Corporate Governance, Ethics, Accountability, and ESG Impact Measurement: An Analytical Study of Bharat Electronics Limited (BEL)

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Abstract

Background: *Governance quality in India's state-owned enterprises has attracted intensified scrutiny from policymakers, investors and academics as sustainability expectations from global capital markets have risen sharply. Within this landscape, Bharat Electronics Limited (BEL)—a Navratna public sector undertaking under the Ministry of Defence—occupies a governance context that is simultaneously strategically constrained and institutionally significant. This study bridges a notable gap between defence sector scholarship and mainstream corporate governance enquiry.*

Objective: *This study undertakes a critical, multi-framework evaluation of BEL's governance architecture across four thematic pillars: board oversight and structure, ethical values and vigilance systems, accountability and disclosure practices, and Environmental, Social, and Governance (ESG) impact measurement.*

Methodology: *An exploratory-analytical research approach is adopted, drawing on a longitudinal document analysis of BEL's official disclosures from FY 2020–21 to FY 2024–25. Governance quality is benchmarked against four international frameworks: OECD Corporate Governance Principles (2023), GRI Standards (2021), TCFD Recommendations, and the IIRC Integrated Reporting Framework, enabling systematic identification of alignment and divergence.*

Findings: *BEL exhibits governance practices that exceed minimum CPSE regulatory thresholds in several areas, including its ISO 9001:2015-certified vigilance department, early adoption of Integrated Reporting, and a CARE Ratings ESG score of 73.8 out of 100 are particularly noteworthy. However, the absence of TCFD-aligned climate risk disclosure, unmeasured Scope 3 emissions, and lack of a standalone GRI-referenced sustainability report constitute material governance deficiencies.*

Implications: *This study advances the corporate governance literature by applying a composite theoretical model—integrating agency, stakeholder, and stewardship theories —to PSU governance evaluation in the defence sector. The findings offer a transferable benchmarking framework for peer Navratna enterprises and generate actionable recommendations for policymakers overseeing the reform of Indian public sector governance. Future research should extend this framework through multi-entity comparative studies across Navratna enterprises, incorporate primary data via board-level interviews, and develop quantitative governance indices to enable longitudinal, sector-wide performance tracking.*

Keywords: Corporate Governance, Public Sector Enterprises, ESG Integration, Navratna, Accountability, Integrated Reporting, Vigilance Systems, OECD Principles, Sustainability, Defence Sector.

Introduction

Corporate governance has changed significantly over the past few decades. The function of the board of directors, which used to mostly focus on regulatory compliance and board oversight to maintain governance in terms of long-term organisation survival and strategic partnerships between companies and employees, has been a matter of strategic orientation since the formation of the government in 1999. It brings that kind of accountability not only for corporate entities but also for other (public sector firms), civil society, and nation-based organisations in the form of public sector entities (PSEs).

Central Public Sector Enterprises (CPSEs) in India are among the largest state-owned enterprises in the energy, defence, transportation, and industrial manufacturing sectors. The Navratna assessment points out a specific class of organisations that were large enough to have sufficient operational and governance capabilities to obtain a certain autonomy from the Government of India's jurisdiction. A defence electronics company, Bharat Electronics Limited (BEL), the country's only Navratna company, is at the collision of national security interests, commercial needs, public scrutiny, and public accountability concerns which makes it extremely difficult to achieve its governance and operational results, which are different from the private sector companies and civilian sector PSEs that operate from a similar perspective. While defence PSE governance is highly strategic, there is little research on it, and its governance has been in short supply; only a few published studies on Indian PSE governance exist for the civilian sector (for example CPSEs). The quality of regulation of civil sector PSEs as an area of study is even less well considered in the study of the governance of defence sectors. This gap stems from the fact that defence companies have unique governance concerns when implementing the governance model, such as information security requirements and procurement sensitivity from the Ministry of Defence, which determine how governance should be executed. To address this gap, we consider BEL's governance mechanism through a multi-framework analysis. Rather than assuming governance information to be self–confirming, this study plots BEL's reported practices across four internationally well-recognised benchmarks, which are based on the alignment, partial compliance, and material shortcomings among those documents. Therefore, the objective is to construct a governance quality assessment that is both objective and practical.

Research Objectives

This study is structured around five interconnected research objectives.

- To examine BEL's corporate governance architecture against OECD Principles of Corporate Governance (2023) and Indian DPE guidelines
- To evaluate the ethical foundation, vigilance mechanisms, and anti-corruption infrastructure operating within BEL
- To assess the effectiveness of BEL's accountability and disclosure practices in meeting stakeholder expectations
- To examine BEL's ESG performance, integrated reporting adoption, and impact measurement methodologies
- To identify existing governance gaps and develop actionable recommendations for alignment with global best practices

Significance of the Study

In broad terms, this study provides important theoretical, empirical, and policy contributions. At the theoretical level, it brings together agency, stakeholder, and stewardship theories in a research context (Indian defence PSEs), which has not been applied previously in concert. From an empirical perspective, it provides evidence that a governance quality assessment over five fiscal years is done, and so the development of governance development is not an in-the-book snapshot. From the policy perspective, the gap analysis and recommendations will be valuable to BEL's governance teams as well as to the Ministry of Defence in setting governance priorities for CPSE oversight.

Theoretical Framework and Literature Review

Theoretical Underpinnings

Three theoretical frameworks, each illuminating a distinct governance dimension, collectively form the conceptual framework of this study.

Agency Theory

In broad terms, this study provides important theoretical, empirical, and policy contributions. At the theoretical level, it brings together agency, stakeholder, and stewardship theories in a research context (Indian defence PSEs), which has not been applied previously in concert. From an empirical perspective, it provides evidence that a governance quality assessment over five fiscal years is done, and so the development of governance development is not an in-the-book snapshot. From the policy perspective, the gap analysis and recommendations will be valuable to BEL's governance teams as well as to the Ministry of Defence in setting governance priorities for CPSE oversight. (Sarkar & Sarkar, 2000).

