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Volume 3
October, 2023

A Monthly Newsletter

SUSTAINABILITY STANDARDS BOARD

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory Body under an Act of Parliament)

Behind every successful business decision, there is always a CMA

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CMA (Dr.) Ashish P Thatte
Chairman, SSB

MESSAGE FROM CHAIRMAN, SSB

At the outset, I take this opportunity to thank CMA Ashwin G. Dalwadi, President and the Council of the Institute for assigning me this responsibility to Chair the Sustainability Standards Board. The Council of the Institute constituted this Board in the year 2022 with the objective to enable the members of the Institute play an active role in the Business Responsibility and Sustainability Report (BRSR) & Environmental, Social and Governance (ESG) compliance and disclosures.

As we navigate the ever-changing landscape of business and industry, sustainability has emerged as a core pillar of every organisation's values and strategies. Sustainability is not just a buzzword; it is a commitment we make to our planet, our communities, and to future generations. It is about finding the balance between meeting the needs of the present without compromising the ability of the future to meet their own needs.

Cost and Management Accountants can play a pivotal role in promoting and supporting sustainability within an organization. Their expertise in financial and managerial accounting allows them to gather, analyse, and communicate data that can guide sustainable decision-making. By integrating sustainability principles into financial and managerial decision-making, Cost and Management Accountants can help organizations reduce their environmental impact, improve their social responsibility, and, in many cases, achieve cost savings and competitive advantages in the market. This aligns with the growing demand for sustainable practices from customers, investors, and other stakeholders.

It is with great pleasure that I present this third volume of 'Sukhinobhavantu', newsletter of Sustainability Standards Board. I am grateful to all members of SSB for their commitment and support provided in bringing out this edition. I would like to acknowledge the contribution made by our eminent resource persons in the form of valuable articles for this edition of 'Sukhinobhavantu' for the benefit of all the members and other stakeholders. I am sure the readers would find the content of this edition enriching.

CMA (Dr.) Ashish P Thatte
October 25, 2023

SUSTAIN THE SUSTAINABILITY!

E – WASTE HAZARD AND IT'S MANAGEMENT

Electronic waste, also known as e-waste, is the discarding of electrical or electronic devices, such as computers, office electronic equipment, entertainment device electronics, mobile phones, television sets, refrigerators etc. Electronic waste contains toxic components that are dangerous to human health, such as mercury, lead, cadmium, polybrominated flame retardants, barium and lithium. The negative health effects of these toxins on humans include brain, heart, liver, kidney and skeletal system damage. It can also considerably affect the nervous and reproductive systems of the human body, leading to disease and birth defects. Improper disposal of e-waste is unbelievably dangerous to the global environment, which is why it is so important to spread awareness on this growing problem and the threatening aftermath. To avoid these toxic effects of e-waste, it is crucial to properly e-cycle, so that items can be recycled, refurbished, resold, or reused. The growing stream of e-waste will only worsen if not educated on the correct measures of disposal. heavy metals from e-waste, such as mercury, lithium, lead and barium, then leak through the earth even further to reach groundwater.

When these heavy metals reach groundwater, they eventually make their way into ponds, streams, rivers and lakes. Acidification can kill marine and freshwater organisms, disturb biodiversity and harm ecosystems. If acidification is present in water supplies, it can damage ecosystems. When improper disposal of e-waste in regular landfills or in places where it is dumped illegally, both heavy metals and flame retardants can seep directly from the e-waste

into the soil, causing contamination of underlying groundwater or contamination of crops that may be planted near by or in the area in the future. The consequences of improper e-waste disposal in landfills or other non-dumping sites pose serious threats to current public health and can pollute ecosystems for generations to come.

Other than helping the environment, businesses are starting to wake up to the dangers of throwing away electronics. In an era where phishing scams are the biggest security threat for a business, most overlook their trash, putting them at risk.

E-waste is a global problem, especially with the transboundary movement of e-waste where developed countries ship their discarded electronic equipment to less developed countries. Upon destination, the e-waste can simply be dumped or dismantled and burned, producing toxic emissions harmful to waste site workers, the environment and nearby communities.

E-waste recycling is the process of extracting valuable materials after shredding the e-waste into tiny pieces that could be reused in a new electronic appliance. helps reduce environmental pollution, conserves natural resources, and minimizes the negative impacts of improper e-waste disposal. Unfortunately, low global recycling rates and other challenges contribute to massive quantities of e-waste accumulating in landfills around the world, the environmental impact of which cannot be ignored. The annual production rate of e-waste is increasing gradually. China is the largest e-waste producer, followed by the US which has a recycling rate of just 17.4%. By the year 2021, the total amount of manufactured electronic waste was 57.4 million tonnes. Additionally, as the years go by, the total is increasing at a rate of roughly 2 Mt per year, on average. Experts estimate that there will be a total of 347 metric tons of non-recycled e-waste globally by the end of the current year.

As already mentioned only 17.4% of the e-waste is properly collected and recycled, alarming data that clearly shows that a major portion of e-waste is thrown into dumps without considering any recycling procedure and detrimental effects on the planet's ecology.

The fundamental cause of the fastest increase in e-waste output is people's insatiable need to own technological devices. The United Nations came up with the phrase "e-waste tsunami" to describe the critical situation we find ourselves in.

