Treelife

Environment, Social & Governance Handbook

December 2024

Foreword

Environmental, Social, and Governance (ESG) principles have evolved from being a global framework for responsible business practices into a cornerstone of sustainable and ethical growth. In India, the prominence of ESG is rapidly increasing, with the total assets under management (AUM) of ESG funds reaching substantial growth of **USD 1.17 billion (INR 9,753 crores)** in March 2024[1]. In fact, ESG could represent approximately **34% of the total domestic AUM by 2051**[2].

These principles originated as a response to growing concerns on climate change, social equity, and corporate accountability. Today, they are critical for businesses aiming to align with international sustainability goals. Startups are uniquely positioned to integrate ESG frameworks into their operations from the outset, contributing to global sustainability objectives while enhancing financial performance. Improved risk management, operational efficiencies, and stronger stakeholder trust are among the many benefits of embedding ESG practices. Furthermore, companies with strong ESG performance are increasingly favored by investors, reflecting a global shift toward sustainable financing and prioritizing climate action.

India's ESG evolution mirrors international trends while addressing domestic opportunities and challenges. Initiatives such as the Business Responsibility and Sustainability Report (BRSR) framework and increasing green finance options have propelled India into the global spotlight. Startups can leverage these developments to scale responsibly, align with India's international commitments, and position themselves as leaders in the evolving ESG landscape.

Tailored for practical insight, this handbook focuses on individual contributions to ESG as the building blocks for collective progress, enabling startups to align their practices with India's international commitments and sustainability objectives, and to: (i) scale responsibly; (ii) contribute to global sustainability goals; and (iii) position themselves as leaders in India's evolving ESG landscape.

This handbook is developed as a comprehensive look into the ESG framework in India covering the evolution of ESG in corporate governance, key components, the Indian regulatory landscape, accounting and reporting standards, and market trends. With case studies on **Tata Power**, **Zomato** and **IKEA**, the handbook also addresses challenges, investment opportunities, and the future of ESG in India.

This handbook provides startups with practical strategies to integrate ESG principles into their operations, enabling them to align with India's global sustainability goals and unlock opportunities for responsible growth. For further guidance or inquiries, reach out to us at **garima@treelife.in**

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[1]https://www.ibef.org/blogs/esg-investing-in-india-navigating-environmental-social-and-governance-factors-for-sustainable-growth#:~:text=The%20total%20AUM%20of%20ESG,)%20by%20March%203%2C%202024.
[2]https://www.avendus.com/india/newsroom/esg-expected-to-contribute-to-34-of-total-domestic-aum-by-2051-aligned-to-india-s-2070-net-zero-target-avendus-capital-study

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1. Introduction

Environmental, Social, and Governance (ESG) principles provide a structured framework for businesses to operate responsibly, address global sustainability challenges, and align their goals with the expectations of ESG-conscious stakeholders including investors and customers. Consequently, the degree to which companies incorporate these principles into their corporate strategy serves as a reflection of not only their core values, but also of their understanding that **responsible business practices can lead to long term sustainability and improved financial performance**.[3]

Though the term **ESG was first coined by the United Nations Global Compact in 2004**[4], these principles find their grass roots in ethical and social investing and have evolved since the first United Nations Conference on the Human Environment in 1972 highlighted environmental concerns on a policy level. Sustainable development emerged as a global action plan in the 1990s and **ESG was integrated into financial markets with a formal introduction in the 2004 landmark UN report "Who Cares Wins"**[5]. Global ESG milestones were made in the 2010s that saw increased incorporation of ESG framework into the domestic regulatory and compliance landscape, and ESG ultimately became a strategic priority in the years since the COVID-19 pandemic ravaged the globe in 2020. Today, ESG has gained significant international traction, with 100+ countries coming together to collaborate on global initiatives like the **2015 Paris Agreement** signed at the **UN Climate Change Conference (COP)** and the **UN Sustainable Development Goals (SDG) for 2030**.

In India, the groundwork for incorporation of these ESG principles came through philanthropy driven initiatives by industrial giants such as **Tata Group** and **Mahindra**. With long standing commitments to Corporate Social Responsibility, **Tata Group, in FY2019 alone, invested INR 1,095 crores in such activities, positively impacting the lives of 11.7 million Indians**[6]. As India's international commitments to sustainable development, climate change action and transparency in corporate accountability grew, ESG principles found incorporation in the Indian legal and regulatory framework, aimed primarily at increased corporate social responsibility for public listed companies.

[3] https://www.opju.ac.in/opjubr/documents/volume3/1.pdf
[4] https://www.ibm.com/think/topics/environmental-social-and-governance-history
[5] https://documents1.worldbank.org/curated/fr/444801491483640669/pdf/113850-BRI-IFC-Breif-whocares-PUBLIC.pdf
[6] https://www.tatasustainability.com/SocialAndHumanCapital/CSR

2. Framework

2.1. Components of ESG:

Environment

- **Carbon Neutrality:** Reducing greenhouse gas emissions through energy efficiency, renewable energy adoption, and sustainable operations.
- **Waste Management:** Implementing strategies to reduce, recycle, and manage waste effectively, including compliance with extended producer responsibility (EPR) rules.
- **Renewable Energy Adoption:** Transitioning to clean energy sources such as solar and wind power to lower carbon footprints.
- **Water Conservation:** Efficient use and recycling of water resources, crucial for addressing India's water scarcity issues.

Social

- **Labor Practices:** Ensuring fair wages, safe working conditions, and compliance with labor laws.
- **Diversity and Inclusion:** Promoting equal opportunities across gender, ethnicity, and socioeconomic backgrounds.
- **Community Engagement:** Supporting local communities through CSR initiatives, education programs, and healthcare services.
- **Employee Well-Being:** Focusing on mental health, work-life balance, and overall employee satisfaction.

Governance

- **Transparency:** Adopting open communication practices and clear disclosures for stakeholders.
- **Ethical Leadership:** Embedding integrity, accountability, and fairness into decision-making processes.
- **Data Protection:** Ensuring robust cybersecurity and compliance with data privacy regulations.
- **Anti-Corruption Measures:** Establishing policies to prevent bribery, fraud, and unethical practices.

2.2. Need for Adoption of ESG Frameworks

An ESG framework is both an enabler and an amplifier for organisations to start translating their intent into action. A strong ESG strategy is a force multiplier and helps business in planning **strategic growth journeys** for a **sustainable business**.

There are a number of global studies that show that companies that embedded ESG into core business practices outperform their peers:

- **Preserving environment –** ESG helps businesses reduce their environmental footprint and meet consumer demands more responsibly. This includes incorporation of environmentally friendly measures such as relying on renewable sources of energy and recyclable materials, and also ensures that waste generation and management is handled in an accountable manner.

- **Helps build trust with stakeholders –** ESG helps demonstrate commitment to corporate responsibility and helps build trust with both internal and external stakeholders. Companies choosing to self-comply with international reporting and disclosure standards can increase transparency into their operations and apply for ESG ratings, which provide critical insights for ESG-conscious investors and consumers[7].

- **Investor attraction and better access to capital -** ESG has been increasingly embraced as a key factor in investment decisions and conscious investors seek out companies that are proactive in addressing sustainability goals in their operations. Companies with strong ESG performance are therefore more likely to secure financing and investments, ensuring access to capital even in changing environmental and political conditions[8].

