Policy Dialogue Report

Strengthening Disclosures for Nature-Positive Finance in India: *Issues and Challenges*

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Background & Objectives

CUTS International, in collaboration with the Bengal Chamber of Commerce and Industry (BCC&I), organised its second policy dialogue in Kolkata under its ongoing project, '*Sustainable Financing of Deforestation-risk Commodities in India*,' to deliberate on the growing importance of integrating nature-related and deforestation-linked risks into India's financial system.

The discussion was set against the backdrop of rising global concern that environmental degradation, biodiversity loss, and land-use change are creating significant financial, transition, and reputational risks for businesses and financial institutions.

India, as a major importer and processor of commodities such as palm oil and natural rubber, remains closely linked to deforestation and ecosystem loss in producer countries. At the same time, evolving global regulations, investor expectations, and trade measures are increasing pressure on supply-chain transparency and environmental disclosures.

The dialogue brought together experts on sustainable financing, industry representatives, and academics to discuss gaps in current disclosure frameworks and the growing materiality of nature-related risks.

The primary objectives of the policy dialogue were to:

- present key findings and recommendations from the ongoing study;
- examine existing gaps in Environmental, Social, and Governance (ESG) and Business Responsibility and Sustainability Reporting (BRSR) disclosures related to nature, biodiversity, and deforestation risks;
- gather perspectives from financial institutions on integrating nature-related risks into lending, investment, and risk assessment processes;
- identify practical and regulatory measures to strengthen disclosure standards, supply chain traceability and accountability; and
- develop actionable policy inputs for regulators and market participants to advance nature-positive finance in India.

Key Discussions

The dialogue was structured as an interactive roundtable, anchored around a set of guiding questions on nature-related risks and green finance. Key discussion themes included:

- Need for a balanced approach that links sustainable consumption with sustainable production and procurement.
- Growing importance of nature-related risks, though these remain weakly reflected in current corporate disclosures.
- Existing disclosures focus mainly on direct operations, while upstream supply-chain risks (especially for forest-risk commodities) are often overlooked.
- A debate emerged around expanding the BRSR framework to include nature and deforestation-related risks explicitly. Participants recognised its potential to strengthen corporate accountability; however, concerns were raised about the additional compliance burden this may impose, particularly on Micro, Small, and Medium Enterprises (MSMEs), which often lack the capacity and resources for detailed disclosures. It was also noted that in the absence of clear incentives or tangible benefits, companies may have limited motivation to go beyond minimum reporting requirements.
- Strong need to build a clear business case for sustainability to ensure corporate participation and long-term adoption.
- Role of global trade dynamics and export competitiveness as key drivers for improving sustainability practices.
- Importance of integrating nature-related risks into financial decision-making, especially through lending and credit mechanisms.
- Challenges in measuring, quantifying, and incorporating nature risks into financial and macroeconomic models.
- Limited capacity of MSMEs to adapt to climate and nature-related requirements, posing a significant challenge.
- Need for collaboration across sectors, such as finance, trade, and nature-based solutions, to address existing gaps.
- Importance of aligning macro-level policies with local-level actions, including recognising indigenous knowledge and community practices.
- Emerging concepts such as natural capital accounting and biodiversity credits, alongside the use of certifications and ratings.
- Need for better alignment of Indian disclosure frameworks with international standards, along with improved transparency.
- Reputational risk identified as an important driver influencing corporate sustainability actions.
- Importance of creating the right mix of incentives for businesses, financiers, and consumers to mainstream nature-related risks.
- Concerns were raised regarding the nature of regulatory frameworks being adopted, with some participants questioning whether India is replicating Western models without sufficient contextual adaptation. Such approaches may create compliance burdens without achieving the intended environmental outcomes, highlighting the need for more locally grounded, sector-sensitive regulations.

- Participants highlighted the unintended consequences of inadequate or poorly designed regulations and schemes. Examples such as challenges under the National Bamboo Mission, compliance burdens from plastics regulations, and the low uptake of MSME-focused schemes were cited to illustrate gaps between policy design and on-ground implementation.
- Discussion also covered the potential of the BRSR framework in addressing deforestation-linked commodity risks. While some participants saw merit in leveraging BRSR as an existing disclosure tool, others suggested that a strengthened and expanded BRSR framework could, over time, integrate deforestation-related considerations more organically.

Way Forward

Building on the dialogue, CUTS International will focus on advancing research, policy engagement, and stakeholder collaboration to integrate nature-related risks into India's financial system. The next steps will aim to strengthen disclosures, support MSMEs, and promote practical, finance-linked solutions for sustainability.

1. **Policy Engagement:** Engage with regulators to strengthen BRSR and align disclosures with global standards
2. **Research & Tools:** Develop frameworks to assess and quantify nature-related financial risks
3. **MSME Support:** Promote simplified disclosure mechanisms and capacity-building initiatives
4. **Stakeholder Collaboration:** Facilitate dialogue across finance, trade, and sustainability actors
5. **Market Linkages:** Highlight trade and credit-based incentives to build a strong business case for sustainability
6. **Strengthening BRSR with Enabling Support:** Expanding BRSR to cover nature and deforestation risks can improve corporate accountability, but introducing incentives such as easier access to finance or market recognition can encourage meaningful compliance and ensure that enhanced reporting translates into real environmental outcomes rather than additional burden.

Conclusion

The policy dialogue highlighted the growing urgency of integrating nature-related risks into India's financial and corporate decision-making frameworks. While progress has been made through initiatives like BRSR, significant gaps remain in addressing biodiversity and deforestation-linked risks, especially across supply chains.

The discussions underscored the need for balanced, practical, and incentive-driven approaches that align economic and environmental priorities. Moving forward, stronger collaboration among stakeholders, improved disclosure standards, and targeted support for MSMEs will be critical to advancing a more resilient and nature-positive financial ecosystem in India.

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