ESG RESPONSIBLE INVESTING
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Today, we all are aware that climate change is the most serious problem the world faces. To tackle this climate change, we need a more sustainable development path. We can clearly see that vigorously developing renewable energy and promoting the global carbon neutrality process has become the inevitable choice for mankind to mitigate climate change and achieve sustainable development. The major form of the energy revolution is going to be the clean and efficient use of a diversified energy structure including PV power, energy storage, and hydrogen energy.

As the world’s most valuable solar technology company, LONGi has been contributing green power to a human community with a shared future. In 2015, we began the “clean energy generation powered by clean energy” program in Yunnan, China and Kuching, Malaysia and proposed “Solar for Solar”, a “PV-powered PV solar power generation” concept to contribute to clean energy.

In 2020, we became the first Chinese company to join RE100, EV100 and EP100. We joined the Science Based Targets initiative (SBTi), responded to the climate change questionnaire of CDP Global Environmental Information Research Center for the first time, and incorporated the four initiatives into our strategic blueprint for the implementation of the “Zero Carbon LONGi” goal. We are committed to promoting green development through the use of renewable energy, the popularization of electric vehicles, the improvement of energy efficiency, and other ways. We set up well-grounded greenhouse gas emissions reduction targets and work with the upstream and downstream to build a green ecological chain.

In 2020, the Corporate Social Responsibility Report was upgraded to Sustainability Report to reinforce our commitment to sustainable development. In the context of climate change, sustainable value creation is our foundation as well as our mission. Looking to the next 20 years, we will embrace a global vision and harbor lofty ambitions. We will surpass ourselves and maximize solar energy with ground-breaking monocrystalline technologies. We will work with all stakeholders to ensure that everyone benefits from technological advances. We will promote global cooperation in new energy and renewable energy for a green future for mankind.

**LEADING ZERO-CARBON SOLUTIONS FOR A GREEN ENERGY FUTURE**

In the past two decades, we have been working on improving PV conversion efficiency and reducing the cost of PV products with technological advances. It turned out that our efforts greatly promoted the use of PV power. Thanks to technological progress and the development of power grids, grid parity has become a reality in many parts of the world, and the PV industry has become a major promoter of social energy supply and energy restructuring in some countries and regions.
After promoting PV to become a basic source of energy, LONGi sought to revolutionize the industry chain to make it “even cleaner”, that is, to generate clean energy with clean energy. At COP 24 Katowice 2018, LONGi proposed the concept of “Solar for Solar”, namely using PV generated electricity to produce PV products. LONGi suggested that PV power stations and pumped-storage hydroelectricity plants be built in coastal areas with sufficient vertical height difference and abundant sunlight in the world to power PV manufacturing plants. The “Solar for Solar” industry chain can achieve zero-carbon or even carbon negative.

The “Solar For Solar” concept did not come out of thin air. For years, LONGi has been committed to promoting the proportion of clean energy in all factories around the world. As early as 2015, LONGi started to use sufficiently available, low-cost hydropower to produce PV products in Yunnan, China and Kuching, Malaysia. In 2020, five factories in Yunnan Province began to run on 100% renewable electricity.

To further reduce our energy consumption in the production process and reduce carbon emissions throughout the life cycle of PV products, LONGi joined a number of global climate change initiatives and promised to operate on 100% renewable energy globally by 2028.

**COLLABORATING FOR WIN-WIN RESULTS AND DEVELOPING A GREEN SUPPLY CHAIN**

With globalization, interconnection, and networking development these days, supply chain management has gradually shifted its focus from inter-organizational transaction coordination and operational efficiency to information interconnection and collaborative innovation between organizations. The COVID-19 in 2020 has affected the uneven development of all links in the photovoltaic industry chain. While actively cooperating with suppliers, ensuring supply, optimizing logistics, and transportation, LONGi has used digital interconnection and technology to promote in-depth interaction with suppliers, deepen mutual cooperation. LONGi pays attention to and actively manages the social, ecological, and health & safety impacts of suppliers on the community. We have established a series of systematic documents such as Supplier Code of Conduct, Conflict Minerals Appendix, and Strategic Supplier Management. Measures to incorporate sustainable development requirements such as business ethics, environmental impacts, labor rights and human rights, as well as health & safety into supplier management.

**LONGI GREENER SUPPLY CHAIN CARBON REDUCTION INITIATIVE**

- Actively implement the concept of greener development, prioritized the use of renewable energy (including BAPV, BIPV, photovoltaic curtain wall and other photovoltaic systems, wind power systems, hydropower, etc.) in production and operating sites and promote the use of photovoltaic plus electric charging piles to improve energy management ability and reduce carbon emissions.

- Actively carry out green supply chain management, starting with high energy consumption and high emission links in the supply chain, strengthen green procurement and green supplier management, and lead mainstream companies to carry out low-carbon transformation by improving production processes and optimizing energy-using organizations, continuously reducing carbon footprint within the Supply Chain.

- Continuously reduce carbon emissions within the supply chain and actively disclose carbon emission reduction information of the company and supply chain-related companies to accept social supervision. Meanwhile, strengthen the innovation in green supply chain management, communicate with the best practical domestic and overseas companies, organize more upstream and downstream companies and peers to join this action, and actively share experiences.

In 2020, as a member of the new energy industry, the Company revised and issued the Supplier Code of Conduct with reference to the EU mandatory standards Restriction of Hazardous Substances and the Electronic Industry Code of Conduct to further standardize our suppliers’ material selection, industrial standards, environmental protection, and other regulations, and encouraged suppliers to practice sustainable development in operation.

In order to work with our supply chain partners to achieve bigger goals for the sustainable industry development, and contribute to a broader range of sustainable social development, at the 2020 Supplier Conference, LONGi and more than 150 suppliers launched the LONGi Greener Supply Chain Carbon Reduction Initiative. LONGi has regarded the greener supply chain as an innovative environmental management method, started by itself, to set high standards, and cooperated with supply chain partners to fulfill climate commitments.

**LONGI GROUP’S ENERGY-SAVING TECHNOLOGICAL TRANSFORMATION PROJECTS IN 2020**

<table>
<thead>
<tr>
<th>Serial Number</th>
<th>Path to Implement</th>
<th>Specific Measure</th>
<th>Number of Items/Number of Projects</th>
<th>Save Electricity (10,000 kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lighting electricity Saving</td>
<td>1.Automatic lighting control</td>
<td>15</td>
<td>518.3</td>
</tr>
<tr>
<td>2</td>
<td>Pump System Optimization</td>
<td>1.Reduce cleaning rate of water pump</td>
<td>5</td>
<td>130.4</td>
</tr>
<tr>
<td>3</td>
<td>Frequency Conversion</td>
<td>3.Cutting low frequency conversion</td>
<td>5</td>
<td>240.8</td>
</tr>
<tr>
<td>4</td>
<td>Air Conditioning and Refrigeration System Optimization</td>
<td>2.Air conditioning frequency conversion</td>
<td>25</td>
<td>1,041.8</td>
</tr>
<tr>
<td>5</td>
<td>Other Planned Supply Optimization</td>
<td>1.2.Automatic control</td>
<td>30</td>
<td>199.5</td>
</tr>
<tr>
<td>6</td>
<td>Use of Stored Heat</td>
<td>2.Automatic heating and cooling</td>
<td>1</td>
<td>16.1</td>
</tr>
<tr>
<td>7</td>
<td>Process System Optimization</td>
<td>1.Process energy management and control</td>
<td>19</td>
<td>2,675.9</td>
</tr>
</tbody>
</table>

Note: 1. The data above do not cover the production base in Vietnam; 2. The hazardous waste in Kuching LONGi is calculated as per the local standard; 3. "N" means no statistics.

In 2020, our collaborative R&D projects with suppliers included:

- Carbon-carbon suppliers improve equipment and processes to enhance efficiency.
- Collaborate to develop new laser technology to help cell process innovation.
- Suppliers of diamond wire and slicing auxiliary materials collaborate to carry out technological innovation of diamond wire.
- The junction box suppliers provide a variety of innovative solutions and optimized designs.
- Slurry suppliers customize exclusive solutions and work together to replace cell products.
**GREENER AND LOW-CARBON**

The greenhouse gas emissions within the operating boundary of LONGi mainly come from the consumption of electricity. In order to cope with climate change and reduce carbon emissions, we not only carry out energy-saving technological transformation in order to reduce energy consumption, but also conduct company-wide carbon emission verification, and respond to the CDP climate change questionnaire for the first time to improve the ability to manage corporate carbon assets. At the same time, we actively change the structure of energy use, increase the layout of industrial bases in regions with direct purchase of renewable power, and purchase the purchase of renewable power through market-oriented transactions. We strive to increase the percentage of renewable power used and implement the RE100 commitment, while still achieving high-scale production growth.

