

Inculcating ESG Framework in Businesses





ESG



What is ESG?

ESG – (Environmental, Social and Governance) A set of Standards for a Company's behaviour used by socially conscious investors to screen potential investments.



What's 'ESG'



E

Energy use/Renewable Energy use
Water & effluents
Biodiversity
Climate; Carbon footprints
Pollution ; Emissions
Waste Management

S

Stakeholders
Labour & Management Relations
Occupational Health & safety
Diversity & equal opportunity
Customer health & safety
Local communities
Data Security



S



G

Codes of conduct
Accountability
Transparency
Disclosure & implementation



Origin of ESG Concept/Framework

Article 51-A (g): “It shall be the duty of every citizen of India to protect and improve the natural environment including forests, lakes, rivers and wildlife and to have compassion for living creatures.”

Article 51(A)(h) it is the fundamental duty of all citizens to develop the scientific temper, humanism and the spirit of inquiry and reform.

Article 48A- It reads as: The State shall endeavour to protect and improve the environment and to safeguard the forests and wildlife of the country. This Article was added by the 42nd Amendment, 1976 and places an obligation on the State to protect the environment and wildlife.

Section 134 (4) (m) Companies Act- According to Rule 8 of the Companies (Accounts) Rules, 2014, and Section 134(3)(m) of the Act, the report must contain details of efforts made by the company to conserve energy and the equipment used in this process. It must disclose alternate sources of energy and investments made in this regard.

NVG on SEER- 2011

NGRBC- 2011

Origin of ESG Concept/Framework

BRR- 2012

CSR Becoming a Mandatory
Compliance in 2013

EPR becoming a Mandatory
Compliance in 2022

BRSR- 2021

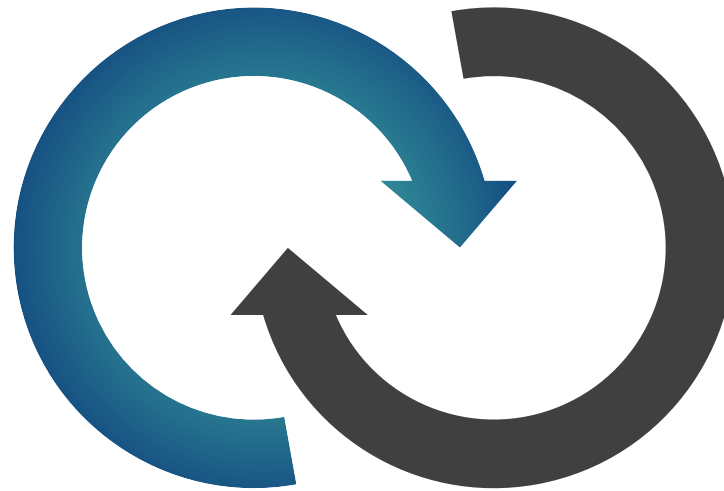
BRSR Core- 2023

Contd.

Benefits of ESG Practice

For Businesses

- (a) Opens access to a larger pool of capital and
- (b) Promotes a stronger brand identity



For Investors

- (a) Demonstrates their value system;
- (b) Get returns that are like or are better than traditional approaches through investments associated with an ESG-centric brand.

Benefits of ESG Practice

Offers a Competitive advantage

Companies participating in ESG efforts often gain a competitive advantage over business rivals. For example, a 2022 survey of 1,062 U.S. residents by Green Print, a sustainability tools provider that's now owned by PDI Technologies, found that 66% of the respondents would be willing to spend extra money to buy environmentally friendly products.

Attracts investors and lenders

A Gallup study released in 2022 found that 48% of investors are interested in sustainable investing funds, while a Dow Jones survey of 200 investment professionals, also conducted in 2022, projected that ESG investments would more than double over the next three years.

Builds customer loyalty

The consumers are willing to pay extra for brands that align with their values and are more loyal to organizations that treat people well.

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Benefits of ESG Practice

Improves financial performance

ESG not only makes a business favourable to investors, but it can also improve the overall financial performance of a business.

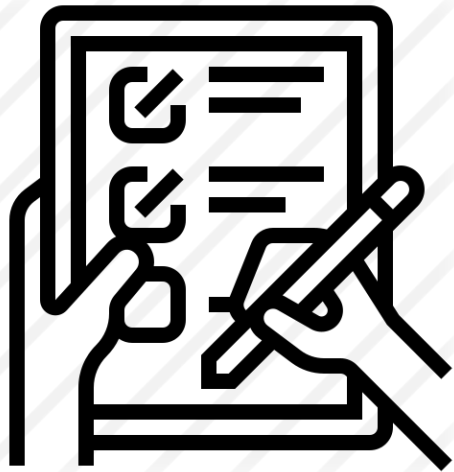
To keep up with ESG programs, companies must track key metrics -- such as energy consumption, raw material usage and waste treatment -- that can eventually lead to reduced energy bills and cost reductions.

