



Investor Response to Climate Risk Disclosure under SEBI's BRSR Framework in India

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Abstract:

Global warming has become a financial and material risk to Indian companies because of increasing natural physical risk, emerging domestic regulation and increased demands on the part of international and national investors. Starting in 2021, the Business Responsibility and Sustainability Reporting (BRSR), which is a process of standardised disclosure of Environmental, Social, and Governance (ESG) data, both metrics and disclosure narratives on climate-related matters, is required of the top 1,000 listed companies by the Securities and Exchange Board of India (SEBI). In this paper, the reporting of climate change as a part of BRSR and other frameworks is evaluated in light of their impact on investor behaviour in India, through Foreign Portfolio Investors (FPIs), Domestic Institutional Investors (DIIs), and ESG-labelled funds. Building on the international literature of climate disclosure and decision-making of investors combined with the evidence drawn on Indian policy documents, investor communication and recent emerging empirical research, the paper contends that, as an Indian policy, climate reporting is in an intermediate phase currently. It has outgrown its purely symbolic compliance, but has not as yet become a capital reallocation tool that is prospective in nature. BRSR climate disclosures are increasingly being screened, engaged, and evaluated, particularly by investors, but enduring data gaps, weaker assurance and boilerplate narratives prompt the latter to over rely on third-party ESG ratings, management dialogue, and international reporting frameworks including TCFD. The paper ends with the inference to the regulators, companies, and investors on how effective the decision usefulness of climate reporting can be and how the practises of disclosure can be in accordance to the India net-zero-by-2070 transition pathway can be achieved.

Keywords: Climate change, Investor behaviour, BRSR, SEBI, India

Introduction:

As one of the mCapital of the climate-sensitive major economies, India has been experiencing repeated heatwaves, monsoon alterations, floods, and rising water stress directly impacting the agricultural productivity, infrastructures, and economic stability (Mulla et al., 2023). Simultaneously, India has to maintain high rates of economic growth, increase access to energy and stick to its plans to hit the net-zero greenhouse gas emission goals by 2070 (Bhattacharyya et al., 2022; Midha and Tomar, 2024). Such a two-fold imperative suggests that firms and investors are in a complex transition environment (Chandratreya, 2024). The exposure of listed Indian companies to climate-related physical and transition risks has consequently turned out to be financially material, in particular in the power, heavy industry, transport, and finance sectors (Campiglio et al., 2022), where the assets live through long periods of time make them prone to the change in regulatory, technological, and policy frameworks (Daumas, 2023). Climate-related financial disclosure has taken centre stage in every part of the globe as investors decide to allocate their money in carbon-intensive companies, striving to require greater returns, and reacting intensely to climate-related regulatory and policy crises (Bolton and Kacperczyk, 2019; Pankratz et al., 2023). Climate disclosures provide institutional investors with the main input in conducting risk assessment, developing their portfolio, and stewardship (Krueger et al., 2019; Khan et al., 2021). Compulsory disclosure systems within multiple jurisdictions have been demonstrated to decrease information asymmetry and the cost of capital of the firm in the instances when disclosures made or reported material transition and physical risks (Bassen and Kovács, 2008; Pankraz et al., 2023). However, in India, climate and ESG disclosure (Shobhwani and Lodha, 2024) have undergone fast development including voluntary reporting that is CSR-driven, to a compulsory and standardised regime with the Business Responsibility and Sustainability Reporting (BRSR) framework (SEBI, 2021; SEBI, 2023). It has been preliminarily determined that BRSR has enhanced breadth and consistency of ESG disclosures, especially of the governance structure and environmental indicators (KPMG India, 2023). Nevertheless, there are considerable weaknesses such as the lack of equity in data quality, the inability to cover Scope 3 emissions, and insufficient detail and futuristic transition strategies (KPMG India, 2023; PwC India, 2024). Consequently, they celebrate the fact that most companies still take climate reporting more of a mandatory exercise than a strategic communication tool. It is also evident in the qualitative literature that there is concern over selective disclosure, optimistic narrative presentation and impression management in corporate climate reporting, and this may compromise credibility and reduce the usefulness of decisions among investors (Cho et al., 2015; Boiral, 2016). The investors, therefore, tend to use corporate climate and sustainability reports as a basis of analysis (Taşoğlu et al., 2024, Velte, 2022), along with third-party ESG ratings, industry standards, and direct communication with the management to assess risk exposure and strategic alignment (Krueger et al., 2019). It is against this background that these important questions can be brought to the fore: How do Indian companies decipher and apply climate reporting requirement under BRSR? What is the perception of various categories of investors, FPIs, DIIs and retail investors in their investment and engagement choices with regard to climate disclosures? What are the institutional conditions, developmental incentives as well as policy ambiguities that influence the relationship between climate reporting and investor behaviour in India? The paper addresses them by critically retrieving the global and Indian literature, regulatory developments,

