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"INDIA'S BRSR–IFRS SUSTAINABILITY ALIGNMENT AND ITS IMPACT ON ESG REPORTING INVESTOR CONFIDENCE AND SUSTAINABLE CAPITAL FLOWS"

Dr. B.D. Mishra[1] , Dr. Aakash Sharma[2], Mr. Ayush Chandra Dubey[3], Ms. Jasmeet Kaur Walia[4]

[1]Professor, Department of Management Studies, Guru Ghasidas Vishwavidyalaya, Bilaspur, Chhattisgarh ORC Id: 0000-0001-9836-263X Email Id: biswadeep_m@hotmail.com
[2]Assistant Professor, O.P. Jindal University, Raigarh, Chhattisgarh ORC Id: 0000-0001-8946-6074 Email Id: aakashsharma730@gmail.com
[3]Research Scholar, Guru Ghasidas Vishwavidyalaya, Bilaspur, Chhattisgarh ORC Id: 0009-0001-0650-1872 Email Id: ayushdubey2697@gmail.com
[4]Research Scholar, Guru Ghasidas Vishwavidyalaya, Bilaspur, Chhattisgarh ORC Id: 0009-0000-1773-0921 Email Id: jasmeetkaur3089@gmail.com

ABSTRACT
The shift towards sustainable finance has been accelerating globally. This has increased the pressure on financial institutions and countries, especially in emerging economies, to align operational and disclosure practices with international standards on ESG. This research investigates India's Business Responsibility and Sustainability Reporting (BRSR) framework for its alignment with International Financial Reporting Standards for Sustainability (IFRS S1 and S2) along with what drives and what is the outcome of better harmonization of ESG disclosures. Data were collected through a three-pronged analytical framework consisting of gap analysis, investor philosophy analysis and regulatory landscape analysis covering 15 sectors. The research shows that the present BRSR is around 35% aligned to the IFRS S1 and S2 metrics presently. The degree of alignment varies considerably across sectors, ranging from 16% in oil, gas and consumable fuels, to 55% in chemicals. With sector specific tweaks and nine cross sectoral recommendations, 60% alignment potential. The study shows improved ESG disclosures significantly enhance investor confidence, reduces information asymmetry and helps in the flow of capital to sustainable firms. The establishment of regulatory cooperation, capacity-building of institutions, and periodic updating of the framework. The findings help to learn how emerging economies can strategically align domestic ESG frameworks with global standards to generate sustainable finance while remaining contextually relevant.

Keywords: *ESG disclosure standards, IFRS, BRSR alignment, sustainable finance, emerging economies*

1. INTRODUCTION

As climate change, social injustice, and governance failures affect how people invest their money, the nations of the world are seeing more changes in finance and investment (Sachs et al., 2019). In today's financial world, foreign players including investment companies, data analytics firms, and independent financial research institutes have started to see that including environmental, social, and governance (ESG) concerns into investment decisions has turned into more than a business compliance issue. For ESG integration, long-term value creation and methodical resilience are regarded as a strategic imperative (Friede et al, 2015). Rules, institutional investor demands, data on climate risk, and society's need for corporate responsibility have driven this change.

The sustainable finance sector has grown tremendously as worldwide ESG-linked investments surpassing USD 30 trillion in 2022 and projections (Bloomberg Intelligence, 2024) forecasting an increase to USD 40 trillion. Given a compound annual growth rate (CAGR) of 27% predicted for ESG (environment, social and governance) assets over the next ten years as opposed to other traditional investment kinds, the Asia-Pacific region including India is a major driver of growth. This road of growth points out the opportunities in the economy as well as the need of sustainability for portfolio results and firm worth. Its growth, meanwhile, raises major problems. Among the numerous ESG reporting systems now available are Task Force on Climate-related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI), and fresh International Sustainability Standards Board (ISSB) standards. Many of these things that data preparers and users do lead to confusion. It presents chances for greenwashing and selective disclosure. Furthermore, it compromises data compatibility. These problems are serious for emerging nations like India, where regional regulations should mirror recognized worldwide norms while also address local sustainability concerns and institutional capacity.

From this angle India presents a strong case study. As the fifth-largest economy in the world and a signatory to the Paris Climate Agreement, India has vowed to get net-zero emissions by 2070 and has set ambitious nationally determined contributions (NDCs) targeting a 45% GDP emission intensity reduction by 2030. Reaching these climate targets in 2070 requires almost USD 10 trillion in climate financing, with practically 60% coming from private sector sources. Concurrently, the Securities and Exchange Board of India (SEBI) of India has created innovative regulatory mechanisms starting with the 2021 Business Responsibility and Sustainability Reporting (BRSR) framework and continuing with the 2023 BRSR Core requiring ESG disclosure by the top 1,000 publicly traded companies.

Though regulations are improving, there are still major discrepancies between India's BRSR system and global IFRS Sustainability Disclosure Standards (IFRS S1 covering all sustainability data and IFRS S2 covering climate-related data). These variations make it difficult for international investors seeking similar, useful sustainability information, prevent Indian businesses from accessing worldwide sustainable funds, and could not fully utilize India's new ESG system to support toward sustainable development. The major issue this study seeks to resolve is: To what degree India's BRSR system and IFRS S1 and S2 correspond, and what modifications for particular and all areas can enable them fit better and support sustainable money flow into new market firms?

This study supports the convergence of legal harmonization, sustainable finance, and emerging market growth by presenting empirical data on ESG disclosure alignment and highlighting practical paths toward more global convergence. Building on prior research on personal sustainability reporting systems by going beyond, the study offers a thorough, sector-specific examination of alignment gaps and practical advice driven by investor expectations, regulatory reality, and business capacity.

2. THEORETICAL BACKGROUND

Grasping ESG disclosure standardization requires engagement with many theoretical viewpoints underlining a variety of facets of corporate sustainability reporting and capital market dynamics.