Stakeholder Theory

Freeman (1984) argues that governance should not be limited only to shareholders' interests and argues that long-lived value is attained by looking beyond one group to different and broader groups of business owners whose actions may have an impact on the organization. This model is particularly central to defence PSEs as a model of the stakeholders-strategy and their impact on the organisation is much wider than that of investor-supplier-customer interaction. BEL's stakeholders include the Ministry of Defence as strategic principal, the Indian Armed Forces as operational end-users, defence procurement partners, communities adjacent to manufacturing facilities, and the broader citizenry with an interest in national security expenditure accountability. This study develops a basis for evaluation based on stakeholder theory of BEL's RTI compliance, CSR investment and stakeholder engagement and multiple mode of engagement strategy through RTI compliance and implementation with multiple different types of stakeholders (not just with shareholder shares/suppliers' interests).

Stewardship Theory

Davis, Schoorman, and Donaldson (1997) and, in association with agency theory, also developed stewardship theory, claiming that leaders themselves were too often stewards of institutional assets rather than just greedy for access to profits. Particularly in public organisations where managerial remuneration is regulated and job compensation is less transparent than that in private enterprises, stewardship needs to come into play in policy making from a leadership standpoint. The governance trajectory of BEL suggests a stewardship emphasis: it participated in Integrated Reporting voluntary adoption, implemented an ISO certification of the Vigilance Department and was proactive in engagement with sustainability issues.

Corporate Governance in Indian Public Sector Enterprises

The discourse on Indian PSU governance has evolved from the core structural critique to more complex empirical critiques. Goswami (2002) did a research survey addressing the governance issues in India public companies and detailed how those systems were dominated in the way that political appointment structures affect governance quality negatively. These concerns provided context for understanding of the mismatch between formalized governance and effective governance in context of CPSEs. Subsequent researches (Singh and Gaur 2009,) on governance-performance have established that quality of board composition and audit quality are key predictors of fluctuating financial performance of Indian PSEs (see also Chakrabarti, Megginson, and Yadav 2008). Moreover, several governance measurement tools in India were developed recently (especially Balasubramanian, Black, and Khanna, 2010) and in these cases high quality had been shown to affect publicly listed companies. These analyses challenged the notion of regulatory uniformity and argued for globalized governance analysis and the role of firms. In Indian PSEs, specifically in the defence sector, Mishra and Mohanty (2014) and Banerjee and Chatterjee (2020) showed that board independence and the quality of stakeholders' involvement have been positive drivers of governance and performance at a higher level in Indian PSEs which is a crucial empirical perspective for this study.

ESG Integration in Corporate Governance

The expansion of corporate governance into ESG aspects is largely due to regulatory and investor concerns and a new awareness of risk. In 2023, the OECD Revised Principles established ESG and climate management as board responsibilities (a huge step for governance to move beyond the current model). In addition, the GRI Standards (2021) established a globally agreed approach to information disclosure regarding environmental and climate risks and TCFD recommendations for communicating climate risk to investors in a structured manner. Eccles, Ioannou, and Serafeim (2014) proved that companies with strong sustainability practices have better long-term financial performance and operational outcomes. In contrast to the idea that ESG governance would just be the financial side of organisations, the impact of integrated reporting was that institutions adopting it demonstrated superior stakeholder communication compared to those treating sustainability as a mere compliance exercise. In India, Arora and Dharwadkar (2011) found that governance quality and CSR investment are more deeply connected issues, showing that governance quality and sustainability commitment are closely tied in our context. Sehgal and Mulraj (2008) also found that disclosure quality was the governance quality most desired by Indian institutions. This motivates BEL's current reporting-enhancement program. More recent scholarship has considerably sharpened and extended these insights. Nilsson and Gössling (2022) demonstrated that public sector accountability frameworks increasingly converge with private sector ESG governance norms, driven by growing institutional investor pressure and sustainability regulations. In the Indian context, Kumar and Singh (2022) identified significant governance-ESG gaps in public sector banks, noting that state-owned enterprises face structural constraints in ESG disclosure quality relative to private peers, a finding directly applicable to defence PSEs such as BEL. Banerjee and Chatterjee (2020) show that board independence and quality of stakeholder engagement are key positive drivers of governance performance in Indian PSEs, reinforcing the importance of structural board characteristics. Adams and Simnett (2022) documented that early adopters of Integrated Reporting demonstrated measurably superior governance transparency, lending empirical weight to BEL's decision to adopt the IIRC framework. The EFRAG (2022) double materiality concept has further advanced the theoretical basis for understanding the two-directional relationship between ESG and financial performance, a dimension that has not yet been fully operationalised in Indian CPSE reporting. Taken together, these recent contributions establish a clearer evidence base for evaluating BEL's current governance position and the trajectory of the improvements required. The most recent developments in the field (2024–2025) have further extended these foundations. The IFRS Foundation's issuance of IFRS S1 (General Requirements for Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures) in 2023 created a globally converging standard that is increasingly expected of entities seeking international capital market credibility, making alignment a near-term strategic necessity for Indian CPSEs like BEL rather than a voluntary aspiration. Flammer, Hong, and Minor (2023) provide compelling evidence that ESG governance integration into board-level strategy—through dedicated ESG committees, linked executive compensation, and formalised materiality processes—produces significantly stronger sustainability outcomes than compliance-only approaches, findings that directly inform the governance gap assessment of this study. In the Indian regulatory context, the Securities and Exchange Board of India's (SEBI) Business Responsibility and Sustainability Report (BRSR) Core framework (2023) established mandatory ESG disclosure requirements for the top 1,000 listed Indian entities, elevating the baseline for sustainability governance quality and providing a new domestic benchmark against which BEL's disclosures can be evaluated. These recent regulatory and scholarly developments reinforce the analytical urgency of the governance gap identification undertaken in Sections 7 and 8.

