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BRSR Reporting in India – A New Paradigm

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ABSTRACT

The increasing materiality of climate risks and the growing emphasis on sustainable finance have prompted regulatory bodies worldwide to mandate enhanced environmental, social, and governance (ESG) disclosures. In India, the Securities and Exchange Board of India (SEBI) introduced the Business Responsibility and Sustainability Reporting (BRSR) framework in 2021 as a structured approach to corporate ESG reporting. By aligning with global sustainability standards such as the Task Force on Climate-related Financial Disclosures (TCFD), Global Reporting Initiative (GRI), and Sustainability Accounting Standards Board (SASB), BRSR aims to elevate corporate accountability, facilitate informed investor decision-making, and strengthen India's position in global capital markets.

This study critically examines BRSR's regulatory intent, corporate implications, and financial impact while addressing key challenges in data standardization, compliance costs, and greenwashing risks. Through an extensive review of policy documents, academic literature, and case studies of large-cap and mid-cap corporations, we evaluate the framework's effectiveness in integrating climate risk considerations, ESG governance structures, and sustainable investment strategies into corporate decision-making. Our findings highlight that while BRSR enhances ESG transparency and investor confidence, gaps remain in corporate ESG literacy, sector-specific reporting mandates, and third-party assurance mechanisms, which hinder full implementation.

By providing policy recommendations—including ESG capacity-building, regulatory refinements, and technology-enabled reporting solutions—this study underscores the need for a more robust, scalable, and globally harmonized ESG disclosure framework. As India transitions toward a low-carbon economy, BRSR serves as a critical catalyst for sustainable finance, risk-adjusted capital allocation, and responsible corporate governance, reinforcing its pivotal role in shaping the future of financial markets in emerging economies

1. INTRODUCTION

What is BRSR?

The increasing global integration of sustainable finance and climate risk management into mainstream financial systems reflects a paradigm shift in corporate governance, investment strategies, and risk assessment frameworks. Policymakers, institutional investors, and corporations are re-evaluating traditional financial disclosure mechanisms to align with evolving ESG imperatives, recognizing that climate-related financial risks have significant implications for capital allocation, asset valuation, and long-term financial stability. In India, this transition is embodied in the SEBI's BRSR framework, introduced in 2021 as a mandatory disclosure requirement for the top 1,000 listed entities by market capitalization (SEBI, 2021). BRSR represents a significant regulatory milestone, modernizing the earlier Business Responsibility Reporting (BRR) guidelines to incorporate quantifiable, decision-useful sustainability metrics, particularly those related to climate risk exposure, ESG performance, and sustainable finance integration. By aligning with internationally recognized frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD) recommendations (TCFD, 2017), Global Reporting Initiative (GRI), and Sustainability Accounting Standards Board (SASB) standards, BRSR aims to enhance corporate transparency, accountability, and resilience in India's capital markets.

BRSR consolidates material ESG disclosures into a structured and standardized framework under SEBI's regulatory oversight, enabling corporations to systematically quantify and disclose their climate impact, resource efficiency, and sustainability-linked financial risks (SEBI, 2021). This framework mandates disclosures across three key dimensions: General Disclosures, Management and Process Disclosures, and Principle-wise Performance Disclosures, covering aspects such as board-level ESG oversight, stakeholder engagement mechanisms, carbon footprint analysis, and biodiversity conservation initiatives. A particularly transformative aspect of BRSR is its emphasis on climate risk assessment, integrating both physical risks (e.g., acute and chronic climate hazards affecting infrastructure and supply chains) and transition risks (e.g., regulatory shifts, carbon pricing mechanisms, and market dynamics favouring low-carbon technologies) (NGFS, 2020). By institutionalizing ESG risk assessment in corporate disclosures, BRSR enhances climate-aligned capital flows, facilitates sustainable debt instruments (e.g., green bonds, sustainability-linked loans), and fosters climate-conscious investment decisions in India's financial ecosystem.

The adoption of BRSR reflects the growing consensus that climate change is a material financial risk with systemic implications for asset pricing, risk-adjusted returns, and financial stability, particularly in emerging markets like India. Its implementation is expected to catalyse the development of sustainability-linked financial products, reinforce climate stress testing methodologies, and bolster corporate ESG integration within investment portfolios. However, the framework also presents challenges, including data standardization inconsistencies, verification complexities, and compliance costs for mid-cap and small enterprises, necessitating further refinements in regulatory enforcement, ESG rating methodologies, and corporate climate governance practices. As India transitions toward a low-carbon, climate- resilient economy, BRSR is poised to play a pivotal role in shaping sustainable financial markets, investor confidence, and corporate accountability in the years to come.

Why was BRSR introduced?

The introduction of BRSR was driven by the need to align corporate sustainability reporting in India with global standards and increasing investor demand for decision-useful ESG data. With commitments under the Paris Agreement and Sustainable Development Goals (SDGs), India required a more robust disclosure framework to assess and mitigate climate-related financial risks.

Key reasons for the shift included:

- **Growing ESG Investments:** Institutional investors were integrating ESG metrics into capital allocation and risk assessment.
- **Global Comparability:** BRSR aligns with international frameworks like TCFD, GRI, and SASB, ensuring better integration with global markets.
- **Climate Risk Management:** Unlike BRR, BRSR incorporates climate scenario analysis, board-level ESG oversight, and quantitative disclosures on GHG emissions and resource efficiency.
- **Regulatory and Investor Expectations:** SEBI aimed to enhance corporate accountability and transparency, strengthening sustainable finance in India.

