Bengaluru Region presents

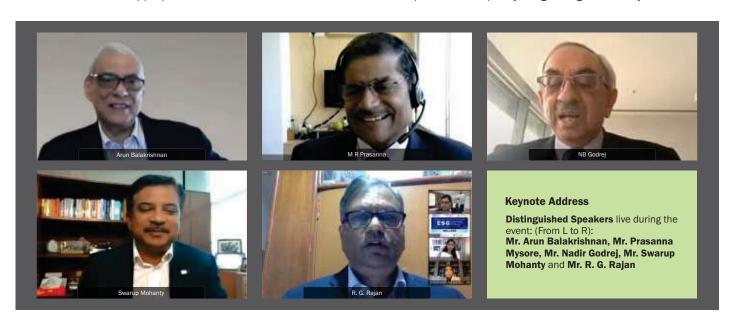


The Institute of Directors (IOD), India – Bengaluru Region organized a Regional Webinar on **Environmental, Social and Governance** on the Theme **"The New Frontier of Governance"** on December 15, 2021. The event was virtually attended by around 250 participants, including senior board members and top management of reputed conglomerates.

Mr. Arun Balakrishnan, Former CMD-HPCL, Founder Chairman - HMEL, Honorary Chairman, Bengaluru Region, Institute of Directors, India in his 'Welcome Address' stated that ESG is a measure of how companies treat mother earth, whether they are helpful, fair and equitable to the people, how well they take care of the flora and fauna and whether the company conducts its business honestly and within the boundary of law. He stressed the need for appropriate measurement of ESG.

Mr. Prasanna Mysore, Advocate, Arbitrator, Mediator & Corporate Advisor, Former Head of Legal for L&T and The Aditya Birla Group in his 'Opening Remarks' mentioned that ESG is the evaluation of a company's collective consciousness. In ESG Governance will have strong interface with Environmental and Social. The trident approach in ESG is leading to responsible investing due to a paradigm shift in investment by Investors. He also mentioned that Indian Corporates will come under scrutiny by their benchmarking in terms of ESG Compliance.

Mr. Nadir Godrej, Chairman and Managing Director, Godrej Industries Limited delivered the '**Keynote Address'** in the form of a beautiful poem. He stated that the world is facing many problems and climate change is at the fore with grave consequences. Inequality is growing in society which if not





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MISSION:

We define our mission towards the underprivileged sections of the society, for the overall growth of our country and guide them towards a newer, better, stronger and skilled nation.

We need your help to support our cause. Any contribution will be gratefully acknowledged and is exempted from Income Tax under section 80G of the Indian Income Tax Act. "

ABOUT US:

IOD Foundation strives to serve and address pressing issues prevailing in the society. Since our inception, we started organizing multiple social activities, even during COVID-19. These include the campaigns for COVID Testing; Blankets, food and Ration Kit distribution drives; Education support drives; Medical Camps, Medical Equipment Distribution camps; COVID-19 Vaccination drive, etc. with our MOU partners.

--- Working Towards Sustainable Development Goals ------



Health



Education



Sustainability



Poverty



Self Employment



Environment & Climate Change



Food Distribution



Education



Medical Support



Health Support



Vaccination

Contact Us:



Mr. Arun Balakrishnan Former CMD - HPCL, Founder Chairman - HMEL, Honorary Chairman, Bengaluru Region, Institute of Directors. India



