

ESG: Environmental, Social, Governance

One Ethical Decision at a Time



Executive summary

The current era underscores the critical importance of ESG (Environmental, Social, and Governance) factors for businesses across diverse sectors. Stakeholders, including customers, employees, shareholders, lenders, rating agencies, and regulators, are pushing companies to evaluate their global impact, societal contributions, and ethical conduct. Neglecting ESG can lead to customer and employee attrition, financial instability, and the risk of non-compliance with the global environmental norms.

Industry leaders are actively adopting strategic responses, initiating transformations across products, services, processes, operations, and supply chains. The primary responsibility for integrating ESG into business operations lies with the Board, assuming accountability to steer the transition towards an environmentally and socially responsible enterprise.

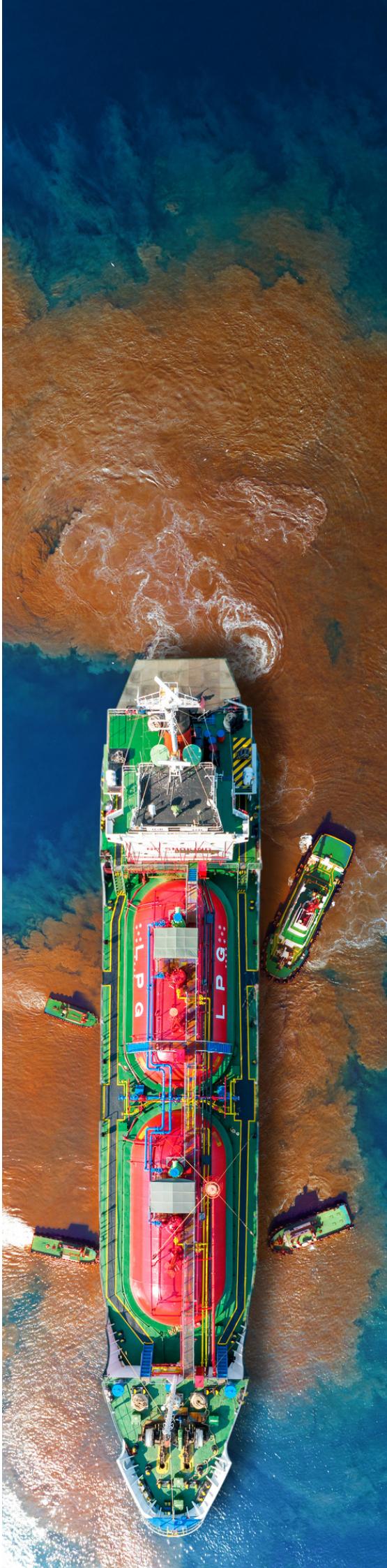
The COVID-19 pandemic has underscored the social and governance dimensions of ESG, with businesses prioritizing job protection, virus control, and ethical decision-making. This crisis underscores the need for resilience, presenting an opportunity to embed ESG in future board-level decisions.

Despite financial market turbulence, urgent action on ESG is essential due to observed market dynamics. The heightened awareness of ESG issues among professionals, fueled by initiatives like Who Cares Wins and the Principles for Responsible Investment (PRI), reflects a commitment to best practices.

At the COP26 conference, the International Financial Reporting Standards (IFRS) Foundation Trustees unveiled the establishment of the International Sustainability Standards Board (ISSB). The ISSB's standards aim to provide globally consistent, trusted, non-financial reporting as robust as financial reporting today. This unified set of ESG reporting standards is expected to enhance decision-making, offering a clearer understanding of a company's long-term performance and value creation prospects.

ESG investing has gained momentum in the public sector, with central banks supporting the shift to greener economies. This commitment extends to integrating ESG assessments into responsibilities such as reserve management and supervisory practices. Regardless of the climate change trajectory, corporate decisions indicate an increasing impact of climate transition and physical risks on the financial sector, warranting financial stability assessments.

Investors use ESG for risk management or to align with sustainable finance, considering societal impact issues. In conclusion, embracing ESG principles is not just strategic but essential for businesses navigating the evolving landscape of financial markets and societal expectations.



Demystifying ESG

ESG, or Environmental, Social, and Governance, refers to a set of criteria that investors and companies consider to evaluate a business's impact on society and the environment, alongside its governance practices.



Environmental

Your impact on the world

- Climate change effect
- Energy Efficiency
- Carbon Emissions
- Waste disposal
- Pollution & waste
- Resource depletion
- Product Life Cycle



Social

Your contribution to your communities

- Human capital
- Discrimination
- Diversity
- Community relations
- Social opportunities
- Product liability
- Supply chain