Research Objectives

This study endeavours to accomplish the following objectives:

1. Understand the Need for ESG Disclosures in India: Examine how evolving global and domestic regulatory landscapes have heightened the importance of standardized ESG reporting.
2. Analyse the Impact of BRSR on Corporate Governance, Finance, and Reporting: Investigate the extent to which BRSR influences decision-making processes, risk assessments, and overall corporate strategy.
3. Evaluate Challenges and Future Implications: Identify the barriers, such as limited ESG expertise, data collection hurdles, and potential greenwashing, that companies face in adopting BRSR, and explore how future regulatory and market trends may shape its evolution.

Methodology Overview

To address these research objectives, the article employs a mixed-methods approach:

- Literature Review: An in-depth review of policy documents (SEBI circulars, Ministry of Corporate Affairs guidelines), global frameworks (TCFD, 2017; EU Taxonomy), and academic journals on ESG reporting and climate risk.
- Case Studies: Focused analysis of select Indian corporations, including large-cap leaders and mid-cap firms, to illustrate the spectrum of challenges and enablers in BRSR adoption.

This integrated methodology allows for a comprehensive understanding of BRSR's objectives, operational constraints, and transformative potential within India's sustainable finance landscape. By synthesising insights from existing frameworks and real-world corporate experiences, the study aspires to offer evidence-based recommendations for policymakers, investors, and industry stakeholders, thereby contributing to the broader discourse on climate risk and ESG integration in emerging markets.

2. EVOLUTION OF ESG REPORTING IN INDIA

Pre-BRSR Era

The evolution of ESG reporting in India has been shaped by regulatory milestones and growing investor expectations. One key development was the Corporate Social Responsibility (CSR) mandate under the Companies Act, 2013, requiring firms exceeding specific thresholds to allocate 2% of their net profits to CSR initiatives. Initially focused on philanthropy, CSR gradually became a strategic tool for corporate sustainability.

Before this, the National Voluntary Guidelines (NVGs) of 2011 introduced nine core sustainability principles emphasizing ethical governance, environmental stewardship, and stakeholder inclusivity. However, as these guidelines were voluntary and lacked quantifiable ESG metrics, their impact on financial markets was limited.

In 2012, SEBI introduced the Business Responsibility Reporting (BRR) framework, making ESG disclosures mandatory for the top 100 listed companies, later expanding it to the top 1,000 companies by 2019. While BRR introduced structured ESG reporting, it remained largely qualitative and lacked standardized climate risk assessments, limiting its alignment with global frameworks like GRI, SASB, and TCFD.

The shortcomings of BRR and voluntary ESG reporting created the need for a more structured and investor-relevant framework, leading to the introduction of BRSR in 2021, which incorporated quantitative ESG disclosures, sector-specific climate risk assessments, and structured sustainability performance metrics. This marked a shift from compliance-driven reporting to ESG integration in financial decision-making.

BRR Framework Introduced in 2012

In 2012, SEBI formalized corporate sustainability disclosures with BRR, initially applying it to the top 100 listed companies and later expanding its reach. The framework aimed to enhance transparency and investor confidence but remained narrative-based, focusing on sustainability commitments rather than measurable performance. It did not mandate climate risk assessments, third-party verifications, or standardized ESG data, making it insufficient for global ESG investment trends.

BRR lacked integration with evolving climate risk pricing, ESG-weighted indices, and sustainable finance mechanisms. Consequently, international investors and rating agencies pushed for a globally harmonized ESG framework, prompting SEBI to transition from BRR to BRSR in 2021.

BRSR Framework Introduced in 2021

Against the backdrop of increasingly sophisticated ESG investor demands and India's commitments under the Paris Agreement and the SDGs, SEBI recognized that the existing BRR mechanism needed substantial upgrades (UNFCCC, 2015; United Nations, 2015). In 2021, SEBI introduced the BRSR framework, aiming to create standardized, decision-useful data on companies' environmental, social, and governance performance (SEBI, 2021). The new framework also responded to the rising materiality of climate risk, wherein investors require detailed analyses of both physical risks (e.g., operational disruptions due to natural disasters) and transition risks (e.g., regulatory or market shifts toward low-carbon technologies) (TCFD, 2017; NGFS, 2020).

While BRR laid the foundation for mandatory reporting, BRSR introduced more granular ESG disclosures and specific climate risk metrics. Key distinctions include:

1. Quantitative Metrics and Targets: BRSR encourages companies to disclose quantitative data on GHG emissions, energy use, and water consumption, aiding stakeholders in assessing a company's carbon footprint more accurately.
2. Climate Risk Integration: Reflecting global best practices, BRSR aligns with the TCFD framework by highlighting the need for scenario analysis and board-level climate governance.
3. Stakeholder-Centric Governance: Building on BRR's emphasis on stakeholder engagement, BRSR places greater focus on defining material issues that affect shareholders, employees, local communities, and supply-chain partners.
4. Enhanced Comparability: Unlike BRR, which had limited uniform metrics, BRSR's standardized templates enable benchmarking across firms and industries, improving transparency in the sustainable finance ecosystem.

By integrating ESG considerations into the fundamental operations and strategic planning of corporations, BRSR positions India closer to global sustainability standards. This alignment is critical not just for investor confidence but also for managing the systemic risks posed by climate change to the financial system (NGFS, 2020).

Importance of BRSR in the Corporate Landscape

The introduction of BRSR marks a transformational shift in corporate governance, financial risk assessment, and sustainable business strategy in India. As global capital markets increasingly integrate ESG factors into investment decision-making, credit risk assessment, and portfolio management, BRSR ensures that Indian corporations remain competitive, transparent, and aligned with international sustainability reporting standards. By embedding standardized ESG disclosures, climate risk assessments, and sustainability-linked governance frameworks, BRSR enhances market credibility, investor confidence, and long-term financial resilience.

