



## Investing in a Sustainable Future

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### Editor's Nest

*“A company without strong corporate governance is like a ship without a rudder, sailing aimlessly towards disaster.”—Indra Nooyi, Ex CEO, PepsiCo*

In the previous edition, we had briefly introduced the SEBI mandated Business Responsibility and Sustainability Report (BRSR) which is divided into 3 sections – A, B, and C. Section C is the most crucial as it is built on 9 foundational Principles of ESG. Each Principle is further divided into a) Essential indicators which companies are required to mandatorily disclose, and b) Leadership indicators which companies can report voluntarily. We will be dealing with each Principle every month from now on. So, let's begin!

Principle 1 states that *'Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent, and Accountable'*. This means that Principle 1 highlights the importance of strong governance which includes:

- Ethics – The moral compass guiding corporate decisions.
- Integrity – The armor shielding companies from the temptations of corruption and misconduct.
- Transparency – The lifting of the veil of secrecy and illuminating every decision with clarity.
- Accountability – The chain binding corporate leaders to their responsibilities towards stakeholders and society.

By embracing good governance, companies can therefore be financially successful as well as architects of a more equitable world!

Principle 1 aligns with the following United Nation's Sustainable Development Goals:



It also includes the following Integrated Reporting Capitals:



### Leaders Speak

#### Navigating ESG: A Comprehensive Perspective for Finance Professionals – Raj Mullick (Reliance Industries Ltd)

While ESG principles gain traction, a knowledge gap persists, even among professionals like Chartered Accountants. Just like "Clean Coal's" false promise, many misunderstand ESG's complexity.

- **SEBI's Pivotal Role:** SEBI, recognizing the need for a structured approach, introduced the BRSR, making it mandatory for the top 1000 entities by market cap for FY 22-23. The BRSR framework encompasses 9 principles and over 140 questions, reflecting a comprehensive approach to non-financial reporting.
- **Ensuring Credibility:** SEBI's foresight also introduced BRSR assurance. This mandates independent verification of the reported data, focusing on governance frameworks, stakeholder engagement, and compliance.
- **Challenges faced by Corporates:** Corporates today grapple with multifaceted challenges in embracing sustainability due to lack of organization-wide awareness and mindset shift, setting high level goals (board level) versus practical implementation, digitizing record keeping and reporting systems, and identifying key players and integrating sustainability into performance reviews.
- **The Role of Practicing Chartered Accountants:** Many Chartered Accountants lack ESG expertise, creating both challenges and opportunities. Upskilling can position them as sustainability consultants, but failing to adapt could mean missing out on a significant revenue stream.
- **Addressing the Global ESG Skills Gap:** Bridging the global ESG skills gap requires upskilling across the finance sector, both in industry and practice. Practical education, collaboration with industry and universities, and acquiring crucial skills like risk assessment, stakeholder engagement, and sustainability expertise are key to navigating the evolving ESG landscape.

As the ESG pressure mounts, the finance professionals' response will determine how effectively businesses embrace a greener future.



Given below are a few illustrations where companies have ignored the importance of adopting ethical conduct.

### Governance Gap



Year	Name	Approx Loss (₹ Cr)	Description
1992	Harshad Mehta Case (India)	5000	Weak Oversight of Brokers
2001	Enron Corporation (US)	5,46,000	Lack of Independent Board Oversight
2015	Satyam Computer Services (India)	14,000	Dominant Founder Control
2020	Nirav Modi Case (India)	23,780	Compromised Public Officials
2018	IL&FS (India)	61,000	Opaque and Complex Corporate Structure

Looking at the figures given above, it is evident that adhering to the highest standards of governance has become an absolute necessity in today's world. Now let's uncover some best practices on good governance strategies!