Governance

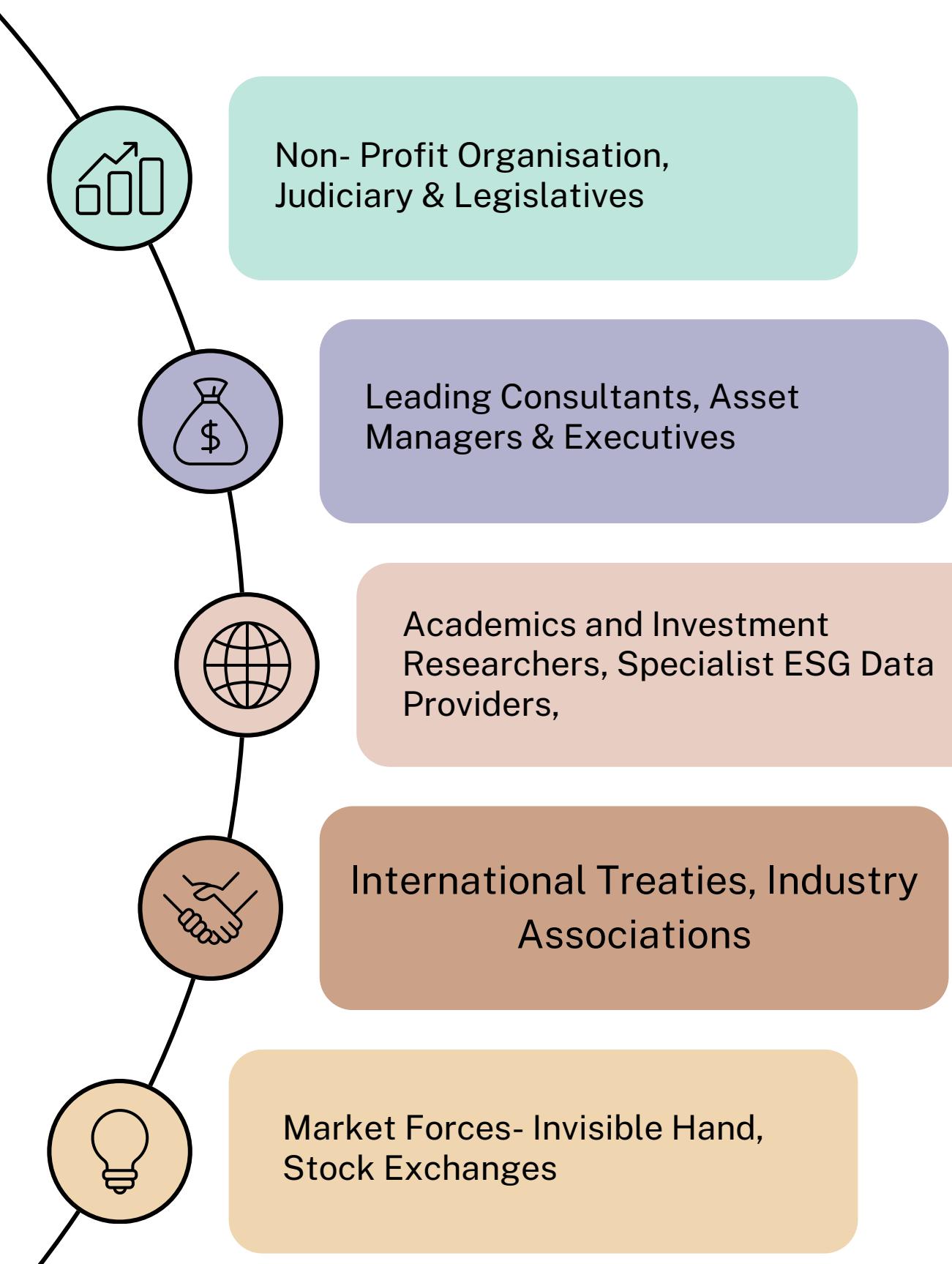
How you conduct yourself

- Cumulative voting
- Executive compensation
- Shareholders' rights
- Board diversity and structure
- Independent directors
- Data Breaches
- Tax strategy



"The earth, the air, the land and the water are not an inheritance from our forefathers but a loan from our children."