- **Helps avoid non compliances and penalties -** For entities mandated to comply with regulatory requirements, ESG ensures adherence to these evolving requirements, thereby helping a start-up to avoid legal and financial penalties amongst many other challenges faced.

- **Helps distinguish –** By demonstrating strong ESG adaption, consumers and investors are able to recognise the start-up as a responsible entity that is concerned with sustainable growth and development. It further showcases the company's alignment with stakeholder values and expectations, thereby fostering trust and loyalty.

- **Better employee retention -** ESG also creates a sense of community within the workplace by focusing on common values and helps improve the work environment. In order to attract and retain human talent and satisfy consumer expectations, companies have begun to embed sustainability practices into their businesses.

[7] https://www.schellman.com/blog/esg-sustainability/key-benefits-integrating-esg-into-compliance
[8] https://esgbusiness.com/news/companies-esg-priorities-outperform-competitors-report

- **Identifies risk –** ESG helps identify risks and vulnerabilities and take proactive steps to mitigate these risks. Many start-ups fail within the first 5 years due to lack of proper regulatory frameworks, weak institutional mechanisms, and inadequate norms. By incorporating ESG grounded practices in the very framework of operations, startups can aim for sustainable growth.

- **Decrease in financial frauds and malpractice –** A significant teaching moment in the importance of ESG compliance is the "**Dieselgate**" scandal involving the **Volkswagen Group in the United States in 2015**[9]. The executive management had admitted to cheating on emissions tests, which inflated their ESG rating and upon the public disclosure of the same, the value of the company' stock plummeted. Facing massive loss through recalls, fines and lost sales, the scandal led to the resignation of the then CEO of the company[10]. This scandal also led to an evolution in ESG compliance standards, leading to increased transparency in corporate governance. Corporate actions such as these erode the trust of the investors, shareholders and public stakeholders, and a robust ESG framework can be used to implement transparent and accountable corporate governance.

Treelife Guest Insights:

"India is undoubtedly leading the way in ESG regulations. However, equal, if not greater, emphasis is required on effectively measuring and monitoring Social and Governance (S&G) factors. These dimensions often gain attention only in the wake of isolated incidents, such as modern slavery practices or management fraud making headlines. A truly impactful ESG programme requires seamless integration with the broader Enterprise Risk Management (ERM) framework. Adopting a risk-based approach not only enhances preparedness but also enables continuous and proactive monitoring of ESG factors, ensuring long-term resilience, stakeholder trust and sustainability."

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World's leading certifying body for Enterprise
Risk Management across 140 countries

[9] https://www.icgn.org/sites/default/files/2021-08/Volkswagen%20Case%20Study.pdf
[10] https://www.rockpointadvisors.com/insights-the-vw-emissions-scandal-a-failure-of-esg-investing.php

2.3. ESG Reporting

A key element to the achievement of ESG goal commitments made by a country requires that the legal and regulatory framework be domestically incorporated to ensure sustainability at an impactful level. Spearheaded by the United Nations in 1997, ESG reporting can be traced back to the **Coalition for Environmentally Responsible Economies (CERES) and United Nations Environment Programme (UNEP)**, which jointly formulated the **Global Reporting Initiative (GRI)** to provide for flexible but standardised ESG reporting. Undertaken at both the national and international levels, ESG reporting thus forms a crucial part of tracking a country's progress towards its stated commitments and sustainable development.

As per ESG preparedness survey report of May 2023, nearly 90% of organisations surveyed stated that ESG reporting would benefit their company by improving brand reputation, followed by enhancing shareholder trust by nearly 60%.[11]

At the international level, countries outline targets within the broad ESG framework that they commit to achieve within a fixed timeline (such as **Nationally Determined Contributions (NDCs)** under the Paris Agreement). In order to ensure that the committed targets can be met, countries thereafter institute or amend legislation to ensure that the measures needed to be implemented are enshrined within the domestic legal framework. It is in this background that India has ratified many of these international commitments within the municipal legislation.

Key ESG reporting initiatives in India:

- **National Voluntary Guidelines (NVGs) on Social, Environmental, and Economic Responsibilities of Business (2011)**: Introduced by the Ministry of Corporate Affairs, the NVGs provide a comprehensive framework for businesses to adopt responsible practices across nine core principles, encompassing ethics, transparency, and stakeholder engagement[12].
- **Business Responsibility Report (BRR) (2012):** The Securities and Exchange Board of India (SEBI) mandated the top 100 listed companies by market capitalization to include a BRR in their annual reports, detailing measures taken to implement the NVGs[13].
- **Business Responsibility and Sustainability Report (BRSR) (2021):** Enhancing the BRR, SEBI introduced the BRSR framework, aligning with global standards like the GRI and the Sustainability Accounting Standards Board (SASB). The BRSR mandates

[11] https://www2.deloitte.com/content/dam/Deloitte/in/Documents/about-deloitte/in-Deloitte-India-ESG-Preparedness-Survey-Report_noexp.pdf
[12] https://www.mca.gov.in/Ministry/latestnews/National_Voluntary_Guidelines_2011_12jul2011.pdf
[13] https://www.sebi.gov.in/legal/circulars/aug-2012/business-responsibility-reports_23245.html

comprehensive ESG disclosures for the top 1,000 listed companies by market capitalization, effective from the fiscal year 2022–2023[14].

- **BRSR Core Framework (2023):** To further standardize ESG reporting, SEBI introduced the BRSR Core, comprising key performance indicators across nine ESG attributes. This framework requires reasonable assurance of disclosed metrics, initially applicable to the top 150 listed entities for FY 2023–24, with a phased extension to the top 1,000 entities by FY 2026–27[15].
- **Regulation of ESG Rating Providers (2023):** SEBI mandated that, effective from July 5, 2023, only entities certified by SEBI are permitted to provide ESG rating services, ensuring credibility and standardization in ESG assessments[16].

2.4. ESG Indices

A number of indices have been created to cater to the needs of investors with respect to ESG data, most notable of which are:

Dow Jones Sustainability Indexes

Dow Jones Sustainability Index (DJSI): This index includes the top 10% of the largest 2,500 companies in the S&P Global Broad Market Index, selected based on long-term environmental, social, and governance criteria.

MSCI

MSCI ESG Index: Covering over 6,500 companies across 42 sectors, this index evaluates firms on ESG performance, aiding investors in integrating ESG considerations into their portfolios.

FTSE4Good

FTSE4Good Index: Launched in 2001, this series assesses companies on globally recognized ESG standards, assisting investors in identifying organizations that meet ESG criteria.

These indices are further broken down to focused indices designed to include and measure the performance of certain categories of companies in terms of the sector that the company

[14] https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities_50096.html
[15] https://www.sebi.gov.in/legal/circulars/jul-2023/brsr-core-framework-for-assurance-and-esg-disclosures-for-value-chain_73854.html
[16] https://www.sebi.gov.in/legal/master-circulars/jul-2023/master-circular-for-esg-rating-providers-erps-_73856.html
[17] https://www.spglobal.com/spdji/en/indices/sustainability/dow-jones-sustainability-world-index/#overview
[18] https://esgnavigator.com/knowledge-hub/esg-ratings-library/abcs-of-esg-ratings-reporting/
[19] https://esgnavigator.com/knowledge-hub/esg-ratings-library/abcs-of-esg-ratings-reporting/

operates in, size of the company, the sales generated (from sustainable impact categories), etc.[20] Additionally, several asset management companies have launched ESG (Environmental, Social and Governance) funds which use the ESG performance of a company to make investment decisions.

