

# Green Insights: ESG Matters

Monthly Newsletter- September 2024

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## News from India

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- Mercedes-Benz Expands Sustainability Initiative in India with New Innovation Centers
- National Conference on Responsible Business Conduct Concludes with Focus on ESG for Viksit Bharat

## News from the World

- EU Investors Shift Focus to "Brown to Green" Transition Funds
- Euronext Expands ESG Initiatives to Boost Sustainable Finance and Corporate Transparency



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## Editor's Note

Dear Readers,

Welcome to our Fourth Edition of our newsletter '**Green Insights: ESG Matters**'. As the global focus on sustainability intensifies, businesses are increasingly recognising the importance of integrating ESG considerations into their operations. From reducing carbon footprints to enhancing social impact, companies are embracing a more holistic approach to value creation that goes beyond financial performance. In this edition, we explore the latest trends, developments, and best practices in the realm of sustainability and responsible corporate conduct. We also take a closer look at key sustainability trends shaping the business world, from the rise of renewable energy to the growing emphasis on diversity and inclusion. We hope you find this edition of our newsletter informative and inspiring as we journey together towards a more sustainable and responsible future.

Warm regards,

[T S Vishwanath]

## Regional Variations in ESG Implementation in India: Challenges and Opportunities

Environmental, Social, and Governance (ESG) criteria are increasingly becoming crucial metrics for assessing the sustainability and ethical impact of investments. India, with its diverse demographic and economic landscape, presents a unique case when it comes to the implementation of ESG practices. ESG criteria focus on three main aspects: environmental, which examines how a company performs as a steward of nature, including waste management, carbon footprint, resource consumption, and climate change impact; social, which looks at how a company manages relationships with employees, suppliers, customers, and communities, emphasizing labor standards, community engagement, and human rights; and governance, which deals with a company's leadership structure, executive pay, audits, internal controls, and shareholder rights. Transparency is vital to effectively implement ESG practices. However, implementation varies greatly across regions, driven by local resources, governance structures, economic conditions, and cultural attitudes. This article explores the regional variations, highlighting the challenges and opportunities present in different parts of the country.



In Northern India, particularly in the National Capital Region (NCR) and Punjab, there have been significant strides in promoting renewable energy initiatives. Delhi has focused on electric vehicles and solar power. However, this region faces challenges such as air pollution, inadequate waste management systems, and bureaucratic hurdles in regulatory compliance. The governance frameworks in this area need improvement to sustain and enhance ESG initiatives.

Western India, comprising states like Maharashtra and Gujarat, presents a different picture. Maharashtra, home to Mumbai, the financial capital, has seen many firms adopting ESG practices due to market pressure and investor demand. In contrast,

Gujarat has made a significant push for a clean energy transition, especially with its vast solar parks. Nevertheless, both states face challenges such as regulatory inconsistency and the need for extensive capacity building among smaller firms to understand and implement ESG standards.

Southern India, particularly Karnataka and Tamil Nadu, showcases yet another dimension of ESG implementation. Karnataka, with its burgeoning tech sector, increasingly emphasizes corporate governance and social responsibility. However, challenges arise from the scale of the informal economy, where many workers lack basic rights and protections. Tamil Nadu has strong social engagement with initiatives focusing on gender equality and health, but environmental degradation due to industrial activities remains a pressing challenge.

In Eastern India, states like West Bengal and Odisha present their own set of challenges and opportunities. In West Bengal, there is growing awareness of environmental issues, bolstered by local NGOs promoting sustainability practices. Odisha, with its mineral wealth, has opportunities but struggles with social issues related to the displacement of local communities and environmental degradation. In both states, effective governance is often lacking, making the implementation of ESG harder.

The Northeastern region of India has unique challenges and opportunities. With rich biodiversity and cultural heritage, there is a significant focus on social governance, particularly in the context of community rights and conservation. However, infrastructure deficits and political instability can hinder effective ESG implementation, as companies often lack clarity on governance in this region.

Several challenges persist across these regions in ESG implementation. A significant barrier is the inconsistency in regulations at state and national levels. Different states have varying ESG reporting requirements, leading to confusion among businesses. There is often a lack of awareness about ESG principles among local businesses, especially small and medium enterprises (SMEs), which may not have the resources to adopt these practices. Economic disparities mean that regions with less financial support struggle more with the implementation of sustainable practices. Additionally, different regions have different cultural attitudes towards governance and environmental responsibility, which can either hinder or support ESG initiatives.

Despite these challenges, there are numerous opportunities for advancement in ESG implementation across India. The Indian government is promoting ESG through initiatives like the National Action Plan on Climate Change (NAPCC) and various state-specific policies. Increased alignment and cooperation between state and central governments can create a more consistent ESG framework. Raising public awareness about the benefits of ESG can encourage consumer demand for ethically produced goods, pushing companies to adopt better practices. By educating business leaders and the workforce on the importance and implementation of ESG, states can improve compliance and drive growth in sustainable industries. Furthermore, leveraging digital tools can streamline ESG reporting and compliance, making it easier for companies to track their progress and improve their practices.



ESG implementation in India is fraught with challenges but also brimming with opportunities, particularly considering the regional variations. By addressing these challenges through unified regulatory frameworks, public awareness, and education, India can pave the way for sustainable growth that benefits not only local communities but also the environment and the economy as a whole. This nuanced approach to ESG can play a pivotal role in shaping a more sustainable future for India, showcasing how diverse strategies can yield significant impact when tailored to local contexts.