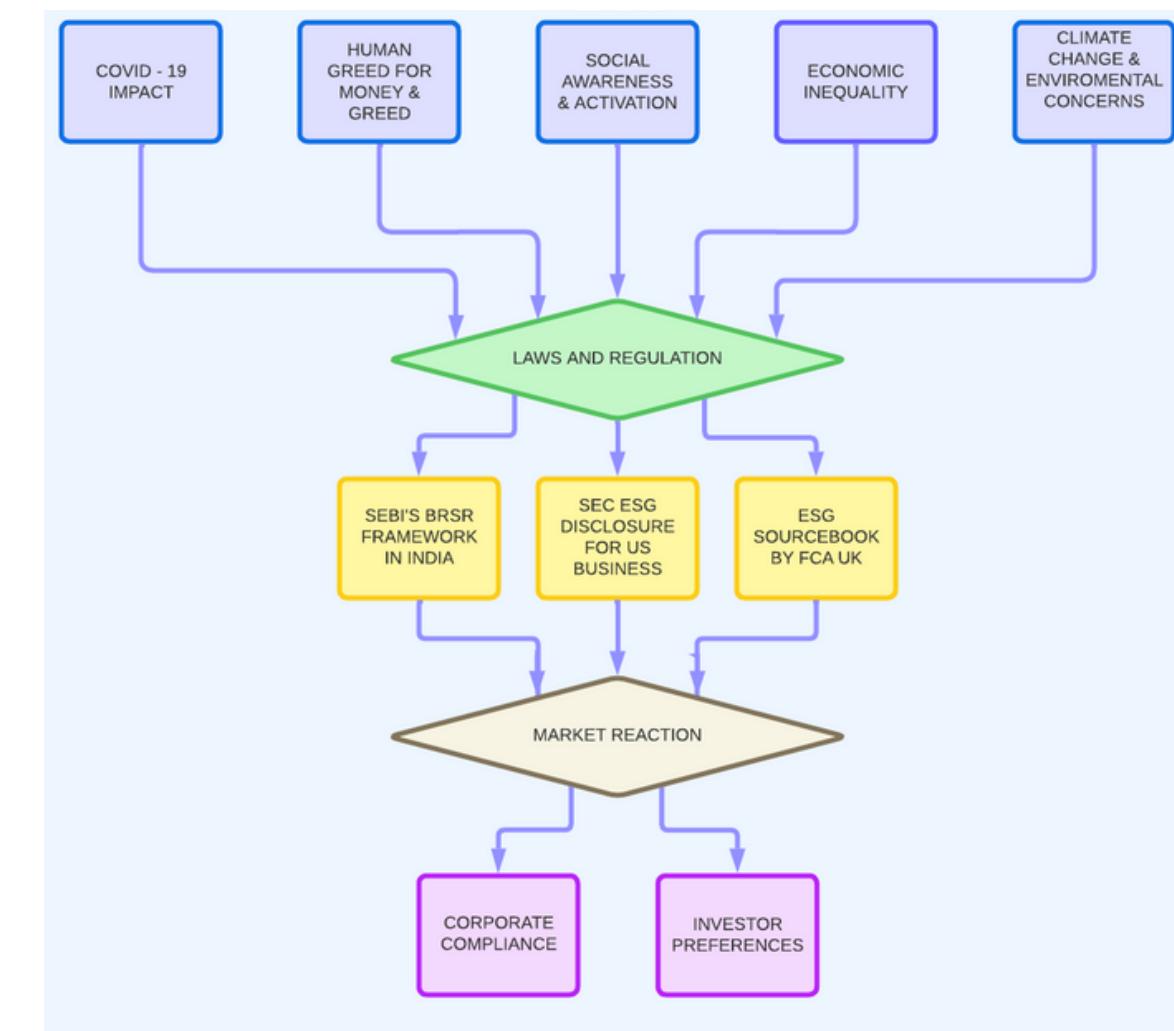
Actors Affecting ESG



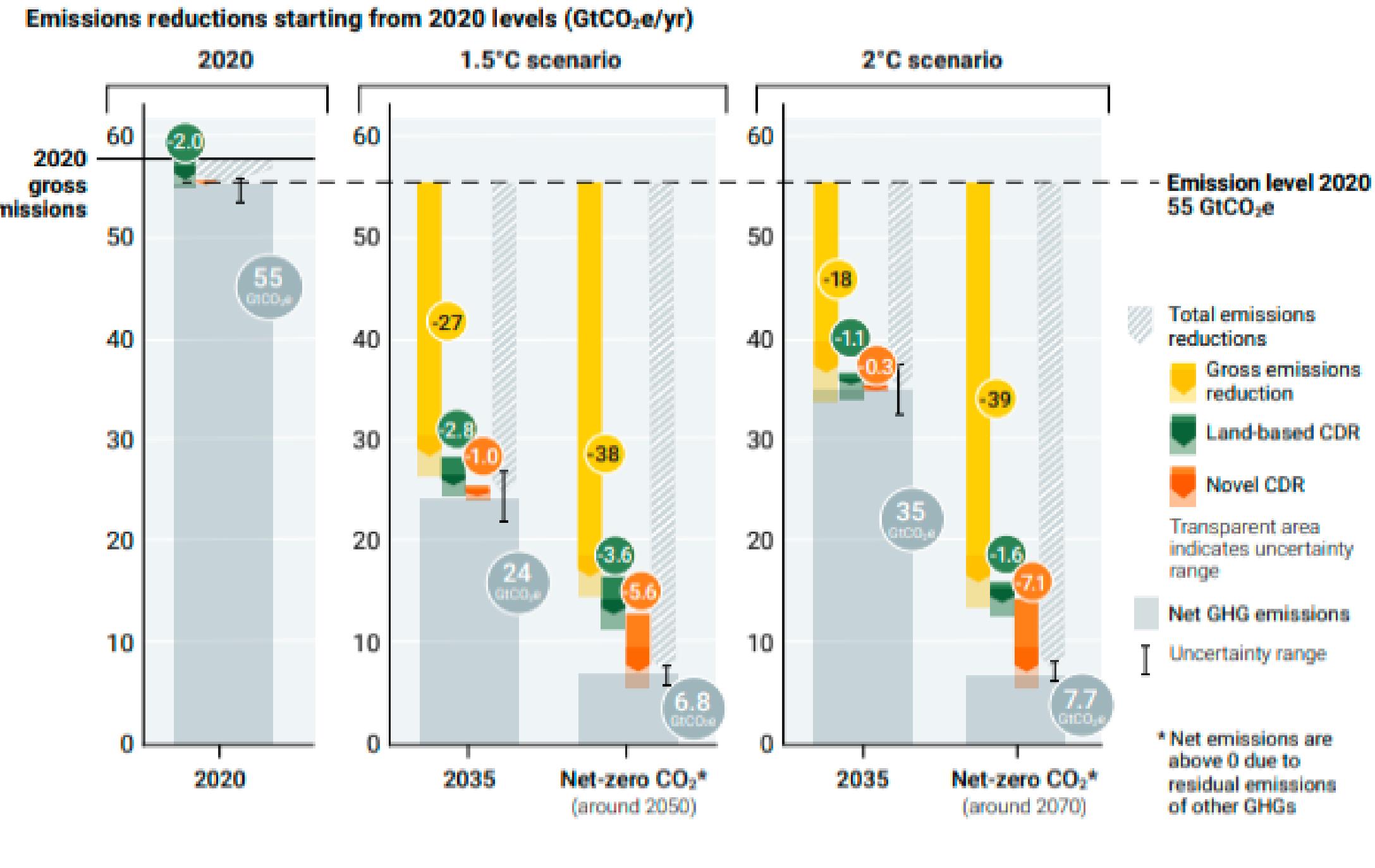
How ESG came to a Reckoning?

