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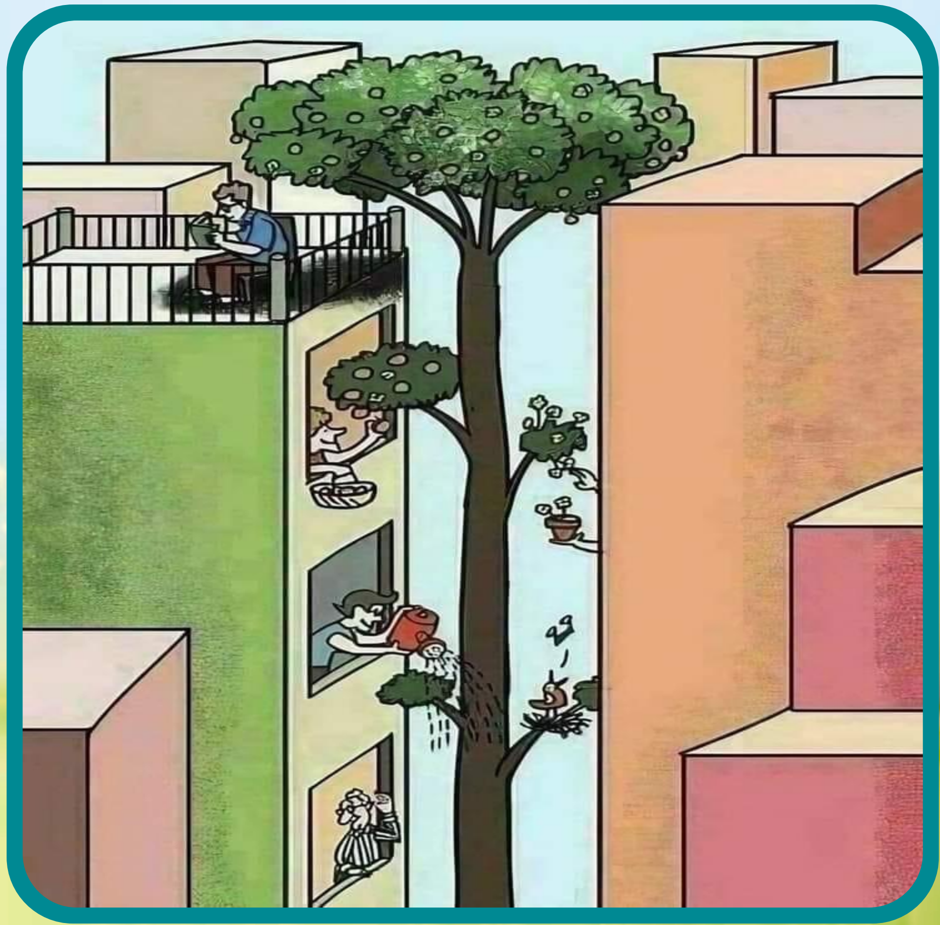
(A Monthly Newsletter of Sustainability Standards Board)



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Behind every successful business decision, there is always a CMA

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Chairman's Message

As we joyfully come together to celebrate the vibrant festival of colours, Holi, I extend my warmest greetings to each and every one of you. May this auspicious occasion bring forth a kaleidoscope of happiness, prosperity, and unity in our lives.

Holi holds a special place in our hearts, not only for its exuberant colours and festivities but also for the profound symbolism it embodies. It signifies the triumph of good over evil, the arrival of spring, and the renewal of hope. In these challenging times, these messages resonate with even greater significance.

As stewards of sustainability, we understand the importance of fostering harmony not only within our respective organization but also in the world around us. Holi serves as a reminder that diversity is our strength, and when we come together in celebration, we foster a sense of belonging and inclusivity that transcends boundaries.

Let us take this opportunity to reflect on the values of compassion, empathy, and respect for all living beings. Just as each colour blends seamlessly to create a masterpiece, let us strive to integrate sustainability into every aspect of our lives and work, creating a brighter, more colourful future for generations to come.

I am sure the readers are finding the content of this newsletter engaging and informative. I would like to thank our distinguished authors who have contributed with their valuable articles in making the *Sukhinobhavantu* a resounding success.

On the joyous occasion of Holi Festival, let us renew our commitment to sustainability and collective well-being. May the colours of Holi fill your life with joy, prosperity, and endless possibilities.

Professionally yours,

CMA (Dr.) Ashish P. Thatte
March 25, 2024

SUSTAIN THE SUSTAINABILITY

Conference of Parties

(Part-II)

CMA (Dr.) Aditi Dasgupta
Jt. Director, ICMAI

COP-10

COP-10 of the United Nations Framework Convention on Climate Change (UNFCCC) took place in Buenos Aires, Argentina, in 2004. COP-10 marked a significant event in international climate negotiations, though specific highlights may vary depending on the perspectives and priorities of different stakeholders. Here are some general themes and outcomes that might be considered highlights of COP-10:

1. **Buenos Aires Plan of Action:** COP-10 adopted the Buenos Aires Plan of Action, which aimed to advance the implementation of the UNFCCC and the Kyoto Protocol. This plan outlined various strategies and initiatives to address climate change, including technology transfer, capacity building, and financial mechanisms.

2. **Adaptation Fund:** One of the key outcomes of COP-10 was the establishment of the Adaptation Fund. This fund was designed to finance adaptation projects and programs in developing countries that are particularly vulnerable to the impacts of climate change. The Adaptation Fund has since played a crucial role in supporting adaptation efforts worldwide.

3. **Technology Transfer:** COP-10 emphasized the importance of technology transfer to assist developing countries in mitigating and adapting to climate change. Discussions at COP-10 focused on ways to facilitate the transfer of environmentally sound technologies to developing countries, including through financial incentives and capacity-building initiatives.

4. **Reducing Emissions from Deforestation and Forest Degradation (REDD+):** COP-10 made progress in addressing deforestation and forest degradation through the REDD+ mechanism. REDD+ aims to incentivize developing countries to conserve and sustainably manage their forests, thereby reducing greenhouse gas emissions. COP-10 discussions helped lay the groundwork for further developments in REDD+ under subsequent COPs.

5. **Capacity Building:** Capacity building emerged as a key priority at COP-10, with a focus on assisting developing countries in building the necessary institutional, technical, and human capacities to address climate change effectively. COP-10 discussions explored ways to enhance capacity-building efforts, including through knowledge sharing, training programs, and financial support.

6. **Dialogue on Climate Finance:** COP-10 featured discussions on climate finance, including the mobilization of financial resources for climate change mitigation and adaptation activities. These discussions laid the groundwork for subsequent negotiations on climate finance, culminating in agreements such as the Green Climate Fund and the Paris Agreement's financial mechanisms.

Overall, COP-10 represented an important milestone in international efforts to address climate change, with outcomes that contributed to advancing the implementation of the UNFCCC and laying the groundwork for subsequent climate negotiations and initiatives.

COP - 11

COP-11 of the United Nations Framework Convention on Climate Change (UNFCCC) took place in 2005 in Montreal, Canada. COP-11 is significant for several reasons:

1. **Entry into Force of the Kyoto Protocol:** COP-11 marked the entry into force of the Kyoto Protocol, an international treaty aimed at reducing greenhouse gas emissions. The Protocol set binding targets for developed countries to reduce their emissions by a certain percentage below their 1990 levels over the commitment period 2008-2012.
2. **Clean Development Mechanism (CDM):** The COP-11 discussions further elaborated on the Clean Development Mechanism, one of the Kyoto Protocol's flexible mechanisms. CDM allows developed countries to invest in emission reduction projects in developing countries as an alternative to more expensive emission reductions in their own countries.
3. **Adaptation Fund:** The Adaptation Fund was established during COP-11 to finance concrete adaptation projects and programs in developing countries that are parties to the Kyoto Protocol. The fund aims to help vulnerable communities adapt to the adverse effects of climate change.
4. **Technology Transfer:** COP-11 addressed issues related to technology transfer to assist developing countries in adapting to and mitigating climate change. This included discussions on intellectual property rights and mechanisms to facilitate the transfer of environmentally sound technologies.
5. **Dialogue on Future Commitments:** COP-11 laid the groundwork for discussions on future commitments beyond the initial commitment period of the Kyoto Protocol. This led to subsequent negotiations, including those culminating in the Paris Agreement in 2015.

While COP-11 was a significant milestone in international climate negotiations, subsequent COPs have further built upon its outcomes, particularly in shaping the global response to climate change. For the latest updates and highlights on UNFCCC COPs beyond COP-11, you may want to refer to more recent sources or news articles.

COP - 12

The **2006 United Nations Climate Change Conference** took place between November 6 and 17, 2006 in Nairobi, Kenya. The conference included the 12th Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC) (COP12) and the second Meeting of the Parties to the Kyoto Protocol (MOP2). At the meeting, BBC reporter Richard Black coined the phrase «climate tourists» to describe some delegates who attended «to see Africa, take snaps of the wildlife, the poor, dying African children and women". Black also noted that due to delegates' concerns over economic costs and possible losses of competitiveness, the majority of the discussions avoided any mention of reducing emissions. Black concluded that was a disconnect between the political process and the scientific imperative. Despite such criticism, certain strides were made at COP12, including in the areas of support for developing countries and clean development mechanism. The parties adopted a five-year plan of work to support climate change adaptation by developing countries, and agreed on the procedures and modalities for the Adaptation Fund. They also agreed to improve the projects for clean development mechanism.

COP - 13

COP-13 of the United Nations Framework Convention on Climate Change (UNFCCC) took place in Bali, Indonesia, in December 2007. Here are some of the highlights from that conference:

1. **Bali Road Map:** The Bali Road Map was established at COP-13, outlining a comprehensive process for negotiating a successor to the Kyoto Protocol. This roadmap included the Bali Action Plan, which set the agenda for future negotiations on climate change.
2. **Adaptation Fund:** COP-13 established the Adaptation Fund, which aims to finance concrete adaptation projects and programs in developing countries that are particularly vulnerable to the adverse effects of climate change.
3. **Reducing Emissions from Deforestation and Forest Degradation (REDD+):** COP-13 made progress on the REDD+ mechanism, which seeks to create financial value for the carbon stored in forests by offering incentives for developing countries to reduce emissions from forested lands and invest in sustainable forest management.
4. **Technology Transfer:** There was emphasis on technology transfer to help developing countries mitigate and adapt to climate change. COP-13 highlighted the need for developed countries to assist developing countries in accessing environmentally sound technologies.

