

ESG – INDIA DRIVES THE WAY

CS A Sekar and Dr. Ranjith Krishnan***

Background

India has always been in the forefront with respect to the concerns of Environment and Society much before the era of Industrialisation, but lost its way in the wake of colonialism during the British rule, so much so that it took almost more than six decades to come out of its shell post-independence, while other developed and lesser known nations stole the limelight in the form of shift from shareholder concerns to stakeholder concerns. The developed European nations and USA then started to look to China and India as two of the largest emerging economies where they shifted most of the manufacturing operations involving carbon footprint. Over some period of time, China and India became the largest and the third largest GHG emitting nations in the world respectively, even as concerns of Environment and Sustainability started gaining momentum globally.

Perhaps the most significant move displaying significant seriousness with respect to tackling environmental and Climate Change related issues was the 2015 Paris Climate Agreement, where a remarkable understanding was reached among the participating nations to achieve reduction in the quantum of Carbon emission by 55 gigatons by 2030. Further, under the United Nations initiative, the 17 Sustainable Development Goals (SDGs) were evolved. India and 192 other countries agreed on the road map for moving towards achieving SDG targets by 2030. India's initiatives demonstrate its status to emerge as the Vishwaguru with respect to Environmental, Social and Governance (ESG) initiatives. In the COP-26 held at Glasgow, in which 197 nations participated, over 140 countries pledged to reach net-zero emissions and India on its part committed to net-zero by 2070 and promised to draw half of its energy requirement from renewable sources by 2030.

Achieving ESG through Business Responsibility and Sustainability Reporting (BRSR)

In fact, India's initiatives towards ESG could be traced to December 2009, when the Ministry of Corporate Affairs (MCA) issued the Voluntary Guidelines on Corporate Social Responsibility (CSR). CSR became mandatory with the coming into force of the Companies Act, 2013 with effect from

* Practising Company Secretary, Mumbai.

** Faculty Member and Industry Liaison Officer, National Institute of Securities Markets.

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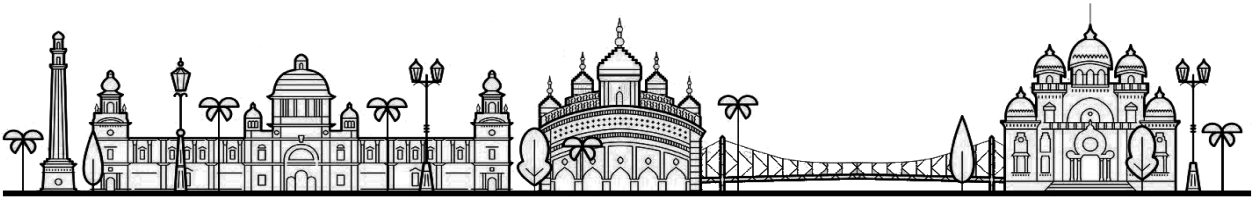
1st April, 2014 for companies meeting certain thresholds of Profits or Turnover or Net Worth, requiring them to spend at least 2% of average profits of the preceding three financial years.

Securities and Exchange Board of India (SEBI) on its part introduced the Business Responsibility Report (BRR) in 2012, which was initially made mandatory for Top 100 Listed Entities by market capitalisation, which was later extended to Top 500 listed entities in April 2016.

The really substantial move towards ESG was the release of the National Guidelines on Responsible Business Conduct (NGRBC) in March 2019 by the MCA. In his message on the occasion of the release of the NGRBC, our Hon'ble Prime Minister has stated *"Responsible Business Conduct is a globally recognized concept founded on the idea that businesses can perform better when engaged in re-vitalizing the society from which they extract resources for production. The National Guidelines on Responsible Business Conduct, 2018 (NGRBC), which is an improvement over the existing National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business, 2011 (NVGs), are a means of nudging businesses to contribute towards wider development goals while seeking to maximize their profits. The NGRBC is dovetailed with the United Nations Guiding Principles on Business & Human Rights (UNGPs). The NGRBC intends to not just make companies more responsible and accountable but also to create a whole ecosystem to 'Protect1, 'Respect1 & 'Remedy' as envisaged in the UNGPs."*