A robust e-waste management minimizes the harmful hazards caused by disposal of e-waste to the environment and human health. Besides, e-waste also contains valuable resources that can be recovered and reused. For example, gold, silver, and copper are often found in electronic devices and can be recovered and recycled, reducing the need for new mining and reducing the amount of waste generated. It also helps save on energy as recycling of e-waste uses much less energy in comparison of mining for such resources, thus overall reducing the greenhouse gas emissions. New avenues of e-waste recycling not only help create more job opportunities but also boosts the economy.

Cost & Management Accountants can contribute to e-waste management by integrating financial, regulatory, and sustainability considerations into an organization's overall strategy. Their expertise in financial analysis and compliance can help organizations develop effective e-waste management programs, minimize risks, and contribute to a more sustainable and responsible approach to handling electronic waste.

SUSTAINABILITY – A GLOBAL OUTLOOK

The United States and the Association of Southeast Asia nations (ASEAN) have expressed their support for narrowing the development gap in the region and assisting with its economic recovery. The two parties also pledged to promote stability, peace, and sustainable development in the Mekong subregion through shared initiatives. Additionally, they committed to advancing efforts to achieve the Sustainable Development Goals by 2030 and to collaborate on clean energy transition and climate change. https://economictimes.indiatimes.com/news/international/world-news/us-asean-support-bridging-development-gap/articleshow/103448012.cms

By emphasising on water stewardship, responsible sourcing, nature conservation, and circularity, household products and personal care sector can reshape its role in halting and reversing nature loss by 2030, the research titled Nature Positive: Role of the Household and Personal Care said. https://economictimes.indiatimes.com/industry/cons-products/fmcg/nature-positive-household-personal-care-sector-may-yield-additional-usd-62-bn-a-year-by-2030-wef/articleshow/103612507.cms

Prince William, the Duke of Cambridge, visited New York City as part of an environmental summit and witnessed the Billion Oyster Project's work in restoring oyster reefs in New York's waters. He also met with the UN Secretary-General to discuss the fight against climate change and strategies for sustainable development. Prince William will address the Earthshot Prize Innovation Summit, which seeks innovative solutions to climate change problems.
https://economictimes.indiatimes.com/news/new-updates/prince-william-attends-environmental-summit-in-new-york-city-visits-oyster-reef-restoration-project/articleshow/103773155.cms

An ILO analysis of the Sustainable Development Goal 8 shows that no progress has been made on its indicators over the last eight years and that the international community today is almost as far from reaching the targets of SDG 8 as it was in 2015, suggesting a need for greater multilateral and national action. SDG 8 aims to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. https://economictimes.indiatimes.com/news/economy/indicators/world-is-off-track-on-two-thirds-of-sdg-8-indicators-ilo/articleshow/103697420.cms

Melting poles: Unprecedented levels of sea ice loss threatens global climate balance
https://www.businessinsider.in/sustainability/news/melting-poles-unprecedented-levels-of-sea-ice-loss-threatens-global-climate-balance/articleshow/103964743.cms

"Climate change will definitely not end the world as we know it": Elon Musk shares views on climate crisis
https://www.businessinsider.in/sustainability/news/climate-change-will-definitely-not-end-the-world-as-

we-know-it-elon-musk-shares-views-on-climate-crisis/articleshow/103593171.cms

"Climate breakdown has begun": UN Secretary-General warns after August becomes hottest month ever recorded in history
https://www.businessinsider.in/sustainability/news/climate-breakdown-has-begun-un-secretary-general-warns-after-august-becomes-hottest-month-ever-recorded-in-history/articleshow/103489544.cms

55 tons of ocean plastic collected from the Great Pacific Garbage Patch to be recycled into Kia's electric vehicles!
https://www.businessinsider.in/sustainability/news/55-tons-of-ocean-plastic-collected-from-the-great-pacific-garbage-patch-to-be-recycled-into-kias-electric-vehicles/articleshow/103326054.cms

US forests will begin emitting more carbon than they store by 2070, USDA report warns
https://www.businessinsider.in/sustainability/news/us-forests-will-begin-emitting-more-carbon-than-they-store-by-2070-usda-report-warns/articleshow/102677484.cms

IFRS ushers in a new age of standardised financial disclosures via ISSB ESG reports.
https://www.businessinsider.in/sustainability/news/ifrs-ushers-in-a-new-age-of-standardised-financial-disclosures-via-issb-esg-reports-heres-all-you-need-to-know/articleshow/101865261.cms

SUSTAINABILITY – INDIAN CONTEXT

Several Indian companies, including Mercedes-Benz, Tata Steel, Dabur, Amazon, and Tech Mahindra, are embracing green transport for last-mile distribution, supply chain operations, and employee transportation. Mercedes-Benz India's managing director and CEO, Santosh Iyer, has switched to an electric vehicle and plans to offer EVs to the company's leadership team and employees.
https://economictimes.indiatimes.com/industry/renewables/india-inc-rides-ev-wave-in-sustainability-push/articleshow/103518929.cms

The G20 New Delhi leaders declaration, announced by Prime Minister Narendra Modi, has brought nations with differences together to address global challenges. The 12 commitments of the declaration include promoting sustainable development, addressing debt vulnerabilities, and accelerating progress on the Paris Agreement. India aims to promote multilateralism and give a voice to the global south, making decision-making more democratic.
https://economictimes.indiatimes.com/news/india/g20-declaration-12-commitments-drafted-to-address-global-challenges-spanning-climate-change-to-debt-vulnerability/articleshow/103550924.cms