2.1 Institutional Theory and Regulatory Pressures

Institutional theory, as DiMaggio and Powell (1983) have expanded, helps one to grasp how business conformity with ESG criteria works. According to the theory, companies operate under institutional settings where stakeholder expectations, sector norms, and legal orders impose pressures for compliance. Organizations looking for legitimacy react by following standards set by institutions, even if doing so could cost money or mean they have to change their strategy (Meyer & Rowan, 1977). Applying institutional theory to ESG disclosure enables one to understand why, given the absence of rapid financial benefits, firms increasingly embrace sustainability reporting standards. Regulatory bodies such SEBI have forcedly isomorphic pressure to adhere to ESG disclosure standards from BRSR companies. The Paris Climate Accord and other global treaties provide regular criteria encouraging businesses to demonstrate their backing of environmental projects. Competitive dynamics and peer adoption patterns cause mimetic isomorphism, whereby businesses abide by similar disclosure norms to maintain legitimacy within their industry peer groups (Walls et al., 2012). The creation of IFRS S1 and S2 by the International Sustainability Standards Board is a major institutional change since it sets worldwide norms for sustainability reporting that authorities in emerging countries are progressively trying to match.

Institutional theory also makes clear why, strategically, it is important that domestic frameworks (BRSR) match international standards (IFRS). Better alignment lessens institutional friction, which helps companies to satisfy many legal jurisdictions at once by means of simplified reporting methods. Investors, asset managers, and other institutional players progressively prefer consistent, comparable data, therefore driving market-based incentives for regulatory harmonization (Ioannou & Serafeim, 2017). By making it more expensive for overseas investors to acquire

information translation and conduct due diligence, the inability to reach enough alignment can exclude developing market companies from global capital flows.

2.2 Stakeholder Theory and Investor Expectations

According to stakeholder theory, which Freeman (1984) first put forward and later researchers have expanded, companies have obligations to more than just their shareholders; creditors, employees, suppliers, communities, and society at large all fall under their purview. This viewpoint has great consequences for sustainability reporting since it justifies the release of non-financial data as vital to controlling stakeholder relationships and preserving public legitimacy (Hillman & Keim, 2001).

Recognizing that environmental and social risks represent real threats to financial performance, institutional investors more and more embrace stakeholder-oriented views. Investors with a high ESG bias pick companies with clear, complete sustainability disclosures that highlight how management deals with major environmental and social issues (Krueger et al., 2020). Investor beliefs examined in this study consistently give particular ESG issues—including governance integrity, human capital development, circular economy methods, and climate change strategies—that significantly affect capital allocation decisions.

Stakeholder theory elucidates how investor preferences influence corporate disclosure policies. Corporations are under market-based pressure to supply certain ESG measures and disclosures even in the absence of legal obligations when significant institutional capital holders ask for them. On the other hand, if disclosure systems neglect to record data important for investment decisions, they under serve financial markets and possibly misallocate resources. Because every framework captures gathered knowledge on investor-relevant material ESG issues, the congruence between BRSR and IFRS becomes strategically significant. Developed via broad stakeholder input including significant institutional investors, IFRS S1 and S2 integrate modern ideas on financially relevant sustainability measures. Like BRSR, which is based on Indian stakeholder input, it may focus on regionally relevant aspects of sustainability. Strategic alignment finds complementarities while meeting demands for investor information.

2.3 Resource-Based View and Competitive Advantage

The resource-based view (RBV) of the firm, which was first developed by Wernerfelt (1984) and then later expanded by Barney (1991), says that a firm's ability to create, use, and keep rare, valuable, unique, and non-substitutable resources and capabilities determines how well it can compete with other firms. In terms of ESG disclosure, this viewpoint holds that businesses with good sustainability management systems, thorough data infrastructure, and integrated reporting skills have a competitive advantage in drawing in responsible capital and avoiding legal penalties (Hart & Dowell, 2011).

Improved ESG reporting alignment provides savvy companies a resource-based advantage but can present difficulties for poorer nations. Companies that have invested in data governance infrastructure, climate accounting tools, and environmental management solutions will find it easier to adjust to the matched BRSR-IFRS criteria. These firms cut compliance expenses by doing away with needless reporting processes and improving information quality via constant criteria. Firms without these capabilities, however, incur greater change expenses that may obstruct markets in favor of current and well-established companies (Hart, 1995).

From an RBV perspective, guaranteeing broad acceptability requires capacity-building initiatives to follow and support in order of priority regulatory harmonisation attempts. Without such help, regulatory harmonization could inadvertently strengthen competitive advantages for big, sophisticated companies while eliminating smaller firms and emerging market companies without existing ESG infrastructure. This theory is quite pertinent in India, where the corporate sector has a great number of small and mid-sized businesses (SMEs) that may have unequal adaption loads.

2.4 Legitimacy Theory and Institutional Gaps

Legitimacy theory suggests that firms preserve social acceptability and operating continuity by coordinating their activities and messages with current social norms and institutional standards (Suchman, 1995). When corporate rules defy institutional expectations, legitimacy gaps develop, subjecting the business to criticism, lawsuits, and stakeholder penalties (Ashforth & Gibbs, 1990).

Local companies' use of reporting methods that differ significantly from recognized standards approved by global financial markets and government agencies causes legitimacy gaps in the ESG environment. Such flaws reveal organizational deficiencies and generate knowledge inequality that hurts businesses in underdeveloped nations trying to attract international investment. On the other hand, strategic alignment demonstrates that the business is aware of its conduct and is following the highest standards from all around the world. This increases the credibility of the business and enables foreign investors and governmental bodies to believe in it. From a theoretical perspective, from a technical point of view as well as as a key component of institutional development promoting integration into world financial markets, governments of poor countries give ESG framework harmonization ever-increasing importance.