Factors like the profound impact of Covid-19, heightened societal awareness, and the consequences of unrestrained pursuit of wealth and luxury are the reasons that collectively shaped the financial landscape, prompting regulatory bodies like SEBI, SEC, and FCA to respond with a recognition of the imperative for ESG integration.

The subsequent formulation of laws and regulations reinforces a standardized approach to ethical and sustainable practices. Market reactions follow suit, with companies adapting to comply with ESG standards and investors increasingly favoring businesses aligned with these principles.



Green House Gas Emission



The role of emissions reductions and CDR (Carbon Dioxide Removal) in least-cost pathways consistent with the long-term temperature goal of the Paris Agreement

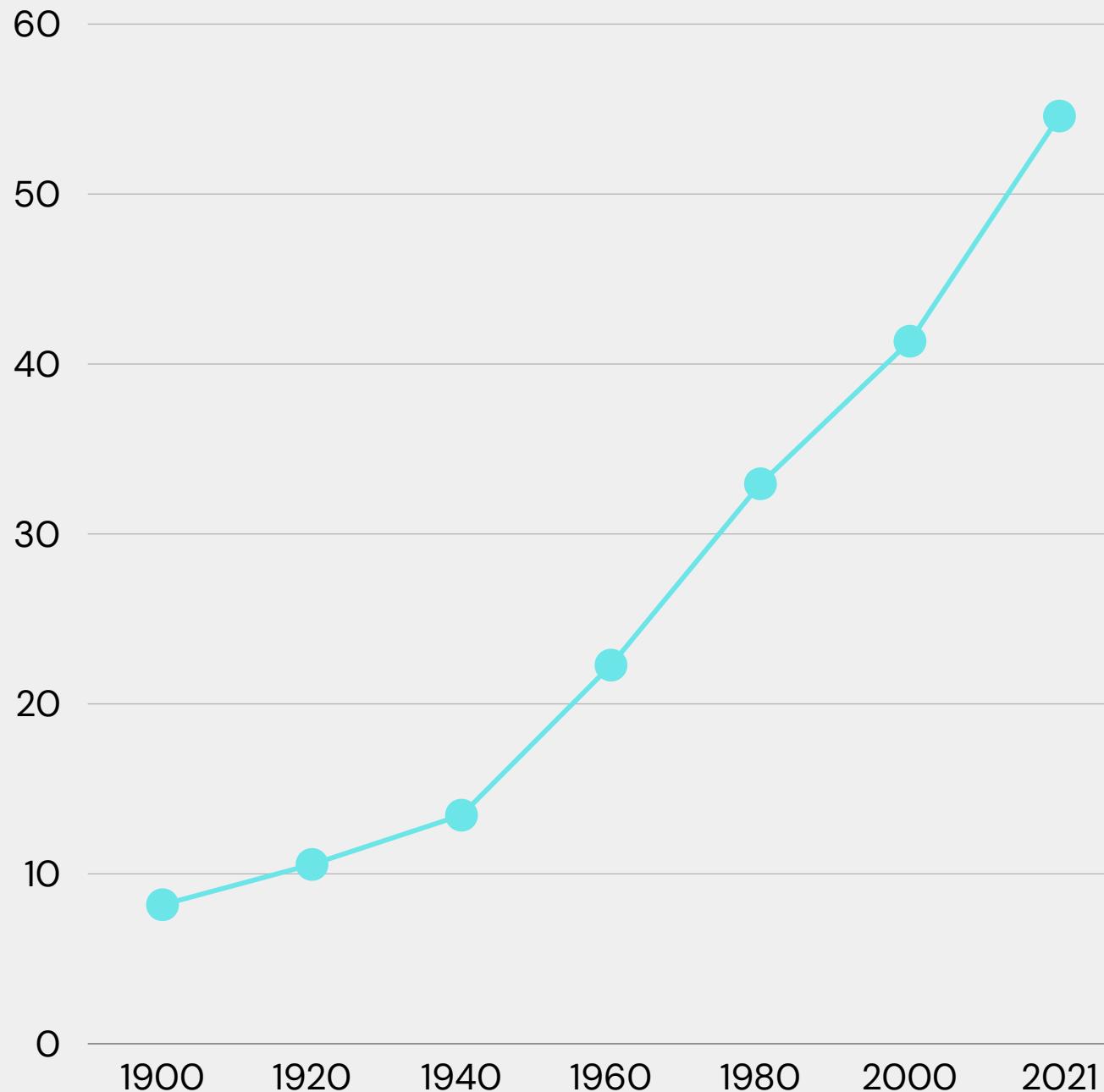
Greenhouse gas emissions, based on policies in place, were projected to increase to 59 GtCO₂/year at the time of the agreement's adoption in 2030. However, predicted 2030 greenhouse gas emissions still must fall by 28 per cent or to 42 GtCO₂/year for the Paris Agreement '2°C pathway' and 42 per cent (36 GtCO₂/year) for the 1.5°C pathway.

India also has to lower its GHG emissions by about 50% to achieve the respective targets.