Makes company operations sustainable

Companies investing in ESG initiatives can sustain and adapt to an ever-changing landscape.

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Implementing ESG Framework



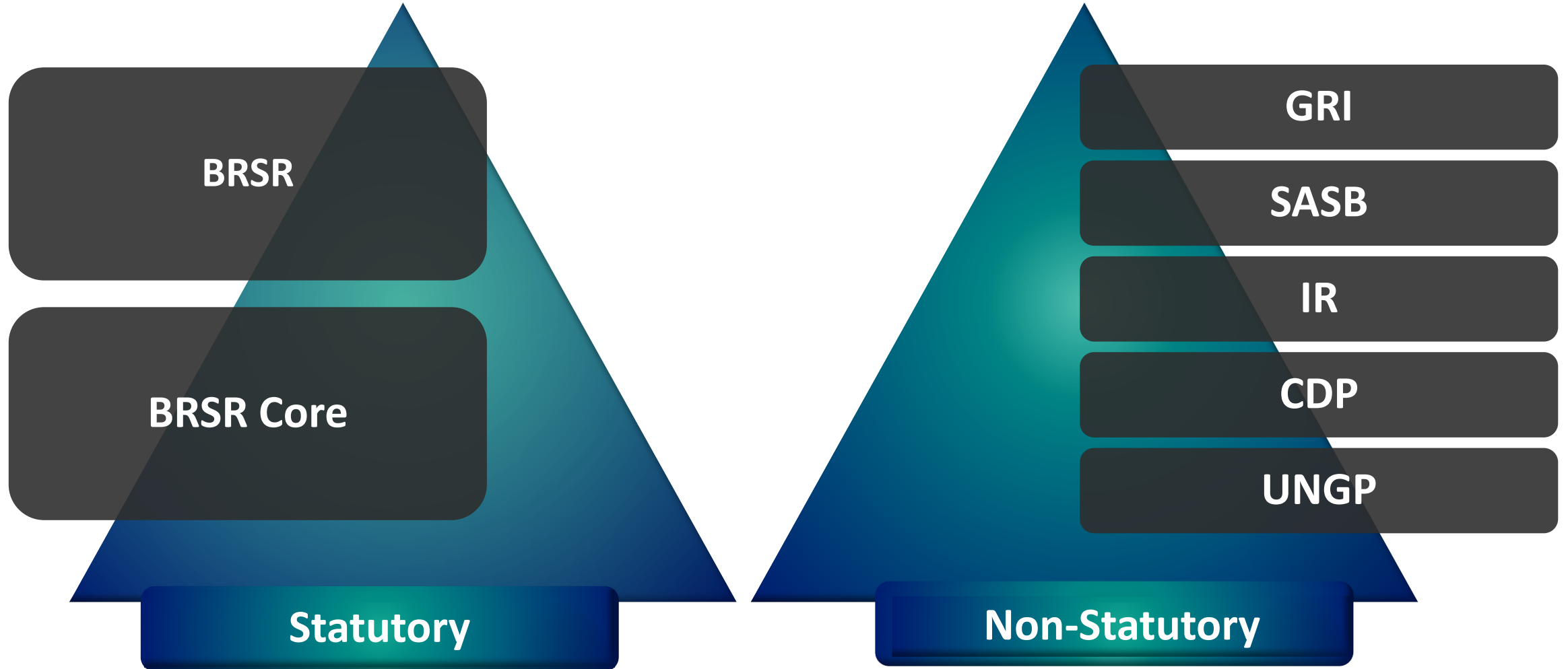
Monitoring

1. Monitor E&S Action Plan and compliance with laws/standards.
2. Monitor company's E&S performance and provide support
3. Address unexpected events.
Provide evidence of E&S improvements
4. Company's reporting forms

1. Company reporting forms
2. Site visits and handholding support
3. Evidence/data gathered
4. ESG Reporting template (including serious incidents).



