Updated sectoral materiality maps that elevate human capital, diversity, inclusion and data security for IT/ITES and professional services.

From a rating-agency perspective, standardisation across organisations in such a dynamic environment requires an approach that is both stable enough for comparability and adaptive enough to reflect emerging risks. Many providers therefore favour modular rating architectures where a stable core remains comparable across time, while supplemental modules can evolve with sector trends.

5.3 Corporate Management and Board-Level Perspectives

5.3.1 Board Strategic View of ESG in India

Boards of Indian companies increasingly see ESG as integral to risk management, access to capital and corporate reputation rather than a purely compliance-driven obligation (PwC India, 2024). ESG expectations from investors, regulators and global clients have prompted boards, especially in export-oriented IT/ITES and professional services to treat sustainability performance as a strategic differentiator.

Guidance targeted at Indian directors often highlights the following :

- ESG performance can materially affect stakeholder relationships, cost of capital and long-term value.
- Boards are expected to oversee ESG strategy, approve disclosures, ensure data quality and monitor management's performance on ESG goals.
- The integration of ESG into enterprise risk management, remuneration policies and capital allocation decisions is increasingly considered a good governance practice.

In BRSR/BRSR Core, several disclosures directly require board-level commentary on ESG risks, opportunities, stakeholder engagement and oversight structures, reinforcing this accountability (Securities and Exchange Board of India (SEBI), 2024).

5.3.2 Management Perspectives in Professional Services and IT/ITES

For corporate management teams in professional services and IT/ITES, ESG manifests in a distinct set of priorities, which are often quite different as compared with asset-heavy industries.

- **Human capital and talent:** Managing high attrition, skills obsolescence, inclusion and well-being in a competitive labour market is a core business issue and a central ESG dimension (NITI Aayog, 2026).
- **Digital responsibility:** Data privacy, cyber security, responsible AI and ethical use of customer and employee data are viewed as critical governance aspects with direct reputational and financial implications.
- **Global supply chains:** Large IT/ITES firms manage extensive vendor networks, including small service providers and contract staff, making supply chain labour conditions and ESG compliance increasingly salient.

Management teams often express mixed feelings about ESG rating standardisation due to the following key considerations :

- On the positive side, a more standardised rating environment can reduce the burden of responding to multiple, divergent ESG questionnaires and help organisations communicate their performance clearly to investors and clients.
- On the negative side, there is concern that generic, one-size-fits-all metrics may fail to capture sector-specific value drivers, penalise firms for lack of comparable environmental data, or create box-ticking behaviour.

Given that many IT/ITES firms already adhere to global client audits and international frameworks, they often advocate for alignment between Indian ESG requirements and widely used global standards to minimise duplication and confusion.

5.3.3 Board Oversight in the Post-COVID Workplace

The post pandemic period accelerated remote working, hybrid models and digital collaboration, fundamentally altering how professional services and IT/ITES firms operate. Boards were forced to confront new ESG-related questions like the following (Grant Thornton in India, 2020) :

- How to ensure fair and safe working conditions in dispersed home-office environments ?
- How to maintain data security and confidentiality when employees access systems from various locations and devices ?
- How to manage mental health, burnout and work-life balance risks in a high-pressure, always-connected culture ?

Post-COVID, many boards and management teams in these sectors are re-evaluating :

- Policies on flexible work, ergonomic support and mental health services as part of their social commitments.
- Investments in secure digital infrastructure, zero-trust architectures and cyber training as part of governance and risk management.

- Metrics related to employee engagement, inclusion, attrition and learning hours as key performance indicators within ESG dashboards.

Standardised ESG ratings are expected to increasingly reflect these post-COVID realities, meaning management has to systematically collect, manage and report such data, rather than treating them as ad-hoc HR issues.

5.3.4 Perceived Costs, Benefits and Challenges of ESG Rating Standardisation

For Corporates, the standardisation of ESG ratings presents a mix of costs and benefits :

Perceived benefits :

- Improved comparability with peers and clearer positioning in sustainability-focused capital markets.
- Enhanced reputation and client trust, especially in global outsourcing markets where ESG standards increasingly influence vendor selection.
- Potential reduction in cost of equity for organisations seen as ESG leaders.

Perceived challenges :

- Costs of data collection, assurance and system upgrades, particularly for mid-sized organisations.
- Risk that rigid indicators may overlook the intangible value creation typical of knowledge industries.
- Concerns around ‘survey fatigue’ and overlapping reporting demands from multiple stakeholders.

Management in professional services and IT/ITES tends to favour a calibrated approach, which can include a robust common baseline for transparency, combined with flexibility to report sector-specific narratives and metrics that better capture innovation, human capital and digital governance.

5.4 Employees, Consumers and Civil Society Expectations

5.4.1 Employee Expectations in the ESG Era

Employees are increasingly recognised as critical stakeholders who both shape and judge ESG performance. Studies suggest that employees are more attracted to and engaged in organisations perceived as environmentally and socially responsible and that internal perceptions of ESG practices influence retention and motivation (Venkateswaran, 2021).

In Indian professional services and IT/ITES firms, employees typically expect :

- Safe, inclusive and flexible working conditions and the normalisation of hybrid work.
- Meaningful opportunities for upskilling and career progression as automation and AI change job profiles.
- Transparent communication about ESG goals, policies and performance, including diversity data, environmental commitments and community initiatives.

When ESG ratings are perceived as credible and standardised, they can reinforce employees' pride and identification with the organisation. Conversely, opaque or inconsistent ratings may lead to scepticism.

5.4.2 Consumers and Clients: Rising Expectations of Responsible Business

In professional services and IT/ITES, the consumer is often a corporate or institutional client rather than an individual retail buyer. Global clients increasingly integrate ESG criteria into vendor assessments, RFPs and ongoing performance reviews, particularly in sectors such as financial services, technology and healthcare. Key expectations include often include :

- Evidence that service providers manage their own environmental footprint and support decarbonisation and sustainability goals.
- Robust governance practices relating to data security, privacy, anti-corruption and ethical use of technology.

- Demonstrable social impact through fair employment practices, diversity and community engagement in locations where services are delivered.

Standardised ESG ratings can act as a summary of responsible practices, helping clients screen vendors and align supply chains with their own sustainability commitments. However, clients often seek more granular, sector-specific information than generic ESG scores provide, particularly on issues like cyber risk and human capital management.

5.4.3 Civil Society, NGOs and Media: Accountability and Impact Focus

Civil society organisations, NGOs and media outlets play an important role in shaping ESG norms by highlighting environmental and social harms, advocating for vulnerable groups and scrutinising corporate claims. In India, civil society has been active in debates on labour rights in the gig economy, data privacy, digital exclusion, urban environmental quality and the social impacts of corporate activity.

For services and IT/ITES companies, civil society expectations often focus on :

- Ethical treatment of contract workers and support staff within service ecosystems.
- Data protection, surveillance risks and algorithmic fairness in digital products and services.
- Contribution to local communities through employment, skills development and responsible urban infrastructure usage.

Civil society actors tend to support standardisation of ESG disclosures and ratings to increase accountability and reduce greenwashing but remain wary that standardised ratings may still miss localised social impacts and community-specific grievances. As such, they often call for the following :

- Stakeholder engagement and materiality assessments that explicitly involve local communities, employees, unions and civil society representatives.

- Transparent methodologies and accessible reporting that goes beyond technical metrics to explain real-world impacts.

5.4.4 Multi-stakeholder Engagement and Materiality Assessment

A unifying theme in employee, consumer and civil society expectations is the insistence that ESG priorities should be shaped through meaningful stakeholder engagement rather than decided unilaterally by management. Stakeholder engagement is central to materiality assessments, which identify the ESG topics that are most significant for both the company and its stakeholders (Freeman and McVea, 2001).

Leading Indian organisations report using a range of mechanisms, surveys, focus groups, town halls, grievance mechanisms and formal consultations, to understand stakeholder priorities and refine their ESG disclosures accordingly. In professional services and IT/ITES, these processes often highlight :

- Employee well-being, learning and inclusion.
- Data security and client confidentiality.
- Climate resilience and responsible use of resources such as energy, water and transport.

Standardised ESG ratings, when designed to incorporate stakeholder-informed materiality, are more likely to reflect these expectations and to be perceived as legitimate by employees, consumers and civil society. While this is a global phenomenon, it also has evolved into a very dominant theme that is observed across organisations in India in professional services and IT/ITES. Thanks to the power of the internet and the impact of social media in a connected world, post the pandemic, the intensity of how these are experienced by employees, clients and society at large has only grown in a significant manner in India across all industries and sectors.

5.5 Comparisons of Stakeholder Conflicts and Alignments

To understand the dynamics around standardising ESG ratings in India's professional services and IT/ITES sectors, it is useful to compare where key stakeholders align and where tensions emerge.

5.5.1 Areas of Alignment

Across regulators, rating agencies, corporate leaders, employees, clients and civil society, several areas of convergence can be observed. Some of these are :

- **Recognition that ESG is financially material:** Regulators, investors and boards have now largely accepted that ESG issues affect long-term risk and performance, not just reputation. Employees and clients similarly view ESG practices as indicative of organisational culture, resilience and reliability.
- **Support for standardised baseline disclosures:** There is broad support for standardised ESG reporting formats such as BRSR/BRSR Core that enhance comparability and reduce ad hoc reporting. Regulators, rating agencies and corporates see this as foundational to any meaningful ESG rating system.
- **Emphasis on human capital and governance in services sectors:** Stakeholders generally agree that for professional services and IT/ITES, social and governance dimensions, including workforce management, diversity, data protection and ethical technology, are at least as material as environmental metrics.

The following table tries to map the main aligned expectations of the key stakeholder groups. This is an own compilation made by the author based on literature review and personal experiences during stakeholder interactions.

Table 5.1 Main Areas of Stakeholder Alignment on ESG and Ratings

Stakeholder group	Key aligned expectations in IT/ITES and professional services
Regulators and policymakers	Standardised BRSR/BRSR Core disclosures, regulated rating providers, focus on investor protection and systemic transparency.
ESG rating agencies and standard-setters	Reliable and assured ESG data, clear taxonomies, sector-specific materiality, transparency in methodologies.
Corporate boards and management	Integration of ESG into strategy and risk, alignment with investor and client expectations, credible ratings to signal performance.
Employees	Safe, inclusive and flexible workplaces, attention to well-being and development, genuine ESG commitments rather than symbolic actions.
Consumers/clients	Responsible vendors with strong governance and human capital practices, alignment with global sustainability expectations, credible evidence via ratings and reports.
Civil society and NGOs	Transparent reporting, real social and environmental impact, accessible and trustworthy rating systems.

5.5.2 Areas of Conflict and Tension

Despite broad alignment, several tensions complicate efforts to standardise ESG ratings across organisations:

1. Depth vs simplicity of ratings

- Regulators and some investors favour simpler, comparable rating outputs that can be easily integrated into screening and risk models.
- Corporates, employees and civil society sometimes prefer richer, context-sensitive assessments that capture qualitative nuances, especially in dynamic sectors where innovation and human capital are central (Maji and Lohia, 2025).

2. Static standards vs dynamic realities

- Standardisation tends to produce relatively stable indicator sets, whereas post-COVID developments in remote work, AI adoption and cyber security evolve rapidly.
- Rating agencies and corporate management worry that rigid standards may quickly become outdated or misaligned with emergent risks, especially for IT/ITES.

3. Cost and capacity burdens

- Regulators and investors expect robust, assured ESG data, but the cost and complexity of building reporting systems, especially for social and governance topics, can strain mid-sized firms.
- Employees and civil society expect meaningful action, not just reporting, creating pressure on management to allocate resources to both data and substantive initiatives.

4. Global vs local priorities

- Global clients and investors often emphasise climate metrics and alignment with international frameworks.
- Local employees and communities may prioritise jobs, health, safety and local environmental quality, which are sometimes less visible in standardised global rating models.

5. Divergent investor and stakeholder time horizons

- Some investors focus on short- to medium-term financial performance and may treat ESG ratings primarily as risk screens.
- Employees, communities and policymakers often have longer-term expectations regarding social equity, human capital development and inter-generational environmental impacts.

These tensions do not negate the value of standardisation but indicate that any standardised ESG rating framework must incorporate mechanisms for stakeholder input, sectoral differentiation and periodic updating.

5.5.3 Implications for Standardising ESG Ratings in India's Services Sectors

The interplay of stakeholder alignments and conflicts has several implications on attempts to standardise ESG ratings across professional services and IT/ITES organisations in India. Some of these are as given below :

- **Core with a flexible design:** A standardised set of metrics aligned with BRSR/BRSR Core and regulated ERP methodologies can satisfy regulators and investors' needs for comparability, while sector-specific and stakeholder-driven indicators provide flexibility.
- **Greater emphasis on social and human capital metrics:** For IT/ITES and professional services, standardisation efforts must prioritise high-quality, comparable data on human capital, diversity, remote work practices, digital well-being and governance of technology.
- **Stakeholder engagement embedded in rating processes:** To bridge gaps with employees, civil society and local communities, rating agencies and firms should systematically integrate stakeholder input into materiality assessments and narrative disclosures.
- **Transparency and education:** To reduce confusion arising from rating divergence and evolving standards, stakeholders need clear explanations of methodologies, limitations and appropriate uses of ESG ratings.

For the relatively fast, predominantly qualitative research underpinning this thesis, complemented by limited primary data, these insights underscore that stakeholder perceptions of ESG rating standardisation are shaped by both formal regulations and lived experiences in the workplace. While there is strong support for more consistent, credible ESG ratings, especially in a dynamic services economy, stakeholders also signal that

standardisation should not come at the expense of business context, relevance, flexibility and genuine impact.

Standardising ESG metrics in India's professional services industry matters because stakeholders, including clients, investors, regulators and employees, are increasingly demanding credible, comparable and decision-useful disclosures. Without standardisation, ESG reporting remains fragmented and difficult to verify, weakening trust and limiting its impact on investment and business decisions. By aligning metrics to common frameworks, organisations can meet stakeholder expectations more effectively, enhance transparency, reduce reporting ambiguity, and position themselves competitively in a market that is rapidly prioritising sustainability performance alongside financial outcomes.

So, in Chapter 5 we have covered stakeholder perspectives and expectations related to ESG ratings and their standardisation. Now we will move forward to Chapter 6, which will focus on the research methodology. It describes the research design and rationale, information and data sources, including the dominant qualitative secondary research approach and the limited primary surveys and questionnaires conducted via digital platforms.

CHAPTER VI:

RESEARCH METHODOLOGY

This chapter describes the methodological choices guiding the study on standardising ESG ratings across organisations in India's professional services and IT/ITES sectors in the post-COVID era. It explains the overall research design, data sources, analysis procedures, validity, reliability strategies and ethical safeguards that the findings of the study and its interpretations are based on.

6.1 Overview of the Research Problem

The research problem at the core of this study is the lack of standardised, comparable ESG ratings across organisations in India's professional services and IT/ITES sectors in the post-COVID context. Existing ESG rating models, such as those developed by global providers and Indian ESG rating firms, use diverse methodologies, data inputs, materiality assessments and scoring systems, which often lead to divergent ratings for the same company and make cross-organisational comparison difficult (Lackson, John and Katongo, 2025). These divergences are further complicated by differences in sectoral risk profiles, disclosure practices, regulatory expectations and stakeholder pressures in India.

COVID-19 has intensified these challenges by rapidly altering business models, workforce structures (such as large-scale remote working), digitalisation and stakeholder expectations regarding resilience, employee well-being, cybersecurity and supply-chain continuity.

Professional services and IT/ITES organisations in India have been at the forefront of these changes, yet the ESG metrics and ratings applied to them have not evolved in a fully coherent or standardised manner (Kaplan and Ramanna, 2021). The research thus seeks to understand how a more standardised ESG rating approach can be conceptualised for these sectors, acknowledging their dynamism in the post-COVID era. This would help to further build on the limited work done so far and take the efforts forward for larger scale research in this area in the future.

At a methodological level, this problem demands an approach that can capture both :

- The institutional, regulatory and rating-methodology context.
- The perceptions, experiences and practices of organisational stakeholders.

Given constraints of time, access and resources, the study adopts a predominantly qualitative, secondary research-oriented design, complemented by small-scale primary data collection using online surveys and questionnaires administered via LinkedIn and WhatsApp groups. This combination enabled quick information gathering and some focussed insights on current ESG practices and rating perceptions based on secondary research conducted to understand ESG frameworks, regulatory texts, organisational data, disclosures, reports and publications.

6.2 Research Design and Rationale

6.2.1 Overall Approach

The research adopts a predominantly qualitative, exploratory design with elements of mixed-methods logic, in line with recommendations for ESG-related research that accommodates multidimensional constructs and complex stakeholder perspectives. Qualitative approaches are particularly suited to questions of ‘how’ and ‘why’, such as how ESG ratings are currently constructed and why standardisation is difficult in specific sectors. By using documentary analysis, thematic review of secondary sources and open-ended responses from a few practitioners, the study aims to build a rich contextual understanding of ESG rating practices and the possibilities for standardisation (Lackson, John and Katongo, 2025).

The design is also influenced by mixed-methods thinking because it incorporates limited quantitative elements from the small survey (for example, descriptive statistics on respondents’ perceptions of ESG rating reliability or the frequency of particular metrics), even though these are not intended to support broad statistical generalisation. This can potentially help improve the depth and practical relevance of findings, especially since

standardised metrics are still significantly evolving. In this study, however, the qualitative strand clearly dominates and some limited quantitative data are used only for triangulation and illustration rather than for any hypothesis testing.

6.2.2 Exploratory and Descriptive Orientation

The study is mainly exploratory and descriptive rather than explanatory or causal. An exploratory design has been followed as availability of past empirical work is extremely limited on the specific combination of ESG rating standardisation, professional services and IT/ITES sectors in India and post-COVID dynamism. The research aims to clarify concepts, map current practices, identify key variables and propose a conceptual guidance for standardisation, rather than building and testing a fully specified causal model.

Descriptively, the study identifies :

- The types of ESG metrics and dimensions currently applied to organisations in these sectors.
- The methodological features of major ESG rating frameworks relevant to the Indian context.
- The perceptions and experiences of professionals regarding the usefulness, comparability and fairness of ESG ratings.

This descriptive-exploratory design is consistent with methodological guidance that recommends iterative movement between literature, context and emerging data when dealing with evolving phenomena such as ESG rating practices which are still extremely dynamic and evolving.

6.2.3 Rationale for Sector Focus and Post-COVID Lens

The professional services and IT/ITES sectors were chosen because they are highly dynamic, knowledge-intensive and central to India's global services integration, yet they have distinct ESG profiles compared to heavy manufacturing or extractive industries. Their

environmental footprint is often less direct but significant in terms of energy use, data centres and business travel, while their social and governance dimensions (employee well-being, inclusion, data privacy, cybersecurity and ethical governance) are particularly salient.

The post-COVID lens is crucial because the pandemic catalysed shifts such as extensive remote working, accelerated digital transformation, heightened expectations about resilience and evolving regulatory and stakeholder scrutiny of ESG practices. Methodologically, focusing on this period allows the study to examine ESG rating standardisation not as a static technical exercise, but as a process unfolding amidst rapid change, uncertainty and organisational adaptation.

6.3 Population, Sampling Strategy and Participant Selection

6.3.1 Target Population

The study's conceptual population consists of:

- Organisations in the professional services and IT/ITES sectors operating in India, particularly those with some level of ESG disclosure or rating coverage.
- Views and opinions of stakeholders associated with ESG reporting and assessment in these sectors, including managers, sustainability/ESG professionals, consultants, analysts, students and knowledgeable employees.

Due to the constraints of time and access, the primary data collection focuses on a small group of professionals accessible via LinkedIn and WhatsApp groups who are associated with:

- Indian and multinational IT services companies, ITES/BPO/KPO firms, consulting firms and related professional services.
- Professionals in various roles in ESG, sustainability, risk and compliance, operations, projects, quality, finance, HR and CSR.

While this does not constitute a statistically representative sample of the entire population, it provides a relevant and information-rich subset of respondents for exploratory insights.

