

Roundtable and Panel Discussion Series

in light of India's G20 Presidency

Sustainable Investments and Environment Social Governance: An Exploration of India's Role

In the discourse on sustainability in the Indian context, there have been two watershed moments – the Companies Act mandating Corporate Social Responsibility (CSR) reporting and spending (which was the first of its kind globally), and the Business Responsibility and Sustainability Report (BRSR), which was made mandatory for the top 1000 listed companies by the SEBI. Coming into effect in April of 2022, it mandates disclosures on material ESG risks and opportunities and their financial implications and risk management.

The CDP India Annual Report titled 'Building Back Greener: India Inc. Demonstrates Resilience' pointed out that Indian enterprises can suffer the cost of Rs. 7.14 lakh crore because of climate change, but if they adapt, they stand to gain Rs. 2.79 lakh crore. While last year, at the COP 26 of the Paris Agreement, 2030 was set as the deadline to achieve net zero emissions, it has to be ensured that the transition to green energy is practical in the long term. There is therefore a need to develop energy storage systems. For instance, synthetic natural gas can be created out of excess green energy and pumped into the current natural gas network. This would ensure that chemical energy is available for longer periods of time, and in sufficient quantity.

Sustainable investing, sometimes known as socially responsible investing (SRI) or impact investing, puts a premium on positive social change by considering both financial returns and moral values in investments decisions. This strategy emphasizes financial returns as a secondary consideration after the investors' moral values have been accounted for in their decision-making. In recent trends, emphasis also appears to have been moving towards ESG investments, with investors looking beyond the conventional norms of financial metrics to rely to a greater extent on ESG factors during their decision-making process. In India as well, ESG investments are gaining traction rapidly, reinforced by policy pushes – the government of India's Economic Survey 2020–21 recognized the need to integrate climate and financial policies. However, ESG investments are still at a very nascent stage in India. As nascent as they are, they are essential for achieving India's sustainable development goals.

RE100 is a global initiative, the purpose of which is to bring together enterprises from across the world in committing to clean and renewable energy. Several Indian corporate houses, such as Infosys, Mahindra & Mahindra, Dalmia Cement, and Tata Motors have become a part of this and are making effort to source their energy from renewable sources. Dalmia company, for instance, has committed to using entirely renewables by 2030. Corporate renewable power purchase agreements (PPAs) are another approach adopted by Indian corporations as a way of meeting SDG goals. In fact, India is the second largest market for corporate renewable PPAs. The inclusion of several Indian corporate houses in the Dow Jones Sustainability Index is another indicative factor of the emerging emphasis on sustainability among Indian corporations.

A study by the National Stock Exchange in 2020 (ESG Analysis on 50 Listed Companies in India. Mumbai, India) revealed that ESG indexed companies performed better than those who were not. The Ministry of Corporate Affairs has taken up an active role in promoting sustainable investments in India. The Voluntary Guidelines on Corporate Social Responsibility were introduced by the Ministry of Corporate Affairs in 2009. Then, in 2019 came the National Guidelines on Responsible Business Conduct (NGRBC), which were further developed in 2020 to involve a fresh reporting structure under the Annual Business Responsibility Reporting (ABRR) guidelines. This structure was the Business Responsibility and Sustainability Report (BRSR), and is applicable to both listed and unlisted companies. SEBI promulgated the Green Bond Guidelines in 2017, allowing the listing of green bonds on Indian stock exchanges.

Several Indian corporate houses which have actively pursued sustainable policies are a part of domestic or external sustainability forums and platforms. Ambuja, for instance, is a part of the Cement Sustainability Initiative and Dalmia of RE100. However, these findings indicate that when it comes to policy disclosures, the primary emphasis is on governance policy reforms, than on the environmental and social factors. An analysis of a limited number of corporate entities' sustainability initiatives found that the social sector component of ESG investments is not given the same priority as key environmental sustainability goals like the reduction of GHG emissions, improvement of energy efficiency, purchase of green energy, efficient use of water, and waste recycling. In the light of the above, National Law University is honoured to host the roundtable discussion on sustainable investments and environment social governance.

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