In 2020, the operation within LONGi’s boundary directly distributed 53,287,500 kWh (including rooftop power stations held and operated by a third party) of photovoltaic power, purchased 2504.5459 million kWh of renewable power in a market-based manner and used 255,783,500 kW of renewable energy power. At that time, the proportion of electricity used by renewable energy reached 41.83%, which is equivalent to reducing greenhouse gas emissions by 1,356,216 tons. The Company used 98.58% of renewable electricity in its 7 production plants in Yunnan, which is the foundation for achieving regional “carbon neutrality”.

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 Direct Emissions (tCO₂e)</td>
<td>92,655</td>
<td>14,927</td>
</tr>
<tr>
<td>Scope 2 Direct Emissions (tCO₂e)</td>
<td>2,408,349</td>
<td>2,197,552</td>
</tr>
<tr>
<td>Total Emissions (tCO₂e)</td>
<td>2,573,014</td>
<td>2,212,479</td>
</tr>
</tbody>
</table>

Note: 1. The data above do not cover the production base in Vietnam. 2. The greenhouse gas emissions in 2019 do not consider the emission reduction effects of renewable electricity, and the emissions in 2020 are calculated by third-party agencies.

**GIVING BACK TO SOCIETY AND BUILDING A BEAUTIFUL HOME**

When COVID-19 broke out in early 2020, LONGi took the control of pandemic prevention seriously, and formulated strategies from various different aspects and dimensions.

LONGi immediately arranged and assigned the pandemic prevention and control work at the beginning of the outbreak by establishing the Group’s pandemic control and management working group. The company also set up emergency pandemic prevention and control groups in various business units and subsidiaries of LONGi, and appointed directors of pandemic prevention and control. The Company prepared the Pandemic Prevention and Control Knowledge Guide and required all business units and subsidiaries to strictly implement the Group’s pandemic prevention and control work, which included setting up pandemic inspection sites at the entrances of all plants, office buildings and chambers, where we took temperatures, inspected and disinfected both personnel and vehicles entering and leaving. We also carried out disinfection more frequently in key links, such as catering and accommodation. During the reporting period, there were no confirmed or suspected cases.

When we fought against the COVID-19, we still undertook our corporate social responsibility. As the first company in the photovoltaic industry to respond, LONGi Group quickly announced it would donate to the Red Cross Society of China, and specially funded the medical staffs of Shaanxi Province who offered their help in the anti-pandemic efforts in Hubei. Following the COVID-19 outbreak, the Company announced additional donations, including 215,000 surgical masks, 212,000 medical masks, 7,000 items of protective clothing, and 17,320 N95 masks to Yunnan, Ningxia and Anhui, and donated funds to Taizhou, and Wuxi in Jiangsu Province as well as Quzhou and Jiaxing in Zhejiang Province. All subsidiaries also donated materials to Raoyang Town of Raoyang County in Hebei Province, Lufeng County of Chuxiong County in Yunnan Province, and Guangling County in Shaanxi Province, which has strongly supported the pandemic prevention and control work in various places. During the pandemic period, LONGi has donated a total of 15.65 million yuan.

**COMMUNITY INVOLVEMENT**

We focus on cultural exchange and integration within local communities and proactively involve ourselves in their development. The Company actively contacts the communities where their businesses are located and holds open days for the community in the Company and our factories. We also encourage employee volunteers to participate in community service, carry out charitable activities in the community, and make a joint effort with employees for the sustainable development of the community.

To conclude, 2020 has been a year of tremendous growth for us at LONGi with respect to ESG. We are continuing our best efforts and will strive to carry out our business in a sustainable manner in the future years to come as well!
IN AN INSIGHTFUL CONVERSATION, MR. SUMIT BARAT, CHIEF SUSTAINABILITY OFFICER, AZURE POWER SPOKE ABOUT THE SIGNIFICANCE OF SUSTAINABILITY AT AZURE AND THE APPROPRIATE ACTIONS TAKEN FOR THE SAME. HE ALSO TOLD US ABOUT HOW SOCIALLY RESPONSIBLE INVESTING IS THE ONLY AND BEST STRATEGY TO FOLLOW AND HOW THE SUSTAINABLE DEVELOPMENT TREND LOOKS LIKE IN INDIA IN THE NEAR FUTURE.
Please tell us what CSR & sustainability means for you at Azure Power? What actions have you taken recently?

Azure Power is a solar power developer, the electricity produced is clean, and serves as one of the best alternatives to the fossil fuels today. Sustainability is the core of our value proposition and the essence of our business. Our solar project plants are located in rural areas and we strive to integrate sustainability across our core business activities as well as all our CSR activities that we tailor for the communities. We are committed to maintain the highest ecological standards and making a meaningful positive impact on the communities we operate in.

Our core values of honesty, excellence, entrepreneurship and social responsibility reinforce our approach to providing energy in a sustainable manner.

We are proud of our performance on key Environmental, Social and Governance issues and are committed to delivering value to our stakeholders by providing reliable solar power to our customers, fulfilling careers to our employees, bettering the communities in which we operate, and providing strong returns to our shareholders.

In last couple of years, to facilitate our journey towards enhancing sustainability of our operations, we have taken a number of initiatives like:

- **Deployment of robots for dry cleaning of our solar modules to ensure zero water usage in all of our upcoming projects.** We are also experimenting with retrofitting our existing projects with robots. Water consumption during cleaning of solar modules is the most water intensive activity we have.

- **We also started installing ground water recharge structures in the low-lying areas of our sites to facilitate recharge of ground water and offset our water consumption.**

- **We understood that broken /damaged solar modules accumulated since the last 10 years was one key source of environmental challenge in our facilities.** Recycling / responsible disposal of these modules was our sustainability target. Last year we recycled over 555 tons of such modules by using a hazardous waste recycler to achieve our target and reduce our exposure / impact.

- **We focused a lot on the gender and diversity aspect, and changed the constitution of our board to include more female board members.** We also developed policies to promote gender and diversity. Last year for the first time we started deputing female site engineers which resulted in positive results for the company.

- **We also maintained ISO 14001 (Environment management) and obtained ISO 45001 (Health and Safety) certification.**

- **We developed a customised in-house app to track our Environment, Social, Health and Safety performance.**

- **We have a dedicated Human Rights policy, prohibiting the use of all forms of forced labour including prison labour, indentured labour, bonded labour, military labour, modern forms of slavery and any form of human trafficking, as well as prohibiting the hiring of individuals under 18 years of age for positions in which hazardous work is required.** Our policies extend beyond the company to our vendors and suppliers as well.

- **We undertook extensive employee engagement activities and closely monitored our employee satisfaction.** We strongly encouraged diversity and developed programmes for succession and development.

Through our corporate social responsibility (CSR) efforts, we have made a positive impact on the communities we operate in and improved quality of life among rural households through various activities around the thematic areas of skill development, water and education. Till date our CSR activities have touched the lives of more than 2,00,000 beneficiaries. We have upskilled more than 3,500 beneficiaries from remote rural villages who are currently employed and generating additional income for their families. We focused a lot on improving educational infrastructure in rural areas through installation of smart class and other facilities at 60+ schools. We also focused on provision of toilets and clean drinking water to 130+ communities in the areas we operate.

During the first wave of pandemic, we focussed on distribution of food, masks, sanitizers during the lockdown thus supporting the community we operate in. During the second wave of pandemic, we understood the requirement of enhancing medical infrastructure, especially around the rural areas we operate in and are working with district officials to enhance the same by providing oxygen concentrators, BIPAP machines, Pulse Oximeter and expanding COVID wards, providing additional beds etc. We started documenting our sustainability journey in 2018-19 when we published our first sustainability report. Pursuant to this we have been publishing the report annually. We introspective and undertook materiality analysis to define strong sustainability targets for ourselves. These targets included being water neutral by 2023, recycling all broken / damaged solar modules by 2021, Enhancing health and safety by reducing incident / accident rate, achieving zero fatality. Increasing gender diversity and workforce participation and development of related policies. We also focused on increased disclosure and actively started providing information to rating agencies like sustainalytics.

Your company was awarded ‘Most Sustainable Company in Solar Sector 2020’ by World Finance Sustainability. Please tell us more about it.

We started documenting our sustainability journey in 2018-19 when we published our first sustainability report. Pursuant to this we have been publishing the report annually. We introspective and undertook materiality analysis to define strong sustainability targets for ourselves. These targets included being water neutral by 2023, recycling all broken / damaged solar modules by 2021, Enhancing health and safety by reducing incident / accident rate, achieving zero fatality. Increasing gender diversity and workforce participation and development of related policies. We also focused on increased disclosure and actively started providing information to rating agencies like sustainalytics.
We continued with our existing sustainability best practices like voluntarily undertaking Environment and Social Impact Assessment of all our upcoming project activities, training all our staff on Environment, Social and Safety aspect and investing in development of local community through our CSR programme. As of date more than 200,000 beneficiaries have been touched by social investment.

All our efforts were recognised and we were awarded as the ‘Most Sustainable Company in Solar Sector 2020’

Do you think socially responsible investing is the best strategy to follow? How?