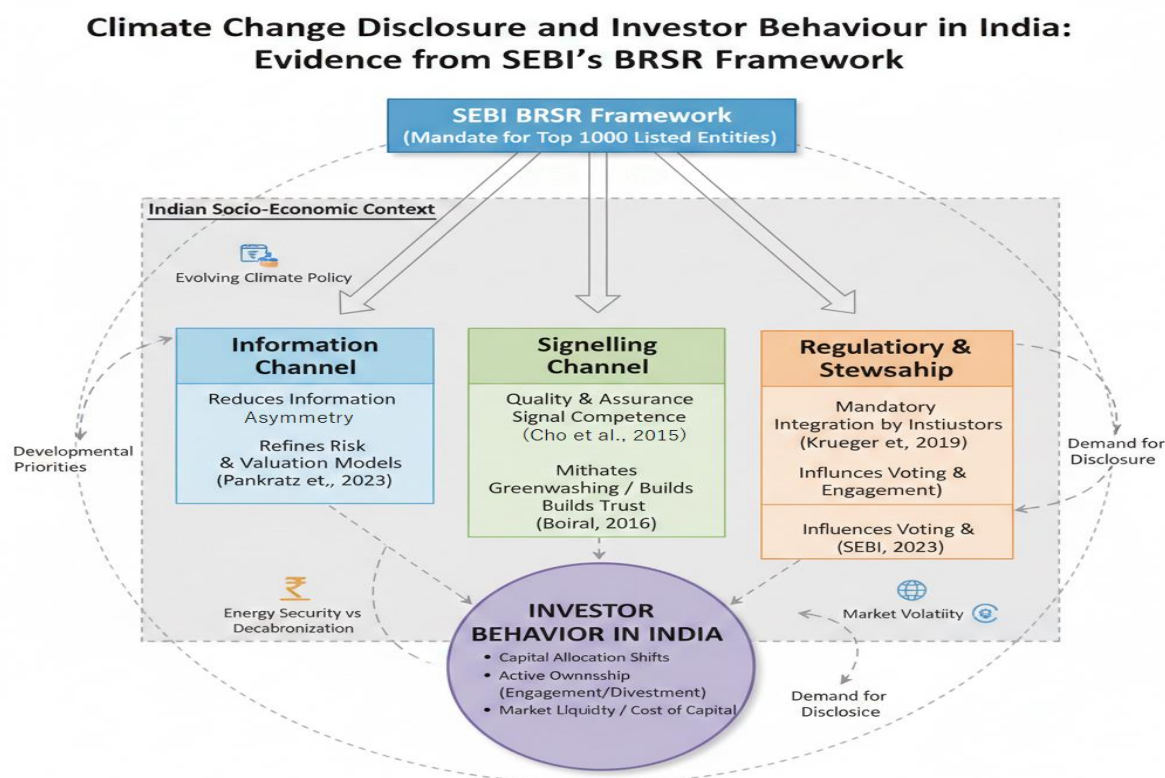
and empirical data, and locating climate reporting in the context of the unique socio-economic and developmental aspects in India.

Review of Literature:

It is revealed in the literature that there is a strong correlation between investment behaviour and climate disclosure. Research shows that the pricing of carbon risk is becoming mainstream of equity markets, where investors are asking higher returns of companies that have a larger carbon exposure (Bolton and Kacperczyk, 2019). Moreover, investors can be caught by financial shocks and regulatory changes caused by climate and these changes may have a substantial effect on a firm performance (Pankratz et al., 2023). Climate risks especially focus the attention of institutional investors, disclosures become the main input in risk assessment and engagement strategies (Krueger et al., 2019; Kahn et al., 2021). This literature confirms that full and believable reporting on climate is part of the current financial reporting (Irrespective of the progress, there is qualitative research indicating that still corporate climate reporting has flaws (Bassen & Kovács, 2008). Among the issues that can lead to the formation of an organised hypocrisy or the pretence that masks the actual performance of the intervention and risk are selective disclosure, optimistic narrative framing, and impression management (Cho et al., 2015; Boiral, 2016). Investors thus tend to see corporate sustainability reports as a first-aiding philtre as opposed to an absolute resource. They usually add to it information provided by third-party ESG providers, industry-specific standards, and direct company interaction to determine credibility and strategic consistency (Krueger et al., 2019). CSR In India, the climate and ESG reporting formerly relates to voluntary reporting in the context of CSR to a mandatory reporting regime enforced on the basis of the Business Responsibility and Sustainability Reporting (BRSR) framework of the Securities and Exchange Board of India (SEBI, 2021). These requirements are still being narrowed down by recent regulatory changes (SEBI, 2023), but there is wider policy debate on the topic of climate risk by institutions such as the Reserve Bank of India (RBI, 2022). The initial observation of BRSR filings suggests a positive change in the level of reporting, in particular, governance and environmental indicators (KPMG India, 2023). Nonetheless, there are still substantial empty spots in quality and accounting of Scope 3 emissions and the elaborate forward-mongering transition plans (KPMG India, 2023). As much as BRSR has enhanced ESG management to the levels of board-level committees, several companies continue to see reporting as a necessary act and not a strategy (PWC India, 2024). In the eyes of the investor, the domestic institutions are slowly integrating the climate factors, whereas foreign investors tend to use BRSR disclosures as a supplementary information to global ESG data. There are a number of theoretical approaches to this literature. According to the legitimacy theory, disclosure is a strategy employed by companies to regulate their social licence to operate. The homogenisation of reporting practises is attributed to institutional theory and, more specifically, the phenomenon of isomorphism that is attributed to firms in response to coercive (regulatory), mimetic (benchmarking), and normative (professional standards) pressures. Lastly, the stakeholder theory assumes that disclosure is a strategy of the relationship of controlling relationships with powerful interest groups such as investors who are interested in the long-term survival of the firm.