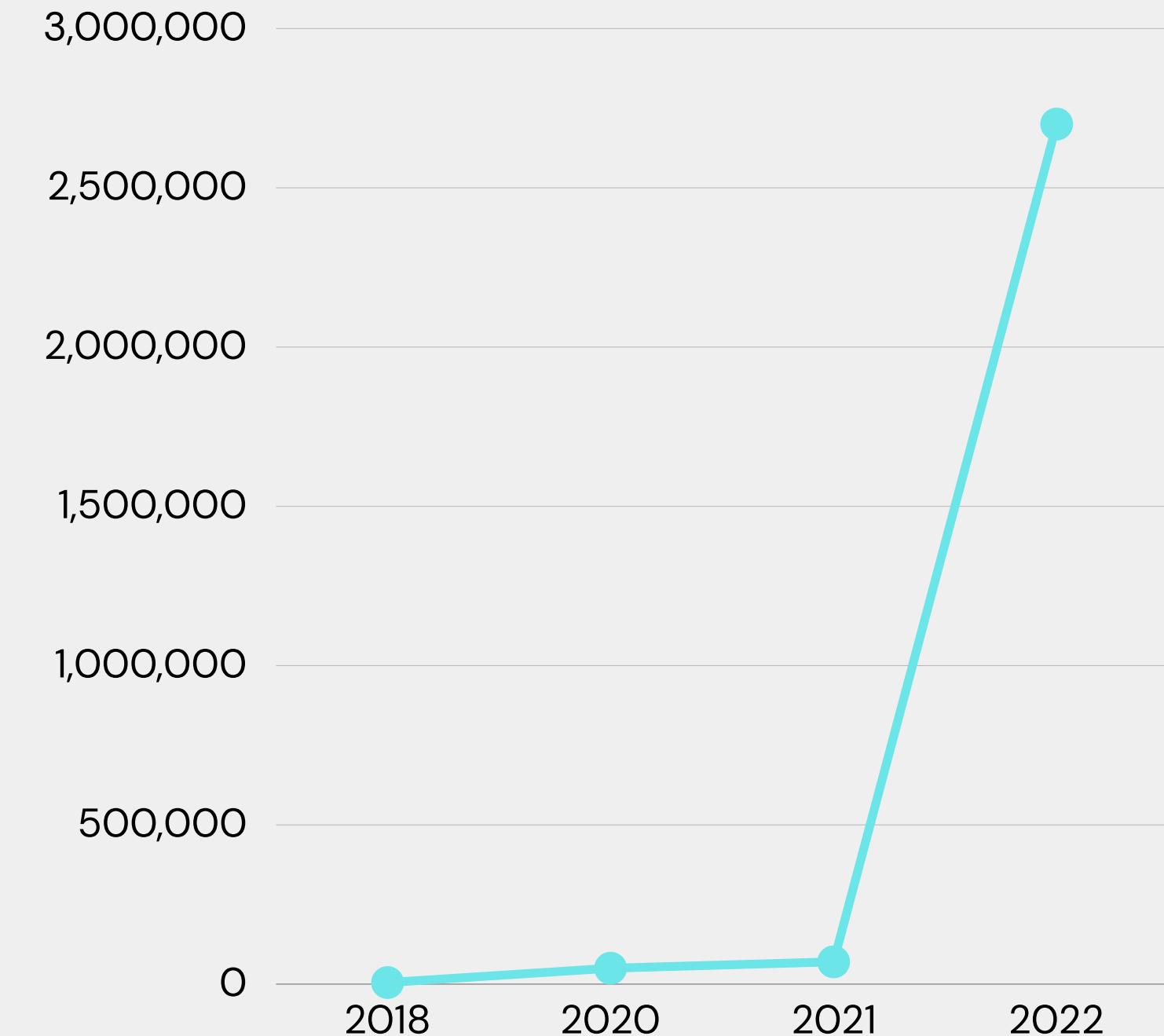
To achieve these, all the member countries and parties to the Paris agreement have been asked to declare their own Nationally Determined Contributions (NDCs). In the same sequence, Indian government has launched their own NDCs.