3. LITERATURE REVIEW

3.1 Global ESG Disclosure Landscape and Market Dynamics

Growing knowledge that non-financial information greatly influences investment risk and return profiles drives the evolution of ESG reporting. Early sustainability reporting schemes like the Global Reporting Initiative (established 1997) and SASB Standards (released 2013) provided sector-specific guidance but lacked general coordination. The Task Force on Climate-related Financial Disclosures (TCFD), founded in 2015, is a significant institutional change providing

a commonly used structure for climate risk disclosure that emphasizes financial materiality and investor utility (Carney, 2015).

But the division persisted. While GRI emphasized impact materiality—that is, effects of organizational operations on society and the environment—TCFD and SASB focused on financial materiality—that is, effects on business financial performance. Different systems highlighted different facets of materiality. Reporting became challenging because businesses aiming to target many stakeholder groups had to have various reporting systems. The establishment of the International Sustainability Standards Board (ISSB) in 2021 and the subsequent 2023 release of IFRS S1 and S2 signaled a significant institutional development as they combined world ideas on sustainability reporting into standards clearly meant for capital markets and investor decision-making (ISSB, 2023).

Patterns of global acceptance point to institutional need for IFRS convergence. As of 2024, more than 130 countries have shown interest in either following or matching with IFRS criteria; among these are several rising economies seeking to use global standard-setting to speed ESG industry growth (IOSCO, 2024). Still, different legal ideas and institutional contexts strongly influence adoption methods and implementation schedules.

H1: International consistency with IFRS S1 and S2 standards strengthens the institutional reputation of developing nation ESG programs and encourages global capital flows.

3.2 Emerging Market ESG Regulation and the BRSR Framework

Some institutional features and development objectives are reflected in India's ESG reporting standards. Introduced in 2021 by SEBI, the BRSR framework combines Indian institutional setting with international best standards including:

1. India's goal to promote inclusive growth and the expansion of the SME sector is reflected in mandated value chain reporting for micro, small, and medium-sized enterprises (MSMEs).
2. A sector-agnostic approach to disclosure requirements guarantees consistency across many industries.
3. Principle-based system allowing application flexibility while upholding reporting criteria
4. Through this integration, national development objectives anchor ESG criteria with National Guidelines on Responsible Business Conduct (NGRBC).

Research into BRSR utilization produces contradictory findings. Although longitudinal studies of businesses on lists reveal improving disclosure quality and compliance, significant discrepancies between many kinds of business and sizes of firm (Sarkar & Khurana, 2024). Requiring independent verification of priority ESG metrics, the 2023 BRSR Core project tackles issues with data quality and assurance. Even so, there are significant variations between BRSR standards and what foreign investors expect for pertinent ESG aspects include financed emissions reporting (financial sector), product circularity indicators (manufacturing), and climate scenario analysis.

H2: Sectoral variation in BRSR-IFRS alignment mirrors various materiality patterns; capital-intensive sectors (power, oil & gas, mining) exhibit poorer alignment as a result of data collection difficulties and regulatory divergence.

3.3 Investor Expectations and ESG Materiality

Research by institutional investors repeatedly reveals that decisions on how funds are allocated give great weight to certain ESG concerns. Investigation of Amundi, BlackRock, Norges Bank, Goldman Sachs Asset Management, and other prominent global asset managers and banks' investment strategies shows convergence around a few key ESG features:

Environmental Priorities: Investors usually highlight, following science-based target-setting approaches, measurable greenhouse gas emission reduction targets (Scope 1, 2, and 3). Unveiling sustainable goods and services according on income aids assess the viability of the company strategy and its readiness for transformation. Circular economy strategies, including product recyclability and resource efficiency rules, are gaining more attention as signs of operational resilience and long-run value generation.

Among other social elements found in investor frameworks are fair labor practices, occupational health and safety, and supply chain ethics. Increased focus on financial inclusion, data privacy, and consumer protection shows a greater awareness of societal risks to company viability. Indigenous rights preservation and local involvement emerge as issues in the extractive and infrastructure sectors.

Investors are quite concerned about openness on anti-competitive behavior, board structure, audit quality, executive compensation aligning with sustainability objectives, and transparency on these matters. Including ESG standards among board-level risk tracking instruments shows organizational maturity and a commitment to integrate sustainability into everyday operations.

This means that, made with a lot of input from investors, IFRS S1 and S2 more clearly show what investors expect and think is important than local-based frameworks, which are mostly for following the rules. Strategic alignment of BRSR and IFRS ensures Indian businesses have better access to global funding sources and enhances decision-usefulness of disclosures for investor communities.

H3: Better alignment of BRSR-IFRS greatly enhances disclosure utility for foreign institutional investors and lowers information asymmetry between world capital providers and emerging market companies.

3.4 Sectoral Materiality and Hard-to-Decarbonize Industries

Institutional investors' studies show time and time again that particular ESG issues are highly weighted when deciding how money is distributed. Analysis of the investing methods of Amundi, BlackRock, Norges Bank, Goldman Sachs Asset Management, and other well-known international asset managers and banks reveals convergence around a few main ESG aspects:

Investors typically emphasize, following science-based target-setting methods, quantifiable greenhouse gas emissions reduction objectives (Scope 1, 2, and 3). Unveiling sustainable goods and services based on income will help to gauge the viability of the business model and its readiness for change. As indications of operational resilience and long-term value creation, circular economy ideas—including product recyclability and resource efficiency measures—are becoming more well-known.

Along with other social concerns, investor frameworks regularly include supply chain ethics, occupational health and safety, and fair labor rules. The new emphasis on financial inclusion, data privacy, and customer protection reflects a growing understanding of how social risks affect a company's long-term viability. In the infrastructure and extractive industries, indigenous rights protection and local involvement arise as issues.

