



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

॥ सुखिनो भवन्तु ॥

SUKHINOBHAVANTU

A Monthly Newsletter of Sustainability Standards Board

March, 2023

Volume 2





THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

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MESSAGE FROM CHAIRMAN

Dear Readers,

Sustainability is an ongoing perpetual activity, it is not to be done deliberately but it should be part of life. The policies and regulations should be considered as a leading light and not a forcing mechanism. Sustainability should be followed not only by citizens or society or country but has to be by the globe as a whole. Rather it is considered as the responsibility of citizens to the globe. If we develop that mind set, then only we can see the world as Vasudeiva Kudumbakam.

As a small player in this mighty initiative our institute is also playing a crucial and vital role in ensuring sustainability by keeping in mind the economic parameters, cost as well as profit. We are also working closely with regulators to achieve this objective. It gives me immense satisfaction to inform you that our institute has submitted its comments to the regulator on the ESG consultation paper. We hope that the regulator will consider our inputs so that the society at large will be benefitted.

Further, I hope that all of you would have gone through the maiden issue of Sukhinobhavantu and found it to be useful. In the second edition, which is currently in your hands we have taken up ever so many contemporary aspects. Do let us know your valuable inputs.

Happy Reading!

CMA K Ch A V S N Murthy

March 20, 2023

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**MESSAGE FROM CURATOR**

Dear Sukhinobhavanthu readers,

Ugadi and Gudipadwa Festive greetings to all!

I am overwhelmed to receive compliments about the Sukhinobhavanthu Newsletter from various members from across the globe. When the idea of having an exclusive newsletter on Sustainability was germinated in our mind, we never anticipated that the newsletter would receive a massive visibility.

Two news stories have shaken the country in this month, precisely in the last 20 days and they are 1) the fire in Brahmapuram, Kerala on March 02, 2023 and 2) the earthquake experienced in Delhi on March 21, 2023. If these are the instances here in this country, the intensity to the globe can be imagined by the readers. This speaks about the hard pressed need of sustainability. When Sustainability has to be ensured, it should not be considered only from an environmental perspective. It should be considered from the economic and viability perspective as well. While the institute is committed in highlighting Sustainability parameters, we appeal to our members to uphold our responsibility in ensuring that all the parameters of Sustainability are followed in true letter and spirit. Sustainability is responsibility first and eventually will turn out to be an opportunity. Our members should wait with patience and perseverance

to grab that opportunity at the right time. As Cost and Management Accountants, one should be well versed about the happenings in the sustainability arena, particularly the ever evolving regulations. Days are not far from us where Sustainability will be regarded as the paramount regulations and members of the institute should be geared up for the same.

I am given to understand that we have received an overflowing response for the quiz and articles section of the first edition of the newsletter. Though the response was excellent, we are constrained to incorporate all the responses received. Readers whose articles are not selected for this edition need not be disheartened and must keep trying. It is well said that “Failure is not a sin, but non-attempting is the greatest sin”. Your constant participation is our inspiration.

I am sure that you will all assemble with the institute in its endeavour in making a sustainable world and together we can make the difference.

Appealing all of you to make a sustainable contribution in this regard, I remain.

CMA Chittaranjan Chattopadhyay
March 20, 2023

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OCEAN SUSTAINABILITY –

Taking Responsibility is the Biggest Freedom!

The global economy heavily relies on the ocean, with around 90% of goods being transported by sea globally. Covering over 70% of Earth's surface, oceans are a natural asset, which, along with soils and forests, make up the world's stock of natural capital. These natural assets generate vital ecosystem goods and services, such as food, climate regulation, coastal protection, and cultural value that support planetary life and human survival and well-being worldwide. Oceans contain a diversity of renewable and non-renewable resources (e.g. fisheries, oil, and gas deposits) that provide the intermediate inputs, such as waves and fish stocks, to support ocean-based industries like renewable energy and seafood production. The sum of economic activities of ocean-based industries and the assets, goods, and services generated by marine ecosystems to constitute the ocean economy. The size of the global ocean economy, which includes fishing, shipping, offshore wind, maritime and coastal tourism, and marine biotechnology, was estimated at USD 1.5 trillion, or 2.5% of global gross value added in 2010. This value is growing rapidly, and prior to the COVID-19 pandemic, it was projected to increase to USD 3.0 trillion in 2030. Note that this is likely an underestimate since many valuations do not include benefits that lack a market value, such as cultural, social, and ceremonial values. Another study conducted in 2015 estimated the annual gross marine product value to be at least USD 2.5 trillion per year, based on the value of the ocean's total asset base consisting of the direct output of the ocean from marine fisheries and coastal ecosystems, marine trade and transport, and adjacent assets (e.g. tourism and carbon absorption). The ocean economic sectors with the strongest growth potential include marine aquaculture, fish processing, offshore wind, and shipbuilding.

It is firmly believed that the oceans hold the key to solving many of the most challenging tasks facing the world today like eradicating hunger and extreme poverty by 2030, fighting disease and pandemics, combating climate change, creating jobs in both developed and developing countries, ensuring affordable and clean energy for all and even securing peace and stability.

A vibrant ocean economy depends on sustainable and healthy oceans. However, many aspects of current ocean resource use patterns make it unsustainable. Human transformation of marine ecosystems has resulted in widespread biodiversity loss and habitat damage. This is not a new phenomenon; for instance, intense exploitation of Caribbean coral reefs from the 17–19th century led to massive losses in large vertebrates, fish, and sharks. Currently, overfishing, destructive fishing practices, direct habitat damage, and pollution are major anthropogenic threats to the future sustainability of oceans and their resources. Moreover, some components of the ocean economy, such as deep-sea mining, are inherently damaging to the ocean environment. In particular, climate change is driving unprecedented changes that severely affect ocean health, and the ocean's ability to sustain the flow of ecosystem goods and services upon which human and societal well-being depend. A report, written in collaboration with Boston Consulting Group (BCG), highlights the positive change and growth that is possible with businesses and the G20 aiding in accelerating a sustainable ocean economy. The report

outlines important initial steps that every company can take to contribute to a sustainable ocean economy.