5. **Financial Mechanisms:** Discussions at COP-13 also focused on financial mechanisms to support climate action in developing countries, including the provision of financial resources, investment, and financial incentives.
6. **Mitigation Targets:** While COP-13 did not establish specific mitigation targets, it laid the groundwork for future negotiations on emission reduction targets and actions, setting the stage for the Copenhagen Accord in 2009.

Overall, COP-13 marked an important step in the global effort to address climate change by laying the groundwork for future negotiations and initiatives aimed at reducing greenhouse gas emissions, promoting adaptation, and mobilizing financial and technological support for developing countries.

COP - 14

COP-14 of the UNFCCC (United Nations Framework Convention on Climate Change) was held in Katowice, Poland, in December 2018. COP-14 primarily focused on the implementation of the Paris Agreement, which was adopted at COP-21 in 2015. The Paris Agreement aims to limit global warming to well below 2 degrees Celsius above pre-industrial levels, with efforts to limit it to 1.5 degrees Celsius.

Some highlights of COP-14 may include:

1. **Katowice Rulebook:** The major achievement of COP-14 was the finalization of the "Katowice Climate Package" or the "Katowice Rulebook." This comprehensive set of guidelines and procedures outlines how countries will measure, report, and verify their emissions reduction efforts under the Paris Agreement.
2. **Talanoa Dialogue:** The COP-14 featured the Talanoa Dialogue, a facilitative dialogue designed to take stock of collective efforts towards the goals of the Paris Agreement. It provided a platform for countries and stakeholders to share stories and best practices in climate action.
3. **Climate Finance:** COP-14 addressed issues related to climate finance, including the mobilization of funds for adaptation and mitigation efforts in developing countries. Progress was made on determining how developed nations would fulfill their pledge to provide $100 billion annually by 2020 to assist developing countries in addressing climate change.
4. **Just Transition:** The concept of a "just transition" gained prominence at COP-14. This refers to ensuring that the shift to a low-carbon economy is fair and equitable, particularly for workers and communities affected by the transition away from fossil fuels.
5. **Gender and Climate Change:** COP-14 also emphasized the importance of integrating gender considerations into climate action, recognizing the different impacts of climate change on women and men, and the need for gender-responsive policies and strategies.
6. **Loss and Damage:** Discussions on loss and damage associated with the adverse effects of climate change, particularly for vulnerable countries and communities, were significant at COP-14. This included considerations of financial support and mechanisms to address irreversible impacts.

These are some of the key highlights from COP-14.

COP - 15

COP-15 of the UNFCCC (United Nations Framework Convention on Climate Change) was a significant event held in Copenhagen, Denmark, in December 2009. Although it was widely anticipated as a momentous conference to produce a new global climate agreement to succeed the Kyoto Protocol, the outcomes were mixed, and the conference is often remembered for both its achievements and shortcomings. Here are some highlights:

1. **Attendance:** COP-15 saw one of the largest gatherings of world leaders, with more than 100 heads of state and government attending. This reflected the growing global recognition of the urgency of addressing climate change.
2. **Negotiations on a New Agreement:** The primary goal of COP-15 was to negotiate a successor to the Kyoto Protocol, which was set to expire in 2012. The negotiations aimed to establish binding emissions reduction targets for developed countries and outline commitments for developing nations.
3. **The Copenhagen Accord:** Despite intense negotiations, the conference ended with what became known as the Copenhagen Accord. This agreement was not legally binding and was a compromise text brokered by a small group of countries, including the United States, China, India, Brazil, and South Africa.
4. **Key Elements of the Copenhagen Accord:**

- **Emissions Reduction Targets:** Countries were encouraged to submit voluntary emissions reduction targets for 2020 and beyond.

- **Finance:** Developed countries committed to providing financial support to developing nations to help them mitigate and adapt to climate change, with a goal of mobilizing $100 billion annually by 2020.
- **Transparency:** The Accord outlined provisions for transparency and reporting, though they were not as stringent as some had hoped.
- **Limiting Global Warming:** The Accord recognized the scientific consensus to keep global warming below 2 degrees Celsius and included a provision to review this target, aiming for 1.5 degrees Celsius.

5. **Criticism and Controversy:** The Copenhagen Accord was criticized for various reasons, including its lack of legally binding commitments, the exclusion of many nations from the negotiation process, and concerns about the transparency and fairness of the negotiations.
6. **Legacy:** While COP-15 did not produce a comprehensive and legally binding agreement, it played a pivotal role in shaping subsequent climate negotiations. It laid the groundwork for future agreements, such as the Paris Agreement reached in 2015, which built upon the elements of the Copenhagen Accord.

Overall, while COP-15 did not achieve all its objectives, it marked an important moment in international efforts to address climate change and highlighted the complexities and challenges of reaching consensus among nations with diverse interests and priorities.

COP - 16

The 16th Conference of the Parties (COP-16) to the United Nations Framework Convention on Climate Change (UNFCCC) took place in Cancun, Mexico, from November 29 to December 10, 2010. Here are some of the key highlights and outcomes of COP-16:

1. **Cancun Agreements:** COP-16 produced the "Cancun Agreements," which marked significant progress in international climate negotiations. These agreements outlined a set of decisions covering various aspects of climate change mitigation, adaptation, finance, technology transfer, and capacity-building.
2. **Green Climate Fund (GCF):** One of the major achievements of COP-16 was the establishment of the Green Climate Fund (GCF). The GCF aims to support climate change mitigation and adaptation efforts in developing countries by providing financial assistance. It was agreed that the fund would mobilize $100 billion per year by 2020 from both public and private sources to assist developing countries in addressing climate change.
3. **Adaptation Framework:** COP-16 established a framework for enhancing adaptation to climate change, recognizing the importance of supporting vulnerable countries and communities in adapting to the adverse effects of climate change. This included measures to build resilience, enhance capacity, and provide financial and technical support for adaptation projects.
4. **Reducing Emissions from Deforestation and Forest Degradation (REDD+):** COP-16 made progress on REDD+, a mechanism aimed at reducing emissions from deforestation and forest degradation in developing countries. The agreements recognized the importance of conserving and sustainably managing forests as part of global efforts to combat climate change.
5. **Technology Mechanism:** COP-16 established a Technology Mechanism to promote the development and transfer of environmentally sound technologies to support climate change mitigation and adaptation efforts in developing countries.
6. **Mitigation Commitments:** While COP-16 did not result in a legally binding agreement on emissions reductions, it reaffirmed the importance of voluntary mitigation efforts by both developed and developing countries. Parties agreed to take nationally appropriate mitigation actions and to strengthen international cooperation on emissions reduction efforts.
7. **Long-Term Cooperative Action:** COP-16 reaffirmed the commitment to the Bali Action Plan, which aimed to advance negotiations on long-term cooperative action to address climate change, including mitigation, adaptation, finance, technology transfer, and capacity-building.

Overall, COP-16 laid the groundwork for subsequent climate negotiations and demonstrated renewed international commitment to addressing the challenges of climate change through collective action and cooperation.

(to be continued..)

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References:

1. www.wikipedia.org
2. www.unfccc.int

MONTHLY NEWS

SUSTAINABILITY – A GLOBAL OUTLOOK

1. **A $1.5 trn ESG debt market bleeding clients, corporates began to walk away**

   In the world's second-biggest ESG debt market, corporate clients are starting to walk away. Extra regulatory requirements, fewer financial incentives and the risk of being accused of greenwashing are putting off clients who just a few years ago were champing at the bit to attach an environmental, social or governance label to their financing, according to bankers and lawyers close to the market. The products in question are so-called sustainability-linked loans, a market that BloombergNEF has estimated is worth $1.5 trillion, making it second in size only to the global market for green bonds.

   Read More....

2. **EU countries have seen a decade of progress towards their 2030 sustainable energy goal**

   Countries in the European Union (EU) have made progress over the past decade toward Sustainable Development Goal 7 (SDG 7), which calls for 'access to affordable, reliable, sustainable and modern energy for all' by 2030, according to a new study.

   Read More....

3. **UBC Okanagan researchers look to the past to improve construction sustainability**

   Researchers are revisiting old building practices -- the use of by-products and cast-offs -- as a way to improve building materials and sustainability of the trade. A technique known as rammed earth construction uses materials that are alternatives to cement and are often more readily available in the environment. One such alternative is wood fly ash, a by-product of pulp mills and coal-fired power plants.

   Read More....

4. **Harmful 'forever chemicals' removed from water with new electrocatalysis method**

   Scientists have developed new electrochemical approaches to clean up pollution from 'forever chemicals' found in clothing, food packaging, firefighting foams, and a wide array of other products. A new study describes nanocatalysts developed to remediate per- and polyfluoroalkyl substances, known as PFAS.

   Read More....

5. **Researchers use AI, Google street view to predict household energy costs on large scale**

   An interdisciplinary team of experts has found a way to use artificial intelligence to analyze a household's passive design characteristics and predict its energy expenses with more than 74 percent accuracy. By combining their findings with demographic data including poverty levels, the researchers have created a comprehensive model for predicting energy burden across 1,402 census tracts and nearly 300,000 households in Chicago.

   Read More....

6. **SEC's New Climate Disclosure Rule to Enhance Transparency in Sustainability Reporting**

   Workiva Inc., the company powering transparent reporting for a better world, applauds the climate disclosure rules introduced by the U.S. Securities and Exchange Commission. These new rules enhance and standardize the disclosure of climate-related data and associated financial risks, with the goal of providing investors with consistent, comparable, and reliable data in annual reports and registration statements.

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7. **UK Energy Secretary Acts to Strengthen Energy Supply with New Gas Stations Amid Net Zero Transition**

The Energy Secretary has taken a common-sense decision to shore up the UK's energy supply as the nation transitions to net zero. In a plan set out, the government has committed to support the building of new gas power stations to maintain a safe and reliable energy source for days when the weather forecast doesn't power up renewables.

Read More....

8. **Europe's Climate Crisis: Urgent Action Required as Risks Outpace Preparedness**

Europe is the fastest warming continent in the world, and climate risks are threatening its energy and food security, ecosystems, infrastructure, water resources, financial stability, and people's health. According to the European Environment Agency's (EEA) assessment, published today, many of these risks have already reached critical levels and could become catastrophic without urgent and decisive action.

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9. **$425 Million Boost from Biden-Harris Administration to Transform Former Coal Communities into Clean Energy Hubs**

Funding from President Biden's Bipartisan Infrastructure Law Will Create Good-Paying Manufacturing Jobs, Build Clean Energy Supply Chains, and Reduce Industrial Emissions

The U.S. Department of Energy (DOE) announced $425 million in funding to reduce industrial emissions and advance clean energy manufacturing essential to the U.S. energy supply chain as part of President Biden's Investing in America agenda. The program will strengthen America's energy security, create good paying jobs, cut climate pollution, and help ensure that the communities that powered our nation for generations reap the economic benefits of the clean economy.