2.5. ESG Impact on Business

Investor Preferences	Performance Metrics	Consumer Behavior
A **2023 Investor Survey report** found that **71% of investors** agree that companies should incorporate ESG factors into their corporate strategy.[21]	Companies with robust ESG frameworks reported **higher profitability,** and **lower tail and systematic risks.**[22]	**64% of Indian consumers** expressed increased concern about climate change, driving habits focused on reducing consumption, enhancing reusability, and minimizing waste.[23]

#TreelifeInsights: The Startup Perspective

Startups in particular can use ESG frameworks to satisfy not only a moral and corporate social governance obligation, but also to gain a strategic advantage. Incorporation of key principles from these frameworks can be used for:

- **Risk Mitigation & Regulatory Compliance:** ESGs help startups anticipate and address risks related to environmental regulations, labor practices and governance mandates, which ensures compliance not only with the Indian legal framework and standards but also contribute to India's collective efforts on a global scale to implement the various aspects of ESG frameworks.
- **Brand Reputation and Trust:** Adoption of ESG principles can help startups differentiate themselves in the competitive market and position themselves attractively to like-minded investors, customers and potential employees.

Sustainability initiatives at corporations appear to drive better financial performance due to mediating factors such as improved risk management and more innovation

[20] https://www.msci.com/documents/1296102/17835852/MSCI-ESG-Indexes-Factsheet.pdf/3b449b87-d470-977a-3b56-77095b8d8fc7#:~:text=To%20be%20eligible%20for%20inclusion,and%20governance%20(ESG)%20standards.
[21] https://www.pwc.com/gx/en/issues/c-suite-insights/global-investor-survey.html
[22] https://www.msci.com/esg-101-what-is-esg/esg-and-performance
[23] https://www.fortuneindia.com/macro/customer-preference-shifting-due-to-climate-change-bain-co/118373

2.6. Suggested Compliance Chart

S.No.	Individual Element	Recommendations
		Governance
1.	Governing Structure ("GS")	• A proper GS should be in place to manage Environmental & Social issues across units and operations. • GS should be diversified (Gender/Regions/Backgrounds). • Grievance Redressal Mechanism and other committees like Risk Audit, ESG, etc., should be in place. • Ethics and Vision documents should be there and also communicated to employees.
2.	Stakeholders Engagement and Grievances Redressal	• Grievance Redressal Mechanism and other committees should be implemented as part of stakeholder engagement.
3.	ESG Policy and ESG Audit	Every project should have: • A separate ESG standalone policy with improvement programs. • Detailed ESG standards and applied certifications (e.g., ILO standards, Sustainability Reporting). • ESG system review and Board recommendations on results.
		Environment
1.	Environment Policy ("EP")	• EP should cover sustainability issues, setting out clear commitments and targets.
2.	Environment Risk and Opportunity Assessment (ERA)	• A committee to monitor ERA should be there.
3.	Environment Impact Assessment (EIA)	• EIA disclosures should be there for projects, if applicable.
4.	Environment Licenses and Permits	• Permits and licenses mentioned in Annexure I above are necessary.
		Social
1.	Gender Grievance Redressal System (GGRS)	• GGRS should be consistent with GOI's Vishakha Guidelines and constitution of a Complaint Committee.
2.	Health & Safety Policy	• H&S policy should be signed by the CEO or equivalent,

S.No.	Individual Element	Recommendations
	(H&S)	and maintenance of an H&S risk register with regular review should be ensured.
3.	CSR Involvement	● Association with any NGO or association that works for social well-being to take social responsibility initiatives.
4.	Anti-Discriminatory Policy & Diversity Policy	● Anti-discrimination and diversity policy should include statistics of employee diversity.
5.	Certificate and Standards	● ESG-related systems implementation and certifications should be ensured.
	ESG	
1.	Environment, Social, and Governance Committee	A standalone ESG committee can be incorporated with the following elements: ● Policy ● Identification of Risks and Impacts ● Management Programs ● Organizational Capacity and Competency ● Emergency Preparedness and Response ● Stakeholder Engagement ● Monitoring and Review ● External Communication and Grievance Mechanism

3. Indian Regulatory and Compliance Landscape

Grounded in various international commitments, the Indian regulatory and compliance landscape has evolved over the years to account for an ESG framework within the domestic environmental, company and labour legislations.

3.1. Environmental Law

India's commitments under international treaties such as the United Nations Conference on Human Environment, 1972 first found domestic ratification in the Environment (Protection) Act, 1986. Subsequent to the BASEL Convention on the Control of Transboundary Movements of Hazardous Waste and their Disposal, and the Paris Agreement, rules were implemented for the management of electronic and plastic waste and regulation of transboundary movement, making the following general compliances typically applicable to companies across industries where their operations are likely to have an environmental impact:

S. No.	Act/ Rule	Applicability	Compliance Requirements
1.	Environment (Protection) Act, 1986	Any activity leading to environment pollution	(i) Submission of Environment Impact Assessment (EIA) Reports; (ii) Compliance with Environment Standards; (iii) Public Environment Statements.
2.	Air (Prevention and Control of Pollution) Act, 1981	Emission of Air Pollutants beyond prescribed standards	(I) Regular Submission of Air Quality Monitoring Data (ii) Compliance reports to State Pollution Control Boards (SPCBs)
3.	Water (Prevention and Control) Act, 1974	Discharge of harmful effluents into the waterbodies	(I) Regular Submission of Water Quality Monitoring Data (ii) Compliance reports to State Pollution Control Boards (SPCBs)
4.	Hazardous and Other Wastes (Management and Transboundary Movement) Rules 2016	Companies and individuals involved in generation, handling and transboundary movement of hazardous waste	Maintenance of records of hazardous waste generation, storage, transportation, and disposal along with annual returns to the SPCBs.
5.	E-Waste (Management) Rules, 2016	Public Companies, Private Companies and Individual Electronics Manufacturers, Consumers and Recyclers	Submission of annual returns on e-waste management; records of e-waste handled or disposed

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S. No.	Act/ Rule	Applicability	Compliance Requirements
		Generation, collection, storage, transportation or disposal of e-waste	Submission of annual returns on e-waste management; records of e-waste handled or disposed
6.	Extended Producers Responsibility (Chapter IV)	Public Company, Private Company and Individual Electronics Manufacturers and Importers	Recycling: submission of EPR plans; annual returns on E-Waste collected and recycled
7.	Plastic Waste Management Rules, 2016.	Producers, Importers and Brand Owner (PIBOs) responsible for plastic waste management	Submission of EPR Action Plans
		Companies or Individual manufacturers engaged in manufacturing, import, stocking, distribution and sale along with use of plastic carry bags and sheets	Annual Reports on plastic waste management, details of recycled and processed plastics
8.	Energy Conservation (Amendment) Act, 2022	Designated Consumers including Public and Private Entities	Mandatory Energy Audits and Reporting on Energy Consumption and Savings

3.2. Company Law

The incorporation of ESG framework within the realm of corporate governance is largely imposed on the top public listed companies, which fall within the purview of Regulation 34(2)(f) of the SEBI Listing Obligations and Disclosure Requirements, 2015 ("LODR"). In addition to the key reporting initiatives identified in this handbook, pursuant to the LODR, companies listed on Indian stock exchanges are required to: (a) prepare a **Business Responsibility and Sustainability Report** within their annual reporting compliances[24]; and/or (b) incorporate certain key ESG performance indicators and obtain ESG ratings in accordance with the international standards[25]. **SEBI has also recently proposed to expand the sustainable framework in the securities market with the inclusion of new investment products called sustainable securitized debt instruments or 'green securitization'**, which has been defined as having sustainable finance credit facilities as the underlying debt[26]. The

[24] Applicable to top 1,000 as per market capitalisation.
[25] Applicable to top 250 as per market capitalisation.
[26] https://www.reuters.com/world/india/india-proposes-expand-sustainable-framework-securities-market-2024-08-16/

raising of sustainable finance can also be done through social bonds, sustainable bonds and sustainability-linked bonds.