SEBI's BRSR Framework:

The influence of Corporate climate reporting on investor behaviour in India can be conceptualised through three interrelated channels:



Such channels must work in the context of India and specific socio-economic environment where the policies of climate change, development priorities and energy security issues are changing disclosure strategies and expectations of investors at the same time.

Research questions: This research primarily address the following questions in context of Investors response to climate risk disclosure under the SEBI's BRSR framework on India.

Q-1. How do climate change disclosures mandated under SEBI's BRSR framework influence the screening, engagement, and investment decision-making processes of different investor groups in the Indian capital market?

Q-2. What is the nature and strength of the relationship between Environmental, Social, and Governance (ESG) factors and investment decisions among Indian investors, and which ESG dimensions exert the most influence?

Research Objectives:

Based on the research questions, SEBI's BRSR Framework, and proposed empirical design, the study is guided by the following objectives:

1. To examine the influence of climate change disclosures under SEBI's BRSR framework on investor behavior in India.

2. To assess the relationship between Environmental, Social, and Governance (ESG) factors and investment decision-making in the Indian stock market.

Methodology

Research Design:

In this research, a mixed-methods research design based on a qualitative approach through the interpretation of interviews and a descriptive and empirical analysis was used. The result of this incorporation is that the paper is able to comprehensively evaluate the impacts of climate change disclosures on the investor behaviour in India both in terms of subjective interpretation and statistically quantifiable changes in terms of investment.

Qualitative Component:

The qualitative report analyses the manner, in which investors based on the BRSR framework of SEBI, perceive, interpret and use climate-related disclosures. Primary sources, such as BRSR reports, sustainability and integrated reports, CDP submissions, investor presentations, earnings call transcripts, AGM proceedings, and communications by the corporate executives and institutional investors were analysed publicly available. The sampled companies (in the top 500 listed Indian companies in climate-sensitive industries) were sampled purposively to have a diverse mix of ownership structure and ESG maturity. This was complemented with the proxies advice firm documents, ESG rating agencies, advisory consultants, and policy think tanks.

Quantitative Component:

The quantitative component measures the ESG-investment decision creating relationship using the data of retail investors in Indian equity market. An itemised online questionnaire was formulated based on validated constructs of ESG and behavioural finance sources, and the answer was collected in 7-points Likert scale (1 = strongly disagree to 7 = strongly agree). Before statistical testing had been done, skewness and kurtosis statistics (within +/- 2) were found to satisfy the normality assumptions, which permitted the use of parametric procedures.

Analytical Tools and Techniques

Descriptive statistics were calculated to determine trends in the behaviour of ESG-informed investment. Correlation analysis by Pearson was used to determine the strength and direction of linear relationship between Environmental, Social and Governance aspects and investment decisions. Associative interpretation was also supported by regression modelling which was necessary to determine the relative predictive weight of each of the ESG dimensions on investing decision making. All quantitative tests have been performed with the SPSS (Version 27.0) and tested at the significance level of 1% ($p < 0.01$).

Scope and Analytical Boundaries

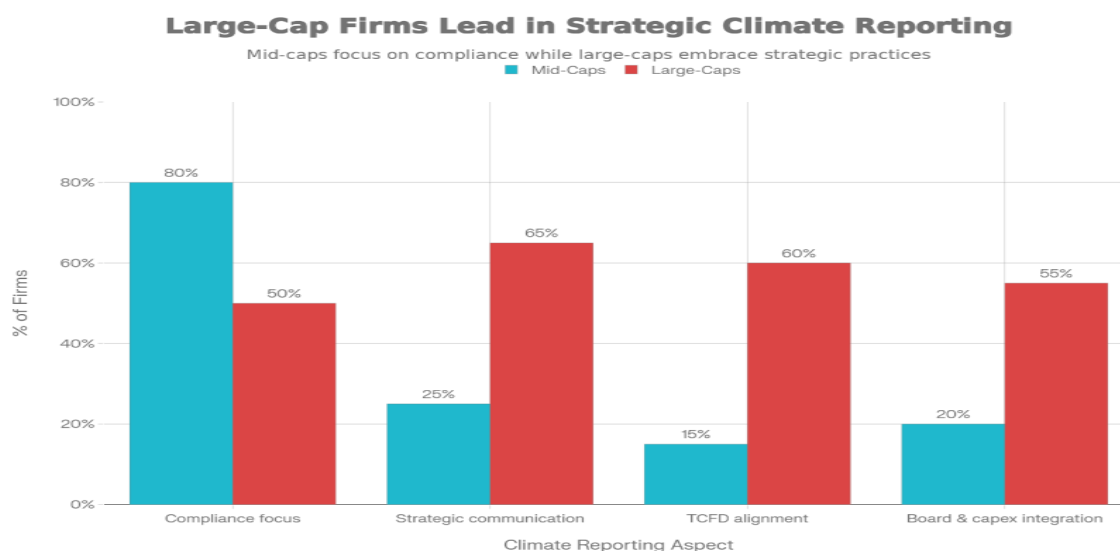
It is an associative and not a causal study that does not look at the actual market responses like price response and capital flows. The results are indicative of BRSR implementation in its maturity stage, and the observed investor reaction may change as the disclosure reliability and intensity get complemented with time.