For Azure, socially responsible investment is the only strategy to follow. We believe in inclusive growth of the communities where we operate. The company prefers to hire local workforce at our plants thus sharing project benefits with the community we operate in.

Prior to initiating any project, we appoint experts to undertake a robust Social Impact Assessment of the project activity as per international standard. We identify and mitigate even minor social risks. We follow the best international practices on project disclosure, community engagement, labour and working conditions, community health and safety. While we ensure that our company has no negative social impact, we go beyond the project mitigation measures through our CSR activities.

We believe socially responsible investment plays an important role in creating value, enhancing profits and delivering sustainable returns to our investors and stakeholders.

According to you, how important is sustainability for corporations these days?

As corporates mature in the country, we see increased focus on sustainability due to various reasons, from regulatory perspective, industry requirement as well as many of the firms are more conscious of their social responsibility. This year, SEBI made it mandatory for top 1000 listed entities to submit a Business Responsibility and Sustainability Report on an annual basis. This clearly reflects the recognition and drive to include ESG aspects in business reporting. Apart from these companies, entities like Azure Power have already started planning and disclosing its sustainability performance through publishing the sustainability report on an annual basis. Addressing sustainability concerns, improving our sustainability performance and reporting this transparently, gives confidence to our investors and other stakeholders on the core values of the company.

Focus on sustainability will help companies improve its bottom line, reduce business risk and enhance investors’ confidence.

What does the sustainable development trend look like in India in the coming future?

As India develops at a rapid pace, resource and raw material constraint is becoming only too evident. Market regulators, Government, investors and other stakeholders are rapidly realising that we cannot run our business in an unsustainable manner with long term future impact. Thus, sustainable development becomes an important business case not only to be discussed in theory but also to be implemented in practice for long term well-being of business and society.

The unprecedented growth of the solar story in India in the last decade, is a testament to the recognition by the Government of the need for clean and sustainable energy to meet its power needs. India had its first utility scale solar plant project in Punjab in 2009, this was a 2 MW solar plant developed by Azure Power. Today, out of the 100 GW Renewable Energy operational capacity in India, 35+ GW operational capacity is from Solar sector. Focus on clean water, sanitation and waste management through programmes like Swatch Bharat, Namami Gange, Yamuna action plan etc also confirms country’s journey towards sustainable development has been initiated.

Corporate India has a critical role to play by not only contributing to the economic growth but also by enhancing the societal value of growth and focussing on sustainable growth. As the country begins its journey towards a 10 trillion economy by 2030, accountability, integrity and sustainability will play a key role in achieving success.
WE HAD AN EXCLUSIVE CONVERSATION WITH DR. DHRUBA PURKAYASTHA, CPI’S INDIA DIRECTOR, AND MR. VIJAY NIRMAL GAVARRAJU, ASSOCIATE DIRECTOR, CPI-IN-DIA WHO GAVE US INSIGHTS ON CLIMATE RELATED POLICY SCENARIOS IN INDIA AND THE ACTIONS NEEDED FROM THE GOVERNMENT FRONT FOR IMPROVEMENT. THEY ALSO TOLD US HOW CORPORATIONS ARE PLAYING A CRUCIAL AND SIGNIFICANT ROLE IN IMPROVING THE CLIMATE AND THE NEED FOR MORE CORPORATIONS TO ADOPT ESG.

DR. DHRUBA PURKAYASTHA
Director, US- India Clean Energy Finance Facility, Climate Policy Initiative

VIJAY NIRMAL GAVARRAJU
Associate Director, Climate Finance, Climate Policy Initiative
Please help us with your views on how ESG will help in  tackling the climate change problems specifically in India?

Climate change is the most critical component within the “Environmental” pillar of ESG. With its long coastline, high population density, heavy dependence on agriculture, and reliance on fossil-fuel generated electricity, India is one of the most vulnerable countries to climate change risks—both physical and transition. It is estimated that 2.5%-4.5% of India’s GDP is at risk annually due to climate change issues. While significant investment, to the tune of US$ 170 bn p.a., is required for climate change mitigation and adaptation activities, our recent study on Landscape of Green Finance in India shows the total green finance flows at only US$ 19 bn p.a. ESG initiatives such as integrating ESG factors into the investment decision making process, mandating ESG disclosures and ESG rating structures would help direct the flow of much-needed capital to fight climate change, alongside other ESG-focused businesses. While there are dedicated funds to finance climate action, a substantial portion of ESG-focused funds is also being directed towards climate change, underscoring the importance of climate change as a major ESG issue for investors. Global ESG assets are set to exceed US$ 53 trillion by 2026 with a major portion of this being focused on climate change. We expect to see a similar trend in India as well, with the ESG theme slowly but steadily picking up.

Another key area where ESG helps in tackling climate change is in the way businesses operate. With increasing pressure from investors, lenders, and shareholders to integrate ESG factors into business operations, companies have focused more on sustainable and responsible business models and, in the process, made themselves resilient towards ESG risks, including climate change risks.

ESG frameworks not only enable mobilization of new investment capital but would also assist central banks and regulators in assessing the capital at risk, especially in the context of physical and transition risks of climate change. Stress testing and scenario analysis of existing portfolios of investors and lenders on ESG parameters, including climate change, would be critical to assess the financial stability implications emanating from climate risks and accordingly inform financial sector policies.

How is the current Climate related policy scenario in India?

India has a robust policy framework in place to tackle climate change. According to Climate Action Tracker, India will meet and overachieve its NDC targets under the Paris Agreement with the currently implemented policies. With a strong push for renewable energy (RE) projects, India is on track to achieve 175 GW of RE installation and has set an ambitious target of 450 GW by 2030. Similarly, India is set to overachieve its emission intensity target by 2030.

Evident from the recent budget, climate mitigation and adaptation remain a key focus area for the government. Despite the fiscal constraints due to the pandemic, the union budget conveyed the government’s intent to fight climate change with its continued focus on clean energy, agriculture, sustainable water management, and conserving the coastal environment. Apart from its active role in the International Solar Alliance, India has also launched the Coalition for Disaster Resilient Infrastructure (CDRI), a multi-stakeholder platform to promote disaster-resilient infrastructure. Reserve Bank of India has recently joined Network for Greening the Financial System (NGFS), a group of central banks and supervisors willing to share best practices and contribute to the development of environment and climate risk management in the financial sector.

On the financial sector policies, the RBI has issued priority sector lending guidelines to enable the flow of credit to key climate sectors such as agriculture and renewable energy. RBI has acknowledged that climate change risk is a financial risk and has also recognized the need for integrating climate risk into Indian Financial Systems by way of acknowledging the impact of climate change on credit quality. RBI has also noted the importance of a policy framework to promote a green finance ecosystem in India. We (Climate Policy Initiative) are very active in this space as can be seen from our efforts in developing a green finance taxonomy, tracking the green finance flows in India, and in working with the UNDP and Ministry of Finance in developing a sustainable finance roadmap for India.

Another major initiative by the Securities and Exchange Board of India (SEBI) is the recently announced disclosure requirements under Business Responsibility and Sustainability Reporting to bring in greater transparency and assessment of ESG-related risks, including climate risks.

Apart from the present actions from the Government/regulators on the ESG front, what more needs to be done for improvement?

Developing ESG rating structures and ensuring the financial markets and corporates adopt these frameworks still requires a lot of work. Credit ratings play a key role in qualifying both existing portfolios and new credit or investment decisions and are often specified by regulators, banking, and capital market regulators in India. However, there is a lack of the necessary regulatory and supervisory framework and failure to integrate environmental and climate change risks into banks’ strategies and risk management systems. A comprehensive ESG risk scoring framework needs to be developed, which may be integrated into the overall credit rating or used as an independent indicator. The ESG ratings in use today are basically corporate-level indicators that mainly serve equity markets. It is important that regulators develop Green Rating frameworks for debt, and specifically for bond markets. Also, RBI in its report stated that several policy tools could be used for climate change mitigation including a) disclosure requirements relating to all climate-related financial risks, b) green macro-prudential regulation such as higher risk weights for carbon-intensive sectors; c) differentiated capital and reserve requirements for banks with higher green lending; and d) green credit policy instruments in the form of subsidized loan rates for priority sector. However, these are still in the discussion stage and would need to be implemented at a faster pace. RBI could also advise banks and financial institutions to carry out stress testing/scenario analysis of their portfolios to assess ESG-related risks.
including climate risks. Under directed lending measures, the priority sector limits could be enhanced or separate categories for key sectors such as water could be established to accelerate sustainable financing.

Another key area of focus would be to deepen the bond market and enable access to institutional capital for ESG-focused investments. Dedicated risk mitigation mechanisms such as credit guarantees/credit enhancements could be developed for scaling up the market for green bonds/ESG-linked bonds/sustainability-linked bonds. Government can provide the much-needed risk capital to set up such risk mitigation mechanisms. Policy and financial support could be extended to green investment vehicles such as Green AIF, Green InVits, and green blended finance structures. CPI has worked on structuring risk mitigation instruments such as credit guarantee mechanisms and has managed blended finance structures such as the US India Clean Energy Finance to mobilize capital to underserved climate sectors in India.

