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Keeping the ESG Journey Updated - 2021 Closure

■ Sonal Verma & Fauzia Khan

INDIA

1. AS A MOVE TO HELP CURB FURTHER RISE IN POLLUTION LEVELS, A COMPLETE BAN ON DG SETS HAS BEEN IMPOSED, WITH CERTAIN EXCEPTIONS'

The Commission for Air Quality Management in the nation's capital and its adjoining areas, vide a notification dated 13th December, 2021 imposing a complete ban on the use of DG sets, except under some emergency purposes. The order was issued under the Graded Response Action Plan by the Delhi Commission. The objective behind the ban is to help curb the ever growing pollution levels in the city. Under the exceptions category, the Commission permits that the lifesaving medical devices and drugs as categorised under the notification for emergency purposes will be permitted to use diesel generator sets as an exception in the NCR.

2. MEITY HAS APPROVED THE COMPREHENSIVE PROGRAM TO PROVIDE INCENTIVES WORTH INR. 76,000 CRORE FOR THE DEVELOPMENT OF SUSTAINABLE SEMICONDUCTOR AND DISPLAY ECOSYSTEM''

In line with the vision of Aatmanirbhar Bharat and promoting the

nation on the global front for Electronics System Design and Manufacturing, the Cabinet approved the development of sustainable semiconductor and display ecosystem in the country. The Ministry of Electronics and Information Technology (MeitY) has approved the comprehensive program to provide incentives over the next six years, worth INR. 76,000 crore for the development of semiconductors and display manufacturing ecosystems. Semiconductors and displays form the foundation of modern electronics required for the envisioned digital transformation and is expected to support greater local production of components, trade policies and so on.

3. SEBI TO SOON PROPOSE DISCLOSURE NORMS PERTAINING TO MUTUAL FUNDS HAVING AN ESG THEME'''

Ajay Tyagi, Chairman of the SEBI, recently at the launch of the ESG Centre for Research and Innovation at IIM, Ahmedabad emphasized on the need to integrate a disclosure framework focused on developing high quality, objective, ESG specific rating matrices. The market regulator is certain about the potential and growth aspects of ESG parameters with the investor community and is therefore, expecting a growing demand for ESG funds in the mutual funds market.



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4. INDIA ACCOUNTS FOR ONLY 2% OF ASIA-PACIFIC ESG FUNDS AUM – LAGGING BEHIND ITS GLOBAL COUNTERPARTS^{IV}

This year saw a rapid growth around the concept of ESG (Environmental, Social, and Governance) with funds dedicated to sustainable growth gaining traction worldwide, including India. However, the country's ESG Assets under Management (AUM) is still at a very nascent stage as compared to its global peers. Recent data from the global fund flow tracker, EPFR^I suggests that despite an increase in ESG integration across industries in the country, the number of sustainability funds in India accounts for merely 2% of the Asia Pacific total, trailing most other Asia Pacific regions in 2021. Asset under Management (AUM) is the total market value of an investment made by a representative on behalf of the client. Whereas ESG funds are portfolios of bonds or equities, wherein investments are made on the basis of ESG parameters. According to a leading global analysis, while disclosures amongst the Indian companies is likely to increase on account of mandatory ESG disclosure regulations coming into play, however, India is yet to adapt a standardized approach when it comes to international standards and parameters.

5. SEBI EXTENDS TIMELINE TO CONDUCT ANNUAL MEETINGS TILL 30TH JUNE 2022^V

The Securities and Exchange Board of India (SEBI) vide SEBI/HO/DDHS/DDHS_Div2/P/CIR/2021/697 dated 22nd December, 2021 provided a relief to the listed companies by providing an extension for the timeline to hold their respective Annual Meetings and other Meetings of Unitholders through video conferencing or through other audio-visual means till 30th June, 2022.

6. RBI MONETARY POLICY COMMITTEE RETAINS THE REPURCHASE RATE AT 4% FOR THE 9TH CONSECUTIVE TIME^{VI}

With the aim to support economic growth and the uncertain turn of events around the new COVID-19 variant, Omicron; the Reserve Bank of India's Monetary Policy Committee maintained its borrowing costs at a record low of 4% for the ninth time in a row. Previously last year, the six-member committee had decided to pause the rate changes, which in its latest announcement was unanimously decided to remain at the benchmark repurchase rate of 4%.

7. FSSAI FACILITATES AGGREGATORS OR INTERMEDIARIES WITH A SOP FOR SALES BETWEEN FARMERS/ SMALL ORIGINAL PRODUCERS AND PRODUCER ORGANIZATIONS AND END CONSUMERS^{VII}

On 20th December, 2021, the Food Safety and Standards Authority of India (FSSAI) issued a set of Standard Operating Procedures (SOPs) for Aggregators or Intermediaries. The objective being smoother sales between farmers/small original producers and producer organizations and also the end consumers. For Instance, the new SOPs prescribe for certification to be obtained, however exemption from the requirement of certification under these rules is extended to the aggregators or intermediaries, who are involved in the collection of organic food from farmer/ small original producer or producer organization and sell it to the end consumer. Similarly, there are a set of exemptions and requirements encapsulated in the notification to streamline the process.