Governance in Defence Sector PSEs: Research Gap

The corporate governance literature on India's Defence PSE sector remains underdeveloped from a strategic perspective. Numerous public and private studies have extensively addressed procurement integrity (Transparency International, 2023) and the general CPSE governance standard (DPE, 2020); however, no empirical analysis has applied and employed a composite of core frameworks which would include the board structure, vigilance systems, sustainability disclosure, and ESG analysis of a Navratna defence industry. However, compared to the global literature on ESG governance in Indian manufacturing companies (Ghosh & Ansari, 2018) and banking sector PSEs (Kumar & Singh, 2022), our defence sector has few areas in which its sectoral and methodological characteristics need to be considered from a comparative perspective.

Research Methodology

Research Design

This study adopts a qualitative, exploratory-analytical research design appropriate for governance evaluation, where the research objective is the institutional depth of assessment rather than statistical generalisability. BEL was selected as the unit of analysis because it is India's only Navratna enterprise in defence electronics, and its governance disclosure patterns offer a five-year longitudinal evidence base sufficient to assess governance evolution rather than a single-year compliance snapshot (Yin, 2018). The primary analytical method is document analysis, which is recognised as a methodologically rigorous approach for institutional governance research when official disclosure records are the most reliable and comprehensive evidence source available (Bowen, 2009). Primary data collection through structured interviews or surveys was considered during the research design phase. However, the public defence sector presents structural constraints that make primary data collection fundamentally challenging. BEL, operating under the Ministry of Defence, is subject to the Official Secrets Act provisions, procurement-related confidentiality obligations, and Ministry-level approvals for any external research engagement with board members or senior executives. Governance deliberations, committee discussions, and board-level decision rationales are not accessible through formal interview processes without institutional authorisation, which is characteristically restricted for defence PSEs. These are not discretionary limitations unique to this study; they reflect the governance architecture of India's defence sector, where information security requirements and strategic sensitivity necessarily constrain research access in ways that civilian sector PSEs do not. Accordingly, the study is grounded in the most comprehensive and credible evidence available in this context: BEL's official annual and integrated reports (FY 2020–21 to FY 2024–25), independently validated by the CARE Ratings ESG Assessment (October 2025) and CVC Annual Reports, which together constitute a rigorous and replicable secondary evidence base. BEL's disclosed governance procedures are assessed against four established international standards to systematically identify areas of alignment, partial compliance, and material shortfalls.

Data Sources

This study draws on the following secondary data categories:

- BEL Annual Reports and Integrated Reports (FY 2020–21 to FY 2024–25), encompassing Corporate Governance Reports, Board Committee Reports, Sustainability Disclosures, and Director Reports
- CARE Ratings ESG Assessment Report for BEL (October 2025)—an independently produced evaluation providing validated ESG component scores
- Central Vigilance Commission (CVC) Guidelines and BEL's Corporate Vigilance Department Annual Reports (2022–2024)
- Department of Public Enterprises (DPE) Corporate Governance Guidelines for CPSEs (2020) and subsequent circulars
- BEL's Risk Management Policy (Revised 2025) and publicly available codes and policies on bel-india.in Ministry of Defence Annual Reports (2022–2025) for defence sector governance context

Evaluative Framework

Governance quality is assessed using four international benchmarks, each selected for its direct relevance to a distinct governance dimension:

- OECD Principles of Corporate Governance (2023, Revised): Board structure, shareholder rights, institutional investor relations, and transparency obligations
- GRI Universal Standards (2021): ESG disclosure quality, materiality identification methodology, and stakeholder engagement documentation
- TCFD Recommendations: Climate risk governance, scenario analysis requirements, and climate-related financial disclosure
- IIRC Integrated Reporting Framework (Value Reporting Foundation, 2021): Multi-capital value reporting and governance narrative quality

Content analysis involved a systematic examination of BEL's disclosures for evidence meeting each framework's prescribed requirements.

Governance gaps were operationalised as documented absences or material shortfalls relative to the framework standards. Cross-validation against peer Navratna enterprises (HAL and BHEL) was conducted using publicly available annual disclosures. The data analysis process followed a three-stage protocol. In Stage 1 (Inventory and Coding), each BEL annual and integrated report was reviewed against a pre-designed framework compliance checklist, with governance practices coded as Fully Aligned, Partially Aligned, or Material Gap based on documented evidence. In Stage 2 (Cross-Framework Triangulation), findings from each of the four benchmarks were compared to identify convergent and divergent evidence patterns, reducing the risk of framework-specific misclassification. In Stage 3 (Validation), the coded findings were cross-referenced against the independently produced CARE Ratings ESG Assessment (October 2025) and CVC Annual Reports (2022–2024) to corroborate document-based inferences with third-party evaluations. This triangulation approach-combining primary document analysis, peer benchmarking, and independent rating validation-strengthens analytical credibility and reduces the risk of researcher interpretation bias inherent in single-source document analyses (Bowen, 2009; Yin, 2018).

Limitations

This study has four limitations that should be considered when interpreting the findings. First, reliance on publicly disclosed documents means that the analysis is necessarily bounded by BEL's reporting decisions. Governance processes that occur in board deliberations, executive committee discussions, or informal institutional decision-making remain invisible to document-based analyses, regardless of the quality or completeness of formal disclosures. This is a recognised limitation of document analysis methodology in governance research (Bowen, 2009) and is especially relevant in a context where the disclosed record is shaped by strategic communication choices. Second, the defence public sector context imposes a structural access constraint with material implications for research design. Primary data collection through board-level interviews, senior executive surveys, or committee observation—methods that would add governance process depth to the disclosure-based evidence—is fundamentally constrained by the Official Secrets Act, Ministry of Defence's authorisation requirements, and procurement confidentiality obligations. These are not researcher-specific limitations; they reflect the institutional governance architecture of India's Defence sector. Future research on defence PSE governance would benefit from formal institutional research partnerships with the Ministry of Defence or DPE, which could unlock controlled access to governance process data within appropriate confidentiality frameworks. Third, the single-entity case design provides institutional depth and longitudinal specificity that multi-entity surveys cannot, but limits the statistical representativeness of the findings. Conclusions drawn from BEL's governance profile should be understood as context-specific analytical insights applicable to comparable defence Navratna enterprises, rather than as statistically generalisable governance predictions across the CPSE universe. Fourth, the independently assessed CARE Ratings ESG score (October 2025), while used for third-party validation, reflects CARE Ratings' proprietary scoring methodology, which may apply materiality weights that differ from the GRI- and OECD-anchored frameworks used in this study's primary analysis. Triangulation across multiple evidence sources partially mitigates this limitation. However, readers should note that the validation exercise depends on the assumptions embedded in the external rating methodology.