6.3.2 Sampling Strategy

The study uses non-probability, purposive sampling with elements of snowball sampling for the limited primary data collection. Purposive sampling has been used because respondents who possess specific knowledge or experience regarding ESG practices are being sought, rather than a random cross-section of employees. LinkedIn and WhatsApp serve as the primary platforms for reaching potential participants (Etikan, Musa and Alkassim, 2015).

From within these networks, participants are selected based on inclusion criteria such as:

- Current or recent employment in professional services or IT/ITES organisations in India.
- Familiarity with ESG reporting, sustainability initiatives, or related governance/compliance activities in their organisation.
- Willingness to respond to brief online surveys and questionnaires.

Snowball sampling has been adopted as the initial respondents can help share the survey link or questionnaire within their own professional networks, leading to additional participants who meet the inclusion criteria. This is a pragmatic strategy commonly used in qualitative and exploratory studies where the target population is specialised and difficult to sample probabilistically.

6.3.3 Sample Size Considerations

Given the study's qualitative emphasis and resource constraints, the primary data component is intentionally limited in scale. The number of respondents from LinkedIn and WhatsApp groups is small and sufficient to identify patterns and themes but not to support large-sample statistical analysis. The reference to surveys suggests that :

- One online survey may capture broad perceptions on ESG rating standardisation, the importance of particular ESG dimensions and perceived limitations of current rating practices.
- A second, more focused questionnaire may probe experiences with specific frameworks, metrics or disclosure challenges.

6.4 Data Sources: Primary and Secondary Data

6.4.1 Primary Data

Primary data in this study are limited but strategically targeted. They include:

- Responses to short online surveys distributed via LinkedIn, designed with both closed-ended and open-ended questions.
- Responses to questionnaires shared with professionals through WhatsApp.

These instruments gather information on :

- Perceived clarity, comparability and usefulness of existing ESG ratings.
- Views on which ESG dimensions and indicators matter most for professional services and IT/ITES in the post-COVID context (for example, remote working policies, digital governance, employee mental health, data security).
- Experiences with ESG metrics and reporting challenges.

The primary data helps by bringing some current practitioner voices into the discussion of standardisation, grounding conceptual and documentary insights in current day organisational realities. However, they are not the central evidence base and are interpreted with caution given the small scale and non-probability sampling.

6.4.2 Secondary Data and Information

Secondary data and information are the backbone of this research and are drawn from a wide range of sources, including :

- ESG rating methodology documents and technical reports from global and Indian rating agencies.
- Regulatory and policy documents relevant to ESG reporting in India, including guidelines on Business Responsibility and Sustainability Reporting (BRSR), references to GRI, SASB, TCFD and related frameworks as incorporated by Indian rating agencies.
- Academic journal articles and conference papers on ESG ratings, standardisation, mixed-methods ESG research and post-COVID corporate sustainability.
- Books and methodological texts on research design, qualitative methods, mixed methods and validity and reliability considerations in social research.
- Professional reports, white papers and best-practice guides on ESG reporting and rating practices in India and globally.

These secondary sources provide detailed descriptions of :

- How existing ESG rating systems structure their E, S and G pillars, select indicators, weight dimensions and aggregate scores.
- The evolving regulatory environment and institutional expectations in India, including BRSR and related initiatives.
- Empirical evidence regarding ESG performance trends in Indian listed companies, including examples from IT/ITES and professional services firms.
- Conceptual frameworks and theoretical discussions related to standardisation, comparability and reliability of ESG metrics.

The combination of these primary and secondary sources helps with significant insights that support this research, in order to help evolve to a more standardised approach by identifying specific areas that need attention across organisations in India's professional services and IT/ITES sectors.

6.5 Data Collection Methods

6.5.1 Online Surveys and Questionnaires

The primary data collection focuses on short, structured surveys and questionnaires disseminated via professional networking platforms. Online questionnaires are used with Likert-scale responses as efficient tools for obtaining both quantitative ratings and qualitative comments for thematic analysis (Lackson, John and Katongo, 2025).

Key features of the surveys include:

- A mix of closed-ended questions (for example, rating the importance of particular ESG dimensions on a 1–5 scale) and open-ended questions.
- Demographic and professional profile items capturing participants' sector, role, years of experience and exposure to ESG reporting.

The surveys are self-administered and fully voluntary. The respondents are advised to fill in the surveys based on their personal views and not involve their organisational data. The responses are exported into standard formats like spreadsheets for descriptive analysis. In line with standard best practices, question wording is kept clear and concise and the survey length is limited to encourage completion.

6.5.2 Documentary and Content Analysis

Documentary analysis is a central method for this study, given its strong secondary research orientation. The documents analysed include :

- ESG rating methodology reports and scorecards from rating agencies active in India.
- Corporate sustainability reports, integrated reports, annual reports and BRSR filings of selected organisations in the professional services and IT/ITES sectors.
- Regulatory texts and guidance notes relating to ESG disclosures and BRSR requirements.

- Academic and professional literature on ESG rating frameworks, reports, standardisation issues and post-COVID corporate sustainability challenges.

Systematic analysis used to examine these documents involves :

- Identifying recurring ESG themes, indicators and rating dimensions across frameworks.
- Noting variations in weighting, scoring and data requirements, especially where they relate to service-sector organisations.
- Examining how post-COVID themes (such as remote working, pandemic preparedness and digital security) are incorporated into ESG disclosures and rating criteria.

By synthesising information across multiple documents, the study maps the current landscape of ESG rating practices and identifies gaps and inconsistencies that standardisation efforts must continue to address on an ongoing basis.

6.5.3 Use of Existing Databases and Reports

Where available, the study makes use of existing industry analyses and empirical studies on Indian companies' ESG performance. These sources offer comparative data on ESG scores, sector-level trends and the performance of large Indian IT and professional services firms. While not all underlying data are accessible, information available in the public domain, including data, aggregations and analyses provide context and support with qualitative findings.

6.6 Data Analyses

6.6.1 Qualitative Analysis

The primary mode of analysis for this study is qualitative. For the survey's open-ended responses, ESG-related documents and methodological texts, a thematic analysis approach is used. Thematic analysis involves:

- Familiarisation with the data through repeated reading of responses and documents.
- Identification of segments of text that relate to key topics, such as ESG rating challenges, standardisation mechanisms, post-COVID changes and sector-specific metrics.
- Grouping into higher-level themes that capture patterns in the information, such as lack of transparency in rating methodologies, data availability and quality constraints, or emphasis on governance over environmental metrics in service sectors. The thematic analysis is both deductive and inductive. Deductive, because some themes are informed by the conceptual model and literature on ESG rating standardisation. Inductive, because new categories emerge from practitioners' experiences and from the specifics of Indian regulatory and sectoral contexts.

This approach aligns with recommendations for qualitative rigour in the mixed-methods research, emphasising transparency of information coding and systematic progression from data to themes and interpretations.

6.6.2 Descriptive Quantitative Analysis

The closed-ended items in the surveys yield simple data that are analysed using descriptive statistics, percentages and basic cross-tabulations. These statistics serve to:

- Indicate the relative importance respondents assign to different ESG dimensions.
- Show the proportion of participants reporting particular challenges or perceptions.

Given the small and non-probability sample, no inferential statistical tests are conducted and instead, descriptive findings are presented as indicative, illustrative patterns. Limited quantitative data along with extensive qualitative findings are integrated in the discussion, consistent with mixed-methods guidance that stresses on the value of integrating numerical and narrative evidence.

As the present study primarily relies on a comprehensive review of secondary sources, supplemented by limited primary data collected through LinkedIn polls and WhatsApp

surveys, the use of descriptive statistics is both appropriate and sufficient to address the research questions. Since the objective of the research is exploratory and interpretive rather than predictive or causal, the emphasis is on identifying patterns, trends, and general perceptions rather than testing hypotheses or establishing statistical significance. The primary data collected through non-probability, convenience-based digital platforms does not meet the assumptions required for robust inferential statistical analysis, such as random sampling and adequate sample size. Consequently, applying inferential tests could lead to misleading generalisations. Instead, descriptive statistics, such as frequencies, percentages and simple distributions, effectively summarise respondent characteristics and viewpoints, allowing for meaningful integration with insights drawn from the secondary literature. Methodologically, this approach aligns with qualitative or descriptive research designs, where the goal is to provide a coherent, evidence-based overview of the phenomenon under study rather than to generalise findings to a larger population. Thus, descriptive analysis serves as a reliable and methodologically sound tool for interpreting the available data within the scope and limitations of the study.

6.6.3 Comparative and Framework-Oriented Analysis

A key analytic task in this study is the comparison of existing ESG rating frameworks and their implications for standardisation. Using content analysis of methodology documents and reports, the study :

- Compares the structure and indicator sets of major ESG frameworks relevant to Indian organisations.
- Examines how these frameworks handle sectoral differentiation, materiality and weighting.
- Identifies commonalities and divergences in key metrics, especially those relevant to professional services and IT/ITES sectors. A few such examples are human capital, digital governance and climate-related disclosures.

These comparisons help in the development of a proposed approach for further standardisation, which is presented in later chapters.

6.7 Operationalisation

6.7.1 Key Constructs

The study operationalises several core constructs derived from the theoretical and conceptual framework:

- **ESG dimensions:** Environmental, Social and Governance pillars operationalised through indicators and metrics used in rating frameworks and organisational disclosures.
- **Standardisation:** The degree to which ESG ratings and metrics are comparable, transparent and consistent across organisations and rating agencies, measured qualitatively through characteristics such as alignment with common frameworks, clarity of methodology and coherence of indicator sets.
- **Dynamism:** The extent and pace of change in sectoral conditions, business models and stakeholder expectations in the post-COVID context, captured through themes related to remote working, digital transformation, regulatory evolution and shifting ESG priorities.
- **Organisational attributes:** Characteristics such as sector segment (IT services, ITES/BPO, consulting), size, listing status and degree of formal ESG reporting (for example, BRSR reporting), mainly captured in descriptive terms.

6.7.2 Survey Measures and Scales

In the surveys, specific aspects of these constructs are measured using :

- Likert-type scales (for example, 1 = strongly disagree to 5 = strongly agree) to gauge agreement with statements on ESG rating comparability, importance of specific ESG dimensions and perceived usefulness of standardisation.

- Ranking questions, where respondents may prioritise ESG dimensions or list the most critical metrics for their sector.
- Nominal and ordinal items for demographic and organisational characteristics (sector, role, size category, experience level).

Such scales are widely used in mixed-methods and management research, as they facilitate descriptive analysis and provide structured input for comparative interpretation. Items are formulated based on themes identified in the literature on ESG ratings and standardisation and are refined to ensure relevance to the Indian service-sector context.

6.7.3 Operationalisation in Documentary Analysis

In the documentary analysis, variables are operationalised through coding or categorisation rather than numeric scales. For example :

- **ESG indicator types** such as energy use, employee engagement, board composition, data privacy, etc. are coded to map the coverage of frameworks and enterprise disclosures.
- **Presence or absence** of specific post-COVID themes in ESG reports such as remote work policies or pandemic response measures is recorded qualitatively.
- **Alignment** with recognised frameworks (BRSR, GRI, SASB, TCFD) is coded based on explicit references and structural similarities in reports and rating methodologies.

These operationalisation efforts allow systematic comparison across documents and support the build of a standardised approach for ESG rating guidance.

6.8 Validity, Reliability, Limitations and Trustworthiness

6.8.1 Validity and Reliability in the Mixed-Methods Logic

Ensuring rigour in a study that combines qualitative dominance with limited quantitative elements requires careful attention to validity and reliability at multiple stages. In the quantitative components, reliability is supported by using consistent question wording,

standardised response scales and clear instructions, while validity is enhanced by aligning items with constructs derived from established literature and practical ESG frameworks. Internal consistency measures such as simple checks on response patterns are used informally to identify problematic items, though full psychometric testing is beyond the scope of this exploratory study. Some of these checks include the following :

Simple item-level diagnostics

- Item means and variance : items with extremely high or low means and almost no variance (everyone strongly agrees or strongly disagrees) may not discriminate well and can be flagged as problematic.
- Floor and ceiling effects : proportion of responses in the lowest and highest categories, which may reduce internal consistency.
- Missing or ‘not applicable’ inputs : items with much higher missing/NA inputs than others may be poorly understood and irrelevant to many respondents.
- Inter-item correlations : examine pairwise correlations among items intended to measure the same construct to see if there are any conceptual or empirical inconsistencies.
- Synonym/antonym pairs (informal inconsistency index) : identify item pairs that are close ‘synonyms’ (similar meaning) or ‘antonyms’ (opposite meaning) and compare responses. Large, frequent discrepancies in such pairs can be used as a simple inconsistency indicator.

Simple checks for careless or patterned responses

- Longstring or straightlining : count long sequences of identical responses across items on a scale. Very long ‘straight lines’ (e.g. many response points with the same response value) can flag potentially inattentive responses or low data quality and items within such runs may need cautious interpretation.

- Mechanical response patterns : highly regular patterns (e.g., 1-2-1-2 or 1-2-3-4 repeats) that are unlikely if respondents are engaging properly can also be problematic.

In the qualitative components, the study emphasises credibility, transferability, dependability and confirmability, concepts often used to assess the trustworthiness of qualitative research. Credibility is supported by triangulation across multiple data sources (framework documents, regulatory texts, corporate reports and practitioner perspectives) and by grounding interpretations in clear evidence from the data. Dependability and confirmability are enhanced through transparent documentation, analytic decisions and the logic of framework development (Ahmed, 2024).

6.8.2 Strategies for Trustworthiness

The study employs several strategies recommended in the mixed-methods and qualitative literature to enhance methodological rigour. The table below shows the details.

Table 6.1: Strategies to enhance Methodological Rigour

Strategy	Details
Triangulation	Integrating evidence from different types of sources (primary survey responses, rating methodologies, organisational reports and academic literature) to corroborate findings and reduce the risk that conclusions are driven by any single data set.
Thick description	Providing detailed accounts of the context, ESG frameworks and sectoral dynamics so that readers can judge the applicability of findings to other settings.
Reflexivity	Acknowledging the researcher's positionality, time constraints and reliance on secondary data and reflecting on how these factors may shape interpretations.
Systematic documentation	Maintaining clear records of information categories, decisions and adaptations during thematic analysis, consistent with guidance on ensuring dependability in qualitative work (Morgan, 2024).

6.8.3 Limitations

The following table shows several limitations that are inherent in the research design and are acknowledged explicitly.

Table 6.2: Inherent Limitations in the Research Design

Limitation	Details
Limited primary data	The small, non-probability samples gathered via LinkedIn and WhatsApp limit generalisation and may introduce self-selection bias, as participants more interested in ESG or with stronger opinions may be more likely to respond. In addition, the response rates are often quite low.
Restricted access to proprietary data	Detailed, organisation-level ESG ratings and underlying data from rating agencies are often proprietary and thus, analysis relies on publicly available methodology documents, summary scores and general descriptions.
Rapidly evolving context	ESG regulations, rating frameworks and sectoral practices in India are changing quickly. The study's findings and proposed framework may require updating as new regulations come into force. Changes in BRSR requirements or emerging sector-specific guidelines are some examples of such cases.
Time and resource constraints	The research is conducted in a relatively short period, limiting the depth of primary data collection and the breadth of organisations that could be examined directly.

Snowball sampling has been used and the same being a non-probability and referral-based technique, can be somewhat vulnerable to sampling bias and homophily, as participants tend to involve others who share similar characteristics and social networks, reducing diversity in the sample. Because the underlying population and selection probabilities may not always be known, the resulting data may not be statistically representative and have limited potential for generalisation and transferability.

These limitations are mitigated, but not eliminated, through methodological strategies such as triangulation and an emphasis on conceptual clarity and careful framing of claims as exploratory and context-specific.

6.9 Ethical Considerations

Ethical conduct is integral to all stages of this research, especially in relation to primary data collection and the use of secondary sources. For the online surveys and questionnaires, ethical considerations include voluntary participation, confidentiality and responsible data handling.

Participants accessing the survey via LinkedIn or WhatsApp are presented with an introductory statement explaining the purpose and the voluntary nature of participation. Consent is implied by their decision to proceed with the survey, consistent with common practice in low-risk, anonymous online research. No identifying personal information (such as names or contact details) is collected unless participants choose to provide it voluntarily and any such information is stored separately from response data and is not used in analysis or reporting.

This study involved the distribution of online surveys through LinkedIn polls and WhatsApp surveys to the researcher's direct professional contacts. Participation was entirely voluntary and all responses captured in the survey represent the personal opinions and experiences of individual respondents rather than official organisational positions. No confidential, proprietary, or non-public organisational data has been collected from any organisation and as such institutional review is not applicable. All organisational references are limited to information available from public sources. In line with prevailing guidance for minimal-risk survey research that uses anonymised personal opinions and publicly available information only, the activity qualifies for exemption/waiver from formal research ethics committee review and the justification of the waiver is being confirmed.

Confidentiality is maintained by aggregating results and by avoiding references to specific individuals or organisations that could lead to identification. Where examples are drawn

from publicly available corporate reports, they are clearly identified as such and care is taken not to misrepresent the content of these documents. Data files are stored securely and access is restricted to the researcher.

In relation to secondary data, ethical practice includes appropriate attribution and referencing of all sources, compliance with copyright norms and avoidance of plagiarism. The study follows the Harvard style of referencing, using in-text citations with author-date format and compiling a full reference list with all necessary bibliographic details.

Finally, the researcher remains mindful of the potential implications of the research for organisations and stakeholders. The aim is not to rank or criticise specific firms, but to contribute constructively to the ongoing development of recommendations for a more transparent, comparable and context-sensitive ESG standardisation approach in India's professional services and IT/ITES sectors. Interpretations and recommendations are therefore framed cautiously, with explicit recognition of limitations and the evolving nature of ESG practices.

Here in Chapter 6, we have covered a broad outline of the research methodology. As we now move forward to Chapter 7, we would try to present findings on current ESG rating practices and drivers in the sampled sectors, extensively drawing on secondary information and data.

CHAPTER VII:

RESULTS – CURRENT ESG RATING PRACTICES AND DRIVERS WITHIN PROFESSIONAL SERVICES AND IT/ITES IN INDIA IN THE POST-COVID ERA

This chapter covers some of the current ESG metrics, reporting frequencies, formats, transparency levels, and internal and external drivers presently used in the professional services and IT/ITES sectors in India. In addition, it also explains the role of COVID-19 in altering or furthering some of these drivers. The chapter is structured around empirical description of what ESG practices currently look like within these sectors, using secondary sources (reports, disclosures, articles) as evidence as opposed to a pure review of academic literature. It includes some synthesised observations assembled from secondary sources plus the primary survey data, which is typical of qualitative and mixed-methods techniques used in research.

7.1 Overview of Shortlisted Organisations

To ensure confidentiality and encourage candid engagement, the organisations examined in this chapter are presented as anonymised, illustrative cases rather than explicitly identified entities. Although the analysis draws on data and practices observed within prominent organisations operating in the Indian professional services and IT/ITES sectors, the decision to withhold specific organisational names reflects both ethical considerations and practical constraints, including non-disclosure expectations and the sensitivity of operational information. Accordingly, these cases are not intended as organisation specific case studies in the conventional sense, but as analytically constructed representations that capture sectoral patterns, strategic approaches and recurring organisational dynamics. This approach enables the study to appropriately synthesise insights and generalise tendencies within the sectors, while minimising the risk of attribution bias and preserving the integrity of the data sources.

This research is primarily based on qualitative secondary information in line with the broader research design. The focus is on understanding patterns rather than producing statistically relevant and replicable findings. The sampled organisations are from a mix of large listed IT services companies, global in-house centres (GICs) and captives, professional services firms (consulting, legal, financial and advisory) and emerging digital/IT start-ups that form part of the value chain of larger entities.

Large listed IT firms (e.g. leading Indian IT majors) typically have mature ESG disclosure practices, publish standalone sustainability or ESG reports, as well as report under multiple global frameworks such as GRI, SASB, TCFD, CDP and UN Global Compact, in addition to complying with India's Business Responsibility and Sustainability Report (BRSR) requirements. They often have board-level ESG or sustainability committees, dedicated sustainability teams and external assurance arrangements for parts of their disclosures. Secondary research on sustainability reports of companies such as Infosys, Wipro, TCS and Big 4 consultancies, indicates a strong emphasis on climate action (net-zero targets, renewable energy), diversity, inclusion and overall governance controls, reflecting both global investor expectations and Indian regulatory requirements (Infosys, 2024).