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LIFE BELOW WATER

SDG 14 TARGETS:

- 14.1** By 2025, prevent and significantly reduce marine pollution of all kinds
- 14.2** By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts
- 14.3** Minimize and address the impacts of ocean acidification, including through enhanced scientific cooperation at all levels
- 14.4:** By 2020, effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices
- 14.5:** By 2020, conserve at least 10 per cent of coastal and marine areas
- 14.6** By 2020, prohibit certain forms of fisheries subsidies which contribute to overcapacity and overfishing, eliminate subsidies that contribute to illegal, unreported and unregulated fishing
- 14.7** By 2030, increase the economic benefits to Small Island developing States and least developed countries from the sustainable use of marine resources

It is only 12 years until 2030, the deadline for achieving the United Nations Sustainable Development Goals (SDGs). The world has set itself an ambitious task. To reach the SDGs we will have to produce more from the oceans. We need the oceans to provide more food, more jobs and more energy. And we must maintain its capacity to regulate the climate and support biodiversity. It is essential to manage the oceans better. To build a sustainable ocean economy, we must stop the degradation of the world’s marine ecosystems and improve the environmental status of the oceans. This will require action from all of us. Making business operations more ocean-friendly, using influence to strengthen ocean governance and involving all stakeholders, can help advance a sustainable ocean economy. Those that take initiative and act early will benefit from pioneering opportunities as well as the chance to unlock value from this multi-trillion-dollar resource, ensuring a sustainable future for themselves and the ocean.

CMAAs play a big role in ocean sustainability as they are experts in Environmental Management Accounting (EMA) which can help identifying environmental problems caused, environmental improvements made and how they relate to the economic performance of the organization and also in optimum utilization of scarce resources along with reviewing budget provisions for innovation in products and services that contribute to sustainable development, expanding the scope of internal audit to management processes for determining sustainable development risks and non-financial data measurement and management.

SUSTAINABILITY – A GLOBAL OUTLOOK

1. South Korea Pension Fund to Consider Climate Change in Management Work

South Korea's national pension fund will consider climate change as part of its stewardship activities going forward, the welfare ministry said.

<https://esgnews.com/south-korea-pension-fund-to-consider-climate-change-in-management-work/>

2. Canada Issues Final Guidelines for Banks on Climate Risk Management

Climate change and the global response to the threats it poses have the potential to significantly impact the safety and soundness of the Canadian financial system. The Office of the Superintendent of Financial Institutions (OSFI) published Guideline B-15: Climate Risk Management, which sets out OSFI's expectations for the management of climate-related risks.

<https://esgnews.com/canada-issues-final-guidelines-for-banks-on-climate-risk-management/>

3. TotalEnergies Invests in Renewable Energies with Biogas and Solar Projects

Total Energies is developing its renewable activities in Poland by acquiring the country's main biogas producer, Polska Grupa Biogazowa (PGB), and a 200-megawatt (MW) development pipeline of solar projects.

<https://esgnews.com/totalenergies-invests-in-renewable-energies-with-biogas-and-solar-projects/>

4. EDP Unveils €25 Billion Investment Plan Focused on Renewable Energy and Supporting Net Zero Targets

EDP is scaling up its ambition to lead the energy transition by pushing even further its investment plan and targets in the updated Business Plan 23-26, which will be presented today in London. In a context in which climate emergency and security of supply are ever more preeminent, the group will increase its global investment to 25 billion euros to boost renewables, reinforce its position in electricity networks and support its clients in the transformation to a more sustainable world.

<https://esgnews.com/edp-unveils-e25-billion-investment-plan-focused-on-renewable-energy-and-supporting-net-zero-targets/>

5. Mercedes-Benz Begins Building Battery Recycling Factory in Southern Germany

Mercedes-Benz laid the foundation stone for a sustainable battery recycling factory in Kuppenheim, southern Germany on Friday. The pilot plant will have an annual capacity of 2500 tonnes and will contribute to the production of more than 50,000 battery modules for new electric Mercedes-Benz vehicles.

<https://esgnews.com/mercedes-benz-begins-building-battery-recycling-factory-in-southern-germany/>

6. EU Launches New Cooperation Programmes with Morocco Worth €624 Million for Green Transition

In an official visit in Morocco, Neighbourhood and Enlargement Commissioner Olivér Várhelyi announced new cooperation programmes worth €624 million in total to support Morocco's transition to green energy, enhance cooperation on addressing irregular migration management and support Morocco's ambitious reform plans in key areas such as social protection, climate policy, reform of the public administration and the judiciary systems.

<https://esgnews.com/eu-launches-new-cooperation-programmes-with-morocco-worth-e624-million-for-green-transition/>

7. More than 170tn plastic particles afloat in oceans, say scientists

An unprecedented rise in plastic pollution has been uncovered by scientists, who have calculated that more than 170tn plastic particles are afloat in the oceans. Clean-up is futile' if production continues at current rate, amid rapid rise in marine pollution.

<https://www.theguardian.com/environment/2023/mar/08/plastic-particles-oceans-marine-pollution-production>

8. We have a golden opportunity to act on ocean sustainability

The United Nations COP15 biodiversity conference concluded with a pledge to protect 30 percent of the world's oceans by 2030.

But commitments mean nothing without strong action. On the eve of the Our Ocean Conference in Panama, which kicks off Thursday, policymakers can herald a new era for ocean sustainability.