The newly launched development finance institution of India, the National Bank for Financing and Development (NaBFID) is well placed to spearhead some of the key initiatives listed above. This institution can focus on sustainable financing based on certain criteria, like the SURE, and can also participate in global initiatives such as the Principle of Responsible Investment (PRI), which would demonstrate India’s commitment to climate change.

On the NDC targets, there is room for setting a more ambitious target and developing a policy framework that can accelerate the transition to a low carbon economy. One potential area of work could be in developing a stringent policy framework for accelerating the retirement of coal power plants. CPI has developed a financing structure to accelerate the retirement of the mid-aged coal fleet in addition to the government’s plan of retiring old and inefficient plants which factor in carbon pricing and possible financing through carbon markets.

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Do you think ESG oriented investing is a good investment strategy? How?

Yes, and several studies have highlighted the financial performance of ESG funds, which incorporate material ESG factors into investment decision making, as being better than other funds. Last year 19 out of 26 ESG funds outperformed S&P 500 according to a study by S&P Global Market Intelligence.

ESG parameters are material to a company’s business and globally, investors have realized that companies with sustainable and resilient business models, strong corporate governance mechanisms and high social standards are likely to do better, i.e. generate a higher risk-adjusted returns, than other companies in the long-term, if not in the immediate short-term. In addition to the financial performance, factors such as reputation risk, mandatory ESG reporting requirements, and specific ESG mandates of investors have led to an increase in demand for ESG funds. Even in India, investors have shown a strong interest in ESG-focused funds, with sustainable funds in India attracting INR 3,686 crore, 76% higher than the previous year.

The corporates are also responding well to the demand from ESG investors to integrate ESG factors into their business operations. They understand that focus on ESG not only improves their business performance but would also help in their positioning to attract investors with a specific mandate for ESG investments.

According to you, what role can corporations play to tackle climate change?

Corporates play a crucial role in our efforts to tackle climate change. In developing sustainable businesses, creating innovative business models to adapt to changing policy and regulatory frameworks, and structuring innovative financial instruments to raise capital, corporations are the driving force to fight climate change. A stable and coherent policy framework in developing climate sector projects as well as raising the required capital, helps the corporates boost their efforts to address climate change risks.

Corporates can play a major role in attracting capital to the climate sectors. They can proactively adopt international disclosure norms such as the TCFD(Task Force for Climate-related Financial Disclosures) to disclose climate-related financial risk to their business operations. This would enable potential investors to price the climate risks accordingly. Another pathway is to commit to the “Net-Zero” pledge by a certain timeline and work towards it. Large corporations such as Reliance, Infosys, ACC & Ambuja, JSW steel, etc have developed decarbonization strategies as part of their goal to become “net-zero”. It is important that the corporate sector in carbon-intensive sectors pursue decarbonization approaches that are not limited to Energy Efficiency.

Similarly, financial sector corporations can adopt climate ratings and climate disclosure frameworks to assess the capital at risk to climate change and inform financial sector policy to take necessary actions to moderate/mitigate the potential adverse impact of climate change. By adopting the green finance taxonomy, the financial sector can provide directed lending to the climate sectors.

Corporates can also scale up their contributions to fight climate change. CSR funds can act as risk capital to mechanisms such as credit guarantees and credit enhancements to attract capital from institutional investors. These funds can also provide the first loss comfort to investors in blended finance structures as well.
IN AN EXCLUSIVE INTERVIEW, MR. CHETAN MESHRAM, HEAD ESG AT AMP ENERGY INDIA TOLD US ABOUT THE IMPORTANCE OF ESG IN TACKLING THE INCREASING CLIMATE CHANGE ISSUES. HE ALSO SPOKE ABOUT THE RECENT CSR INITIATIVES UNDERTAKEN BY AMP ENERGY AND WHAT MADE HIM CHOOSE THIS INTERESTING ESG FIELD.
Please help us with your views on how ESG will help in tackling the climate change problems?

It is ‘ESG investing’ which can play a very important role when it comes to tackling the climate change problem. ESG investing means investing into environmentally friendly businesses and technologies and ensuring that an action plan is made and implemented to reduce potential negative environmental and social impacts. ESG aspects are gradually getting integrated into investment decisions in different industry sectors to evaluate ESG risks associated with any project. Evaluation of such ESG risks involves assessment of potential negative impact due to any project on air, land, water, ecology and human health. Vision of responsible investors is not limited to IRR but it extends to achieving the same IRR sustainably i.e by ensuring minimal or no adverse impact on environment and society. Financial institutions like The World Bank, Asian Development Bank have clear ESG guidelines which need to be implemented. Over 118 financial institutions globally in 37 countries are already members of Equator Principles, which is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making. So it is responsible investing i.e ESG investing which will contribute to tackling the climate change problems.

Tell us what sustainability means for your company?

India has a robust policy framework in place to tackle climate change. According Being sustainably innovative is one of the core values at Amp, which means that we intend to have an overall positive impact on the environment and society with our projects where we operate. At Amp, we solve tomorrow’s energy problems today.

What have been some CSR initiatives undertaken by your company recently?

We have initiated CSR activities from last year by supporting the workforce on the EPC and O&M teams during the lockdown months and have continued to do the same this year also. Due to lock down enforcement in different states, the workforce sometimes remains idle and the workers at subcontract fall into difficult times as they may not get wages from the sub-contractors. Amp understood this situation and took the initiative by supporting them by providing 1 month ration and 1 month cash support equivalent to their monthly wages at all our project sites. Going forward, we intend to be more strategic and impactful by our CSR activities. We are planning to start by contributing to educational infrastructure in local village schools where our projects operate. We don’t believe in imposing what we can do in terms of CSR for the project communities but rather understand what are the needs of the community and then identify areas of development that align with our business.

Please tell us what made you choose this field? What interests you the most about your role?

The way it happened was I got my first placement offer with ERM, which is one of the world’s leading sustainability consulting firms and from there I am continuing till date and it has been a great learning and a wonderful experience and learning is still going on. Interesting part about my role is that you need to work closely with different departments which leads to a lot of learning. You understand what kind of problems one faces on ground while project execution and operations.

Was there any recent challenge you faced while working on a sustainability project? How did you overcome it?

I won’t say a sustainability project but a sustainable approach in every project we do. Sustainability doesn’t mean only environmentalism but also includes social aspects and economics. So the 3 pillars of sustainability are Environment, Society and Economics. We cannot say a project is sustainable if it is environment friendly, has a social impact but is very cost intensive. For a project to be sustainable, it has to be sustainable from its environmental, social and economic aspects as well. At Amp, we are working together to churn out sustainable solutions with available resources required for a project which involves manpower, land, budgeting, managing environmental and occupational risks. Amp is into development of renewable energy projects which do not have a negative impact on the environment and no negative social impact. With every project delivered, we are driving sustainability and contributing our bit to tackle climate change.
EV MANUFACTURER - OKINAWA AUTOTECH’S MD AND FOUNDER, MR. JEETENDER SHARMA INTERACTED WITH US AND SHARED HIS VIEWS ON THE RISING ENVIRONMENTAL ISSUES AND THE NEED AND IMPORTANCE OF SUSTAINABILITY AND ESG. HE ALSO TOLD US ABOUT WHAT ACTIONS HAVE BEEN RECENTLY TAKEN BY THEM UNDER CSR AND THEIR FUTURE PLANS.

JEETENDER SHARMA
MD and Founder, Okinawa Autotech
ESG is gaining a lot of traction these days due to the rising environmental issues. What are your views on the same?

By investing ethically into ESG one can ensure that they are giving back to society in the right terms. For a couple of years, it has been gaining popularity as people want to invest in it to contribute towards the betterment of the environment. ESG is also known as sustainable investing.

Initiatives like these need to be encouraged especially among large companies. The returns are also good so it can be a win-win situation for all. I personally would like to explore more about it and definitely look forward to it in the future.

Being an EV manufacturer you are already contributing to the environment in a big way. What are your views on why it is important for everyone to switch to electric mobility?

With the growing population, the needs for resources are also rapidly increasing. But unfortunately, we have limited resources available and need to cater to everyone in it. It’s high time that we think about climate change and environmental conservation. We need to actively act on it before it’s too late for our future generations to come. Switching to E-vehicles is a very small yet important step that can be taken. According to a recent report by Niti Aayog, if people switch to electric vehicles, as much as $60 billion will be saved on petrol and diesel. This will also help in cutting down around 1 gigatonne (GT) of carbon emission for India by 2030. This will not only reduce the carbon emission in the environment but will also save fuel. Electric mobility is also affordable for everyone and the Government is now also proactively taking steps to promote it.

Please tell us what sustainability means for your company?