In contrast, mid-sized professional services organisations and unlisted IT/ITES organisations, often have more fragmented ESG practices and limited formal reporting. Sectoral studies of sustainability practices in Indian businesses suggest that while IT/ITES entities show relatively high awareness of sustainability, their disclosures are often voluntary, narrative-driven and not always aligned to a single standardised framework, especially when they are not in the top 1000 listed entities subject to mandatory BRSR (SGS India, 2024). Many professional services firms rely on basic policy statements on environmental compliance, employee welfare and corporate social responsibility (CSR) but lack structured metrics and external ratings unless they are part of global networks that impose group ESG standards.

A third group in the notional shortlist consists of entities embedded in the value chain of larger listed companies, such as niche IT service boutiques, HR outsourcing firms and

specialised digital marketing or analytics providers. These organisations may not report ESG metrics publicly but are increasingly asked to share sustainability data and comply with supplier codes of conduct as part of the BRSR-driven value-chain disclosures of their clients. SEBI's move towards BRSR Core and value-chain reporting means that ESG expectations are being cascaded down from large listed anchor firms to their smaller suppliers and service partners, even if the latter are not directly regulated (Securities and Exchange Board of India (SEBI), 2023c).

The limited primary survey inputs complement this secondary profile by indicating that respondents in IT/ITES and professional services perceive ESG as 'emerging but uneven' across their organisations, with stronger maturity in governance and social policies than in quantitative environmental performance tracking. These primary insights are broadly consistent with national-level commentaries that highlight growing but still heterogeneous ESG adoption across Indian industries, particularly outside the universe of top listed companies (Garg *et al.*, 2024).

The initial or indicative findings reveal significant divergences in ESG ratings across agencies. This got even more pronounced by the post-COVID impact, which has accelerated digital transformation and remote work. To investigate these dynamics, two primary surveys were conducted, one via LinkedIn and the other via WhatsApp, each targeting professionals across the IT/ITES and professional services sectors.

The LinkedIn survey was conducted over a period of four to six weeks through multiple polls and was structured around four core questions, each probing a different dimension of ESG relevance and adoption. LinkedIn was selected as the survey medium because of its professional user base, particularly strong in India's IT/ITES ecosystem. This ensured that responses would come from practitioners and professionals directly engaged with ESG-related decision-making. As noted, the LinkedIn survey yielded over 100 responses across four questions designed to assess the perceived importance of standardised ESG metrics in India's IT/ITES sectors during the post-COVID period.

7.2 ESG Metrics Used, Reporting Frequencies, Formats and Transparency Levels

The ESG metrics used in the sampled sectors reflect both regulatory mandates (particularly BRSR for listed entities) and voluntary alignment to global frameworks. BRSR requires the top 1,000 listed companies in India by market capitalisation to disclose 100+ indicators, covering environmental, social and governance aspects, in a standardised format. These indicators include quantitative metrics on energy consumption, greenhouse gas (GHG) emissions, water use, waste generation, employee well-being, diversity, supply-chain practices and governance structures, thereby creating a baseline of comparable ESG data for larger IT/ITES firms (Securities and Exchange Board of India (SEBI), 2023b).

In the context of Indian professional services and IT/ITES companies, the reference to ‘Scope 1, Scope 2 and limited Scope 3 emissions’ risks understating the sector’s true climate footprint and, by extension, diluting the credibility of ESG standardisation efforts. While Scope 1 (direct on-site fuel use, backup diesel generators, corporate fleets) and Scope 2 (purchased electricity for offices and data centres) are relatively straightforward to measure and are already the focus of most disclosure frameworks, they typically represent only a fraction of emissions for asset-light, services-oriented companies. For large companies in this sector, the bulk of climate impact often lies in Scope 3 value-chain emissions. Upstream (embedded emissions in hardware, cloud infrastructure, employee commuting, business travel, facility construction etc.) and downstream (use of outsourced digital services, lifecycle of sold software/hardware, end-of-life of electronic equipment etc.) impact is significant. Treating Scope 3 as a ‘limited’ or optional category in this sector is therefore conceptually problematic as it creates a narrow organisational boundary that favours what is easiest to quantify over what is most material, enabling firms to appear low-carbon on paper while a substantial share of their digitally mediated emissions remains off-balance-sheet. A robust ESG standardisation agenda for Indian services must explicitly recognise this asymmetry by requiring progressively deeper Scope 3 mapping and disclosure (for example, starting with business travel, commuting and purchased IT equipment), encouraging convergence on common assumptions and emission factors and

linking incentives or ratings to the ambition and coverage of Scope 3 management. Only then can ESG reporting move beyond box-ticking compliance towards a more honest representation of how India's IT/ITES and professional services value chains contribute to meaningful mitigation of economy-wide decarbonisation.

Environmental metrics commonly disclosed by large IT/ITES organisations include total and specific (per FTE or per unit revenue) Scope 1 and Scope 2 GHG emissions, limited Scope 3 categories, renewable energy share, energy-use intensity, water withdrawal and recycling, waste segregation and e-waste management. Given the relatively low direct physical footprint of IT services compared to heavy industry, these companies often emphasise green buildings (LEED/IGBC certifications), data-centre energy efficiency and carbon-offset initiatives. Social metrics typically cover workforce diversity, gender representation, training hours per employee, voluntary attrition, health and safety incidents, employee engagement survey results, inclusion policies and CSR spending in line with India's Companies Act requirements. Governance metrics include board composition, independence, anti-corruption policies, whistle-blower mechanisms, executive remuneration structures and risk-management frameworks (Sustainability Reporting Standards Board, 2024).

Reporting frequencies generally, are annual for comprehensive ESG reports, often aligned with the fiscal year and integrated with the annual report disclosures. BRSR filings must be submitted annually and in specified PDF and XBRL formats, with board-level oversight and approval. Some leading IT majors supplement annual reports with quarterly or half-yearly updates on key ESG KPIs to investors, as well as ad-hoc disclosures on material events such as new climate targets or social initiatives. Mid-sized and unlisted professional services firms more often limit formal reporting to annual CSR sections within their financial statements or websites, with less frequent and less structured updates. Internal dashboards for ESG indicators are often reviewed quarterly or semi-annually in some firms, even when public disclosure remains annual.

With respect to formats, large listed IT/ITES entities generally publish standalone ESG or sustainability reports, often prepared in accordance with GRI Standards and cross-referenced to SASB industry standards, TCFD climate disclosure recommendations and to the evolving ISSB IFRS Sustainability standards (Infosys, 2024). These reports tend to combine narrative sections with quantitative indicator tables, materiality matrices, case studies and mapping to the Sustainable Development Goals (SDGs). Professional services firms that are part of global networks may contribute to global ESG or sustainability reports that aggregate data across countries, but India-specific granularity varies. Smaller firms often rely on website disclosures, codes of conduct and CSR brochures instead of formal ESG reports, resulting in lower standardisation of metrics and formats.

Transparency levels may vary significantly across the sampled sectors. Regulatory analysis indicates that BRSR has improved baseline transparency by mandating standardised disclosures, but the quality, completeness and external assurance of data differ across companies. SEBI's emerging framework for ESG ratings and investing highlights concerns around inconsistent methodologies, greenwashing risks and lack of clarity on how ESG scores are derived from disclosed metrics. External ESG rating providers in India and even globally use their own data collection processes, combining public disclosures, direct company questionnaires and third-party data, leading to score deviation even for the same organisation. For many mid-sized professional services and IT/ITES firms that are unlisted, the lack of mandatory disclosure leads to minimal transparency, making it difficult for stakeholders to assess ESG performance beyond high-level policy commitments.

The limited primary survey evidence suggests a perception gap. While internal managers often believe their firms are 'doing a lot' on ESG through policies, philanthropic initiatives and responsible business practices, they also mostly acknowledge that documentation, measurement and transparent reporting lag significantly. This aligns with broader literature that points to a 'disclosure gap' in emerging markets, where ESG activities are not always captured in standardised metrics and where narrative reporting outpaces quantitative, externally verifiable indicators. Such gaps are central to the thesis' concern with

standardising ESG ratings, because rating agencies make judgements under conditions of partial, heterogeneous and sometimes incomparable data (Berg *et al.*, 2022; SGS India, 2024).

As per the detailed review carried out in this section, for Indian professional services and IT/ITES companies, the most material environmental metrics probably include operational GHG emissions (especially Scope 2 from purchased electricity), energy intensity of offices and data centres, renewable energy share, business travel related emissions and e-waste from hardware. From a social metrics standpoint, the most material ones cover workforce diversity and inclusion, employee turnover and engagement, training hours and skills development, health and safety in large campuses, data privacy, customer trust and community investment in digital skilling. The above aside, many companies still focus on generic ESG checklists rather than sector-specific ones. India-relevant indicators such as grid decarbonisation, water stress in major IT hubs and tech-enabled social inclusion outcomes, also often lead to gaps between reported performance and true stakeholder impact.

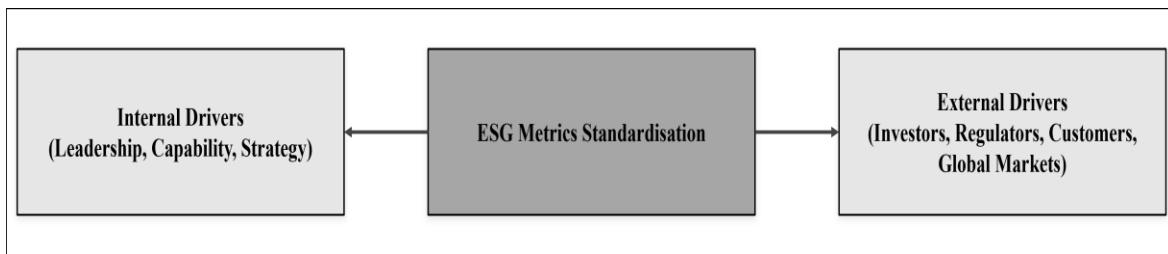


Figure 2: Drivers of ESG Metrics Standardisation

7.3 Internal Drivers (Leadership, Capability, Strategy)

Internal organisational drivers are crucial in shaping how ESG is integrated, measured and reported within professional services and IT/ITES firms. Studies of sustainability practices in Indian businesses underscore the importance of leadership commitment, green transformational leadership and organisational culture in driving ESG initiatives, particularly in knowledge-intensive sectors. In the IT/ITES context, senior leaders often

frame ESG as part of the company's purpose and long-term competitiveness, linking sustainability to digital innovation, talent retention and global client expectations. Where top management actively champions ESG, firms are more likely to invest in dedicated sustainability teams, advanced data systems and alignment with global standards, which in turn supports more robust and standardised ESG ratings.

Leadership style also shapes emphasis across the E, S and G dimensions. Commentaries on post-COVID ESG in India note an increased focus on the social dimension, including employee health and safety, mental well-being, diversity, inclusion and support for vulnerable workers. In professional services and IT/ITES organisations, leaders who explicitly prioritise the 'S', through messaging, resource allocation and policy changes tend to drive stronger HR, diversity, inclusion and community engagement metrics, which are increasingly captured in BRSR and external ESG ratings. At the same time, governance and leadership, including boards and audit committees, play a key role in setting risk appetite, approving ESG targets and overseeing disclosure quality, thereby influencing how ESG performance is perceived by rating agencies and investors.

Organisational capability is a second major internal driver. Effective ESG management requires skills in data collection, indicator design, environmental management, stakeholder engagement and regulatory interpretation. Large IT/ITES firms often have the advantage of better resourcing, higher analytical capacity and sophisticated digital tools, enabling detailed tracking of energy use, emissions, diversity metrics and governance controls, sometimes integrated into enterprise resource planning (ERP) and HR systems. Mid-sized and smaller firms may lack specialised sustainability staff, rely on manual or spreadsheet-based processes and face challenges in mapping existing operational data to ESG indicators, leading to less comprehensive and less standardised disclosures.

Strategic integration of ESG is the third core internal driver. In many leading IT services companies, ESG is increasingly embedded in business strategy. For example, by making climate-friendly digital solutions a strategic growth area, aligning executive remuneration with ESG targets or committing to net-zero roadmaps. ESG considerations are also woven

into procurement strategies, talent policies and risk-management frameworks, reflecting a view that sustainability is linked to long-term value creation rather than pure compliance. Professional services firms, especially those in consulting and advisory, may integrate ESG strategically by developing sustainability advisory offerings for clients, thereby simultaneously building internal ESG competencies and responding to market demand (PwC India, 2024; NITI Aayog, 2026).

However, internal strategic alignment is not uniform. Many organisations still treat ESG as a compliance or reporting exercise driven by investor relations or company secretarial functions, rather than as an integrated strategic pillar. Regulatory analyses highlight that while BRSR has formalised disclosure, it does not automatically guarantee deep ESG integration into core business decisions. The limited primary survey responses suggest that employees often see ESG KPIs as peripheral to their day-to-day performance measures, unless they are in specific roles (e.g. facilities, HR, compliance) or in firms where ESG has been explicitly linked to key performance indicators. This disconnect can limit the internal data quality available for ratings and reduce the effectiveness of standardisation efforts.

Internal drivers also play a vital role in shaping how organisations engage with ESG rating agencies. SEBI's evolving framework for ESG disclosures, ratings and investing points out concerns around potential conflicts of interest, inconsistent methodologies and the need for issuers to understand and respond to rating criteria. Organisations with higher internal capability and strategic clarity are better equipped to interpret data requests, respond to rating agency questionnaires and align their disclosures with rating models, thus achieving more accurate and potentially higher ESG scores. Conversely, firms with weaker internal ESG capacity may struggle to supply the information required, leading to lower or more volatile ratings even if their actual practices are not necessarily poor.

7.4 External Drivers (Investors, Regulators, Customers, Global Markets)

External drivers have become increasingly important in pushing professional services and IT/ITES firms in India to adopt, measure and disclose ESG performance. On the regulatory

side, SEBI has been a key catalyst, progressively tightening ESG-related norms for listed entities. The shift from the earlier Business Responsibility Report (BRR) to the more detailed and quantitative BRSR, mandatory for the top 1,000 listed companies from FY 2022-23, has significantly raised the bar for ESG transparency. More recently, the introduction of BRSR Core, with enhanced requirements and eventual value-chain reporting, signals a move towards standard metrics and greater accountability across sectors, including IT/ITES and professional services.

Regulation has also extended to ESG rating providers themselves. SEBI's Balanced Framework for ESG Disclosures, Ratings and Investing sets out principles for transparency, conflict-of-interest management and methodology disclosures for ESG rating agencies, recognising their growing influence on capital allocation (Securities and Exchange Board of India (SEBI), 2023a). Domestic ESG rating providers in India, some SEBI-recognised, assess companies on environmental, social and governance factors using proprietary methodologies, which are being brought under greater regulatory scrutiny to enhance standardisation and credibility. For firms in the sampled sectors, this means that ESG ratings are no longer a purely voluntary reputational exercise and that they can influence investor perception, access to capital and inclusion in ESG-themed indices and funds.

Investor pressure is another major external driver. Global and domestic institutional investors are increasingly integrating ESG into their investment strategies, seeking comparable and reliable data from investing companies. International trends show rising inflows into ESG funds and growing demand for climate-related and social disclosures. These dynamics are reflected in the Indian context as well, particularly for large IT/ITES firms that attract significant foreign portfolio investments. Investors often use ESG ratings and reported metrics to assess risk exposure, long-term value creation potential and alignment with global sustainability norms. As a result, companies face pressure to improve their ESG scores through better performance and more comprehensive disclosures, which in turn shapes internal governance and metric standardisation.

Customer and client expectations also play a significant role, especially in IT/ITES and professional services that serve global corporations and governments. Many multinational clients require their service providers to adhere to specific ESG standards, sign supplier codes of conduct, share environmental and social data and demonstrate compliance with global frameworks (e.g. GRI, ISO 14001, ISO 45001) and human-rights due-diligence practices. In some cases, client procurement processes include ESG criteria or questionnaires and failure to meet minimum standards can affect vendor selection and contract awards. This has created a powerful commercial incentive for Indian IT/ITES firms and professional services providers to formalise their ESG metrics, align with BRSR and global frameworks and seek credible ESG ratings that can be presented to clients.

Global market forces and international regulatory trends further intensify these drivers. The European Union's evolving sustainable finance regulations, corporate sustainability reporting requirements and potential carbon border adjustment mechanisms create indirect pressures on Indian firms that are part of global value chains. As global investors and clients seek alignment with international taxonomies and climate commitments, Indian companies in knowledge-intensive sectors must ensure that their ESG disclosures and performance metrics are credible and comparable globally. Industry commentaries note that the ESG regulatory landscape worldwide is expanding rapidly, with hundreds of new sustainability and due-diligence requirements emerging each year, a trend that Indian firms must monitor and respond to.

Civil society, employees and consumers also contribute to external pressures, though in the case of B2B-oriented professional services and IT/ITES, their influence is more indirect. NGOs and media increasingly scrutinise companies' labour practices, diversity, environmental impact and corporate ethics, particularly in relation to issues such as data privacy, algorithmic bias and workplace culture. Post-COVID debates in India have brought greater attention to the conditions of gig workers, contractual staff and informal workers in supply chains, which can affect the social dimension of ESG evaluations. Employees, especially younger professionals, often express preferences for employers with

strong ESG commitments, influencing recruitment, engagement, retention and indirectly motivating management to enhance ESG performance and transparency.

Together, these external drivers create a complex environment in which professional services and IT/ITES firms in India have to manage multiple stakeholder expectations while navigating evolving local and global standards. This complexity has direct implications for ESG ratings. Rating agencies interpret and aggregate diverse data points and external signals, which can vary across sectors and markets. The push towards greater regulatory oversight of ESG ratings in India aims to reduce methodological opacity, encourage consistency and support the broader goal of standardised ESG assessments across organisations and sectors.

Given below is a table summarising how each driver (regulatory, investor, client, civil society) operates differently for large vs. mid-sized IT/ITES companies in the Indian professional services and IT/ITES sectors:

Table No. 7.1 : Comparative Influence of ESG Drivers on Large vs. Mid-Sized IT/ITES Companies in India

ESG driver	Large IT/ITES firms (India)	Mid-sized IT/ITES firms (India)
Regulatory	Directly covered by SEBI's mandatory BRSR/BRSR Core and phased assurance. These companies face detailed, standardised ESG disclosure and value-chain expectations that cascade down to vendors.	Often outside mandatory BRSR scope but indirectly pressured as value-chain partners to large listed clients. Regulatory expectations felt through contract clauses and ESG data requests rather than direct filings.
Investor	Scrutinised by global institutional investors integrating ESG into valuations. These companies must align with international ESG	Face growing expectations from private equity, banks and impact investors, but ESG is framed more as a route to capital access and

	benchmarks, ratings and assurance to access capital and avoid activism.	competitiveness than as formal rating-driven obligations.
Client	Large global clients (especially US/EU) demand robust ESG data, BRSR alignment and third-party assurance across operations and supply chain. ESG performance becomes a formal RFP and vendor-selection criterion.	ESG mainly driven by key anchor clients seeking compliant value chains. Requirements appear as questionnaires, codes of conduct and basic KPIs, with more flexibility but rising expectations over time.
Civil society	Under higher visibility for NGOs, media and communities, including scrutiny on labour practices, diversity, data centres and campus impacts, Reputational risk pushes proactive ESG programmes and detailed reporting.	Less in the public spotlight but influenced by local community expectations, employee activism and industry associations. Responses tend to be ad hoc CSR and incremental ESG initiatives rather than full-scale programmes.

7.5 Role of COVID-19 in Accelerating and Altering Drivers

The COVID-19 pandemic has been a critical inflection point for ESG practices and drivers in the professional services and IT/ITES sectors. Literature on post-COVID ESG in India highlights how the crisis exposed social vulnerabilities, particularly for informal and contract workers and brought the ‘S’ dimension through health, safety, job security, community resilience etc. to the forefront of corporate and regulatory agenda. For IT/ITES and professional services, the pandemic triggered a rapid shift to remote working, heightened attention to employee well-being and mental health and renewed focus on digital infrastructure resilience, all of which reshaped ESG priorities and metrics.