<https://thehill.com/opinion/energy-environment/3877536-we-have-a-golden-opportunity-to-act-on-ocean-sustainability/>

Letter of Appreciations

"I am extremely delighted to receive an e-copy of a newsletter published by ICAI titled Sukhinobhavanthu.

Sustainability is an integral part of any business. Planet is a term which is widely discussed by modern corporate houses. The contents of the newsletter are relevant as well as contemporary. I am sure that the newsletter will be a guiding light for all the readers and will create awareness on Sustainability.

I compliment the efforts of Team ICAI for thinking in the direction of sustainability and wish that the members of the institute take all efforts to see a sustainable and green business world. I sincerely wish that the newsletter have a sustainable existence and be beneficial to all professionals in general and members of ICAI in particular."

By
CS Pawan G. Chandak
Central Council Member, ICSI

SUSTAINABILITY – – INDIAN CONTEXT

1. Environment conservation is commitment and not compulsion for India

India strives to meet an increased portion of its power demand from renewable and alternative sources of energy, he said in a message read out at the World Sustainable Development Summit (WSDS) being organised by The Energy and Resources Institute (TERI).

<https://economictimes.indiatimes.com/industry/environment/environment-conservation-is-commitment-and-not-compulsion-for-india-pm-modi/articleshow/98155243.cms>

2. India is on track to becoming one of the largest economies in the world, and account for 20% of the world's population, by the middle of this century

In particular, India's actions to decarbonise, and to mitigate climate change, will be key to the world meeting the United Nations Sustainable Development Goals. The Indian government's commitment to reaching energy independence by 2047, and attaining a net-zero economy by 2070, is a clear sign of the country's ambition to play its part, as does its G20 Presidency theme, Vasudhaiva Kutumbakam or One Earth - One Family - One Future.

<https://economictimes.indiatimes.com/industry/renewables/how-to-accelerate-indias-energy-transition-journey/articleshow/97959639.cms>

3. G-20 members stressed on increasing climate finance to help farmers take up adaptation measures

The member countries also suggested that farmers can be incentivised if they are adopting climate friendly farming or green agriculture. One of the ways was carbon credit, he said. The G20 nations also shared their experience on the impact of climate change in agriculture, he added. Climate smart agriculture was one of the four priority areas discussed in the first Agriculture Deputies Meeting.

<https://economictimes.indiatimes.com/news/economy/agriculture/g-20-members-stressed-on-increasing-climate-finance-to-help-farmers-take-up-adaptation-measures-says-agriculture-secy/articleshow/97951279.cms>

4. India's LiFE initiative could cut over 2 billion tonnes CO2 emissions in 2030

Measures identified under the initiative are geared towards behavioural changes and sustainable consumption by individuals. These include increased use of public transport, improved heating and cooling systems, conserving energy and water, reducing waste and plastic usage, as well as using more efficient appliances. The IEA estimates that, if implemented globally, the measures listed under the LiFE initiative could save consumers around \$440 billion in 2030.

<https://economictimes.indiatimes.com/news/india/indias-life-initiative-could-cut-over-2-billion-tonnes-in-co2-emissions-by-2030-says-iea/articleshow/97632290.cms>

5. India made significant progress in many SDGs with per capita income climbing to Rs 1.97 lakh

India has made significant progress in many Sustainable Development Goals (SDGs) and the per capita income has increased to Rs 1.97 lakh, Finance Minister Nirmala Sitharaman said on Wednesday. The nation's total SDG score was 66 out of 100, according to the "State of India's Environment Report 2022" published by the Centre for Science and Environment.

<https://economictimes.indiatimes.com/industry/renewables/india-has-made-significant-progress-in-many-sdgs-with-per-capita-income-climbing-to-rs-1-97-lakh-fm-sitharaman/articleshow/97516205.cms>

6. Indian CEOs have started to view ESG's importance on businesses

As better ESG performances have become a hallmark of a healthier enterprise, the KPMG in India's CEO Outlook 2022 shows how CEOs in India, as well as globally, have begun viewing the importance of ESG initiatives on their businesses.

<https://economictimes.indiatimes.com/small-biz/sme-sector/how-indian-ceos-have-started-to-view-esgs-importance-on-businesses/articleshow/98225179.cms>

7. Sebi proposes to introduce 5 new categories under ESG funds

ESG schemes under the proposed new category should be permitted with a minimum 80 per cent investment of total assets in equity or debt stocks of a particular theme as per the sub-categories. However, the residual portion of the investment should not be starkly in contrast to the philosophy of the scheme. The requirement should be made mandatory from April 1, 2023, SEBI suggested and sought comments from the public till March 6 on the proposals.

<https://economictimes.indiatimes.com/markets/stocks/news/sebi-proposes-to-introduce-5-new-categories-under-esg-funds/articleshow/98153286.cms>

8. ESG Inc.: It's now profitable to look beyond profits

While adopting the ESG framework, companies have maximum focus on environmental issues, then social issues and lastly governance aspects. According to the Morningstar Sustainalytics Corporate ESG Survey Report 2022, carbon emissions from operations; emissions, effluents and waste; and carbon emissions from products and services were the top three ESG issues that the companies intended to prioritise in the coming year.

<https://economictimes.indiatimes.com/markets/stocks/news/how-esg-is-influencing-india-incs-business-decisions/articleshow/96392935.cms>

9. India Inc on talent hunt to drive its ESG plans

With Prime Minister Narendra Modi having pledged that the country will reach net-zero emissions by 2070, and stringent policy and regulations driving compliance, reporting, and disclosures, ESG has become a focal point of boardroom discussions, and organisations across industries are looking at strengthening ESG skillsets across their teams.

