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POLICY ADVISORY & RESEARCH

THE GREEN CLOCK

ESG MATTERS

MONTHLY NEWSLETTER

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Contents

Editor’s Note

Dear Readers,

Welcome to the Fourth Edition Vol. 2 of our newsletter, ‘**The Green Clock: ESG Matters’**. As the global focus on sustainability intensifies, businesses increasingly recognise the importance of integrating ESG considerations into their operations. From reducing carbon footprints to enhancing social impact, companies embrace a more holistic approach to value creation beyond financial performance. This edition explores the latest trends, developments, and best practices in sustainability and responsible corporate conduct. We also look closely 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 towards a more sustainable and responsible future.

Warm regards,

[T S Vishwanath]

The Strategic Imperative of ESG and Trade in India

As India positions itself as a global economic powerhouse, integrating Environmental, Social, and Governance (ESG) principles into trade and investment strategies has become imperative. This approach not only aligns with international standards but also fosters sustainable development within the country. India's commitment to ESG is evident through regulatory frameworks like the Business Responsibility and Sustainability Reporting (BRSR) mandated by the Securities and Exchange Board of India (SEBI). Since FY 2022-23, the top 1,000 listed companies by market capitalisation are required to disclose ESG metrics, encompassing areas such as energy consumption, greenhouse gas emissions, waste management, and social impact initiatives.

SEBI is also reviewing ESG disclosure requirements, including mandates around supply chain reporting, to ensure accuracy and feasibility, especially for smaller firms.

India's trade dynamics are increasingly influenced by global ESG standards. The European Union's Carbon Border Adjustment Mechanism (CBAM), set to tax carbon-intensive imports from 2026, has raised concerns among Indian industries reliant on coal, such as steel and aluminium. With such compressed timelines, larger conglomerates are adapting, but smaller enterprises may struggle without sufficient carbon emission monitoring and preparation.

To maintain competitiveness, Indian exporters must align with international ESG expectations, necessitating investments in cleaner technologies and sustainable practices.

The proliferation of ESG-focused investments in India underscores the financial sector's role in promoting sustainability. ESG equity funds have grown substantially, from ₹2,747.36 crore in 2020 to ₹9,753 crore in 2024. Projections indicate that ESG investments could constitute 34% of total domestic assets under management by 2051.

The Indian government is also expanding sustainable finance frameworks, introducing instruments like sustainable securitised debt and promoting green, social, and sustainability-linked bonds.

India's textile and apparel industry, aiming to triple its value to $350 billion by 2030, is embracing ESG to meet global sustainability standards. Initiatives include adopting renewable energy sources, implementing energy-efficient technologies, and transitioning to biomass boilers using agricultural waste.

Such sectoral transformations not only enhance environmental performance but also create opportunities for innovation and employment generation.

Despite advancements, challenges persist in India's ESG journey. Smaller enterprises often lack the resources for comprehensive ESG compliance, and the absence of uniform metrics can impede effective implementation.

Addressing these challenges requires capacity-building initiatives, standardised reporting frameworks, and supportive policies that facilitate ESG integration across all business scales.

News from the World

Franklin Templeton Launches ESG-Focused ETFs with Strong Performance

Franklin Templeton has introduced two new exchange-traded funds (ETFs) that track sustainable versions of the S&P 500 and S&P World indices. These funds follow the S&P 500 Guarded and S&P World Guarded indices, which apply ESG scoring to reweight holdings and exclude companies involved in controversial sectors such as coal, tobacco, and weapons manufacturing.

Despite having 95 fewer constituents than the original index (408 companies total), the S&P 500 Guarded index has outperformed its parent benchmark, delivering a 105.6% total return over the past five years, 5.1 percentage points higher than the standard S&P 500.

According to Rafaelle Lennox, head of ETF product strategy, these indices achieve dual objectives of enhanced ESG profiles and lower carbon emissions while maintaining minimal performance deviation from their parent indices. Caroline Baron, head of ETF distribution, noted that the Franklin S&P 500 Screened and Franklin S&P World Screened ETFs are Article 8 compliant and designed for investors seeking core exposures with tight tracking to traditional benchmarks.

SEC Approves First US Sustainability-Focused Stock Exchange

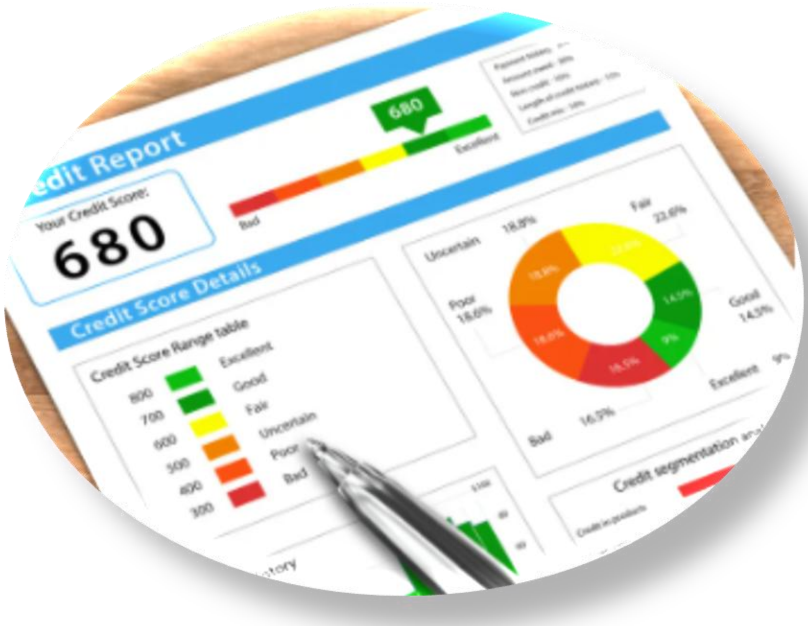
The Green Impact Exchange (GIX) has received Security Exchange Commission (SEC) approval for its registration as a national securities exchange, positioning it to become the first sustainability-dedicated stock market in the United States. Founded by former NYSE executives Daniel Labovitz (CEO) and Charles Dolan (COO), GIX plans to begin trading operations in early 2026. The exchange will exclusively list companies that make binding commitments to set, implement, measure, and achieve sustainability goals, while providing investors with transparency on their progress. Companies seeking to list on GIX must demonstrate public commitment to sustainability, develop comprehensive sustainability plans, align business strategies with sustainability principles, adopt accepted reporting frameworks, integrate sustainability across operations, and engage with stakeholders. Initially operating as a dual listing venue requiring companies to maintain listings on other exchanges, GIX eventually plans to offer primary listing options. As GIX President Charles Dolan noted, "Climate risk is business risk. It's that simple. U.S. investors and companies are continuing to pursue sustainability because it makes financial and competitive sense."