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10. **SEC Sets New Standard with Climate-Related Disclosure Rules for Public Companies**

The Securities and Exchange Commission adopted rules to enhance and standardize climate-related disclosures by public companies and in public offerings. The final rules reflect the Commission's efforts to respond to investors' demand for more consistent, comparable, and reliable information about the financial effects of climate-related risks on a registrant's operations and how it manages those risks while balancing concerns about mitigating the associated costs of the rules.

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11. **EU Sets New Standards for Reuse and Recycling**

Parliament and Council reached a provisional agreement on revamped rules to reduce, reuse and recycle packaging, increase safety and boost the circular economy.

The new measures aim to make packaging used in the EU safer and more sustainable, by requiring all packaging to be recyclable, minimising the presence of harmful substances, reducing unnecessary packaging, boosting the uptake of recycled content and improving collection and recycling.

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SUSTAINABILITY – INDIAN CONTEXT

1. **Restricting global temperature rise to 1.5°C could help India lower drought, river flooding, biodiversity loss risk**

   India could avoid drought exposure to humans and agricultural land by 70 per cent and 21 per cent, respectively, if global temperature rise is limited to 1.5 degrees Celsius than 3°C above the pre-industrial era, according to a new study.

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2. **Gender equality as the plank of sustainable development**

   Time and again, studies have proven that gender equality and women's empowerment are fundamental to achieving sustainable energy for all. The achievement of all Sustainable Development Goals (SDG) is in one way or another dependent on gender equality.

   Read More....

3. **Responsible practices in rice cultivation critical to reducing greenhouse gas emissions**

   Rice is a staple dish in most South Indian homes. But what a large section of people are unaware of is that the cultivation of the carbohydrate-rich grain is a major contributor to the emission of two greenhouse gases (GHG) - methane and nitrous oxide. Bengaluru-based biotech company String Bio has published a white paper calling for sustainable practices in rice cultivation.

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4. **Industry demands declaring Tiruppur as "sustainable cluster"**

   In a memorandum submitted to the government detailing the industries' demands in the State budget, the Association said sustainability was the most discussed topic globally in the textile supply chain. After the European Union's announcement of Carbon Border Adjustment Mechanism (CBAM), the importance of environment sustainability had gained momentum. The Tiruppur knitwear cluster had made huge investments in zero liquid discharge, green energy and tree plantations to ensure that Tiruppur cluster became an ESG (Environment, Social and Governance) compliant cluster.

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5. **Rahul Bharti on how Maruti Suzuki is promoting sustainable practices**

   India's first automobile in-plant railway siding project in Gujarat's Hansalpur aims to reduce truck trips, fuel consumption, and carbon emissions for Maruti Suzuki. The project will also improve logistics and production capacity in the automobile industry.

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6. **Sidbi gets $24.5 million from Green Climate Fund for its Avaana Sustainability Fund**

   The primary aim of the ASF project is to invest in early-stage companies harnessing technology-led innovation to spur climate solutions and sustainability in India. Anticipated outcomes include significant contributions to climate change mitigation, adaptation, and the enhancement of resilience in vulnerable sectors of the Indian economy, Sidbi said in a note.

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7. **Private sector in India must invest in clean energy: IFC Regional V-P**

   Riccardo Puliti, Regional Vice President of the International Finance Corporation, emphasized the

importance of private sector investment in clean energy, especially in countries like India. He highlighted India's significance as a key destination for IFC's investments, particularly in energy transition. Puliti mentioned that IFC is committed to increasing its investment in India in the ongoing fiscal year, focusing on scaling India's climate solutions. IFC aims to leverage private capital to support sustainable infrastructure, industrial decarbonization, and green finance, aligning with India's goals to diversify its energy mix.

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8. Govt starts 'Catch the Rain-2024' campaign to promote water sustainability

The Ministry of Jal Shakti on Saturday launched the Jal Shakti Abhiyan: Catch the Rain-2024' to optimise rainwater harvesting and other sustainable water management practices. Speaking at the launch of the campaign here in the national capital, Minister for Jal Shakti Gajendra Singh Shekhawat emphasised the pivotal role of women in water management, conservation, and sustainability. The event themed Nari Shakti se Jal Shakti', which marked the fifth edition of the Jal Shakti Abhiyan, was held at the New Delhi Municipal Council Convention Centre.

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9. India ranks 3rd in USGBC's list on green building certification for 2023

India ranked third in the US Green Building Council's (USGBC) annual list of top 10 countries and regions in the world for LEED (Leadership in Energy and Environmental Design) certification in 2023. The United States has not been included in the list. LEED is a green building rating system and the certification is a globally recognised symbol of sustainability achievement and leadership.

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10. Financial reporting community needs to learn from India's start-up success story, says NFRA chairman

India ranks third globally in terms of the number of start-ups that are becoming unicorns. We all should collectively think if we can do the same thing in the auditing community," Pandey said in his closing remarks. Pandey noted that NFRA would coordinate with the Ministry of Corporate Affairs to help create enabling frameworks for establishing home-grown audit firms like the Big Four.

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Green Economy and Sustainable Development

CMA (Dr.) S K Gupta
Chief Executive Officer
ICMAI Social Auditors Organization

'The green economy is the future. It fosters prosperity, creates decent work, addresses root causes of conflict and contributes to the full enjoyment of all human rights – not only civil and political but also economic, social and cultural.'

António Guterres
United Nations Secretary-General

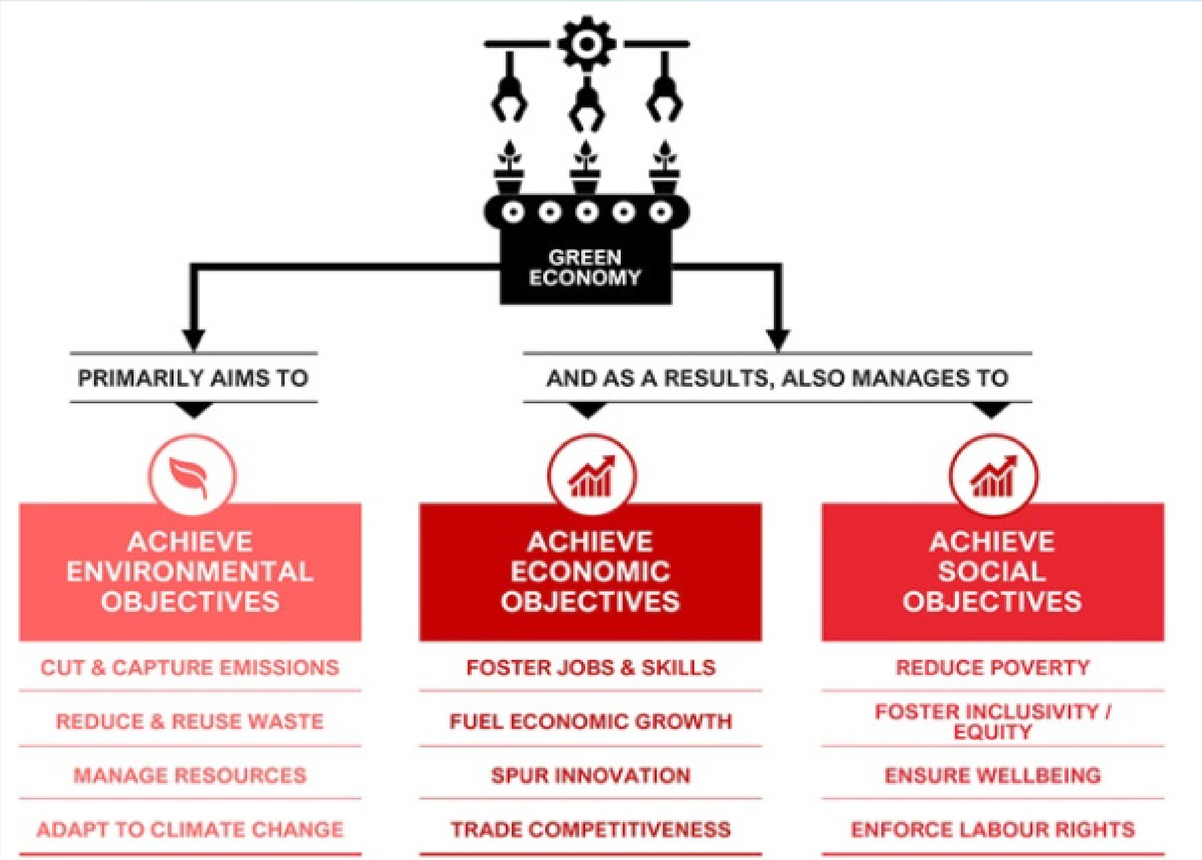
The Perspective

The current deterioration of the world's environmental issues has put human civilization in danger and accelerated the hunt for new strategies for advancing global economic growth. Present patterns of production and consumption degrade and deplete many of the world's environmental resources. There is thus a need for new approaches that can promote inclusive and environmentally sustainable economic development. Nature is a man's best friend, that's what they call it. But humans failed to replicate the friendly bond. With massive deforestation for modernizing societies, humans failed to reconcile with nature and that's when the concept of Green economy came into play. As the world transforms with the evolution of technology, climate, politics and economics, there are interconnected practices which positively balance environmental and social goals for the good of nature, citizens, and businesses. Leading the way is the green economy, an economic model that prioritizes the success of human well-being and social equity, while reducing environmental risks and ecological scarcity. Ecology, economy, and equity. Those are the key points in a Green Economy

What is Green Economy?

While the green economy was the organizing theme of the United Nations Rio+20 Conference, it is a term that generated many interpretations over the past decade. The concept of a *green economy* has gained currency in recent years as a paradigm for promoting economic growth and increased well-being while protecting the environment and contributing to poverty alleviation. There is no common definition of green economy, but the term clearly emphasizes the *economic* dimension of sustainability. UNEP has defined the green economy as "one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities. A green economy is defined as low-carbon, resource-efficient, and socially inclusive. In a green economy, growth in employment and income is driven by public and private investment into such economic activities, infrastructure, and assets that allow reduced carbon emissions and pollution, enhanced energy and resource efficiency, and prevention of the loss of biodiversity and ecosystem services. These green investments need to be enabled and supported through targeted public expenditure, policy reforms, and changes in taxation and regulation.