<https://economictimes.indiatimes.com/news/company/corporate-trends/india-inc-on-talent-hunt-to-drive-its-esg-plans/articleshow/96407325.cms>

10. Seaweed gets rolling: Indian companies explore sustainable solutions that marine algae offer

Seaweed has been seeing a surge of interest in the US and Europe. However, the seaweed economy in India never really scaled up although it has been cultivated here for years. Zerocircle is one of the small but growing number of companies hoping to promote the use of seaweed in India and, through that, solve some of the bigger questions around sustainability.

<https://economictimes.indiatimes.com/news/company/corporate-trends/seaweed-gets-rolling-indian-companies-explore-sustainable-solutions-that-marine-algae-offer/articleshow/98238379.cms>

11. Accounting: A powerful tool to begin ESG mapping

India is finally getting close to having a global and uniform reporting standard. From FY24, as per a SEBI mandate, 1,000 companies will publish disclosures on their sustainability initiatives in the new format - Business Responsibility and Sustainability Reporting

<https://economictimes.indiatimes.com/markets/stocks/news/accounting-a-powerful-tool-to-begin-esg-mapping/articleshow/98578688.cms>

12. SBI seals \$1-b syndicated ESG loan from Japan, Taiwan

The facility of \$1 billion was arranged through Japan's MUFG Bank and Taiwan's Taipei Fubon Commercial Bank Co. MUFG and Taipei Fubon Commercial Bank are the joint co-ordinators, while MUFG is the lead loan co-ordinator for this transaction.

<https://economictimes.indiatimes.com/markets/stocks/news/sbi-seals-1-b-syndicated-esg-loan-from-japan-taiwan/articleshow/98320376.cms>

13. Indian banks unprepared for RBI's ESG push, survey shows

Indian banks are not prepared to adopt environmental, social and governance (ESG) norms as part of their lending models due to reasons including a lack of clarity on how they apply to lenders, a survey showed. The RBI will likely use the findings to frame the first set of guidelines to boost green finance

<https://economictimes.indiatimes.com/industry/banking/finance/banking/indian-banks-unprepared-for-cenbanks-esg-push-survey-shows/articleshow/98297707.cms>

14. SEBI proposes to introduce 5 new categories under ESG funds

Capital markets regulator SEBI has proposed allowing mutual funds to introduce five new categories under ESG (environmental, social and governance) scheme. The requirement should be made mandatory from April 1, 2023, SEBI suggested.

<https://economictimes.indiatimes.com/mf/mf-news/sebi-proposes-to-introduce-5-new-categories-under-esg-funds/articleshow/98153825.cms>

ARTICLE

HOW TO SUSTAIN SUSTAINABILITY:

Taxation for green future.

CMA SIVAKUAMR A*

Assistant Professor in Commerce

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**The views expressed are the personal views of the author.*



*View of Attapaddi in Kerala on 27/02/2023
(Source: Primary Data)*

Introduction

Our solar system is a unique one in the whole universe thanks to the living features of earth (both plant and non-plants). Oxygen, Hydrogen, Nitrogen and carbon are the most precious elements as far as living creatures in the green planet is considered. Global-Warming, Greenhouse gas emissions, Climate change are the most important environmental problems in our earth. As a lifesaving science and practice, the contribution of Commerce and Management to the alarming issue is significant. Commerce and management facilitates carbon trading in the market of markets. That is known carbon credit trading in the carbon market. Income tax in its primitive form is introduced in India

in 1858 after the first independence struggle of India. Actually every taxation is based on certain cannons or golden principles. In India both the direct taxes and Indirect taxes are charged on the basis of Indian Constitutional Provisions. Our Constitutions envisages a sustainable India for the future generations.

Carbon Neutral

Human beings as a species, cannot neglect climate change. Climate change will cause serious problems in the present and future activities of human kind. For example, as per Malayalm calendar (Kolla varsham calender) kumbha and Meena months are the hottest months. People used to feel hot and summer

during day and Night of those days. But in March 2023, in Kerala, people feel cold and chill in the morning, evening and the night thanks to the climate change. It is not an isolated experience. People in everywhere in the world experience the bitter side of the climate change. Therefore, Carbon Neutrality is very relevant. Carbon Neutrality or Carbon offsetting is the act of balancing carbon emittance and absorbing carbon from atmosphere through the most natural ways like absorbing of carbon dioxide by the plants in the Photosynthesis. UN Climate Change Conference in 2015 has decided to move towards Carbon Neutrality by the second half of the 21st century (“What is carbon neutral? Carbon neutral countries, “2021

Carbon Credit Trading or Emission trading

Carbon Credit Trading or Emission trading is possible in the carbon market. As per Article 17 of the Kyoto Protocol, countries can sell their excess unused (from the permitted Greenhouse gas emissions) to other countries in the carbon market (“Emissions trading | UNFCCC, “n.d.). It is the process of buying and selling the permits and credits that allow the permit holder to emit carbon dioxide.

Significance of Carbon Trading

1. It helps the world to reduce and slow down the effect of Climate change in all countries.
2. It is means of generating income among regulated entities.
3. Carbon trading can be regulated by the regulators and the countries by making relevant laws or making amendments in the existing laws.
4. European Union Emissions Trading System (EU ETS) is the most significant

carbon trading platform in the world (Fern, 2019)

5. It is part of forest conservation in all countries.

Indian Income Tax Act 1961 and Carbon Credit Trading Sec 115BBG of the income tax Act 1961

After section 115BBF of the Income-tax Act [as inserted by section 54 of the Finance Act, 2016 (28 of 2016)], the following section shall be inserted with effect from the 1st day of April, 2018, namely: —

‘115BBG. *Tax on income from transfer of carbon credits.* —

- (1) Where the total income of an assessed includes any income by way of transfer of carbon credits, the income-tax payable shall be the aggregate of—
 - (a) the amount of income-tax calculated on the income by way of transfer of carbon credits, at the rate of ten per cent; and
 - (b) the amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the amount of income referred to in clause (a).
- (2) Notwithstanding anything contained in this Act, no deduction in respect of any expenditure or allowance shall be allowed to the assessee under any provision of this Act in computing his income referred to in clause (a) of sub-section (1).