Investors are quite concerned about openness around board makeup, audit quality, executive remuneration aligned with sustainability goals, openness, and openness around anti-competitive activities. Board-level risk tracking solutions include ESG criteria, which reveals organizational maturity and dedication to include sustainability into daily activities.

This implies that, designed with significant input from investors, IFRS S1 and S2 more clearly reveal what investors expect and consider to be relevant than regional-based systems, which mostly focus on rule-following. Strategic congruence of BRSR and IFRS guarantees that Indian companies have improved access to international finance sources and improves decision-usefulness of disclosures for investor groups.

H3: Better matching of BRSR-IFRS significantly improves disclosure utility for international institutional investors and reduces information asymmetry between global capital providers and developing nation businesses.

3.5 Financed Emissions and Financial Sector Development

There are unique opportunities and difficulties in how the financial sector approaches ESG reporting. By making loans, investments, and offering advice, financial institutions—which serve as capital intermediaries—have a disproportionate influence on the course of the overall economy. Under climate scenarios, banks all throughout the world are progressively aware that funded emissions—that is, greenhouse gas emissions included in portfolio lending and investment activities—represent major financial risks that can lead to credit losses, asset impairments, and strategic business model modifications (Carney, 2015).

Funded emissions reporting is still quite rudimentary, especially in emerging economy financial systems. Indian banks and asset managers trail much behind their global counterparts in terms of building systems, data, and disclosure standards pertaining to portfolio emissions. According to the Reserve Bank of India's (RBI, 2024) draught disclosure framework on climate-related financial hazards, the bank is aware of a problem and seeks to support financial industry expansion. Still, there have to be big changes in the way people count emissions, how portfolio data is organized, and how well scenario analysis works.

Allowing rapid financial sector expansion on funded emissions reporting offers a strategic advantage. Better disclosure promotes market-based discipline and helps regulatory monitoring as India's financial system shifts cash away from carbon-intensive sectors and toward sustainable ones. Insufficient portfolio emissions reporting, on the other hand, might inspire greenwashing and money misdirection toward illicit actions.

H5: Financial sector maturity relating to funded emissions Disclosure greatly influences the capacity of the general economy to adapt as well as the availability of sustainable finance for green businesses.

4. RESEARCH METHODOLOGY AND DATA ANALYSIS

4.1 Study Approach and Analytical Framework

This study used a multi-layered analytical method with five different but mutually supportive modes of operation:

In a gap analysis, BRSR indicators were compared to IFRS S1 (general sustainability disclosures) and IFRS S2 (climate-related disclosures) in terms of how closely they corresponded in 15 important industries. Each IFRS indicator was categorized according its correspondence with BRSR criteria: (1) perfectly aligned BRSR indicators encompass all the needs of IFRS; (2) somewhat aligned BRSR covers some of the needs but must be improved to be totally convergent; (3) not aligned IFRS criteria have no linked BRSR guidance.

Reviewing the investment structures of 24 institutional investors—14 international, 10 local—will help to identify financially relevant ESG concerns influencing capital allocation. Assessing whether BRSR-IFRS alignment meets investor interests requires extracting common ESG criteria from several investment techniques.

To see how well national ESG rules including SEBI circulars, the RBI's climate risk disclosure framework, and the Ministry of Finance's emerging climate finance taxonomy matched with international standards and if there were any potential areas of cooperation among several institutions, they were evaluated.

To ensure conformity with world best practices, suggested solutions were aligned with GRI Standards, International Finance Corporation Performance Standards, Science-Based Target Setting Initiative laws, European Sustainability Reporting Standards (ESRS), and Climate Disclosure Standards Board frameworks.

Involvement of Stakeholders: Government agencies, sustainability experts, institutional investors (n = 17 companies), and business sustainability specialists (n = 23 companies) among other rounds of discussions confirmed recommendations and assessed real practicality.

4.2 Sectoral Scope and Classification

Fifteen major economic sectors covering nearly 65% of India's listed market capitalization were addressed in the study: (1) Oil, Gas & Consumable Fuels; (2) Financial Services; (3) FMCG; (4) Power; (5) Automobile & Auto Components; (6) Metals & Mining; (7) Healthcare; (8) Capital Goods; (9) Construction; (10) Chemicals; (11)

Telecommunication; (12) Information Technology; (13) Consumer Services; (14) Consumer Durables; (15) Construction Materials.
Sectoral classifications fit NSE industry categories and IFRS sector definitions to ensure worldwide comparability. Classification grabbed financial market relevance, i.e., those with a great market value, and environmental materiality, i.e., sectors with a significant environmental footprint.

4.3 Data Collection and Sources
Resources of data included:
1. BRSR materials and SEBI Circulars 2021–2024
2. Publications of the IFRS Foundation containing Basis for Conclusions, IFRS S1, and S2
3. Policy statements from public investors issued by asset managers, banks, and fund management companies
4. Corporate ESG and top Indian firm yearly reports
5. Documents on regulatory policy (RBI draft framework, Ministry of Finance taxonomy proposals, NGRBC guidelines)
6. International standards for sustainability include GRI, SASB, TCFD, ESRS, CDSB.
7. Structured interviews and input on consultation from participants in the business and investment communities

4.4 Analytical Methods
Method for Gap Analysis: Looking for each IFRS metric, researchers examined if current BRSR principles and indicators properly addressed the need. Among the evaluation standards are metric specificity, quantification demands, temporal scope (historical versus prospective), and materiality judgment techniques. Two investigators independently evaluated the assessments, and any conflicts were resolved by thorough debate.
Mapping of Materiality: The principle-based materiality of BRSR was contrasted with IFRS materiality definitions (dual materiality including financial materiality and impact materiality). Dimensions of materiality determination process, stakeholder involvement, threshold setting, and update frequency were used to gauge alignment.
Review of investment philosophy papers revealed clear ESG assessment standards from Investor Expectation Analysis. Investor priorities were rated on depth of direction given and frequency of mention. Extracted themes were then compared to BRSR and IFRS guidelines to determine level of conformance.
For every industry, alignment percentages were computed as follows: (Fully Aligned Indicators plus 0.5 multiplied by Partially Aligned Indicators) divided by Total Relevant IFRS Indicators times 100%. Sectoral variance was investigated in search of patterns associated with company characteristics (capital intensity, environmental/social risk exposure, regulatory intensity).