From an internal perspective, COVID-19 accelerated leadership attention to ESG. Many firms set up crisis-management task forces, enhanced health and safety protocols and instituted flexible working arrangements, which later evolved into more permanent policies on hybrid work and employee support. Leaders recognised that social and governance resilience, including transparent communication, agile decision-making and ethical treatment of employees, are key to business continuity and reputation. This experience often catalysed broader ESG integration, as boards and management teams have reframed sustainability not only as environmental stewardship but also as organisational resilience and stakeholder trust (Grant Thornton in India, 2020; Kolluru, Krishnan and Kolluru, 2021).

The pandemic also intensified external drivers. Investors and regulators globally began to pay closer attention to how companies managed pandemic-related risks, including supply-chain disruptions, occupational health, safety and human-capital management, integrating these factors into ESG assessments. In India, the period following COVID-19 saw SEBI advancing BRSR and preparing the regulatory framework for ESG ratings and investing, reflecting a broader shift towards more structured ESG oversight. This timing suggests that COVID-19 acted as a catalyst for institutionalising ESG disclosures, as policymakers and markets sought to strengthen resilience and transparency in the corporate sector.

For IT/ITES and professional services firms, the pandemic may have underscored the importance of digital transformation, cyber security and data privacy, issues that intersect with ESG, particularly under the governance and social pillars. Remote work at scale raised questions around digital inclusion, ergonomic conditions, work-life balance and mental health support, which now feature more prominently in social metrics such as employee well-being, training and engagement indicators. Organisations that responded with strong support programmes, technology investments and inclusive policies enhanced their reputational capital and their ESG scores, while those perceived as neglecting worker welfare faced criticism and higher perceived social risk.

COVID-19 also affected the environmental dimension of ESG in nuanced ways. Short-term reductions in commuting and office energy use during lockdowns were offset by increased home energy consumption and, in some cases, higher reliance on data centres. Over the medium term, many IT/ITES and professional services firms used the disruption as an opportunity to reconsider office footprints, travel policies and carbon strategies. Some committed to longer-term reductions in business travel through virtual collaboration, expanded investments in green buildings and accelerated renewable energy procurement for offices and data centres (Infosys, 2024). These strategic shifts influence environmental metrics such as Scope 2 emissions intensity, renewable energy share and business-travel emissions, which are increasingly important in ESG ratings.

The pandemic-driven experience of operational and social disruption also highlighted the need for more dynamic and forward-looking ESG metrics. Traditional and conventional backward-looking indicators failed to fully capture how organisations responded to emergent crises, adapted their business models or supported stakeholders in real time. Commentaries on India's ESG landscape after COVID-19 highlight the importance of resilience, adaptability and stakeholder engagement as critical components of corporate sustainability. For the professional services and IT/ITES sectors, this implies that standardisation of ESG ratings must account not only for static metrics (e.g. annual energy use, diversity percentages) but also for qualitative aspects of crisis response, innovation and transformation that emerged during and after the pandemic.

Finally, COVID-19 accelerated the extension of ESG expectations into value chains. As large listed companies were compelled to manage pandemic-related risks across suppliers and service providers, they increased ESG data requests and due-diligence requirements for their partners. This trend aligns with the BRSR Core move towards value-chain reporting and has direct implications for mid-sized and smaller IT/ITES and professional services firms that may not have previously engaged deeply with ESG. Thus, the pandemic has not only strengthened existing drivers but also expanded the reach of ESG norms,

making standardisation of ratings across organisations and sectors simultaneously more necessary and more challenging in the post-COVID era.

Given below is a table summarising ESG metrics, reporting frequency and transparency levels across the three firm types in the Indian professional services and IT/ITES sectors:

Table No. 7.2 : ESG Metrics, Reporting Frequency and Transparency Levels Across Firm Types in India's Professional Services and IT/ITES Sectors

Dimension	Large listed IT majors (e.g., NSE/BSE-listed IT/ITES)	Global / Big-4-type professional services firms (India operations)	Mid-tier / SME IT/ITES (unlisted)
Regulatory driver	SEBI BRSR / BRSR Core mandatory for top 1,000 listed entities, including major IT services firms, as part of annual reporting.	Global group-level ESG frameworks (GRI, SASB, TCFD) plus India BRSR exposure where listed parent or Indian arm falls in top-1,000. Strong investor and client pressure.	No direct SEBI ESG mandate if unlisted. ESG expectations often cascade through value-chain requirements from large listed clients and overseas buyers.
Typical ESG metric coverage – Environmental	Broad, quantified coverage of energy use, renewable share, Scope 1, 2 and increasingly Scope 3 GHG emissions, waste, water intensity, and some biodiversity statements aligned	Coverage defined at global level. Detailed GHG inventory (Scopes 1–3), business travel emissions, office energy and waste, often with science-based targets. India-specific cuts sometimes	Narrow set of metrics, often limited to basic energy consumption, limited GHG estimation and compliance-driven waste and water data. Many firms still at qualitative narrative stage.

	to BRSR Core indicators.	summarised rather than fully disaggregated.	
Typical ESG metric coverage – Social	Detailed human-capital metrics : headcount, gender diversity, inclusion, training hours, attrition, health and safety, employee well-being, and community/CSR programs, increasingly with KPIs mandated by BRSR.	Strong focus on people metrics : diversity and inclusion, training and certifications, employee engagement, well-being, and community impact, driven by global talent and brand considerations. India disclosed mainly in narrative or case-study form.	Basic HR indicators such as total employees and sometimes gender mix, training and engagement reported qualitatively if at all, with limited structured KPIs beyond what key clients request in supplier questionnaires.
Typical ESG metric coverage – Governance	Well-developed governance metrics : board composition and independence, ESG oversight structures, ethics and anti-corruption indicators, whistle-blower data, policy disclosures, and ESG-linked risk	Mature governance disclosures at global level (board diversity, ethics, anti-corruption, independence, ESG integration into risk and strategy. Indian arm usually follows global codes, but granular India-only governance metrics	Basic corporate-governance disclosures (directors, statutory compliance). Formal ESG governance structures and quantified governance KPIs are rare, though codes of conduct and anti-bribery policies

	management as per BRSR.	are less visible externally.	are often referenced in brief.
Reporting frequency	ESG/BRSR section in annual report plus standalone sustainability or integrated report. Many large IT firms also issue mid-year or quarterly ESG dashboards for internal review, but public disclosures remain primarily annual.	Group-level sustainability reports typically annual, sometimes supplemented by interim climate or impact updates. India-specific ESG communication often annual or ad hoc, aligned to global reporting cycle and client RFP needs.	Reporting mostly ad hoc or client-driven. When present, it is often a short annual ESG or CSR note, website page, or responses to ESG questionnaires rather than a formal recurring report.
Level of data assurance	Increasing trend towards limited assurance on key BRSR Core indicators, with SEBI phasing in mandatory assurance for top 500–1,000 listed entities. Large IT firms typically engage independent auditors for selected metrics.	Global ESG reports often assured (limited or reasonable assurance) by independent providers. Assurance usually at consolidated level, with India operations covered implicitly rather than as a separate assured perimeter.	External assurance is uncommon due to cost. Where present, it is usually limited to financial statements and not ESG, though some SMEs explore assurance on a small set of high-profile metrics for key customers.

Transparency – breadth of disclosure	High breadth : cover most BRSR environmental, social and governance data points, plus voluntary metrics aligned to global standards to cater to foreign investors and rating agencies.	Broad at global level and strategically curated for India. Extensive narrative on strategy and initiatives, with metric detail focused on group-wide KPIs and selective country examples.	Narrow : concentrate on a few material issues, often only those most requested by anchor clients (e.g., basic carbon, diversity, compliance), with limited coverage of the full ESG spectrum.
Transparency – depth and granularity	High depth for core metrics : multi-year trend data, intensity ratios, target vs. actual performance, and clear methodologies, especially where aligned with BRSR Core and global frameworks.	High methodological depth at group level with scenario analysis and target pathways. Country level (India) granularity is often partial, with some disaggregated workforce data but less detailed environmental breakdown.	Limited depth : one-off figures or qualitative statements with minimal historical series, few intensity metrics and methodologies often not described in detail.
Alignment to global ESG standards	Frequently map BRSR disclosures to GRI/SASB/TCFD and international ESG ratings. Large	Strong alignment : group ESG strategy explicitly references major global standards and net-zero frameworks. India	Partial and evolving : some SMEs pick a subset of GRI or customer-specified indicators, but many rely on basic internal

	IT firms actively benchmark to global peers given their export-oriented client base.	entities follow the same taxonomy and targets, where material.	KPIs without full alignment to recognised global frameworks.
Overall transparency level (qualitative)	Generally high among large listed IT/ITES firms, driven by SEBI BRSR requirements, international investor expectations, and competition for ESG ratings.	Generally high at the global level and moderate-to-high for India operations, with disclosures tailored to brand, clients and regulatory footprint rather than exhaustive India-specific ESG reporting.	Typically, low-to-moderate, improving gradually as supply-chain pressure from large clients and export markets pushes SMEs toward more structured and transparent ESG practices.

Here in Chapter 7, we have broadly presented findings on current ESG rating practices and drivers in the sampled sectors, extensively drawing on secondary information and data. As we now move forward to Chapter 8, we would try to introduce the guiding principles and recommendations for evolving to a more standardised ESG rating approach by identifying specific areas that need attention across organisations in India's professional services and IT/ITES sectors.

CHAPTER VIII:

RESULTS – PROPOSED FRAMEWORK FOR STANDARDISED ESG RATINGS IN THE SAMPLED SECTORS POST COVID

The need for standardised ESG ratings has now become even more urgent in India's professional services and IT/ITES sectors because these sectors are fast-moving, data-rich, globally connected and highly exposed to post-COVID shifts in work, technology, stakeholder expectations and reporting discipline. A practical framework is essential to balance comparability with flexibility, so that ratings are consistent across organisations while still accurately reflecting sector-specific realities and changing risks.

8.1 References for Standardised ESG Rating Frameworks

A useful starting point is the International Organisation of Securities Commissions (IOSCO) report on ESG ratings and data products, which found major problems in definitions, methodology, transparency, conflicts of interest and coverage. It also recommended greater oversight, clearer methodologies and better communication with rated entities. IOSCO's findings are important because they show us why standardised ESG ratings need common rules on data quality, weighting logic and disclosures (International Organization of Securities Commissions (IOSCO), 2021).

The IFRS Foundation's ISSB standards, especially IFRS S1 and IFRS S2, offer another important global reference point because they are designed to improve investor-focused sustainability disclosure and global comparability. While ISSB standards are disclosure based rather than rating frameworks, they matter because ESG ratings rely heavily on standardised disclosures that help in decision making as input data (International Sustainability Standards Board (ISSB), 2023).

The Global Reporting Initiative (GRI) provides a third model. GRI is built around universal, sector and topic standards, which makes it a strong example of how a framework

can combine consistency with sector sensitivity (Global Sustainability Standards Board, 2023). Its emphasis on material topics and stakeholder inclusiveness is especially useful for sectors such as IT/ITES and professional services, where social, labour, governance and data ethics issues are often as important as environmental issues.

In parallel, the World Economic Forum's Stakeholder Capitalism Metrics also offer a benchmark for common metric design. These metrics are all intended to improve comparability across organisations by focusing on a limited set of universal disclosures, while still allowing alignment with other frameworks such as GRI and TCFD. This 'common core plus flexibility' approach is highly relevant for a large, complex and diverse environment like India, where organisational practices can often be extremely diverse and complex, and as such need harmonisation across a corporate policies, procedures, practices and governance on one side with large number of factors driving diversity like regional, language-centric, cultural, climatic and other demographic nuances. (World Economic Forum, 2024).

8.2 International Best Practices and Benchmarking

A foundational principle of international best practice in ESG standardisation is the establishment of a clear definition and scope regarding what is being measured. The IOSCO has highlighted that one of the most significant weaknesses in the current market lies in the inconsistency of measurement. Providers frequently assess different dimensions of ESG performance while employing similar labels, thereby generating confusion among users (International Organization of Securities Commissions (IOSCO), 2021). Consequently, any standardised framework must explicitly delineate whether it is measuring risk exposure, management quality, outcomes or impact.

A second critical best practice is methodological transparency. IOSCO has emphasised the importance of public disclosure concerning data sources, rating logic, weighting approaches and conflict-management procedures. Transparency is indispensable because

two firms may receive markedly divergent ESG scores solely due to differences in materiality thresholds, indicator selection or weighting choices employed by providers.

Third, interoperability is increasingly recognised as essential. Frameworks developed by the International Sustainability Standards Board (ISSB), the Global Reporting Initiative (GRI) and the World Economic Forum (WEF) demonstrate that effective systems do not operate in isolation but instead integrate with broader reporting ecosystems. In the Indian context, this implies that any rating framework should be capable of drawing upon disclosures mandated under the Business Responsibility and Sustainability Report (BRSR) and BRSR Core, while simultaneously remaining open to global investors accustomed to ISSB, GRI and Task Force on Climate-related Financial Disclosures (TCFD)-based reporting (Mani and Tyagi, 2026).

Finally, sector-specificity constitutes a fourth best practice. Global reporting systems increasingly acknowledge that uniform ESG measurement is inadequate, as material issues vary significantly across industries. The GRI's sector standards, together with IOSCO's observation that global providers often disproportionately weight developed markets, underscore the necessity for India-specific sectoral calibration rather than the wholesale adoption of global templates (International Organization of Securities Commissions (IOSCO), 2021; Global Sustainability Standards Board, 2023).

Some of the most relevant WEF Stakeholder Capitalism Metrics for ESG standardisation in India's services industry fall under all four pillars, namely, Principles of governance, People, Planet and Prosperity. Below is a comprehensive detailing of the relevant metrics that are significant for the professional and IT/ITES sector in India.

Table 8.1 : WEF Stakeholder Capitalism Metrics relevant for the Indian Professional Services and IT/ITES Companies

WEF metric	Pillar	Custom relevance for Indian professional services and IT/ITES
Statement of purpose	Governance	Articulates how digital and advisory services support inclusive growth, job creation and responsible innovation in India.
Governance body diversity	Governance	Reflects diversity in leadership of large IT and consulting firms, aligning with Indian expectations on inclusive boards.
Anti-corruption training and incidents	Governance	Critical for firms dealing with government, public sector clients, tax/audit and complex outsourcing contracts.
Data privacy and information security (within ‘risk and opportunity’ disclosures)	Governance	Highly material for Indian IT/ITES, fintech and professional services where client data, IP and cyber risks dominate.
Tax borne (total tax contribution)	Governance	Demonstrates fiscal contribution of large Indian services hubs (Bengaluru, Hyderabad, Gurugram, etc.) beyond headline profits.
Workforce diversity	People	Captures gender, regional and socio-economic inclusion in large campuses and delivery centres across India.

Pay equality and CEO pay ratio	People	Addresses internal equity concerns in fast-growing IT and consulting firms with high skill gradients and offshore/onshore gaps.
Training hours and spend per employee	People	Core indicator of upskilling in digital, cloud, AI and domain skills. This is central to India's human-capital-driven export services.
Professional development and formal learning pathways	People	Relevant for consulting and IT firms that use structured career tracks, certifications and academies to develop talent.
New hires and turnover rates	People	Shows scale of job creation, attrition cycles in Indian IT/ITES and professional services as well as related social impact.
Flexible/remote work practices (captured via narrative and 'expanded' people metrics)	People	Important for India's large remote/hybrid delivery models, work-life balance and inclusion of tier-2/3 city talent.
Health and safety metrics	People	Relevant for campus safety, ergonomic/mental health risks in high-pressure IT/BPO environments and travel safety for consultants.

Child/forced labour risk in operations/suppliers	People	Focused on ancillary services (security, housekeeping, catering, construction) supporting IT parks and office complexes.
GHG emissions (Scopes 1, 2, 3)	Planet	Covers data centre energy use, campus electricity, business travel and employee commuting for Indian IT and consulting hubs.
Paris-aligned climate targets and TCFD adoption	Planet	Signals credibility of climate strategies, including green data centres and renewable power procurement by large Indian IT majors.
Energy use and renewable share	Planet	Key for large technology parks and offices to demonstrate energy efficiency and green power sourcing under India's net-zero trajectory.
Water use in stressed areas	Planet	Material for big campuses in water-stressed Indian cities (Bengaluru, Chennai, Pune), linking to local community impacts.
Waste and e-waste management (narrative/expanded metrics)	Planet	Important for hardware disposal, office waste and e-waste from IT infrastructure and devices.
EVG&D (economic value generated and distributed)	Prosperity	Connects export revenues, salaries, taxes and community investments from Indian IT/ITES and advisory firms to broader economic impact.

Total tax paid and government assistance	Prosperity/Governance	Shows contribution to government finances and any incentives for SEZs, technology parks or skill-development schemes.
CapEx minus depreciation	Prosperity	Indicates long-term investment in campuses, digital infrastructure and delivery centres in India rather than short-term cost arbitrage.
Share buybacks and dividends	Prosperity	Highlights capital-allocation choices of large listed IT/BFSI-linked services firms vs. reinvestment in Indian operations.
Total R&D and innovation expenses	Prosperity	Captures investment in platforms, IP, automation and AI solutions built out of India for global clients.

8.3 Lessons Learned and Applicability to Indian Context

The Indian context differs from global markets in three important ways. First, while disclosure quality is improving, data maturity is uneven across firms, especially outside the largest listed companies. Second, Indian regulatory design is becoming more structured, with SEBI strengthening ESG rating provider rules and linking them more closely to assured corporate disclosures (Securities and Exchange Board of India (SEBI), 2024). Third, the sampled sectors are shaped by digital work, talent intensity, outsourcing models, global client requirements and rapid technological change.

A key lesson from international practice is that standardisation should not mean rigid uniformity. In India, a rigid universal scorecard would fail to reflect the different risk profiles of software services, consulting, BPO, engineering services, knowledge process outsourcing and professional advisory businesses. Instead, the framework should use a common baseline across sectors and then add sector-specific modules.

Once again, we must also consider that ratings should be built on assured and clearly auditable data wherever possible. SEBI's recent framework for ESG rating providers emphasises registered providers, transparent methodologies, periodic monitoring and stronger reliance on assured data. This is especially important in India because post-COVID ESG claims are more visible and more easily questioned by investors, employees and clients.

A further lesson is that stakeholder communication matters. IOSCO found that better communication between providers and rated companies is essential for sound information gathering (International Organization of Securities Commissions (IOSCO), 2021). In the Indian context, this is particularly important because many ESG indicators in service sectors depend on internal policies, workforce practices, cyber resilience, procurement standards and governance processes that are not always visible in public filings.

8.4 Core Dimensions and Sub-Dimensions of the Framework

The proposed framework should contain four core dimensions, namely, Environment, Social, Governance and Dynamism. The first three are standard ESG pillars, while Dynamism is added because the post-COVID environment in professional services and IT/ITES is marked by rapid change, remote work, hybrid workforce structures, digital acceleration, AI adoption and evolving cyber and privacy risks. This additional dimension helps the framework remain relevant over time (Kolluru, Krishnan and Kolluru, 2021; NITI Aayog, 2026).

Under Environment, the main sub-dimensions should include energy use, emissions management, renewable energy adoption, green buildings and offices, waste management, water use and supply-chain environmental practices. Even though service sectors have a lighter direct environmental footprint than the heavy industries, their indirect footprint through data centres, travel, office operations and third-party vendors is material (Infosys, 2024).

Under Social, the sub-dimensions should include employee health and safety, diversity and inclusion, training and upskilling, employee well-being, hybrid-work support, human rights in the supply chain, client data responsibility and community engagement. In professional services and IT/ITES, social performance is central because the business model depends on human capital, trust and service continuity.

Under Governance, the sub-dimensions should include board oversight, ethics and compliance, anti-corruption, data privacy, cyber security governance, whistle blower systems, executive accountability, pay fairness and transparency in ESG disclosures. Governance is especially important in these sectors because digital delivery, cross-border client mandates and high regulatory exposure make ethical controls and data protection critical.