A key contribution of BRSR is its role in corporate risk management and financial stability. With the growing financial materiality of climate risks, companies must assess both physical risks (e.g., extreme weather events, supply chain disruptions) and transition risks (e.g., regulatory shifts, carbon pricing mechanisms, and evolving green finance taxonomies). BRSR integrates forward-looking climate risk disclosure methodologies, scenario analyses, and decarbonization strategies, ensuring that businesses proactively identify, measure, and mitigate sustainability-related financial risks. This structured ESG integration fosters resilient business models, particularly in sectors vulnerable to climate transition risks, resource dependency, and changing consumer preferences for sustainable products.

Furthermore, BRSR enhances corporate transparency and stakeholder trust by institutionalizing decision-useful ESG disclosures that align with frameworks such as the TCFD, GRI, and SASB. As regulatory scrutiny and ESG investor activism increase, BRSR provides a credible and comparable ESG reporting framework, enabling businesses to strengthen corporate governance, enhance stakeholder engagement, and mitigate reputational risks associated with greenwashing.

Another critical dimension of BRSR's significance lies in its role in facilitating access to sustainable finance and ESG-focused capital flows. With the rapid expansion of green bonds, sustainability-linked loans (SLLs), impact investing, and ESG-weighted index funds, businesses with robust, verifiable ESG performance disclosures are better positioned to attract long-term institutional investors, sovereign wealth funds, and climate-conscious financial institutions. By aligning with global sustainable finance taxonomies, BRSR ensures that Indian businesses can seamlessly integrate into international capital markets, improve their ESG ratings, and enhance financial decision-making through sustainability-linked investment mechanisms.

In an era where corporate sustainability is no longer an option but a financial imperative, BRSR serves as an instrumental tool in mainstreaming ESG considerations into core business strategies. By standardizing sustainability disclosures, reinforcing corporate accountability, and promoting climate-aligned financial planning, BRSR accelerates India's transition toward a more resilient, responsible, and sustainable corporate ecosystem.

International ESG Reporting Alignment

The evolution of BRSR is deeply embedded in the global transition toward harmonized, decision-useful ESG disclosures, reflecting the increasing financial materiality of sustainability risks and opportunities. As institutional investors, credit rating agencies, and financial regulators integrate climate-related financial risks, biodiversity impacts, and social sustainability considerations into investment decision-making, standardized corporate ESG reporting frameworks have become critical for ensuring market transparency, capital allocation efficiency, and systemic financial stability. While BRSR is tailored to India's regulatory landscape, it aligns with several internationally recognized ESG disclosure frameworks to enhance comparability, interoperability, and investor confidence. Key global frameworks that influence BRSR include:

- **Global Reporting Initiative (GRI)**
  - Focus: Comprehensive, multi-stakeholder sustainability disclosures covering ESG impacts across industries.
  - Relevance to BRSR: BRSR adopts GRI's emphasis on materiality, stakeholder inclusivity, and transparency, ensuring that Indian corporations provide comparable, verifiable, and impact-driven ESG disclosures (GRI, 2020). While BRSR retains India-specific sustainability priorities, its structure echoes GRI's triple-bottom-line approach, reinforcing corporate accountability in environmental performance, labour rights, and human rights due diligence.
- **Sustainability Accounting Standards Board (SASB)**
  - Focus: Industry-specific disclosure standards that emphasize financially material ESG factors influencing corporate valuation, credit risk, and investment returns.
  - Relevance to BRSR: Unlike SASB, which provides sector-specific reporting metrics, BRSR employs a sector-agnostic disclosure approach. However, large, diversified corporations with multi-sector operations frequently supplement BRSR with SASB-aligned disclosures to enhance sectoral ESG risk assessments, sustainability-linked financial modelling, and materiality-driven corporate reporting (SASB, 2018).

- **Task Force on Climate-related Financial Disclosures (TCFD)**
  - Focus: Climate risk reporting through four key pillars—governance, strategy, risk management, and metrics/targets—to facilitate climate-informed financial decision-making.
  - Relevance to BRSR: BRSR embeds TCFD-aligned climate risk assessment methodologies, particularly in board oversight mechanisms, scenario analysis, and forward-looking transition risk projections. By requiring disclosures on physical and transition risks, value-chain climate risk exposure, and decarbonization strategies, BRSR enhances investor confidence in the financial resilience of Indian corporations (TCFD, 2017).
- **EU Taxonomy for Sustainable Activities**
  - Focus: A classification framework for sustainable economic activities within the European Union, designed to mitigate greenwashing risks, standardize sustainable investment criteria, and support climatealigned capital flows.
  - Relevance to BRSR: While the EU Taxonomy is jurisdiction-specific, it reflects a broader global push toward rigorous ESG classifications and sustainable finance integration. BRSR similarly seeks to standardize corporate sustainability disclosures, align ESG definitions, and enhance market comparability, ensuring that Indian companies can access international green finance markets and sustainability-linked investment products (European Commission, 2020).

By integrating elements from these global standards, BRSR not only streamlines corporate sustainability reporting in India but also positions Indian businesses competitively within global sustainable finance markets. This alignment is particularly significant as international financial institutions, sovereign wealth funds, and development banks incorporate carbon pricing mechanisms, transition finance criteria, and ESG risk-adjusted capital allocation strategies into investment decision-making (NGFS, 2020).