In January 2021, Vedanta Group Chairman Anil Agarwal told former environment minister Prakash Javadekar the government could add "impetus" to India's economic recovery by allowing mining companies to boost production by up to 50% without having to secure new environmental clearances.
https://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/vedanta-lobbied-to-weaken-environmental-regulations-during-pandemic-occrp-report/articleshow/103261427.cms

The National Investment and Infrastructure Fund (NIIF) has launched a $600-million India-Japan Fund with the Indian government and the Japan Bank for International Cooperation (JBIC) as anchor investors, the finance ministry said on Wednesday.
https://economictimes.indiatimes.com/news/economy/infrastructure/niif-launches-600-million-fund-with-japanese-entity-to-invest-in-sustainable-projects/articleshow/104150047.cms

Nilekani, who had served as the chairman of the Unique Identification Authority of India (UIDAI), emphasised the relevance of governance for startup founders, highlighting that it should be a top priority.
https://economictimes.indiatimes.com/tech/startups/strong-corporate-governance-crucial-for-sustainable-success-of-startups-nandan-nilekani/articleshow/104186993.cms

Environment and Forest department is working proactively to establish a regime wherein development and Environment Regulatory could walk in hand towards achieving a Sustainable future for the future generations of Assam and towards the Macro Earth- Ravi S. Prasad Additional Chief Secretary Assam
https://economictimes.indiatimes.com/news/india/assams-proactive-approach-balancing-development-

and-environmental-regulatory-for-sustainable-future/articleshow/100499254.cms

Reserve Bank of India (RBI) Governor Shaktikanta Das has called for realistic green ratings reflecting the actual environmental impact of projects to avoid "green-washing" and ensure developing countries get adequate funds. Das believes that such ratings are needed to address physical as well as the transition risks of climate change.
https://economictimes.indiatimes.com/news/economy/policy/there-should-be-realistic-green-ratings-to-assess-actual-environmental-impact-of-projects-rbi-governor/articleshow/102656893.cms

"While the Indian sustainable fund market is still in its nascent state, we have witnessed a similar trend since COVID-19 with a handful of new fund launches. Since then, there have been no new fund launches in the past 24 months," the report said.
https://economictimes.indiatimes.com/mf/mf-news/esg-funds-continue-to-see-outflow-rs-520-crore-pulled-out-in-june-quarter/articleshow/102804194.cms

Under the partnership, IFC will provide training and capacity building for Shriram Housing Finance employees on the principles and applications of its Excellence in Design for Greater Efficiency (EDGE) certification tool for the affordable self-construction segment customers and impact monitoring tool (CAFI) for reporting of green affordable housing.
https://economictimes.indiatimes.com/industry/services/property-/-cstruction/ifc-and-shriram-housing-finance-join-hands-to-promote-construction-of-green-low-cost-houses-in-india/articleshow/103144892.cms

Decarbonisation Business Charter recently held a Call for Action event in Bengaluru where several stakeholders from the construction industry signed up to actively pursue decarbonisation efforts
https://www.thehindu.com/news/cities/bangalore/decarbonisation-of-building-and-construction-sector-imperative-to-achieve-indias-net-zero-target/article67302971.ece

IIT-Madras establishes Chair to explore urban mining for sustainable, circular economy
https://www.thehindu.com/news/cities/chennai/iit-madras-establishes-chair-to-explore-urban-mining-for-sustainable-circular-economy/article67273252.ece

Ultra-strong spider silk made by silkworms injected with spider DNA could be the answer to our sustainable fibre problem
https://www.businessinsider.in/sustainability/news/ultra-strong-spider-silk-made-by-silkworms-injected-with-spider-dna-could-be-the-answer-to-our-sustainable-fibre-problem/articleshow/103854600.cms

India will need to invest 5% of its GDP annually to meet net-zero emissions by 2050; EV largest share of investment
https://www.businessinsider.in/sustainability/news/india-will-need-to-invest-5-of-its-gdp-annually-to-meet-net-zero-emissions-by-2050-ev-largest-share-of-investment/articleshow/103244408.cms

Khavda desert in Gujarat to receive new life after Adani plans to build world's biggest hybrid renewable energy park
https://www.businessinsider.in/sustainability/news/khavda-desert-in-gujarat-to-receive-new-life-after-adanis-plans-to-build-worlds-biggest-hybrid-renewable-energy-park/articleshow/101950768.cms

CHALLENGES OF ECONOMIC SUSTAINABILITY:

ROADMAP TO ATMANIRBHAR BHARAT

CMA Ram Swaroop Yadav
Deputy General Manager-Internal Audit,
BHEL, Jhansi UP

"Sustainability requires maintaining a delicate balance between the human need to improve lifestyles and feeling of well-being on one hand, and preserving natural resources and ecosystems, on which we and future generations depend." - Kofi Annan, former Secretary General, United Nations

Economic sustainability refers to the ability of an economy to support a high standard of living and well-being for its citizens over the long term, without depleting its natural resources and damaging the environment as well as compromising the well-being of future generations. This requires managing economic growth, resource consumption, and the distribution of wealth and income in a way that promotes stability, resilience, and equity, while minimizing negative impacts on the environment and future generations in line with the title of this newsletter "***SUKHINOBHAVANTU***".