Mr. Nadir GodrejChairman and Managing Director
Godrej Industries Limited



Mr. R. G. Rajan

Honorary Zonal Director (South)
Institute of Directors

addressed, will lead to grave consequences. All industries should play a role in achieving the carbon neutral goal. Mr. Godrej mentioned that his group is striving to achieve this goal by the year 2025. Energy efficiency is the cheapest way to achieve carbon neutrality. Solar energy is getting cheaper day by day and the day is not far off when it will be cheaper than energy from coal. The mandated CSR introduced by the Government of India is an important step in promoting the socially responsible behaviour by the Corporates. He favored the introduction of uniform carbon tax for protecting the environment. The recent Covid-19 pandemic has opened our eyes and it should act as acatalyst to promote a brave new world, both green and fair. Businesses need to promote diversity in the work place at all levels including gender, experience and other areas. ESG will take us very far and with the help of business Mr. Godrej said that he foresaw a helpful, thriving society. He further stated that he does not foresee any challenge in implementing ESG. More and more people are realizing that implementing ESG has multiple benefits for the company. All Boards and Company Promoters should be very keen on promoting ESG. Board members who have Environmental skills, social skills and are passionate about Governance should be appointed on the Boards. To a query on the two easiest steps which companies can take to implement ESG, he shared that all companies should adopt energy efficiency and waste elimination by design to produce less waste which will reduce the cost of production, benefit the environment and which can also be the starting point on the ESG journey.

Mr. Swarup Mohanty, Chief Executive Officer, Mirae Assets Investment Managers (India) Pvt. Ltd, delivered the 'Special Address'. He stated that ESG integrates the 3P's i.e. People, Planet and profit which help in creating sustainable companies.

ESG has been adopted by the investors and businesses globally. ESG creates positive impact on companies. It lowers the business risk while at the same time promotes sustainable growth. 63% of studies indicate that there is direct positive impact on financial performance. ESG stocks are continuing to outperform the non ESG stocks in Europe and United States. ESG is slowly but steadily gaining momentum in India and the landscape is changing gradually. India has travelled a long way from 2009 when MCA released voluntary guidelines on CSR. In 2021 SEBI has mandated top 1000

listed companies to implement BRR. Growing amount of funds with ESG mandate is being managed by Asset companies including Mirae Assets. In 2021, India's first domestic ESG rating company was formed. Scope of ESG investing extends beyond traditional investing making it able enough to identify strong sustainable companies. Around 150 non-financial parameters are tracked by ESG analysts to get ESG score. Diversity is important and it should go beyond gender and also include religious diversity, education diversity, learning disability diversity and many others. G20/OECD principles list down four broad pillars for assessing and evaluating companies on their corporate governance score which is ,rights and equitable treatment of shareholders, role of stakeholders in corporate



Mr. Prasanna Mysore
Advocate, Arbitrator, Mediator &
Corporate Advisor, Former Head of
Legal for L&T and The Aditya Birla



Mr. Swarup Mohanty
Chief Executive Officer
Mirae Assets Investment Managers
(India) Pvt. Ltd



governance, disclosures and transparency and responsibilities of the Board.India is just touching the international benchmark of 70 on disclosure and transparency due to regulatory drivers but is lagging behind. American and European companies in ESG score regarding rights of shareholders, role of stakeholders and responsibilities of the Board. Tracking of ESG scores will help increase performance of ESG scores of Indian companies in the future. Discussions on ESG will not be limited to the Risk Committee but it will quickly expand to be discussed in greater detail by the entire Board. Practice of ESG will evolve rapidly in India in the next 5 to 10 years. To a query, he mentioned that few wow factors by companies to attract investors in the future will include good ESG score, commitment to emission norms, promoting inclusivity and going beyond gender diversity and commitment of the company to CSR.

This was followed by a 'Panel Discussion', moderated by:

Mr. Dinesh AnandNational Managing Partner, Risk Grant Thornton

Mr. Anand stated that ESG is very important today because we are reaching a tipping point because of pollution, water shortage, climate change, etc. He mentioned that COVID 19 has made corporate India to focus more on Environmental and Social aspects of ESG. Following the commitment by Prime Minister, Mr. Narendra Modi at COP 26 that India will be carbon neutral by 2070, it is time for Corporate India to transform their business strategy to make ESG inclusive to become resilient, sustainable and deliver long term value for all stakeholders. Companies have focused on ESG by adopting Sustainable Development Goals adopted by the United Nations. In order to integrate ESG into their day to day business strategies, companies in India need to move beyond compliance to

regulations and focus on how they are going to treat the planet and its resources, its responsibilities to its community and workers, and zero tolerance to unethical business. Corporate Governance and role of the Board will continue to be important.