The inception of Okinawa was based on sustainability. When I visited Okinawa Island, Japan, I observed that people there had higher life expectancy as a result of zero pollution in the environment. This inspired me to build a company that will contribute towards environmental sustainability. At Okinawa, our utmost priority is to provide the best quality of Electric two-wheelers that will run for a long time. This will reduce the waste in the environment as these vehicles can be reused easily just by changing the battery.

Another important step that we ensure is the recycling of lithium-ion batteries. We have a tie-up with a company that deals in recycling of batteries. So once we get the old discarded batteries we send it over for recycling. All these steps are small but impact hugely on the environment conservation.

Recently on World Earth Day, Okinawa conducted tree plantations under its CSR program. Please give us some ideas about it.

Yes, we intitave a drive which includes the people of Okinawa, be it the dealership team, customers, partners & employees of the company all across India, who step forward to act as volunteers for the better tomorrow. The company set foot forward to bear all the resources for this plantation program.

Talking about some ideas, companies can take a stand to not use any non recyclable plastic item and can roll out affordable plans and initiatives for people to follow such as one of the policies of the company to no use to plastic inside the office premises, appoint interns and create a special department in a company to check on the benefits and usages of non plastic items in the corporate and government offices and implement it. By taking small steps, we make bigger changes.

How do you see Okinawa contributing towards ESG - CSR in the future?

Recently, for supporting the vision and initiatives that the government of India is taking to promote the use of electric vehicles. We also brought attention to the significant impact that switching to electric vehicles (EVs) can have on the environment and ultimately lead to healthier lives. The company has introduced a toll-free number to address the queries and bust the myths around the adoption of EVs in India.

We plan to take such initiatives in the future also.
Please help us with your views on how ESG-CSR will help in tackling the climate change problems?

We always talk about ‘Making an Impact’. This is what the Environment, Social & Governance (ESG) framework aims at. It focuses on giving back to society, nature and the company’s stakeholders. In my view, acting responsibly and adhering to ESG practices will impact climate resilience in both, direct and indirect ways. There is a nexus between the factors – ‘E’, ‘S’ & ‘G’ but adequate synergies need to be shaped within. Some of the ESG propositions for a sustainable future are as follows:

- **Environment** – ‘E’ focuses on carbon offset and climate change. Any organisation can contribute in big or small ways. This may include the development of water treatment plants and renewable energy projects like community solar (grid/off-grid), microgrids programs, biogas plants, clean air programs to monitor emission & pollution, plant giveaway, waste & water management techniques, etc. Other ways may include a switch to electric vehicles or bicycles, distribution of sustainable products like solar irrigation, solar-based lanterns and cookers, solar water heaters, solarvastra, and other green initiatives. CEEW is extensively working to bring energy transition closer to the communities.

- **Social** – ‘S’ factor works closely for enriching relationships between a company and labour. Irrespective of industry (infrastructure/textile/pharma/energy etc), organisations must adopt programs addressing social causes like poverty, labour rights, child care, diversity, access to clean cooking energy, skill development, creating job opportunities and infrastructure development - school, hospitals, or welfare programs etc. CEEW estimated that about 1.3 million jobs will be created by the solar and wind sector by 2022 if India realises its 175 GW target. Also, most of CEEW’s work on gender has been focussed on energy and livelihood linkages for women using decentralised renewable energy, the employment opportunities for women as a result of clean energy transition, and promoting greater participation and visibility of women at all levels of the sustainability workforce.

- **Governance** – ‘G’ ensures the alignment of rules, practices & procedures followed by the company & its business. Every action of this supports relationship retention with employees, investors, lenders, partners, other stakeholders, ultimately creating a brand value. The most important frameworks include employee welfare,
safety & training, data privacy, assurance & ethical behaviour. Alongside policy, regulations play a crucial role as the viability of business depends on its consistency and framework.

**Do you think socially responsible investing is a good investment strategy to follow? How?**

A study by CEEW suggests that India would need to generate at least 83 per cent of its electricity from renewable energy sources by 2050 if it were to commit to achieving net-zero greenhouse gas emissions by 2050, which will require huge investments. Looking at the need of the hour, sustainable investing is a good strategy ensuring mobilisation of capital with value creation, effectiveness and impact. ESG is used as a sustainability metric by some investors while investing in companies. Socially responsible investments (SRI) seem the most economical way to move towards sustainability. This is expanding with increasing global commitment for low carbon transition especially in the Indian market where the renewable energy sector is booming despite constraints. Ambitious government targets, strong pipeline of tenders, a variety of renewable energy procurement options, evolution and adoption of new clean energy technologies, and falling RE tariffs have been some key drivers of growth.

**What are the implications of sustainable investment? What does the sustainable investment trend look like in the coming future?**

Recent and frequent extreme weather events are a manifestation of increased climate risks that every industry on this planet is facing. Therefore, sustainable investing is likely to get a fillip in the coming years. An estimate suggests that global socially responsible investments have increased by ~30 trillion—up 68 per cent since 2014 and an annual requirement of ~USD 6 trillion is anticipated to meet the Sustainable Development Goals (SDGs) between 2015 and 2030.

Sustainable investing enables companies to grow a segment based on their values and personal priorities. ESG-oriented investors or philanthropists provide funds to only those companies which function in entirely ethical and integral ways. While there are several positive impacts of ESG-compliant investments, there are a few challenges as well. For example, materiality dynamics related to ESG as identification & prioritization of projects under E, S & G could have significant impact on cash flows & business strategies (for instance, future risks related to legislative changes, geopolitical relationship, and macroeconomic shifts). At times, ethics might become more important to investors than performance which may limit the business expansion.

**How do you think ESG-CSR is going to develop in India in the coming years?**

ESG-CSR is not a new term. In India, the concept is gaining traction. ESG performance has increased by ~40 per cent since 2015 (post-launch of SDGs and Paris agreement) and 60 per cent of the Indian corporates have intertwined business with SDGs as indicated by Futurescape in one of their studies.

Pressure and directive continue to mount on companies to pay attention to ESG concerns. Recent mandates by SEBI on sustainability reporting for top 1000 enlisted companies is a green flag for ESG development in India. This is a big step towards the facilitation of the ESG framework. This would accelerate development of instruments, roadmaps and initiatives as part of risk mitigation efforts - for businesses and climate change.

**What needs to be done to improve the ESG scenario in the future? Any suggestions?**

A few suggestions to promote voluntary uptake of CSR activities and to keep ourselves motivated and act responsibly:

- Most relevant ESG factors should be integrated into the company’s core. This will create short and long-term brand value for the company, ensure transparency and uplift the cause.

- A recent study by SustainAbility Institute by ERM suggests that 65 per cent of investors surveyed use ESG ratings at least once a week. This concept is nascent among Indian investors although it has begun. Linking investments with ratings will motivate companies to improve key metrics and performance.

- ESG should not be limited to the top 100 or top 1000. Small corporations, MSMEs should come forward and participate by adopting carbon-neutral measures.

- All corporations need to align their framework in line with global goals like SDGs, Global Reporting Initiatives (GRI), UN Global Compact, Carbon Disclosure Project, Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), ISO26000, AA1000.Key criteria for selecting a sustainability framework can be based on size, industry, geographical location, business priorities, stakeholder’s demand, and others.
Please brief us about the CSR and sustainability criteria of your organization.

As a socially responsible corporate citizen, IEX believes in playing an active role in promoting a sustainable and inclusive growth of the community. Our CSR policy is all encompassing and allows us to undertake interventions spanning across environmental sustainability; socio-economic empowerment of underprivileged communities through education, livelihood, healthcare; culture and heritage; women empowerment and skills development working towards facilitating inclusive growth, social development, and equity across the society.

Additionally, we also support national disaster management, relief and rehabilitation activities from time to time and also contribute significantly towards research and technology-based activities in the energy sector.

Though we have initiatives across eight identified impact areas, our CSR policy has a key focus on environmental sustainability. Our initiatives under this area have been focused on community development, livelihood creation and promoting decentralized renewable energy-based applications at the grassroots level.

How has your company approached ESG under CSR and what initiatives have been taken recently?

As mentioned earlier, our comprehensive CSR policy has a strong focus on the areas of environment, sustainability, and governance. Our carefully curated CSR outreach programs are aimed at promoting inclusivity and development and address issues related to environmental sustainability, economic empowerment and social development designed with an integrated, holistic, and need-based approach. These cover the impact areas as recognized under Schedule VII of the Companies Act 2013 such as - environmental sustainability; eradicating hunger, promoting healthcare, promoting education, promoting research, enhancing vocational skills, supporting livelihood; National heritage, art, and culture; and disaster management including relief and rehabilitation.

In the last six years, we have deployed social capital of about INR 22 crores in various CSR interventions spread across 70+ districts in about 10 states. In our projects, we involve credible and specialized NGO partners which have a robust experience and expertise in their respective areas with proper due diligence, monitoring, review and impact assessment. This has helped us create a very meaningful and positive impact on the ground. Some of the key initiatives that IEX undertook under ESG include:

- **Sustainable livelihood project in Bihar** - IEX provided solar technician skill training to 350+ unemployed rural youth in Samastipur, Bihar for over two years. This initiative was aimed at providing sustainable livelihood opportunities to rural youth and was done in collaboration with ISAP Foundation.