Reporting



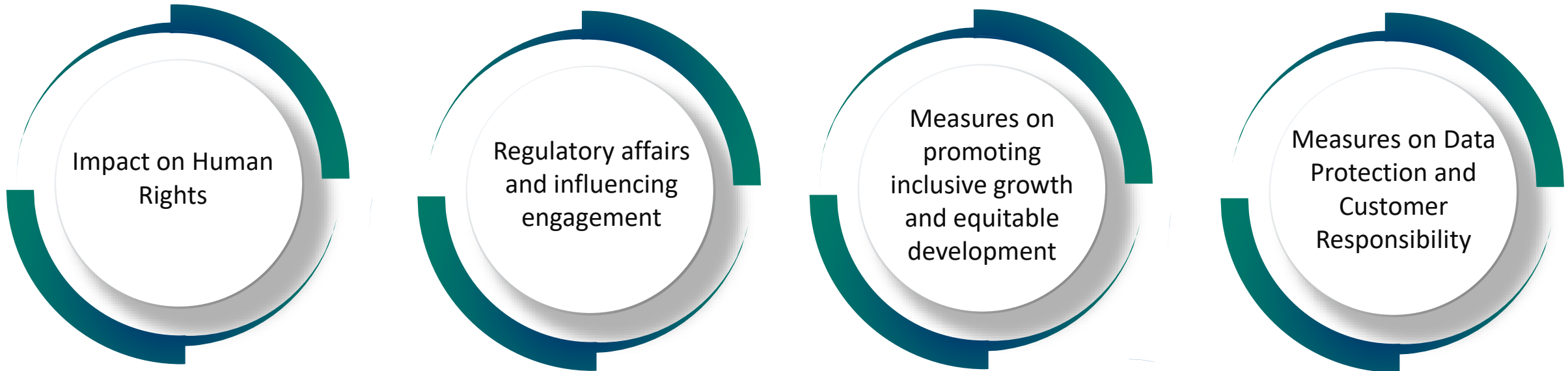
What All to Report?

1. Internal Assessment- includes but not limited to



What All to Report?

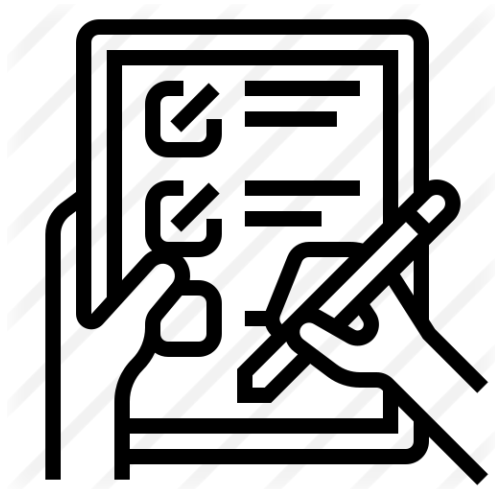
1. Internal Assessment- includes but not limited to



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What All to Report?

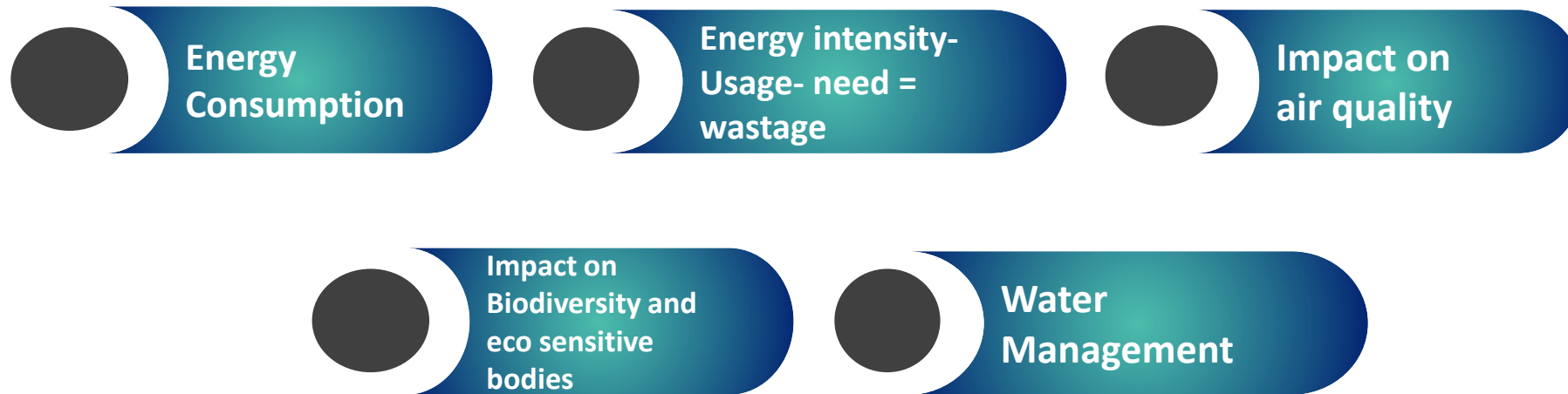
2. KPI's v/s Actual Assessment



- ✍ All factors that are impacted by the Company Operations and all factors that in turn impact the Company operations. (A circular diagram needs to be made in this) – 9 principles of NGRBC