A Comparative Study of GHG Emissions and ESG Investments Across Companies

GHG EMISSION - GLOBAL



ASSETS IN ESG

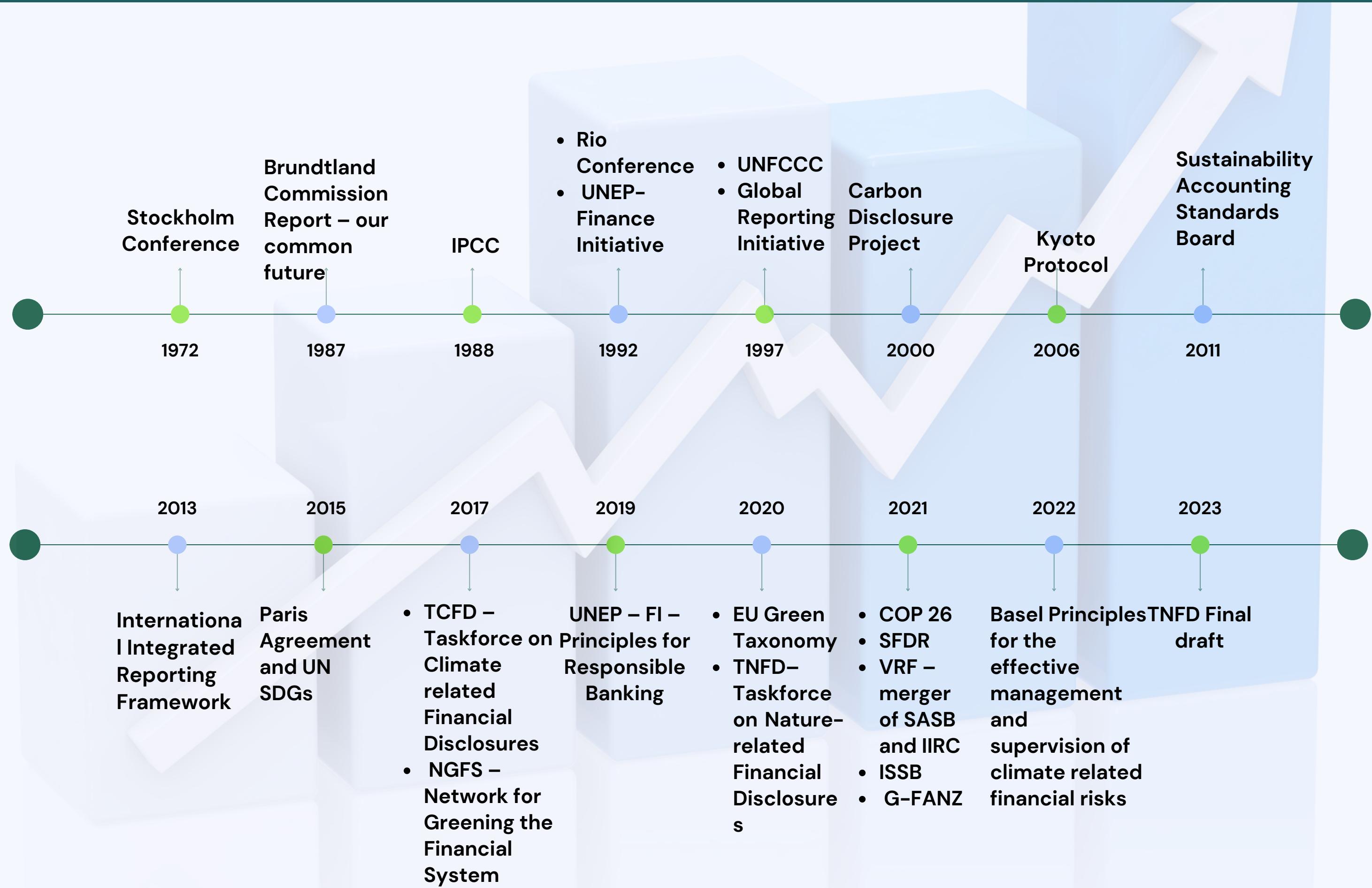


The increase in GHGs emissions has prompted the growth of assets in ESGs as well.

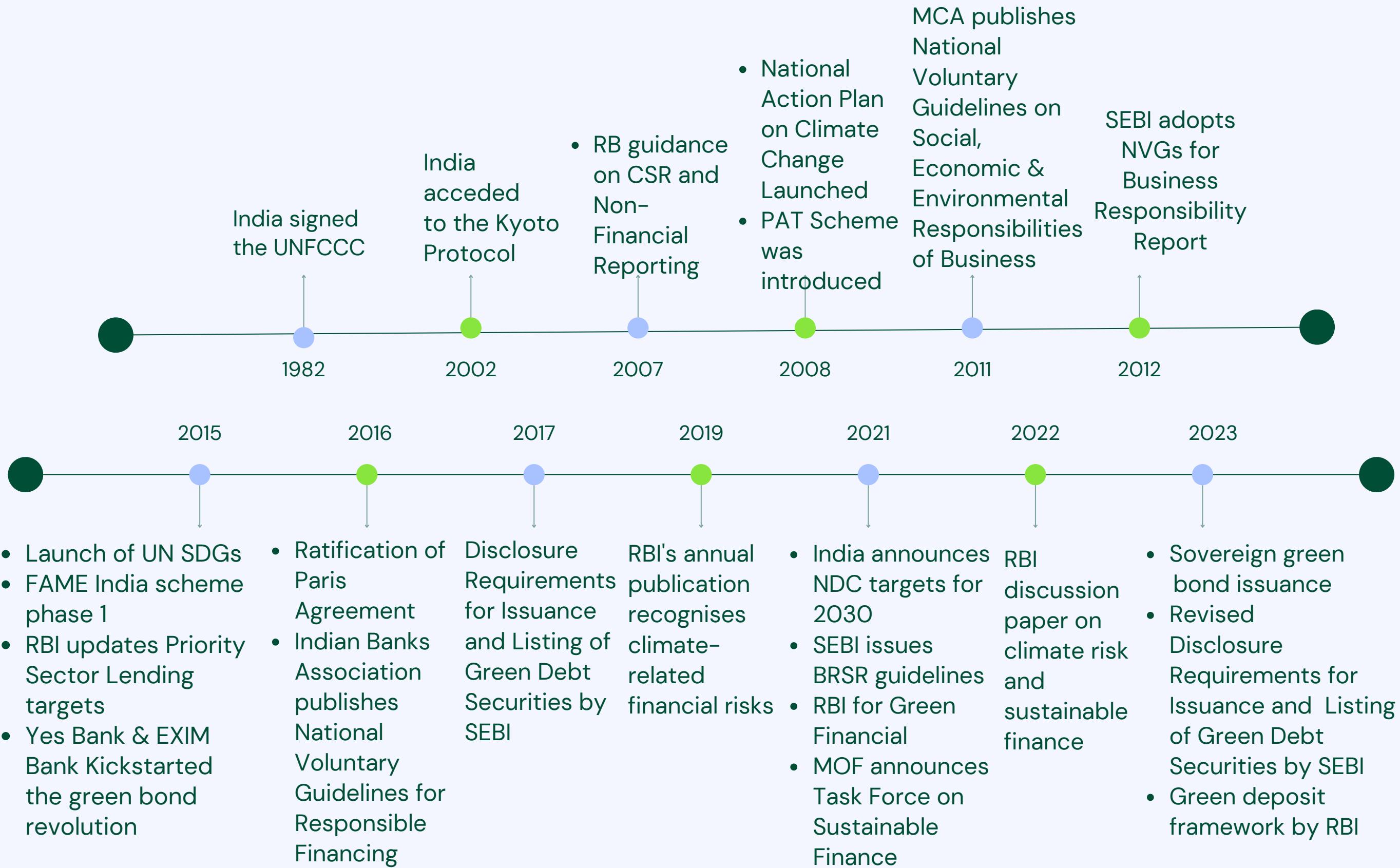
India has already [pledged to go net-zero by 2070](#) and in the same respect, India has defined its [Nationally Determined Contributions \(NDCs\)](#) targets, which are as follows;

