

SUSTAINABLE FINANCE AND INVESTOR AWARENESS

Abstract

Curious about the future of finance? The world of investment is undergoing a dramatic shift, moving toward a more sustainable approach that balances financial returns with positive environmental and social impact¹. This isn't just a trend; it's a fundamental transformation driven by global challenges like climate change and social inequality.

"Sustainable Finance and Investor Awareness," delves into this evolving landscape, exploring the key components, practices, and global context of **sustainable finance**. It unpacks how **environmental, social, and governance (ESG)** factors are reshaping investment decisions and highlights the critical role of investor education in navigating this new frontier.

The article focuses on India as a leading example among emerging economies, detailing how the country's ambitious climate goals and evolving regulatory frameworks—such as SEBI's Business Responsibility and Sustainability Report (BRSR)—are accelerating the adoption of sustainable finance.

Introduction

Sustainable finance is fundamentally transforming investment decisions by embedding environmental, social, and governance (ESG) considerations into traditional financial frameworks. This holistic approach addresses the increasing urgency of global challenges—climate change, social inequity, and governance weaknesses—while ensuring financial returns aligned to long-term value creation.

Investor awareness is paramount in advancing sustainable finance. Well-informed investors



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can channel capital into projects and businesses contributing positively to society and the environment while managing emerging financial risks. This article explores sustainable finance's evolution, core components, practices, investor education importance, and the current global and Indian context driving rapid adoption, supplemented with practical case studies and disclosure frameworks.

Background and Context

Sustainable finance aligns financial markets with the objectives of sustainable development. Global commitments such as the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement have prompted regulators and institutional investors to incorporate ESG considerations into capital allocation and risk management.

Green bonds, social bonds, and sustainability-linked loans are key instruments channeling funds toward renewable energy, social inclusion, and governance improvements. Globally, sustainable investment assets surged from \$12 trillion in 2015 to an estimated \$100 trillion by 2025, driven by regulatory initiatives and shifting investor preferences.

India is at the forefront of this transition among emerging economies. With a net zero carbon

pledge by 2070 and ambitious climate goals, India’s sustainable finance ecosystem is gaining momentum, supported by government incentives, evolving regulatory frameworks (notably SEBI’s Business Responsibility and Sustainability Report - BRSR), and growing retail investor interest.

Key Components of Sustainable Finance

The Power of Integrated Sustainable Finance



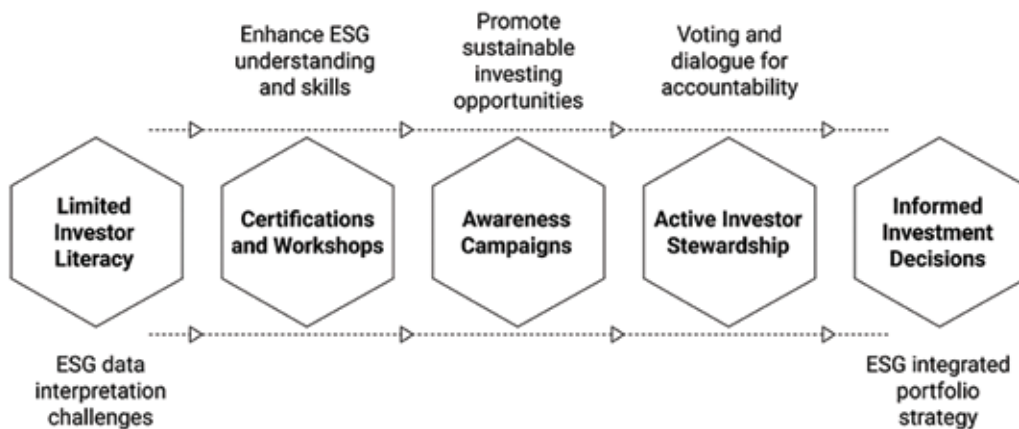
Sustainable finance rests on three intertwined pillars, often weighted as Environmental (40%), Social (30%), and Governance (30%).

- ⦿ **Environmental:** Involves climate risk mitigation, including emission reductions, resource conservation, pollution control, and climate resilience.
- ⦿ **Social:** Encompasses labor standards, diversity and inclusion, community engagement, and health and safety.
- ⦿ **Governance:** Includes board effectiveness, anti-corruption measures, risk management, and disclosure transparency.

Investment decisions evaluating these aspects manage risks not captured by traditional financial metrics and tap long-term growth aligned with global sustainability trends.

Investor Awareness and Its Critical Role

Empowering Investors for Sustainable Finance



Investor literacy shapes the impact of sustainable finance. Complexity and uneven ESG data quality challenge many investors, requiring education on interpreting ESG outcomes and integrating them in portfolio strategy.