5. KEY FINDINGS AND RESULTS ANALYSIS
5.1 Overall Alignment Assessment
The thorough analysis shows that by using sector-specific recommendations included in this paper, BRSR now correlates roughly 35% with pertinent IFRS S1 and S2 criteria and has the possibility to hit 60%. This level of convergence is evidence of both a lot of hope for more convergence and a lot of improvement over earlier legal systems.
Reflecting various material patterns and disclosure maturity, the sector distribution is quite varied in the business. Oil, Gas & Consumable Fuels (16%), Financial Services (20%), and FMCG (26%) are among the industries with the least alignment. These sectors raise especially opaque problems: It is challenging to ascertain how environmental impacts are spread throughout the O&G and mining sectors; financial institutions have few tools to evaluate their emissions; FMCG (fast-moving consumer goods) companies track vast, complicated supply networks with really little transparency.
Conversely, Chemicals (55%), Construction Materials (54%), and Automotive & Auto Components (46%) have better baseline alignment. This points to the existence of more effective environmental management systems and more obvious materiality patterns. Moderate coherence across Information Technology (37%), Telecommunications (46%), and Consumer Services (36%), with a particular emphasis on social issues rather than environmental ones.

Table 1: Present Alignment of BRSR with IFRS S1 and S2 across 15 sectors

5.2 Cross-Sectoral Alignment Gaps

Nine real ESG issues pertinent across several industries were found to expose notable alignment discrepancies:

Though BRSR stresses disclosure of emission reduction efforts, IFRS S1 and S2 highlight tracked targets (both absolute and intensity-based), baseline years, and performance monitoring even if BRSR demands disclosure of emission reduction activities. Recommended improvement: require disclosure of long-term and short-term goals for Scope 1, 2, and 3 emissions, with clearly defined baseline years and progress indicators.

BRSR covers recycled material inputs; IFRS S1 calls for revenue-based disclosure of circular/recyclable items. Recommendation: Add revenue-based indicators for reusable and recyclable goods as signs of corporate model shift to circular concepts.

Although both systems identify supply chain concerns, IFRS offers more organized direction on vital material identification and risk management preparation. Recommendation: Include BRSR requirements identification of vital materials risk, traceability systems, and mitigation techniques.

Resource Efficiency in the Product Use Phase: While BRSR focuses on operational efficiency, IFRS S1 stresses use-phase resource efficiency and income generation from effective goods. Recommendation: demand income from resource-efficient items as well as adoption promotion techniques be disclosed.

Labor Relations and Work Stoppage: While BRSR covers labor standards generally, IFRS S1 and GRI offer particular data on work stoppage length, causes, and corrective measures. Suggestion: make labor interruptions, stop times, root reasons, and corrective actions public.

Targeting dishonesty and corruption, BRSR focuses mostly on anti-competitive conduct with IFRS S1 and GRI handling it. Recommendation: Governance policies should call for reporting of anti-competitive conduct.

Indigenous Lands Operations: BRSR stresses indigenous rights and free, prior, informed consent (FPIC), which are also highlighted by IFRS S1 and international norms (IFC Performance Standard 7, UNDRIP). Additionally under consideration is social impact assessment. Recommendation: enhance openness guidelines on activities in indigenous areas, regular due diligence, and community engagement.

Management of dangerous items: Both approaches address waste; Methods for recovery, documentation of accidental releases, and corrective measures are highlighted in IFRS S1. Recommendations: need specific disclosure of remediation efforts, recovery volumes, and hazardous chemical emissions.

Including Climate Risk into Project Planning: While BRSR concentrates on project planning, IFRS S1 emphasizes unambiguous integration of environmental risk considerations and climate change. Recommendation: need project planning and investment decision-making integrate environmental risk into systems.

H6: Strategically enhancing BRSR to manage detected cross-sectoral variations boosts the alignment potential from 35% to about 50%, all while maintaining sector-agnostic framework structure.

5.3 Sector-Specific Findings

Concerning this sector, which has the least alignment, there are a few reasons why this is the case: (1) Although they are environmentally relevant, air emissions (nitrogen oxides, sulphur oxides, particulates) are not sufficiently disclosed; (2) There is not enough openness about hydraulic fracturing activities and related chemical risks; (3) There is not enough information about how well reserves in environmentally sensitive areas are managed; (4) There are holes in the reporting of process safety incidents. The proposed improvements mostly address environmental protection, openness of operations, and community safety.

Financial Services (Baseline: 20% → Proposed: 52%): The financial industry is somewhat behind even if it is strategically vital for resource allocation. Important omissions are: (1) financed emissions reporting (missing in most Indian financial institutions despite of global momentum); (2) portfolio climate exposure and risk management; (3) customer protection and service quality indicators; (4) financial inclusion programs targeting underserved populations; (5) proxy voting and investee engagement guidelines. Financial sector suggestions highlight possible economic changes brought about by its activities.

The degree to which the FMCG sector is aligned is limited by worries about product safety and supply chain complexity. Important omissions include (1) product chemical risk management; (2) supply chain animal welfare and sustainable sourcing, especially palm oil; (3) packaging waste and circular economy ideas; (4) GMO openness and labeling. Recommendations cover supply chain integrity and consumer protection.

