



FROM SUSTAINABLE FINANCE FOUNDATIONS TO INVESTMENT PRACTICE: INDIA'S NEXT POLICY QUESTIONS

Policy briefing

June 2026

An investor initiative in partnership with
UNEP Finance Initiative and UN Global Compact



About the PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of sustainability and governance-related issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating sustainability and governance-related issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system. For more information, visit www.unpri.org.

About this briefing

This briefing examines India's sustainable finance policy landscape and highlights three areas likely to shape the next phase of responsible investment practice: sustainability disclosure, investor stewardship, and classification tools for transition finance.

It is intended for Indian and international investors engaging with India's capital markets, policymakers and regulators working on sustainable finance frameworks, and other market participants interested in how India's regulatory foundations can support broader investment practice.

The analysis draws on publicly available regulatory and policy sources, multilateral and market data, and comparative experience from other jurisdictions. It is intended to inform ongoing policy dialogue on India's next-phase responsible investment questions.

This briefing will also inform a forthcoming four-part webinar series on India's next-phase responsible investment policy questions. Feedback can be directed to the PRI Policy team.

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To inform this paper, India-based PRI signatories have been consulted.

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

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Summary

Key Messages

- **India has built one of the most comprehensive sustainable finance regulatory frameworks among emerging economies.** Key milestones include mandatory BRSR disclosure for the top 1,000 listed entities, stewardship codes across major investor categories, and a draft Climate Finance Taxonomy.
- **The next policy frontier is ensuring those foundations shape mainstream investment practice.** The question now is whether they shape how investors actually assess risk, allocate capital, and engage with companies across their portfolios.
- **Three policy areas will matter most:** disclosure aligned with investor decision-making needs; stewardship suited to concentrated ownership and transition-heavy sectors; and classification tools designed for a developing economy.
- Moving forward, drawing on the experience and expectations of investor signatories will be central in enhancing the effectiveness and impact of the sustainable finance framework.

Figure 1: India at a glance

Indicator	Value	Source
GDP growth (FY2025/26)	6.5–6.6%	IMF, Jan 2026
Equity market capitalisation	US\$5.13 trillion (Dec 2024)	NSE
NDC investment need, all sectors (2015–2030)	~US\$2.5 trillion	CPI
Coal share of electricity (2024)	~74%	IEA
Registered investors	>110 million (Jan 2025)	NSE



India's capital market: scale, structure, and significance

India is now the world's sixth-largest economy by GDP; its equity market capitalisation recently passed USD 5 trillion, and its energy demand is expected to grow faster than that of any other major region.¹ Given this context, the investment challenge is considerable: to meet its Nationally Determined Contribution (NDC) commitments for 2015–2030 requires an estimated USD 2.5 trillion across all climate action areas – from clean energy and transport to adaptation.²

It is not only the scale of the challenge but the country's market structure that makes India's policy choices particularly consequential. India has a large and growing base of domestic investors with significant participation by retail investors, promoter-led corporate governance, and a regulatory environment in which the market's development is actively directed. In this market, the retail investor experience is directly shaped by product regulation, where corporate ownership is concentrated, stewardship frameworks matter, and regulatory signals carry particular weight in the evolution of investment practices. The policy questions explored in this briefing matter as much as they do because of these structural features.

These questions also sit within a broader development agenda. Initiatives such as the National Manufacturing Mission and the Pradhan Mantri Gati Shakti National Master Plan treat industrial growth as inseparable from having a skilled labour pipeline, coordinated physical infrastructure, and sustainability objectives.³ Gati Shakti, in particular, coordinates infrastructure planning across

central ministries and states to ensure the integrated development of logistics, energy, and transport networks. As regards its sustainability objectives, how sustainable finance frameworks interact with these is part of what makes India's policy design challenge distinctive.

India's sustainable finance foundations

India's regulatory framework has progressed rapidly and substantively. SEBI requires the top 1,000 listed entities – accounting for over 70% of market capitalisation – to file Business Responsibility and Sustainability Reports (BRSRs) capturing approximately 140 environmental, social and governance (ESG) data points in total.⁴ BRSR Core (assured subset) requires Key Performance Indicator (KPI) disclosures with third-party assessment from the top 250 companies, and Industry Standards developed by ASSOCHAM, FICCI, and CII were launched in December 2024. Voluntary value chain ESG disclosures begin in the 2025–2026 financial year;⁵ India has not formally adopted the ISSB standards, and there is thus only partial alignment between the two frameworks currently.