In May 2020, the MCA released the report of the Committee on Business Responsibility constituted under the Chairmanship of the Joint Secretary to the Government of India for finalising Business Responsibility Reporting for listed and unlisted companies. The committee after examining the NGRBC-BRR framework within the broader context of UNGPs, SDGs, and other widely accepted non-financial/sustainability reporting frameworks recommended a comprehensive reporting and disclosure format for listed companies and a shorter version format called "BRSR Lite" for other companies. On the basis of the report by MCA, SEBI introduced the framework of Business Responsibility and Sustainability Report (BRSR) in May 2021 making it mandatory for the top 1000 listed entities by market capitalisation and this will fully replace the reporting under BRR framework from FY 2022-23. For other listed entities, reporting under the BRSR framework is voluntary.

The intention of the BRSR framework prescribed by SEBI is to link the performance of a listed entity on business, financial and economic parameters with its ESG performance so that the stakeholders such as the regulators, investors, suppliers, creditors and others have the necessary information to be able to make an assessment and evaluation of the progress made by the listed entity in terms of growth and sustainability in totality considering all parameters wherein financial parameters is one of them. Having in place a standard format for BRSR reporting facilitates comparability across entities, sectors and time. Further, standardized disclosures on ESG parameters is of great use to the investors in the matter of making better investment decisions after considering the ESG related inputs arising out of the disclosures made. While in the initial years, there could be quite a few challenges faced by the listed entities in terms of obtaining the relevant data and information to meet the disclosure requirements, over a period of time it is expected that the BRSR format would provide a single source for all non-financial information from a stakeholder perspective.



The nine principles under which disclosures are sought distinctly under two heads (Essential Indicators and Leadership Indicators) are as under: -

1. Businesses should conduct and govern themselves with integrity in such a manner that is ethical, transparent and accountable.
2. Businesses should provide goods and services in such a manner that is sustainable and safe.
3. Businesses should respect and promote the well-being of all employees, including those in their value chains.
4. Businesses should respect the interests of and be responsive to all their stakeholders.
5. Businesses should respect and promote human rights.
6. Businesses should respect and make efforts to protect and restore the environment.
7. Businesses, when engaging in influencing public and regulatory policy, should do so in such a manner that is responsible and transparent.
8. Businesses should promote inclusive growth and equitable development.
9. Businesses should engage with and provide value to their consumers in a responsible manner.

SDGs and BRSR

The SDG Agenda

According to the preamble to the 2030 Agenda for Sustainable Development, the agenda is a plan of action for people, planet and prosperity. The preamble equally lays stress on the 4th P, namely Partnership which is crucial to ensure that the needs of the poorest and vulnerable are also achieved, which is not possible without the participation of all stakeholders and countries.

Linkages within SDGs

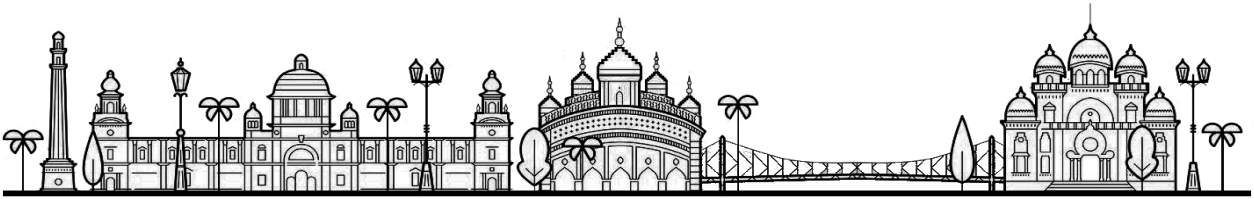
It is to be noted that the 17 SDGs are interconnected, complimentary and supplementary with each other. The UN's declaration "Calling for Action to change the world" recognises that the SDGs and targets are integrated as well as indivisible, global in nature and universally applicable, but at the same time gives due consideration to different national realities, capacities and stage of development of each nation while respecting national policies and priorities. As regards the targets set, the declaration classifies and defines **Targets** into two categories namely - aspirational and global, with the commitment from each government to set its own national targets guided by the global level of ambition but after considering their own national circumstances. The declaration further states that each government will also decide how these aspirational and global targets should be incorporated in national planning processes, policies and strategies.