A green economy is a broad-ranging policy agenda and a tool to support the achievement of sustainable development, with an emphasis on aligning economic goals with social and environmental ones. The green economy agenda recognizes the potential of new sustainable technologies and green sectors to become the engine of a new development pathway. Green economics is a methodology of economics that supports the harmonious interaction between humans and nature and attempts to meet the needs of both simultaneously. The Green Economy is an alternative vision for growth and development; one that can generate economic development and improvements in people's lives in ways consistent with advancing also environmental and social well-being.



A green economy is strongly interlinked with SDG 13, *Climate Action,* but, moreover, it aims attention at life quality with people at the centre. One significant component of a green economy strategy is to promote the development and adoption of sustainable technologies. The Three Primary Focuses of the Current Green economy:

- Green Economy ideas will be demonstrated, emphasizing investments, technology, and financial access.
- Assistance with developing and implementing macroeconomic policies to help nations transition to a green economy.
- Employ regional, sub-regional, and national fora to promote the macroeconomic approach to sustainable economic growth.

Key Features of the Green Economy

Simply put, a green economy is low-carbon, resource efficient, and socially inclusive. Some of the key features include:

- Abundant opportunities for good green jobs that pay a living wage.
- A price on carbon, either through a cap-and-trade program or an economy-wide tax on carbon.

- More efficient use of energy and other resources. For example, huge economic and environmental gains could be made if we had more energy efficient buildings and transportation.
- Greater use of renewable resources, like wind and solar, instead of non-renewable resources, such as coal and oil.
- Greener manufacturing which is resource efficient and doesn't use toxic chemicals
- Proper value assigned to natural environments and ecosystems, in recognition of all the services the environment provides such as carbon sequestration, flood protection, and waste water treatment.
- A robust recycling and reuse industry, with minimal waste sent to landfill.

Advantages of Green Economy

Green economies can do wonders for both the financial sector and the environment. For example, a green economy:

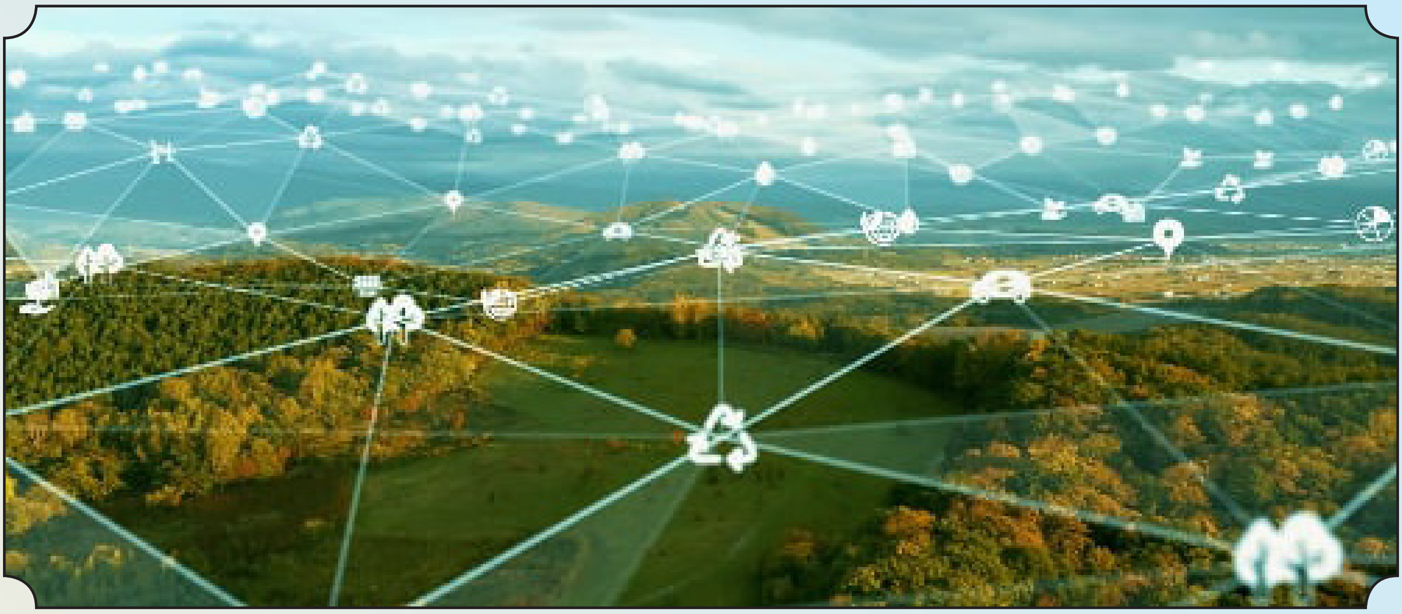
- **Encourages more sustainable development**: Green economics involves putting natural resources to responsible use, with an eye on recycling their usability. This ensures both current and future generations can benefit from natural resources while remaining good stewards of the earth.
- **Helps fight climate change**: By steering the economy in a greener direction, governments and the private sector work together to achieve effective climate change mitigation. Through lowering carbon emissions there's hope the earth's population can avoid many of the worst effects of anthropogenic warming.
- **Improves the ecosystem**: Consideration of environmental protections in any economic activities, helps protect biodiversity in ecologies across the planet. Effective ecosystem services help sustain human, animal, and plant life in equal measure—all of which are necessary to also keep the economy going.
- **Increases equity**: Green finance and economic development seeks to ensure equitable outcomes for all people throughout the global community

Principles of Green Economy

Our vision of a green economy is one that provides prosperity for all within the ecological limits of the planet. It follows five key principles, each of which draws on important precedents in international policy, and which together can guide economic reform in diverse contexts.

The Wellbeing Principle: A green economy enables *all people to create and enjoy prosperity.* The green economy is *people-centered*. Its purpose is to create genuine, shared prosperity. It focuses on *growing wealth that will support well-being.* This wealth is not merely financial but includes the full range of human, social, physical, and natural capital.

The Justice Principle: The green economy promotes equity within and between generations. The green economy **is** *inclusive and non-discriminatory.* It shares decision-making, benefits, and costs fairly; avoids elite capture; and especially supports *women's empowerment.* It promotes the *equitable distribution of opportunity and outcome,* reducing disparities between people, while also giving sufficient space for wildlife and wilderness.



The Planetary Boundaries Principle: The green economy safeguards, restores, and invests in nature. An inclusive green economy *recognizes and nurtures* nature's diverse values – *functional values* of providing goods and services that underpin the economy, nature's *cultural values* that underpin societies, and nature's *ecological values* that underpin all of life itself.

The Efficiency and Sufficiency Principle: The green economy is geared to support sustainable consumption and production. An inclusive green economy is low-carbon, resource-conserving, diverse and circular. It embraces new models of economic development that address the challenge of *creating prosperity within planetary boundaries.*

The Good Governance Principle: The green economy is guided by integrated, accountable, and resilient institutions. An inclusive green economy is *evidence-based* – its norms and institutions are interdisciplinary, deploying both sound science and economics along with local knowledge for adaptive strategy.

The vision: a fair, green economic future

The three main areas for the current work on Green Economy are:

- Advocacy of macro-economic approach to sustainable economic growth through regional, sub-regional and national fora
- Demonstration of Green Economy approaches with a central focus on access to green finance, technology and investments
- Support to countries in terms of development and mainstreaming of macro-economic policies to support the transition to a Green Economy

The green economy is based on six sectors: Renewable Energy, Green Buildings, Sustainable Transport, Water Management, and Waste Management. In simple terms, Green Economy is defined as an economic system that is entirely focused on the concept of **"green".** The green economy is the future. It fosters prosperity, creates decent work, addresses root causes of conflict, and contributes to the full enjoyment of all human rights – not only civil and political but also economic, social, and cultural. It is also expected to create new economic opportunities :

- **Opportunities** that emerge in the process of industry disruption – as certain businesses move quickly to adopt green measures, their operators can benefit from first-mover advantages, patenting new discoveries and establishing dominant market positions.
- **Green markets** will emerge as demand for renewable energies and green technologies create new markets for green goods and services, creating 'waterfall effects' throughout the supply chain.
- **Productivity gains** will be made as regions adversely affected by climate change and unsustainable use of natural resources, see those negative effects reversed, leading to a global economy built on a more sustainable footing.

Green economy and Sustainable development

Sustainable development" is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts: the concept of needs, in particular the essential needs of the world's poor, to which overriding priority should be given; and the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs.

Sustainable development emphasizes the enhancement of environmental, social, and economic resources, with all three of them being critical to meet the needs of current and future generations. Sustainability remains a vital long-term goal, but the Green Economy is describing a pathway to sustainable development. To put emphasis on the importance of including social aspects, the concept of the Green Economy has evolved and many organizations now refer to an 'inclusive Green Economy'.

As a key feature, the Green Economy promotes investments in specific areas also broadly referred to as green sectors which either restore and maintain natural resources or increase the Global Economy Transition approach 2021-2025 proposed by European Bank for Reconstruction and Development adopts a systemic approach in supporting the transition to low-carbon and resilient economies. It does this by:

1. Assessing projects in relation to the principles of international climate agreements, principally the Paris Agreement;
2. enhancing policy engagement for the development of long term low carbon strategies and greening of financial systems; and
3. scaling investments across a set of priority environmental, climate mitigation, and resilience themes, including greening the financial sector, energy systems, industrial decarbonization, cities, and environmental infrastructure, sustainable food systems, green buildings, and sustainable connectivity.

Conclusion

The green economy is an important concept at multiple levels of governance. Going green is no more a choice, it has become a necessity for the modern era. Green Economy unifies different concepts under a single umbrella. A green economy is good for communities, businesses, and the planet. The idea that growth, development, and well-being can be achieved through sustainable practices is what undermines the concept of green growth. The green economy is a universal and transformative change to the global status quo. It will require a fundamental shift in government priorities.