Stewardship codes introduced by SEBI (2019), IRDAI (2017), and PFRDA (2018) establish expectations for mutual funds and alternative investment funds, insurers, and pension funds, respectively – each regulator's stewardship code applies within its respective regulatory remit.⁶ In May 2025, the Department of Economic Affairs published a draft [Climate Finance Taxonomy](#).⁷

¹ IMF (April 2026), [World Economic Outlook Update](#); IMF (2025), [Executive Board Article IV Consultation with India](#); [National Stock Exchange of India](#). Market capitalisation: ₹438.9 lakh crore (USD 5.13 trillion), 31 December 2024. Over 110 million unique registered investors, January 2025; IEA (2025), [World Energy Outlook 2025, Stated Policies Scenario](#).

² Climate Policy Initiative (2024), [Landscape of Green Finance in India](#). India's NDC estimates total investment needs of approximately INR 162.5 trillion (USD 2.5 trillion) from 2015 to 2030 across all climate action areas including clean energy, transport, energy efficiency, and adaptation. Tracked finance flows cover approximately one-third of this.

³ PIB (2025), [National Manufacturing Mission announcement, Union Budget 2025–26](#). The Mission focuses on ease and cost of doing business, future-ready workforce, MSMEs, technology, and quality products. PIB (2022), [PM Gati Shakti National Master Plan, Union Budget 2022–23](#). PM Gati Shakti is described as “a transformative approach for economic growth and sustainable development,” supported by clean energy and social infrastructure.

⁴ SEBI (2025), [Listing Obligations and Disclosure Requirements Regulations, 2015](#). BRSR mandatory for top 1,000 listed entities

from FY2022–23. BRSR Core introduced July 2023; third-party assessment for top 250 from FY2024–25.

⁵ SEBI (2024), [Circular No.: SEBI/HO/CFD/CFD-PoD-1/P/CIR/2024/177](#): Industry Standards on BRSR Core reporting, developed by ASSOCHAM, CII, and FICCI under the aegis of the stock exchanges in consultation with SEBI, applicable from FY2024–25; SEBI (2025), [Circular No.: SEBI/HO/CFD/CFD-PoD-1/P/CIR/2025/42](#): Voluntary value chain ESG disclosures for top 250 listed entities from FY2025–26; option to undertake “assessment” (per ISF standards) as an alternative to “assurance” for BRSR Core verification; voluntary assessment/assurance of value chain ESG disclosures from FY2026–27..

⁶ SEBI (2019), [Circular CIR/CFD/CMD1/168/2019](#): Stewardship Code for Mutual Funds and AIFs; IRDAI (2020), [Circular: IRDAI/F&A/GDL/CPM/045/02/2020](#): Revised Guidelines on Stewardship Code for Insurers in India; PFRDA (2018), [Common Stewardship Code](#). The SEBI code includes monitoring of “material Environmental, Social, and Governance (ESG) opportunities or risks” as one element of stewardship.

⁷ Department of Economic Affairs (2025), [Draft Framework for India's Climate Finance Taxonomy](#).



Figure 2: Regulatory milestones

Year	Development	Scope
2012	Business Responsibility Report (BRR)	Top 100; narrative-based
2017–19	Stewardship codes: IRDAI, PFRDA, SEBI	Insurers, pension funds, mutual funds, AIFs
2021	BRSR replaces BRR	Top 1,000 entities; ~140 ESG data points
2023	BRSR Core + value chain framework	Gradual third-party assessment for top 250
2024	Industry Standards Forum (ISF) Industry Standards on BRSR Core	Standardised guidance from FY2024–25
2025	Draft Climate Finance Taxonomy (DEA)	Classification of sustainable activities
FY25–26	Voluntary value chain ESG disclosures	Top 250; assurance from FY2026–27

These regulations provide a solid foundation and reflect an impressive pace of regulatory iteration; after being adopted to replace the Business Responsibility Report, a system formally adopted in 2012, the BRSR framework has been substantively updated three times in as many years. Product regulation, sustainability disclosure, and greenwashing controls are recognised internationally as essential to sustainable financial systems.⁸ India’s framework addresses each of these and, in some areas, notably the breadth of BRSR and the pace of regulatory iteration – India’s corporate disclosure framework is among the most comprehensive in major emerging markets.