- An [emissions-intensity target of 45% below 2005 levels by 2030](#);
- A target of achieving [50% cumulative electric power installed capacity from non-fossil fuel-based energy resources by 2030](#); and
- Creation of a [carbon sink of 2.5 to 3 GtCO₂e](#) through additional forest and tree cover by 2030.

Globally Emerging Standards & Frameworks



Domestic Progression towards GHG & Sustainability



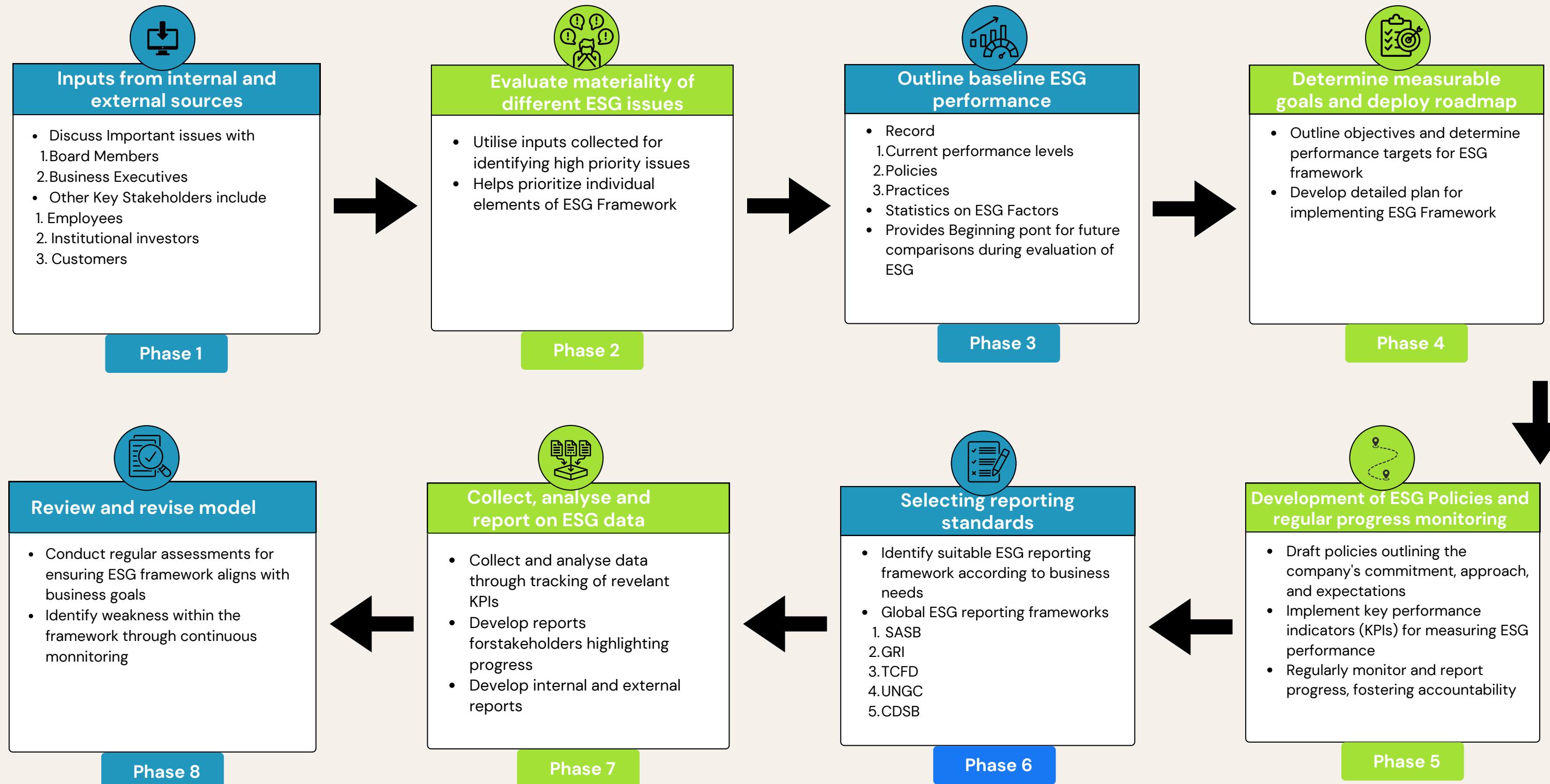
ESG reporting frameworks

It's important to note that each framework serves specific purposes, and companies often choose based on their industry, business model, and stakeholder expectations. Additionally, reporting frameworks are evolving, and companies may use a combination of frameworks to address various aspects of ESG performance.