There is neither a single model nor a single path to the green economy, reflecting the diversity of the world we live in as well as the distinctive national circumstances and development priorities of each nation. However, in order to transition to a green economy, which places the economy at the centre of generating sustainable development, all nations will need to make significant structural and technological changes across the economy, or at least "green" key sectors like energy, urban infrastructure, transportation, industry, and agriculture. It will also include "greening" investments both domestically and internationally, creating "green" jobs through the development of new "green" industries, and supporting and facilitating "green" international trade through domestic and global policies. Realizing this change is not easy, but it is necessary if we are ever to achieve Sustainable Development Goals. However, each country experiences the transition to a green economy at a different pace. Resources, knowledge, and information are crucial for the shift to a greener economy. SB

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ESG and Role of Cost Accountants

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Background:

ESG stands for Environmental, Social, and Governance, and it represents a set of criteria that investors and companies use to assess a company's impact and sustainability. Incorporating ESG factors into a global framework is essential for promoting responsible and sustainable business practices on a global scale. On global front, the ESG requirements and compliance have gained traction over last few years. In India, there has been a regulatory focus on the ESG related reporting and SEBI introduced the Business Responsibility and Sustainability Reporting Core framework, focusing on ESG assurance and disclosure across the value chain, phased in for top-listed entities over several years. ESG underscores the fact that businesses also have responsibility towards the society and environment, in addition to the financial responsibility. ESG management helps the organisations in balancing the economic objects with societal concerns, thereby contribute optimally to the economy. This article encapsulates the concept of ESG globally and its present scenario in India, while touching upon the audit perspective and role of Cost Accountants in ESG reporting.

ESG – Global reflection

ESG is a global phenomenon in the present day business reporting framework. Globally, it has gained traction and recognition. Several factors contribute to the effectiveness of ESG integration:

- **International Standards:** Adoption of international standards, such as those developed by organizations like the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and Task Force on Climate-related Financial Disclosures (TCFD), can provide a common language for companies and investors globally.
- **Regulatory environment:** Supportive regulatory frameworks at both national and international levels that incentivize companies to integrate ESG practices. This includes reporting requirements and policies that encourage sustainable business practices.
- **Investor engagement:** Global investors play a crucial role in driving ESG integration by incorporating ESG considerations into their investment decisions. They can engage with companies to promote responsible practices and transparency.
- **Stakeholder collaboration:** Collaboration among governments, businesses, NGOs, and other stakeholders is vital for addressing global challenges. Partnerships can facilitate knowledge-sharing, innovation, and the development of best practices.
- **Technology and innovation:** Advancements in technology, such as blockchain and artificial intelligence, can enhance transparency and traceability in supply chains, contributing to improved ESG practices globally.

As ESG considerations continue to gain prominence, efforts to establish a unified global approach to sustainable business practices are likely to intensify.

Further, as per the 'Thomson Reuters Institute – The 2023 State of Corporate ESG' study, they Key findings on the 2023 State of Corporate ESG include:

- 71% agree or strongly agree that the role of ESG in corporate performance will grow in the future
- 60% agree or strongly agree that their company is willing to invest to use ESG as a competitive advantage
- 56% agree or strongly agree that there's a consensus across their company's leadership on the high value of ESG investment
- 91% currently use third-party solutions related to ESG management

ESG in India

The Indian Institute of Corporate Affairs (IICA), an autonomous institution under the Ministry of Corporate Affairs, Govt. of India, held the 'National Conference on Responsible Business Conduct 2023: Embracing ESG in India' in December 2023. India recently hosted G-20 Summit, provided an opportunity to ignite and promote the contemporary issues like sustainability, achievement of SDGs and a Responsible Business Eco-system.

ESG considerations are becoming integral to corporate strategies, investment decisions, and regulatory frameworks in the country. Here's an overview of the ESG landscape in India:

- **Regulatory environment:**

  SEBI Guidelines: The Securities and Exchange Board of India (SEBI) has been actively promoting ESG disclosure. SEBI released voluntary guidelines for business responsibility and sustainability reporting for listed entities, encouraging them to disclose their ESG-related initiatives.

- **Corporate ESG Practices:**

  Adoption by corporates: Many Indian companies, particularly large corporations, have started integrating ESG considerations into their business operations. This includes efforts to reduce environmental impact, promote social responsibility, and enhance governance practices.

  Sustainability reporting: An increasing number of companies in India are publishing sustainability reports, providing stakeholders with information on their ESG initiatives and performance.

- **Investor focus:**

  Growing investor interest: Investors, both domestic and international, are showing a growing interest in companies that prioritize ESG factors. This interest is reflected in investment decisions, shareholder activism, and the integration of ESG considerations into investment strategies.

  ESG funds: The mutual fund industry in India has witnessed the launch of ESG-themed funds, allowing investors to align their investments with sustainability goals.

- **Social and environmental initiatives:**

  CSR activities: Corporate Social Responsibility (CSR) activities mandated by the Companies Act have been a channel for companies to contribute to social causes. ESG considerations often overlap with CSR initiatives.

  Renewable energy: With a focus on sustainability, some companies are investing in renewable energy projects, contributing to both environmental and social objectives.

- **Challenges and opportunities:**

  Data quality and standardization: Challenges exist in terms of data quality and standardization of ESG reporting. Efforts are being made to establish common reporting standards to facilitate meaningful comparisons across companies.

  Awareness and education: There is an ongoing need to enhance awareness and education about ESG principles among companies, investors, and other stakeholders.

- **Government Initiatives:**

  National Action Plan on Business and Human Rights: The Indian government has been working on a National Action Plan on Business and Human Rights, emphasizing the importance of responsible business conduct.

  Sustainable Development Goals (SDGs): The alignment of corporate initiatives with the United Nations Sustainable Development Goals (SDGs) is encouraged.

- **Industry-specific Focus:**

  Renewable energy and technology: Industries such as renewable energy and technology have shown a strong commitment to ESG principles, aligning with global trends.

  It's essential to note that the ESG landscape is dynamic, and developments may have occurred since my last update. Companies, investors, and regulators in India are expected to continue evolving their approaches to ESG, driven by a growing recognition of its importance for sustainable and responsible business practices.

Emerging trends in ESG

ESG has become more necessary than ever for businesses and investors as the world struggles with climate change, social injustice, and global health problems. It is recommended that Companies embrace ESG trends in 2024, to attain a better remarkable brand reputation, gain tremendous customer loyalty, and reduce risk while contributing to a more sustainable future. The following are the emerging trends which are likely to cast an impact on the way, in which ESG is viewed:

- The rising significance of ESG has drastically altered how businesses and investors think about sustainability. ESG factors were once widely considered "nice-to-haves" rather than essential factors in company and investment choices. Yet, as ESG has gained popularity, businesses and investors are adopting a more comprehensive strategy, integrating ESG factors into their business plans and decision-making procedures. Integration of ESG in Investment Decisions: Numerous studies have explored the impact of ESG factors on investment performance. Researchers have examined how incorporating ESG criteria into investment strategies affects risk-adjusted returns and long-term financial performance.
- **ESG Reporting and Standardization:** Studies have focused on the quality and comparability of ESG reporting by companies. Researchers have explored the challenges and benefits associated with standardizing ESG metrics to facilitate meaningful comparisons across industries and regions.
- **Stakeholder perspectives on ESG:** Research has investigated the perspectives of various stakeholders, including investors, consumers, employees, and regulators, on the importance of ESG considerations. Understanding how different stakeholders perceive and prioritize ESG issues is crucial for effective integration.
- **Impact of ESG on Corporate Financial Performance:** Scholars have examined the relationship between ESG performance and corporate financial performance. This includes assessing whether companies with strong ESG practices are better positioned to manage risks and capitalize on opportunities.
- **ESG and Risk Management:** Some studies have evaluated the role of ESG in risk management. This includes analyzing how companies with robust ESG frameworks may be better equipped to handle environmental and social risks, regulatory changes, and reputational risks.
- **ESG and Innovation:** Researchers have explored the connection between ESG practices and innovation within companies. Understanding how ESG considerations drive innovation and contribute to sustainable business practices is of interest to both academics and practitioners.
- **Policy and Regulatory impact on ESG Adoption:** Studies have examined the impact of government policies and regulatory frameworks on the adoption of ESG practices by companies. Researchers analyze how regulatory interventions influence corporate behavior regarding environmental, social, and governance issues.
- **ESG in emerging markets:** As ESG gains prominence globally, there's a growing interest in understanding how ESG practices are adopted and perceived in emerging markets. Studies explore the unique challenges and opportunities faced by companies in these regions.

Through Auditor's lens

As ESG is an evolving concept, with increasing application in the corporates, there are no set procedures and precedents which auditors need to use and also they are unlikely to have any past experience. While auditors may adopt different strategies in audit of ESG, it has some inherent issues like inadequate stakeholder management, lack of standard metrics for evaluation, manual processes and difficulty in data assimilation, etc. An effective ESG audit incudes adherence to accepted ESG standards and detailed reporting. In this context, the following are some of the key points to be considered by the auditors:

- **Understanding risks:** The auditors should perform a comprehensive risk assessment to identify and manage the ESG risk specific to the Company.
- **Choosing appropriate audit framework:** The auditors need to identify an appropriate framework which aligns with the Company's goals, industry standards and jurisdiction.
- **Develop ESG performance indicators:** For effective ESG management and reporting, measurement, tracking and reporting is critical.
- **Collecting evidences:** It would be recommended that the auditors use automated audit evidence collection procedures, to mitigate the risk of human errors which arise in manual data collection.

- **Reporting:** With specific thrust on the ESG parameters appropriate for the Company/ organisation, appropriate reporting can be decided by the auditors.

Role of Cost Accountants in ESG

Cost accountants play a crucial role in Environmental, Social, and Governance (ESG) reporting within organizations. ESG reporting involves disclosing information about a company's environmental impact, social responsibility, and governance practices. Cost accountants contribute to this process in various ways including:

- **Data collection and analysis:** Cost accountants are responsible for gathering financial and non-financial data related to environmental, social, and governance aspects. This includes tracking costs associated with environmental initiatives, social programs, and governance enhancements.
- **Cost allocation for ESG initiatives:** Cost accountants allocate costs associated with specific ESG initiatives to ensure accurate representation in financial statements. This involves attributing expenses related to environmental sustainability projects, social responsibility programs, and governance improvements to the appropriate cost centres.
- **Budgeting for ESG expenditures:** Cost accountants contribute to the budgeting process by estimating the costs associated with ESG initiatives. This helps in planning and allocating resources for sustainability projects, diversity and inclusion programs, and other ESG-related activities.
- **Performance measurement:** Cost accountants develop key performance indicators (KPIs) and metrics to measure the financial and operational performance of ESG initiatives. This involves tracking the effectiveness of sustainability efforts, evaluating social impact, and assessing governance improvements.
- **Risk assessment and management:** ESG reporting includes identifying and managing risks associated with environmental, social, and governance factors. Cost accountants contribute by assessing the financial implications of these risks and incorporating risk management strategies into the overall ESG framework.
- **Cost-effectiveness analysis:** Cost accountants analyze the cost-effectiveness of ESG programs to ensure that resources are utilized efficiently. This involves evaluating the return on investment for sustainability projects and assessing the financial benefits of social and governance improvements.
- **Compliance and reporting:** Cost accountants work closely with other departments to ensure compliance with ESG reporting standards and regulations. They play a key role in preparing financial statements and reports that accurately reflect the financial impact of ESG activities.
- **Integration with financial reporting:** Cost accountants integrate ESG-related information into the financial reporting process. This ensures that stakeholders, including investors, have a comprehensive view of the financial implications of the organization's ESG initiatives.
- **Continuous improvement:** Cost accountants contribute to the continuous improvement of ESG reporting processes. This involves reviewing and refining methodologies for cost allocation, data collection, and performance measurement to enhance the accuracy and relevance of ESG information.
- **Communication and collaboration:** Cost accountants collaborate with cross-functional teams, including sustainability, human resources, and legal departments, to ensure that ESG reporting is comprehensive and aligns with the organization's overall strategy. Effective communication of financial data related to ESG initiatives is essential for transparency.