The declaration highlights the importance of recognising the link between sustainable development and other relevant ongoing processes in the Environment, Social and Governance aspects, as can be understood from the following table :-

THE 17 SDGs

<i>SDG</i>	<i>Environment</i>	<i>Social</i>	<i>Governance</i>	<i>SDG</i>	<i>Environment</i>	<i>Social</i>	<i>Governance</i>
1. No Poverty		*		10. Reduced Inequality		*	
2. Zero Hunger		*		11. Sustainable cities and Community	*		*
3. Good Health / Well Being		*		12. Responsible Consumption & Production	*	*	*
4. Quality Education		*		13. Climate Action	*		*
5. Gender Equality		*	*	14. Life Below Water	*		
6. Clean Water & Sanitation	*	*		15. Life on Land	*		
7. Affordable & Clean Energy	*			16. Peace, Justice and Strong Institutions		*	*
8. Decent Work & Economic Growth		*	*	17. Partnership to achieve Goals			*
9. Industry, Innovation & Infrastructure	*	*	*	Total 1 to 17	8	11	8



Linking the SDGs with 9 Principles

Mapping of SDGs with Principles

SDG No	Principle	1	2	3	4	5	6	7	8	9
	Description	Ethical, Transparent & Accountable	Goods/ services safe & Sustainable	Well Being of employees	Responsiveness to stakeholder interest	Respect and Promote Human Rights	Protect & Restore Environment	Responsible Advocacy	Inclusive Growth & Equitable Development	Provide Value to Customers in a responsible manner
1	No poverty									
2	Zero Hunger									
3	Good Health & Well being									
4	Quality Education									
5	Gender Equality									
6	Clean Water/ Sanitation									
7	Affordable & Clean Energy									
8	Decent Work & Economic growth									
9	Industry, Innovation & Infrastructure									
10	Reduced Inequalities									
11	Sustainable Cities & Communities									
12	Responsible Cons. & Production									
13	Climate Action									
14	Life below water									
15	Life on Land									
16	Peace, Justice and Strong Institutions									
17	Partnership to achieve goals									



Balancing the priorities for SDGs

Every nation has different priorities in terms of economic and social goals to be achieved. The necessity to balance their actions towards achieving these goals, SDGs notwithstanding, is any way a great challenge. Commitment to SDGs have added a new variable to be balanced in any nation's growth and development path. For instance, Bangladesh's rapid strides in its economic progress in terms of employment generation has come from its textile industry, which contributes almost 28.1% of its GDP and constitutes almost 70% of its exports. Thus, we may apparently attribute reasonable positive achievement of SDG – 1 (No Poverty), SDG - 9 (Industry, Innovation and Infrastructure) and SDG -10 (Reduced Inequalities) arising out the performance of textile industry. However, as per certain reports, workers in Bangladesh are not paid well and believed to be earning less than the minimum wage levels set by the government in Bangladesh. This scenario negates the potential achievement of SDG-10, apart from negative impact on SDG – 8 (Decent Work & Economic Growth). Similar considerations may be relevant for many developing as well as underdeveloped nations.