Market Forces Alone Won't Meet Climate Goals: BloombergNEF Energy Outlook

BloombergNEF's New Energy Outlook 2025 reveals a concerning gap between market-driven energy transition and climate imperatives. While global electricity demand is projected to surge 75% by 2050, with data centres consuming a staggering 3,700 TWh (nearly 9% of total demand), the current trajectory falls significantly short of Paris Agreement targets. Under BloombergNEF's Economic Transition Scenario (ETS), which models market forces without additional climate policies, emissions would only decrease by 22% by 2050, aligning with 2.6°C of warming. Despite promising trends like renewable generation doubling by mid-century to supply 67% of electricity and electric vehicles capturing two-thirds of the passenger vehicle market, fossil fuels remain stubbornly entrenched. Oil demand, though peaking in 2032, still reaches 88 million barrels daily by 2050, while natural gas demand increases by 25% over the same period. Critical net-zero technologies such as hydrogen, carbon capture, and sustainable aviation fuels struggle to gain traction without policy support. Even in the United States, where political shifts introduce regulatory uncertainty, the energy transition continues but at a decelerated pace. The report suggests 2024 could mark the beginning of sustained global CO_2 decline—a structural shift driven primarily by clean power and electrification—yet emphasises that market economics alone cannot deliver the transformation needed, particularly in hard-to-abate sectors beyond power and transportation.

News From India

SEBI Reviews ESG Disclosure Requirements After Industry Pushback



India's Securities and Exchange Board of India (SEBI) is reconsidering its sustainability disclosure requirements for listed companies, according to new chairman Tuhin Kanta Pandey. The review comes after significant industry concerns about the reporting burden, particularly regarding supply chain disclosures that were already delayed from their original implementation timeline. "The disclosures have to be honest disclosures and there has to be a capacity to measure accurately," Pandey stated in a Reuters interview, suggesting the regulator will work with industry to ensure companies can develop proper measurement capabilities.

The review, set to begin next month, could focus on easing requirements for smaller firms and follows similar regulatory recalibrations globally, including the European Commission's move to exempt thousands of smaller businesses from EU sustainability reporting rules. The reassessment aligns with Pandey's philosophy of "optimal regulations" rather than taking what he calls a "sledgehammer approach." This development comes as India continues to face challenges with ESG performance, with Moody's Ratings classifying the country in the high-risk category for environmental and social factors. Currently, SEBI mandates ESG disclosures from India's top 1,000 listed companies by market capitalisation.

GreenLine Commits $1B to Scale Green Logistics Fleet Across India

Essar Group-backed GreenLine Mobility Solutions has announced a $1 billion investment to expand its fleet from 650 to 10,000 LNG and electric heavy-duty trucks, positioning itself at the forefront of India's green transportation transition. The investment includes $275 million in equity from promoters and investors like Zerodha co-founder Nikhil Kamath, who contributed $20 million. The company plans to deploy 100 LNG refueling stations, EV charging points, and battery-swapping facilities nationwide through a technical partnership with Italian manufacturer Iveco. GreenLine's offering delivers emission reductions at diesel-competitive rates, potentially generating carbon credits for clients. With 38 million kilometers already logged and 10,000 tonnes of CO_2 emissions avoided, GreenLine aims to reduce 1 million tonnes of carbon emissions annually as it scales operations across FMCG, e-commerce, mining, and chemical sectors.

India Launches First ESG Media Index for Ethical Advertising

The HOOOP Collective and The GoodNet have partnered to create India's first ESG Media Index and Marketplace, establishing a comprehensive framework for ethical media investment. This pioneering initiative will enable Indian brands, agencies, and media buyers to evaluate advertising channels based on core ESG parameters, including carbon footprint, diversity promotion, ethical content standards, and corporate governance. The index will assess media investments across four key dimensions: consumption analysis (examining carbon emissions and supply chain efficiency), content evaluation (using AI to identify ESG-aligned narratives), corporate factor assessment (scrutinizing publisher governance and ethical standards), and performance review (tracking traditional metrics alongside efforts to reduce ad fraud). Oliver Deane, co-founder of The GoodNet, highlighted India's growing commitment to sustainability, while Arvind Nair of The HOOOP Collective emphasised that measurement is the crucial first step toward meaningful climate action. The partnership aims to provide advertisers with tangible ESG metrics, actionable data, and access to a curated marketplace of media platforms committed to ESG principles, ultimately embedding environmental and social responsibility into every advertising impression.

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VeK is a policy advisory and research firm, distinguished by its data-driven approach to analyse policy and regulatory developments in India and globally. For Further Information, please contact: Leah Miriam George, Senior Associate at +91 7994722955 or email at leah@vekpolicy.com