Findings and Discussion:

Climate Reporting as Compliance plus Signalling

Indian firms are in the continuum of climate reporting where the majority of mid-cap companies see it as a form of compliance and the large-cap firms are using it as a form of strategic communications which are becoming increasingly common. These trends are visually compared using the charts further below between the mid-cap and large-cap firms as presented by the following chart.

Figure (1): Contrasting Patterns of Mid-Cap and Large-Cap Companies.



Mid-cap firms unanimously discuss climate reporting as a regulatory task, to fill in the BRSR template properly to avoid scrutiny, which gives rise to standardised and boilerplate climate disclosures and little firm-specific transition deep insight. They still have a low level of using TCFD-style frameworks and incorporating climate into board-level management and capex storeys. The more significant companies, in particular those owned by high numbers of global investors, tend to align disclosures with TCFD and the international standards, introduce climate risk to board committees and scenario planning and make climate reporting a branding of governance quality and strategic orientation to gain access to ESG-linked capital.

Data and Capability Constraints in Indian Firms

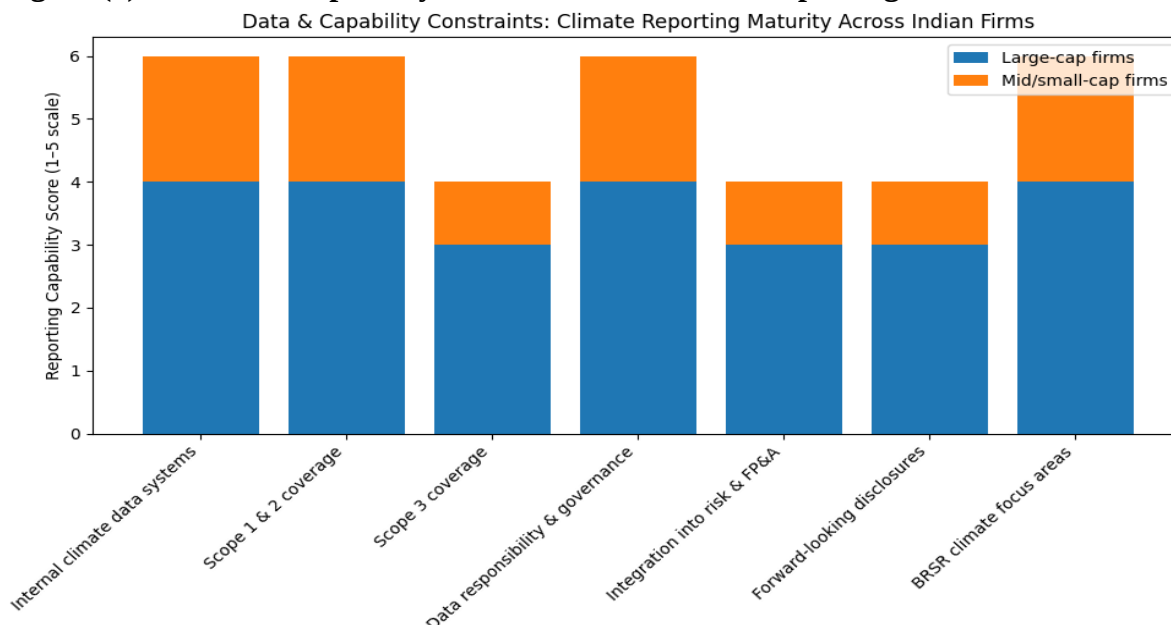
Even as more regulatory momentum keeps gaining headway, climate reporting in India is still limited by data, technical capability and institutional capacity (particularly within mid- and small-cap companies). Major-cap companies with more global exposure to investors have gone a step further to develop climate data systems, inventories of emissions, and capacity to develop scenarios but majority of the listed companies do not have the infrastructure to produce reliable, comparable, and confident climate data. These conceptual loopholes

have remained important to the way investors understand corporate disclosures and how they remain reliant on external ESG ratings and direct interaction as a way of assessing climate risk and transition preparedness. The key cross-firm variations that apply to climate reporting quality as per BRSR model is summarised in table-1.