Thus, the Cost accountants play a pivotal role in integrating financial and non-financial data for ESG reporting, ensuring that organizations effectively manage, measure, and communicate their environmental, social, and governance performance. SB

ESG Regulations in India – A Bonanza for Achieving Sustainable Development

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Introduction

ESG (Environmental, Social, and Governance) Regulations are legislative measures crafted to foster sustainable and ethical business practices. The environmental aspect encompasses a spectrum of concerns including climate change, pollution, resource management, and waste disposal. Social factors address labor conditions, human rights, and community engagement, while governance factors pertain to ethical conduct, transparency, board structure, and corporate oversight. Investors are increasingly integrating ESG criteria into their assessments to measure the enduring viability of companies and inform their investment decisions. This shift reflects a growing acknowledgment of the critical role that sustainability plays in the longevity and resilience of the global economy. Subsequently, there has been a surge in ESG regulations aimed at incentivizing companies to adopt conscientious practices that account for their impact on the environment, society, and governance landscape. These regulations seek to encourage responsible business behavior that aligns with broader societal and environmental objectives.

Regulatory Framework - Why?

The proliferation of ESG regulations has prompted the creation of a structured regulatory framework, setting out parameters for companies to follow to regarding ESG reporting and transparency. This framework serves to standardize ESG reporting practices, facilitating comparability of ESG performance across companies for investors. Central to this framework are guidelines and standards delineating ESG reporting and disclosure requirements, alongside mandates for companies to institute ESG policies and procedures. Prominent frameworks and initiatives contributing to this regulatory landscape include the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCFD). This regulatory framework not only fosters transparency and accountability but also facilitates informed decision-making by investors, enhancing trust and promoting sustainable business practices across industries.

Role of SEBI and ESG Regulations in India – A Brief Overview

ESG regulations have gained momentum in India, fueled by heightened awareness of ESG factors among investors, a burgeoning emphasis on corporate sustainability, and regulatory impetus towards responsible investment practices. The Securities and Exchange Board of India (SEBI), the nation's securities market regulator, has actively spearheaded the promotion of ESG investing through various initiatives.

In the Meanwhile, in 2012, SEBI released a guidance note on ESG disclosure, advising listed companies to include ESG performance details in their annual reports. Subsequent updates in 2015 expanded the scope to encompass comprehensive reporting on aspects like water usage, energy consumption, and greenhouse gas emissions. Since then, SEBI has periodically issued circulars and guidelines on ESG disclosure, prompting a growing number of companies to report on their ESG endeavors. A significant stride occurred in 2020 when SEBI mandated the top 1,000 listed companies to divulge their ESG-related information in annual reports starting from the financial year 2021-22. These disclosure requisites encompass a wide spectrum of ESG concerns, spanning carbon emissions, water management, waste disposal, diversity and inclusion, employee welfare, and board composition.

Moving forward, SEBI has also introduced several other ESG-related regulations and guidelines in recent years. In 2018, it mandated mutual funds to disclose their ESG policies and practices in offer documents. Subsequently, in 2019, Credit Rating Agencies were directed to unveil ESG risks and opportunities in their rating reports. Moreover, in 2020, Asset Management Companies were instructed to report on their stewardship endeavors, including engagement with companies on ESG matters. Through these measures, SEBI aims to foster a culture of transparency, accountability, and sustainability within India's financial markets, aligning with global trends towards responsible investment practices and bolstering the nation's commitment to sustainable development.

RBI's Commitment/Stand towards ESG Regulations

The Reserve Bank of India (RBI), the governing body overseeing India's banking sector, has emerged as a proponent of ESG investing within the country. In a notable move in 2020, the RBI issued a directive mandating banks to divulge their ESG-related particulars in their annual reports. These disclosures encompassed the banks' strategies concerning climate risk management, sustainable finance initiatives, and social responsibility endeavors. Additionally, banks were required to report on their funding allocation towards environmentally friendly and socially impactful projects. Building upon this foundation, in June 2022, the RBI expanded its commitment to ESG principles by compelling Scheduled Commercial Banks (SCBs), Urban Cooperative Banks (UCBs), and Non-Banking Financial Companies (NBFCs) with assets exceeding Rs. 5,000 crores to embrace the TCFD framework. This framework delineates guidelines for climate-related and sustainability-related disclosures, underscoring the RBI's proactive stand towards fostering transparency and accountability within the financial sector concerning ESG matters. By instituting these measures, the RBI aims to reinforce the integration of ESG considerations into the operations and decision-making processes of financial institutions, thereby contributing to the promotion of sustainable development and resilience within India's banking landscape.

A Few Challenges in Implementing ESG Regulations in India

The implementation of ESG regulations in India encounters several hurdles. One of the big challenge is the absence of standardized and comparable ESG reporting. Presently, there is a lack of uniform framework for ESG reporting, granting companies the autonomy to select their own ESG metrics and reporting styles. Another challenge is the limited awareness and capability among companies to address ESG issues. Many Indian firms are nascent in ESG reporting and may lack the requisite infrastructure and processes to gather and disclose ESG data. This challenge is particularly pronounced among smaller enterprises that face resource and expertise constraints. Furthermore, the regulatory framework governing ESG in India remains fragmented. While several ESG regulations exist, they often fall short of comprehensively addressing sustainability and responsible business practices. Addressing these challenges necessitates a collaborative effort involving regulators, companies, and investors to promote ESG compliance and cultivate a culture of sustainability and responsible business practices.

Inspite of these challenges, the proliferation of ESG regulations signifies a crucial stride towards a sustainable future. These regulations furnish companies with a framework to assess and report their ESG performance, empowering investors to make well-informed decisions regarding capital allocation, thereby fostering sustainable development and responsible investment practices.

Concluding Remarks and Implications for Companies

The foregoing discussion underscores the imperative for companies to adhere to ESG regulations, mandating disclosure of their ESG performance and risks to investors. Such requirements serve to enhance transparency and accountability within corporate operations. Failure to meet ESG standards can precipitate reputational damage and loosing of investor trust, exerting a tangible impact on financial performance. Moreover, ESG regulations necessitate companies to realign their business practices with ESG criteria, entailing substantial investments in technology, processes, and systems. This paradigm shift demands a strategic reassessment of operational frameworks to ensure alignment with evolving ESG standards. In essence, compliance with ESG regulations not only safeguards against reputational risks but also fosters long-term resilience and value creation. It is, therefore, the companies embracing these principles proactively position themselves for sustained growth and stakeholder trust in an increasingly ESG-conscious marketplace. SB

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Trends & Challenges in ESG Landscape in Indian Companies

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Introduction

The Twenty-First Century belongs to India. Though most populus in the world, she is the youngest country with over 65% of the population below the age of 35. While this is an advantage for the aspiring India that aims to be a developed country by the year 2047, we cannot forget the greatest responsibility that we all have towards creating a sustainable nation.

Sustainability does not just mean protecting just the environment but encompasses 17 Sustainable Development Goals (SDGs) as envisaged by Niti Ayog. These SDGs are getting percolated into Indian corporates through RBI, SEBI, and other institutions that give policy directions. In this article, we explore the recent trends, challenges, and possible solutions faced by Indian companies.

Regulatory push

- In November 2020, UNDP and Invest India have launched the SDG Investor Map for India, laying out 18 Investment Opportunities Areas (IOAs) in six critical SDG enabling sectors, that can help India push the needle forward on Sustainable Development.
- In May 2021, Securities and Exchange Board of India released Business Responsibility and Sustainability Report (BRSR) format and made it mandatory for the top 1000 listed companies to report their performance against the Nine Principles of the National Guidelines on Responsible Business Conduct (NGRBC) with effect from financial year 2022-23.
- From the year 2022, the Reserve Bank of India pushed the banking system to assess the impact of banking finance in climate change and issued guidelines in April 20233 for acceptance of "Green Deposits".
- SEBI issued a master circular for ESG rating providers in July 2023 to streamline the process.
- Ministry of Corporate Affairs (MCA) mandated Companies to link their CSR and ESG metrics by adhering to the NGRBC guidelines to improve transparency in reporting.

These regulatory changes have started showing the initiatives taken by Indian Companies.

It would not be out of context to point out one important judgment of the Supreme Court of India in April 2021 (I.A. NO.85618 OF 2020 – Great India Bustard case) whereby the SC drew attention to Section 166(2) of the Companies Act, 2013 which ordains the Directors of the Company to not only to protect the interest of stakeholders but also the environment. This judgment would serve as a wake-up call for all companies and not just for those who comply with BRSR formats.

Witnessing a behavioural change

Though the path to achieving SDGs is long, rough, and tough for Indian corporations, we are witnessing positive changes in their behaviour:

- Boards of large companies are seized of the ESG mandate and now form part of the regular agenda at their Board meetings.
- Many large companies are outlining their Board policies clearly.
- Board members are getting trained on ESG norms and compliance requirements.
- Companies are investing in R&D to launch environment-friendly products.
- Process re-engineering has commenced in many companies to address not only environmental concerns but also to improve the human health index of their employees.

- The National Stock Exchange has uploaded around 1079 companies' BRSR filings as of the end of January 2024 which demonstrates compliance.
- Over 20 companies are listed in Dow Jones Sustainability Index
- Large companies are appointing "Chief Sustainability Officers" to oversee the implementation of the ESG framework.
- Some companies are fixing the timeframe to achieve their KPIs.
- Companies are appointing consultants to advise on ESG and seeking tech platforms to monitor implementation.
- Companies are seeking third-party validation through approved rating companies like Crisil, CARE & and others that add credibility.