Sr no	Awards for Good Corporate Governance	Company Champions	Best Practice
1	Golden Peacock Award for corporate governance	Reliance Industries (India)	Transparency in Sustainability Reporting
2	Corporate Governance Awards	Hewlett Packard Enterprise (USA)	Best AGM, Governance Team of the year
3	ICSI National Awards for Excellence in Corporate Governance	ITC Limited (India)	Transparency in Financial Reporting

### Regulatory Framework for Principle 1

The following are the major components covered by the SEBI mandated BRSR format, further supported by best industry practices:

- Comprehensive policies that address corruption, bribery, and conflict of interest.
  - Reliance Industries Limited has established an anti-corruption and anti-bribery policy which not only defines the offences, but also lays down a detailed reporting mechanism, investigative task force to look into the complaints, and a comprehensive disciplinary action plan for non-compliance.
- Training and awareness program details that educate stakeholders about all policies across various ESG components.
  - Kotak Bank has conducted a holistic training session on ESG covering Board of Directors (BoD), Key Managerial Personnel (KMPs), and Employees other than BoD and KMPs.
- Information about monetary and non-monetary penalties imposed by regulatory/ enforcement/ judicial agencies.
  - Reliance Industries Limited has disclosed both the quantum of the monetary penalty imposed by the Adjudicating Officer of SEBI, as well as a brief of the case.
- Effective monitoring mechanism to keep all policies, programs, and disclosures regularly updated with new laws and regulations.
  - Indian Oil Corporation, in its whistleblower policy, has mentioned periodic review of not only the action taken by the competent authority, but also of policy updates with the latest amendments in law and regulations.

अब समय आ गया है कि हम हर सुबह न सिर्फ उठें बल्कि जागें!

*"The time is always right to do right"*  
-Nelson Mandela



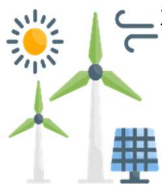


## COP28 Unveils Groundbreaking Roadmap Towards a Sustainable Future

In a groundbreaking conclusion to the two-week-long climate conference, COP28 in Dubai surpassed expectations, with nations forging a robust action plan to tackle the climate crisis. The closing plenary saw historic decisions unveiled, aiming to limit warming to 1.5°C target (enshrined in the 2015 Paris Agreement) through emissions cuts, adaptation measures, and global cooperation. This marks a significant step towards a collective response to the looming climate threat. Some of the key decisions made at COP28 are:



- 1. Transition Away from Fossil Fuels: A Bold Step into the Future:** Nearly 200 nations agreed to phase out oil and gas, accelerating the transition to net-zero by 2050. This marks a significant shift towards a low-carbon future.



- 2. Renewables on Boost: Triple Capacity, Double Efficiency:** 17 countries pledged to triple renewable energy capacity by 2030 and double energy efficiency improvements, setting the stage for a renewables-powered future.



- 3. Loss and Damage Fund:** Recognizing their responsibility, developed countries pledged USD 700 million to support vulnerable nations impacted by climate change, signifying a step towards climate justice.



- 4. Phasing Down Coal: Balancing Power Needs with Environmental Responsibility:** COP28 calls for accelerated coal phase-down, balancing energy needs with environmental responsibility, acknowledging the complexities faced by nations like India.



- 5. Oil and Gas Industry Takes a Pledge: A Paradigm Shift:** In a historic move, 50 major oil and gas producers committed to net-zero by 2050 and near-zero methane emissions by 2030, marking a paradigm shift in the industry.



- 6. Food, Health, and Climate:** COP28 adopted declarations on sustainable food systems, climate-related health impacts, and immediate action to reap health benefits from emissions reductions.



- 7. Global Cooling Pledge:** Over 60 countries signed the pledge to reduce cooling-related emissions by 68% by 2050, promoting energy-efficient technologies and supporting developing nations.

As the curtain falls on COP28, the world is left with a blueprint for a sustainable future and an urgent need for action. The momentum generated in Dubai will undoubtedly echo across borders, inspiring nations to rise to the challenge and forge a path towards a climate-resilient world.







## CNK as a Solution Partner

Where **Knowledge**  
meets **Experience**

### NATURE OF OUR SERVICES

- Process setup/ review for collation of ESG data.
- Design ESG action plan.
- Define the governance structure for collation of information on environment, social and governance aspects.
- Design function-specific KPIs.
- Setting up ESG integration systems, periodic assessment, and impact assessment Management System.
- Assurance on ESG data and Business Responsibility and Sustainability reports (BRSR).
- Mapping disclosure requirements for BRSR principles reporting as per SEBI.
- Giving Assurance on BRSR reports (based on ISAE 3000).
- Conduct review and validation of ESG for supply chain.



### OUR APPROACH

- Detailed analysis and understanding of clients' business.
- Dedicated team (including environmental consultants) having the necessary expertise in process development and reporting.
- Customised approach based on client needs.
- Effective follow up and timely reporting.

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