Improvements in the power sector need better coverage of emissions, openness about the risks of including renewable energy, system reliability indicators, waste management (especially for coal combustion residuals), and biodiversity protection. Suggestions help India meet its goals for switching to renewable energy.

Automobile & Auto Components (Baseline: 29% → Proposed: 82%): This sector has the most potential for improvement in alignment through: (1) revealing sales of low-emission vehicles; (2) implementing fleet fuel economy plans; (3) using vehicle safety ratings (NCAP); (4) handling product safety complaints; (5) managing end-of-life car trash. Suggestions take advantage of India's automotive leadership.

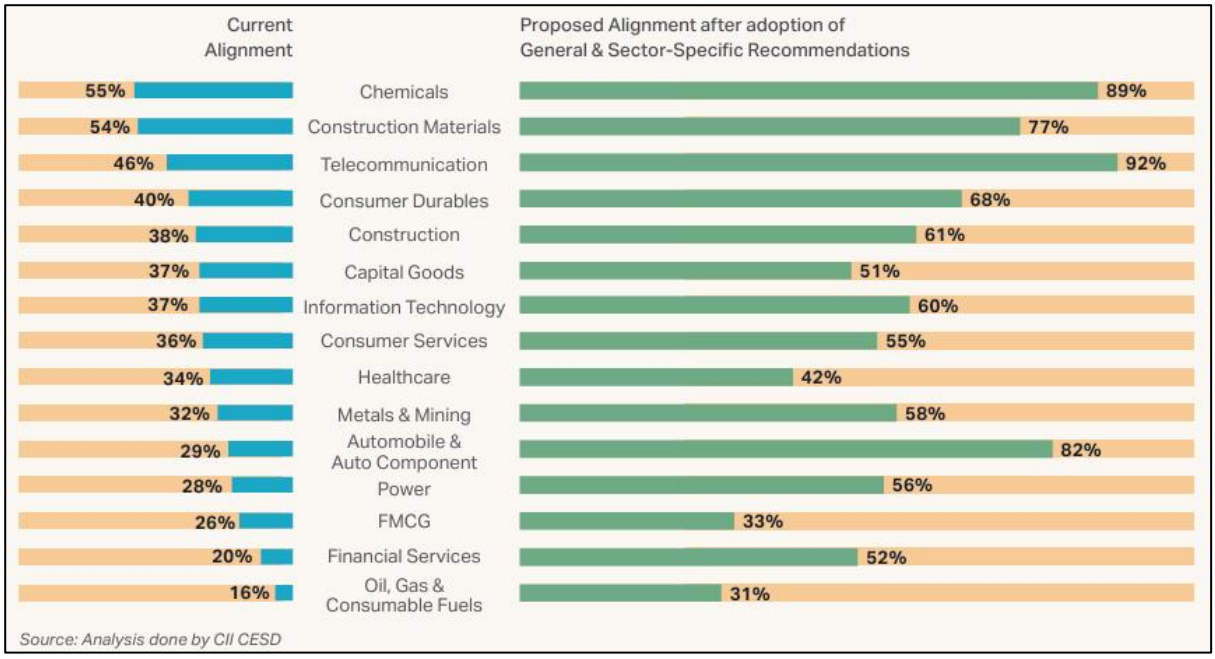

Figure 1: Proposed Alignment of BRSR with IFRS S1 and S2 - Current vs. Proposed by Sector

5.4 Investor Preferences and Alignment Priorities

Investor research shows a consistent ranking of material ESG topics that better match IFRS S1 and S2 than current BRSR rules:

Climate Transition Strategies: Investors want specific, measurable emission reduction goals, open transition plans, and third-party verification (Science Based Targets initiative alignment). Modern BRSR covers initiatives aimed at reducing emissions; suggested improvements call for disclosure based on targets.

Progress in the Circular Economy: Revenue measures help investors evaluate the financial relevance of product-level circular features (recyclability, durability, take-back programs). Current BRSR stresses the qualities of the finished product and its financial importance; changes highlight recycled input materials.

Investor evaluation stresses supply chain risk control, sustainable sourcing verification, important material traceability, and audit systems in supply chain sustainability. BRSR value chain needs improvement using particular measures and verification methods following worldwide norms.

Financial Services: Funded Emissions Investors worldwide are progressively using financed emissions as part of bank and asset manager selection guidelines. In Indian financial sector, this measure is still early, therefore it offers a chance for increased openness as well as a problem.

Human Capital and Labor Relations: Investors look at all of the labor standards, including fair pay, workplace health and safety, and the quality of labour relations (as measured by grievance procedures and work stoppages). Proposed changes enhance BRSR labor statistics.

H7: Better consistency between BRSR and IFRS Investor-prioritized ESG concerns greatly improve the decision-usefulness of disclosures and motivate institutional investor cash flow toward Indian businesses.

5.5 Capacity and Implementation Challenges

Stakeholder feedback pointed out major execution problems calling for coordinated action:

Data infrastructure problems: Particularly in the manufacturing sector, many businesses lack sophisticated data systems for emissions accounting (especially Scope 3), supply chain tracing, and circular product metrics measurement. Suggestion: timetables for phased implementation let capacity grow.

Methodological ambivalence: There are several ways to carry out important calculations including critical material evaluation, product circularity, and funded emissions. Regular processes and clear instructions help to reduce the workload of execution.

Issues affecting small and medium-sized businesses: For small- and medium-sized company suppliers, needs of the BRSR value chain might lead to rather pricey compliance costs. Recommendations highlight assistance for capacity building and appropriate processes.

Rules Coordinating Prerequisites include good BRSR calls requiring collaboration with the finance ministry's taxonomy, the RBI's framework for climate risk, and possibly modified NGRBC regulations. Governance structures permitting regulatory cooperation are still rather straightforward.