Education through certifications, workshops, and investor awareness campaigns empowers investors to discern genuine sustainable

opportunities from greenwashing. Active investor stewardship, through voting and dialogue, reinforces corporate accountability and accelerates ESG adoption.

For instance, pension funds redirecting allocations toward low-carbon businesses can mitigate reputational and regulatory risks while seizing growth opportunities.

Sustainable Finance Practices and Trends

Below is a comparative view of dominant ESG investment strategies with detailed examples:

Strategy	Definition	Key Features	Examples
Exclusionary Screening	Avoids investment in sectors with negative ESG impacts	Eliminates sectors like coal, tobacco	Funds excluding coal mining companies
Positive Screening	Selects firms leading in ESG performance	Invests in ESG leaders across industries	Renewable energy firms such as Vestas, NextEra Energy
ESG Integration	Incorporates ESG data within fundamental financial analysis	Blends ESG risks and opportunities with finance	Credit risk models including carbon emissions data
Thematic Investing	Targets sustainability themes like clean tech or gender diversity	Focused investments aligned with sustainability	Water conservation and gender diversity-focused funds
Impact Investing	Pursues measurable positive social/environmental outcomes	Prioritizes measurable social/environmental impact	Microfinance for underserved communities

Growth of Global Sustainable Finance Assets

Sustainable finance assets have grown exponentially due to growing regulations and investor demand:

From \$12 trillion in 2015 to \$100 trillion by 2025, sustainable finance is reshaping global capital markets.

Breakdown of ESG Criteria and Financial Implications

Investors weigh ESG pillars to understand the material risk and opportunity profiles:

- ⦿ Environmental: Includes regulatory risk, operational efficiency, climate impact.
- ⦿ Social: Encompasses labor practices, community relations, workforce health.
- ⦿ Governance: Governance ensures ethical management and strategic oversight.

Why Sustainable Finance is More Crucial Today: Global and Indian Context

Economic & Market Conditions

Globally, ongoing climate challenges, regulatory reforms, and market transitions underscore sustainable finance’s urgency. Carbon-heavy sectors face increasing costs, while sustainability-oriented companies gain competitive advantages.

India’s rapid economic growth alongside commitments to reach net zero emissions by 2070 requires mobilizing substantial capital toward clean energy, efficient infrastructure, and social inclusion. With an expanding consumer base prioritizing sustainability, Indian markets are adapting rapidly.

Consumer & Social Factors

Millennials and Generation Z—who constitute approximately 65% of India’s population—are

steering demand for ESG investments aligned with their values. Empowered consumers and social communities hold companies accountable, influencing corporate strategies.

This demographic and social shift fosters inclusive and equitable growth strategies, elevating the importance of ESG-aligned investments in retail and institutional portfolios.

Changing Perspectives Through Adoption

Adopting sustainable finance builds resilience by reducing ESG-related risks, fostering innovation, and enabling investor confidence. India’s supportive policies, green bond market expansion, and emerging green NBFCs are shifting capital allocation paradigms toward sustainability, signaling a national move towards embedding sustainability into economic growth.

Role of Finance Professionals & CMAs in Sustainable Finance

Professional accountants, company secretaries,

cost accountants, and finance experts play pivotal roles:

- ⊙ ESG data assurance and auditing foster transparency.
- ⊙ Integrating ESG management and disclosures in financial reports.
- ⊙ Advising corporations on compliance with evolving ESG standards.
- ⊙ Leading innovation in sustainability-linked financial products.

Their expertise is crucial in aligning financial frameworks with sustainability imperatives, ensuring market integrity, and supporting global competitiveness.

India’s ESG Disclosure Frameworks Aligned with Global Standards

With the rapid expansion of ESG investing in India, robust disclosure frameworks have become vital.

India's ESG Disclosure Framework



SEBI’s Business Responsibility and Sustainability Report (BRSR)

- ⊙ Mandatory ESG reporting for the top 1000 listed companies since FY 2022-23.
- ⊙ Detailed disclosures on environmental impact, social responsibility, governance, and value chain.
- ⊙ Progressive introduction of mandatory Scope 3 emissions reporting.

- ⊙ Inclusion of green credit disclosures incentivizes environmental stewardship.
- ⊙ Flexible assurance options allow gradual sophistication.

Governmental and Regulatory Support

- ⊙ RBI promotes ESG risk integration in banking.
- ⊙ Draft Climate Finance Taxonomy guides green finance flows and standards.

- ⦿ Policies encourage MSMEs and startups to embed ESG practices, broadening ecosystem inclusivity.