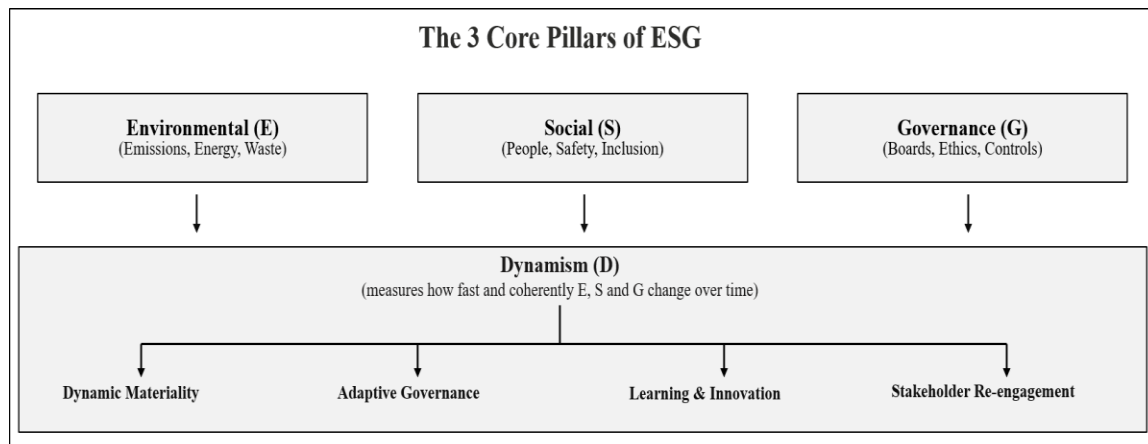


Figure 3: The ESG+D Conceptual Framework

8.4.1 Focus on Dynamism as an Additional Dimension :

Dynamism, at a high level, may be defined as the organisational capability to continuously sense, interpret and respond to changes in environmental, social, governance and market contexts, by reconfiguring resources, processes and stakeholder relationships in a timely and coherent manner, with demonstrable effects on ESG performance and risk outcomes.

Under Dynamism, the sub-dimensions should include adaptability of policies, digital readiness, resilience planning, crisis response capability, AI governance, remote-work

governance, supply-chain disruption management and continuous improvement systems. This dimension is not meant to replace the traditional ESG pillars but rather capture whether a firm can sustain ESG performance in a fast-changing post-pandemic setting.

Current ESG frameworks (GRI, ISSB, IOSCO, SASB, TCFD, etc.) define ESG as three pillars, namely environmental, social and governance, focused on what performance looks like at present or over the past few reporting periods. These treat variations over time and responsiveness mainly through risk, strategy and scenario disclosures (e.g., TCFD's Governance, Strategy, Risk Management, Metrics and Targets) rather than as a dedicated and measurable construct.

The above aside, empirical work shows that material ESG issues are highly dynamic in reality. What matters to stakeholders and investors shifts over time, across geographies and sectors. This concept is known as 'dynamic materiality'. Organisations therefore need capabilities not only to perform on E, S and G, but also to sense, interpret and reconfigure their ESG priorities and practices as the environmental conditions change. That said, no major standard today asks for systematic measurement of this capability as a pillar in its own right. This conceptual gap motivates a fourth dimension, which is 'Dynamism' and one which integrates time, adaptability and capability-building into ESG, transforming ESG from a static 3-factor snapshot into a 4-factor and time-sensitive system.

As a conceptual argument, we can structure our contribution around three core justifications :

1. Dynamic materiality requires a dynamic pillar

Recent research on 'dynamic materiality' shows that material ESG issues change over time and that stakeholder focus also shifts with events, regulations and social norms. This means that a company's 'materiality aspect' vary with time and do not remain fixed. Static ESG reports like annual snapshots or historical indicators often underrepresent the risk of misalignment with current or emerging stakeholder expectations. Thus, if materiality itself is dynamic, ESG performance must be

assessed partly in terms of how well the organisation keeps its materiality assessment, strategy and metrics aligned with this shifting materiality signature. That alignment capability is precisely what Dynamism measures. In view of the above justification, we would include the first proposition as given below :

Proposition 1 : In context of dynamic materiality, an organisation's ESG performance and risk profile are a function not only of its current E, S, G levels, but of its Dynamism, which represents its capability to update materiality assessments, adjust strategies and redeploy resources in response to changing stakeholder expectations and regulatory baselines.

2. Risk and resilience are path-dependent, not static

Existing ESG standards emphasise risk identification and resilience (especially climate-related). However, resilience often depends on the path the organisation takes and how quickly it anticipates shocks, invests in mitigation and learns from near misses. Static risk disclosures (heat maps or scenario descriptions) do not fully capture differences between organisations that are proactive, reactive or complacent on sustainability issues. Dynamism therefore becomes a missing explanatory variable. A second proposition can be as follows :

Proposition 2 : For comparable E, S and G scores, organisations with higher Dynamism will exhibit lower realised sustainability risk and higher long-term value creation, because they are better at proactive adaptation and strategic reconfiguration. This helps us to position Dynamism as an independent driver of outcomes, analogous to dynamic capabilities in strategic management.

3. Investor decision-making and comparability

Investors and regulators increasingly demand comparable sustainability information that is forward-looking and helps in decision making. Yet most ESG

metrics focus on backward-looking performance indicators. In view of this, a dedicated Dynamism pillar provides a structured way to quantify forward-looking capability (e.g., rate of integration of new ESG issues, speed of policy updates, frequency of stakeholder re-engagement etc.). It also provides an explicit signal of management's capacity to navigate sustainability transitions, beyond current performance levels.

Proposition 3 : Including Dynamism as a fourth ESG dimension increases the decision-usefulness of ESG disclosures for capital allocation by providing information about an organisation's future-oriented adaptive capabilities, which present day E, S and G metrics do not adequately capture.

8.4.2 Operationalising Dynamism in Standardisation Efforts

As a concept we also observe that Dynamism is measurable and can be embedded into emerging versions of existing standards (e.g., ISSB's 'global baseline', IOSCO's endorsement of high-quality sustainability reporting). Dynamism typically comprises four sub-dimensions :

1. Dynamic materiality management : Frequency of formal materiality assessments (e.g., annual, bi-annual or event-triggered) and presence of processes to incorporate stakeholder input into materiality updates (e.g., structured stakeholder panels).
2. Adaptive ESG governance and resourcing : Time lag between identification of a new material ESG issue and board/committee allocation of oversight. Share of capex/opex rapidly reallocated toward emerging ESG priorities within a set time frame (e.g., 1 or 2 years.) is also very important.
3. Learning, innovation and experimentation in ESG : Investment in ESG-related R&D, pilots, social innovation programmes and number/diversity of ESG innovation experiments per year (e.g., new circular models, community co-creation initiatives).

4. Stakeholder re-engagement dynamics : Frequency and depth of stakeholder engagement updates (e.g., revisiting stakeholder maps, feedback loops after major ESG decisions) and responsiveness metrics (how quickly stakeholder grievances or emerging issues are acknowledged and addressed).

8.4.3 Recommendations for Integration into Existing Standards Architecture

As a result of this study, Dynamism can be also proposed for integration with some of the existing major frameworks without essentially contradicting them as described below :

- GRI : GRI provides comprehensive topic-specific disclosures. Dynamism can be proposed as a horizontal standard on how organisations update their GRI topic coverage and performance management over time.
- ISSB : ISSB emphasises decision-useful, investor-focused sustainability information. Dynamism can be introduced as a ‘dynamic capability’ metric that can enhance forward-looking relevance, building on existing requirements for governance, strategy, risk and metrics.
- IOSCO and regulators : As IOSCO promotes convergence and high-quality sustainability disclosure, Dynamism can be framed as a relevant dimension increasing reliability and comparability of ESG information over time, by requiring evidence of ongoing updates and responsiveness rather than one-off compliance.

We can also explicitly argue that Dynamism is consistent with and complementary to the current convergence trends rather than a competing framework.

The following table helps to demonstrate that D addresses ‘how fast’ and ‘how coherently’ E, S and G change, which is not captured by traditional metrics.

Table 8.2 : A Simple Conceptual Framework ‘ESG+D’, where D interacts with all the other core pillars

Dimension	Core Focus	Typical Metrics today	Dynamism-specific Extension
Environmental (E)	Impact on natural systems.	Emissions, energy, water, waste.	Speed of decarbonisation, rate of adoption of clean technologies, frequency of climate-risk updates.
Social (S)	Impact on people and communities.	Diversity, labour practices, health and safety, community impact.	Pace of improving safety indicators, pace of addressing social controversies, speed of supplier social audits expansion.
Governance (G)	Structures, controls, ethical oversight.	Board independence, anti-corruption, shareholder rights.	Speed of ESG mandate integration into board committees, rate of ESG-linked compensation adoption, agility of oversight changes after incidents.
Dynamism (D)	Adaptive ESG capabilities over time.	Not yet standardised and often implicit in narrative.	Time to respond to emerging ESG issues, rate of ESG policy updates, frequency and depth of stakeholder re-engagement, investment in ESG learning and innovation.

8.5 Metric Selection, Weighting and Scoring Guidelines

Metric selection should follow a materiality-based approach. GRI’s concept of material topics is useful here because it focuses attention on issues that matter to the organisation

and its stakeholders. For example, a software services firm may have higher weight on data privacy, employee turnover and energy-efficient operations, while a consulting firm may place more emphasis on ethics, independence, inclusion and travel emissions (Global Sustainability Standards Board, 2023).

A practical scoring design would use a 0-100 scale, similar to the direction taken in SEBI linked ERP frameworks, because it is easy to understand and compare. The framework can be structured in three layers, namely policy existence, implementation quality and outcome evidence. This avoids the common weakness of ‘paper compliance’, where companies get credit for having policies without showing results. A 0-100 scale anchored to clear maturity stages works well for consistency and comparability. Below is a simple rubric showing what each score could represent across the three sub-dimensions.

Deployment of a structure like the one proposed in the table below ensures that companies are evaluated not just on intent (policy), but on actual execution and real-world impact.

Table 8.3 : Scoring Rubric (Illustrative)

Score	Policy Existence	Implementation Quality	Outcome Evidence
0	No policy exists and issue not acknowledged	No systems, processes or accountability in place	No data, metrics or disclosures available
25	Basic or generic policy exists with limited scope and is not aligned to standards	Ad hoc or inconsistent implementation with unclear roles and limited resources	Minimal or anecdotal evidence with no structured measurement
50	Formal policy documented and approved, which is partially aligned with regulations and standards	Defined processes and responsibilities but uneven execution across units	Some metrics tracked with limited trend data and partial disclosures

75	Comprehensive policy aligned with best practices and regularly reviews	Well-integrated systems with consistent execution, training and oversight in place	Robust metrics with trend analysis, external reporting some independent validation
100	Leading-edge policy which is fully aligned with global standards and embedded in strategy	Fully embedded, optimised and continuously improved, with strong governance and accountability	Clear, measurable positive outcomes, audited/assured data and demonstrable impact over time

Weighting should be partly fixed and partly adaptive. A suggested model is 30% Environment, 30% Social, 30% Governance and 10% Dynamism for the sampled sectors, with the option of modest sector adjustments after stakeholder review. The Dynamism component should not dominate the total score, but it should be large enough to capture post-COVID changes, innovation capacity and resilience.

The 30%, 30%, 30%, 10% split can be framed as a pragmatic, literature-consistent starting point that balances the three ESG pillars while explicitly recognising the growing importance of dynamic, forward-looking factors. Equal weighting of E, S and G has been widely used in practice and shown to be a reasonable way to aggregate ESG scores when no single pillar is demonstrably dominant across sectors, as in MSCI's analysis of equal-weighted ESG ratings (one-third each for E, S and G) versus alternative schemes. At the same time, studies comparing data-driven and expert-based weighting approaches (e.g., Refinitiv vs. SASB) find that simple, balanced weights can still differentiate firms on financial performance, especially post the Paris Agreement, supporting the use of almost equal pillar weights as a robust baseline in the absence of additional insights that can help with any sector-specific optimisation. The additional 10% 'dynamism' component is aligned with evidence that time dependent, industry-specific weights and ESG momentum improve the link between ESG scores and long-term value creation, suggesting that

explicitly rewarding improvement and adaptability is theoretically defensible even if the exact 10% share remains a normative design choice rather than a statistically derived optimum.

8.5.1 Scoring thresholds and red flags

Scoring should also include minimum thresholds for red-flag issues such as major data breaches, repeated labour violations, fraud or serious regulatory non-compliance. A company with excellent scores in one area should not be able to offset severe failures in another area. This is consistent with global concerns about greenwashing and the need for credibility in ESG ratings.

Red-flag categories in ESG standardisation typically cover high-severity legal, environmental, social, governance and reporting failures, each triggering strong score caps or deductions rather than normal weighting. As part of our study, proposed next is a pragmatic framework that we can use.

Role of red flags in ESG scoring : Red-flag events are treated as structural risks that can override otherwise good KPI performance, similar to controversy-based ratings where very severe ongoing incidents drive scores to the bottom of the scale. Leading ESG methodologies use severity bands (ranging from negligible to severe) and sometimes colour coded flags (red, orange, yellow etc.), with severe/very severe cases pushing a company into ‘high’ or ‘severe’ risk categories even if policy disclosures are strong.

Design principles for red-flag thresholds : When standardising ESG metrics, red-flags are best defined at category level (e.g., ‘Severe environmental incident’) with clear triggers (incident types, legal status, frequency etc.) and scoring consequences (caps, floors, deductions etc.).

The table below proposes some indicative categories and scoring consequences calibrated to practices seen in controversy frameworks (theme scores forced down for red/orange

flags) and qualitative penalty systems that assign large negative points for serious violations.

Table 8.4 : Suggested Red-flag Categories and Scoring Consequences

Red-flag category	Typical triggers (examples)	Red-flag threshold (operational definition)	Scoring consequence in standardised ESG framework
1. Legal and regulatory non-compliance	Final adverse ruling or enforcement action for bribery, fraud, cartel behaviour, major environmental or safety non-compliance.	At least one confirmed major legal/regulatory violation in the reporting period (or still ongoing) in any E, S or G domain.	Overall ESG score capped at 'High/Severe risk' band. Governance pillar score cannot exceed 20/100. Apply large deduction (e.g., –30 points or equivalent) to governance metrics cluster.
2. Very severe environmental incident	Large-scale and long-lasting biodiversity damage, repeated breaches of environmental permits classified as very severe controversies.	Any 'very severe' or 'severe ongoing' environmental controversy in the last 3 years or cumulative incidents causing long-term impact as defined by regulators/credible third parties.	Environment pillar score forced to the bottom (e.g., $\leq 20/100$) and overall ESG score capped at medium risk, Additional incident-based deductions (e.g., –10 per very severe event) until remediation independently verified.
3. Human rights violations	Use of forced or unfair employment terms, systemic	Confirmed involvement in at least one major	Social pillar score capped at 20/100. Automatic 'Fail' or

	harassment/discrimination, serious violations flagged under UNGC/ILO norms.	human-rights violation in own operations or key suppliers, not fully resolved or remediated.	‘Watch-list’ signal under global norms. Overall ESG rating cannot exceed ‘Medium risk’ regardless of other metrics.
4. Catastrophic health and safety failures	Workplace fatalities, repeated serious injuries, major safety incidents linked to negligence.	Fatality or cluster of serious injuries attributable to company practices within reporting period or repeated high lost-time injury rates far above peer benchmarks.	Social pillar score floored in bottom quintile. Per-incident penalty (e.g., –10) with cumulative cap. Environmental or governance scores also penalised if root cause is systemic governance failure.
5. Customer safety failures	Large recalls, service-related deaths or serious injuries, regulatory bans on services due to safety risks.	Any major regulator mandated recall or ban due to safety or multiple medium-severity incidents with customer harm over the past 2-3 years.	Governance and social pillars jointly capped (e.g., $\leq 40/100$). Apply step-wise deduction by severity (minor –5, moderate –10, severe –20) to service responsibility metrics cluster.
6. Governance integrity and financial reporting risk	Accounting fraud, major restatements, corruption investigations,	Proven fraud or significant restatement of financials. Ongoing	Governance pillar score set to near minimum (e.g., $\leq 15/100$). Overall ESG score capped at

	insider trading, board-level conflicts of interest.	corruption or major governance investigation by regulators. Adverse auditor opinion.	‘High/Severe risk’. Controversy-based override takes precedence over all positive governance KPIs.
7. Systemic ESG data/reliability issues (greenwashing risk)	Vague targets, unverified data, cherry-picked metrics, incomplete Scope 1-2-3 disclosures for material emissions.	Any combination of material ESG topics identified but no data disclosed. Emissions data missing for material scopes. Sustainability claims unsupported by methodology or third-party assurance.	Apply cross-pillar deduction (e.g., –10 to –20 points on overall score). Treat affected metrics as ‘non-disclosed’ (score = 0) until methodology and assurance are fixed. Possible ‘Watch-list’ flag for greenwashing risk.
8. Repeated medium-severity controversies	Multiple moderate ESG incidents (e.g., local employee disputes, privacy breaches) across themes.	Three or more non-minor controversies on the same theme or across themes within last 3 years, even if individually moderate.	Automatic downgrade of relevant theme/pillar score by one band. Extra deduction (e.g., –5 to –10) to reflect higher reputational and operational risk from pattern of incidents.
9. Global norms and exclusion list breaches	Involvement in cluster munitions, controversial services, severe	Any confirmed red-flag controversy that constitutes breach of global	Company excluded from ‘ESG leaders’ universe. Overall rating set to bottom category.

	breaches of OECD, UNGC or similar norms.	norms or appearance on widely used exclusion lists.	Optional binary screen ('Fail' signal) for strategies that must exclude violators.
10. Non-cooperation on remediation and disclosure	Refusal to cooperate with regulators/NGOs, lack of corrective action plans, persistent opacity around controversies.	After a serious incident, company provides no remediation plan, refuses engagement or continues non-transparent disclosure for two or more reporting cycles.	Maintain or increase penalties over time instead of allowing scores to recover. Controversy flags remain 'ongoing' and prevent upward rating migration until credible remediation is verified.

Overall, the framework should require evidence grading for each metric, such as audited disclosure, third-party assurance, company-reported data, public records or estimated values. This allows users to judge confidence levels and reduces the problem of hidden subjectivity. It also improves comparability because users can see whether two similar scores are backed by similar evidence quality.

8.6 Testing and Stakeholder Feedback

Before final adoption, the framework should be piloted on a small sample of professional services and IT/ITES organisations of different sizes, ownership structures and business models. A pilot helps test whether the indicators are measurable, relevant and not overly cumbersome. It also reveals whether the scoring system can distinguish between firms with genuinely different ESG performance.

Stakeholder feedback should be collected from company management, employees, investors, ESG analysts, auditors, clients, regulators and industry associations. IOSCO's

work shows that ESG ratings become more credible when providers improve communication with rated companies and this principle should be extended to the design stage of the framework itself (International Organization of Securities Commissions (IOSCO), 2021).

Feedback should focus on three questions, namely whether the metrics are relevant, whether the data is available and whether the scores are interpretable. This is important because a technically strong framework can still fail if users do not trust it or if companies cannot reasonably report against it. The pilot should therefore include both qualitative feedback and scoring stress tests.

A revision cycle should follow the pilot. Metrics that are too difficult to measure, too easy to manipulate or not material enough should be removed or revised. This makes the framework practical and also prevents overload, which is a common problem when organisations are asked to report too many ESG indicators at once.

8.7 Incorporating Flexibility and Dynamism

Flexibility is essential because ESG expectations do not remain static. The post-COVID period has shown that organisations must respond to new work patterns, digital risks, AI deployment, geopolitical uncertainty, climate stress and changing employee expectations. A standardised framework must therefore include adaptive components that can evolve without losing comparability.

One way to do this is to create a stable core set of indicators and a smaller rotating set of review indicators. The stable core would remain constant across years for comparability, while the rotating indicators could be updated every two or three years to reflect new risks such as AI ethics, cyber resilience or supply-chain employee screening. This design supports both consistency and relevance.

A second adaptive mechanism is sectoral review. Because professional services and IT/ITES evolve faster than many traditional sectors, the framework should be reviewed

periodically by industry experts, sustainability specialists, regulators and academic researchers. Such reviews can ensure that the framework keeps pace with digital transformation and business-model changes.