ESG Initiatives	Focus Area	Key Features	Applicability	Industry Specificity	Reporting Methodology
GRI (Global Reporting Initiative)	Economic, Environmental, Social	Comprehensive, covers a wide range of sustainability topics. Offers flexibility in reporting.	Widely applicable to various sectors and industries	General	Self-determined disclosures, indicators, and reporting levels
SASB (Sustainability Accounting Standards Board)	Industry-specific	Focuses on industry-specific material issues. Designed for investors to evaluate the materiality of ESG factors.	Industry-specific, applicable to companies in specific sectors	Industry-specific, covers financially material ESG issues	Standards for disclosure of financially material ESG information
CDP (Carbon Disclosure Project)	Environmental (climate, water, forests)	Specializes in climate, water, and forests. Provides a platform for companies to disclose environmental impact.	Broad applicability with a focus on climate-related issues	General, with an emphasis on environmental impact	Standardized questionnaire and scoring system
TCFD (Task Force on Climate-related Financial Disclosures)	Climate-related financial risks	Focuses on disclosing climate-related financial risks and opportunities. Provides recommendations for reporting.	Widely applicable, particularly relevant to climate-sensitive industries	Climate-sensitive industries (financial, energy, etc.)	Scenario analysis, governance, strategy, risk management, and metrics
IIRC (International Integrated Reporting Council)	Integrated reporting	Aims to integrate financial and non-financial information, providing a holistic view of a company's value creation.	Broad applicability, relevant for companies seeking integrated reporting	General, encourages integrated reporting across sectors	Framework for integrated reporting and value creation
SDGs (United Nations Sustainable Development Goals)	Broad sustainability goals	Not a reporting framework but used for alignment. Companies align their activities with specific SDGs in their reporting.	Broad applicability, aligning with global sustainability goals	General, spans all industries	Aligning business activities with specific SDGs
SEBI'S BRSR & Rating Framework	ESG parameters	Non-financial sustainability information relevant to all business stakeholders – investors, shareholders, regulators, and public at large	Mandated for the top 1000 listed companies (by market capitalisation) in India	General, spans all industries	Standardized questionnaire and scoring system

Phases of ESG Framework Development

This slide depicts the phases of developing an effective ESG framework. The purpose of this slide is to help the company establish sustainable practices through the use of appropriate techniques and strategies in each phase. It includes phases such as gathering inputs from external and internal sources, outlining ESG framework performance, benchmarks, etc.



WHY SR ASIA ?

Comprehensive Services

From initial ESG assessments to strategy development, implementation, and reporting, we offer a comprehensive suite of services covering the entire ESG spectrum.

PROVEN EXPERTISE

With a wealth of proven expertise, we've successfully assisted numerous clients through the intricacies of ESG reporting and sustainable business practices.

GLOBAL RECOGNITION

Our commitment to excellence has earned us global recognition in the ESG domain, reflecting the quality and impact of our services on an international scale

CLIENT-CENTRIC APPROACH

We prioritize open communication, collaboration, and understanding to forge a partnership that goes beyond routine service provision

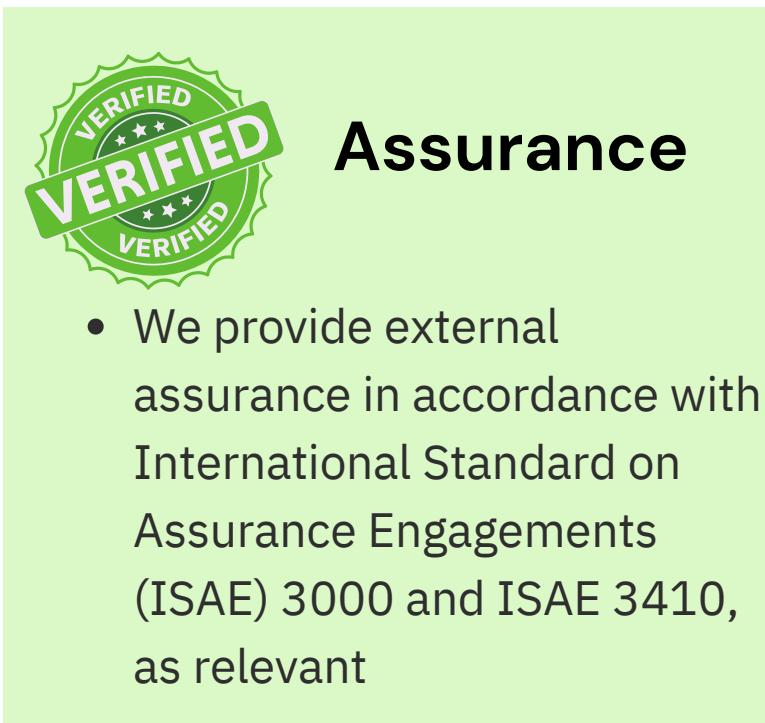
SOCIAL ACTIVISM AT OUR CORE

We're social activists driving change. Choose us for ESG initiatives that resonate with purpose, aligning with a team passionate about sustainability, ethical governance, and positive societal impact.

SR Asia
sustainability defined

Our Services

We help clients understand regulation, benchmark across sectors, improve data quality, and meet upcoming Regulatory requirements.



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