Table (1): Data and Capability Constraints in Climate Reporting Across Indian Firms

Dimension	Large-cap firms (typical pattern)	Mid-/small-cap firms (typical pattern)
Internal climate data systems	Dedicated climate data tools emerging; coverage improving but uneven across operations and supply chains	Predominantly basic or manual tracking; limited digitisation and weak data consolidation across sites
Emissions coverage (Scope 1 & 2)	Reasonably structured estimation and disclosure aligned with BRSR; periodic third-party validation in some firms	Estimates often generic and less reliable; reliance on consultant templates and emission factors rather than operational measurement
Emissions coverage (Scope 3)	Selective disclosure focused on material categories (e.g., purchased goods, transport, use-phase); high dependence on consultants	Minimal or absent disclosure; high-level estimations common due to lack of supplier-level data and capability constraints
Responsibility for climate data governance	Shared responsibility across EHS, sustainability, operations, and finance; coordination improving through ESG committees	Fragmented ownership, often located within CSR or a single unit; limited cross-functional expertise and accountability
Integration into risk management and financial planning (FP&A)	Initial incorporation of climate metrics into enterprise risk registers and capex discussions	Climate metrics rarely linked to budgeting, strategic planning, or risk modelling; weak integration with financial systems
Forward-looking disclosures (scenario analysis, transition pathways)	Early experimentation with scenario analysis and roadmap narratives; depth varies due to uncertainty and modelling limitations	Rare use of forward-looking tools; concerns over data reliability and regulatory uncertainty constrain disclosure depth
Focus areas in BRSR climate sections	Mix of energy efficiency, renewable sourcing, emissions intensity targets, and preliminary transition strategy narratives	Operational efficiency and renewable procurement dominate; limited articulation of long-term transition strategies or business model shifts

These limitations can be used to understand why investors particularly FPIs and large DIIs consider climate disclosures by BRSR as informative but inadequate to make investment decisions. The uncovered emissions, poor alignment with financial planning, and scenario disclosures to investors make them less confident in the forward-looking information, which enhances their reliance on third-party ESG rating, sector standards, and management involvement to certify corporate climate plans. This dynamic is consistent with the stronger predictive power of environmental factors in regression findings: in the case of more granular and verifiable disclosures (where Scopes 1 and 2 are used in large companies), a greater predictive power of environmental factors is expected to the extent that disclosures can influence investor behaviour.

Figure (2): Data and Capability Constraints in Climate Reporting Across Indian Firms

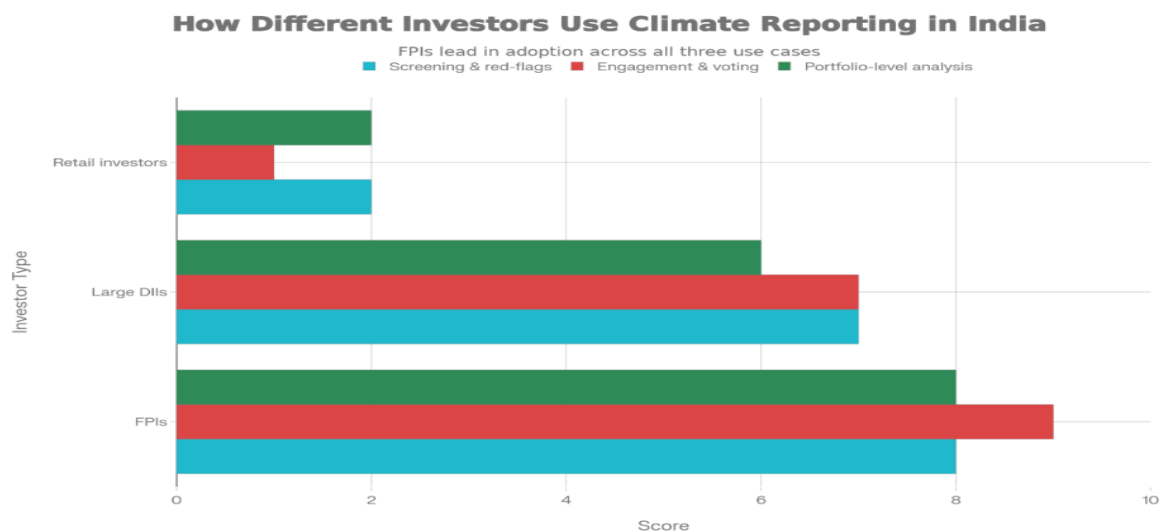
In graph (2), variations in maturity of climate reporting practises of the Indian firms are observed by comparing large-cap companies with mid and small-cap firms on seven dimensions of capability. Big companies are always better at reporting and in particular in the aspects that are related to the internal climate data management and calculation of the Scope 1 and Scope 2 emission and inclusion of climate indicators in the governance structures. Conversely, mid- and small-cap companies show much lower levels of maturity on most of the dimensions, and there is a considerable distance between the two on the scales of Scope 3 emissions reporting, forward-looking climate disclosures, and the use of climate data in financial decision-making. These discrepancies are used to support the idea that investors know BRSR disclosures to be informative but incomplete and so need to rely more on outside ESG ratings and direct company interactions to understand transition credibility.