Market Developments

In line with the emerging trends and awareness of sustainability, we can see swift developments in the market that would hasten the progress of the Indian Companies:

- Consumers (mostly the younger generation) are prepared to pay more for sustainable products.
- Large companies are mandating their vendors and supply chain partners to adhere to ESG norms.
- Increased awareness of Training and skill upgradation of employees towards ESG programs.
- Sudden surge in the demand for sustainability officers and technical personnel who have exposure to environmental protection.
- Emergence of ESG Mutual funds with over 10000 crores in Assets Under Management.
- Many Venture Capital and Private Equity Funds are giving priority to companies that have ESG focus.
- Renewed push by the Indian Banking system to fund green products and projects in line with commitment from global financial institutions.
- Emergence of tech platforms to implement and monitor data on ESG continuously.

Global Trends & Perspectives

It is no more a secret that we are witnessing climate change that could bring man-made disasters across the world, no more a secret that discrimination among the human races continues unabated, no more a secret that the gap between the rich and the poor is increasing, no more a secret that no amount of regulations can stop greedy corporates to evade corporate governance standards and so on.

Unless a coordinated action plan is taken by all the countries of the world in a measured manner, we cannot improve the sustainability of nations. While every political leader agrees with this and tries to be politically correct, within each region there are serious differences in the approach are emerging.

For example, in the United States, at least 40 anti-ESG laws have been enacted in 18 states which includes,

- Anti-ESG investing laws seeking to limit the ability of public entities (such as state-sponsored pension plans) to consider ESG-related factors in their investment decisions,
- Anti-boycott laws authorizing a blacklist of financial entities that engage in "boycotts" of companies involved in industries such as fossil fuels or firearms,
- Contracting restrictions that prohibit contracts with state entities absent verification that the counterparty does not and will not boycott companies in specified industries, such as fossil fuels, timber, mining, agriculture, or firearms, and
- Anti-discrimination laws that prohibit state entities or insurers from using social credit or ESG scores.

But some states, like California and New York, are forging ahead with more disclosures on ESG. Whereas the EU adopted a new European Sustainability Reporting Standards (ESRS) with effect from 1st January 2024.

The most important change this standard will bring is a new approach to reporting. Under the principle of "double materiality," a topic will be material (and thus require reporting) if either (i) it could reasonably be expected to affect the company's cash flows, access to financing, or cost of capital over the short, medium, or long-term (so-called "financial materiality") or (ii) the impact of the company's operations and/or value chains on people or the environment (relating to the relevant reporting item such as pollution, water resources, biodiversity, workforce, etc.) is material ("impact materiality"). This framework reflects a significant shift, particularly for U.S. issuers accustomed to reporting under financial materiality standards.

Practical Challenges in India

1. Other than few 100 companies in India, most companies feels that BRSR is just a compliance matter and have not paid much attention. This is visible from the contents of BRSR filings.

2. Corporate Boards are not spending quality time in linking their corporate and business strategy with ESG. Leadership teams are not thinking broadly enough about how the macro forces shaping society would eventually impact the business landscape.
3. Many Boards are yet to adopt ESG policies or form ESG committees due to confusion with CSR committee while there is overlap with other committees, like Corporate Governance, Risk, etc.
4. Individual Directors either lack training on ESG or people with relevant experience not inducted into the Board.
5. Companies have not identified material issues and methodically established verifiable data collection. Most data sit in isolation which makes it difficult to report consistently.
6. Many small and medium-sized companies feel that the cost of ESG implementation is prohibitive.
7. The availability of skilled ESG professionals is a real hurdle for internal recruitment. Outsourcing ESG would pose serious challenges as it would lack accountability.
8. Lack of cost-effective financing options to implement ESG standards is a hurdle.

Potential solutions

India is in the nascent stages of ESG adaptation. Hence, it is important to create an ecosystem and all connected institutions should work together in addressing the challenges. Companies can explore some measures suggested below promptly:

1. Review and evaluate the capabilities of board members and induct Independent Directors who have worked in environment-related or social fields with business acumen.
2. The board should brainstorm and should feel the need for concerted action which would help in formulating deliverable policies and strategies. It would be futile to go all hog and waste resources.
3. Review the business model to identify high-risk products or processes that would become a hot potato and phase them out. Alternatively, take action to mitigate the negative effects.
4. Do not outsource the entire ESG work as such decisions are not sustainable. It is possible to take the help of consultants who could help in structuring the policies, and strategies and provide tech platform or train the organization to ensure data integrity. Ultimately, the organization should adopt it internally.
5. Identify key areas where investment would be required to achieve the targets in the order of priority. For example – converting coal-fired boilers to greener options, or wind/solar energy would not only justify investments but also help in reaching the targets.
6. Create a small but effective board-monitored internal team with a dashboard to report. Involve key operational people who have decision-making skills.
7. The board should keep ESG as one of their agenda every quarter until such time they are satisfied with the outcome.
8. Continuously engage with suppliers and service providers to explore innovative options. Sometimes, hard decisions would become necessary to eliminate players who could create harm.
9. Explore cost-effective financing options if the investment is beyond the available means.
10. Incentivise the supply chain and all internal players to achieve the targets. The entire organization should gear up to implement and reap the fruits of ESG policies.

Conclusion

While the world and its players could have varying views on ESG, India cannot slow paddle on the key issues affecting our humanity. We must remember that we are the largest populated country in the world, and we have a collective responsibility to leave a legacy of a sustainable future for future generations.

Having said this, it is important not to bow down to imposed unfair/unrealistic standards by developed countries that could jeopardize our system.

Historically and culturally, Indians had a value system that protected our environment, our people, and the entire society. We just need to get back to our traditional value systems except that now they are called in various names like ESGs, SDGs, etc. SB

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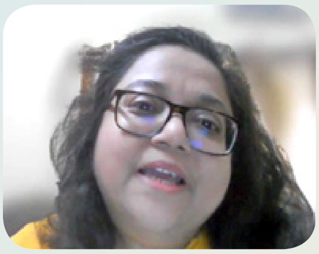
Vasudhaiva Kutumbakam Series (4th Webinar)

International Women's Day Special Session on Sustainability and Succession

March 08, 2024 from 4 to 5:15 pm

Ms. Lekha Ashok
SVJS & Associates
Bengaluru

Mr. Jayan K
SVJS & Associates
Kochi

The Sustainability Standards Board of ICMAI organized International Women's Day Special Session on Sustainability and Succession on March 08, 2024.

Ms. Lekha Ashok, SVJS & Associates, Bengaluru and Mr. Jayan K, SVJS & Associates, Kochi were the speakers for the webinar.

CMA (Dr.) Aditi Dasgupta, Joint Director, ICMAI delivered the welcome address and introduced the speakers to the participants.

Ms. Lekha Ashok and Mr. Jayan K started the webinar in an interactive manner and deliberated in detail covering the core concepts of Sustainability, How to make Sustainability and Succession, a reality?, SIMPLE practices towards Sustainability and Succession, Sustainability is Essentially and Unequivocally Participatory covering the life lessons, Role of CMAs in building Sustainable Business and Emerging Trends in Sustainability and so on.

The webinar ended with the Speakers responding to various queries raised by the participants. CMA Yogender Pal Singh, Secretary of SSB in conclusion, proposed the vote of thanks. The webinar received an overwhelming response from the participants.

Vasudhaiva Kutumbakam Series (5th Webinar)

Indian Perspective to ESG

March 22, 2024 from 4 to 5:15 pm

Dr. Sudheendra Putty
Associate Vice President
Cyient Limited, Hyderabad

The Sustainability Standards Board, with the objective of knowledge dissemination on diverse areas of Sustainability organized the 5th webinar of *Vasudhaiva Kutumbakam* Series on the topic 'Indian Perspective to ESG' on March 22, 2024.

Dr. Sudheendra Putty, Associate Vice President, Cyient Limited, Hyderabad was the resource person for the session.

CMA Yogender Pal Singh, Secretary of SSB welcomed the participants and introduced the speaker for the webinar.

Dr. Sudheendra Putty started the session by explaining the concept of ESG, its role in increasing Investor Awareness, as Business Drivers, understanding ESG from Indian perspective, highlighted various aspects of Mahabharata such as Bhagawad Gita, Uddhava Gita, Vidura Neeti, Conversations between various characters that extol good governance and what are the learnings on ESG from Indian Perspective for the professionals. The webinar was well received by the participants.

FORTHCOMING VASUDHAIVA *KUTUMBAKAM SERIES*

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SUSTAINABILITY MUSING!

SUSTAINABLE BANKING

CMA (Dr.) Aditi Dasgupta
Jt. Director, ICMAI

The main motivation behind the big and traditional banks is profit. Though there is no wrong in the pursuit but in pursuing so the banks quite often forget the the impact of their loan activities. This leads to investments in industries with a negative impact like fossil fuels and industrial agriculture. As a result of this, companies putting their cash in big banks actually have much larger carbon footprints than traditional reporting would suggest. For example, The Carbon Bankroll found that in 2021, Google's financial carbon footprint was 38x larger than the company's total direct operational emissions because of their cash holdings. But sustainable banking is different. A sustainable and ethical bank will also pursue profits, but in a way that considers the needs of the planet and the larger global community.

Sustainable banking involves strategic planning and execution of banking operations and business activities while taking into consideration the environmental, social and governance (ESG) impact. The consideration of environmental, social, and governance factors in the banking industry involves evaluating the impact of investments and operations on the environment, society, and corporate governance practices.

The basis for the link between sustainable development and the financial sector can be traced back to 1990, when banks were seen as having a potentially enormous promotional impact because of their intermediary role in the economy. Banks represent the backbone of an economy and have both a direct and an indirect impact on the maintenance and development of the economy through their capacity as stewards of capital flows. Through this intermediary role, they have an impact on other industries and can thus be central to achieving the SDGs, by directly participating in projects to protect the environment, directing funds according to the environmental risk of the target companies, or promoting socially responsible products From this position, they can promote or hinder (non-)sustainable behaviour by states, companies and individuals and even trigger structural changes in society. The 2019 European Green Deal also highlights the transformation of all sectors of the economy and confirms the need to direct capital flows towards green and more sustainable investments (European Comission, 2020), so a sustainable banking approach is becoming increasingly important.