In 2021, pursuant to India's commitments under the Paris Agreement, **Section 135 of the Companies Act, 2013** was amended to incorporate certain compliance requirements on both **public and private companies** exceeding a prescribed threshold of net worth, turnover or net profit:

Applicability	Compliance Requirements
Any public or private company having: (i) net worth equal to or exceeding INR 500 crores; (ii) turnover equal to or exceeding INR 1,000 crores; or (iii) net profit equal to or exceeding INR 5 crores	(i) Disclosure of CSR Policy, projects undertaken and expenditure in annual reports; (ii) Annual Action Plan; (iii) Impact Assessment; and (iv) Mandatory Spending - 2%

Commitments under the UN Sustainable Development Goals also find representation in the **Startup India Action Plan 2016**, which ultimately aims to foster entrepreneurship and innovation in the country. Encouraging the growth of the private sector in rapidly emerging fields, this government initiative implemented primarily through the **Department for Promotion of Industry and Internal Trade (DPIIT)** prescribes strict criteria for the recognition of an entity as a startup, but creates a favourable environment for their incorporation and growth, with attractive schemes and tax benefits. Typically, the relevant government ministries monitor the respective compliances through the submission of annual reports.

3.3. Labour Law

The **UN International Labour Organisation (ILO)** has, through numerous conventions over the years, formulated certain labour rights, which have been ratified in various Indian legislations. Including aspects such as **occupational safety, maternity benefits, child labour prevention and gender equality**. In addition to other labour compliances applicable to employers (including companies), the following compliances find their grassroots in various conventions held by the ILO over the years:

S. No.	ILO Convention	Indian Labor Law	Compliance Requirements
1.	ILO Convention 100 (Equal Remuneration)	Equal Remuneration Act, 1976	In addition to a statutory requirement to ensure "equal pay for equal work", employers are mandated to maintain a register of employees and their remuneration, indicating a gender split.

S. No.	ILO Convention	Indian Labor Law	Compliance Requirements
2.	ILO Convention on Occupational Safety	Factories Act, 1948	Requires maintenance of registers and reporting of accidents[27].
3.	ILO Convention 183	Maternity Benefits Act, 1961	Mandates a minimum maternity leave benefit across the country and requires maintenance of records by employers.
4.	ILO Conventions 138 (Minimum Age) and 182 (Worst Forms of Child Labour)[28]	Child Labour (Prohibition and Regulation) Amendment Act, 2016	Ratifies both conventions and requires maintenance of records of the children employed and nature of employment.
5.	ILO Conventions on Health and Safety	The Occupational Safety, Health and Working Conditions Code, 2020	While pending legislative implementation in India, the proposed code requires maintenance of health and safety records and reports on accidents.

3.4. Voluntary Compliances

As an added measure of value to ESG-conscious investors, startups also often undertake compliances under the **Global Reporting Initiative** to report on their sustainability and adopt ESG frameworks like sector-specific metrics provided by the **Sustainability Accounting Standards Board** and climate-related risks and mitigation strategies under the **Task Force on Climate-Related Financial Disclosures.**

Additionally, ESG-conscious Indian businesses can voluntarily track their carbon emissions (which are categorised as **Scope 1**[29]**, Scope 2**[30] **and Scope 3**[31]) and obtain **International Renewable Energy Certificates** ("**IREC**"; documenting renewable energy consumption outside of Europe and North America) to verify the same. These scopes typically form the basis of greenhouse gas emission reporting and is a mandatory aspect of reporting in countries like the United Kingdom[32], as part of an ongoing international commitment to reduce such emissions.

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[27] Applicable to manufacturing establishments that meet specified thresholds.

[28] These conventions take into account the fact that economic factors may require young persons to join the workforce and thus provide for regulation of their employment with the aim to protect them from exploitation and hazardous working conditions. Similar principles are already echoed in domestic labour legislations such as the state specific Shops and Commercial Establishment Acts in India.

[29] Scope 1 - tracks greenhouse gas emissions from sources directly controlled by the company. Example: refrigerant leaks, combustion processes.

[30] Scope 2 - tracks indirect emissions from purchased electricity, steam, heat and cooling.

[31] Scope 3 - tracks all other emissions associated with the company's activities. Example: transportation, procurement, waste management.

[32] https://www.deloitte.com/uk/en/issues/climate/zero-in-on-scope-1-2-and-3-emissions.html

Treelife Guest Insights: India's Banking and Finance Sector

*The Reserve Bank of India (RBI) issued a **Framework for Acceptance of Green Deposits** in 2023 which encourages **regulated entities** ("RE"s such as commercial banks and NBFCs) to offer **green deposits** to consumers, and sets out aspects such as **board approved policies**, allocation of proceeds based on an **interim green taxonomy** and **preventing greenwashing**.*

*Further, based on a 2022 discussion paper on **Climate Risk and Sustainable Finance**, the RBI issued a draft disclosure framework on climate related financial risks in early 2024 which will be the basis of the final disclosure framework for regulated entities of RBI. This framework is a step towards **standardising the reporting of climate related financial risks by REs**. Certain challenges may arise in its implementation, and the most prominent one seems to be the requirement of **disclosure of greenhouse gas emissions by the investee or counterparty of the RE, attributed to the loans and investments made to it**. To comply with this disclosure requirement, the RE requires having **resources and technology** to gather data at this scale, and also **re-conceptualise** their loan / investment processes.*

*Another suggestion is the need to develop a **common green taxonomy** for the financial sector, which is essential to have a common understanding of green projects aligned with international standards to **prevent greenwashing, encouraging cross-border investments, boosting investor confidence and giving certainty to the legal framework**. Currently, there is no common green taxonomy for the financial sector, and this leads to **differing understanding** on what is meant by 'green' projects.*

Shreya Garg
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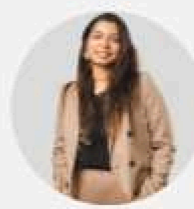


4. ESG Accounting and Reporting:

ESG accounting plays a crucial role in quantifying and reporting ESG metrics for companies with:

- **Enhanced Transparency:** ESG accounting enables companies to provide transparent and standardized information about their environmental, social, and governance performance. This transparency allows stakeholders, including investors, customers, employees, and communities, to make informed decisions based on a company's sustainability practices.

- **Risk Assessment and Management:** ESG accounting helps companies identify and assess ESG-related risks and opportunities. By quantifying and reporting ESG metrics, companies can understand the potential impact of these factors on their business operations, reputation, and long-term sustainability. This information allows for more effective risk management strategies.

- **Performance Evaluation:** ESG accounting provides a framework to measure a company's performance in relation to its sustainability goals. It enables companies to track their progress, set targets, and evaluate the effectiveness of their ESG initiatives. This evaluation helps companies identify areas for improvement and make informed decisions to enhance their sustainability practices.