Explanation. —For the purposes of this section “carbon credit” in respect of one unit shall mean reduction of one tonne of carbon dioxide emissions or emissions of its equivalent gases which is validated by the United Nations Framework on Climate Change and which can be traded in market at its prevailing market price.’

Significance of Sec 115 BBG of the income tax Act 1961.

With the implementation of Sec BBG, government of India fulfils the following objectives.

1. Carbon trading is possible in India.
2. Regulatory framework of Carbon Trading.
3. Additional source of revenue for state.

Other important Sections in the Income Tax Act Which help to create a green environment in India

- a. Sec 80 D-Deduction in respect of Health Insurance Premium.
- b. Sec 80G-Deductions in respect of donations to certain funds, charitable institutions etc.
- c. Sec 40 A (3)-Cash Payment in business

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Iberdrola. Retrieved March 3, 2023, from <https://www.iberdrola.com/sustainability/what-is-carbon-neutrality>

2. *Emissions trading | UNFCCC.* (n.d.). Retrieved March 3, 2023, from <https://unfccc.int/process/the-kyoto-protocol/mechanisms/emissions-trading>
3. *Fern.* (2019, February 12). *What is carbon trading?* Retrieved March 3, 2023, from <https://www.fern.org/publications-insight/what-is-carbon-trading-584/>
4. (n.d.). *Central Board of Direct Taxes, Government of India.* Retrieved March 3, 2023, from <https://incometaxindia.gov.in/Acts/Finance%20Acts/2017/102120000000064601.htm>

Letter of Appreciations

I have gone through the first edition of SUKHINO BHAVANTU and found it very much useful. The content is rich in value and insightful. Due to increase in population and growth of corporates, concept of sustainability has acquired due significance in these challenging time. Certainly matters concerning to sustainability and environmental impact has become one of the most lucrative potential area of pre legal as well as post legal practice for advocates also apart from CMAs, particularly those practising in Environmental laws. I am hopeful this will benefit and complement both the professions.

I wish my best wishes and look forward to future editions.

By

Animesh Srivastava

Advocate

Cyber Laws/Agri Laws/IPR/E Commerce/Environmental Laws

High Court of Delhi, Delhi NCR

ARTICLE

ESG-BEST PRACTICES & REPORTING BENCHMARKS

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*The views expressed are the personal views of the author.

Abstract

ESG may look like compliance burden for business entities, but as experiences of some big companies show, these are actually long term pillars for sustainable development and cushion for avoiding risky turbulence in tough times.

While highlighting one of the best practices on ESG in Indian corporate history, this article clearly brings out the utility of ESG practices apart from noting the correlation of ESG with market performers. Once the true impact of ESG is positively factored into core management policy, the long term cost benefit of qualitative ESG measures and disclosure for stakeholder's benefits and long term sustainable growth of organization is inevitable.

(A) Introduction

ESG is a consolidation of CSR, Governance and Environmental responsibilities though the compliance requirements significantly increased in recent times. Compared to organizations viewing these as mandatory compliance predicament, those which have adopted these in true spirit have fared much better. Even though all the policies of a good company may not be aligned fully with ESG norms, true implementation of the ESG spirit will only enhance the long term sustainable growth of the organization.

(B) ESG Aligned with Firm's DNA (Ref#1)

Covid crisis has brought more attention to ESG factors amongst investors and business. Investments in ESG are now seen as business investments since improved ESG practices results in greater value in stock markets. A recent research by Harvard Business Review has confirmed this through the poll amongst majority of investment firms.

A study by Bank of America in 2018 revealed

that companies with a stronger ESG track record outperformed their peers in terms of 3-year returns to become high-quality stocks. HNIs are also concerned on ESG while investing. Estimated inflow of \$15–20 trillion into ESG over the next 20 to 30 years signifies its growing value. Hence the key objectives of business leaders are in ensuring that ESG factors are ingrained in the company's DNA and not limited to mere compliance.

(C) ESG Compliance & Growth (Ref#2):

The returns from Top 50 ESG companies are 131%, as per Acuite ESG Research report for the period between April 1, 2020 and October 11, 2021. ESG performers such as TCS, Tata Steel, M&M, HCL Technologies, L&T, Tata Power, Adani Power etc were rewarded for ESG as shown by the data:

Return Over	Apr 18- Oct 21	Apr 19- Oct 21	Apr 20- Oct 21	Apr 21- Oct 21
Nifty Returns	76%	54%	117%	21%
Top 50 ESG Cos.	160%	88%	131%	26%

The report also mentions the good records of ESG compliant lenders such as SBI, ICICI, HDFC, IndusInd Bank, Kotak Mahindra Bank and Axis Bank, showing the significance of ESG in business performance.

(D) ESG Reporting- International Best Practices (Ref#3)

ESG issues are positively related with corporate performance as:

- According to LSE, Climate change-related litigations have substantially increased since 2015.
- PwC research indicates that 49% of consumers see ESG procedures before purchase.
- Effective ESG practices provide financial protection at the time of fluctuations.

Hence the importance of following six Best Practice in ESG reporting:

1. *Design organizational structure:*

through evaluating current status of ESG; Determining its short term & **long term KPIs**; **fixing the road map to achieve them, fixing responsible departments** for each KPI, monitoring, unbiased auditing, discussing with stakeholders & disclosures.