The following were the distinguished Panelists:

1. Mr. Akhil Mehrotra

Managing Director and Chief Executive Officer Pipeline Infrastructure Limited

2. Mr. Ulysses Smith

ESG Senior Adviser
Debevoise & Plimpton LLP – International Law Firm



Mr. Dinesh Anand National Managing Partner, Risk Grant Thornton



Mr. Akhil Mehrotra
Managing Director and
Chief Executive Officer
Pipeline Infrastructure Limited

ESG a big thrust including



Mr. Ulysses Smith
ESG Senior Adviser
Debevoise & Plimpton LLP –
International Law Firm



Ms. Richa Arora Managing Partner and Chief Executive Officer -ESG Stewardship Services, Ecube Investment Advisors



Ms. Sreyssha George Managing Director and Partner Boston Consulting Group

governmental regulations in Europe, USA, Australia, pressure from investment community (retail and institutional), shareholders proposals on ESG ,pressure from civil society and activist groups. ESG is both a challenge due to more laws for comp-liance and more risk for non-compliance. more risk for enforcement as well as an opportunity for companies that are able to capitalize and navigate the legal, regulatory and reputational risks that come with ESG.

Ms. Arora talked about

stewardship, the process of leadership to promote ESG. Since Environmental and social regulations are still evolving in India, stewardship towards ESG becomes more important. Regulatory push factors are playing a big role in propelling ESG forward. Sector wise disclosures about ESG are being prepared by SEBI. Also consumer consciousness towards climate change is very real, especially among the millennials and Generation Z and these consumers are demanding sustainability in the operations of the companies for the products they use. The ESG scores are only a means to an end which should further give impetus to a company to better its performance in areas where the scores need improvement.

Ms. George mentioned that ESG is here to stay. Significance of ESG varies for different companies and industries. To attract investors, a company seeking funding should talk about material topics relevant to the company and should also be authentic. There are about 200 parameters in ESG and companies should choose 10 or 15 parameters which are relevant to them and give them priority for improving their ESG score. Companies should be proactive and shape the ESG agenda for themselves rather than relying on rating companies.

This was followed by an interactive **Q&A Session**.

Mr. R. G. Rajan, Honorary Zonal Director (South), Institute of Directors, proposed the **'Vote of Thanks'**. Sincere thanks were conveyed to the Keynote Speaker – Mr. Nadir Godrej, and other distinguished speakers and participants.

Special thanks were conveyed to Event Partners. The **Principal Partner** was NLC India Limited. The **Knowledge Partner** was

3. Ms. Richa Arora

Managing Partner and Chief Executive Officer ESG Stewardship Services, ECube Investment Advisors

4. Ms. Sreyssha George

Managing Director and Partner Boston Consulting Group

Mr. Mehrotra said that investors are looking at ESG as a parameter before investing in an asset or company. 70 % of 2000 plus academic studies around the world have shown that there is a clear positive correlation between ESG performance and better financial returns in terms of equity returns or profitability or valuation multiples. Also cost of capital for companies that have better focus on ESG or have better corporate governance have 10 % lower cost of capital. Investors do a deep dive on ESG risks and opportunities for any company before investing. Proper ESG focus can also have an impact on the top line by having good access to resources due to good relationship with stakeholders. On the cost side ,proper focus because of ESG on areas of energy efficiency, waste reduction, recycle and reuse of resources, reducing regulatory costs by proper governance can improve the cash flows of a company. ESG helps investors in Responsible Investing. Board should have a more structured way of reviewing ESG parameters and fixing the KPIs, targets and matrix for monitoring purposes.

Mr. Smith gave an international perspective on ESG. He mentioned that 5 years ago ESG was fairly niche or obscure but ESG has evolved rapidly since then throughout the world from voluntary to enforcement. There are variety of drivers for giving

Grant Thornton Bharat. The **Academic Partner** was Alliance University.

The Regional Webinar was hosted online via Zoom account and also streamed live on YouTube with huge participation.

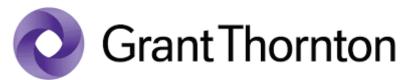
This report is compiled by:

Mr. R. G. Rajan

Honorary Zonal Director - South Region Institute of Directors, India

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