India's ESG disclosure framework has undergone a rapid transformation—from voluntary, compliance-based reporting structures to a structured, data-driven mechanism that institutionalizes climate risk disclosures, sustainability-linked financial performance assessments, and ESG-driven corporate governance reforms. Through BRSR, SEBI has reinforced India's regulatory standing in global sustainable finance markets, ensuring that corporate India remains resilient, transparent, and aligned with international ESG reporting best practices.

3. STRUCTURE AND KEY ELEMENT3 OF BRSR

Mandatory vs. Voluntary Disclosures

The BRSR framework employs a dual-tiered approach to ESG disclosures, classifying them into mandatory and voluntary components. This distinction ensures that while companies comply with baseline sustainability reporting requirements, they also have the flexibility to demonstrate leadership in ESG integration. By structuring disclosures in this way, SEBI aims to enhance corporate accountability, facilitate informed investor decision-making, and align Indian capital markets with global ESG benchmarks.

- **Mandatory Disclosures:** Mandatory disclosures form the foundation of standardized ESG integration, requiring the top 1,000 listed companies by market capitalization to report on critical ESG parameters (SEBI, 2021). These include quantitative disclosures on energy consumption, greenhouse gas (GHG) emissions (Scope 1, 2, and 3), water and waste management, gender diversity, occupational health and safety, and board- level sustainability governance. By mandating these disclosures, BRSR ensures that corporate sustainability is embedded into governance structures, operational risk management, and financial decision-making. The inclusion of climaterelated financial risks, ESG performance indicators, and sustainability-linked governance mechanisms enhances market transparency, allowing investors to conduct climate stress testing, ESG-adjusted risk analysis, and sustainability-linked portfolio management.
- **Voluntary Disclosures:** Voluntary disclosures offer companies an opportunity to differentiate themselves through enhanced ESG transparency, aligning with global sustainability reporting standards such as the GRI, SASB, TCFD, and EU Taxonomy for Sustainable Finance. Firms that engage in voluntary reporting often disclose sector- specific ESG performance indicators, climate risk scenario analyses, carbon pricing mechanisms, and sustainability-linked financial metrics such as climate value-at-risk (VaR) and ESG-adjusted returns. Companies that proactively adopt voluntary disclosures not only improve their ESG ratings and attract responsible investors but also strengthen their access to sustainability-linked financial instruments, including green bonds, ESG-focused loans, and impact investing funds.

By integrating both mandatory regulatory requirements and voluntary leadership-driven ESG reporting, BRSR establishes a comprehensive and dynamic disclosure framework. This approach ensures that corporate India systematically integrates sustainability into financial and operational strategies, while allowing industry leaders to push the boundaries of ESG best practices. In doing so, BRSR fosters market confidence, climate-aligned capital allocation, and long-term resilience in India's corporate sector.

Anatomy of the BRSR framework

The BRSR framework is structured into three broad sections, ensuring a holistic assessment of a company's ESG performance:

4. **General Disclosures:** These include corporate identity details, segment-wise operations, product and service offerings, and the company's ESG policies. It ensures transparency regarding the organizational structure and sustainability commitments. Companies must disclose their approach to sustainability, including specific policies they have adopted, and how these policies align with their business objectives. This section serves as an introduction, helping stakeholders understand the company's positioning and commitment to ESG values.
5. **Management and Governance:** This section captures details of the governance structures, including board oversight of ESG issues, stakeholder grievance mechanisms, and policies for responsible business conduct. Companies must disclose their ESG risk assessment and how sustainability is integrated into decision-making processes. By emphasizing strong governance practices, this section reassures investors and regulators that ESG risks are being proactively managed. It also highlights the role of the board in fostering sustainability-driven policies and outlines key committees responsible for ESG-related decision-making.
6. **Stakeholder Engagement and Sustainability Metrics:** Companies report their engagement with key stakeholders, including employees, customers, regulators, and the local community. This section also presents quantitative sustainability indicators such as GHG emissions, water and energy consumption, waste management, and employee well-being. Transparency in this area enables stakeholders to understand how a company interacts with society and its environmental impact. Detailed reporting on sustainability metrics helps organizations benchmark their performance, set targets for improvement, and adopt best practices from industry leaders.

BRSR Core vs. Comprehensive Format

To balance regulatory compliance and ESG leadership, SEBI has introduced two reporting formats under BRSR: BRSR Core and BRSR Comprehensive. This tiered approach ensures flexibility in ESG adoption, allowing firms to progressively integrate sustainability disclosures while maintaining comparability and investor transparency.

BRSR Core is a streamlined reporting format, applicable to all top 1,000 listed entities, focusing on essential ESG indicators such as carbon footprint, energy consumption, workplace safety, and board-level ESG governance. It establishes baseline corporate accountability without imposing excessive reporting burdens, ensuring minimum ESG disclosure consistency across industries.

In contrast, BRSR Comprehensive is designed for companies seeking deeper ESG integration, offering granular insights into climate risk, scenario analysis, and sector-specific sustainability strategies. Firms adopting this format gain a competitive edge in ESG rankings, investor engagement, and access to sustainable finance instruments like green bonds and ESG-linked loans.

While currently mandatory for listed companies, SEBI encourages unlisted firms to adopt voluntary ESG disclosures, fostering market-wide sustainability alignment. As ESG integration becomes a financial imperative, BRSR's scalable structure positions Indian businesses for long-term resilience, investor confidence, and global sustainable finance competitiveness.