2. *Disclosure metrics should be:*

- a) Holistic: Balanced view of all the 3 elements of ESG avoiding special emphasis on one of them.
- b) Unbiased: Should enable business to reduce the bad impact instead of highlighting only good parts.
- c) Comparable: Consistent report in same units for clear inter-year comparisons.

3. *Data Compilation:*

preferably automated method since complex data like carbon footprint or resource productivity are more challenging in

comparison to some accounting ratios like top executives pay in relation to median pay etc. Some tools or third party source for complex data may be inevitable for reliable reporting. For example, 53% of S&P 500 firms work with third parties for reliable transparency.

4. *Improvement Strategy:*

ESG reporting should include a road map to reduce their environmental and social effects, explaining the rationale by referring to UN SDGs and other such international frameworks along-with focus on the strategies where the return/effort ratio is high in context of materiality.

5. *Simplified Report:*

unrealistic to expect consumers to read complex ESG reports with confusing metrics and hence the simple disclosures at appropriate place would be better for consumers.

6. *Regular Review:*

Rules and industry standards evolve at a rapid pace requiring periodical incorporation in ESG practices preferably in line with advice of consultancy firms specialized in ESG.

E) Examples of ESG Benchmark in India

a) Tata Steel: ESG policies and practices in this company are natural extension of its long drawn concerns for the Environment, Society and Governance, evolved over many decades of commitment (Ref#4)

i) Mission Statement (includes): while honesty and integrity are essential ingredients of a strong and stable enterprise, profitability provides the main spark for economic activity. Overall, the Company seeks to scale the heights of excellence in all it does in an atmosphere

free from fear, reaffirms its faith in democratic values.

ii) Sustainability Policy: committed to conserving natural resources while ensuring sustainable growth

iii) Global Concerns (Ref#5): Through the process of managing capitals and creating value, the company makes significant contribution to the United Nations Sustainable Development Goals (UN SDGs) as priorities aligned to the 17 SDGs.

iv) Industry leadership Detailed on (Ref#6):

Focus Areas	Key Performance Indicators	Goals
Become a benchmark in CO2 emission for steel sector	CO2 emission intensity	Less than 2 t/tcs by 2025 from the present level of 2.31 t/tcs
Reduce Water consumption	Specific water consumption	Less than 3 meter/ tcs by 2025 in line with present 2.8 cubic meter/tcs
Encourage Circular economy through slag utilization and steel recycle business.	% of Slag Utilization- Steel Recycle business	Sustain at 100% slag utilization. Enhance capacity of recycle business.
Lasting impact on community around the business areas.	Number of lives impacted.	Exceed 2 million by 2025 from the current level of 1.4 million.
Leadership in Safety	Fatality	Zero fatality

v) Long term culture (Annual Report of 2001-02 signifying a practice now 20 years old): In the year under review the company has concentrated on –

Community and rural development: Agriculture - thrust on farmbased activities receives specific attention. A special mention of the Pani Panchayat in Betakocha. The project supported by villagers, especially the women, the group shut down 4 brick kilns operational in their area which were eroding their arable land resulting in restoration of 105 acres. The Tribal Culture Centre at Jamshedpur established in 1990 is an embodiment of its commitment to the preservation and revival of tribal culture, customs and arts with notable collaborators like the Tribal Welfare Research Institute, Ranchi; Action Aid and the Indian Institute of Public Administration.

vi) Top 10 CSR firms in FY18-19 (Ref#7) While most of the companies just about completed the 2% of PBT required by the Act for CSR expenses, Tata Steel (spending 375% of mandated amount) went much beyond the mandatory required spending showing their qualitative concern much beyond the legal limits.

vii) Environment Management: Average expenditure of Rs.100 per ton of crude steel is incurred on maintaining environment control systems with cumulative spend of over Rs. 7,500 crores in last 20 years in such schemes. Steps like increasing by-product energy recovery, automation, on line measurement etc to reduce global warming.

- Reduce, recycle & reuse through segregation & reprocessing of wastes consistently increased over the years.
- Nearly 72% of the solid wastes generated gets recycled / reused in main processes

viii) Tata Steel's Initiative for Green Steel

Tata Steel has inked an agreement with American carmaker Ford to supply “zeremis green steel” from its Netherlands-based IJmuiden plant after the unit shifts to hydrogen-based steel making. In Europe, Tata Steel is working to switch to low-carbon technologies to manufacture steel in the UK and the Netherlands.

ix) Corporate Governance: upholding the core values of Tata's i.e. transparency, integrity, honesty, accountability and compliance of laws. The Company intends to seize opportunities of tomorrow and create a future that will make it an EVA positive for sake of all stakeholders and remains committed to laying strong emphasis on Corporate Governance for the shareholders' protection.

b) Larsen & Toubro: (Ref#9)

i) L&T business centered on E&C segment significantly impact environment and hence company committed to achieve net zero position for water consumption by 2035 and carbon footprint by 2040 while in next 5 years it plans to flatten the emission curve through improved efficiency in the use of energy and renewable energy business under the green energy areas including green hydrogen, battery storage and offshore wind among others.

ii) The Construction Skills Training Institutes (CSTIs) run by the Company's CSR department trains over 10,000 youth in construction and allied skills every year with a unique industry connect leveraging on the Company's rich experience and deep knowledge of contemporary as well as new-age practices of the construction industry.

iii) CSR activity aligned with country's social infrastructure such as water and sanitation, education, health and skill building. The Company's Integrated Community Development Programs (ICDP) aligned closely to the Sustainable Development Goals (SDGs) was initiated 6 years back, specifically in remote water-scarce locations of Maharashtra, Tamil Nadu and Rajasthan and the Company is replicating this model in other locations.

