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HON'BLE JUSTICE MANMOHAN SINGH

The White Knight Behind IPAB's Glory & Shine

Recent Updates in the ESG Arena - A Primer

Lex Witness has invited the firm to author a series of articles on Environmental, Social & Governance which shall capture the importance of ESG for companies in India, the global principles, and the evolution of ESG. Besides global case studies, significant changes in law would also be featured in the series.

■ **Sonal Verma & Fauzia Khan**

ENABLING EPFO REGISTERED EMPLOYERS

The Indian legal framework has solidified the “S” component in ESG by enabling EPFO registered employers engaging employees by or through contractor(s) to add details of such contractor(s) to the official EPFO user interface. This will help the principal employer to view the employee wise remittance of the employer’s share of EPF contributions (13% of contract worker’s wages) and confirm whether the same has been remitted by the contractor in r/o all contract workers or not¹. The move will help monitor the contractors and refrain them from taking an undue advantage.

IN THE CASE OF RAJIV NARAYAN & OTHERS VS UNION OF INDIA & OTHERS²

The issue pertained to non-compliance of the Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016. On the basis of the report furnished by the Monitoring Committee, the Tribunal has now put the onus on the Central Pollution Control

Board (CPCB) to determine the scale of compensation to be recovered for violation of the Rules.

BUDGET 2021 – ESG PRINCIPLES EMBRACED FOR INDIA’S GROWTH

During her speech at the Union Budget 2021-22, the Finance Minister, Nirmala Sitharaman highlighted the 6 pillars of the budget this year. An analysis of these pillars projects a framework of global acceptance, making India a liberal and attractive nation for trade and global supply chains passing through.

1. Health & well-being
2. Physical & Financial Capital and Infrastructure
3. Inclusive Development for Aspirational India
4. Reinvigorating Human Capital
5. Innovation and R&D
- 6 .Minimum Government & Maximum Governance

The budget is likely to create a space for India as the fastest growing nation in the world and a pioneer in integrating the ESG framework alongside



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implementation of the 17 Sustainable Development Goals.

INDIA INNOVATION INDEX 2020

Niti Aayog released the 2020 report in Jan 2021. This is the second report published. This index captures that India is on the right path and the states are endeavouring to improve their innovative ecosystem. In the 2020 ranking, Karnataka retained its first position in the Major States category. Maharashtra moved one position higher and stood at 2nd spot while Tamil Nadu slid to 3rd position. This index becomes very important to keep the Social aspect improvement in India as per ESG Principles.

GLOBAL DEVELOPMENTS IMPACTING THE ESG LANDSCAPE

Biden Administrative Actions: On 20th January, 2021, President Biden signed an

executive order directing all executive departments and agencies (agencies) to immediately review and, as appropriate and consistent with applicable law, take action to address the promulgation of Federal regulations and other actions during the last 4 years that conflict with these important national objectives, and to immediately commence work to confront the climate crisis.

The Administration also is expected to strive to reduce carbon emissions from natural gas and power plants while simultaneously focusing on bolstering the use of alternative energy sources and technologies, such as electric vehicles³.

December 2020 Section 13(q) Rulemaking⁴: Added by the Dodd-Frank Wall Street Reform and Consumer Protection Act, to achieve the statutory objective of increasing the transparency of payments to governments for the

purpose of the commercial development of their oil, natural gas, and minerals and further comply with the Congressional Review Act (CRA).

10 Point Plan to Boost Green Economy: UK Prime Minister Boris Johnson announced a ten-point plan as part of the government's initiative to "build back better". The plan aims to bolster the economy and "turn the UK into the world's number one centre for green technology and finance, creating the foundations for decades of economic growth".

GLOBAL RISKS REPORT 2021

16th edition of the World Economic Forum's Global Risks Report was released in January 2021. In 2020, COVID-19 was the most important talking point in the report. This pandemic further necessitates social aspect more important than ever.



HUMAN DEVELOPMENT REPORT 2020


United Nations Development Programme (UNDP)'s report on human development, which includes a new experimental index on human progress that takes into account countries' carbon dioxide emissions and material footprint. Major observation in the Human Development Report 2020 is that if political leaders do not prioritise environment issues – human progress would not be possible.

GLOBAL CASE STUDY

In yet another step towards environmental protection and sustainability, an investment group of the Swedish multinational conglomerate, IKEA, acquired over 10,000 acres of land in southeast Georgia, to safeguard the forest land and keep its diverse ecosystem protected. The group's commitment towards impact

investing and forest conservation can be demonstrated by its purchases of over 600,000 acres of land since 2014⁵.

CONCLUSION

COVID-19 has significantly influenced how stakeholders and organizations approach ESG. While climate change risk is in the forefront of risks, the impacts of the pandemic have been well documented, which indicate the social risks on an equal footing, thus, emphasizing on the need to adapt to understand and indulge in ESG investments. Various studies have evidenced how investments driven through good management of ESG issues can contribute to stronger market value creation. The ESG driven investing has matured to the point where it can greatly accelerate market transformation for the better. As corporations and investors experience growing influence and power, their actions and decisions increasingly shape the future. 



Sonal Verma is currently working as a Partner & Global Leader - Markets & Strategy with the firm. He is well acclaimed for his work in regulatory & compliance programs over the last decade. He had in the past worked with 1800 plus clients in India and 61 other countries globally. He has worked with the top 3 unicorns and many Fortune 500 companies. His clients have been across different industries, viz. Automotive and OEMs, Pharma and Life Sciences, Manufacturing, Chemical Industry, BFSI, Infrastructure and Utilities (including state-owned PSUs), e-Commerce and Fintech Companies, Diversified Conglomerates etc.



Fauzia Khan is an Associate with the firm working in the ESG domain. With the emerging change in the business landscape and awareness around sustainability, she contributes her expertise to help clients understand and adapt responsible and sustainable strategies with respect to compliance and ethics in the ESG realm.

¹https://www.epfindia.gov.in/site_docs/PDFs/Circulars/Y2020-2021/C1_ABR_1179.pdf

²[Hazardous-waste-management-NGT-Order.pdf \(indiaenvironmentportal.org.in\)](https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-protecting-public-health-and-environment-and-restoring-science-to-tackle-climate-crisis/)

³<https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-protecting-public-health-and-environment-and-restoring-science-to-tackle-climate-crisis/>

⁴<https://www.govinfo.gov/content/pkg/FR-2021-01-15/pdf/2020-28103.pdf>

⁵<https://edition.cnn.com/2021/01/31/us/ikea-forest-georgia-protect-trnd-scn/index.html>