- **Drought Free Buldhana district with Bhartiya Jian Sangathana in Maharashtra** - IEX supported the project 'Drought free Buldhana district' to support the enhancement of access to community water resources by recharging of about 1300+ water bodies leading to reduction in drought in Buldhana district, under the flagship program called ‘Sujalam Suphalam’ Maharashtra. This initiative covered around 500 villages in Buldhana district and led to multiple benefits for the villages such as increased water availability for domestic use, revival of agriculture ensuring sustainable livelihood for locals. The restoration of water storage capacity of the water bodies in the area increased annual agricultural productivity.

- **Decentralized renewable energy project for 5 Isha Vidhya Rural Schools in Tamil Nadu** – With its focus on promoting decentralized renewable energy-based applications, IEX supported installation of solar photovoltaic systems of 9 KW in rural schools operated by Isha Vidhya Foundation. This initiative covered schools in five towns - Cuddalore, Nagercoil, Villupuram, Tuticorin and Karoor in Tamil Nadu. The solar installations have removed dependency of these schools on the grid for electricity. The surplus electricity generated is also sold to the grid and the money thus earned is used to help finance scholarships of the needy children in these schools.
According to you, what are some ways CSR creates value for the company?

At IEX, we strongly believe that success of any business is deeply rooted in the healthy growth of the community it serves and operates in. For IEX, CSR means building social value, giving back and empowering our community that we are part of. We attach a great value to what we deliver through our CSR initiatives to the society. This also reflects our strong belief in the power of concerted efforts of corporate, government and civil society to bring in true social transformation. Only inclusive and equitable development of the society can lead to progress of all entities and individuals that are part of it, thus bringing real benefit to all.

How do you see Solar’s contribution towards CSR and sustainability goals in the near term?

Decentralized renewables, especially decentralized solar applications have a huge role to play in CSR and sustainability initiatives. In fact, the Government of India also has an ambition to install 100 GW solar capacity by 2022 of which 40 GW of solar power is aimed through decentralized setups like solar rooftops projects. This proves the growing role of solar not just in India’s energy mix but also in addressing the rural electricity needs in a sustainable manner.

Solar has tremendous application in empowering and transforming lives, especially in rural India and can create massive impact in the areas of healthcare, education, livelihood, and environmental sustainability. Solar power has been a boon to the people living in these areas who have been devoid of electrification due to various issues, affordability, infrastructural etc. In fact, installation of solar light has encouraged and supported electrification, agriculture and micro-entrepreneurs at the village level along with positively benefiting quality of healthcare as well as education and skill development. It is thus critical that businesses continue to have solar as a key part of CSR initiatives to create both short-term and long-term transformational impact on rural communities.

Recently you are deploying solar in schools under your CSR initiative. Please tell us more about it.

Promotion of environmental sustainability and education, both are at the core of our CSR efforts. IEX supported installation of solar photovoltaic systems of 9 KW in five rural schools in Cuddalore, Nagercoil, Villupuram, Tuticorin and Karoor in Tamil Nadu operated by Isha Vidhya Foundation. The solar PV system benefits about 5000 school children. It has also become a source of financing the education of underprivileged children in these schools. The surplus power sold to the grid and the money saved by the schools on the electricity bills is being given as scholarships to the needy children. Initiatives like these are wonderful examples of creating impact at multiple levels – education, environmental, and economical.

Please tell us what made you choose this field? What interests you the most about your role?

The realization of giving back and contributing meaningfully to the community inculcated the sense of responsibility in me and inspires me to actively contribute to its welfare and growth. I have been leading IEX’s CSR initiatives from the past six years since the inception of the CSR program. This responsibility has given me immense satisfaction besides giving me an opportunity to connect and address the requirements of the community especially children, youth, women, elderly, farmers etc. The most motivating part is seeing the implementation of programs on the ground and witnessing the results. The impact that these have on the lives of community members gives me immense happiness and in fact, also drives me towards putting in more effort.

Finally, kindly tell us what plans does IEX have for the next few years under CSR?

We have an all-encompassing CSR policy that has focused on a wide range of impact areas and we recently included promotion of art and culture – a national cause, to our list. Under this, we have partnered with Sabhya Foundation for promotion of India’s diverse and rich art, culture and heritage. As a first project, we are working on renovation and beautification of Red Fort to position it as a cultural hub for India. The Foundation is developing a grand new Visitor Centre in an old British Barrack that dates to the 19th century at the Red Fort monument. The Barrack is being restored to its original glory through conservation activities. Further, the Visitor Centre being developed will feature new experiences such as 360° immersive show, augmented reality, interactive photo-ops, museum & souvenir shop. In the coming years, we will continue to focus on this initiative along with ESG related focus areas under our CSR policy as also listed earlier.
Corporate Social Responsibility ("CSR") has been widely recognized as a corporate entity's duty to contribute to society through philanthropic means and ethical practices. Most jurisdictions mandate such CSR to be undertaken by companies to offset the potential harms the business activities of a company might bring to the society as a whole. ESG stands for Environmental, Social and corporate Governance, and has been considered the broader category within which CSR falls. Socially responsible investors concerned with a company's environmental impact, its social repercussions, and its inclination to do right by the community that provides business to such a company, are mindful of its adoption of ESG responsibilities while making the decision to invest.

It is believed that CSR gave rise to increased duties of the company, resulting in the significance of ESG. However, CSR only falls within the third prong of ESG, the one concerned with corporate governance. CSR activities have mostly been self-regulated, although under a broad legislative instruction to companies of a certain size. In the Companies Act 2013, the threshold size of a company mandated to undertake CSR activities is in terms of any of the following three metrics calculated during the immediately preceding financial year: net worth (Rs. 500 crore or more), turnover (Rs. 1,000 crore or more), or net profit (Rs. 5 crore or more). A company satisfying any of these three criteria is obligated to form a CSR committee, which would in turn make recommendations in the form of a CSR Policy for implementing CSR activities.

As mentioned above, the management of CSR is left to the company, with minimal instructions from the government. However, in order to ensure that a company while spending towards CSR, does not deviate from the generally recognized social causes which need to be supported, the Companies Act 2013 contains Schedule VII, which lists out certain activities that the company may include in its CSR Policy. These include eradicating hunger, promoting education, promoting gender equality, ensuring environmental sustainability etc.

CSR obligations of companies under Section 135 of Companies Act, 2013 are further supported by Companies (Corporate Social Responsibility Policy) Rules ("CSR Rules"). First rolled out in 2014, the CSR Rules are amended from time to time to adapt to the needs of the community. For instance, as per the CSR Rules, activities undertaken by a company in its normal course of business are not considered as activities in fulfilment of their CSR obligations. However, in view of the Covid pandemic, the Ministry of Corporate Affairs ("MCA") vide a notification dated 24th August, 2020 had amended this provision as a result of which research and development activities undertaken by companies in the normal course of their business in relation to new vaccines, drugs and medical devices were considered as valid CSR activities for three financial years (2020 – 2023).

In a significant overhaul of the CSR rules, the MCA notified CSR Amendment Rules, 2021 ("2021 Rules") with an increased focus on ‘impact’ created by use of CSR funds. Rule 8(3) of the 2021 Rules mandates companies having an average CSR obligation of ten crore rupees or more to undertake impact assessment of their CSR projects through an independent agency. It must be noted that any such impact assessments by companies were not required previously. However, this new requirement is in line with the increased sensitivity of investors to ESG factors. Carrying out impact assessments would not only help funders and companies understand the on-ground impact of their social investments but also help them identify hurdles and make more meaningful contributions in future.

It can be seen from the contents of Schedule VII of the Companies Act, 2013 that certain aspects of ESG have also been incorporated within the ambit of CSR. These two practices are quite evidently interlinked. The United Nations Sustainable Developments Goals (SDGs) illumine the path to be taken while implementing ESG norms. SDGs, set up in 2015, comprise of the 17 global goals designated by the UN to be a ‘blueprint to achieve a better and more sustainable future for all by 2030’, and include, among other things, No Poverty, Zero Hunger, Clean Water and Sanitation. The UN has in place a non-binding pact by the name of UN Global Compact, which encourages companies to incorporate ESG norms in their policies. A wide array of literature is available on its website, dealing with corporate responsibility relating to human rights, climate change, labor and employment amongst other things. In pursuance of these goals, an affiliate independent body by the name of PRI (Principles for Responsible Investment) has been set up. PRI is an investor initiative contributing towards a sustainable global financial system by proposing various ways of incorporating ESG norms into investment practices. The six core principles advocated by the PRI are as under:

Principle 1: To incorporate ESG issues into investment analysis and decision-making processes.
Principle 2: To be active owners and incorporate ESG issues into ownership policies and practices.
Principle 3: To seek appropriate disclosure on ESG issues by the entities in which investments are made.
Principle 4: To promote acceptance and implementation of the Principles within the investment industry.
Principle 5: To work together to enhance investors’ effectiveness in implementing the Principles.
Principle 6: To report on investor activities and progress towards implementing the Principles.