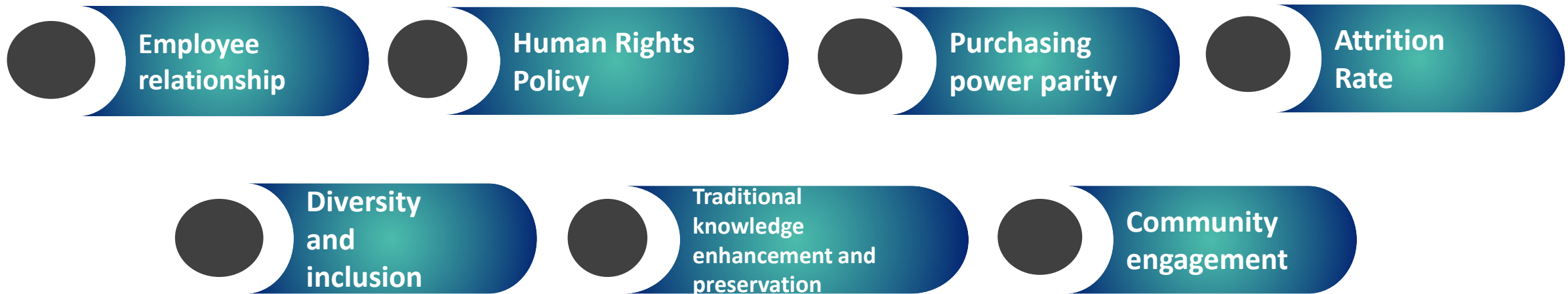
The Key Performance Indicators Include But Are Not Limited To

1. Environmental Impact



The Key Performance Indicators Include But Are Not Limited To

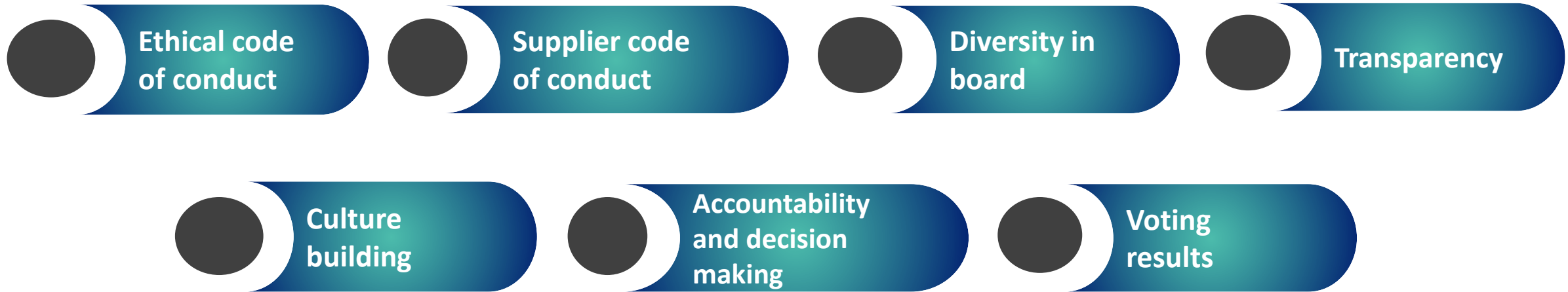
2. Social Impact



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The Key Performance Indicators Include But Are Not Limited To

3. Governance



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Statutory Reporting: BRSR Core

BRSR for 1000 listed and BRSR Core as follows per July 12 Notification, 2023;

Financial Year Applicability of BRSR Core to top listed entities

(by market capitalization)

| | |
|-----------|--------------------------|
| 2023 – 24 | Top 150 listed entities |
| 2024 – 25 | Top 250 listed entities |
| 2025 – 26 | Top 500 listed entities |
| 2026 – 27 | Top 1000 listed entities |
| 2025 – 26 | Top 500 listed entities |
| 2026 – 27 | Top 1000 listed entities |



Broad Essentials of BRSR Core



Non-Statutory Framework: Suitability

Global Reporting Initiative (GRI)

Most widely used and accepted reporting framework on Environmental, Social and Governance factors

Sustainability Accounting Standards Board (SASB)

UN non-profit US-based organization on a mission to create and disseminate accounting standards that reporting issuers can use to disclose material sustainability factors in filings with the Securities and Exchange Commission.

Carbon Disclosure Project (CDP)

An institutional investor centric reporting mechanism based on questionnaire sent on their behalf to the Companies disclosing their carbon footprint and what mitigation measures they are taking.

Non-Statutory Framework: Suitability

Integrated Reporting (IR)

Disclosure framework on material information about an organisation's strategy, governance, performance, and prospects in a concise and comparable format.

United Nations Global Compact (UNGC)

Strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles of human rights, labour, environment, anti-corruption and more.

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Current Status & Future Projections of ESG Reporting

- ✍ Companies that overlook ESG policies now might have to deal with them later, in the form of legal, regulatory, reputational, and mandatory compliance
- ✍ Reporting mechanism for unlisted companies

THANK YOU

***“Inculcating ESG framework is
doing the right thing even while
no one is watching”***