How Indian investors use climate disclosures:

The role of climate reporting in BRSR (and other similar frameworks) to various investor groups is very different in India. On a 010 scale, the table and graph below illustrate the extent to which each group is dependent on climate disclosures in the screening, engagement and analysis of portfolio.

Table (2): Data and Capability Constraints in Climate Reporting Across Indian Firms

Investor type	Screening & red-flags (0–10)	Engagement & voting (0–10)	Portfolio-level analysis (0–10)
FPIs	8	9	8
Large DIIs	7	7	6
Retail investors	2	1	2

Figure (3): Data and Capability Constraints in Climate Reporting Across Indian Firms

Graph (3) and table (2) jointly demonstrate how the disclosures on climate actually use are utilised by the various group of investors in India in the decision making processes. The FPIs (foreign portfolio investors) rank first on all three dimensions: on the dimension of screening and red flagging (8), they are more engaged and vote (9), and nearly equally on portfolio level analysis (8). This is indicative of the pressure they are subjected to by international requirements and net zero aims to incorporate climate risk into the depths of investment practises. Climate reports are also used by large DIIs (Indian mutual funds, insurers, pension funds), but to a lesser extent. Their results (7, 7, 6) indicate that the data on climate is obviously a subset of screening and stewardship, but traditional financial indicators remain dominant, and the complexity of the portfolio level climate analytics is disproportionately prevalent across institutions. At the other end of the spectrum, the retail investors scored very low (2, 1, 2). This reflects the truth that individual investors do not normally read BRSR or climate reports. Rather, any climate factor in their portfolios often comes as a proxy in the strategies and disclosures of the funds, insurance products, or advisors they select, and not in the explicit analysis of climate information.

Trust, assurance, and greenwashing concerns:

Trust in climate reporting is central to whether investors act on the information they receive. In India, several factors affect this trust:

- **Absence or limited scope of assurance:** Although SEBI has come up with BRSR Core that has gradual assurance requirement on a few ESG indicators, complete independent assurance on climate metrics is not universal yet, thus causing issues of accuracy in the data and selective reporting.
- **Generic narratives and lack of specificity:** Broad sentences about sustainability and climate commitment tend to be found by investors that are not supported by quantitative targets, timelines, and capex alignment which supports the fear of greenwashing.

- **Regulatory and enforcement uncertainty:** Even though the failure to comply with BRSR may provoke sanctions and a tarnished image, the enforcement practise remains in the process of development, and investors might doubt how heavily they should attach importance to disclosures not subjected to full auditing.

In order to reduce these worries, investors seek the consistency with time in reported information, coherence between climate storeys and strategic choices (e.g., new coal plants vs. net zero claims), and indications of board level management, e.g. climate related committees or tying executive compensation to climate performance. The presence of external cheques by respected auditors, and conformity to global norms such as TCFD is perceived as a good omen which helps in building credibility.

India-specific tensions: development, fairness, and policy uncertainty

In contrast to other developed markets, the Indian climate discourse is closely connected with the priority of development, energy security and equity. Corporate leaders and policymakers often highlight the fact that India has historically low per capita emissions, affordable energy is needed, and that we cannot be sure which country will implement domestic pricing of carbon or have sector-specific transition policy. These are some of the factors affecting the way climate reports are framed and how investors perceive them. A lot of Indian companies introduce climate action as a slow transition process in line with the national policy indications and industry strategies, not as quick decarbonisation, and emphasise their contribution to the economic growth and social inclusion. Other investors, especially the global funds, which have uniform net zero policies, advocate deeper alignment to 1.5 -2 C paths, but some others are more contextual, comparing Indian issuers with local peers and policy regimes as opposed to OECD standards. Climate reporting therefore is one of the arenas where issues of fairness, responsibility, and viability are bargained. The disclosures have to strike a balance between showing ambition and responsiveness to expectations of investors, as well as to recognise the actual limitations in technology, infrastructure and policy clarity.

Correlation Analysis:

Table (3): Pearson Correlation Matrix of ESG Dimensions and Investment Decision

Variables	Environmental (Env)	Social (Soc)	Governance (Gov)	Investment Decision (ID)
Environmental (Env)	1.00	0.55	0.48	0.62
Social (Soc)		1.00	0.50	0.58
Governance (Gov)			1.00	0.41
Investment Decision (ID)				1.00

Source: Authors own estimations

Notes: N = 248. Correlation coefficients are significant at the 0.01 level (two-tailed).

According to the Pearson correlation matrix (Table-3), all three dimensions of ESG such as environmental, social, and governance have significant and positive correlations with the investment choice of the individual investors in the Indian stock market. Environmental factors show the most significant correlation with the investment decisions ($r = 0.62$), next in rank are social factors ($r = 0.58$), showing that investors have a lot of weight to environmental performance and social responsibility of firms when they allocate their capital. Factors of governance, though not insignificant, show a moderate weak positive correlation with the

investment decisions ($r = 0.41$), which shows that they play a meaningful, albeit secondary role in the evaluation of investors. The encouraging and meaningful inter-relationship between the ESG dimensions supports the argument that the companies that are well-developed in terms of one pillar will perform well in other pillars, which highlights the inter-dependent and strengthening nature of ESG practises. It is important to note that, all the correlation coefficient choices are much lower than the conventional multicollinearity level of 0.80 indicating that there are no multicollinearity problems and each ESG dimension has a unique explanatory power in analysing the behaviour of investors.