Achieving economic sustainability involves balancing short-term economic goals with long-term social and environmental objectives, and often requires cooperation among governments, businesses, and civil society.

Present Scenario- SDG Scores:

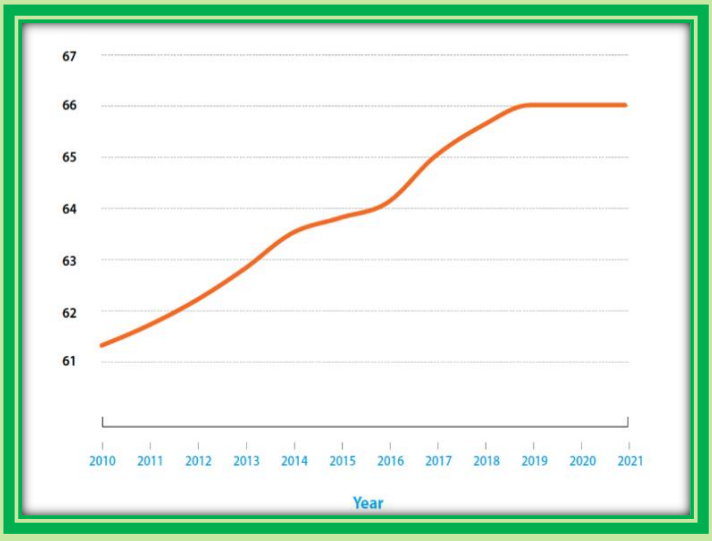


Fig. 1: SDG Index Score: World Average

The SDG Index scores are a measure of how well countries are progressing towards achieving the Sustainable Development Goals (SDGs) established by the United Nations. The SDG Index scores are calculated using a set of indicators that measure progress towards achieving each of the 17 SDGs.

The SDG Index scores are published annually by the Sustainable Development Solutions Network and the Bertelsmann Stiftung. As per 'Sustainable Development Report 2022', Fig. 1 shows that for last three years, the countries in United Nations made no progress in field of Sustainable Development Goal (SDG). This shows the importance of SDG in current scenario. Further the Fig. 2 shows disparity between these countries with respect to SDG Index Scores.