Corporate Governance Framework at BEL

Governance Structure and Board Composition

BEL's governance structure includes interrelated regulations, DPE Corporate Governance Guidelines (2020), DoPT executive management procedures and SEBI Listing Obligations and Disclosure Requirements (LODR), a Ministry of Defence strategic policy oversight role in strategic oversight of national policy planning. Because Bel's governance process is integrated under such regulatory regimes and therefore does not have a parallel to the ones of the private sector, BEL must simultaneously meet the standards of commercial governance and state governance with an orientation towards strategic policy in the public interest: a balance that the board must strike should not be lost. Functional directors understand a functional understanding of Bel's core business activities, independent directors will make it relevant to the national policy objectives that are national policy and the external direction from which we can work; and independent directors contribute to that in that these directors provide the level of knowledge which is not only necessary for ethical governance and good governance will need of a governance agency as a whole and helps overcome Agency theory.

Board-level Oversight is Organized through Four Standing Committees

- Audit Committee: Primary oversight of financial reporting quality, internal control effectiveness, risk management processes, and statutory compliance obligations
- Compensation and Remuneration Committee: Executive performance evaluation and compensation alignment with organizational outcomes
- Corporate Governance Committee: Monitoring governance standards compliance, disclosure quality, and stakeholder communication effectiveness
- Safety, Health and Environment Committee: Oversight of occupational safety performance, environmental compliance, and sustainability goal progress

This committee-based architecture distributes specialized oversight across multiple governance forums, preventing the governance concentration risk that characterizes organizations in which all oversight is funneled through a single board body. From an agency theory perspective, the distributed oversight model increases monitoring surface area and reduces the probability that managerial information advantages can be systematically exploited (Jensen & Meckling, 1976).

Alignment with OECD Principles of Corporate Governance (2023)

Table 1 maps BEL's documented governance practices against the six pillars of the OECD Principles (2023 revision). The 2023 revision expanded the scope of OECD governance expectations to include board-level oversight of climate risks, ESG integration, and digital governance—areas that extend beyond the 2015 edition, which most Indian PSU governance studies have previously used as a reference point.

Table 1 BEL's Governance Framework Mapped Against OECD Principles (2023)

OECD Principle (2023)	BEL Implementation	Documentary Evidence
I. Enabling Effective Governance Framework	DPE Guidelines integration; SEBI LODR compliance; DoPT oversight coordination	DPE Compliance Report; SEBI Filing Records (FY 2020–25)
II. Rights and Equitable Treatment of Shareholders	Regular AGMs with shareholder voting rights; transparent dividend policies; minority shareholder protections	AGM Minutes; Annual Reports (FY 2020–25)
III. Institutional Investors and Equity Markets	Structured investor relations programme; analyst engagement; credit rating agency disclosures	Investor Relations Reports; CARE/CRISIL Rating Documents
IV. Disclosure and Transparency	Integrated Annual Reports; website-based policy disclosures; RTI compliance infrastructure	Annual Reports 2020–25; RTI Portal Data; CG Reports
V. Responsibilities of the Board	Strategic oversight; four standing committees; director independence and competency mix	Board Charters; Committee Mandates; CG Reports
VI. Stakeholder Interests	Multi-stakeholder communication strategy; CSR investment framework; employee welfare policies	CSR Reports; Sustainability Disclosures; HR Policy Documents

While BEL's alignment with Pillars I through VI is substantively evident, compliance with the 2023 revision's climate governance requirements (board-level climate scenario analysis, ESG competency standards for directors) remains partial—a gap that Section 8 addresses in detail.

Ethics, Values, and Vigilance Mechanisms

Ethical Foundation: The C-E-R-T-I Framework

Governance and leadership training programs. This embedding is more than a symbolic declaration of intentional commitment; it is an intrinsic aspect of the behavior of employees and managers, and it does in turn sets them up to behave in accordance with these values. Thus, we lack accountability mechanisms for these organizations, except through compliance training. Bel's values-integrated performance management from a governance perspective is rooted in stewardship governance (Davis et al., 1997), in which corporate leaders who are socially and institutionally supported are seen as stewards rather than just self-interested rent-seekers. The formal relationship between ethics and performance evaluation serves as structural support for stewardship culture beyond regulatory compliance requirements.

Vigilance Infrastructure and CVC Alignment

BEL's organizational ethics are encapsulated in five values (Cooperation, Ethics, Responsibility, Transparency, and Integrity), which are ingrained in the system of performance appraisal, procurement governance, and leadership training. This embedding is more than a symbolic declaration of intentional commitment; it is an intrinsic aspect of the behavior of employees and managers, and it does in turn sets them up to behave in accordance with these values. Thus, we lack accountability mechanisms for these organizations, except through compliance training. Bel's values-integrated performance management from a governance perspective is rooted in stewardship governance (Davis et al., 1997), in which corporate leaders who are socially and institutionally supported are seen as stewards rather than just self-interested rent-seekers. The formal relationship between ethics and performance evaluation serves as structural support for stewardship culture beyond regulatory compliance requirements.

ISO-Certified Vigilance: A Sector-Leading Governance Practice

The Vigilance Department certification that BEL holds in the name of ISO 9001:2015 is a governance achievement to the best of our knowledge, which has no real-world comparison to other Navratna companies. Under ISO 9001:2015, organizations are required to demonstrate systematic process management, measurable performance monitoring, and structured continual improvement—criteria that, when applied to the vigilance domain, create an independently certified accountability framework for anti-corruption operations rather than a self-reported one. An organization like BEL's vigilance system should be externally proven in the context of governance, and this does make it hard for its status as an organization to lie; trust from customers is very important in this part.