Comparative Global ESG Frameworks

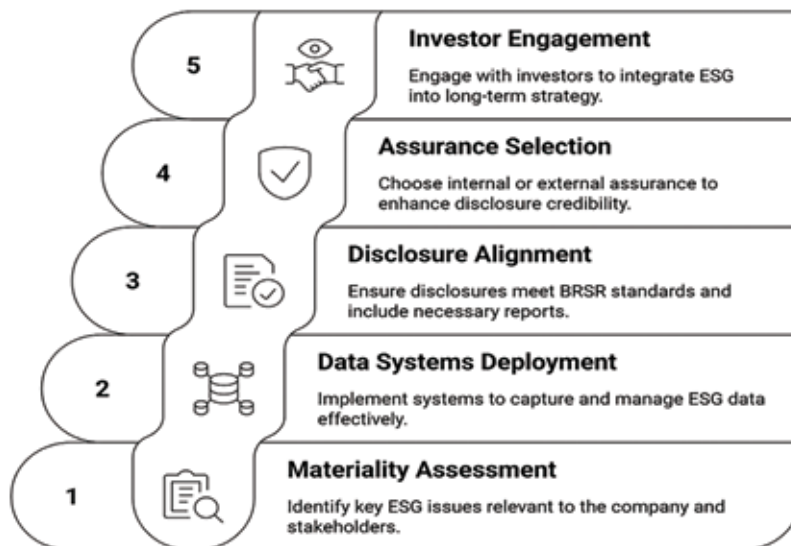
Indian frameworks harmonize with global standards:

Framework	Features	Applicability	Relation to BRSR
Global Reporting Initiative (GRI)	Detailed sustainability metrics	Multi-industry, global	BRSR draws heavily from GRI principles
Sustainability Accounting Standards Board (SASB)	Financial materiality, sector-specific	US-centric, broad	BRSR incorporates SASB for sector materiality
Task Force on Climate-related Financial Disclosures (TCFD)	Climate risk focus with scenario analysis	Financial institutions worldwide	BRSR aligns climate disclosures accordingly
Corporate Sustainability Reporting Directive (CSRD-EU)	Mandatory EU-wide disclosures	EU firms	BRSR comparable, less prescriptive
International Sustainability Standards Board (ISSB)	Emerging global unified standards	Global IFC umbrella	BRSR to evolve alongside ISSB developments

Practical Guide for Indian Companies on ESG Compliance

1. Conduct materiality assessments tailored to sector and stakeholders.
2. Deploy integrated data systems capturing emissions, social metrics, governance performance.
3. Align disclosures with BRSR templates, including value chain and green credit reports.
4. Select internal or external assurance to boost disclosure credibility.
5. Engage investors transparently to synthesize ESG into long-term strategy.

Achieving ESG Compliance



Case Studies: Indian Firms Leading ESG Disclosure

- Major Indian corporates in power and automobile sectors have adopted SEBI’s BRSR voluntarily prior to mandates, showcasing ESG-driven operational improvements and investor relations benefits.

- Financial institutions like ICICI Bank and SBI report comprehensive climate risk management aligned with TCFD recommendations, positioning themselves advantageously with global investors.

Future Outlook and Conclusion

Sustainable finance represents a paradigm shift in capital allocation, risk management, and corporate governance. India's vibrant sustainable finance ecosystem, underpinned by robust disclosure standards and growing investor awareness, is poised for significant growth.

For finance professionals and investors, expertise in ESG frameworks and sustainable investing practices is indispensable. Together, they foster a resilient, inclusive economy that meets ambitious climate and social goals. **MA**

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At the Helm!!!



CMA Proteek Kumar Chakraborty

Our Heartiest Congratulations to CMA Proteek Kumar Chakraborty who assumed charge as Director (Finance) at Electronics Corporation of India Limited (ECIL), a Schedule 'A' CPSE under the Department of Atomic Energy, A Miniratna Company.

Prior to this appointment, he had served as Additional General Manager (Finance) at Bharat Heavy Electricals Limited (BHEL). He also held the position of Chief (Finance) at the Central Electricity Regulatory Commission (CERC) a Joint Secretary-level role from July 2021 to January 2024. He is a member of the Institute of Cost Accountants of India as well as the Institute of Company Secretaries of India. He also holds a Bachelor's degree in Commerce from St. Xavier's College, Ranchi, and brings with him over 31 years of diversified experience in various domains of Finance and Accounts. He also contributed to international energy cooperation as a member of the Ministry of Power's "One Sun One World One Grid" taskforce from CERC, exploring global electricity grid interconnections.

We wish CMA Proteek Kumar Chakraborty the very best for all his future endeavours.