Banks are emerging as a driving force in the sustainability effort. Banks now understand that unfettered climate change will bring catastrophic environmental impact and dire macroeconomic consequences. Banks and financial institutions can support the quest for net-zero with finance offers, loans and investment schemes for green projects, thus lending a hand to individuals and companies that are treading the path to sustainable development. Internally, banks can incorporate sustainable banking practices in their operations, human resources, and management of physical assets. Banks are emerging as a major force in reaching the UN´s Sustainable Development Goals (SDGs). Consumers, shareholders, employees and regulators are demanding a strong commitment to environmental, social and governance (ESG) priorities and are increasing pressure on banks to show results. With pressure coming from all sides, banking has reached a green inflection point.

"The largest financial players in the world recognize energy transition represents a vast commercial opportunity as well as a planetary imperative."

- John Kerry, U.S. Special
Presidential Envoy for Climate

The industry-led Net-Zero Banking Alliance convened by the United Nations was created in November 2021. It mobilises 43 per cent of banking assets worldwide, which commit to aligning their lending and investment portfolios with net-zero emissions by 2050. In fact, many top banks are committing to net-zero by 2030.The alliance now has over a 100 members.

Customers are vocal about ESG and prefer to do business with institutions that address sustainability. Banking leaders understand the profound impact of climate change on the global economy and the fact that cross-industry global sustainability is the only way forward. Banks also stand to gain directly by putting their green foot forward.

Also recognized as a "Green Opportunity" by McKinsey, sustainable banking is experiencing a significant rise in consumer demand for climate-related financial products. The survey revealed that nearly 40% of US consumers are interested in these offerings.

Contrary to the belief that green products are offered at discounts, the survey highlighted that consumers are willing to pay more for products that demonstrate measurable impact. This indicates a widespread appeal for green offerings in the market.

According to this report, the global sustainable finance market was valued at $3650 billion in 2021 and is expected to reach a valuation of $22485.6 billion by 2031, witnessing a CAGR of 20.1% from 2022 to 2031. The increasing market share can be attributed to the increasing investments in businesses with sustainable practices.

BUT THEN WHY IS SUSTAINABLE BANKING SO IMPORTANT?

The fossil fuel industry, which alone accounts for three-quarters of our carbon emissions and leads to problems including: Land degradation, Water pollution, Higher emissions, Global warming and other air pollution, Ocean acidification etc.

These are major problems, but there are ways where things can be turned around. In fact, according to the most recent IPCC report on climate action, the world is making progress if we consider the following facts:

- From 2010–2019 annual greenhouse gas emissions were at the highest in human history, but the good news is that the growth rate has slowed in recent years.
- The cost of solar and wind energies and batteries has decreased since 2010. Some of these decreases are up to 85%. This makes these technologies more accessible moving forward.

With the right changes, we can still halve our emissions in all sectors by 2030. We can decrease greenhouse gas emissions by 40–70% by 2050. While we can continue to make changes to promote sustainable development, they'll require major investment. As experts say estimated levels of investment thought to be necessary are between three and six times higher than current levels.

This is one reason why sustainable banking is so important. Not only is it important that people choose the best sustainable companies to invest in but also the best sustainable banks.

Banks are the largest source of funding for corporations, from small medium-sized firms to huge multinational mega-companies. Furthermore, they fuel the worlds' economy with their capital investment. Where banks put their money will affect the direction of the economy and sustainability. This, in turn, will determine how our society looks in the future. While major investments will still need to be made from the public sector, divesting from fossil fuels and investing in green projects is an important step to move forward. And, if this style of banking proves to have enough public support while still generating profits, it'll be easier to convince government officials and businesses that green solutions are worth putting money into.

Sustainable banking takes into account environmental factors before they approve loans to companies. They investigate the company's history and workplace practices. Furthermore, they want to know their future green strategy. If they do not meet their criteria they may be refused a loan. This puts huge pressure on the company to implement a clear plan for increased sustainability in the future. Many banks are now beginning to invest in long-term sustainable financing commitments Because of the data they have on their customer's spending habits, they can now target suitable customers to invest in their projects, as well. This will also increase the level of investment in sustainable projects. The bank will create a better community feeling for them and increase their customer loyalty.

Although sustainability in banking is still in its nascent stage in India, a few of the banking majors have reached significant milestones in the sustainability transformation journey. The banking industry in India has a positive influence on the country's socio-economic progress and development. As India targets to achieve net zero by 2070, banking industry players have an important role to play in leading the financial services ecosystem towards sustainability. Based on a recent study published by the Reserve Bank of India (RBI), amongst 34 leading Indian commercial banks a mere 6% of banks either have an existing green product or intend to offer one shortly. Moreover, only 35% of surveyed banks have dedicated coverage on sustainability, ESG, and climate risks on the company website. From a global perspective, the Indian banking industry can be considered as part of the 'late majority' in sustainability adoption. On the brighter side, 56% of these banks intend to bring sustainable lending at the forefront in the short to medium term. Banks that visualize and execute their sustainability agendas now will have first-mover advantage in the race to meet their sustainability goals. SB

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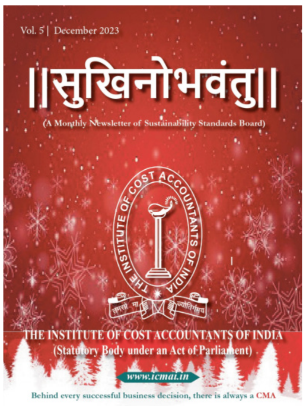

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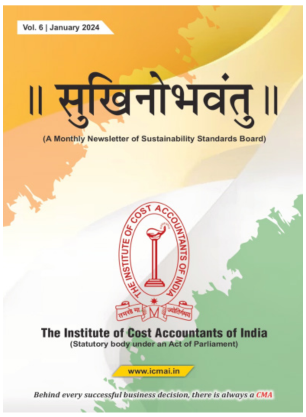

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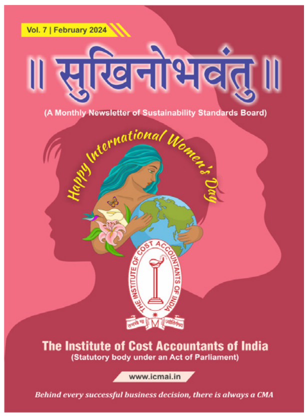

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SUSTAINABILITY LESSONS FROM ANCIENT SCRIPTURES

Environmental Ethics in the Vedas

CMA (Dr.) Aditi Dasgupta
Jt. Director, ICMAI

Environmental consciousness, or the awareness of and concern for the environment and its well-being, is a concept that has gained significant attention in recent years due to the growing recognition of environmental issues such as climate change, pollution, deforestation, and loss of biodiversity. The Vedas, ancient sacred texts, contain various teachings and principles that are often interpreted as promoting environmental consciousness and stewardship. The Vedas are ancient Indian compilations of the Aryan period ranging between 2500 to 1500 B.C. Rig-Veda especially mentions about environment on several occasions. Vedic culture and Vedic scriptures reveal a clear concept about the earth's ecosystems and the necessity for maintaining their balance. A verse from the Rig-Veda states that "the sky is like father, the earth like mother and the space as their son. Another verse from Rig-Veda says "Thousands and Hundreds of years if you want to enjoy the fruits and happiness of life, then take up systematic planting of trees". These verses carry a message to desist from inflicting any injury to the earth and embark upon constant afforestation for survival or else the ecological balance of the earth would be jeopardized.

The Vedas emphasize the interconnectedness of all living beings and the environment. This interconnectedness is reflected in the concept of "*Vasudhaiva Kutumbakam*," which means "the world is one family." This idea underscores the importance of treating the Earth and all its inhabitants with respect and compassion. The Vedas consider certain rivers, mountains, and natural landmarks as sacred. For example, the Ganges River is revered as a goddess, and the Himalayas are seen as the abode of gods. This reverence for specific natural features fosters a sense of responsibility towards their preservation and protection. The scriptures consider certain rivers, mountains, and natural landmarks as sacred. For example, the Ganges River is revered as a goddess, and the Himalayas are seen as the abode of gods. This reverence for specific natural features fosters a sense of responsibility towards their preservation and protection. Vedas views nature as sacred and teaches reverence for the elements, plants, animals, and ecosystems. Many hymns and prayers in the Vedas express gratitude to nature and seek harmony with the natural world.

The Vedas provide philosophical and ethical foundations for environmental consciousness, and many individuals and organizations draw inspiration from Vedic teachings to promote sustainable living and environmental stewardship in contemporary contexts. SB

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DO YOU KNOW?

Banks can link traditional core products and services to a sustainable offsetting feature. The purpose of this strategy is to demonstrate to customers your willingness as a company to fund sustainable causes. In turn, customers can rest in the knowledge that their purchasing decisions are contributing to improving the environment.

Neon is Switzerland's fastest growing Neobank, reaching 130,000 in 2022. In 2021, they launched a sustainable digital bank account for sustainable banking. The neon green account is carbon neutral and costs 5 Swiss francs a month. One tree is planted for every 100 Swiss francs spent. And five additional trees are planted per month to offset Switzerland's annual carbon footprint.

We are in pursuit of constant improvement and are keen to know your views.
Please write to us at ssb.newsletters@icmai.in

SUSTAINABILITY QUIZ RAPID FIRE ROUND

1. The objective of IFRS S2 is to require an entity to disclose information about its _______ risks and opportunities.
2. __________ emissions are accidental emissions of vapours or gases from pressurised apparatus, either due to faulty equipment, leakage or other unforeseen mishaps.
3. The triple bottom line (TBL) is an accounting framework that includes social, environmental and _______ results as bottom lines
4. Principle 7 of BRSR deals with _______.
5. Principle 4 of BRSR requires the listed entities to describe the ________ followed by them for identifying the key stakeholders.

WINNERS	
S. No.	**NAMES**
1.	Vedanth Atukuri
2.	T Laxmi Narayan Singh
3.	Arunabha Saha
4.	Karan Singh Nagpal

CONGRATULATIONS TO ALL THE WINNERS!

CORRECT ANSWERS OF PREVIOUS QUIZ

1. Sustainability	2. Impact	3. 80%	4. Stakeholders	5. Ethical

The names of first 5 participants giving correct responses will be declared in the ensuing newsletter. .
The responses may be sent to ssb.newsletters@icmai.in

Call for articles

Sukhinobhavantu is inviting articles on the theme ESG/ Sustainability or related themes for publishing in April 2024 edition. The articles should be relevant and original. The article should clearly cover/depict the scope, opportunity and potential for cost accountants. It should not exceed 1500 - 1800 words and references/ sources are to be given wherever required. It should reach us latest by April 08, 2024, by email to ssb.newsletters@icmai.in The right for selection of articles vests with SSB. Decision of SSB will be final and binding.

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