Good disclosure requirements call for consistent verification techniques and increased assurance provider capacity. The capacity of current assurances provider might impede rapid execution.

6. DISCUSSION

6.1 Theoretical Implications

The data fully support the theoretical concepts presented in this work:

Organisational Theory Validation: According to institutional theory, companies running in regions with many different rules and regulations have pressure to do what's right, get penalized for wrongdoings, and emulate the behavior of other businesses. Stress in the office results from this. This is supported by the large BRSR-IFRS alignment disparities (averaging 65% non-alignment across industries). Legal harmonisation, which can simplify institutional complexity and offer superior organisational channels, shows from 35% to 60% in potential alignment improvement. Reflecting institutional theory's prediction that sector-specific institutional characteristics, capital intensity, regulatory complexity, stakeholder focus—all of which are expected to influence institutional conformity strategies—the sectoral variation in alignment is

Stakeholder theory insights: Research on investor preferences backs up stakeholder theory's claim that institutional financial markets shape how businesses report their results. Compared to less thorough BRSR addressing, investor-prioritized ESG themes' almost perfect match with IFRS S1 and S2 indicators suggests that IFRS standards more fully capture the preferences of investors than regional laws intended mostly for regulatory compliance. This conclusion supports stakeholder theory's claim that companies respond to market-based incentives favoring IFRS alignment regardless of legal requirements since it shows that companies react to market-based incentives favoring IFRS alignment irrespective of legal requirements, therefore supporting stakeholder theory's focus on stakeholder power in influencing corporate conduct.

Resource-Based View Points of Interest: RBV forecasts of resource-capability differences are supported by the irregular alignment pattern, in which bigger, more sophisticated businesses show better baseline alignment. Established environmental management systems (EMS), climate accounting infrastructure, and data governance skills increase alignment in companies that have them, which shows how RBV emphasizes resource diversity as a way to achieve competitive positioning. The implication is that although regulatory harmonization helps comparability, it can reinforce existing advantages unless it is combined with specific capacity-building programs that address developing firm skills.

6.2 Sectoral Dynamics and Hard-to-Decarbonize Industries

The especially poor alignment in difficult-to- decarbonize industries (oil & gas, 16%; power, 28%; metals & mining, 32%) indicates institutional factors as well as engineering hurdles. These sectors have special challenges in emissions accounting methods, especially for Scope 3 (value chain) emissions, which are especially hard to measure in the extractive sectors. The defensive institutional posture seen in some of these sectors, which is reflected in little voluntary disclosure above what is required by law, can make one wonder how competitive the effect of thorough environmental impact reporting would be.

India's transition to greener energy still depends strategically on these sectors. More knowledge on methods to reduce emissions, utilize renewable energy, dispose of waste, and preserve biodiversity would enable investors to better evaluate a firm's degree of green readiness and likelihood of survival. The suggested improvements for these industries particularly address transitions criteria not as damaging disclosure but rather as allowing openness about how companies intend to stay competitive in carbon-constrained future.

The results point to the need of concentrating on hard-to-decarbonize industries for focused development, supported by regulatory communication stressing that open transition planning improves—rather than degrades—long-term company viability. The great improvement potential of the automotive industry (from 29% to 82%) shows that even historically disadvantaged industries may reach significant alignment if material dimensions are well defined.

6.3 Financial Sector Transition and Financed Emissions

The financial sector's 20% low baseline alignment and 52% high improvement potential point to particular opportunities and difficulties. Indian banks and asset managers now lack sophisticated skills for portfolio climate scenario analysis, financed emissions measurement, and transition planning as well as in other related areas. Nonetheless, the strategic significance of financial sector development justifies given priority to improvement.

A crucial institutional change allowing financial sector transition is the Reserve Bank of India's proposed framework for climate disclosure. Proposed revisions to BRSR on funded emissions should closely match RBI recommendations to guarantee that bank disclosures and regulatory monitoring are in line. In particular, the financial industry is largely responsible for how funds are used for sustainable rather than unsustainable goals. Greater transparency about financed emissions, portfolio exposure to carbon-intensive sectors, and transition lending policies promotes market-based discipline and helps to maintain general financial stability.

Improved financial sector seems to need three related actions: (1) phased implementation timelines enabling infrastructure development; (2) capacity-building support enabling financial institutions to grow financed emissions methods and portfolio data systems; (3) regulatory coordination between SEBI and RBI to guarantee BRSR and climate disclosure framework consistency.

6.4 Cross-Sectoral versus Sector-Specific Recommendations

The research shows merit in cross-sectoral as well as sector-specific strategies. Nine tangible cross-sectoral themes (GHG reduction strategies, product circularity, critical materials management, labor relations, anti-competitive behavior, indigenous lands operations, hazardous substance management, climate risk integration, resource efficiency) need consistent disclosure criteria that apply widely. These ideas handle basic ESG concerns that cut across industry lines.

Significant sectoral variation, though, calls for accommodation inside systems. Recommendations for particular industries tackle particular material patterns, financial services' financed emissions, product safety for consumer goods and healthcare, process safety for chemicals and metals & mining, and renewable energy integration for power.

While strategic framework design offers uniform basic criteria (cross-sectoral recommendations), it also enables sector-specific improvements tackling particular business's material risk aspects.
The suggested improvement route from 35% present BRSR-IFRS alignment to 60% via coordinated cross-sectoral and sector-specific recommendations uses this complementary strategy. Nine cross-sectoral suggestions alone would bring alignment to around 50%; sector-specific improvements aim to close residual gaps highlighting the importance of certain sectors.