Regression Analysis:

The linear regression estimating the influence of ESG dimensions on investment decisions is specified as follows:

$$ID_i = \beta_0 + \beta_1(Env_i) + \beta_2(Soc_i) + \beta_3(Gov_i) + \varepsilon_i$$

Where:

ID_i = Investment Decision score for investor I

Env_i = Environmental factor score

Soc_i = Social factor score

Gov_i = Governance factor score

β_0 = intercept term

$\beta_1, \beta_2, \beta_3$ = regression coefficients

ε_i = error term

Table (4): Regression Results: Effect of ESG Dimensions on Investment Decision-Making

Variable	Coefficient (β)	Std. Error	t-Statistic	p-Value
Intercept	0.0413	0.0472	0.8745	0.3827
Environmental	0.3956	0.0616	6.4195	0.0000*
Social	0.3582	0.0575	6.2264	0.0000*
Governance	-0.0342	0.0597	-0.5739	0.5666
Model Metrics		Value		
R-squared (R^2)		0.4026		
Adjusted R-squared (Adj. R^2)		0.3953		
N (Sample Size)		248		

Source: Authors own estimations

Notes: Significant at $p < 0.01$. Dependent variable = *Investment Decision*. Regression model: $Investment\ Decision = \beta_0 + \beta_1(Environmental) + \beta_2(Social) + \beta_3(Governance) + \varepsilon$

Regression analysis (Table-4) reveals that the Environmental and Social aspects of the ESG performance have statistically significant and positive effect to investment decision making among Indian investors, but the Governance dimension does not have any significant effects in this model. The Environment (0.3956, $p < 0.01$) and Social (0.3582, $p < 0.01$) coefficients are positive, which means that the enhancement of the climate-related and social-related performance is related to the increased investor preference, and investors are more inclined to choose firms that can implement credible environmental action and social responsibility. Conversely, the Governance coefficient is negative and not statistically significant ($\beta = -0.0342$, $p > 0.05$) which means that governance disclosures that are usually standardised and less distinctive across companies do not have a significant impact on investment decisions when the environmental and social factors are both taken into consideration. The model accounts about 40 percent of the exchange in investment decisions ($R^2 =$

0.4026; Adj. $R^2 = 0.3953$), which proves that the ESG dimensions have a moderate power in explaining investor choices. All in all, these results support the conclusion that climate-related disclosures and socially relevant measures are more significant indicators to investors in the Indian capital market, and thus, these findings are consistent with those in the world, which makes environmental performance the most significant factor of sustainable investment flows.

Policy guidelines aliens with stakeholders' actions:

Table (5): Policy Matrix: Translating Empirical Evidence on Climate Reporting into Action

Stakeholder	Empirical Evidence from the Study	Priority Policy / Practice Action	Intended Market Outcome
Regulators (SEBI, RBI)	Environmental disclosure shows the strongest association with investment decisions ($r = 0.62$), indicating high investor sensitivity to climate risk information.	Issue sector-specific climate disclosure guidance under BRSR, emphasizing material risks, emissions intensity, and transition indicators for climate-sensitive industries.	Higher relevance and decision-usefulness of disclosures; improved pricing of climate risk in capital markets.
	Investors discount self-reported ESG data and rely on third-party ratings, reflecting credibility gaps in current disclosures.	Accelerate BRSR Core assurance and expand assured indicators, particularly for emissions, climate targets, and transition plans.	Greater data credibility, reduced information asymmetry, and lower greenwashing risk.
	Governance factors exhibit a moderate correlation with investment decisions ($r = 0.41$), highlighting the importance of comparability and standards alignment.	Promote interoperability between BRSR and global frameworks (TCFD/ISSB) while preserving India-specific social and development priorities.	Improved comparability for FPIs and deeper integration of Indian markets with global sustainable finance.
Companies (Listed Firms)	Environmental and social dimensions influence investment decisions more strongly than governance alone, suggesting investors value substantive ESG performance.	Integrate climate disclosures with business strategy, capex planning, and risk management, rather than treating them as compliance add-ons.	Stronger signalling of long-term resilience and strategic alignment with transition pathways.
	Investors penalize boilerplate narratives and place higher value on data-driven and forward-looking disclosures.	Invest in robust internal data systems, cross-functional coordination, and climate scenario analysis capabilities.	Improved consistency, reliability, and forward-looking quality of climate reporting.
	Persistent investor scepticism regarding overly optimistic disclosures despite positive ESG correlations.	Disclose challenges, uncertainties, and trade-offs alongside achievements to enhance transparency.	Increased investor trust and reduced perception of symbolic reporting or greenwashing.
	Strong environmental correlations indicate demand for credible transition signals.	Adopt science-based targets, publish detailed transition plans, and obtain external assurance for key climate metrics.	Enhanced access to long-term, climate-conscious institutional capital.
Investors (FPIs, DIIs, ESG Funds)	ESG factors are positively and significantly associated with investment decisions, but do not fully determine them.	Integrate BRSR disclosures into structured ESG integration frameworks combining quantitative screening with qualitative judgement.	More consistent and systematic incorporation of climate risk into investment decisions.
	Governance retains a meaningful role through engagement and oversight, despite lower correlation values.	Strengthen stewardship to improve data quality, reporting depth, and alignment of capital allocation with climate and engagement strategies.	Improved corporate disclosure quality and more effective investor influence on transition outcomes.
	Strong climate sensitivity must be balanced against India's development and energy transition constraints.	Apply context-sensitive benchmarks aligned with India's policy trajectory while maintaining clear expectations for high-emitting sectors.	Balanced capital allocation supporting both climate transition and developmental objectives.