8. THE DIRECTORATE GENERAL OF FOREIGN TRADE (DGFT) NOTIFIES ANNUAL SCOMET OF AMENDMENTS TO COME INTO EFFECT FROM JANUARY 2022^{VIII}

The Central Government has amended the Appendix 3 (SCOMET Items) to Schedule- 2 of ITC (HS) Classification of Export and Import Items, 2018. SCOMET refers to Special Chemicals, Organisms, Materials, Equipment and Technologies under India's Foreign Trade Policy. With the purpose to facilitate a smooth transition, the notification is scheduled to come into effect from 19th January, 2022.

GLOBAL

1. IN A FIRST OF ITS KIND, THE UNITED AIRLINES COMPLETES 1ST PASSENGER FLIGHT WITH 100% SUSTAINABLE AVIATION FUEL-POWERED ENGINE^{IX}

2021 has been a year full of reinvigorated consciousness and commitment towards conservation and protection of our surrounds, be in the society, corporates or the Government. Efforts are being noticed all across and similarly in a revolutionary attempt, the United Airlines announced the completion of its first passenger flight with the utilization of 100% sustainable aviation fuel. Air transport is known as a major contributor of GHG emissions, accounting for an estimated 2% of global GHG emissions. SAF is a key tool for the industry to address the climate crisis associated with its operations. In comparison to conventional JET fuel, SAF generates significantly lower lifecycle carbon emissions and is produced from sustainable resources rather than fossil fuels which end up leaving an adverse impact on its surroundings. In order to operate on SAF required prior



permission, which was all obtained to achieve an estimated 75% less CO2 emissions, this initiative forms a part of the Airlines 2050 commitment to completely reduce GHG emissions without having to rely on carbon set offs. Additionally, the Airlines is also seen to undertake initiatives for energy conservation with more environmental friendly alternatives available in the aviation sector.

2. THE BRAZILIAN SECURITIES COMMISSION PUTS FORTH THE REQUIREMENT BY LISTED COMPANIES FOR ESG DISCLOSURES^x

On 22nd December, 2021, the Brazilian Securities Commission issued the CVM Resolution No. 59 (RCVM 59), a revised set of reforms that puts forth substantial innovations on the informational regime front for issuers of securities. The new norms are aimed at promoting reduced cost of compliance and further providing greater accessibility of information to investors. It is aimed at facilitating a framework that is free of redundancies, with simplified content available for the publicly-held companies in Brazil. A closer reading of the framework projects its emphasis on ESG related disclosures which include –

i. Integration of key ESG performance indicators;

ii. Detailed information pertaining to ESG related disclosures ;

iii. Alignment with Sustainable Development Goals (SDGs) against the respective business operations;

iv. Recommendations as prescribed under the Task force on Climate related Financial Disclosures (TCFD);

v. Accountability when it comes to emissions;

vi. Information pertaining to the entity's Diversity, Equality & Inclusion quotient;

vii. Awareness amongst the senior management pertaining to critical ESG related information and disclosures;

viii. Audit and review of disclosure information; and so on.

The primary objective of the new disclosure criteria is to establish a market for sustainable growth in the country and help differentiate between companies that are aligned and commitment to social and environmental protection as against those companies that are yet to begin their ESG journey. ^W



Sonal Verma leads the ESG Practice in the firm as a Partner and Global Leader – Markets & Strategy. With his crossroad working with business & laws – he brings advice & technology for effective change management in the journey of ESG. Sonal 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 stateowned 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.

¹Emerging Portfolio Fund Research, Inc.

²<https://legalitysimplified.com/wp-content/uploads/2021/12/Delhi-Order.pdf>

³<https://www.meity.gov.in/writereaddata/files/Notification%20Scheme%20for%20setting%20up%20Semiconductor%20Fabs%20in%20India.pdf>

⁴<https://www.outlookindia.com/website/story/business-news-sebi-to-stipulate-disclosures-for-mutual-fund-schemes-with-esg-theme-ajay-tyagi/403869>

⁵https://www.business-standard.com/article/markets/india-s-esg-assets-worth-1-5-bn-as-of-june-form-2-of-apac-aum-121102201165_1.htspoke about the ml

⁶<https://www.sebi.gov.in/legal/circulars/dec-2021/extension-of-facility-for-conducting-annual-meeting-and-other-meetings-of-unitholders-of-reits-and-invis-through-video-conferencing-vc-or-through-other-audio-visual-means-oavm-54861.html>

⁷<https://rbiidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR1402MPCCCEAB6A72D2544A98A02694F772FCC5A4.PDF>

⁸https://fssai.gov.in/upload/advisories/2021/12/61c044883a6e5SOP_Aggregators_20_12_2021.pdf

⁹[https://content.dgft.gov.in/Website/dgftprod/7c00d273-9231-48d4-ab2d-f532a3078e04/Notification%20No%2047%20dt%2020-12-2021%20\(English\)%20\(Not%20an%20annex.pdf](https://content.dgft.gov.in/Website/dgftprod/7c00d273-9231-48d4-ab2d-f532a3078e04/Notification%20No%2047%20dt%2020-12-2021%20(English)%20(Not%20an%20annex.pdf)

¹⁰<https://www.esgotoday.com/united-airlines-completes-first-passenger-flight-with-100-sustainable-aviation-fuel-powered-engine/>

¹¹<http://conteudo.cvm.gov.br/legislacao/resolucoes/resol059.html>