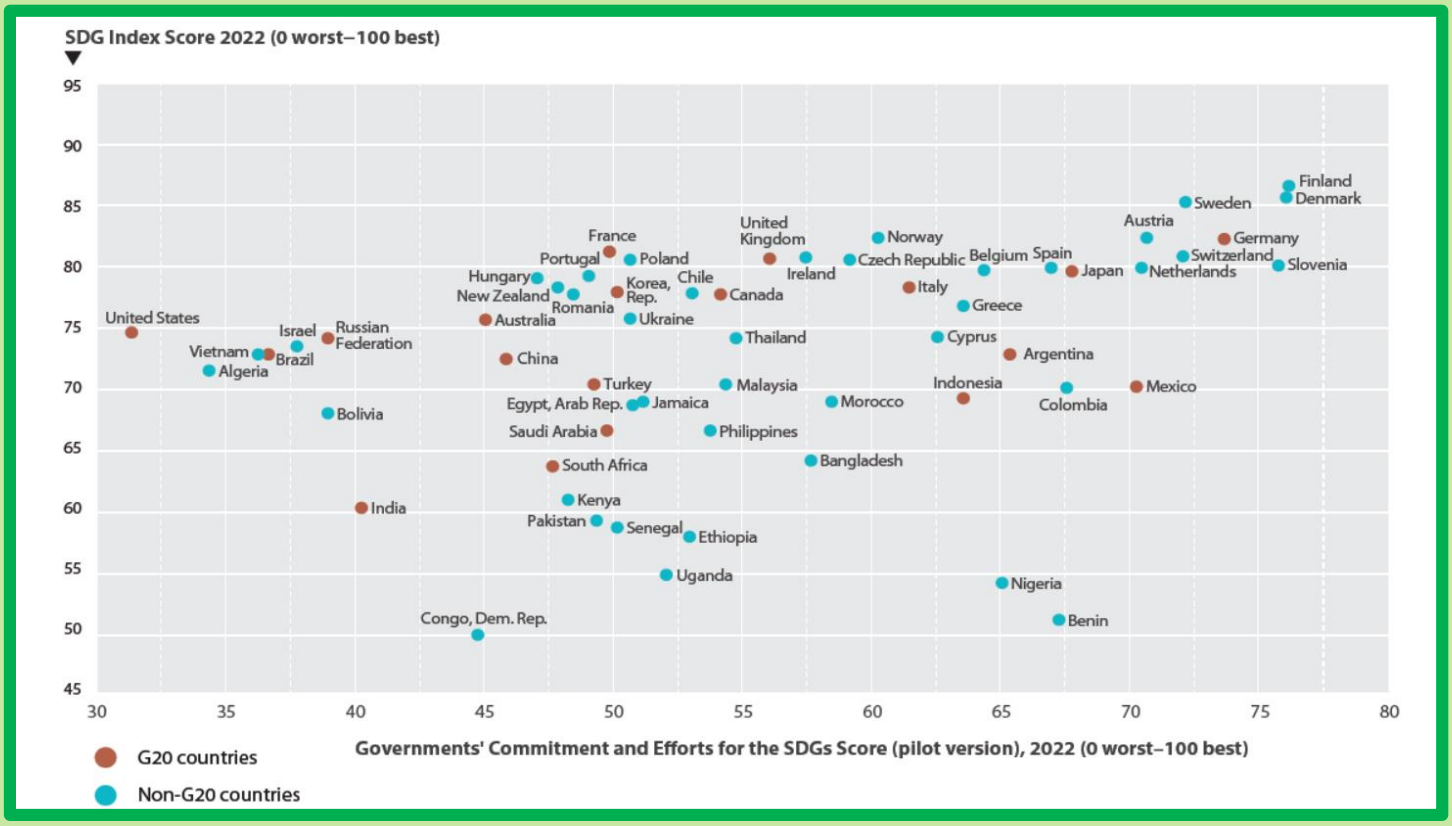


Fig. 2: Country-wise SDG Index Scores

The above data shows that not only developing countries, but developed countries are scoring bad in SDG Index Scores. This shows the importance of SDG in today environment.

Factors to Assess Economic sustainability: The status of economic sustainability in an economy can be assessed through various indicators, including:

1. **Gross Domestic Product (GDP):** GDP measures the value of goods and services produced by an economy over a period of time. A growing GDP can be an indicator of economic sustainability, but it should also be accompanied by improvements in social and environmental factors of an economy.

2. **Income inequality:** The gap between the rich and poor is a significant factor affecting economic sustainability. A more equitable distribution of wealth can promote economic stability and reduce social tensions.
3. **Environmental impact:** Economic sustainability also involves ensuring that economic growth does not come at the expense of environmental degradation. Measuring environmental impact can involve looking at factors such as greenhouse gas emissions, waste production, resource depletion, etc.
4. **Employment:** A sustainable economy should provide meaningful employment opportunities for its citizens. Unemployment rates, wages, and job quality are all indicators of economic sustainability.
5. **Debt:** A country's level of debt can impact its long-term economic sustainability. High levels of public debt can lead to higher interest rates and reduced spending on public services.

Overall, the rating of economic sustainability depends on the balance between **economic growth, social equity, and environmental protection**. A sustainable economy should prioritize all three factors to ensure the well-being of current and future generations.

Challenges in Economic Sustainability

1. **Invest in renewable energy:** Switching to renewable energy sources like solar, wind, and hydropower can help reduce the carbon footprint and promote sustainability. The major challenges are:

a. High capital costs: Renewable energy projects often require significant upfront investments, making it difficult for some investors to participate. This can be particularly challenging for individuals or smaller organizations with limited financial resources.

b. Policy and regulatory uncertainty: Renewable energy policies and regulations can be subject to change, which can affect the viability of renewable energy investments. E.g., changes to tax incentives or subsidies or regulations with respect to useful life of facilities could impact the return on investment.

c. Technical challenges: Some renewable energy technologies are still relatively new and may not have been fully tested or proven in real-world scenarios. This can make it difficult to accurately predict performance and profitability, adding an element of risk for investors.

d. Intermittency: Many renewable energy sources, such as solar and wind power, are intermittent, meaning that they are not always available when needed. This can make it challenging to integrate renewable energy into the grid and may require additional investments in energy storage technologies.

e. Market volatility: Like any investment, renewable energy projects are subject to market fluctuations, which can impact the profitability of the investment. This can be particularly challenging in the renewable energy sector, which is still developing and may be subject to

greater volatility than more established industries.

2. **Promote sustainable practices:** Promoting sustainable practices can be a challenging task due to a variety of reasons. Some of the common challenges include:
   a. Lack of awareness: Many people are not aware of the impact of their actions on the environment and the importance of sustainable practices. Raising awareness and educating people about the benefits of sustainability can be a challenging task.
   b. Cost: Sustainable products and practices can often be more expensive than their non-sustainable counterparts. This can be a barrier for many people, especially those with limited financial resources.
   c. Lack of political will: Governments play a crucial role in promoting sustainability by setting policies and regulations that encourage sustainable practices. However, many governments may not have the political will to prioritize sustainability over other priorities.
   d. Limited access to resources: Sustainable practices may require access to resources such as clean energy or sustainable materials, which may not be readily available or affordable for everyone.
   e. Cultural and social norms: Cultural and social norms can also play a role in promoting sustainable practices. In some cultures, for example, it may be considered impolite to refuse plastic bags or disposable utensils, making it difficult to adopt sustainable practices.

3. **Support local businesses:** Local businesses play a crucial role in sustainable development by contributing to the economic, social, and environmental well-being of their communities. Here are some of the key roles local businesses can play in sustainable development:
   a. Economic Development: Local businesses can help promote economic development by creating jobs and generating income for the community. They can also contribute to the growth of other local businesses by buying local goods and services, which helps to circulate money within the community.
   b. Environmental Sustainability: Local businesses can take steps to minimize their environmental impact by reducing waste, conserving energy, and using sustainable materials. This can help to protect the natural resources of the community and promote long-term sustainability.
   c. Social Responsibility: Local businesses have a responsibility to their communities and can play a role in promoting social justice and equality. They can support local charities and community organizations, provide job training and education programs, and prioritize ethical business practices.
   d. Innovation: Local businesses can drive innovation in their communities by developing new products and services that meet the needs of the community.