A third mechanism is context-sensitive benchmarking. Rather than comparing all firms against one absolute standard, the framework should allow peer-group and trend-based comparisons. This means a company can be assessed on absolute ESG performance, improvement over time and performance relative to sector peers, which is especially useful for fast-changing sectors with different starting points.

A final adaptive feature is disclosure of confidence bands or rating stability flags. If a score is based on incomplete data, the rating should communicate uncertainty rather than pretending precision. This makes the framework more honest, more useful and less vulnerable to misleading comparisons.

8.8 An Integrated Framework

The proposed standardised ESG rating framework should therefore follow a simple logic to establish a common structure, use materiality-based sector calibration, rely on assured and transparent data and allow periodic updates. In practical terms, this means the same broad ESG language can be used across organisations, but the underlying indicators, weights and interpretation should reflect the realities of professional services and IT/ITES in India after COVID.

The framework is best understood not as a replacement for existing disclosure systems but as an integration layer. It can sit above BRSR, ISSB-aligned disclosures and internal ESG reporting, converting them into a more comparable rating output for investors, clients, boards and regulators. This makes it especially suitable for a market where firms face both domestic reporting expectations and global stakeholder scrutiny.

8.8.1 Developing the integration layer concept

The integration layer serves as the connective architecture that aligns the ESG metrics framework with established disclosure standards such as India's Business Responsibility and Sustainability Reporting (BRSR) and the ISSB baseline. It enables consistent data mapping, translation and reconciliation across company-level metrics and regulatory reporting requirements, ensuring that indicators defined for the services sector can be directly linked to BRSR principles and ISSB disclosures without duplication or data fragmentation. By standardising definitions, units of measurement and reporting frequencies, the integration layer enhances comparability, auditability and interoperability, allowing organisations to efficiently generate compliant disclosures while maintaining a single source of truth for ESG performance data.

In the Indian professional services and IT/ITES environment, the integration layer constitutes the technical and governance interface through which the sectoral ESG metrics framework is aligned with domestic and global sustainability reporting baselines, specifically SEBI's BRSR format and the ISSB standards notified or referenced for implementation in India. It operationalises structured mapping of services-sector ESG indicators to BRSR Sections A to C disclosures, National Guidelines on Responsible Business Conduct (NGRBC) principles and relevant ISSB requirements, using harmonised taxonomies, metadata and controlled vocabularies to ensure consistency with Indian regulatory terminology and materiality concepts.

At a systems level, the integration layer can define standard data schemas, validation rules and audit trails so that ESG data from HR, operations, compliance and finance systems can be transformed into regulator-ready outputs, supporting SEBI, MCA and other supervisory expectations on accuracy, completeness and traceability of non-financial information. By enabling rule-based mappings from internal metrics to BRSR and ISSB disclosure templates, this layer reduces duplication of reporting effort, strengthens assurance readiness and ensures that entities in the services industry maintain a unified ESG data

architecture that is responsive to evolving Indian regulatory guidance and global investor requirements.

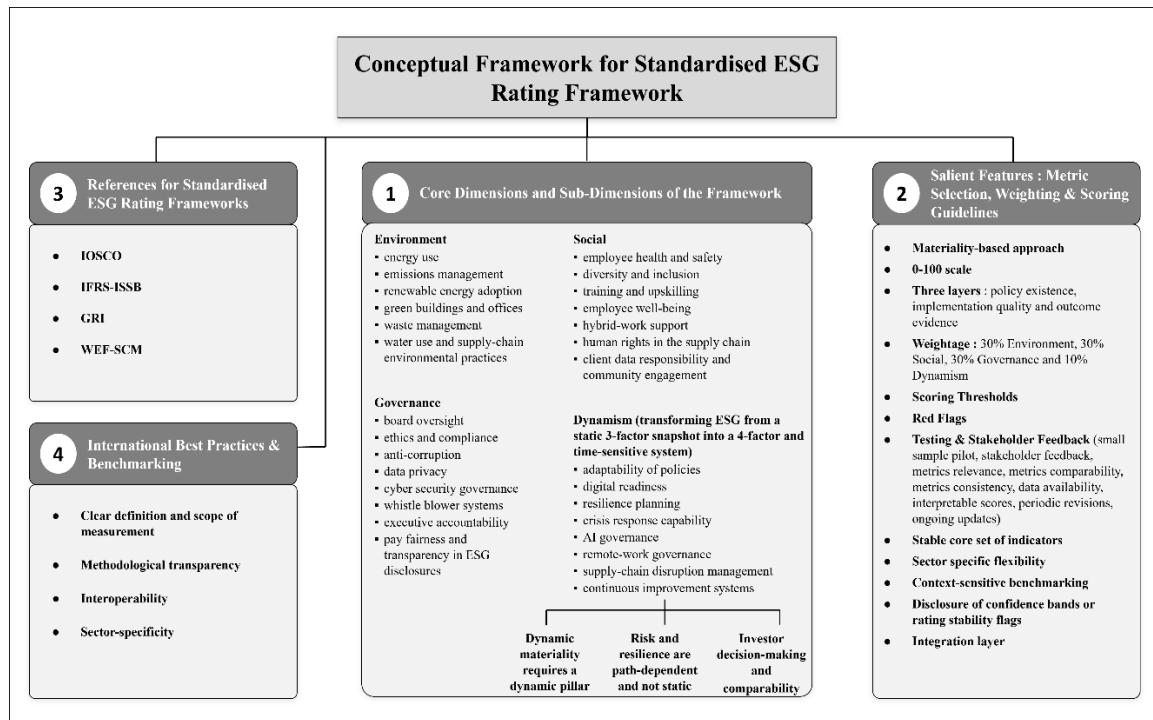


Figure 4: A Structural Overview of the Conceptual Framework for Standardised ESG Rating

8.8.2 Conclusion

In summary, the strongest global lesson is that ESG ratings become more reliable when they are transparent, comparable, sector-sensitive and linked to credible disclosures. For India's professional services and IT/ITES sectors, the best framework is a hybrid model, which is standardised in structure, flexible in application and dynamic in review. Such a framework would improve trust, reduce rating confusion and better reflect the post-COVID reality of digitally enabled, talent-intensive, globally exposed service organisations.

In continuation from Chapter 4 of this study earlier, it is also important to call out that this study focuses on the standardisation of ESG metrics within the Indian services sector specifically for firms already subject to SEBI's Business Responsibility and Sustainability

Reporting (BRSR) requirements, as these top 1,000 listed entities face substantial and still-unresolved challenges around data availability, fragmented systems, assurance and framework alignment even within the existing mandatory regime. Including unlisted companies and smaller organisations, most of which currently fall outside direct BRSR obligations and are only indirectly pulled into ESG reporting via value-chain disclosures, would significantly expand the analytical scope and complexity, risking a loss of depth and manageability in the core objective of consistent metric standardisation. Accordingly, the treatment of firms not subject to BRSR is deliberately excluded at this stage to preserve methodological focus, while being explicitly recognised as an important extension area for future research once baseline standards for listed entities are more mature and operational challenges better understood.

Here in Chapter 8 guiding principles and recommendations for evolving to a more standardised ESG rating approach and framework, by identifying specific areas that need attention across organisations in India's professional services and IT/ITES sectors. As we now move forward to Chapter 9, we would try to discuss the findings considering the theoretical foundations and literature, elaborating implications for organisations, rating agencies, standard-setters and policymakers.

CHAPTER IX:

DISCUSSION AND IMPLICATIONS

This chapter interprets the research findings on standardising ESG ratings in India's professional services and IT/ITES sectors post-COVID, linking them to established theories and literature. It explores practical implications for organisations, rating agencies, standard-setters and policymakers, drawing from qualitative secondary research supplemented by limited primary surveys conducted via LinkedIn and WhatsApp groups.

9.1 Interpretation of Findings in Light of Theories and Literature

The findings show wide inconsistencies in ESG ratings across agencies, intensified by post-COVID shifts in the IT/ITES and professional services sectors, including rapid digital transformation and remote work adoption. To explore these trends, two surveys were conducted via LinkedIn and WhatsApp, targeting industry professionals.

9.1.1 LinkedIn Polls

The LinkedIn survey, conducted over four to six weeks, featured four focused questions on ESG relevance and adoption. Chosen for its strong professional base in India's IT/ITES sector, LinkedIn ensured responses from practitioners involved in ESG decision-making. The survey received a total of 102 responses against the four questions, offering insights into the perceived importance of standardised ESG metrics in the post-COVID landscape. The major findings are as follows:

1. 89% of LinkedIn respondents called standardised ESG metrics essential for business success in the post pandemic environment, while only 11% considered them moderately relevant. Notably, none of the respondents dismissed the need for ESG standardisation as a low priority, underscoring the overall institutionalisation of ESG awareness in the sector.

2. Only 60% felt that the currently available ESG metrics and insights are driving meaningful and actionable outcomes for the Indian IT/ITES sector with some limited impact, while 32% felt that these were having a significant impact. 8% also felt that there was no impact.
3. Furthermore, when asked whether the Indian professional services sector has matured enough to use credible environmental data sources to meaningfully and extract insights, 89% of respondents felt that some progress had been made but a lot more work needed to be done. A small population of respondents had extreme views wherein 7% felt that the journey has just begun and that not much has been achieved, while 4% felt that this had matured significantly.
4. On metrics, when asked which was the most impactful framework group to meaningfully measure and report ESG metrics in India, 51% felt that India based frameworks like BRSR, BRR and NGRBC were most relevant, while 21% felt that Global metrics like GRI, SASB, TCFD and ISSB were extremely useful and 28 % felt that other frameworks like ISO, WEF and SDG were most preferable.

9.1.2 WhatsApp Surveys

In a WhatsApp based survey that was conducted on a pool of 100+ users with a nearly 35%+ response rate (exactly 37 responses), several questions were asked to assess the importance of ESG metrics, the extent of standardisation, their ability to provide a meaningful assessment of the status of ESG standardisation and other similar aspects. The WhatsApp-based survey was conducted over 45 days and targeted a diverse audience, including senior management, directors, mid-level professionals, early-career analysts and students across various sectors. The range of experience included students and junior analysts with 0-5 years of professional experience on the one hand, to directors and senior management with 20-30 years of professional experience on the other hand.

A snowball technique was used and this approach enabled rapid outreach and conversational engagement. The survey garnered responses from participants across Indian cities such as Bengaluru, Mumbai, Kolkata, Delhi, Pune as well as few from international

locations. Key themes included the partial standardisation of ESG metrics, the need for sector-specific indicators, challenges in implementation and the role of regulators versus industry bodies. Respondents emphasised that providers frequently assess different dimensions of ESG performance while employing similar labels, thereby generating confusion among users.

The major findings are as follows:

1. 76% respondents felt that ESG metrics in the professional sector in India were partially standardised. 13% felt that these were not at all standardised, while 11% felt that these were sufficiently standardised.
2. When asked whether industry specific ESG metrics (different for IT, Professional services, ITES/BPO, other industry segments) were essential for fair and meaningful standardisation, 68% said 'yes' while 30% said 'somewhat', with only 2% responding with a 'no'.
3. When asked whether a standardised ESG rating criteria would help their organisations better manage environmental, social and governance risks, 89% said 'would significantly help' while only 11% said 'would partially help'.
4. When asked whether their organisations experienced differing ESG ratings in accordance with different rating agencies (e.g., MSCI, Sustainalytics, CRISIL, ICRA) leading to reporting inconsistencies, 11% said 'yes, majorly', 13% said 'yes partially', and 8% said 'no', while 68% were not aware. This response pattern is quite aligned to observations made through review of secondary literature and informal professional conversations, since a vast majority of the audience in India within this sector are still not exposed to this level of awareness and involvement within their professional setups.
5. When asked whether their organisations currently face significant challenges like governance structure, policies, operational processes or resource burdens in complying with multiple ESG disclosure standards simultaneously (e.g., BRSR, GRI SASB, TCFD, CDP), the response patterns were generally similar to the earlier question. Nearly 60% said that they were 'not aware', while 32% felt that

- ‘significant changes were required to address these challenges’ and only 8% felt that there were ‘no’ challenges.
6. When asked whether a standardised, transparent ESG rating framework would help their organisations to attract and retain top talent, given the growing focus on corporate social responsibility among employees, nearly 60% said ‘yes’, 38% said ‘maybe, under certain circumstances’ and only 2% said ‘no’.
 7. When asked whether stakeholder pressure (from clients, investors, employees or regulators) were critical drivers in pushing their organisations to improve ESG ratings and pursue standardised ESG frameworks, 41% felt that management and organisation internally had a significant focus on ESG within their organisations, while 35% felt that management, external stakeholders and customers were equal drivers and only 24% felt that external stakeholder pressure was the significant driver.
 8. 30% respondents felt that their organisations had difficulties in accessing or understanding the methodologies used by different ESG rating agencies, while only 19% felt that these were self-explanatory. A vast majority of 51% were not even aware.
 9. 76% respondents believed that standardised ESG rating frameworks were critical in facilitating investor decision making and improving capital access for organisations in the Indian professional services and the IT/ITES sectors and only 24% felt otherwise.
 10. 100% respondents agreed that the post COVID transition to hybrid/remote work required new or modified ESG metrics, with 70% suggesting that these should be driven by regulatory bodies like SEBI, MCA etc. and only 30% having a view that these should be deployed by Industry associations and consortiums like NASSCOM, CII or professional organisations of similar nature.
 11. On the question of technology such as AI, automation, blockchain or cloud-based platforms playing a central role in implementing and maintaining standardised ESG rating systems, 62% respondents felt that ‘technology now plays a key role’, while

32% felt that the effect was ‘partial as technology is still in a stage of evolution’ and only 6% suggested that technology may not play any major role.

12. On the overall assessment of the feasibility of achieving standardised ESG ratings across organisations in the Indian professional services and IT/ITES sectors within the next five years, 76% respondents felt that this was challenging but possible and required significant collaboration and regulatory involvement, while 24% felt that this was highly feasible and could be achieved with moderate effort and coordination.

In addition to the above, the primary data collection efforts also established a few key pointers based on views expressed by the respondents. Some of these are as follows :

1. The future of ESG standardisation in India lies in balancing global alignment with local relevance. Stronger digital reporting, third-party assurance and sector-specific metrics will improve credibility and comparability. The focus should move beyond compliance towards measurable, impact-driven sustainability. A unified, transparent and technology-enabled ESG framework would significantly enhance credibility, investor confidence and comparability across sectors.
2. ESG in India should move towards stronger standardisation, sector-specific metrics and assured, data-driven reporting evolving from compliance to a core driver of value, trust and sustainable growth. ESG metrics should be driven more consistently by the Regulatory authorities and also made mandatory for organisations across all industries and that awareness at grassroots level was extremely important to drive this with discipline for the benefit of the current and future generations.
3. A large cross section of respondents felt that capability gaps were real. 60% of respondents reported insufficient ESG training in their organisations. In the future, standardising ESG metrics would become very important to make sustainability reporting more transparent and comparable. Education beginning from the school level and youth engagement should be encouraged so that future professionals understand the value of ESG from an early stage.

4. Developing a comprehensive baseline of sustainability related standards to provide stakeholders with high quality information about sustainability related risks and opportunities across organisations was a critical need of the present times.
5. Post-COVID dynamism matters. Hybrid work, accelerated digitalisation and new data-centre footprints create metrics that static rating models miss. Most professional services managers view post-COVID dynamism as a barrier to static ratings.
6. Regulatory momentum is highly necessary but the focus is still somewhat inadequate. SEBI's BRSR and 2025 regulatory steps improved transparency, yet they do not by themselves eliminate methodological divergence. Sector-specific adaptations and verification continue to remain essential.

These findings align with existing literature that critiques methodological inconsistencies in ESG ratings, where agencies assign different weights to ESG pillars, leading to divergent scores for the same firm.

Stakeholder Theory highlights that firms must balance multiple interests, but inconsistent ratings undermine investor confidence and stakeholder trust. Institutional Theory explains sector-specific adoption patterns, where isomorphic pressures from regulators like SEBI drive mimicry in disclosures. Yet, post-COVID shifts such as supply chain vulnerabilities and hybrid work models introduce dynamism that static ratings fail to capture. Legitimacy Theory further supports the interpretation that firms seek legitimacy through BRSR compliance, but rating divergences may signal greenwashing risks. The proposed framework's adaptive metrics address these challenges, echoing global calls for standardisation through multilevel factor models for ESG convergence (Xie *et al.*, 2025).

9.2 Implications for Organisations (Professional Services and IT/ITES)

Post-COVID, professional services and IT/ITES firms face heightened ESG scrutiny amid remote work, data centre emissions and talent retention challenges. Standardised ratings enable better benchmarking, helping firms like TCS and Infosys align BRSR disclosures with investor expectations, thereby reducing capital costs, as high ESG scores correlate

with lower borrowing rates (Fiorillo *et al.*, 2025). Empirical data reveal that a significantly high proportion of IT leaders prioritise standardisation for credible reporting, implying the strategic integration of ESG into core operations such as green IT and supply chain audits. For professional services, standardised ESG ratings enhance client pitches and mitigate the effects of gig economy dynamism. Literature shows that ESG adopters gain competitive advantages in tenders. Organisations must invest in ESG capabilities, including training which has been identified as lacking, along with technology gaps for metrics tracking. These investments foster resilience, as high-ESG firms outperformed peers during the pandemic. Risks of non-standardisation include the misallocation of resources, such as overemphasising environmental factors while neglecting social dimensions in diverse workforces.

Adopting a more standardised framework leads to adaptive scoring for post-COVID metrics like cyber governance and employee well-being. This fosters innovation, including AI-driven ESG dashboards and real-time analytics. Firms benefit from stakeholder alignment, with a vast majority of stakeholders linking improved employee retention to a strong ESG culture.

Long-term, standardisation mitigates regulatory penalties under SEBI and positions these sectors as global sustainability leaders. While barriers such as data costs persist, phased implementation via frameworks like GRI offers viable pathways.

9.3 A Summarised View of ESG Rating Ecosystems vs. Standardisation Challenges

After the detailed reviews and critical analyses performed as part of this research, and as we get to the conclusive segments of the thesis, this section attempts to create a quick summary of ESG Rating Ecosystems vs. Standardisation Challenges in the professional services and IT/ITES sectors in India, which is presented below in a tabular format.