SEBI Mandate and Regulatory Compliances

The SEBI has positioned the BRSR framework as a critical regulatory mechanism to align Indian corporate ESG disclosures with global sustainable finance standards. By mandating structured, decision-useful ESG reporting, SEBI aims to enhance market transparency, investor confidence, and corporate accountability, ensuring that climate risk, social responsibility, and governance structures are effectively integrated into financial decision-making.

A key aspect of the SEBI mandate is the mandatory implementation of BRSR from FY 2022- 23, requiring the top 1,000 listed companies to incorporate ESG disclosures into their annual reports. This shift reinforces the recognition of sustainability as a material financial factor, embedding ESG risk considerations into corporate governance, capital allocation strategies, and credit risk assessments.

BRSR is designed to ensure alignment with global sustainability reporting frameworks, incorporating elements from the GRI, SASB, and TCFD. This alignment enables Indian companies to seamlessly integrate into global capital markets, reducing regulatory friction for firms operating cross-border or seeking ESG-linked financing. Companies that comply with BRSR can better position themselves for green bonds, SLLs, and impact investing mandates, further reinforcing the financial materiality of ESG disclosures.

While third-party assurance on ESG data is not yet mandatory, SEBI is considering a phased approach to external audits and verification mechanisms to enhance credibility, prevent greenwashing, and ensure the accuracy of sustainability disclosures. As ESG data increasingly influences credit ratings, investment due diligence, and financial valuations, assurance mechanisms will play a pivotal role in maintaining investor trust and ensuring the robustness of reported ESG performance.

Moreover, SEBI’s BRSR framework is shaping India’s responsible investment landscape, with institutional investors progressively integrating ESG metrics into equity valuations, loan approvals, and risk-adjusted investment models. Companies with strong ESG compliance are better positioned to attract capital, mitigate regulatory risks, and enhance long-term financial resilience. By establishing BRSR as the foundation for ESG integration in India’s corporate ecosystem, SEBI is driving sustainable finance adoption, climate-aligned financial strategies,

and enhanced corporate governance practices, ensuring Indian businesses remain competitive in the global sustainability-driven economy.

4. BRSR’3 IMPACT ON BUSINESS AND STAKEHOLDER

The BRSR framework introduced by SEBI has fundamentally altered corporate disclosures in India. By mandating structured ESG reporting, BRSR influences businesses, investors, regulators, and broader market dynamics. This section explores the framework’s impact across key stakeholders, with case studies illustrating both successful and challenging adoption scenarios.

Impact on Corporates

BRSR mandates structured ESG integration in corporate governance, pushing companies to embed sustainability into strategic decisions. Companies benefit from greater investor trust, improved risk management, and stronger brand reputation. ESG transparency attracts sustainable investments and financing opportunities, reducing the cost of capital.

However, compliance challenges exist, particularly for mid-cap and small enterprises. Data collection, third-party audits, and compliance infrastructure require significant investments, posing cost burdens on smaller firms. Still, long-term ESG alignment helps companies improve operational efficiency, regulatory preparedness, and market differentiation.

Impact on Investors

Investors benefit from standardized, comparable ESG data, enabling informed decision- making. The framework strengthens ESG investing trends, allowing institutional investors to integrate climate and governance factors into risk assessments. Companies with robust BRSR disclosures gain higher ESG scores, attracting sustainable investment funds.

BRSR also helps investors evaluate corporate climate resilience, governance structures, and ethical business conduct. However, challenges like greenwashing and inconsistent ESG rating methodologies persist, necessitating stronger third-party assurance mechanisms to enhance data credibility.

Impact on Regulators & Policymakers

For regulators, BRSR enhances corporate accountability and ESG compliance. SEBI ensures that listed companies disclose material sustainability risks, aligning India’s financial market with global ESG benchmarks. Future policies may expand sector-specific ESG mandates and stricter verification mechanisms.

BRSR also supports climate policy formulation, providing regulators with key data to shape national sustainability strategies. By enforcing ESG transparency, SEBI drives responsible investing trends and risk-adjusted capital allocation.

Overall, BRSR strengthens corporate resilience, investor confidence, and regulatory oversight, positioning India as a leader in sustainable finance and responsible corporate governance.

Case Study Analysis

Case Study 1: Infosys – A Leader in ESG Reporting

Infosys has emerged as a pioneer in ESG integration, consistently ranking among India’s top sustainability performers and exemplifying best practices in BRSR. As a technology leader with a strong corporate governance framework, Infosys has successfully embedded ESG principles into its business strategy, risk management, and financial decision-making, reinforcing its position as an ESG investment destination.

A critical factor in Infosys’ ESG leadership is its strong corporate governance and transparency in sustainability disclosures. The company has established a dedicated ESG committee at the board level, ensuring strategic oversight of climate risks, stakeholder engagement, and sustainability-linked financial performance. Under BRSR, Infosys provides comprehensive, data-driven disclosures covering carbon neutrality commitments, workplace diversity initiatives, ethical supply chain management, and executive compensation linked to ESG performance. Its BRSR-aligned disclosures enhance investor confidence, allowing stakeholders to assess climate resilience, corporate accountability, and sustainability-driven value creation.

Infosys has also demonstrated climate leadership by achieving carbon neutrality ahead of industry peers, aligning with BRSR's climate risk reporting and decarbonization mandates. The company has invested significantly in renewable energy infrastructure, water conservation technologies, and circular economy initiatives, ensuring alignment with global ESG frameworks such as the TCFD, GRI, and the United Nations SDGs. These initiatives not only reduce environmental liabilities but also position Infosys as a sustainable business model in the evolving low-carbon economy.