This can help to create new opportunities and improve the overall quality of life in the community.

4. **Implement regulations and policies:** Governments can implement regulations and policies that encourage sustainable practices, such as taxes on carbon emissions. Some of the key roles that government regulation can play in promoting sustainable energy are:
   a. Setting Renewable Energy Targets: Governments can set targets for renewable energy generation to encourage investment in clean energy sources. These targets can be set for specific sectors, such as electricity generation, transportation, or buildings.
   b. Providing Incentives: Governments can provide incentives such as tax credits, rebates, and grants to encourage investment in sustainable energy projects. This can help offset the higher initial costs of these projects and make them more attractive to investors.
   c. Regulating Energy Efficiency: Governments can regulate the energy efficiency of buildings, appliances, and other equipment to reduce energy consumption and promote sustainable energy use.
   d. Supporting Research and Development: Governments can provide funding for research and development of new sustainable energy technologies, such as energy storage or advanced solar panels. This can help accelerate the development and deployment of these technologies.
   e. Enforcing Environmental Standards: Governments can enforce environmental standards to ensure that energy projects are developed in an environmentally responsible way. This can include regulations on emissions, waste disposal, and habitat protection.
5. **Encourage innovation:** Innovation in sustainable technologies faces a variety of challenges. Some of the major challenges include:
   a. Consumer demand: Sustainable technologies may require a change in consumer behaviour, and not all consumers may be willing to adopt these changes. This can create a barrier to the adoption of new sustainable technologies.
   b. Infrastructure: Some sustainable technologies may require significant changes to existing infrastructure, such as energy grids or transportation networks. These changes can be expensive and may take a long time to implement, which can be a barrier to innovation.
   c. Global cooperation: Addressing sustainability challenges requires global cooperation, but not all countries may be willing to collaborate on these issues. This can make it difficult to implement sustainable technologies on a global scale.
6. **Promote education:**
   There are several challenges in sustainable development education, including:
   a. Lack of awareness: Many people are still not aware of the importance of

sustainable development and its impact on the environment, society, and the economy. This lack of awareness makes it difficult to create a widespread understanding of the need for sustainable development education.

b. Lack of integration: Sustainable development education should be integrated across various subject areas, including science, social studies, and language arts. However, there is often a lack of integration, with sustainable development concepts being taught in isolation rather than being integrated into the broader curriculum.

c. Lack of trained educators**:** Sustainable development education requires educators who are trained in the subject matter and have the skills and knowledge to deliver it effectively. However, many educators may not have the necessary training, making it difficult to deliver sustainable development education effectively.

d. Resistance to change: Sustainable development education challenges traditional ways of thinking and living, and some may resist this change. Educators and policymakers may face resistance from those who do not see the value of sustainable development or who believe that it conflicts with their beliefs or interests.

7. **Foster collaboration:** Collaboration between businesses, governments, and individuals can help to identify and address sustainability challenges and promote more sustainable economic practices. Collaboration between government and businesses can be challenging due to various reasons, which include:

a. Lack of trust: There may be a lack of trust between government and businesses, especially if there have been past conflicts or disagreements. This can make it challenging to establish effective working relationships.

b. Communication barriers: Communication is crucial in any collaboration, but it can be difficult when government and businesses speak different languages or have different communication styles.

c. Political factors: Political factors can also influence collaboration between government and businesses. Changes in government leadership or policy priorities can impact ongoing partnerships, while businesses may be hesitant to collaborate with government agencies perceived as partisan.

d. Competing interests: In some cases, government and businesses may have competing interests or conflicting agendas, which can make it difficult to work together effectively.

Overcoming these challenges requires commitment and effort from both government and businesses. Open communication, shared goals, and a willingness to compromise are all important factors that can help facilitate successful collaboration.

Opportunities for Cost and Management Accountants (CMAs) in Sustainable Economic Growth:

Here are some specific ways, CMAs can contribute to a sustainable economy:

1. **Conducting life-cycle cost analysis:** CMAs can analyse the full life-cycle costs of products and services, from raw materials extraction to disposal. This approach helps businesses identify opportunities to reduce waste, improve efficiency, and minimize environmental impact.
2. **Implementing environmental accounting:** CMAs can help companies adopt environmental accounting practices to track and report on their environmental performance. This can help businesses identify areas where they can reduce their environmental impact, such as reducing greenhouse gas emissions, conserving water, and reducing waste.
3. **Encouraging sustainable sourcing:** CMAs can help businesses adopt sustainable sourcing practices by analysing the costs and benefits of sourcing materials from environmentally responsible suppliers. This can include evaluating suppliers based on their sustainability certifications, social responsibility, and environmental impact.
4. **Identifying opportunities for cost savings:** CMAs can analyse and track expenses related to sustainability initiatives and identify areas where costs can be reduced without compromising the effectiveness of those initiatives.
5. **Supporting sustainable product development:** CMAs can work with product development teams to evaluate the environmental impact of new products, identify opportunities for improvement, and ensure that sustainability considerations are incorporated into product design and development.
6. **Implementing sustainable supply chain practices:** CMAs can collaborate with suppliers to identify opportunities to reduce environmental impact and ensure that suppliers are meeting sustainability requirements.
7. **Evaluating the financial impact of sustainability initiatives:** CMAs can help organizations evaluate the financial impact of sustainability initiatives and develop business cases to justify investments in sustainability.