Integrity Pact Implementation

In procurement, Integrity Pacts ensure the involvement of ethical institutions (procurement managers, vendors, and intermediaries) and a transparent path to the signing of the contract and not simply to be rewarded from the moment to the end, instead of through an immediate discovery. BEL's strategy of Integrity Pacts is to manage one of the biggest deficiencies in the procurement of a public contractor, which is the negotiated award process and how information leakage and business interests are reflected in such negotiations. The independent management of Integrity Pacts with retired civil servants who are not organizationally dependent on BEL is institutionalized. Transparency International (2023) cross-country analysis of Integrity Pact effectiveness found that an independent monitoring structure leads to significantly better integrity outcomes than internal systems (i.e., business managers). This supports the BEL monitoring architecture.

Accountability and Transparency

Multi-Channel Disclosure Architecture

BEL's accountability infrastructure operates across five structured disclosure channels, collectively enabling stakeholder access to material governance information through multiple, complementary pathways:

Annual General Meetings (AGMs): Formal forums for shareholder participation in governance, including director elections, auditor appointments, and major policy approvals, held annually with published outcomes

Integrated Annual Reports: Comprehensive organizational performance narratives structured around financial and non-financial value creation across six capital categories, providing a holistic accountability record

Corporate Governance Reports: Detailed board composition disclosures, committee activity summaries, director remuneration transparency, and compliance status documentation

Website-Based Disclosures: Real-time public access to organizational policies, regulatory filings, governance codes, and key compliance documents consistent with SEBI LODR obligations

Investor Relations Programme: Structured communication with financial analysts, institutional investors, and credit rating agencies through dedicated engagement activities

The breadth of BEL's stakeholder communication approach extends deliberate accountability beyond conventional investor audiences. Employees, suppliers, defense procurement partners, environmental regulators, and affected communities constitute the intended audiences for different elements of BEL's disclosure architecture—a configuration that Freeman's (1984) stakeholder framework predicts will be associated with stronger long-term institutional legitimacy.

Right to Information Act Compliance

BEL's approach to RTI compliance is also based on decentralization of information access system because there are 16 General Manager-level officers who work as Central Public Information Officers (CPIOs), each with autonomy of information access as well as management and governance responsibilities (in contrast with the one of central compliance unit in the central business unit). This leads to reduced response times and trust in the professionalism of governance information, resulting in a more coherent governance philosophy. RTI requests can also be interpreted as an external audit of the completeness of governance information, as more often than not, certain subject values that are asked for through RTI provide further indication of whether open transparency is even needed at all. Within the governance ecosystem, BEL has built an environment of continuous improvement in governance performance by the organization- the feedback loop, a process in itself.

Three-Tier Risk Management Framework

BEL's revised Risk Management Policy (2025) structures enterprise risk oversight across three hierarchically differentiated governance levels, each designed to address risks at the appropriate institutional scale.

Board-Level Strategic Risk Oversight: Responsibility for identifying and monitoring enterprise-level risks capable of affecting BEL's long-term strategic position, including geopolitical shifts, technology disruption in defence electronics, and defence sector policy evolution

Management-Level Operational Risk Management: Identification, assessment, and mitigation of process-level operational risks within manufacturing, supply chain management, and defence programme delivery

Compliance Risk Management (Vigilance and Legal): Continuous regulatory monitoring, statutory obligation tracking, and proactive identification of compliance exposure across BEL's multi-jurisdictional regulatory environment

The three-tier design prevents the single-point concentration risks inherent in centralized risk management models, ensuring that strategic, operational, and compliance risks receive governance attention from the institutional level that is best positioned to assess and respond to them. The 2025 policy revision reflects BEL's responsiveness to the OECD's (2023) updated requirement for boards to exercise explicit oversight of ESG and cyber risks, which are domains incorporated into the revised strategic risk category.

ESG Performance and Impact Measurement

Integrated Reporting Framework Adoption

BEL's decision in FY 2021–22 to structure its annual reporting within the International Integrated Reporting Council (IIRC) Framework marks a transition from conventional financial disclosure to a multi-capital value-reporting model. This transition is governance-significant: Integrated Reporting requires organizations to articulate how they create, preserve, and transform value across six capital categories, compelling a governance narrative discipline that purely financial reporting does not impose. Table 2 maps BEL's organizational activities across six capital dimensions.

Table 2 BEL's Six-Capital Integrated Reporting Framework (IIRC, 2021)

Capital Dimension	BEL's Value Creation Activities	Key Disclosure Indicators
Financial Capital	Revenue generation, profitability maintenance, order book growth, dividend distribution	P&L, Balance Sheet, Cash Flow Statement
Manufactured Capital	Defence electronics systems, production facilities, R&D testing infrastructure	Asset Base, CAPEX Disclosures
Intellectual Capital	Patent portfolio, R&D investment programme, technology development partnerships	R&D Expenditure, Patent Registrations
Human Capital	Workforce skill development (92% training coverage), succession planning, safety culture	Training Hours, Talent Retention Metrics
Social & Relationship Capital	Stakeholder trust maintenance, community investment (₹30.73 Cr CSR, FY 2021–22), supply chain relationships	CSR Reports, Community Beneficiary Data
Natural Capital	GHG emission reduction programmes, renewable energy adoption, net-zero 2030 target commitment	GHG Emission Data, Energy Efficiency Metrics

Adams and Simnett (2022) found that early IR adopters demonstrate measurably superior governance transparency and stakeholder communication coherence than conventional reporters. BEL's position among this early adopter cohort within the Indian CPSE system represents meaningful governance differentiation.

ESG Performance: CARE Ratings Assessment

An independently assessed ESG score of 73.8 out of 100 from CARE Ratings in October 2025 represents external validation for BEL with overall sustainability performance at each level. We now have a rating for the components to be considered. The strongest contribution of BEL is because of the integrated board committees (that BEL has been established with ISO-based vigilance), transparent executive compensation structure, and a transparent disclosure mechanism. A policy or governance, as it were, would give this organisation more respect or a higher environmental or social score than other defence PSEs that were subject to several, overlapping regulatory regimes. Social as a measure of success in the industry - on human development, training, workforce capacity, and programs to address safety problems - and as a parameter of the level of investment for CSR is set against Schedule VII in the Companies Act 2013. Improving this component would require better stakeholders' materiality assessment and measurement of community impact. For us, the environmental aspect is better, net-zero 2030 commitment, an over-expansion in renewable energy programmes, and green supply chain work in place is to follow, but we have not provided TCFD-aligned climate risk disclosure and measure Scope 3 emissions; these are explored further in Section 8.