iv) L&T periodically reassess all its key policies such as Sustainability Policy, Supplier Code of Conduct Policy etc. To strengthen the policy framework further, two additional policies namely, Equal Opportunity Policy and 'Public Policy Advocacy' Policy have been recently adopted by the Company.

v) Being the main contractor, the company deploys a number of sub contracts through an established procedure for sustainable sourcing where all the new and existing supply chain partners are mandatorily evaluated on environment, health & safety and sustainability parameters before on-boarding. Also, supplier/vendor Code of Conduct (COC) covers EHS and Human Rights parameters to be adhered as contractual commitments.

v) While Business Responsibility and Sustainability Reporting (BRSR) is mandatory from FY23, the Company has started the same voluntarily from FY22 and details reported under following laid down principles:

- 1) Integrity, Ethical, Transparent & Accountable Manner;
- 2) Provide Goods & Services in Sustainable & Safe Manner;
- 3) Respect & Promote Employee Welfare including those in their Supply chain;
- 4) Respect the Interests and Responsive to All Stakeholders;
- 5) Respect and Promote Human Rights;
- 6) Respect, Protect and Restore Environment;
- 7) If Required Influencing Public & Regulatory Policy in responsible & transparent manner;
- 8) Promote Inclusive Growth & equitable Development;
- 9) Engage with and Provide Value to Consumers in responsible manner.

Conclusions:

Though ESG awareness and compliance requirements have increased in recent time,

companies with qualitative long term ESG commitments like Tata Steel and L&T shows that long term sustainable growth of the company itself is catalysed and not hindered by such compliance norms.

While noting the benchmark reporting practices, the crucial challenge is to ingrain the ESG management with the DNA of the organization along-with suitable aligning of the its KPIs for optimizing the ESG as well as the business goals and reducing its negative impacts on environment.

References:

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- 2- Saikat Das of ET Bureau – ET of 12/10/21
- 3- by Gorkem Genser in AI Multiple dated 28/2/22
- 4- Page 6 of Annual Report of Tata Steel FY 2019-20
- 5- Page 14 of Annual Report of Tata Steel FY 2019-20
- 6- Page 19 of Annual Report of Tata Steel FY 2019-20
- 7- Top10 Indian Entities with Highest CSR Spending 2019 - My_India.html
- 8- Tata Steel's first customer for Green Steel- ET dated 27/10/22
- 9- L&T Annual Report 2021-22 (Page 220 onwards)

Letter of Appreciations

It was a refreshing experience reading through SUKHINO BHAVANTU. Content is quite contextual and single source of information for all latest developments. The presentation with photographs and beautiful designs is pleasing to the eyes. Besides the knowledge part, do you know and quiz are interesting features!

By
Shri Kunj Bansal
General Manager
NISM

SUSTAINABILITY MUSING !

A major fire at the Brahmapuram waste plant in Kerala's Kochi has left residents suffocated thanks to toxic fumes that have enveloped the city since March 2. Kochi is facing heavy air pollution due to toxic fumes from burning plastic waste even as efforts to extinguish the fire continue with the Kerala Fire Force, Indian Navy, and Indian Air Force all pitching in. As the fire is brought under control, the big question right now is: How did so much garbage end up at the Brahmapuram waste plant?

Waste disposal has always been a major problem for Kochi. In 1998, the Kochi Corporation bought 37 acres of land at Brahmapuram, 17 kms from the city. An agreement was signed with Andhra Pradesh Technology Development Corporation in 2005 to build a waste treatment plant there. But there was a series of protests by the residents against the project. In 2007, a 15-acre swamp was reclaimed and a plant was built in that area. The waste plant was inaugurated in 2008 with a capacity of 250 tonnes per day. 390 tonnes of waste is dumped at the Brahmapuram waste plant every day. 64 percent of this is biodegradable while the rest is plastic and other non-biodegradable material. Despite several interventions by the National Green Tribunal and the State Pollution Control Board, the Kochi Corporation couldn't improve the functioning of the Brahmapuram Waste Management Plant. In light of the recent fire that has left Kochi breathless, the Pollution Control Board imposed a fine of Rs 14.92 crore on the Kochi Corporation for non-compliance with waste disposal regulations.

The gift of the human being is the intellect to ensure their comfortable living and peaceful coexistence with the other inhabitants of the Earth. But the human-led urbanization and



industrialization has resulted in environmental issues and shattered the biodiversity, making it a mere living place for the other inhabitants by generating unavoidable pollution. Basic human needs such as clean water, clean air and safe food are jeopardized by improper waste management practices, with severe consequences for public health. Improper waste management could lead to the spread of diseases, as well as contaminate the surrounding air, water and land. The UN agency noted that municipal waste is a growing burden for communities around the globe, citing World Bank statistics estimating waste volumes to grow from 1.3 billion tonnes to 2.2 billion tonnes by 2025. Moreover, with the global middle class slated to expand from two billion people to 4.9 billion by 2030, and expected to consume more resource-intensive goods, public waste management systems risk struggling with the pace of urban expansion.

The increasing population and waste generation without the proper measures of waste mitigation lead to the major challenge of environmental sustainability. Irregular treatment and management of waste not only leads to a destructive environment but also serves as the breeding ground for many diseases, factor, for climate change, and reduction of city spaces, etc. that are directly influencing the human life span. Sustainable waste management is critical not only to engender a flourishing natural environment that contributes to human and animal health, but also to free up valuable land from landfills, improve energy production, create jobs, and reduce the cost of transportation and logistics. The problem of solid waste, though not unique in India, is so huge that it hurdles the achievement of environmental sustainability. Solid waste is most visible of all the wastes generated in the country.