By using their expertise in cost and management practices, CMAs present an analysis to support sustainability initiatives. They can help organizations to achieve their sustainability goals while also improving their financial performance by helping businesses reduce costs, minimize environmental impact, and promote social responsibility.

References/sources: Sustainable Development Solutions Network (SDSN)
https://sdgindex.org/

SUSTAINABILITY MUSING!

Climate-related risks, including physical, transition and liability risks, may be transmitted across the financial system through various transmission channels and may be amplified by the financial system, including across borders and across sectors. The increased frequency and intensity of extreme weather and climate-related events, and the intense debate about energy policies in many jurisdictions has made it all the more important to address climate-related financial risks in a timely manner. Climate risk relates to the financial and non-financial impacts that may arise as a result of climate change and the move to a greener economy. Climate risk can materialise through physical risk, which arises from the increased frequency and severity of weather events; and transition risk, which arises from the process of moving to a low carbon economy; and greenwashing risk, which arises from the act of knowingly or unknowingly misleading stakeholders regarding our strategy relating to climate, the climate impact/benefits of a product or service, or the climate commitments or performance of our customers. Climate change poses a big challenge to the banks, and they will have to play a leading role in addressing the risk posed by climate change. Through its multiple transmission channels, it can manifest and impact other risk types faced by the banks such as credit, market, liquidity, reputation risks etc. Banks wouldn't seem to be on the frontlines of these emerging risks. But because they make loans and grease the wheels of commerce for clients in virtually every industry, all over the world, their exposure to climate change is potentially enormous. The impact of a climate crisis on the global economy can be long-lasting and unprecedented. The financial services industry too will bear the brunt of this impact – in fact, the Bank for International Settlements (BIS) has opined that climate change can provoke 'green swan' events that could lead to systemic financial crisis unless timely action is taken.

Under the Paris Agreement which was adopted in the COP21 in 2015, 196 countries committed to the long term goal of holding he increase in the global average temperature well below 2 degrees Celsius, compared to preindustrial levels. To fulfil this commitment, the climate law aims to reduce the GHG emissions by at least 55% by 2030 and to achieve climate neutrality by 2050 and subsequently negative emissions. Banks play a pivotal role in the transmission as they can direct market towards the targets via curbing or by revising financial instrument pricing e.g. for limiting brown activities and supporting green activities. At the same time as bank borrowers are facing ever greater challenges from climate change and environmental degradation, banks will be at the forefront in respect of the impact of C&E risks.

Focus on climate-related risk continued to increase over 2022, owing to the pace and volume of policy and regulatory changes globally, particularly on climate risk management, stress testing and scenario analysis and disclosures. If banks fail to meet evolving regulatory expectations or requirements on climate risk management, this could have regulatory compliance and reputational impacts. Banks could

face direct impacts, owing to the increase in frequency and severity of weather events and chronic shifts in weather patterns, which could affect our ability to conduct our day-to-day operations. Their customers may find that their business models fail to align to a net zero economy or face disruption to their operations or deterioration to their assets as a result of extreme weather. Banks face increased reputational, legal and regulatory risk as they make progress towards their net zero ambition, with stakeholders likely to place greater focus on their actions such as the development of climate-related policies, disclosures and financing and investment decisions relating to their ambition. BFSI will face additional risks if they are perceived to mislead stakeholders in respect of their climate strategy, the climate impact of a product or service, or the commitments of their customers. Climate risk may also impact on model risk, as the uncertain impacts of climate change and data and methodology limitations present challenges to creating reliable and accurate model outputs. Banks also face reporting risk in relation to their climate disclosures, as any data, methodologies and standards hey have used may evolve over time in line with market practice, regulation or owing to developments in climate science.

There is an ever-increasing pressure from investors and regulators on the banks to mitigate the financial risks arising from climate change as it poses a systemic risk to the global economy. Regulators have even warned the banks of stricter penalties in case of no action taken by the banks. For example, the European Central Bank has warned banks that failing to tackle their financial risks from climate change in the next two years will result in higher capital requirements and fines. With all of these forces bearing down on banks, their leaders need to adopt comprehensive, firm-wide approaches to managing climate change risk. That requires integration across the entire risk management framework. MarshMCLennan has highlight four ways to do that in the figure shown below regarding 'risk management framework and integration considerations'–

Climate-related risk management initiatives for the Banking, Financial Services, and Insurance (BFSI) sector are becoming increasingly important as the impacts of climate change are felt worldwide. These initiatives help BFSI companies assess, mitigate, and adapt to climate-related risks while also identifying opportunities for sustainable finance. Here are some key strategies and initiatives for the BFSI sector to manage climate-related risks:

1. **Climate Risk Assessment**:
   - Conduct comprehensive climate risk assessments to identify potential risks associated with physical (e.g., extreme

weather events) and transition (e.g., policy and market changes) risks.