ESG Materiality Assessment

Table 3 presents BEL's material ESG topics, classified by materiality level and assessed using the measurement approach. The classification draws on BEL's disclosed stakeholder engagement and impact analysis.

Table 3 BEL's ESG Materiality Framework and Measurement Approach

ESG Topic	Materiality Level	Measurement Approach
Business Ethics & Vigilance	Critical	Vigilance cases resolved, audit findings, CVC interaction outcomes, ISO 9001 compliance metrics
Data Security & Cyber Governance	Critical	Cyber incident tracking, security certification maintenance, third-party audit assessment outcomes
Board Governance Quality	Critical	Board effectiveness evaluation scores, disclosure completeness index, committee meeting frequency and outcomes
Supply Chain Management	High	MSME vendor engagement rates, supplier compliance assessment coverage, Integrity Pact application scope
Employee Learning & Development	High	Training hours per employee, post-training competency assessment scores, internal promotion and retention rates
Climate & GHG Emissions	High	Scope 1 and 2 GHG tracking, renewable energy as % of total consumption, energy intensity per unit of production
CSR Community Impact	Medium	Direct beneficiary count, programme effectiveness evaluation, SDG contribution documentation

Discussion: Governance Quality Assessment and Gap Analysis

Governance Strengths: What BEL Does Well

The multi-framework governance assessment yields a differentiated picture: BEL demonstrates institutional governance strengths that are genuinely sector-leading in several domains while simultaneously exhibiting structured deficiencies that constrain its ESG rating ceiling and limit comparability with global defence governance benchmarks. The four governance strengths are analytically significant. First, BEL's ISO 9001:2015-certified Vigilance Department is, to the best of our knowledge, unique among Navratna-category enterprises. The certification requires systematic process documentation, measurable performance tracking, and independently audited continual improvement—criteria that convert BEL's anti-corruption claims from self-reported assertions to externally verified outcomes. This structural credibility distinction directly addresses the principal-agent information asymmetry that Jensen and Meckling (1976) identified as the primary governance risk in organizations with separated ownership and control structures. Second, BEL's voluntary adoption of Integrated Reporting from FY 2021–22 places it among a small cohort of Indian CPSEs that have chosen multi-capital value reporting beyond statutory requirements. As Adams and Simnett (2022) document, early IR adopters exhibit superior governance transparency and stakeholder communication quality. Theoretically, this choice reflects stewardship governance orientation (Davis et al., 1997). BEL's leadership treats governance disclosure as an organizational responsibility, not merely a compliance obligation. Third, the independently assessed CARE Ratings ESG score of 73.8/100 (October 2025) provides third-party validation of BEL's governance quality that self-reported metrics cannot provide. The score's governance subcomponent - driven by ISO-certified vigilance, four board committees, and transparent executive compensation—ranks competitively among peer defence PSEs. Fourth, BEL's multichannel accountability architecture (AGMs, integrated reports, investor relations, website disclosures, and a decentralized 16-CPIO RTI system) operationalizes Freeman's (1984) stakeholder theory in practice: each channel serves a distinct stakeholder constituency, ensuring that accountability extends systematically beyond the shareholder audience.

Critical Governance Gaps

Five material governance gaps constrain BEL's alignment with global best practices and limit the trajectory of its ESG rating improvement. These gaps are assessed in terms of their relative severity, the frameworks against which they create non-compliance, and their implications for BEL's governance evolution.

Gap 1: TCFD Alignment Deficit

The OECD's 2023 revised governance principles formally incorporated climate risk oversight as a board-level governance responsibility, reflecting a global regulatory consensus that climate exposure constitutes a material financial risk requiring structured governance and not a discretionary sustainability aspiration. BEL's current governance disclosures do not address TCFD's four reporting pillars: (i) board and management governance structures for climate risk oversight, (ii) strategic analysis of climate scenario impacts on business model resilience under 1.5°C and 2°C transition pathways, (iii) climate risk management integration into the enterprise-wide risk framework, and (iv) climate-specific metrics and emissions reduction targets. The governance consequence of this absence is analytically significant: without TCFD alignment, BEL's net-zero 2030 commitment and renewable energy investment programme remain strategic declarations unsupported by structured scenario analysis and risk management disclosure that would allow institutional investors and policymakers to assess their credibility. In comparative terms, HAL published its first TCFD-referenced climate disclosure in FY 2023–24, establishing an Indian defence sector precedent, whereas BAE Systems and Leonardo have maintained TCFD-aligned disclosures since 2021. BEL's continued non-alignment is a measurable governance gap relative to both domestic peers and the global defense industry, with direct implications for its standing with ESG-screened institutional investors. Aligning with the TCFD is a governance credibility requirement that the IFRS S2 standard (2023) is rapidly institutionalizing across global reporting jurisdictions.

Gap 2: Incomplete Scope 3 Emissions Measurement

BEL's environmental monitoring currently tracks Scope 1 (direct combustion) and Scope 2 (purchased electricity) emissions; however, the absence of Scope 3 measurement—covering upstream supply chain, component procurement, and end-of-life product emissions—represents a material analytical and governance limitation. This gap is particularly consequential in the context of defence electronics manufacturing, where the value chain emissions from specialized materials, electronic components, and long-lifecycle defence systems are structurally likely to exceed operational emissions in absolute magnitude. Academically, Scope 3 omission produces an incomplete organizational carbon footprint that understates BEL's actual climate exposure and overstates the credibility of net-zero commitments anchored exclusively to Scope 1 and 2 data. From a governance perspective, this gap creates a stakeholder accountability deficit: institutional investors applying the Science-Based Targets Initiative (SBTi) methodology to portfolio assessment require Scope 3 transparency to evaluate the comprehensiveness of a company's climate strategy, and BEL's current disclosure does not meet this standard. Furthermore, as SEBI's BRSR Core framework (2023) progressively expands Scope 3 disclosure expectations for top-listed Indian entities, the absence of a baseline Scope 3 inventory positions BEL unfavorably relative to its regulatory trajectory. Establishing a Scope 3 inventory through a baseline value chain emissions assessment—prioritizing the highest-emission categories (purchased goods, capital goods, and end-of-life treatment)—is the analytically required first step before SBTi validation of BEL's net-zero commitment.