Key questions for policymakers are whether that disclosure framework is shaping portfolio construction, stewardship activity, and capital allocation across the market, beyond dedicated ESG products. This is not a question unique to India; it arises in every jurisdiction with established regulatory foundations. However, given India’s market structure and the scale of its transition needs, the answer matters here as much as anywhere.

⁸ PRI (2025), [How Financial Authorities Can Build a Sustainable Financial System \(Policy Toolkit\)](#).

⁹ IEA (2025), [Global Energy Review 2025 – Electricity](#); IEA (2025), [Global Energy Review 2025 – Coal](#). India is the world’s second-largest coal consumer.

¹⁰ PRI (2019-2024), [A Legal Framework for Impact project](#)

¹¹ BSE India (2024), [All India Market Capitalisation](#). Market capitalisation as % of nominal GDP: 133.6% in December 2024.

¹² PRI (2025), [Taskforce on Net Zero Policy – COP30 Report](#)

India’s shift from framework to market integration

Three contemporary developments stand out: the growing financial materiality of transition in the real economy, the greater scrutiny of a larger capital market, and the scale of investment required to transition the entire economy instead of focusing on new green assets.

First, sustainability risks are becoming financially material in India’s industrial base. In 2024, coal provided nearly three-quarters of India’s electricity,⁹ and demand grew by ~ 5.5%, to an all-time high, even as India pursues 500 GW of non-fossil energy capacity by 2030. For investors in Indian companies, the managed transition of existing energy and industrial assets concerns long-term asset value, energy security, and portfolio resilience.¹⁰

Second, India’s rapidly growing capital market is increasingly compared to other markets by global investors. Market capitalisation reached 133.6% of GDP in 2024.¹¹ Countries with credible transition pathways and effective investor engagement better attract and retain long-term capital.¹² For India, policy coherence is increasingly vital for the confidence of international and domestic investors.

Third, India’s transition requires investors to engage economy-wide rather than focus solely on green assets. India’s near-term climate ambitions require an estimated USD 1.5 trillion more in energy alone by 2030.¹³ But, in a coal-reliant, industrialising economy, the greatest capital need and investor opportunities lie in transition financing that supports the decarbonisation and upgrading of existing sectors, and the transport, logistics, and enabling infrastructure on which industrial growth depends. Beyond climate finance, this intersects with manufacturing competitiveness and workforce readiness,¹⁴ and with the policy frameworks investors need to engage with those dimensions.¹⁵

Together, these dynamics make the design of disclosure, stewardship, and classification policy more consequential than ever for India’s market development.

¹³ Deloitte India (2025), [The Climate Response: Tapping into India’s Climate and Energy Transition Opportunity](#).

¹⁴ PIB (2025), [Cabinet approves National Scheme for ITI Upgradation and National Centres of Excellence for Skilling](#). The ₹60,000 crore scheme aims to skill 20 lakh youth over five years through industry-aligned courses.

¹⁵ PRI (2023), [Investing for the Economic Transition: The Case for Whole-of-Government Policy Reform](#).



Three policy areas for the next phase

Figure 3: From foundations to market integration

Policy area	Foundations in place	India-specific tension	Comparative references
Disclosure	BRSR for top 1,000; BRSR Core; ISF Standards; value chain reporting	Breadth vs. decision-usefulness: does the data change investment decisions?	Investor data needs research; ISSB convergence analysis
Stewardship	SEBI, IRDAI, PFRDA stewardship codes	Formal codes vs. practical leverage in promoter-led, transition-heavy sectors	Fiduciary duty research; legal frameworks for sustainability outcomes
Classification	Draft Climate Finance Taxonomy (DEA, 2025)	Integrity vs. flexibility: can taxonomy support transition in a developing economy?	Sustainable financial system design; transition policy frameworks

Disclosure: breadth versus decision-usefulness

With the BRSR framework, India has one of the broadest sustainability disclosure regimes among emerging economies, with approximately 140 data points in total across the top 1,000 listed entities and extending to value chain reporting for the largest companies. The next challenge is narrower and involves asking whether that information is becoming genuinely decision-useful for investors. At present, the risk is that the breadth of disclosure does more to support compliance than to sharpen capital allocation or stewardship. The policy task is not to add more data points, but to improve the parts of the framework that are most practically useful to investors.