Table 9.1 : ESG Rating Ecosystem vs. Standardisation Challenges for the Professional Services and IT/ITES Companies in India

Ecosystem dimension	Indian regulatory / market anchor	Sector-specific relevance (professional services and IT/ITES)	Key standardisation challenges
Regulatory status of ESG rating providers (ERPs)	SEBI Master Circular (2023, updated 2025) bringing ERPs under SEBI (Credit Rating Agencies) Regulations, mandatory registration, defined rating products (Core ESG, Transition scores, 0-100 scale).	Large listed IT services firms and some big consulting / professional services entities increasingly use SEBI-registered ERPs. Many mid-tier IT/ITES and advisory firms still rely on global or unregulated rating services.	Dual ecosystem of regulated vs. unregulated ESG ratings. Absence of uniform use of SEBI-registered ERPs across the services value chain undermines comparability and complicates standardisation of ratings for non-listed or smaller entities.
Core ESG disclosure framework for rated entities	SEBI's Business Responsibility and Sustainability Reporting (BRSR) and BRSR Core for top listed entities. ESG ratings expected to	Leading Indian IT companies are within the BRSR/BRSR Core perimeter and can furnish structured ESG data. Most IT/ITES vendors, professional services boutiques and	Lack of a single mandatory ESG reporting standard for non-listed services firms. Ratings draw on heterogeneous disclosure bases, which limits

	rely on BRSR Core indicators.	LLPs are outside mandatory BRSR, relying on diverse voluntary formats.	cross-firm and cross-provider comparability, especially in fragmented IT/ITES supply chains.
Legal and policy drivers underlying ‘E’, ‘S’ and ‘G’	ESG content spread across environmental statutes (Air, Water, Environment Protection Acts), labour and social welfare laws, Companies Act 2013 (CSR, governance), SEBI Act and LODR, anti-corruption and data-protection norms.	Professional services and IT/ITES are more exposed to governance, data protection, ethics and labour/skills laws than heavy environmental regulation, yet rating templates often draw generically from broad Indian ESG law lists.	No consolidated ‘ESG law’ to serve as a uniform baseline. ERPs interpret multiple statutes differently, leading to methodological variance and inconsistent weighting of E, S and G factors for knowledge intensive services sectors.
Rating methodologies and score construction	SEBI framework requires ERPs to publish methodologies, KPIs, weightages,	ERPs use differing materiality maps for IT/ITES (e.g., data privacy, cyber-security, campus emissions,	Methodological divergence and low correlation between scores from different providers; lack of a

	sector classification and to apply a consistent 0-100 scale across products.	employee well-being) and professional services (e.g., independence, ethics, conflict-management), often with limited India-specific calibration.	shared India-centric sector taxonomy and KPI set for services industries drives rating dispersion and hampers standardisation.
Data availability, quality and assurance	BRSR Core emphasises assurance on key ESG metrics, with SEBI signalling the importance of reliable, verified data for investors and ERPs.	Large IT firms can invest in systems to capture and assure ESG data. Smaller IT/ITES and consulting entities often depend on un-audited internal data or client questionnaires, resulting in patchy ESG datasets.	Persistent data gaps and uneven assurance lead to heavy use of estimates and proxies by ERPs. This increases subjectivity, creates scope for greenwashing and undermines efforts to standardise inputs across the Indian services ESG rating ecosystem.
Market demand and use of ESG ratings	Rapid growth of India's IT sector and broader investor interest in sustainability. SEBI-regulated ERPs (e.g., ICRA ESG, CARE ESG)	Global clients and investors increasingly factor ESG ratings into vendor selection and capital allocation decisions for Indian IT/ITES and advisory partners yet receive	Investor and client confusion due to inconsistent ratings and limited transparency on sector-specific methodologies. Difficulty embedding

	and others market ESG scores for investment screening and index construction.	divergent scores for the same company from multiple providers.	ESG scores into procurement and lending frameworks when rating outputs are not standardised across ERPs.
Sector-specific materiality for services and IT/ITES	SEBI ERP rules require disclosure of sector classification and methodology, but do not mandate a detailed, regulator-issued sectoral ESG materiality map for all industries.	Key issues for Indian IT/ITES and professional services (data governance, AI ethics, cyber-security, DEI, remote-work practices) are increasingly recognised but not uniformly defined or weighted in ESG rating models.	Absence of a common Indian materiality framework for knowledge and services sectors. ERPs over- or under-weight specific topics, limiting standardisation of what ‘good’ ESG performance means in professional services and IT/ITES.
Coverage of value chains and MSME service providers	BRSR Core introduces value-chain reporting expectations for top companies, with a focus on their suppliers and partners. It	Large listed IT companies begin to seek ESG data from downstream IT/ITES BPOs, consulting firms and niche professional services providers, many of which are MSMEs outside formal	Asymmetric ESG expectations between large anchors and small service partners. Lack of minimum, standardised ESG data requirements for MSME services firms makes unified rating coverage across the

	remains voluntary for others.	ESG disclosure regimes.	delivery ecosystem difficult.
Governance and business models of ERPs	SEBI mandates policies on conflict-of-interest management, clarity on issuer-pays vs. subscriber-pays models, methodology reviews and public disclosure of rationales.	IT/ITES and professional services firms often engage with ERPs under customised commercial arrangements, with differing degrees of interaction and feedback on scores.	Perceived conflicts of interest and variable engagement practices across ERPs. Absence of widely adopted, sector-agnostic engagement protocols reduces confidence in ratings and complicates standardisation of rating governance norms.

The table below lists some of the top pre- standardisation challenges alongside the post-standardisation benefits.

Table 9.2 : Pre-standardisation Challenges alongside Post-standardisation Benefits

Aspect	Pre-Standardisation Challenges	Post-Standardisation Benefits (IT/ITES and Professional Services)
Reporting	Inconsistent metrics, high effort	Uniform BRSR-aligned KPIs, efficiency gains
Investment	Rating confusion deters FDI	Attracts ESG funds
Operations	Post-COVID dynamism unrated	Adaptive metrics for remote work, emissions
Talent	Well-being overlooked	Standardised ‘S’ scores boost retention

9.4 Implications for Rating Agencies and Standard-Setters

Divergent ESG ratings erode credibility, necessitating unified methodologies. SEBI's 2023 regulations mandated transparency but lacked uniformity in scale. The findings underscored that post-COVID sector dynamism demanded dynamic models. Agencies such as MSCI and Sustainalytics faced biases from data sources, as highlighted in the literature (Berg *et al.*, 2022). The surveys suggested forming specialised committees for sector-specific metrics to reduce divergence.

Standard-setters like ISSB and GRI should prioritise India-specific adaptations, incorporating IT/ITES data flows and professional services intangibles. A vast majority of stakeholders favoured weighted ESG pillars. Enhanced verification mechanisms are essential to combat greenwashing, with implications for subscriber-pays models that rely on public data. Global best practices, such as the EU's ESRS, offer templates for convergence and collaborative platforms for real-time updates are recommended.

Challenges persist, including high costs for SMEs and a shortage of skilled ESG professionals. These have been identified as a major roadblock by experts. While standardisation offers market expansion opportunities for agencies, it also demands conflict mitigation through independent audits. Standardisation guidelines on metric selection and scoring provide a blueprint aligned with calls for unified scales. Ultimately, these implications foster trust and enable accurate risk pricing in dynamic sectors (Yang, Cheng and Nie, 2024).

9.5 Policy Implications for Indian Regulators and Government

A unified ESG taxonomy is critical for India's regulatory landscape. SEBI and the Ministry of Corporate Affairs (MCA) jointly mandate standardised frameworks, building on the Business Responsibility and Sustainability Report (BRSR) (Securities and Exchange Board of India (SEBI), 2023b). Without a dominant focus on harmonisation, inconsistencies across industries and reporting entities risk undermining credibility. A national taxonomy would ensure comparability, reduce duplication and align India with global best practices such as the EU's Sustainable Finance Disclosure Regulation (SFDR).

Post-COVID realities further highlight the need for sector-specific ESG norms. For IT/ITES firms, metrics around data centre energy efficiencies, renewable power adoption and e-waste management have become essential. Professional services, by contrast, emphasise talent-related ESG dimensions like employee well-being, diversity and ethical contracting. Such tailored standards reflect sectoral dynamism while preventing generic, superficial compliance.

Policy instruments need to incentivise adoption through green procurement mandates, where government contracts prioritise vendors with strong ESG scores. This creates market pull, especially for MSMEs and complements regulatory push. There is an overwhelming support for the demand for a national ESG authority, underscoring the need for centralised oversight. This aligns with academic literature on fragmented regulatory regimes, which often dilute accountability and foster greenwashing (Hassan, 2024).

To strengthen credibility, regulators must enforce audited ESG disclosures, integrating them with instruments like RBI's green bonds. This linkage would channel India's USD 40+ billion ESG investments into verifiable impact, curbing reputational risks. Policy implications extend to capacity building, including ESG training subsidies for corporates, technology mandates for automated reporting and digital platforms for disclosures. These measures support India's net-zero 2070 trajectory, embedding ESG into long-term climate commitments (Climate Bonds Initiative, 2025).

Global lessons reinforce this approach. The EU's Carbon Border Adjustment Mechanism (CBAM) demonstrates how penalties (carbon tariffs) and incentives (tax breaks for high ESG scorers) can coexist to drive compliance (European Commission Taxation and Customs Union, n.d.). India could adapt this dual model, offering fiscal incentives for ESG leaders while penalising laggards through higher compliance costs.

Simplified ESG metrics commonly ones such as energy intensity, water usage and workforce diversity, would also allow smaller firms to participate without excessive compliance burdens. This approach would support de-urbanisation and a fair approach to transitions, ensuring equitable growth across regions. Phased rollouts, extensive

stakeholder consultations and alignment with international frameworks like the ISSB standards will ensure scalability and credibility.

Collectively, these measures would position India as a global ESG leader, capable of attracting significantly increased foreign direct investment (FDI) while addressing domestic sectoral challenges. By embedding ESG into regulatory, financial and industrial policy making, India can balance growth with sustainability, reinforcing its role in shaping the global ESG discourse.

The table below lists some of the common current gaps and recommended actions in various policy areas.

Table 9.3 : Common Current Gaps and Recommended Actions in Various Policy Areas

Policy Area	Current Gap	Recommended Action
Standardisation	No uniform scale	National taxonomy, SEBI-led
Enforcement	Unaudited BRSR	Mandatory third-party audits
Incentives	Limited for SMEs	Green credits, subsidies
Sector Focus	Generic norms	IT/ITES-specific KPIs

9.6 Mapping of Propositions with Empirical Evidence

The table below lists out the Propositions covered earlier in Chapter 3 and also confirms whether empirical evidence from this research strongly supports, partially supports or contradicts each of them.

Table 9.4 : Mapping of Propositions and their Respective Conclusions

No.	Proposition No.	Proposition Brief Description	Conclusion based on Empirical Evidence
1	P1	Stakeholder orientation and standardisation	Partially Supports

2	P2	Institutional pressures and convergence	Strongly Supports
3	P3	Legitimacy motives and transparency	Strongly Supports
4	P4	Dynamism as a driver of adaptive standardisation	Partially Supports
5	P5	Dynamism and perceived usefulness of ratings	Partially Supports
6	P6	Organisational scale and capabilities	Partially Supports
7	P7	Global exposure and alignment	Strongly Supports
8	P8	ESG governance and measurement quality	Strongly Supports
9	P9	Human capital and digital well-being as core metrics	Partially Supports
10	P10	Digital ethics and data governance	Strongly Supports

9.7 Conclusion and Chapter Summary

The following table quickly revisits the key research questions, objectives and outcomes that we had covered at the beginning of this thesis in Chapter 1 Sections 1.06 and 1.07. These had been selected as they provided a coherent line of inquiry from conceptual understanding (what ESG ratings are and why they diverge) through contextual analysis of the post-COVID changes in the sampled sectors to following a path towards an evolved approach for a framework that would potentially be more standardised, yet flexible. The table has been used to review and reconfirm that all the aspects have been adequately covered.

Table 9.5 : Aspects covered in line with the Research Questions, Objectives and Outcomes

No.	Category or Type	Description	Status
1	Research Question	How have ESG ratings evolved globally and in India and what are the main sources of divergence across rating providers, mainly in the context of professional services and IT/ITES sectors ?	Covered
2	Research Question	In what ways has the post-COVID context altered the material ESG issues for professional services and IT/ITES organisations in India?	Covered
3	Research Question	How do current ESG disclosures (e.g. BRSR) and rating practices capture or fail to capture this dynamism and what gaps exist from the perspective of key stakeholders?	Covered
4	Research Question	What dimensions and principles would be appropriate to help evolve to a more standardised ESG rating approach for the professional services and IT/ITES sectors in India, while remaining adaptable to future changes?	Covered
5	Research Question	How can insights from limited primary stakeholder surveys, combined with extensive secondary literature, be synthesised to generate practical recommendations and insights for further research in these sectors?	Covered
6	Research Objective	To critically study, evaluate and synthesise global and Indian literature on ESG ratings, with a particular focus on rating divergence, methodological differences and efforts towards standardisation.	Covered

7	Research Objective	To examine the evolution of ESG reporting in India, including regulatory developments such as BRSR and sector-level ESG performance patterns, with emphasis on professional services and IT/ITES sectors.	Covered
8	Research Objective	To analyse how the post-COVID context has reshaped operational models, ESG materialism and stakeholder expectations in professional services and IT/ITES sectors, drawing on secondary sources and limited primary survey insights.	Covered
9	Research Objective	To identify key challenges and gaps in current ESG rating practices for these sectors, including issues pertaining to information consistency, indicator relevance, sector comparability and responsiveness to dynamism.	Covered
10	Research Objective	To propose guiding principles and recommendations for evolving to a more standardised ESG rating approach by identifying specific areas that need attention across organisations in India's professional services and IT/ITES sectors in the post-COVID era that can support future research.	Covered
11	Research Outcome	A high level and indicative mapping of ESG rating ecosystems and standardisation challenges, with specific references to the Indian regulatory and market context.	Covered
12	Research Outcome	A nuanced understanding of how post-COVID transformations in professional services and IT/ITES sectors intersect with ESG dimensions, highlighting sector-specific material issues such as remote	Covered

		working, data centres, digital well-being and cyber security.	
13	Research Outcome	Insights from limited primary stakeholder surveys (via LinkedIn and WhatsApp) that illustrate perceptions of ESG ratings and expectations around standardisation, recognising the exploratory and qualitative character of such data.	Covered
14	Research Outcome	A set guiding principles and practical recommendations for evolving to a more standardised ESG rating approach, with suggestions for future research involving more extensive analysis and validation.	Covered – Continued in Chapter 10

In conclusion, this chapter has demonstrated that ESG standardisation is both a strategic imperative and a practical necessity for India’s professional services and IT/ITES sectors in the post-COVID era. The integration of primary survey data with theoretical frameworks and a detailed review of pre-existing literature reveal a strong industry consensus on the need for dynamic, sector-specific ESG metrics. While challenges remain, the proposed standardisation approach offers a viable path forward. Future research should explore implementation models and track regulatory outcomes to further refine ESG standardisation in India.

As such, here in Chapter 9 we discussed the findings in detail, considering the theoretical foundations and literature, elaborating implications for organisations, rating agencies, standard-setters and policymakers. As we now move forward to the final Chapter 10, we would try to conclude the thesis by summarising key findings, highlighting contributions to theory and practice, acknowledging limitations and references to directions for future research on ESG rating standardisation in dynamic service sectors like professional services and IT/ITES.

CHAPTER X:

SUMMARY, LIMITATIONS, RECOMMENDATIONS FOR FUTURE RESEARCH AND CONCLUSION

This chapter synthesises the research on standardising ESG ratings in India's professional services and IT/ITES sectors post-COVID, drawing extensively from qualitative secondary sources and supported by limited primary surveys. It recaps findings, highlights contributions, acknowledges constraints, suggests future paths and offers closing thoughts.

10.1 Summary of Key Findings

As we have already observed in chapter 9, this study has revealed significant divergences in ESG ratings across agencies, exacerbated by post-COVID dynamism in professional services and IT/ITES sectors, such as accelerated digital transformation and remote work. Key findings indicate that while SEBI's BRSR and 2025 Master Circular on ESG Rating Providers (ERPs) have pushed standardisation, challenges persist in data quality, sectoral metrics and comparability. Divergent ratings persist. Multiple agencies continue to produce materially different ESG scores for the same firms and this inconsistency impacts comparability and investor confidence.

The proposed framework in chapter 8 emphasises adaptive metrics for dynamism, aligning with ISSB and TCFD, which are very relevant for India. Overall, regulatory progress like BRSR Core has improved transparency, but full standardisation requires principles-based flexibility to suit sector-specific needs.

The LinkedIn survey (with 102 responses) and the WhatsApp survey (with 37 responses) together show strong practitioner support for ESG metrics standardisation. The findings from the extensive secondary research and the limited primary information gathering and analyses align with previous documentation that critiques methodological inconsistencies

in ESG ratings, where agencies assign different weights to ESG pillars, leading to divergent scores for the same firm.

As we have already covered in chapter 9, in reference to the Stakeholder Theory requirements, firms must balance multiple interests, but inconsistent ratings undermine investor confidence and stakeholder trust. Similarly, based on guidance from the Institutional Theory, sector-specific adoption patterns and isomorphic pressures from regulators like SEBI drive mimicry in disclosures. However post-COVID shifts such as supply chain vulnerabilities and hybrid work models introduce dynamism that static ratings fail to capture. Also, in line with the Legitimacy Theory, firms seek legitimacy through BRSR compliance, but rating divergences may signal greenwashing risks. The proposed framework's adaptive metrics address these challenges, echoing global calls for standardisation through multilevel factor models for ESG convergence.

Indian ESG ratings for professional services and IT/ITES remain fragmented. Methodological inconsistencies and only partial alignment with sector-specific risks indicate that meaningful standardisation is still emerging, rather than achieved. An interpretive reading of secondary evidence suggests that the current ecosystem produces useful signals for investors but also entrenches opacity, comparability gaps and mixed incentives for firms.

10.1.1 Synthesis of Key Findings

Secondary literature on ESG in India consistently highlights rapid growth in ESG reporting and ratings coverage, driven by regulatory push such as enhanced disclosure norms and the rise of sustainability-focused capital. However, these advances coexist with persistent issues of non-standardised disclosures, selective reporting and variability in data quality, especially on environmental and social dimensions. This is a very dominant theme in the Indian professional services and IT/ITES sector.

Studies examining Indian ESG rating agencies show substantive divergence in scoring frameworks, indicator weights and treatment of qualitative disclosures. This heterogeneity

leads to low inter-ERP reliability, making a firm's ESG profile highly contingent on the chosen provider and weakening the promise of ESG as an objective decision support tool.

Sector-focused work, such as case studies on Infosys and other large listed firms available in the public domain, suggests that high ESG performance can correlate with stronger investor confidence and improved financial metrics over time. Yet there is also a broader view that higher ESG scores may coincide with lower near-term income, underscoring trade-offs and lagged payoffs between sustainability investments and financial outcomes in the Indian context.

For professional services and IT/ITES, where environmental footprints are relatively indirect and intangible capital dominates, current rating templates often import manufacturing-oriented indicators, diluting sector relevance. This misalignment manifests in underweighting issues such as data privacy, digital inclusion, algorithmic fairness and human capital development that are central to knowledge-intensive services.

Implications for Standardisation

It has been observed that secondary sources point to an ESG rating regime in India that is maturing in breadth but uneven in depth and coherence. The combination of inconsistent disclosure practices, divergent rating models and limited sector calibration constrains the comparability and decision usefulness of ESG scores for professional services and IT/ITES firms.

From an interpretational standpoint, ESG standardisation in these sectors should be understood less as a technical exercise of metric harmonisation and more as a negotiated social process among regulators, rating agencies, firms and investors. The evidence suggests that emerging standards will only be robust if they embed sector-specific materiality (e.g., human capital, governance of digital risks etc.) while also converging on minimum common indicators that enable cross-firm and cross-provider comparison.

The thesis therefore interprets current ESG rating practices as simultaneously enabling and constraining sustainable value creation in Indian professional services and IT/ITES. It enables by legitimising non-financial performance in capital markets but also puts in

constraints by reproducing opacity and misaligned incentives through methodological fragmentation. Standardisation, in this light, emerges not as an end-state already achieved, but as an evolving trajectory that demands iterative alignment between global frameworks and the distinct institutional, regulatory and sectoral realities of India's services-led economy.

10.1.2 Addressing the Research Question

ESG ratings can be standardised across organisations in India's professional services and IT/ITES sectors in the post-COVID era by anchoring all assessments to a common regulatory and methodological backbone, specifically, SEBI's BRSR and BRSR Core disclosure frameworks. This can be done while overlaying sector-specific materiality, uniform scoring norms and robust assurance mechanisms. Building on SEBI's move to mandate structured sustainability reporting and regulate ESG rating providers, standardisation should begin with harmonised, BRSR-aligned input data, defined according to shared taxonomies, calculation rules and independently assured for a core set of environmental, social and governance indicators to mitigate greenwashing and reporting bias. On this foundation, rating providers and industry bodies can co-develop a common materiality map for professional services and IT/ITES that emphasises post-COVID priorities such as digital emissions and data-centre efficiency, data privacy and cyber security, hybrid-work health and safety, employee well-being, diversity, inclusion and digital ethics, with transparent and consistent weighting schemes and a convergent 0-100 scale. Finally, by requiring methodological transparency, periodic model review and explicit mapping between disclosed BRSR indicators and ESG scores, supplemented by sector codes of conduct and KPI libraries issued by industry associations, regulators, investors and firms can ensure that ESG ratings within these sectors are comparable across organisations, useful for decision making and capital allocation, as well as remain finally responsive to the heightened social and governance expectations that have emerged in the post-COVID context.