Gap 3: Absence of GRI-Aligned Standalone Sustainability Report

BEL's Integrated Annual Reports include sustainability content; however, they currently do not have a sustainability report in line with GRI Universal Standards (2021) to make BEL's sustainability disclosures comprehensible, comparable, and easily legible to stakeholders. Therefore, to be GRI-aligned reporting, one must have double materiality assessments in that report and track the same topic-specific performance information (and then the stakeholder talks), but this is currently not happening in BEL's annual report. BHEL's independent GRI-referenced sustainability report for the year through the end of FY 2022–23 is a domestic benchmark for comparison and contrast of data.

Gap 4: Double Materiality Assessment

Materiality in terms of sustainability governance is evolving into two basic categories: financial materiality (the impact of sustainability factors on enterprise financial outcomes) and impact materiality (the effect of organizations' activities on external stakeholders and systems, such as local and international communities and ecosystems). As such, BEL currently identifies its materiality as being primarily financial. EFRAG's double materiality recommendations, which are now implemented in the GRI Standards (2021) and EU Corporate Sustainability Reporting Directive (CSRD), insist that corporations consider and record both material dimensions. Without such an approach, BEL's ESG-related concerns could ultimately be less relevant for non-investor stakeholders.

Gap 5: ESG-Linked Executive Compensation

BEL's executive compensation frameworks are transparent through annual reports on corporate governance, although it is still unclear whether these mechanisms actually correlate incentives with ESG performance targets in a formal way. Eccles et al. (2014) showed a good correlation for sustainability performance and compensation to ESG linkage as a governance instrument; a link in ESG alignment and compensation management has also been proven consistently to be one of the most efficient structural mechanisms through which to embed ESG in organisational decision making processes consistently. Climate, social, and governance KPIs should be included in BEL's executive performance agreements, allowing us to see those KPIs at every organizational level and be held accountable for sustainability performance results.

Comparative Governance Assessment

A comparison of BEL's governance practices with publicly disclosed information from peer Navratna enterprises shows that BEL is the best in vigilance infrastructure quality (ISO certification) and Integrated Reporting, but not for climate disclosure. HAL's FY 2023–24 TCFD-referenced disclosure and BHEL's standalone sustainability report are not impossible for either Indian defence or industrial PSEs, and BEL has not yet made significant headway in this category. Compared to international defence sector peers, BEL excels in anti-corruption infrastructure depth and stakeholder engagement breadth but falls short in climate governance maturity. BEL's net-zero 2030 commitment and renewable energy investments on strategic intent are a step toward improving governance; however, commitment for disclosure and governance without TCFD has not yet been achieved at this level (by BEL itself).

Recommendations

Priority Governance Enhancements

Adopt TCFD Framework: Integrate TCFD's governance-strategy-risk management-metrics structure into annual reporting by FY 2025–26, including board-level climate scenario analysis covering 1.5°C and 2°C transition pathways.

Publish Standalone GRI-Aligned Sustainability Report: Develop a dedicated sustainability report at the GRI Core level using the GRI 3 double materiality methodology, with documented stakeholder consultation.

Commission Scope 3 Emissions Assessment: Conduct a baseline value chain emissions inventory and develop a phased Scope 3 measurement program, with target setting aligned with the SBTi methodology.

Implement Double Materiality Assessment: Adopt GRI 3 methodology for systematic financial and impact materiality determination, enabling stakeholder-inclusive ESG topic prioritization.

Link Executive KPIs to ESG Performance: Incorporate explicit climate, social, and governance metrics into annual executive performance agreements with Board Compensation Committee oversight.

Governance Structure Enhancements

Establish Dedicated ESG Governance Office: Create a Board-reporting ESG function with designated senior leadership, accountability for strategy, monitoring, and stakeholder reporting.

Strengthen Board ESG Competency: Incorporate ESG expertise requirements in independent director nomination criteria and provide structured board-level ESG capacity development programs.

Launch Public ESG Performance Dashboard: Deploy a live ESG metrics dashboard on BEL-India.in, providing real-time public access to sustainability performance data beyond the annual reporting cycles.

Disclosure Expansion Pathway

CDP Questionnaire Participation: Submit annual responses to the CDP Climate Change and Water Security questionnaires to enable independent scoring and peer benchmarking.

SBTi Target Validation: Pursue Science-Based Targets initiative validation for the net-zero 2030 commitment, converting an organizational declaration into an externally verified standard.

UN Global Compact Signatory Status: Adopted UN Global Compact signatory status to signal public commitment to internationally recognized responsible business conduct principles.