The signatories to PRI are required to report on their responsible investments activities annually. This helps summarize and monitor responsible investment activities, acts as an accountability mechanism; leads to the continuous improvement of the company’s internal processes; and provides feedback so that the company can evaluate its progress. The importance of CSR and ESG has been felt universally. The guidelines with respect to each of them are constantly evolving, taking into account
ubiquitous as well as endemic issues of the global community. More than gaining goodwill, such practices must be enforced by ethical companies to give back to the society as much as possible, guided by the various instructions of the government and the UN.

The increased focus on responsible investment in India and increasing reporting requirements around ESG, in the form of recently introduced Business Responsibility and Sustainability Reporting (BRSR) requirements for top 1000 listed entities (by market capitalization), underlines the growing relevance and importance of CSR. Commitment by companies to ESG and CSR is the need of the hour for a sustainable future between businesses and stakeholders.

Rahul Rishi
Rahul is the leader of Social Sector practice at Nishith Desai Associates.

Rakshita Agarwal
Rakshita Agarwal is an associate with the Social Sector and Regulatory team at Nishith Desai Associates.
ESG - An Ecological Commitment
That Goes Beyond Pure Math

It is true that investors look to create wealth from their investments, and in the recent past, companies that created value for shareholders at any cost, in terms of share prices and dividends, were in prominence.

However, the trend is slowly changing and investors have started to look at companies that do well on the environmental, social, and governance (ESG) criteria. Companies that are environmentally benign, create social value, and are backed by robust governance mechanisms are in demand. Investors are now envisaging a future where ESG criteria play a major role.

The predominant narrative put forward by those championing the ESG agenda is a company that is not creating social value is not performing responsibly on the environmental front. It does not have robust governance and is a high-risk investment. Investing in a company that adheres to ESG criteria is a prudent move as it reduces compliance risk, creates brand goodwill about their operations among key stakeholders, including regulators, and ensure sustainability in a post-pandemic world marked by volatility, uncertainty, complexity, and ambiguity.

Several proponents of the idea that companies concentrate more on the ESG aspect have also pointed out that measurable gains for enterprises that have a heightened ESG focus could come in the form of commercial banks, financial institutions, private equity firms, and venture capital funds being more willing to offer financial assistance; prospective investors taking a greater interest in companies; and share prices showing an upward curve. They bolster their argument by pointing out to some of the biggest names in the corporate arena worldwide that are now heavily focused on ESG criteria.

This, in turn, has raised certain questions.

Companies with regular investments might get better returns in a few years than companies with ESG investments, but does that mean ESG investments are not financially prudent? Does that mean investors are losing wealth because they are more interested in companies’ social and environmental performance? These questions have been hotly debated, and there are strong arguments to be made on both sides.

**SOLUTIONS FOR A GREENER PLANET**

At the Center for Study of Science, Technology and Policy (CSTEP), we work with governments and institutions to develop solutions using science and technology. CSTEP’s work in the power and energy sector, and elsewhere, identifies potential or current problems that are not conducive to just and inclusive green growth.

We have developed models that identify bottlenecks in the power sector’s transition from a fossil fuel–based sector to a renewables-based sector, focusing not only on the supply and transmission of electricity produced from renewables but also on how the benefits of electrification can be enjoyed by society at large.

When we make a recommendation to an electricity generation company to increase its share of generation through renewables, we are preparing it for the future. Because long before we run out of coal and other fossil fuels, we might perhaps lose the appetite for them - with the climate and pollution risks involved. When we prepare a model for renewable energy companies to invest in locations that could result in minimal environmental and social infringement, we are helping investors to assess and minimise risks while directly addressing social and environmental concerns.

When we point out that there are bottlenecks in the transmission infrastructure for evacuation of new renewable power in southern India, we also point out, via other studies, where best to site the new RE plants to evacuate power and give a return on investment. It would be prudent for investors to heed such studies. Though we are not into investment advice, we do work towards broadening knowledge and offering solutions that will help the country build a superior, people- and environment-friendly infrastructure.

We are in the process of developing or have just recently developed other solutions. One of those is the integration of rooftop photovoltaic (RTPV) systems in the grid, where you can generate electricity through renewables while supplying the remaining power to the grid. Another solution looks at the storage of electricity, both pumped hydro and battery, with the specific intention of making intermittent renewable resources work 24 hours and not create overcapacity. We are also working on exploring stronger inter-regional transmission as well as how the next level of energy efficiency can be achieved.

While our work on social issues is not direct, we have provided solutions in three areas: greater energy access through the grid, demonstrating mini-grid renewables-based electricity supply for communities with no access to the grid, and the development of a tool for the siting of renewable energy plants.
INVESTING IN A BETTER TOMORROW

ESG investments are difficult to assess. While shareholder values, profits, and dividends are all numbers that can be comprehended easily, putting an easily comprehensible number on ESG performance is not possible. This demands the time of investors not only to assess the current situation but also to monitor it closely, without the benefit of specific numbers.

ESG investors should be more involved in their investments, treating them as an exercise that goes beyond money. However, is it a new demand? Possibly no. If we look at serious investor and informed shareholder opinions, markets have always been swayed by what plays out in the media. Most of the recent news has been on ESG compliance issues, simple demand and supply, and future business plans and competition. It is high time we shift the focus from the negatives to the positives in an ecologically-fragile world. Each positive step taken to protect our environment takes us one step closer to shaping a better future for the next generation.

Abhishek Nath

Abhishek Nath is the Sector Head of the Energy and Power team at the Center for Study of Science, Technology and Policy (CSTEP), a research-based think tank.
How Can CSR Help Delhi Breathe?
The Delhi government is taking a lot of actions to encourage everyone to adopt electric vehicles. Recently, it appealed to the corporate organisations to adopt electric vehicles in their fleets and also to set up EV charging stations in the city using the CSR funds. The government wants this action to be initiated under its ambitious ongoing ‘Switch Delhi’ campaign.

**WHAT IS THE ‘SWITCH DELHI’ CAMPAIGN?**

In the month of February 2021, Delhi’s Chief Minister Arvind Kejriwal launched the ‘Switch Delhi’ campaign and announced that his government will ensure that within the next six months, only electric vehicles are hired by different departments. As we know Delhi is battling with heavy pollution levels and toxic air quality. Therefore, under this campaign, awareness will be created about the benefits of electric vehicles and how it can contribute to making Delhi clean and pollution-free.

Under this campaign, corporates, shopping malls, resident welfare associations, cinema halls and even delivery chains have been asked to promote the use of electric vehicles and set up charging stations at their premises. The Chief Minister has also appealed to the Delhi people to adopt electric vehicles. The campaign is in line with the government’s EV policy which is considered to be one of the best in the country. The state aims to be the EV capital of the country.

**HOW CAN CSR HELP?**

We know that Corporate Social Responsibility (CSR) can have huge benefits for society in general. When corporations come forward to contribute and give back to the society, the outcomes can be extremely beneficial and prove as a win-win solution to all the parties involved. Hence, keeping this in mind the Delhi government has asked the corporations to install or adopt an EV charging station in Delhi. The Delhi transport minister has urged corporates to convert and reserve five per cent of parking space at their premises for installing charging stations. This way, Delhi could witness thousands of EV charging stations in the coming year. Knowing that lack of EV charging infrastructure acts as a major barrier for EV adoption, this move could certainly make things better for the future.

This move will give the right impetus to the EV scenario in the city and help corporations develop their brand value. And most importantly, it will help the city which is grappling with an immense amount of air pollution to take another step forward towards clean and green mobility.

Once this is implemented in the capital city, other Indian cities can emulate this model and slowly and steadily we can see the EV wave riding throughout the country. There is absolutely no doubt that with the involvement of the corporations, a huge difference can be brought in. They can come forward and help the government in making the ‘Switch Delhi’ campaign a huge success.

**CONCLUSION:**

Therefore, the corporations can put their CSR resources to the best use by promoting EVs in Delhi. This way not only will the society and EV industry benefit, but also the environment. Being responsible citizens, it is our primary duty to do our bit and contribute towards a healthier and happier environment. Time for Delhi to show us the way!
INDIA’S RENEWABLE ENERGY SECTOR INVESTMENTS
The year of 2020 brought in a lot of challenges overall. Being a challenging year, India saw economic setbacks. But we cannot ignore the fact that the year also saw significant capacity building in the renewable and grid infrastructure sectors, with a deepening of the engineering, procurement and construction (EPC), management and financing capacity across India. The benefits and results of the same are likely to be seen in the current year and beyond. The capacities of major solar IPPs expanded and grid expansion and modernisation also happened at lower costs.