Source: SEBI & RBI

Findings & Discussions:

The evidence suggests that climate disclosures within the BRSR framework of SEBI is beginning to influence investor behaviour in India although with disproportionate impact on investor groups and size of firms. The environmental and social causes are more influential when it comes to the motivation of investment preferences as there is increasing investor attention to climate risks and sustainability commitments, compared to a relatively less prominent impact of the elements of governance. However, continuity of weaknesses in ability especially in mid- and small-cap companies limit quality of disclosure, future-focused information, and audit, thus undermining trust and perpetuating reliance on third party ESG ratings and corporate discussions. Increasing the strength of climate data infrastructure, requiring larger assurance, and optimizing the transition plans are important to enhance the usefulness and commercial effectiveness of such disclosures. The summary of the investigation is as follows:

1. BRSR climate disclosures influence investor decision-making, but their impact depends on disclosure quality, consistency, and credibility.
2. Environmental and social factors significantly guide investment preferences, while governance plays a comparatively weaker role.
3. Data and capability gaps reduce the decision-usefulness of climate disclosures, leading investors to rely on external ESG ratings and direct engagement

Conclusion:

In India, climate change reporting has changed at a pace where it was initially a fairly voluntary and peripheral process into a core part of corporate disclosure and governance supported by the Business Responsibility and Sustainability Reporting (BRSR) model of the SEBI, a growing number of climate-related initiatives by financial regulators, and growing criticism by domestic and international investors. Climate-related information has now become an entrenched part of the debate about corporate risk management, the quality of governance and how to position the firm over long-term scenarios, but its uptake has not been evenly distributed across the firms. Although most mid- and small-cap organisations remain in the mindset of complying rather than strategically reporting on climate, more large-cap organisations are turning to climate reporting as a signifier of transition readiness, improved governance reputation and drawing ESG-based capital. Climate reporting is an important input to screening, engagement, and portfolio-level risk assessment, a significant source of which, for both investors particularly foreign portfolio investors (FPIs) and large domestic institutions is climate reporting, but which rarely stands alone due to ad-hoc reporting, lack of assurance, boilerplate explanations, and limited future-oriented analysis. Consequently, investors remain very dependent on third-party ESG ratings, industry standards and management-direct interaction to determine the credibility and materiality of climate reporting, where reporting has the greatest impact with time-consistent reporting and one that is explicitly linked to the business strategy and capital deployment, and with a well-established governance and external assurance. In the future, performance of climate reporting in influencing

investor behaviour will be determined by how much the disclosure regime in India can be transformed to represent decision-useful and forward-looking reporting with stronger assurance and interoperability with international frameworks and better firm-level data and analytics. Such an evolution can help climate reporting to have a significant role in guiding capital to resilient, low-carbon operations and support the development priorities of the Indian capital markets in line with the long-term climate and economic goals of the country, with concerted efforts by regulators, companies and investors playing a crucial role in aligning Indian capital market priorities.

Limitations of the Study:

In interpreting the findings, there are a number of limitations that should be taken into consideration in this study. To begin with, the qualitative analysis draws on publicly issued disclosures and secondary data, where the selection of the former can be biased in favour of positive outcomes, information can be framed positively, and information can be managed to impress, thus restricting the possibility to determine the completeness and accuracy of climate-related information. Second, the quantitative aspect relies solely on survey responses by retail investors, which limits the external validity to institutional investors like FPIs and DIIs that usually have a larger influence on capital allocation and stewardship activity in the financial markets of India. Third, the research uses the method of associative analysis using correlation and regression, that is, although important associations are found between the ESG dimensions and the investment decision-making process, no causal relationships or varying impacts are established. Fourth, the study fails to include the direct market outcomes of the financial market like stock returns change, valuation, and cost of capital that would have offered better empirical analysis on how climate disclosures translate into market pricing or capital flows. Fifth, the analysis falls within an early and developing stage of BRSR operation where reporting procedures, assurance criteria, and regulatory anticipations are at an initial stage; therefore, investor reactions recorded in this present study might change as the standards of disclosure and verification enhance over the long term. Lastly, the research fails to make cross-sectoral comparisons in detail, which restrict the ability of the research to determine how the variability in climate exposure, business model, and transition risk identified within industries influence the utility and interpretation of climate disclosures to investors.

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