From an investment perspective, Infosys' ESG leadership enhances market valuation, shareholder trust, and institutional investor engagement. The company consistently attracts high ESG-rated funds, sustainable investment capital, and inclusion in ESG indices, reinforcing its market credibility and long-term financial resilience. By integrating BRSR-aligned sustainability disclosures, climate risk assessments, and ethical governance frameworks, Infosys exemplifies how Indian corporations can leverage ESG integration to enhance stakeholder confidence, drive sustainable innovation, and remain globally competitive.

Case Study 2: A Mid-Cap Company Facing BRSR Challenges

Tata Chemicals, a leading mid-cap company in the chemicals and industrial manufacturing sector, faces significant challenges in BRSR compliance due to its high resource dependency, complex supply chain emissions, and evolving ESG reporting capabilities. While the company has taken steps toward sustainability, its ESG governance structure, climate risk management, and financial market positioning still require considerable improvements to fully align with BRSR's evolving regulatory expectations.

One of the primary challenges for Tata Chemicals lies in ESG governance and reporting consistency. Unlike large-cap ESG leaders with dedicated sustainability committees at the board level, Tata Chemicals lacks a formalized governance framework focused exclusively on ESG oversight. As a result, its sustainability disclosures remain fragmented, limiting its ability to demonstrate a structured approach to integrating ESG into business strategy, risk assessment, and capital allocation. The company provides basic disclosures under BRSR Core, covering energy consumption, workforce diversity, and governance structures. However, its reporting on Scope 3 emissions, climate transition risks, and sustainability-linked financial strategies remains limited, reducing its comparability with global ESG benchmarks such as the TCFD and SASB.

Beyond governance, Tata Chemicals faces operational sustainability challenges due to its carbon-intensive manufacturing processes. The company operates in an industry with high energy consumption, significant water usage, and substantial waste generation, making decarbonization a complex and capital-intensive undertaking. While it has implemented energy efficiency initiatives, circular economy programs, and process optimizations, its transition to renewable energy sources remains gradual. Additionally, tracking and reporting Scope 3 emissions across its supply chain presents a major challenge, as suppliers may not have robust ESG reporting mechanisms. Without detailed scenario analyses on climate risks, Tata Chemicals struggles to quantify the financial impact of carbon pricing, regulatory changes, and extreme weather events on its long-term business model.

The company's current ESG position also affects its market perception and access to sustainable finance. Investors are increasingly integrating ESG risk assessments into equity valuations, credit ratings, and loan approvals, favouring firms with strong sustainability-linked disclosures and well-defined climate transition plans. Tata Chemicals, with its inconsistent reporting on climate risk management and ESG-aligned financial performance metrics, has found it challenging to attract ESG-conscious institutional investors. Unlike ESG leaders included in sustainability indices, Tata Chemicals faces higher capital costs for green financing instruments such as SLLs and green bonds. The lack of clear sustainability targets and third-party assurance mechanisms for ESG disclosures further weakens investor confidence, limiting its ability to leverage sustainable finance for long-term growth.

To overcome these challenges and enhance BRSR compliance, Tata Chemicals must take a multi-pronged approach to strengthen its ESG strategy. First, it needs to establish a board-level ESG committee to oversee sustainability governance, ensuring that climate risks and ESG factors are fully integrated into corporate decision-making. Second, it must expand its ESG disclosures beyond regulatory compliance, aligning with international reporting frameworks such as TCFD, SASB, and the GRI to improve comparability and investor confidence. Third, a robust climate risk management framework, including Scope 3 emissions tracking, carbon transition planning, and sustainability-linked investment strategies, is essential to meet growing regulatory and market expectations. Lastly, leveraging green financial instruments and impact investment opportunities can provide the capital necessary to fund sustainability initiatives and transition toward a low-carbon operating model.

While Tata Chemicals has made progress in advancing its sustainability initiatives, its BRSR- related challenges underscore the broader difficulties faced by mid-cap industrial firms. The transition toward ESG leadership requires both regulatory compliance and proactive market engagement, ensuring that corporate sustainability is not merely a reporting obligation but a strategic advantage. By addressing these gaps in ESG governance, climate resilience, and sustainable finance integration, Tata Chemicals can enhance its competitiveness, investor attractiveness, and long-term financial resilience in a rapidly evolving sustainability-driven economy.

5. CHALLENGES AND CRITICISM

While the introduction of BRSR marks a significant advancement in ESG disclosure practices in India, several challenges and criticisms persist that merit rigorous scrutiny, particularly from a financial economics perspective.

Implementation Challenges

Lack of ESG Expertise in Indian Companies: A primary challenge facing the implementation of BRSR is the relative scarcity of in-house ESG expertise among many Indian firms. Despite growing awareness, a substantial proportion of companies—especially those outside the large-cap segment—lack resolute teams or professionals skilled in sustainability reporting and climate risk assessment. This expertise gap often leads to suboptimal disclosure practices, where companies may fail to capture the full spectrum of their environmental and social impacts. From a financial perspective, this deficiency in ESG literacy can result in mispricing of risk and an inability to integrate non-financial metrics effectively into strategic decision-making (KPMG, 2020). The absence of sophisticated ESG risk management frameworks undermines the potential of BRSR to enhance corporate resilience and inform investor decisions.