- **Regulatory foundation in India**

SEBI has already moved to standardise ESG disclosures and ratings by mandating Business Responsibility and Sustainability Reporting (BRSR) for the top 1,000 listed companies from FY 2022-23 and introducing BRSR Core with third-party assurance for select metrics from FY 2023-24. SEBI's Master Circular for ESG Rating Providers (ERPs), issued in July 2025, requires mandatory registration of ERPs, transparent methodologies, clear 0-100 rating scales and strict conflict-of-interest controls, creating a uniform governance baseline. These measures shift ESG ratings into a regulated space, which is a prerequisite for standardisation across organisations and sectors.

- **Common disclosure backbone : BRSR/BRSR Core**

Standardisation across professional services and IT/ITES firms depends first on harmonised inputs, which India now has through BRSR. BRSR requires comparable, structured environmental, social and governance disclosures that all large companies must provide, while BRSR Core mandates assured data on a defined subset of key indicators, improving reliability and comparability of ESG data. Going forward, unlisted or smaller firms in these sectors can also align voluntary reporting templates with BRSR/BRSR Core (even if not legally required) and this would create consistency in the dataset used by rating providers.

- **Standardised rating methodology and scale**

The second layer of standardisation is a convergent rating methodology and scale across ERPs. SEBI's framework already mandates that ERPs disclose methodologies, use clear rating scales (e.g., 0-100) and publish rationales, which helps reduce divergence. Building on this, industry and regulators can promote a common 'Core ESG Rating' definition based solely on assured, BRSR-aligned data, while allowing additional 'Transition' or 'Thematic' scores as clearly labelled overlays, limiting confusion between different rating types.

- **Sector-specific materiality for professional services and IT/ITES**

Standardisation does not mean identical metrics. It means a shared structure with sector-specific materiality. Methodological divergence globally often stems from different views on which issues are material, how missing data is treated and whether scores are sector-relative or absolute. For professional services and IT/ITES, a standardised sector materiality map can prioritise themes such as energy use of data centres, e-waste and digital emissions, data privacy and cyber security, workforce health, safety and well-being (especially post-COVID), diversity and inclusion, remote-work practices, governance of AI and digital ethics. Using a common India-tailored materiality map, similar to how some providers use SASB-based weighting by industry, ensures that ratings across firms in these sectors are comparable because they rest on the same set of weighted issues.

- **Assurance, data quality and anti-greenwashing**

Standardisation also requires confidence in the underlying data, especially in a post-COVID context where stakeholder expectations on health, safety and social practices have increased. SEBI's requirement that Core ESG Ratings rely solely on third-party assured data directly addresses greenwashing risk and supports more consistent scoring. Extending assurance practices beyond BRSR Core indicators, particularly for high-impact social and governance indicators in services/IT (e.g., attrition, employee welfare, data breach incidents) would further align ratings across providers. Regulators and industry bodies can also promote common definitions for key metrics (such as what counts as a 'data breach' or 'training hour') to reduce variability that arises from different company interpretations.

- **Alignment of ERPs and transparency requirements**

Major Indian ESG rating providers now operate under SEBI's ERP regulatory framework, which standardises who can issue ratings and how. SEBI's consultation and subsequent regulations already push ERPs to define environmental, social and governance components clearly, publish methodologies and symbols, as well as periodically review and update their models, improving transparency and

comparability. Encouraging ERPs to explicitly map their indicators to BRSR fields and to India-specific ESG parameters (like MSME sourcing, CSR utilisation and local governance norms) further aligns ratings across providers and makes cross-company comparisons in these sectors more standardised and meaningful.

- **Role of industry bodies and post-COVID priorities**

Finally, sector associations and large anchor firms in India's professional services and IT/ITES industries can co-create voluntary 'sector ESG codes' that translate SEBI and BRSR requirements into operational checklists and KPI libraries tailored to post-COVID realities (remote/hybrid work, employee mental health, digital infrastructure resilience). If these sector codes are widely adopted and referenced by ERPs, they act as a de facto standard that ensures firms are assessed on the same ESG themes and metrics, promoting comparability without stifling innovation in ESG practices. Combined with investor pressure for consistent ratings and increased stakeholder scrutiny after the pandemic, this ecosystem approach can make ESG ratings across professional services and IT/ITES organisations in India significantly more standardised, useful for decision making and resistant to greenwashing.

10.2 Contributions to Theory and Practice

The study extends Stakeholder, Institutional and Legitimacy theories by introducing the concept of dynamic standardisation, a middle path that preserves comparability while allowing adaptive metrics for sectoral dynamism. The framework, as explained in chapter 8 provides adaptive metric guidelines. For example, scoring adjustments for remote-work related social indicators and data-centre energy intensity, helping IT/ITES and professional services align disclosures with investor expectations and BRSR norms. For rating agencies, it recommends methodology transparency, echoing ESMA and IOSCO calls, potentially reducing score divergences.

Given below are a few practical contribution tips for rating agencies and standard-setters. Recommendations include transparent weighting, sector committees and third-party

verification to reduce divergence and greenwashing risk. The table below illustrates targeted impacts, enhancing both academic discourse and operational efficiency.

Table 10.1 : Mapping of Stakeholders with Theoretical Contribution and Practical Tool

Stakeholder	Theoretical Contribution	Practical Tool
Organisations	Dynamic constructs in Institutional Theory	Adaptive metric guidelines
Rating Agencies	Legitimacy via standardised assurance	BRSR-aligned KPIs
Regulators	Policy for sectoral flexibility	National ESG taxonomy

10.3 Limitations

10.3.1 Brief Summary

Primarily qualitative secondary research limits the ability to generalise, relying on reports and papers prone to reporting biases. The small primary sample, with 139 responses from LinkedIn (102 responses) and WhatsApp (37 responses) surveys, does not have a robust statistical backing, potentially lacking the scale needed to obtain a fully representative view for large and diverse organisation sizes. Focus on professional services and IT/ITES excludes SMEs, where resource constraints amplify standardisation barriers. Post-COVID dynamism (2020-2026) evolves rapidly and findings may date quickly amid 2025 SEBI updates. Data inconsistencies across sources, like varying ESG scores in IT firms, challenge reliability. Ethical issues in surveys, like self-selection bias and absence of interviews, limit depth, aligning with Chapter 6. 8 trustworthiness notes.

10.3.2 Detailed Explanation

Secondary research on ESG metric standardisation in India's professional services and IT/ITES sectors is constrained by multiple structural, data and methodological limitations that need to be explicitly acknowledged in an academic study.

- **Scope and coverage of available ESG data**

Public ESG disclosures in India are concentrated among the top 1,000 listed entities subject to SEBI's BRSR/BRSR Core, which excludes a large portion of unlisted and SME professional services and IT/ITES firms and limits sector-wide generalisation. Many consulting, IT services and smaller ITES providers are not under a statutory obligation to publish ESG reports, so their ESG practices are only partially visible through investor requests or voluntary disclosures, creating selection and survivorship bias in any secondary dataset.

Even within listed IT companies, existing empirical work finds uneven levels of ESG disclosure across firms and dimensions, particularly weaker environmental and resource- efficiency metrics, which constrains balanced analysis across ESG pillars.

- **Heterogeneity of ESG frameworks and metrics**

Indian firms in services and IT/ITES often report against a mix of global standards (e.g., GRI, SASB, ISSB, ISO) and local frameworks such as BRSR, creating heterogeneous indicator sets and definitions across companies. The absence of unified ESG standards means organisations navigate a patchwork of guidelines and proprietary rating methodologies, making cross-company and cross-sector comparison of ESG performance inherently difficult in secondary research.

Key ESG terms and metrics (e.g., 'injury rate', 'diversity', 'Scope 3 emissions' etc.) are defined and measured differently across frameworks and companies. As such researchers risk comparing incompatible units and scopes while aggregating secondary data.

- **Sector-agnostic regulatory design and contextual misalignment**

The BRSR's largely sector-agnostic, quantifiable metric set enables comparison across industries but does not fully account for the distinct impact profile of professional services and IT/ITES versus manufacturing, leading to potential misrepresentation of material issues.

Some ESG parameters embedded in BRSR Core (such as product recall policies or certain circularity indicators) are more relevant for product-based sectors than service-based firms, reducing their informational value for professional services and IT/ITES in secondary analysis.

Literature notes that Indian ESG reporting often applies generalised global frameworks to local industries without full contextual adaptation, so secondary studies may inherit this misalignment between metrics and local social, environmental and governance realities.

- **Data quality, fragmentation and system-related constraints**

Indian companies frequently struggle with inconsistent data collection processes, legacy systems and siloed ESG information across departments (HR, procurement, operations, sustainability), creating fragmented and error-prone datasets that secondary researchers must rely on.

Many organisations still depend on manual or spread sheet-based tracking for ESG indicators, leading to gaps, inconsistent formats and limited traceability, issues that directly affect the reliability of compiled secondary data.

Data availability and quality problems are particularly acute among SMEs and mid-sized firms, where awareness of ESG reporting and investment in data systems remain low, constraining representative coverage of the broader services and IT/ITES ecosystem. Keeping that in mind, the same has been kept out of the scope of standardisation efforts as part of this project.

- **Value chain and Scope 3 measurement limitations**

SEBI's BRSR Core requires increasing disclosure on value chain ESG impacts (including Scope 3 emissions and supplier practices), yet Indian corporates report significant difficulty in collecting and tracking such metrics across complex service-oriented supply chains.

Many supply-chain partners for IT/ITES and professional services (e.g., small vendors, subcontractors etc.) are unlisted firms with limited capacity or willingness

to track emissions, labour practices or diversity data, resulting in major gaps in downstream metrics available to researchers.

Limited visibility into deeper tiers of the value chain means that secondary ESG datasets often under-represent indirect environmental and social risks that are material for globally integrated IT services and outsourcing models.

- **Assurance, credibility and risk of greenwashing**

While BRSR Core introduces phased ESG assurance requirements, many disclosures remain unaudited or only partially assured, raising questions about the reliability of self-reported ESG metrics used in secondary research. Legal and policy analyses highlight the absence of mandatory external audit across all BRSR metrics and note that this increases the credibility risk of greenwashing, where firms overstate ESG efforts without commensurate action.

For professional services and IT/ITES, where much of the ESG reporting relates to qualitative policies (e.g., ethics, diversity, training), secondary researchers face particular difficulty in verifying whether reported governance and social indicators reflect actual practice or aspirational narratives.

- **Temporal instability and evolving regulatory landscape**

India's ESG disclosure regime has evolved rapidly, from BRR to BRSR and then BRSR Core with expanded KPIs and assurance requirements, so ESG metrics, scopes and reporting expectations differ substantially across time periods, complicating longitudinal secondary analyses.

New and frequently updated rules introduce additional metrics and granularity, meaning the indicators acceptable in one year may not meet standards in subsequent years, undermining temporal comparability in panel datasets.

Companies are still in the process of reconfiguring systems and processes to comply with upgraded BRSR Core requirements, and mid-corporates are refining sustainability practices, so early-period data in many secondary studies may represent a transition phase rather than stable practices.

- **Methodological limitations inherent to secondary data**

Secondary research on ESG metric standardisation necessarily depends on what companies choose to disclose, which introduces reporting bias. Non-material issues may be omitted and reputationally favourable topics may be over-emphasised in published reports.

Differences in materiality assessments across firms and rating agencies, shaped by industry, geography and stakeholder pressures, mean that the set of ESG topics reported is not uniform, constraining attempts to build standardised indicator sets across services and IT/ITES.

Many ESG rating methodologies (including commercial scores) apply proprietary weighting schemes and sector-specific exclusion rules (e.g., marking certain indicators as ‘not relevant’) that are not fully transparent, limiting researchers’ ability to reconstruct or standardise composite metrics.

- **Comparability, benchmarking and generalisation constraints**

The lack of standardised ESG definitions and metrics across firms and frameworks leads to compromised comparability and benchmarking, especially when aggregating data for cross-company or cross-sector studies within professional services and IT/ITES.

Sector-specific differences in business models (consulting, IT services, ITES/BPO, captive centres) mean that a single common yardstick for ESG performance may obscure material nuances, making broad generalisations from secondary metrics potentially misleading.

Because Indian ESG reporting maturity varies significantly across firms, existing studies find performance gaps and disclosure asymmetries, so any standardisation exercise based on secondary data risks over-representing more mature, larger IT firms while under-representing less advanced providers.

- **Resource, cost, and organisational constraints shaping disclosures**

ESG implementation and reporting requires significant upfront investment in systems, training and process changes, which many small and mid-sized Indian

businesses in services and IT/ITES struggle to afford, leading to minimal or fragmented reporting in the sources available to researchers.

Internal team alignment around ESG data collection is often weak and without coordinated ownership across functions. As such the resulting disclosures can often be incomplete or inconsistent, thereby affecting the robustness of any secondary analysis built on them.

Cultural and organisational barriers, such as resistance to transparency around labour rights, wellness, diversity or supply-chain practices, further limit the depth and candour of ESG data in the public domain, constraining nuanced qualitative and quantitative secondary research.

10.4 Mapping of Propositions with Empirical Evidence

The table below lists out the Propositions covered earlier in Chapter 3 and also confirms whether empirical evidence from this research strongly supports, partially supports or contradicts each of them.

Table 10.2 : Mapping of Propositions with Empirical Evidence

No.	Proposition No.	Proposition Brief Description	Conclusion based on Empirical Evidence
1	P1	Stakeholder orientation and standardisation	Partially Supports
2	P2	Institutional pressures and convergence	Strongly Supports
3	P3	Legitimacy motives and transparency	Strongly Supports
4	P4	Dynamism as a driver of adaptive standardisation	Partially Supports
5	P5	Dynamism and perceived usefulness of ratings	Partially Supports
6	P6	Organisational scale and capabilities	Partially Supports
7	P7	Global exposure and alignment	Strongly Supports

8	P8	ESG governance and measurement quality	Strongly Supports
9	P9	Human capital and digital well-being as core metrics	Partially Supports
10	P10	Digital ethics and data governance	Strongly Supports

10.5 Directions for Future Research

Following are the key areas which have come out as probable focus items for future research.

1. Quantitative studies should test the proposed framework via large-scale surveys or panel data across more sectors, measuring rating convergence pre/post-implementation. Longitudinal analyses could track BRSR Core impacts on IT/ITES post-2026.
2. Exploring AI/blockchain for real-time ESG data in dynamic environments would help in addressing Scope 3 challenges in services.
3. Comparative research with data from Brazil and China on emerging market standardisation would also contextualise India in a more comprehensive manner.
4. Incorporation of SMEs and supply chains, using mixed methods, would enhance inclusivity.
5. Investigation of investor behaviour via experiments would also help better understand rating divergences.

These directions would further build on gaps, fostering robust ESG ecosystems and advance efforts to further standardise ESG Ratings.

Table 10.3 : Mapping of Research Areas with Methods and Expected Outcomes

Research Area	Method	Expected Outcome
Framework Testing	Surveys/Panel Data	Quantify convergence
Tech Integration	Case Studies	AI for dynamism
Cross-Country	Comparatives	EM benchmarks

SMEs Focus	Mixed Methods	Inclusive models
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10.6 Practical Next Steps for Stakeholders

For firms, priorities should be capacity building, investing in ESG training (addressing the significant training gap mentioned earlier), adopting adaptive dashboards for real-time metrics and aligning disclosures to BRSR-aligned KPIs.

Rating agencies should publish transparent methodologies, convene sectoral expert committees and pilot weighted pillar approaches to reflect IT/ITES and professional services realities.

Regulators and policymakers must advance a national taxonomy, mandate third-party audits for BRSR disclosures and design incentive mechanisms (green procurement, subsidies etc.) to accelerate adoption, while ensuring MSME inclusion through simplified metrics and phased rollouts.

10.7 Reflexive Concluding Statement

In conducting this research on ESG metric standardisation in India's IT/ITES and professional services sector, I have relied heavily on publicly available regulatory documents and corporate disclosures, particularly SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework and its BRSR Core metrics, as well as global standards such as GRI and SASB, to infer patterns of convergence and divergence in ESG reporting practice.

I recognise that these instruments, while clearly pushing Indian firms toward more structured and comparable ESG reporting, are themselves evolving within a global landscape where no universally accepted ESG metric standard yet exists. My analysis inevitably mirrors this transitional state. I have tried to keep a fair balance between qualitative dimensions of ESG practices, the collective sense within organisations,

quantitative indicators and assured disclosures, thereby reinforcing the very tendency of ESG to become metric-driven compliance. I am also conscious that focusing on relatively large, listed and often globally integrated IT/ITES and professional services firms can bias the findings toward more mature ESG adoption and disclosure practices, potentially overstating the sector's preparedness when compared with less visible or non-listed actors in India's broader service economy.

Reflexivity, as a practice of critically examining how my own assumptions and positionality shape knowledge construction, leads me to acknowledge that my orientation toward regulatory alignment, investor signalling and cross-company comparability has influenced how I define and evaluate 'progress' in ESG metric standardisation in this study. I also feel that future work would benefit from deeper engagement with stakeholder voices and organisational narratives that lie beyond the formal reporting templates.

10.8 Final Reflections

Standardising ESG ratings in India's professional services and IT/ITES sectors is both a strategic imperative and a practical necessity. The evidence through secondary literature and practitioner surveys, points to a clear industry preference for a harmonised, adaptive approach that balances comparability with sectoral nuances. Implementing the proposed framework, strengthening verification and investing in capacity will reduce rating divergence, improve risk mitigation and help position India as a much more credible player in global sustainability efforts.

APPENDIX A

LINKEDIN POLL QUESTIONS

Q1 : How important is it for different industry sectors in India to adopt standardised ESG metrics in the post-COVID environment?

- Essential for business success
- Moderately relevant
- Not an immediate priority

Q2 : Which of the following in your opinion is the most impactful framework group to meaningfully measure and report ESG metrics in India ?

- Global : GRI, SASB, TCFD, ISSB
- India : BRSR, BRR, NGRBC
- UN SDG's, WEF and similar
- ISO Frameworks ISO14K, ISO26K

Q3 : Are the currently available ESG metrics and insights driving meaningful and actionable outcomes for the Indian IT/ITES sector ?

- Yes, in a significant manner
- Yes, but with limited impact
- No

Q4 : Has the Indian professional services sector matured enough to use credible environmental data sources to meaningfully extract insights?

- Yes, matured significantly
- Progressed, more work needed
- No, the journey has just begun

APPENDIX B

WHATSAPP SURVEY QUESTIONS

Q1 : Do you think that ESG metrics in the professional sector in India are sufficiently standardised?

Q2 : Are industry specific ESG metrics (different for IT, Professional services, ITES/BPO, other industry segments) essential for fair and meaningful standardisation?

Q3 : Do you believe that a standardised ESG rating criteria would help your organisation better manage environmental, social and governance risks?

Q4 : Has your organisation experienced differing ESG ratings in accordance with different rating agencies (e.g. MSCI, Sustainalytics, CRISIL, ICRA) leading to reporting inconsistencies?

Q5 : Does your organisation currently employ dedicated resources/teams for ESG data collection and reporting?

Q6 : Does your organisation currently face significant challenges like governance structure, policies, operational processes or resource burdens in complying with multiple ESG disclosure standards simultaneously (e.g., BRSR, GRI SASB, TCFD, CDP)?

Q7 : Does your organisation have difficulty accessing or understanding the methodologies used by different ESG rating agencies ?

Q8 : Would a standardised, transparent ESG rating framework help your organisation attract and retain top talent, given the growing focus on corporate social responsibility among employees?

Q9 : Do you believe that standardised ESG rating frameworks are critical in facilitating investor decision making and improving capital access for organisations in the Indian professional services and the IT/ITES sectors?

Q10 : Is stakeholder pressure (from clients, investors, employees or regulators) a critical driver in pushing your organisation to improve ESG ratings and pursue standardised ESG frameworks?

Q11 : Do you think the post covid transition to hybrid/remote work requires new or modified ESG metrics?

Q12 : Should ESG standardisation efforts be primarily driven by regulatory bodies (SEBI, MCA) or by industry associations and consortiums (NASSCOM, CII, professional bodies)?

Q13 : Do you believe that technology such as AI, automation, blockchain or cloud-based platforms play a central role in implementing and maintaining standardised ESG rating systems?

Q14 : What is your overall assessment of the feasibility of achieving standardised ESG ratings across organisations in the Indian professional services and IT/ITES sectors within the next five years?

Q15 : Any other views or opinions you would like to share on the future of standardising ESG metrics?

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