- **Stakeholder Engagement:** ESG accounting facilitates effective communication with stakeholders. By reporting ESG metrics, companies demonstrate their commitment to transparency, sustainability, and responsible business practices. This engagement helps build trust, attract socially responsible investors, and foster positive relationships with customers, employees, and communities.

4.1. ESG Accounting v/s Traditional Accounting

Particulars	ESG Accounting	Traditional Accounting
Scope	ESG accounting encompasses a broader set of non-financial factors. It considers environmental impact, social practices, and governance structures, providing a comprehensive view of a company's sustainability performance	Traditional Accounting Primarily focuses on financial performance, and provides information about financial position

Particulars	ESG Accounting	Traditional Accounting
Metrics and Indicators	ESG Accounting uses metrics like greenhouse gas emissions, energy consumption, employee diversity, health and safety records, community investments, board diversity, executive compensation, etc.	Uses Financial Metrics as provided in accounting principles and standards
Reporting Standards	Globally reporting standards such as the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB), but there is still a lack of uniformity in reporting practices	There are established accounting standards and frameworks, such as Generally Accepted Accounting Principles (GAAP) or Ind AS in India or International Financial Reporting Standards (IFRS) which are accepted globally

Treelife Guest Insights:

"Unlike financial accounting, ESG accounting requires navigating scattered data silos and diverse, evolving reporting standards. This complexity often leaves organizations struggling, with 91% of business leaders identifying these challenges as barriers to effective sustainability strategies. Encouragingly, 94% believe that technology can bridge these gaps by enabling seamless data management and reporting. By leveraging innovative solutions, organizations can establish the processes needed to integrate and streamline ESG data—laying the foundation for accurate reporting and meaningful impact."

Karantaj Singh
Founder, Breathe ESG

4.2. ESG Audit

An ESG audit is an independent assessment of a company's ESG practices. The audit verifies the accuracy, completeness, and reliability of the company's ESG disclosures and reporting. It is similar to a financial audit but specifically applied to ESG information. It also evaluates whether the company's ESG practices align with its stated objectives and commitments.

The primary purpose of an ESG audit is to provide assurance to stakeholders, such as investors, regulators, and the public, that the company's ESG disclosures are credible and transparent. This can help to build trust and confidence in the company and its ESG practices.
Currently SEBI has mandated the top 1,000 listed companies to annually disclose ESG-related information from financial year 2022-23 onwards.

4.3. Standards and Guidelines for ESG Audits in India

In India, the regulatory framework for ESG audits is still evolving, but there are a number of standards and guidelines that are emerging. Here are some notable developments:

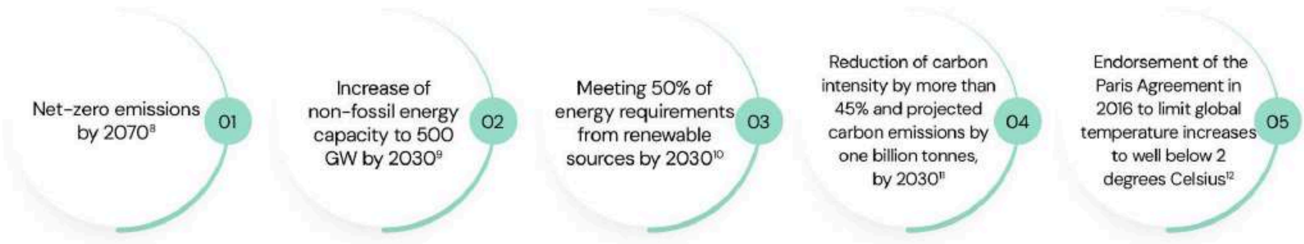
- **Sustainability Reporting Standards:** The framework prescribed by SEBI on Business Responsibility and Sustainability Reporting by listed entities aligns with international reporting standards, such as the GRI and the Sustainability Accounting Standards Board (SASB).

- **Guidance from Professional Bodies:** Professional bodies, such as the Institute of Chartered Accountants of India (ICAI) and the Confederation of Indian Industry (CII), have developed guidance documents and toolkits to assist auditors and companies in conducting ESG audits and reporting.

- **Collaborative Initiatives:** Collaborative initiatives between industry associations, investors, and regulators are promoting ESG audit practices in India. For example, the National Stock Exchange (NSE) partnered with the Indian Institute of Corporate Affairs (IICA) to create awareness and build capacity for ESG reporting and audits.

5. Global and Indian ESG Market Trends

India Pledges to ESG



ESG Investment Growth

The global ESG investment market is projected to grow to **USD 53 trillion** by 2025, representing over one-third of total global assets under management (AUM). [18]

As of September 2024, the assets under management (AUM) for ESG-focused mutual funds in India stood at approximately **INR 9,986 crore.**[19]

Market Size

India's ESG market is expected to grow at a **CAGR of 30%**, reaching **₹50,000 crores by 2030.**[20]

International Renewable Energy Agency (IRENA) Annual Review (2024)

India's renewable energy jobs reached an **estimated 1.02 million in 2023,** indicating significant growth in the sector.[21]

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[33] https://flow.db.com/more/esg/india-s-path-to-net-zero#:~:text=At%20the%20Glasgow%20COP26%20climate,net%20zero%2C%E2%80%9D%20he%20said.
[34] https://flow.db.com/more/esg/india-s-path-to-net-zero#:~:text=At%20the%20Glasgow%20COP26%20climate,net%20zero%2C%E2%80%9D%20he%20said.
[35] https://sansad.in/getFile/annex/257/AU529.pdf?source=pqars#:~:text=At%20UNFCCC%20COP%2026%2C%20Hon,projected%20carbon%20emissions%20by%20one
[36] https://www.bloomberg.com/professional/insights/trading/esg-assets-may-hit-53-trillion-by-2025-a-third-of-global-aum/
[37] https://www.financialexpress.com/business/esg-funds-in-india-a-pioneer-of-sustainable-investment-for-a-resilient-future-3601284
[38] https://economictimes.indiatimes.com/news/india/esg-sustainability-impact-measurement-market-to-cross-30-billion-by-2030/articleshow/101027265.cms
[39] https://pib.gov.in/PressNoteDetails.aspx?ModuleId=3&NoteId=153238

5.1. Case Studies on ESG Implementation

India - Tata Power

TATA
TATA POWER

01.

Solar Rooftop Initiative

Tata Power installs solar panels on idle rooftop spaces, enabling consumers to generate renewable energy and save on costs.

02.

Data Monitoring System

A state-of-the-art **Network Operating Center (NOC)** tracks performance in real-time, ensures proactive maintenance, and provides live performance data access.

03.

Impact in 2021

Expanded to **90 Indian cities,** generating **421 million watts** of electricity.[36]

04.

Predictive Intelligence

Offers proactive maintenance and support, ensuring maximum plant uptime.

05.

Microgrid Program

Tata Power is bringing renewable energy to underserved communities, targeting **50,00,000 households and impacting 2,50,00,000 people** over the next decade.

06.

Environmental Benefits

The microgrid program aims to **reduce carbon emissions by 1 million tons** annually while cutting electricity costs.

07.

Decarbonization Efforts

These initiatives align with clean energy goals and promote large-scale adoption of renewable energy in India.