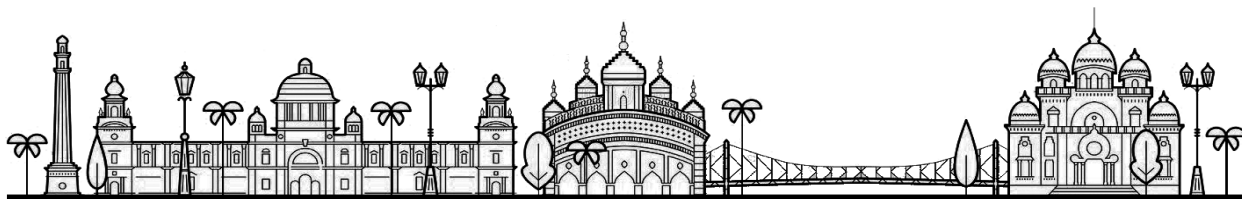
India, for instance, is facing a scenario whereby it is expected that nearly half of its population will be living in urban centres and this necessarily calls for serious work on “Smart Cities” and working towards SDG – 11 (Sustainable Cities & Communities). Commitment towards Smart Cities poses a challenge to balance the trade-offs of development and prosperity, which can be a tightrope to walk especially in densely populated cities where various civil society groups have different stakeholder concerns making it much more difficult. While projects such as Smart Cities can definitely be growth engines and create many job opportunities, issues such as climate change (SDG – 13), linkage to poverty (SDG – 1), gender exclusion (SDG -5) and inclusive growth (SDG – 10), are real and need to be dealt with. On the question of Smart Cities, Our Hon'ble Finance Minister, recently said “Business as usual approach will not work in Urban Planning”. In the case of India, when we are led by confident and committed leaders who understand the need for balancing the priorities with respect to the SDGs, it is only a question of time that we would be in a position to achieve most of our SDGs despite they being apparently a herculean task.

ESG and ICSI MOTTO – “Satyam Vada, Dharmam Chara”

ESG compliances offer the true test of the capacity of the business to cater to stakeholder interest in terms of strategy, governance and sustainability. The importance of all the three components gets balanced by the driving force of governance, which rests on the principles of “*Satyam Vada, Dharmam Chara*” propagated and adopted by the Institute of Company Secretaries of India (ICSI) as its motto. It is thus appropriate that ICSI should lead the way in the pathway towards achievement of global as well as India's SDGs.

ESG – Pursuit of Excellence Through ICSI

The ICSI being a professional body has taken the initiative for professional capacity building in the field of ESG by introducing Certificate Courses for its members. It is expected that this will be the starting point in creating a new generation of professionals to take forward the agenda for building up the next steps leading to the path of achieving excellence in the pursuit of not only achieving India's



SDG targets but also making a huge impact in the world stage as our governance professionals should be regarded as the “go-to” professionals in the global endeavours relating to ESG. There is no doubt regarding the capacity of ICSI to be the “**Vishwaguru**” for ESG. However, the success on this endeavour will largely depend upon the inclusive steps that ICSI takes for shaping the course for ESG professionals not only for its members but also expanding the scope and framework to the other professionals also. This will demonstrate the leadership of ICSI in adopting and encouraging multi-disciplinary approach with respect to ESG, which will not only benefit its own members but also get the respect and recognition of other professionals which is a sine qua non for achieving excellence in ESG. Needless to mention that at a later stage, the initiative should also extend to professionals from abroad to collaborate with our governance professionals, which will be the ultimate step to attain the “*Vishwaguru*” status.

Conclusion

It is said that the strength of the chain is limited to that of its weakest link. As long as there are some nations that are underdeveloped or poor, achievement of SDGs and consequently the long-term sustainability of the Planet is at best a pipe dream. Add to this the many avoidable conflicts such as the Ukraine war imposed on this world by the pursuit of opportunistic exclusive agenda are already increasing the inequality gaps and wastage of economic resources which could have been used better towards achieving SDGs. The latest trends are the unrest with respect to Taiwan. In the globalised world, these power-mongering and protectionist developments in the garb of protecting the self-interest of powerful or developed nations by their taking sides in avoidable conflicts regardless of relative merits, are also creating insecurity amongst smaller as well as underdeveloped nations. Under this scenario, nations would do well to bury their individual political agenda for the larger good of the world at large. In this context, many nations are looking to India. And the present Indian Government’s measured and balanced approach in this scenario seeks to demonstrate a leadership status to tackle such issues at the world stage. When it comes to ESG and Sustainability, the role of MCA and SEBI as regulators is commendable and gives confidence to all stakeholders about the potential heights the Indian Corporates and consequently India as a country can reach and be a trendsetter to the world.

References

1. <https://sdgs.un.org/2030agenda>
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