Experience across markets – including in work by the ISSB and OECD¹⁶ and comparative analyses of investor data needs¹⁷ – suggests that disclosure drives better investment outcomes when closely aligned with investor

decision-making. The question for India is how to build on the breadth of BRSRs to increase this alignment, for example, through usable transition-related data, capital-expenditure alignment, consolidated reporting, and forward-looking indicators, while retaining flexibility for domestic priorities and proportionality across companies of varying size. The goal is not wholesale convergence with any single global standard; rather, it is about ensuring India’s disclosure architecture supports capital allocation and stewardship, not only reporting.

Stewardship: formal codes versus practical leverage

India does not lack formal stewardship expectations. SEBI, IRDAI, and PFRDA have each introduced codes for their respective investor categories. The harder question is whether those expectations translate into real leverage in a market still shaped by promoter-led ownership and concentrated control. This is most consequential in sectors where transition decisions are capital-intensive, politically sensitive, and likely to unfold over time. In such a context, stewardship is part of how long-term investors will manage transition risk in practice. In India, that increasingly involves managing workforce transition, supplier upgrading, and the local employment implications of industrial change.

Stewardship is well suited to India’s market structure precisely because it enables investors to influence corporate behaviour, support transition in hard-to-abate sectors, and manage long-term risks without relying on exclusionary approaches. In jurisdictions such as the UK, the EU, Japan, and Australia, clarifying that the fiduciary duty includes consideration of relevant sustainability-related financial risks has helped investors integrate stewardship into core decision-making and ownership activities. Whether India’s existing codes are sufficient to support that practice, especially in energy, industrials, and infrastructure, is worth exploring.

Classification: integrity versus flexibility

India’s draft Climate Finance Taxonomy is a significant step. However, for a developing economy engaged in large-scale transition, taxonomy design must navigate a genuine tension: how to maintain classification integrity (so that labels are meaningful and greenwashing is addressed) while retaining sufficient flexibility to support transition in coal-reliant, industrialising sectors rather than inadvertently constraining capital to a narrow set of already-green activities.

¹⁶ OECD, [Sustainable Finance](#): OECD work on sustainable finance includes comparative analysis of how jurisdictions are approaching disclosure alignment, including with ISSB standards.

¹⁷ PRI (2023), [Investor Data Needs Framework](#).



A related design challenge is how to pursue interoperability with international frameworks without losing domestic relevance. These are practical questions that will shape which sectors receive capital and on what terms. India's choices will be especially significant given the scale of its capital markets and transitional investment needs. Classification frameworks tend to work best when developed in dialogue with investors and aligned with broader industrial and climate policy, including sectoral decarbonisation pathways and corporate transition plans, rather than being pursued in isolation as product-labelling tools.

Why this matters for policy dialogue

India's next phase of sustainable finance policy will be shaped less by whether foundational tools exist than by how they are used. As a result, questions of disclosure usability, investor practice, and policy design are more important than at any previous stage of India's sustainable finance journey.

Comparative experience can be helpful, but the most durable answers will be those that suit India's market structure and development priorities. The questions identified in this briefing, concerning disclosure, stewardship, and classification, are increasingly consequential as India moves toward assured BRSR Core disclosures with extended value-chain coverage and develops a formal climate finance taxonomy to guide capital allocation. Alongside tightening stewardship expectations, these developments will shape how investors prioritise engagement and advocacy, and position portfolios in an evolving policy landscape. PRI will aim to work with its signatories to build capacity amongst them and formalise a coordinated investor voice in policy and standard-setting processes, thereby enabling more consistent, informed, and influential responses to these evolving regulatory developments.