Treelife Insight

Tata Power's success story is directly rooted in their adoption of digital innovations to effectively promote and implement the mass adoption of renewable energy. In fact, a 2023 PWC survey found that more than 70% of investors identify technological change as the most important factor to innovation.[37]

[40] https://download.schneider-electric.com/files?p_Doc_Ref=sustainable_future
[41] https://www.pwc.com/gx/en/issues/c-suite-insights/global-investor-survey.html

India – Zomato Limited

zomato

01.

100% Carbon Neutral 3 Years in a Row

ESG assurance providers have verified Zomato's IREC for Scope 2 emissions and carbon offset purchases for Scope 1 and Scope 3 emissions for FY22, FY23 and FY24. **The IREC and offset purchases equal Zomato's entire carbon footprint for food delivery business for 3 years in a row making the deliveries 100% carbon neutral.**[44]

02.

Plastic Waste Recycling

Since the launch of plastic neutral deliveries in FY 23, Zomato has **recycled 30,000 metric tons** of plastic waste, which approximates to around **1.5x the volume of plastic waste generated by orders delivered by Zomato.**[45]

03.

Climate Conscious Delivery

Zomato has committed to achieving **net zero emissions** across the food delivery value chain **by 2033**[46] and achieve **100% EV-based deliveries by 2030.**

04.

Feeding India

Leveraging its relationship with the food industry, Feeding India has initiated flagship programs such as **Daily Feeding Program** that serves **over 2 lakh meals daily across 39 cities** in underserved communities in India. This initiative has also been instrumental in providing community support during the COVID-19 pandemic in India which saw provision of **oxygen concentrators worth INR 9.15 million.**[47]

Treelife Insight

Zomato's focus on carbon neutrality, plastic waste recycling, and community feeding programs exemplifies how businesses can integrate ESG into their core operations while creating measurable environmental and social impacts. By aligning sustainability with operational goals, companies not only strengthen stakeholder trust but also position themselves as leaders in driving positive change within their industries.

[42] Deepinder Goyal (CEO, Zomato) on X: https://x.com/deepigoyal/status/1864987662236745824
[43] Deepinder Goyal (CEO, Zomato) on X: https://x.com/deepigoyal/status/1864987662236745824
[44] https://www.zomato.com/investor-relations/esg-initiatives/microsite

Global - Ikea

01.

Renewable Energy Adoption

IKEA invested in solar panels for store rooftops and wind farms, becoming a **net exporter of renewable energy.**

02.

Sustainable Product Goals

Committed to using **100% renewable or recycled materials in all products by 2030.**

03.

Reduced Carbon Footprint

Significant reductions in its climate footprint influenced suppliers and competitors towards greener practices.[38]

04.

80th-Year Milestone (FY 2023)

Marked by increases in **renewable electricity use** across retail and production operations, showcasing leadership in retail sustainability.

04.

Customer Impact

Reduced the climate footprint from **product use at home by more than 50%.**

05.

Innovative Materials

Introduced a **bio-based glue** to further lower its environmental impact.[39]

Treelife Insight

Retailers can influence global sustainability practices through scale and investments in renewable energy. A commitment to green business practices and product sustainability also enhances customer trust and elevates brand reputation.

[45] https://digitaldefynd.com/IQ/esg-case-studies/
[46] https://www.ikea.com/global/en/our-business/reports/sustainability-report-fy23-240125/

6. Challenges Faced

Though the incorporation of an ESG framework into a corporate governance system has numerous benefits, the same is not easily achieved on account of the following challenges:

- **Regulatory Concerns:** Though many different ESG rating frameworks are approved by SEBI, there is no standardised rating framework across the spectrum, leading to subjectivity and bias. A standardised ESG framework, will rate bond issuers on different parameters to ascertain if their sustainability claims are bona fide and restore investor confidence in the green investment sector. This will also facilitate a strict mandate for adherence to ethical and moral practices across ESG advertising, disclosures and reporting and can facilitate investors to exit "green" investments when the proceeds are not driven towards sustainable projects anymore[47].

- **Resource Constraints:** Private companies, especially early stage startups, operate with limited financial and human resources. This entails that resource allocation is prioritised for the most critical of functions and consequently, implementation of a robust ESG framework is beyond the ability of certain companies. Ergo, these companies are not able to avail of the benefits that come with increased ESG compliance. Further, given the vast data and integrity of such data collected in the ESG investment space, technology such as Artificial Intelligence (AI) and machine learning quickly become integral to streamline, standardize and effectively comprehend the data insights collected, leaving companies who are unable to incorporate such technological advancements into their ESG framework, unable to effectively monitor their ESG compliance.

- **Awareness Gaps:** ESG frameworks are fundamentally complex and where sector specific, heavily legislated. Companies are often unaware of the environmental compliances applicable to the specific industry they operate in, such as with respect to management of any electronic or plastic waste generated. Similarly, labour and employment law is governed by a complex and layered framework involving oversight by both state and central governments. Given the number of compliances and the lack of technical knowledge to determine their applicability, companies often inadvertently find themselves in violation of labor laws that enshrine principles agreed to in international conventions. Consequently, companies find themselves facing exposure for violation of laws and bear liability for monetary penalty and/or imprisonment.

- **Data Collection:** Companies often have difficulty in gathering and reporting ESG-metrics in an accurate fashion. Given its broad nature, the implementation of an ESG framework can be a nuanced and complex exercise that companies may find daunting to effectively implement. This is additionally complicated by the lack of standardised rating frameworks.

[47]https://www.financialexpress.com/money/esg-investing-india-esg-investment-takes-hold-what-is-next-for-investors-3058893/

7. ESG Investment and Financing

ESG principles have become integral to investment evaluation methodologies, enabling investors to maximize returns while mitigating risks throughout the investment lifecycle. Beyond the statutory ESG reporting requirements, investors increasingly focus on a company's proactive commitment to sustainability, responsible business practices, and long-term value creation[48].

7.1. Key Indicators for ESG-conscious Investors:

- **Carbon Neutrality and Net-Zero Commitments:** Investors prioritize companies that demonstrate tangible efforts toward reducing their carbon footprint and achieving carbon neutrality or net-zero emissions. This includes strategies to reduce greenhouse gas emissions across operations and supply chains, adopting renewable energy, and participating in carbon offset initiatives such as reforestation or green energy projects.

- **Green Financing Initiatives:** Companies engaging in green finance through projects like renewable energy, energy-efficient infrastructure, sustainable agriculture, and green bonds are particularly attractive to investors. Such initiatives align with global sustainability goals and have a demonstrable positive environmental impact, reinforcing investor confidence.

- **Transparency and Governance:** Strong governance practices and accountability at the management level are critical ESG considerations for investors. Companies that exhibit transparent decision-making processes, independent board representation, and clear governance structures are perceived as more sustainable and responsible. Ethical leadership and compliance with anti-corruption measures further enhance a company's ESG profile, making it more appealing to investors.

- **Corporate Social Responsibility (CSR) and Community Engagement:** Beyond operational metrics, investors evaluate a company's commitment to social impact through CSR initiatives and philanthropic activities. Companies implementing welfare programs for employees, communities, and underserved populations are seen as positively contributing to socio-economic development, which resonates strongly with ESG-focused investors.

- **Supply Chain Sustainability:** ESG considerations extend beyond a company's operations to its entire supply chain. Investors assess practices such as: ethical sourcing of materials, adherence to fair labor standards and supplier diversity and inclusion. Transparency in supply chain management is particularly valued, as it reflects a company's ability to manage environmental and social risks comprehensively.