2. **Scenario Analysis**:
   - Use scenario analysis to model potential climate-related impacts on investment portfolios and insurance underwriting. This can help evaluate how different climate scenarios might affect financial performance.
3. **Integration of ESG Factors**:
   - Integrate Environmental, Social, and Governance (ESG) factors into investment and lending decision-making processes to assess climate-related risks and opportunities.
4. **Green Finance and Sustainable Investment**:
   - Develop and promote green financial products, such as green bonds, green mortgages, and sustainable investment funds, to support environmentally friendly projects and businesses.
5. **Risk-Based Pricing**:
   - Consider risk-based pricing for insurance policies to account for climate risks and encourage policyholders to take climate adaptation measures.
6. **Climate Stress Testing**:
   - Implement climate stress tests to evaluate the resilience of financial institutions in the face of climate shocks and identify potential capital vulnerabilities. The Financial Stability Board also encourages banks to infuse climate risk assessments into collateral policies in addition to credit policies. The outcome of stress tests can shape those guiding principles and indicate where firms should adjust collateral requirements for borrowers or begin to demand credit insurance and other sources of risk mitigation from counterparties.
7. **Regulatory Compliance**:
   - Stay up to date with evolving climate-related regulations and disclosure requirements, such as the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.
8. **Collaboration and Knowledge Sharing**:
   - Collaborate with industry peers, regulators, and experts to share best practices, research, and data related to climate risk management.
9. **Climate Data and Analytics**:
   - Invest in advanced data analytics and modelling capabilities to assess and monitor climate-related risks more effectively.
10. **Customer Education**:
    - Educate customers about climate risks and the importance of climate-resilient financial products and services.
11. **Supply Chain Due Diligence**:
    - Evaluate the climate-related risks within your supply chain to ensure the resilience of your operations.
12. **Investment in Renewable Energy and Sustainability**:
    - Direct investments into renewable energy projects and sustainable businesses, supporting the transition to a low-carbon economy.
13. **Carbon Neutrality Commitments**:
    - Set targets to achieve carbon neutrality in your own operations and investments

to demonstrate commitment to sustainability.

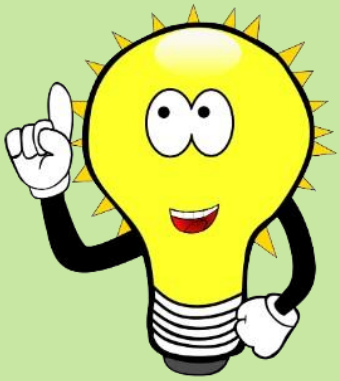
14. **Adaptation Strategies**:
    - Develop strategies for adapting to climate change impacts, such as changes in risk assessment models, insurance coverage, and lending practices.
15. **Engagement with Regulators**:
    - Engage with regulatory authorities to provide feedback and insights on climate-related regulations and advocate for policies that support climate risk management.

BFSI companies that proactively address climate-related risks and opportunities can enhance their long-term sustainability, protect their investments, and contribute to the global transition to a low-carbon, climate-resilient economy. It is important to continuously monitor and adapt these initiatives as the climate risk landscape evolves.

To wrap up global investment requirements for addressing climate change are estimated in the trillions of US dollars, with investments in infrastructure alone requiring about $6 trillion per year up to 2030 (OECD 2017). Most of these investments are likely to be intermediated through the financial system. From this point of view, climate change represents for the financial sector as much a source of opportunity as a source of risk.

Cost and Management Accountants (CMAs) play a vital role in climate-related risk management for banks and financial institutions. Their expertise in financial management, risk assessment, and strategic planning can be applied to help banks address and mitigate climate-related risks. CMAs can leverage their financial expertise and analytical skills to support banks in identifying, measuring, and managing climate-related risks. As climate change becomes an increasingly important factor in the financial industry, their role in climate risk management is crucial for ensuring the long-term sustainability and resilience of banks and financial institutions.

DO YOU KNOW!



Every time a plane lands on a runway, up to 14kg of rubber can be deposited – especially in the touchdown zone.This is usually a more significant issue in hotter, more humid climates, where deposits are greater because of the runway and ambient temperature, and there can be a greater risk of heavy rainfall. Larger, heavier planes will tend to leave greater deposits, as well as shorter runways where heavier braking is required. Large international airports clean their runways three to five times per week. Each session takes up to four hours and typically takes place at night when the runway is closed.

It is well known that polymer decomposition (biodegradation) takes a long time and causes harmful environmental effects. Therefore, polymer wastes' disposal is a serious environmental issue. Tires containing almost 50% rubber are polymeric materials. The tire industries, as the main application of rubbers (65% of the global production), generate the largest amounts of rubber waste materials. Therefore, rubber recycling is often defined as tire recycling. Currently, 1.5 Bn tires/year are discarded worldwide containing up to 90% of vulcanized rubber that cannot be easily recycled (reprocessed) due to their complex crosslinked structure. Some environmentally friendly recycling techniques have been developed such as triboelectric separation, froth flotation, and laser-induced breakdown spectroscopy. However, these methods are expensive, and the obtained recycled rubbers vary in cleanliness, size, shape, and surface topography quality. Although vulcanized waste rubbers are difficult to recycle, they are very durable, strong, and flexible materials, which can be used as ideal fillers in composite production.

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

SUSTAINABILITY QUIZ – RAPID FIRE ROUND

1. In the BRSR, details of Scope __ GHG emissions is not a leadership indicator.
2. BRSR Core Assurance is mandatory for top ____ listed companies by market capitalisation for FY 2023-24.
3. Principle ___ of BRSR deals with Human Rights
4. SDG stands for _____.
5. IFRS S2 deals with _____

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 NOVEMBER'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 November 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.

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