## News from India

### 1. L&T Finance Wins 'Champions of ESG' Award at Global Fintech Fest 2024

[L&T Finance Ltd. \(LTF\) has been awarded the Fintech for Good – 'Champions of ESG' Award at the Global Fintech Fest \(GFF\) 2024 in Mumbai.](#) This recognition highlights LTF's commitment to creating an ESG-enabled ecosystem and integrating sustainability into its operations.

Since initiating its ESG journey in 2018-19, LTF has made significant progress, including implementing a Sustainable Finance Framework, reducing GHG emissions

by 18% year-over-year, and committing to carbon neutrality by FY35. The company has financed over 44,000 electric vehicles, raised Rs. 9,444 Crore in sustainable finance, and supported 12.70 lakh community members through CSR initiatives.

LTF's ESG efforts extend to powering one-third of its operations with green energy, maintaining water-positive status, and focusing on women's empowerment and digital financial inclusion. The company has also strengthened its governance structure through a merger to create a 'Single Lending Entity'.

As a leading NBFC with an 'AAA' credit rating, LTF aims to become a top-class, digitally-enabled retail finance company by 2026, with ESG principles at its core. This award underscores LTF's commitment to responsible business practices and sustainable growth in the fintech sector.



## 2. Mercedes-Benz Expands Sustainability Initiative in India with New Innovation Centers

[Mercedes-Benz Research and Development India \(MBRDI\) has expanded its Sustainability Garage](#) initiative with two new Centres of Excellence in Hyderabad and New Delhi. In Hyderabad, a Climate Tech Incubator will support 25 social enterprises working on sustainable mobility and environmental solutions, offering funding,



mentorship, and technical expertise. It will also engage over 500 students in a climate technology bootcamp. In New Delhi, a new center focusing on charging infrastructure will train young professionals, aiming to certify 60 individuals this year. This expansion builds on MBRDI's existing center at the Prayoga Institute of Education Research, which researches sustainable

materials. The initiative underscores Mercedes-Benz's commitment to fostering innovation in sustainability and creating value for all stakeholders while addressing global environmental challenges.

### **3. National Conference on Responsible Business Conduct Concludes with Focus on ESG for Viksit Bharat**



The National Conference on Responsible Business Conduct, organized by the Indian Institute of Corporate Affairs (IICA) and Ministry of Corporate Affairs, concluded on September 6, 2024, in New Delhi. [The two-day event, themed 'Escalating ESG for Viksit Bharat', brought together industry leaders, policymakers, and experts to discuss the role of Environmental-Social-Governance \(ESG\) in India's journey towards](#)

[becoming a developed and sustainable nation by 2047.](#)

Dr. Ajay Bhushan Prasad Pandey, Director General & CEO of IICA, emphasized ESG integration as a strategic imperative for Indian businesses, aligning with national goals of economic growth, social equity, and environmental stewardship. The conference featured discussions on sustainable finance, ESG assurance, ratings, and responsible business practices. Notable sessions included a new ASP framework introduction, panel discussions on ESG reporting challenges, and insights into ESG assurance and ratings from global and Indian perspectives.

The event highlighted the growing importance of ESG in shaping India's business ecosystem and its crucial role in addressing climate change, resource efficiency, and social inclusiveness challenges.

## News from the World

### 1. EU Investors Shift Focus to "Brown to Green" Transition Funds

The European Securities and Markets Authority (ESMA) has reported a significant shift in sustainable investment trends within the European Union. Over the past two years, funds focusing on transitioning companies from 'brown' to 'green' technologies have attracted nearly twice the investment flows compared to purely environmental funds.

This trend reflects growing investor interest in supporting businesses moving towards greener practices rather than those already environmentally friendly. ESMA's Trends, Risks and Vulnerabilities (TRV) report emphasizes the crucial role of both public and private sector financing in meeting EU Green Deal goals and facilitating the economy's green transformation.



Despite recent political tensions in the U.S. and increased ESG investment scrutiny, which have somewhat dampened momentum, transition-focused funds managing €39 billion in assets have seen net inflows nearly doubling those of green funds managing €260 billion. This shift occurs alongside a stabilization in overall ESG investment growth, with Article 9 funds experiencing net outflows and Article 8 funds attracting significant inflows in early 2024.

The report highlights the evolving landscape of sustainable investing in the EU, with investors increasingly supporting the transition to greener practices across various sectors.

## 2. Euronext Expands ESG Initiatives to Boost Sustainable Finance and Corporate Transparency



Euronext, the leading pan-European market infrastructure, has launched several key ESG initiatives during its second annual Sustainability Week.

These include the Euronext Sustainable Network, ESG Trends Report 2024, ESG Peer Benchmarking Report, an updated ESG Reporting Guide, and a new ESG Advisory solution for SMEs. These offerings aim to support European issuers and international investors in enhancing ESG practices, transparency, and compliance with evolving regulations. CEO Stéphane Boujnah emphasized Euronext's commitment to

advancing the European sustainability agenda and equipping companies with essential tools for navigating the changing regulatory landscape. These initiatives align with Euronext's Fit For 1.5° commitment and Growth for Impact 2024 strategy, reinforcing its role in promoting sustainable finance and corporate transparency across Europe.



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