[48] https://www.pwc.com/gx/en/sustainability/assets/pwc-private-equity-responsible-investment-survey-2023.pdf

- **Waste Management and Circular Economy Practices:** Companies prioritizing waste reduction, recycling, and sustainable waste disposal practices are increasingly attractive to ESG-conscious investors. Particular emphasis is placed on minimizing plastic waste and adopting circular economy principles to promote long-term environmental sustainability. Investors value organizations that innovate in sustainable packaging, reduce single-use plastics, and ensure ethical waste disposal.

7.2. Key Factors for ESG-conscious Investors:

- **Risk Mitigation:** ESG compliance helps investors identify and manage risks related to regulatory changes, environmental challenges, and social expectations, which can impact the profitability and stability of their investments.

- **Enhanced Returns:** Sustainable practices are often associated with operational efficiencies, cost savings, and market differentiation, resulting in optimized returns for investors.

- **Alignment with Global Goals:** By supporting ESG-compliant companies, investors contribute to broader sustainability objectives, such as the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement.

- **Reputation and Stakeholder Value:** Investing in ESG-aligned companies enhances investor reputation and aligns with the growing demand from institutional clients and consumers for sustainable and ethical business practices.

- **Impact Verification:** Indian venture capitalists are increasingly seeking to verify the impact of their investments to maintain investor confidence. Independent verification services, such as BlueMark, are being utilized to ensure that investments align with established impact principles[49]

7.3. Investments

Many investors look to incorporate ESG factors into the investment process, apart from traditional financial analysis. As part of this, investment firms collect ESG data on companies and use this to make decisions on valuation and risk that a stock poses. With investors looking at ESG as a value-based measure, they are willing to measure ESG performance in the companies the same way they would any other traditional financial performance. This is leading to in-depth ESG reporting along the lines of factors such as climate change, carbon intensity, controversy exposure, and overall ESG profile. Today, ESG spans multiple asset classes and caters to a diverse group of investors.

[49] https://www.ft.com/content/aaf750c7-4348-435f-b138-a23d67e478b7

- **Morgan Stanley Capital International (MSCI) India ESG Leaders Index:** Launched in 2013, this index is a free float-adjusted market capitalisation-weighted index that represents the performance of companies selected from the MSCI India Index, on the basis of ESG parameters[50]. This index serves as a tool for investors to gauge the performance of company switch high ESG ratings, relative to their sector peers.

- **Green Bonds:** In November 2024, the Reserve Bank of India announced plans to issue INR 200 billion in sovereign green bonds during the second half of the fiscal year of 2024-25, which would support projects in climate change, clean mobility, renewable energy, sustainable water and waste management sectors, with non-resident indians reportedly permitted to invest in such bonds with 10 year tenors through the GIFT City in Gujarat[51]. Green bonds raised **$7.9 billion through green bonds in 2023**, ranking it among the top emerging markets for sustainable financing. Green bonds and loans have become pivotal in mobilizing capital for environmentally sustainable projects in India. The Securities and Exchange Board of India (SEBI) has introduced guidelines to enhance the sustainable finance framework, incorporating instruments like sustainable securitized debt and social bonds[52]. Financial institutions, such as the State Bank of India, have established ESG financing frameworks to issue green bonds and loans, directing funds toward renewable energy, energy efficiency, and other green initiatives[53].

- **Impact Investments:** ESG-aligned startups attracted **₹25,000 crores in impact investments** in the last three years, with a significant focus on renewable energy and health tech. Consequently, investors (including venture capital (VC) and private equity (PE) investors) are increasingly integrating ESG considerations into their investment strategies, recognizing the long-term value and risk mitigation they offer. In 2022, ESG-themed investments accounted for nearly 13% of total PE-VC investments in India, amounting to approximately $7.9 billion, primarily in clean energy and electric mobility sectors[54]. This trend reflects a growing commitment among investors to support sustainable and responsible businesses. In the first half of 2023, approximately 20% of PE-VC investments in India were directed toward ESG-aligned assets, amounting to $4.5 billion. This indicates a growing commitment among investors to integrate ESG considerations into their portfolios[55]. The healthcare sector has seen substantial PE-VC investments, reaching $5.5 billion in 2023, a 25% increase from the previous year. This surge is attributed to rising healthcare spending and the increasing prevalence of non-communicable diseases in India[56].

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[50] https://www.msci.com/documents/10199/06d20a9e-bd6b-4ea8-a7a2-31cfb0444273
[51] https://powerline.net.in/2024/11/19/rbi-to-raise-rs-200-billion-in-sovereign-green-bonds-in-2024-25/
[52] https://www.reuters.com/world/india/india-proposes-expand-sustainable-framework-securities-market-2024-08-16/
[53] https://sbi.co.in/documents/17836/3726866/ESG%2BFinancing%2BFramework%2B2023.pdf/ab4d507d-c354-d4d0-b2e5-3cbbe1f75e0a?t=1674120824966&
[54] https://indiacsr.in/esg-indias-private-equity-investments-in-2022/
[55] https://www.bain.com/insights/indias-private-equity-landscape-in-the-first-half-of-2023/
[56] https://www.ft.com/content/335558f1-bdb3-4f38-ab31-2c447a9500c7

7.4. ESG Investors

ESG conscious investments are gaining traction in India, reflective of a global shift towards sustainable and responsible investment practices. Fundamentally motivated by sustainability and ethical governance in long-term value creation, ESG-conscious investments are seeing strong investor preference, with over 64% of investors expected to increase their exposure to sustainable funds[57]. ESG conscious investors are not only supported by the Indian regulatory framework but are also encouraged by increased corporate adoption of ESG practices. The assets under management (AUM) for ESG funds in India have seen substantial growth, rising from approximately ₹2,747 crore in 2020 to ₹9,753 crore in 2024[58].

Some prominent ESG investors in the venture capital/private equity ecosystem in India are[59]:

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[57] https://www.financialexpress.com/money/esg-investing-india-esg-investment-takes-hold-what-is-next-for-investors-3058893/
[58] https://blog.shoonya.com/esg-investing-in-india-a-path-to-sustainable-growth/
[59] **Note:** This list is not exhaustive and serves as a representation of some of the investors in this space.
[60] https://www.businesstoday.in/latest/corporate/story/avaana-capital-closes-135-million-climate-fund-targets-early-stage-start-ups-451189-2024-10-23
[61] https://economictimes.indiatimes.com/tech/funding/breathe-esg-raises-rs-2-6-core-in-funding-led-by-100x-vc/articleshow/105208015.cms?from=mdr#
[62] https://inc42.com/buzz/ankur-capital-to-float-inr-1200-cr-third-fund-gets-commitments-from-bii-macarthur/#:~:text=Early%2Dstage%20venture%20capital%20firm,MacArthur%20Foundation.
[63] https://www.peakventures.in/sanjay-nayar-partnership
[64] https://climateangels.in/updates/

Indian venture capitalists are increasingly seeking to verify the impact of their investments to maintain investor confidence. Independent verification services are being utilized to ensure that investments align with established impact principles[65]. The recent successful initial public offering (IPO) of NTPC Green Energy, which was oversubscribed by more than twofold and saw a significant rise in share value upon debut, reflects strong investor confidence in India's renewable energy sector[66].