6.5 Investor Capital Allocation and Market Discipline

Analysis of investor philosophy shows that existing BRSR reporting does not adequately cover important environmental, social, and governance factors influencing institutional capital allocation. Differences in investor interaction during framework creation explain in part the discordance between BRSR and IFRS. Extensive worldwide investor involvement helped IFRS S1 and S2 incorporate gathered knowledge on economically relevant sustainability criteria. Developed mostly with domestic stakeholder input, BRSR might not sufficiently cover topics relevant for foreign institutional investors.
Better alignment between BRSR and IFRS gives investors pertinent data that enables Indian companies more readily access world sustainable capital pools. Simultaneously, alignment enables market discipline to operate via conventional methods allowing investors to contrast several types of companies and sectors. By inspiring businesses to sustainability alignment, this approach depending on the market strengthens regulatory oversight.
The findings show that investors' expectations and regulatory alignment generate complementary dynamics. As their concentration rises, emerging nations become more alluring to foreign capital. Pushing disclosure consistent with IFRS inspires companies to sync. Legal approval of IFRS-aligned systems, therefore improving financial results by lowering compliance burden and enhancing information quality, increases investor confidence and capital flows. For particular companies as well as for the whole financial system of the country, legislative uniformity is therefore strategically desirable because of this reinforcing dynamic.

7. CONCLUSIONS, IMPLICATIONS, AND FUTURE RESEARCH

7.1 Key Conclusions

India's BRSR system now is roughly 35% in line with IFRS S1 and S2 sustainability reporting standards, yet there are notable discrepancies across sectors pointing to various materiality trends and disclosure maturity. The sectors where you would expect the most difficulty in decarbonising (oil & gas, power and metals & mining) have relatively low baseline alignment levels (16-32%) but interestingly, so do chemicals and construction materials with 54-55%.
On the basis of the analysis, nine cross-sectoral ESG themes were identified which would benefit from standardized enhanced disclosure; GHG reduction strategies, product circularity (i.e. use and recovery), critical materials management.
Investor preferences demonstrate a continued focus on ESG themes which are more fully addressed in the IFRS S1 and S2, rather than current BRSR requirements, facilitating market-based forces to incentive regulatory convergence. Alignment, once enhanced, mitigates information asymmetry in the potential access of international investors to Indian markets and market discipline through common metrics. Some strategic implications are: (1) Regulatory synchronisation between SEBI, RBI and Ministry of Finance (2) Phased implementation leading to capacity building (3) Targeted support for SMEs & emerging firms' adjustment; (4) frame-work by which new issue reserves may be developed.
The results show that although encouraging the growth of the national sustainable finance ecosystem via better information quality and investor confidence, ESG disclosure harmonization helps particular companies by means of reduced compliance burden and increased capital access.

7.2 Policy Implications

Authorities should place sector-specific ESG standards top most priority in order to address major sustainability concerns while still maintaining investor-relevant comparisons under BRSR. Starting with high-impact sectors (cars, chemicals, power, financial services), a phased strategy would allow focused execution while still encouraging institutional ambition. Regulatory coordination tools ensuring uniformity across the Ministry of Finance's climate finance taxonomy, RBI's climate risk framework, and SEBI's BRSR revisions would mostly depend on increasing framework coherence and reducing compliance load.
Financial organizations and asset managers: Better alignment of ESG reporting via the use of standard criteria enables portfolio comparison to direct cash flow to environmentally friendly companies. Given their role in inspiring more general economic change, top priority should be given to financial sector development relating to funded emissions reporting. Investment in disclosure infrastructure, emissions accounting systems, and scenario analysis tools will be necessary to keep competitive as worldwide investor expectations shift.
Organizations seeking sustainable funding from all around the world should consider BRSR-IFRS alignment as strategic rather than merely compliance with regulations. Early adoption of better disclosure standards enables businesses to stand out as ESG leaders, therefore improving investor opinion and access to capital. To enable great disclosure throughout connected frameworks, businesses should invest funds on environmental management systems, data infrastructure, and sustainability governance all at once.
Organizations Working on Development and Capacity Building: Corporate specialists should first give training programmes produced by colleges, consulting firms, and trade groups top priority in order to meet improved ESG

reporting requirements. Guarantees broad-ranging compliance capability by helping SMEs and startup companies, therefore preventing entrenched incumbent advantages.

7.3 Limitations and Future Research Directions

Though rather thorough, the research initiative has limits pointing out opportunities for more investigation:

Studied were 15 sectors holding about 65% of market capitalization. The scope of examination should also be extended to other sector such as utilities, telecommunications and real estate to come up with comprehensive coverage of the sector.

The cross-sectional analysis indicates that there is an agreement at a specific time point (2024-2025). Post-alignment evolution longitudinal studies, the course of implementation and feedback impacts would emphasize the mechanisms of dynamic adaptation and successful implementation.

The sectoral aggregation was done and analyzed at the firm-level. Research at the company level regarding the attainment of BRSR-IFRS fit by specific businesses, the costs of implementation, and the impacts on competitive outcome would provide valuable and accurate information. Comparative studies between SMEs, domestic big-cap companies and big multinationals companies would shed the light on the dynamics of difference in implementation.

Quantitative Impact Evaluation: This paper presents a qualitative conformity analysis. With further ESG disclosure, the argument of financial materiality of ESG aspects would be supported through the econometric study that could estimate the impacts on the financial performance of the corporation, cost of capital and capital allocation.

International Comparative Analysis: Making comparisons between ESG harmonization practices in other developing countries (Brazil, Indonesia, Vietnam, Mexico) would enable us to determine whether the lessons that are learned in India are applicable to the entire globe or only to that particular context.

Future studies should look at how well assurance providers can verify information, how well verification methods are being developed, and how good the quality controls need to be in order for ESG reporting to be reliable and consistent on a big scale.

Research looking at whether more disclosure standards without any verification either promote or hinder greenwashing will reveal the government's requirements for disclosure integrity.

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