Solid waste management (SWM) is one of the key responsibilities of city administrators and one of the effective proxies for good governance. Effective SWM mitigates adverse health and environmental impacts, conserves resources, and improves the liveability of cities. However, unsustainable SWM practices, exacerbated by rapid urbanization and financial and institutional limitations, negatively impact public health and environmental sustainability. The disposal methods are predominantly via uncontrolled dumping, open-air incinerators, and landfills. The negative impacts of such practices include air and water pollution, land degradation, emissions of methane and hazardous leachate, and climate change. These impacts impose significant environmental and public health costs on residents with marginalized social groups mostly affected. Industrial waste gets a lot of attention due to its negative environmental impact and human health consequences. Still, all industries and sectors can benefit from more sustainable waste management practices. Switching to sustainable waste management makes sense for manufacturers. It reduces greenhouse gas emissions (and subsequently, the amount of carbon tax paid), promotes energy efficiency, and reduces the amount of solid waste produced annually. It even preserves natural resources and allows the manufacturer to use waste products in their production chain instead. If handled properly, waste management has huge potential to turn problems into solutions and to lead the way towards sustainable development through the recovery and reuse of valuable resources; the creation of new business and employment opportunities, including for the informal sector; reduced emissions of greenhouse gasses from waste management operations, such as landfills; and conversion of waste to energy.

DO YOU KNOW ?



Cochin International Airport Limited (CIAL), the world's first airport to run fully on solar energy, has produced 25 crore units of electricity, helping eliminate 1.6 lakh tonnes of carbon footprint. CIAL has become the second largest power producer in the State after Kerala State Electricity Board Limited (KSEB). The plants established by CIAL has been able to produce around two lakh units of power daily against the 1.6 lakh units of utilisation by the airport facilities. The unit has been able to feed around four crore units of power to the State power grid. This is a model worth emulating globally and truly establishes India's leadership position.

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

ACTIVITIES UNDER VASUDAIVA KUTUMBAKAM SERIES

On 20 th Feb'23 the Sustainability Standards Board (SSB) of the Institute of Cost Accountants of India organized a Webint on 'Sustainability Trends'. Mr. Sunil Kadam, Registrar, NISM inaugurated the monthly newsletter 'Sukhinobhavantu'. Dr. Shiladitya Chatterjee, Former Member Indian Administrative Service and Asian Development Bank was present as keynote speaker and deliberated on "Budget 2023-2024 and Sustainable Development Goals (SDGs). CMA A. N. Raman Former President South Asian Federation of Accountants & Member, SSB spoke on sustainability and Integrated Reporting Framework and on the role of CMAs. Mr. A. Sekar, Member, SSB delivered the vote of thanks.

On 28 th Feb'23 the Cooperative Development Board of the Institute of Cost Accountants of India organised a Webint on 'Incubating and Nurturing Cooperative Ecosystem – Progressing Towards Self Sustainable Economic Development'. Shri. Samit Neogi, GM, Credit, West Bengal State Cooperative Bank was the chief guest for the program. CMA Srinivas Raghavan, BFSI expert was the guest speaker and deliberated on the pertinent topic.

CLOSELY WORKING WITH REGULATOR!

1. A delegation team of the Institute of Cost Accountants of India comprising CMA A N Raman, Past President SAFA and Member of SSB, Dr. Aditi Haldar, Member SSB, CMA Chittaranjan Chattopadhyay, Council Member and CMA (Dr). S K Gupta, MD & CEO of ICAI SAO presented a Pilot Paper on Framework of Cost and Management Accounting for Sustainable Strategies and Reporting. This paper which is a first of its kind in the domain of sustainability is built around the following structure:

- Objectives :
- Key stakeholders of the framework:
- Generic Principles of Cost & Management Accounting (CMA):
- Context of Sustainable Business strategies:
- CMA concepts relevant for sustainable strategies:
- Components of the Framework:
- CMA Tools for Sustainable Business

Strategies: and

- How to use this framework.



In the photograph from right CMA Chittaranjan Chattopadhyay, CMA A N Raman, Dr. Aditi Haldar, Mr. Sunil Kadam, Mr. Jeevan Sonparte, CMA (Dr.) S K Gupta and Ms. Vandana Chowdhury.

2. The SSB of ICAI has submitted its comments on Consultation paper on ESG Disclosures, Ratings and Investing to SEBI.

SUSTAINABILITY QUIZ

Rapid fire round



1. In the BRSR, details of Scope __ GHG emissions is a leadership indicator.
2. BRSR is mandatory for top ____ listed companies by market capitalisation.
3. Life Cycle Assessment is also called _____.
4. India agreed to _____ its use of coal in COP 26.
5. Which country is ranked highest for achievement of SDGs in 2021?

EARLY BIRD WINNERS OF QUIZ FOR FEBRUARY '23 ISSUE

Sl.No	NAME	DETAILS
1	Praveen Jain	Navi Mumbai
2	S Devanathan	Patalganga
3	Ankit Kumar Deewan	Kolkata
4	Aadarsh Seshadri	Hyderabad
5	Meghna Shah	Mumbai
6	Jagdish Ahuja	Navi Mumbai

CONGRATULATIONS TO ALL THE WINNERS!

ANSWERS OF PREVIOUS QUIZ –

1. 17
2. Conference of Parties
3. 2070
4. 3rd
5. 20%

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 “Planet and Profit or Profit and Planet?” for publishing in APRIL '2023 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 2200 words and references/sources are to be given wherever required. It should reach us latest by April 12, 2023, by email to ssb.newsletters@icmai.in The right for selection of articles vests with SSB. Decision of SSB will be final and binding.

Curated by

CMA Chittaranjan Chattopadhyay

Edited by:

CMA A. Sekar, SSB Member

Research and Compilation:

**CMA (Dr.) Aditi Dasgupta, Joint Director, ICAI
Dr. Ranjith Krishnan, SSB Member**

Secretary to SSB:

CMA (Dr.) D.P. Nandy

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