Annexure: India's sustainable finance policy framework – snapshot of the [PRI regulation database](#)

Policy Instrument	Year	Compliance	Level ¹⁸
Corporate Sustainability Disclosure — SEBI mandates annual sustainability reporting (BRSR) for top listed companies, covering ESG risks, impacts, and governance performance; the NGRBC provides the normative framework underpinning disclosure obligations.			
Business Responsibility & Sustainability Reporting (BRSR)	2021	Mandatory	L2
NVGs on Social, Environmental & Economic Responsibilities	2011	Voluntary	L2
Corporate Sustainability Responsibilities — Companies must govern sustainability through board-level structures (CSR committee under Companies Act; ESG risk oversight under SEBI LODR) and align business conduct with international standards — UNGPs and OECD Guidelines — under the NGRBC.			
National Guidelines on Responsible Business Conduct (NGRBC)	2019	Voluntary	L3
Companies Act, 2013 — CSR provisions (s.135)	2013	Mandatory	L2
SEBI Listing Obligations & Disclosure Requirements (LODR)	2015	Mandatory	L1
Investor Sustainability Responsibilities — PFRDA outlines fiduciary and risk management duties for pension fund managers but with sustainability integration remaining at the discretion of individual fund managers. IRDAI requires insurers to embed ESG and climate risk in governance and investment frameworks.			
PFRDA — Master Circular on Investment Guidelines for NPS	2021	Mandatory	L1
IRDAI — Corporate Governance for Insurers Regulations (2024)	2024	Mandatory	L1
ISFCA – Fund Management Regulations (entities operating within IFSC)	2025	Mandatory	L1
Stewardship — SEBI, PFRDA, and IRDAI require asset managers, pension funds, and insurers to monitor investee companies on ESG matters, exercise voting rights, disclose voting records and engagement activities, and consider collaborative engagement — all as fiduciary obligations.			
SEBI Stewardship Code for Mutual Funds & AIFs	2019	Mandatory	L1
SEBI Guidelines on Stewardship Disclosures	2019	Mandatory	L1
PFRDA Common Stewardship Code (Pension Funds)	2018	Mandatory	L1
IRDAI Stewardship Code for Insurers	2017	Comply or explain	L1
Sustainable Financial Products — SEBI regulates ESG bonds (green, social, sustainable, transition), ESG mutual funds, and the Social Stock Exchange, setting disclosure, due diligence, and impact-reporting standards that direct capital toward sustainability outcomes; the Sovereign Green Bond Framework enables public transition finance.			
SEBI — Revised Disclosures for Sustainability-Linked Bonds	2023	Comply or explain	L3
SEBI ESG Debt Securities Framework	2023	Mandatory	L2
SEBI ESG Mutual Fund Category & Disclosures	2023	Mandatory	L2
SEBI Social Stock Exchange (SSE) Framework	2022	Mandatory	L2
SEBI — Listing of Non-Convertible ESG Securities	2021	Mandatory	L2
Government of India — Sovereign Green Bonds Framework	2022	Voluntary	L2
Service Provider Responsibilities — ESG rating providers must register with SEBI and meet mandatory requirements on methodology transparency, conflicts of interest, and alignment with the sustainability obligations of clients who hold regulated mandates.			
SEBI Master Circular — ESG Rating Providers (ERPs)	2024	Mandatory	L3
National Transition Strategy — India's Updated NDC (2070 net-zero; 50% non-fossil electricity by 2030; 60% electric power from non-fossil fuel energy sources by 2035), Long-Term Low-Carbon Development Strategy (LT-LEDS), and National Action Plan on Climate Change (NAPCC) establish the national climate transition trajectory to which financial sector sustainability policies are anchored.			
Updated NDC — India's Climate Commitments to UNFCCC	2022	Mandatory	L3
Long-Term Low-Carbon Development Strategy (LT-LEDS)	2022	Voluntary	L3
National Action Plan on Climate Change (NAPCC)	2008	Voluntary	L3
Sustainability Classification — The DEA draft Climate Finance Taxonomy (2025) defines green and transition economic activities using science-based criteria, providing the classification framework that will anchor ESG bond standards, lending guidelines, and fund definitions.			
India Draft Climate Finance Taxonomy (DEA / Min. of Finance)	2025	Voluntary	L3

¹⁸ Level 1 (L1) – Managing exposure to sustainability-related risks;
Level 2 (L2) – Addressing the drivers of sustainability-related risks
Level 3 (L3) – Supporting governments in driving economy-wide transition