**INDIA’S AMBITIOUS RENEWABLE TARGET AND INVESTMENTS**

In 2018, India expanded its ambition to target renewable capacity of 450GW by 2030. As per the IEA, India will need US$1.4 trillion in additional funding for low emissions technologies in order to be on a sustainable path over the next 20 years –70% higher than in a scenario based on current policy.

One of the major barriers to achieving these ambitious targets is the amount of investment required. Since 2014, India’s renewable energy sector has received more than US$42bn in investment but requires a further US$500bn over the next decade in order to achieve its 2030 renewable target. That’s a huge amount of money! In order to achieve this target, India needs to keep attracting capital into new projects as well as accelerate existing investment into renewable energy projects. If we see, over the past two years India’s renewable infrastructure sector has experienced significant mergers and acquisitions (M&A) activities,13 green bond issuances14 and spinning-off of operating renewable assets via infrastructure investment trust (InvIT). This has helped unlock and recycle the existing capital, freeing up project developers’ capital to take on ever-larger tender opportunities.

**LET US HAVE A LOOK AT THE MAJOR INVESTMENTS THAT HAPPENED IN INDIA’S RENEWABLE INFRASTRUCTURE SPACE.**

- Renew Power attracted investments from Goldman Sachs which is one of the major Private Equity players. It also received investments from CPPIB(Canada), Abu Dhabi Investment Authority and GS E&C(South Korea).
- Indian Power Billionaire - Mehta family has invested in Torrent Power.
- EDEN Renewables received funding from Oil and Gas major Total Eren and EDF Renewables.
- Greenko Energy received investments from Sovereign Wealth funds like GIC(Singapore), Abu Dhabi Investment Authority and ORIX Corp(Japan)
- Adani Green Energy Ltd attracted investments from Adani family and Total(France)
- Tata Power/Tata Cleantech Capital received funding from Tata Group
- SB Energy got funding from Global Pensions and Infrastructure Funds’ CPPIB(Canada) and Bharti India.
- Morgan Stanley Infrastructure Partners invested in Continuum Wind Energy whereas Global Infrastructure • Partners invested in Vector Green Energy.
- Private equity firm Actis Capital UK invested in Spring Energy
- Vena Energy got investments from Global Infrastructure Partners, GIC(Singapore) and PSP Investments(Canada)
- Global Pensions and Infrastructure Funds’ Macquarie Group invested in Blueleaf
- Oil and Gas Major PETRONAS(Malaysia) put funds in Amplus Energy Solutions
- Global Fossil Fuel Utility Enel (Italy) invested in Enel (India)
- CleanTech Solar was funded by Shell and Climate Fund Managers(Netherlands)
- Yinson Holding/Yinson (Malaysia) invested in Rising Sun Energy
- NHPC Ltd was invested into by the Government of India
- Fourth Partner Energy received funds from TPG US and ResponsAbility Investments(Switzerland)
- CDPG(Canada) invested in Azure Power
- Sembcorp (Singapore) invested in Green Infra Wind Energy Limited
- NLC Limited received investment from Government of India
- Sovereign Wealth Fund Mascar Clean Energy (Abu Dhabi) and IFC Global Infrastructure Fund invested in HeroFuture energies. Also HeroMotoCorp coming under Indian Power Billionaire category invested into HeroFuture energies.
- Government of India put funds into NTPC Ltd
- O2 Power was invested into by EQT(Sweden) and Sovereign Wealth Fund Temasek(Singapore)
- Engie of France received funds from Edelweiss(India)
- Actis Long Life Infrastructure Fund got funds from Actis Capital UK
- Private Equity firm KKR US funded Virescent Infrastructure
- Green Growth Equity Fund/Ayana Renewable Power had multiple investors like National Investment and Infrastructure Fund, Global Pensions and Infrastructure Funds like CPPIB(Canada), Ontario Teachers’ Pension Plan and AustralianSuper. Sovereign Wealth Fund - Abu Dhabi Investment Authority also invested. Along with them, CDC Group UK And Oil and Gas Major Lightsource BP/BP Plc invested too
- Fortum received funds from Global Fossil Fuel Utility - Fortum (Finland)

**CONCLUSION**

With such major investments happening, we can definitely say that India’s investment trend has kickstarted and seems to be on an upward trend. But will it be sufficient for India to meet its huge REtarget by 2030. Only time can tell. Let’s wait and watch!
HOW CAN CSR BE AN EFFICIENT WAY FOR SOLAR EXPANSION IN INDIA?
Constant economic and infrastructural development has led to adverse effects on the environment. The increase in development and employment opportunities and the increase in carbon emissions and pollution levels go hand in hand. To rectify the situation, the Indian government made it mandatory for companies and organizations to pay back to society and the environment at large in the form of their Corporate Social Responsibility (CSR). Connecting CSR to expand the usage and implementation of renewable energy seems to be a win-win. Dive right into the article to identify and understand the many aspects of the same.

WHAT IS CSR AND ITS IMPORTANCE

CSR (corporate social responsibility) is like a self-regulatory business model that enables a firm to be socially responsible to itself, its stakeholders, and also the general public. Companies can be aware of their impact on all parts of society, including economic, social, and environmental, by exercising corporate social responsibility, also known as corporate citizenship. This integration of a company’s business goals with environmental and social goals helps in the balancing of the cause-and-effect relationship between the environment and economic growth. Companies that participate in CSR programs have a beneficial social, economic, and environmental impact. Corporations that participate in CSR projects work with both for-profit and nonprofit organizations around the country to achieve their objectives.

COMPANIES CURRENTLY USING SOLAR CSR

Renewable energy has become a "must" for any organization’s commitments to social responsibility. Coming back to the subject, under-listed are some of the CSR initiatives by some companies related to solar energy.

1. **ATKIN GLOBAL**

With the help of Atkin Global’s CSR program, government schools in Bangalore now have regular access to energy, allowing for an uninterrupted and comfortable learning environment. In 2019, Atkins worked with Solarify to construct solar-powered backup systems in two government schools. This approach not only improves the learning environment but also saves Carbon DiOxide (CO2) emissions by 7 tons every year.

2. **CENTRAL ELECTRONICS LTD.**

Central Electronics Ltd. (CEL), a government firm, has donated 10 solar-powered rickshaws to the Indian Institute of Technology, Delhi (IIT-D) as part of its CSR program. Unlike ordinary rickshaws, these rickshaws are a sustainable transportation option. These are supplemented with 300 W solar panels on the roof that allows them to go at speeds ranging from 10 to 15 km/hr.

3. **TATA STEELS**

Tata Steel has commissioned a 3 Megawatts (MW) solar photovoltaic (PV) power plant at Noamundi, making it India’s first ever sun-powered iron ore mine. Solar energy can be generated at a rate of up to 4.5 MWh at the plant. Every year, the effort helps to reduce Carbon DiOxide (CO2) emissions by roughly 3000 tons.

4. **SPICEJET LIMITED**

As part of their CSR campaign, SpiceJet Limited adopted Baruahchuck, a small village in Assam’s Majuli district and aimed at providing constant electric power to the village. Aside from street lighting, the project also illuminates 70 homes, an Anganwadi, a school, and two temples. Through a solar microgrid, it offers individuals access to sustainable energy, thereby increasing their quality of life.

5. **COCA-COLA**

Grid electricity was intermittent and unpredictable in the villages surrounding Corbett Tiger Reserve (CTR). The Coca-Cola India Foundation and The Corbett Foundation collaborated to build solar energy installations in 62 villages. The Uttarakhand-focused effort reached 3 villages in Almora, 28 villages in Nainital, and 31 villages in Pauri, making a positive difference in people’s lives.

**BENEFITS**

While the rapid spread of renewables as a form of CSR can be justified by the visible benefits it provides to local communities (such as clean air and water), it also does not hurt that wind and solar energy typically save businesses’ money by avoiding more expensive utility-fed power. A company that adopts renewable energy should do so in a visible manner, as it has a positive public image. Solar energy programs that are visible, for example, are a fantastic approach to change public perception. Aside from potential cost savings, it also has the potential to have a very positive PR impact, as well as a boost in employee and customer morale. Renewable energy appears to be a solid investment.

**CONCLUSION**

Solar power is helping many such businesses to achieve their environmental goals in multiple ways. This is largely due to solar being one of the most cost-effective and simple kinds of renewable energy which is also accessible. Every positive action done, whether it is only installing solar panels or improving energy efficiency, leads to a more sustainable, energy-secure future where we do not have to rely on carbon-emitting fossil fuels to run our businesses and our economy.
STATE WISE CSR AMOUNT SPENT ON ENVIRONMENTAL SUSTAINABILITY FOR FY 2019-20

COMPANIES WITH HIGHEST AMOUNT SPENT ON CSR - ENVIRONMENTAL SUSTAINABILITY FOR FY 2019-20

YEAR ON YEAR AMOUNT SPENT ON CSR - ENVIRONMENTAL SUSTAINABILITY