Inconsistency in Reporting Standards: Another notable challenge is the inconsistency in reporting standards. While BRSR seeks to standardize ESG disclosures, the transition from the earlier BRR framework has not been seamless. Companies continue to grapple with varied interpretations of mandatory metrics and qualitative disclosures. This inconsistency arises partly from the evolving nature of global ESG standards and the inherent difficulties in quantifying non-financial risks. As a result, the data reported under BRSR may not be fully comparable across firms or industries, limiting its utility for rigorous econometric analysis and risk modelling. For investors and regulators aiming to incorporate ESG metrics into quantitative financial models, such variability can introduce measurement error bias, complicating efforts to correlate ESG performance with traditional financial outcomes (EC, 2020; TCFD, 2017).

Financial Burden on Mid and Small-Cap Firms: The cost implications associated with comprehensive ESG reporting represent another critical barrier. For mid and small-cap companies, the financial burden of developing robust data collection systems, engaging third- party auditors, and investing in requisite IT infrastructure can be prohibitive. These firms often operate with limited financial and managerial resources, making it challenging to comply with the extensive disclosure requirements mandated by BRSR. The resultant strain may lead to a trade-off between short-term profitability and long-term sustainability investments. From a financial theory standpoint, such constraints can distort the cost of capital and affect firm valuation, particularly if investors discount the increased operating expenses associated with rigorous ESG reporting (PRI, 2020).

Greenwashing Concerns

Superficial Compliance vs. Substantive Change: A persistent criticism of mandatory ESG reporting frameworks, including BRSR, is the risk of greenwashing—where companies engage in superficial compliance without implementing substantive changes in their operations. The pressure to meet regulatory requirements and investor expectations may lead some firms to focus on the optics of sustainability rather than embedding genuine ESG improvements into their business models. This phenomenon is particularly concerning when disclosures are used more as a marketing tool than as a basis for risk management and strategic decision-making. For investors relying on BRSR data, the prevalence of greenwashing can result in misinformed decisions, as the reported metrics may not accurately reflect the underlying risks or the actual sustainability performance of the firm. Such discrepancies can exacerbate information asymmetries in the market, ultimately leading to inefficient capital allocation and risk mispricing (NGFS, 2020).

Efficacy of Assurance Mechanisms: While SEBI has signalled a move toward third-party assurance to enhance the credibility of ESG disclosures, the current framework lacks robust mechanisms to verify the accuracy of the reported data. Without standardized assurance protocols, the potential for greenwashing remains high. Assurance mechanisms are critical not only for investor confidence but also for ensuring that the ESG data can be effectively integrated into financial risk models. The absence of stringent verification standards further undermines the comparability and reliability of ESG disclosures across the corporate landscape.

Comparability Issue

Lack of Standardization Across Industries: One overarching challenge with BRSR is the lack of comparability across different industries and sectors. While the framework provides standardized templates for key ESG indicators, variations in operational contexts and industry-specific factors often result in heterogeneous disclosures. This heterogeneity complicates benchmarking efforts and limits effectiveness of cross-sectional and longitudinal analyses of ESG performance. In the realm of finance, where comparative metrics are integral to risk assessment and asset pricing models, such inconsistencies can lead to significant challenges in aggregating and interpreting ESG data. Researchers and practitioners seeking to integrate ESG factors into models like the Capital Asset Pricing Model (CAPM) or multifactor risk models must contend with inconsistencies, which dilute the predictive power of such models (SASB, 2018).

Impact on Empirical Research and Investment Decisions: For academic researchers and institutional investors alike, the comparability issue poses a major hurdle in developing robust, empirically driven insights. Inconsistent reporting practices mean that ESG scores and related metrics derived from BRSR disclosures may not be directly comparable, thereby affecting the reliability of regression analyses linking ESG performance to financial outcomes such as firm valuation, credit risk, and stock volatility. As a result, there is a pressing need for further refinement and standardization of disclosure practices, ideally through closer integration with internationally recognized frameworks. Until such standardization is achieved, the heterogeneity in ESG data will continue to limit the ability of finance professionals to fully assess the risk and return implications of sustainable business practices.

6. THE FUTURE OF BRSR AND ESG REPORTING IN INDIA

The evolution of the BRSR framework is not a static process. Instead, it reflects an ongoing transformation driven by regulatory innovation, international harmonization, technological advancements, and targeted policy interventions. In this section, we examine four interrelated dimensions shaping the future of BRSR and ESG reporting in India.

Upcoming Regulatory Trends – SEBI's Future Directions

SEBI's regulatory trajectory is poised for significant expansion and refinement. Although BRSR currently applies to the top 1000 listed entities, future directives may extend these obligations to mid-cap companies and, eventually, large unlisted firms. This anticipated expansion aligns with global trends—such as the European Union's Corporate Sustainability Reporting Directive (CSRD)—which aim to widen the reporting base to enhance market transparency (European Commission, 2020).

Moreover, SEBI is likely to introduce **sector-specific guidelines** that address the unique ESG challenges of different industries. For example, heavy manufacturing may require detailed metrics on carbon intensity and resource consumption, whereas the IT sector might focus on data privacy and energy efficiency. These granular disclosures will improve comparability and facilitate the incorporation of ESG variables into asset pricing models and risk assessments. Finally, SEBI's potential mandate for third-party assurance and routine audits could significantly enhance data reliability, thereby reducing information asymmetries in capital markets.

Integration with Global ESG Standards

BRSR aligns India's corporate sustainability reporting with international ESG frameworks, improving global investment opportunities. SEBI has ensured that BRSR incorporates elements from GRI, SASB, and TCFD, allowing companies to seamlessly integrate into global financial markets. Future refinements may bring further convergence with ISSB's IFRS S1 and S2 standards, strengthening cross-border ESG disclosures.