Conclusion

Summary of Findings

This study undertook a critical, multi-framework governance quality assessment of Bharat Electronics Limited (BEL), India's only Navratna defence electronics enterprise, across four thematic pillars: board oversight and structure, ethical values and vigilance systems, accountability and disclosure practices, and ESG impact measurement. Drawing on a longitudinal document analysis of BEL's official disclosures from FY 2020–21 to FY 2024–25 and benchmarking against four international frameworks (OECD Principles 2023, GRI Standards 2021, TCFD Recommendations, and the IIRC Integrated Reporting Framework), the study produced a systematic, evidence-based governance evaluation. The findings confirm that BEL exhibits governance practices that exceed the minimum CPSE regulatory thresholds in several substantive areas. Its ISO 9001:2015-certified vigilance infrastructure, representing an independently audited anti-corruption system unique among Navratna enterprises, demonstrates alignment with the stewardship governance orientation theorized by Davis, Schoorman, and Donaldson (1997). The early voluntary adoption of the Integrated Reporting Framework from FY 2021–22 positions BEL among the governance leaders in the Indian CPSE system. The independently assessed CARE Ratings ESG score of 73.8/100, driven by strong governance sub-scores, provides third-party corroboration of the overall sustainability performance quality. The multichannel accountability architecture—encompassing AGMs, integrated reports, investor relations, website disclosures, and a decentralized 16-CPIO RTI system—operationalizes Freeman's (1984) stakeholder theory principles in practice. However, five material governance shortfalls constrain BEL's alignment with global best practices and limit its ESG rating improvement potential: the absence of TCFD-aligned climate risk disclosure, unmeasured Scope 3 emissions, lack of a standalone GRI-referenced sustainability report, absence of a double materiality assessment, and the absence of explicit ESG-linked executive compensation frameworks. These gaps are not merely technical reporting deficiencies; they represent structural governance limitations that affect BEL's credibility with international institutional investors and its comparability to global defence sector governance leaders. This study advances the corporate governance literature by applying a composite theoretical model—integrating agency, stakeholder, and stewardship theories —to PSU governance evaluation in the defence sector for the first time in combination, offering a transferable benchmarking framework for peer Navratna enterprises. The gap analysis and evidence-based recommendations generate a structured improvement roadmap for BEL's governance leadership and provide policymakers at the Ministry of Defence and Department of Public Enterprises with a governance reform reference aligned with global ESG standards.

Theoretical Contributions

This study makes three substantive contributions to the literature on corporate governance. First, it develops and demonstrates a composite theoretical framework that integrates agency, stakeholder, and stewardship theories as complementary analytical lenses within a single governance evaluation. Prior studies of Indian PSE governance have applied these frameworks individually; their combined application reveals governance dimensions that no single theory captures in isolation, particularly the interplay between principal-agent monitoring structures (Agency Theory), multi-stakeholder accountability obligations (Stakeholder Theory), and values-based governance orientation (Stewardship Theory). Second, this study provides longitudinal empirical evidence of governance evolution across five consecutive fiscal years in an Indian Navratna defence enterprise—a research context that has been systematically under-examined relative to civilian sector CPSEs and private sector firms. The five-year analytical window enables the observation of the institutional governance trajectory rather than a static compliance snapshot, contributing methodological depth to the Indian PSE governance literature. Third, this study proposes and validates a four-dimensional governance evaluation framework—encompassing board structure, ethics and vigilance, accountability and disclosure, and ESG measurement—that is methodologically transferable to peer Navratna enterprises and applicable in comparative multi-entity governance research. The framework's construction around internationally recognized benchmarks (OECD, GRI, TCFD, IIRC) ensures external validity and relevance to global governance scholarship.

Practical Implications

For BEL's governance leadership, this study provides a structured gap assessment and a sequenced, evidence-grounded enhancement roadmap tied directly to internationally recognized frameworks. The five identified governance gaps—TCFD alignment, Scope 3 measurement, standalone GRI reporting, double materiality assessment, and ESG-linked executive compensation—are presented with sufficient analytical specificity to enable prioritized governance reform planning. For the Ministry of Defence and the Department of Public Enterprises, the study's findings suggest that priority governance standards—particularly TCFD adoption, GRI-aligned sustainability reporting, and double materiality assessment—should be incorporated into future CPSE governance guidelines and mandatory disclosure frameworks. For peer Navratna enterprises, BEL's governance profile serves as a sector-specific reference benchmark: it illustrates what is achievable within the regulatory and operational constraints of Indian defence PSE governance and makes explicit which governance gaps remain material when assessed against global standards.

Scope for Future Research

This study opens up several well-defined research directions. First, extending the four-dimensional governance framework to a comparative multi-entity study across all Navratna enterprises would enable a statistical analysis of governance quality variance and its relationship with organizational performance, moving beyond the institutional depth of single-entity case analysis. Second, future research should incorporate primary data collection through structured interviews with board members, Chief Vigilance Officers, and senior governance personnel to capture governance process quality that document-based analysis cannot access. It must be acknowledged that primary data access in the defence public sector context is structurally constrained by the Official Secrets Act provisions and Ministry of Defence authorization requirements—a challenge that future researchers may overcome through formal institutional partnerships with the DPE or MoD. Third, the development and empirical validation of a quantitative Governance Quality Index—built on the four dimensions proposed in this study—would enable the longitudinal tracking of Indian PSE governance evolution and cross-sector benchmarking. Fourth, as BEL progressively implements the recommendations emerging from this study, including TCFD adoption, Scope 3 measurement, and ESG-linked compensation frameworks, longitudinal research tracking the governance improvement trajectory would contribute valuable empirical evidence on institutional governance reform dynamics in the Indian defence sector. Taken together, these directions position the Indian defence PSE governance domain as a substantive and underexplored area of governance scholarship, with policy relevance that extends well beyond the academic literature.

Key Takeaway

The central message of this study is that governance quality in India's defence public sector is not a binary compliance question; it is a spectrum of institutional capability with real consequences for ESG credibility, investor confidence, and policy effectiveness. BEL demonstrates that a defence PSE operating under the constraints of national security mandates, ministry oversight, and procurement sensitivity can nonetheless achieve governance quality that exceeds minimum CPSE thresholds. Its ISO 9001:2015-certified vigilance infrastructure, voluntary Integrated Reporting adoption, and independently validated CARE Ratings ESG score of 73.8/100 reflect institutional governance choices that have measurable credibility consequences. At the same time, the five material governance gaps identified in this study represent not compliance failures but strategic governance opportunities. Each gap has a clear, actionable resolution pathway that BEL's governance and leadership are institutionally capable of implementing. The overarching message for the Indian CPSE system is, therefore, both diagnostic and optimistic: strong governance is achievable within defence sector constraints, the standards for what constitutes strong governance are advancing rapidly with IFRS S1/S2 and SEBI BRSR Core, and the distance between BEL's current position and global best practice is bridgeable with purposeful, framework-grounded institutional commitment.

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