Treelife Guest Insights:

"Sustainability is now a key assessment criteria within the overall evaluation framework for venture investors. At Peak, our investment evaluation criteria is based on financial upside and climate impact, both of which are important and necessary for us prior to making an investment. Subsequent to investment diligence, we focus on legal, financial, ESG, and other diligence relevant to the company. Given that we have built deep domain expertise in sustainability, we take a very rigorous view when applying our sustainability lens. This means analysis of Scope 1, 2, 3 emissions; evaluation of resource intensity of the solution; whether large-scale adoption would result in any negative externalities; contextualization of resource utilization within India's availability of these resources, energy cost of delivery, evaluation of supply chain partners, and many other parameters. While we recognize that at an early-stage, many companies may not have the data required to statistically provide answers to these questions, we have seen that it is extremely beneficial to make founders aware of such factors towards the beginning of their journey. Post-investment, we typically join the Board and work with the management team to outline an ESG policy for the company based on the outcome of this diligence. All-in, companies emerge from this process with a robust framework and understanding of ESG requirements, creating a foundation that can be built upon over time."

Aakash Shah
Partner, Peak Sustainability Ventures

[65] https://www.ft.com/content/aaf750c7-4348-435f-b138-a23d67e478b7?
[66] https://www.reuters.com/business/energy/indias-ntpc-green-energy-rises-324-trading-debut-2024-11-27/

8. Indian Government Initiatives and Subsidies

In addition to the regulatory framework outlined earlier in this handbook, the Indian government has launched several initiatives and subsidy schemes to promote ESG compliance and sustainable development. These are implemented not only at the central level as national targets, but also by state governments as schemes and development initiatives targeted to the needs of the respective states. Further, the Indian government has also implemented schemes under a variety of international commitments such as: (i) the International Solar Alliance (COP 21), which saw the domestic establishment of the National Solar Mission and guidelines, initiatives and regulations for the solar energy industry in India; and (ii) the Green Credit Programme, which rewards participation by companies in voluntary environmental actions.

Some notable ESG government initiatives are:

- **Pradhan Mantri-Kisan Urja Suraksha Evam Utthaan Mahabhiyan (PM-KUSUM) Scheme:** A central government initiative aimed at installing solar pumps and grid-connected solar power plants, providing subsidies to farmers to encourage the adoption of solar energy in agriculture[67]. The scheme envisages governmental/state governmental support for set up of decentralised grid connected renewal energy power plants for buying power from farmers/developers.

- **Incentives for Electric Vehicles (EVs):** Under the Faster Adoption and Manufacturing of (Hybrid and) Electric vehicles scheme, the Indian government has approved a budget allocation of INR 10,000 crores to promote electric mobility[68]. This includes purchase incentives, tax benefits and subventions of interest on loans, to boost adoption of EVs and the development of charging infrastructure[69]. This incentive is rooted in the goal to achieve 'clean mobility' solutions.[70]

- **Green Credit Program:** Introduced through the Green Credit Rules, 2023 under the Environment Protection Act, 1986, the primary purpose of the Green Credit Program is to establish a mechanism to encourage voluntary plantation activity across the country, which results in the award of "green credits" and helps build an inventory of degraded land that can be utilised in afforestation programmes[71]. Through the use of digital infrastructure for registration, verification and monitoring, the Program is used to issue

[67] https://www.india.gov.in/spotlight/pm-kusum-pradhan-mantri-kisan-urja-suraksha-evam-utthaan-mahabhiyan-scheme
[68] https://e-amrit.niti.gov.in/electric-vehicle-incentives
[69] https://www.reuters.com/business/autos-transportation/india-allots-109-bln-rupees-scheme-promote-electric-vehicles-2024-09-11
[70] https://www.reuters.com/business/autos-transportation/indias-karnataka-plans-tax-waivers-hybrid-cars-incentives-evs-2024-09-25/
[71] https://www.moefcc-gcp.in/about/aboutGCP?utm_campaign=fullarticle&utm_medium=referral&utm_source=inshorts

green credits for activities that promote sustainability, aiming to incentivize businesses and individuals to engage in environmentally friendly practices[72].

- **ESG Initiatives in GIFT City:** The International Financial Services Centres Authority (IFSCA) has introduced policies to promote ESG investments within the Gujarat International Finance Tech-City (GIFT City)[73] These initiatives aim to align financial institutions with sustainable objectives, ensuring that GIFT City emerges as a hub for responsible and sustainable finance.[74]

    - **Green Finance Ecosystem**: IFSCA has established a framework for the disclosure and listing of green bonds, social bonds, sustainability bonds, and sustainability-linked bonds, fostering a robust green finance ecosystem.

    - **Sustainability Disclosures**: Entities managing assets exceeding USD 3 billion are required to make sustainability-related disclosures, enhancing transparency and accountability in ESG investments.

    - **Strategic Partnerships**: Collaborations with organizations such as the Climate Policy Initiative (CPI) and the Council on Energy, Environment, and Water (CEEW) have been established to develop comprehensive policy and regulatory frameworks that promote sustainable investments.

[72] https://energy.economictimes.indiatimes.com/news/renewable/esg-sustainability-in-spotlight-as-budget-2024-unfolds/107251997
[73] https://timesofindia.indiatimes.com/city/ahmedabad/ifsca-introduces-incentives-for-esg-funds-at-gift-city/articleshow/113743068.cms
[74] https://nishithdesai.com/NewsDetails/10798

9. Concluding Thoughts: The ESG Future

The adoption of ESG frameworks in India signifies a pivotal shift towards **sustainable and ethical business practices**, driven by **global commitments**, **regulatory developments**, and **stakeholder expectations**. By aligning with international goals such as the **UN Sustainable Development Goals (SDGs)** and the **Paris Agreement**, India has propelled ESG into the spotlight, with frameworks evolving to address both domestic challenges and opportunities.

The future of ESG in India lies in its deeper integration into **corporate strategy and governance**. With regulators like **SEBI mandating ESG disclosures** for top companies and growing **investor interest in ESG-compliant ventures**, businesses are recognizing the **long-term value of sustainability**. Startups, in particular, are uniquely positioned to embed ESG principles from the outset, allowing them to scale responsibly, attract investments, and build enduring stakeholder trust.

Looking ahead, ESG frameworks are expected to become increasingly **sector-specific**, catering to industries like **renewable energy, agritech, fintech, and healthcare**. **Emerging technologies** such as **AI and blockchain** are poised to play a transformative role, enhancing **transparency, data accuracy, and reporting efficiency**. Policies promoting **green financing, circular economies**, and **renewable energy adoption** will be crucial accelerators of this transformation. At the same time, challenges such as **data collection, resource constraints**, and **awareness gaps** must be addressed to ensure widespread and effective implementation across sectors.

India's proactive initiatives, including the **International Solar Alliance** and commitments to **net-zero emissions by 2070**, underscore its leadership in global sustainability efforts. The country's advancements in ESG not only strengthen its domestic landscape but also position it as a role model for other emerging markets. As consumers increasingly demand sustainable practices, businesses aligning with ESG principles will gain a competitive edge in a rapidly evolving market.

To drive meaningful progress, collaboration among the government, private sector, and civil society will be essential in building a resilient and inclusive ESG ecosystem. Continuous policy evolution, informed by emerging trends and challenges, will further reinforce the momentum towards sustainability.

By embracing ESG as a core business philosophy, India's businesses and startups can not only meet regulatory and investor expectations but also contribute to a sustainable future. Together, they have the opportunity to cement India's position as a **global leader in responsible governance, innovation, and development.**

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