While BRSR remains India-specific, its structure enables companies to enhance comparability, compliance, and credibility in sustainable finance ecosystems. Harmonization with international reporting will boost investor confidence, ESG-driven credit ratings, and long-term capital allocation strategies.

Role of Technology

Technology is playing a transformative role in improving ESG data accuracy, transparency, and analysis. AI-driven analytics and blockchain-based verification are expected to enhance data integrity and reduce greenwashing risks.

- **AI & Machine Learning**: AI enables real-time ESG assessments by analyzing structured and unstructured data sources, improving risk assessments and corporate sustainability scores.
- **Blockchain for Transparency**: Blockchain ensures tamper-proof ESG data, helping investors and regulators verify sustainability claims.
- **Automation in Reporting**: Companies are leveraging automation tools to streamline ESG reporting, reducing compliance burdens while enhancing decision-useful insights.

By integrating AI, blockchain, and automation, companies can improve ESG reporting efficiency, enhance investor trust, and strengthen sustainable finance adoption.

Policy Recommendations

Realizing the full impact of the BRSR framework in India requires a comprehensive blend of regulatory innovation, market-driven incentives, and institutional capacity-building. Although BRSR provides a structured platform for ESG disclosures, the effectiveness of these disclosures—and their translation into tangible financial and societal outcomes—hinges on the robustness of the surrounding policy environment. Three key policy interventions emerge as particularly critical.

First, improving corporate ESG literacy stands out as a foundational requirement. The expertise gap in sustainability reporting and climate risk assessment remains pronounced, especially among mid-cap and small-cap firms. To address this, policymakers and industry bodies could collaborate with academic institutions to develop targeted training programs and certification courses. By equipping corporate executives, finance professionals, and risk managers with in- depth ESG knowledge, organizations can more effectively integrate sustainability into strategic planning, operational oversight, and data management. Such an investment in human capital not only enhances the quality of reported ESG data but also informs better risk-adjusted decision-making—thereby yielding more reliable inputs for empirical research and for financial models that incorporate sustainability metrics.

Second, stricter regulatory oversight is pivotal to ensuring the credibility of BRSR disclosures and mitigating greenwashing risks. Although the framework has introduced a baseline of standardized reporting, inconsistent enforcement and a lack of verified data can undermine market confidence. The SEBI could consider implementing a graduated penalty structure for non-compliance, mandating third-party audits, and publicly disclosing cases of ESG misreporting. Such measures would not only improve data integrity but also support more accurate econometric analyses, where the reliability of ESG variables is crucial for testing hypotheses around firm valuation, cost of capital, and systemic risk. A stronger enforcement mechanism would thus reinforce the linkage between ESG performance and financial outcomes, driving market participants to internalize sustainability risks more rigorously.

Lastly, incentives for ESG-compliant companies can reinforce a culture of proactive sustainability adoption. Beyond regulatory compulsion, tangible benefits—such as tax credits for resource efficiency, preferential interest rates for green financing, or reduced listing fees— can significantly lower the cost of capital for firms that exhibit robust ESG performance. This alignment of economic rewards with responsible business conduct fosters a positive feedback loop: as companies invest in cleaner technologies or more resilient supply chains, they become eligible for financial advantages, which in turn frees up additional capital for further ESG improvements. Such an incentive structure not only accelerates the shift toward sustainable business models but also creates a differentiated market environment where ESG leaders are rewarded for their forwardthinking practices.

Hence, the future trajectory of BRSR in India is deeply intertwined with the broader landscape of regulatory, technological, and policy advancements. By expanding mandatory disclosures, harmonizing with global standards, leveraging innovative technologies, and implementing these targeted policy interventions, India can enhance both the robustness and comparability of ESG data across industries. From a scholarly perspective, this evolution offers fertile ground for empirical research, ranging from evaluating the pricing of ESG risk premia to examining how sustainability metrics can be integrated into advanced asset pricing models. Ultimately, as BRSR continues to evolve, it not only drives higher standards of corporate accountability but also yields critical insights into the complex interplay between sustainability and financial performance in one of the world's most dynamic emerging markets.

7. CONCLUSION

This article provides a comprehensive analysis of the BRSR framework's evolution, impact, and challenges, situating it within the broader landscape of sustainable finance and climate risk management. By embedding quantitative ESG disclosures, climate risk assessment methodologies, and governance transparency into corporate reporting, BRSR has significantly enhanced India's corporate accountability and investor confidence. It marks a pivotal step in aligning India's capital markets with global sustainability standards, facilitating climate- aligned financial instruments, green investments, and responsible corporate stewardship.

However, despite these advancements, challenges persist in data consistency, regulatory enforcement, and sector-specific ESG standardization. Mid-cap and small enterprises continue to struggle with high compliance costs, ESG data collection hurdles, and the risk of superficial compliance. Addressing these gaps will require targeted policy interventions, including enhanced ESG literacy, mandatory third-party audits, and stronger market incentives for firms that proactively integrate sustainability into their business models.

The future of BRSR lies in continuous regulatory refinement, deeper global alignment, and integration of advanced technologies such as AI-driven ESG analytics and blockchain-enabled verification. Strengthening sustainability-linked financial instruments and impact-driven investment mandates will be critical in ensuring that India's financial markets remain resilient, transparent, and competitive in the evolving sustainable finance ecosystem.

Ultimately, BRSR is not just a regulatory compliance mechanism; it is a strategic enabler of climate-conscious capital flows, corporate sustainability innovation, and long-term financial resilience. Its continued evolution will shape India's trajectory in the global sustainable finance landscape, ensuring that corporate governance and financial systems are future-proofed against climate-related economic disruptions.

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