



uniquus

ESG Corner

Our Monthly Newsletter

September 2024

Foreword

Welcome to the latest edition of Uniquus' ESG Corner! This month, we focus on the urgent and critical issue of climate change, exploring how organizations can lead the way in reducing greenhouse gas emissions and transitioning to a net-zero future. Our In-Depth Analysis dives deep into global GHG emission trends and highlights the strategies businesses must adopt to meet their net-zero targets.

We are also excited to feature an insightful conversation with **Ms. Anjalee Tarapore**, Executive Vice President & Head ESG at **HDFC Bank**, who shares her valuable perspectives on embedding ESG into banking operations, overcoming challenges, and seizing opportunities to drive sustainable finance.

As always, our goal is to keep you informed about the latest trends, regulations, and best practices in ESG. We hope this edition provides you with actionable insights to help advance your ESG journey.

Enjoy the read!



Anu Chaudhary
Partner, Global Head of
ESG Consulting



In the News

This section focuses on key developments globally, in the US, India, and the Middle East, dissecting the most recent news and analyzing its potential to influence regional landscapes, businesses, and consumers. Uniquus provides our insights into how these developments may shape current market dynamics and set the stage for future opportunities and challenges.

Global

European Commission releases updates on EU Corporate Sustainability Reporting Directive (CSRD)

In early August, the European Commission released a draft Frequently Asked Questions (FAQs) that provide further details on the scope and implementation of the Corporate Sustainability Reporting Directive (CSRD) and certain provisions of the first set of European Sustainability Reporting Standards (ESRS). These FAQs offer valuable guidance for companies preparing to comply with the CSRD. Some highlights from the FAQs include:

- **Sustainability Reporting Scope and Requirements:** The FAQs provide an overview of the CSRD's sustainability reporting requirements, including guidance to help entities determine if they are within scope and how they should report.
- **Reasonable Effort and Value Chain Reporting:** The FAQs define the "reasonable effort" concept for value chain information and its application in reporting. The use of estimates is expected to decrease over time as the ability of entities and their value chain partners to collect sustainability information improves.
- **Assurance Requirements:** The FAQs confirm that voluntary sustainability reporting does not require assurance, but mandatory reports must include assurance opinions.

The updates come as part of the effort to make these standards more accessible and clearer to reduce the compliance burden.

Uniquus' POV

The guidance on scope applicability and reporting boundary was interspersed between various directives, such as the accounting and transparency directives. The FAQs serve as a compilation of these directives and resolve several questions that existed for first-time CSRD adopters.



02 UK government plans to regulate ESG rating agencies

A new bill to regulate ESG rating agencies in the UK, announced by Labour Chancellor Rachel Reeves on August 8, 2024, is expected to come into force in 2025. The legislation aims to improve transparency among market participants and establish consistent methodologies for ESG ratings, enabling investors to make more informed decisions. The move aligns with recent actions by the EU Parliament, which adopted new regulations in April 2024 to enhance transparency and integrity in the activities of ESG rating providers. The UK's forthcoming legislation is expected to closely follow the EU's approach, focusing on better disclosure from ESG rating agencies regarding their methodologies and the factors considered in scoring.

The regulation is part of a broader strategy by Chancellor Reeves to enhance investor confidence and stimulate economic growth by unlocking capital for sustainable businesses. The UK government aims to align with recommendations made by the International Organization for Securities Commissions (IOSCO), intended to remove barriers for financial services companies operating in multiple jurisdictions and improving the UK's global competitiveness. The new regulatory approach is intended to promote growth, contribute to a cleaner economy, and ensure that companies in critical sectors, such as defense, are not unfairly penalized by opaque ratings. The government seeks to strike a balance between ensuring transparency and maintaining the value of ESG rating agencies for investors.

Uniquis' POV

Recent developments in the EU and UK are pivotal for businesses navigating the evolving landscape of ESG regulations. The European Commission's clarifications on the Corporate Sustainability Reporting Directive (CSRD) and the UK's planned regulation of ESG rating agencies reflect a broader trend toward standardization, transparency, and accountability in sustainable finance. Both developments underscore the importance of proactive preparation for expected regulatory changes.

Businesses should assess their current reporting frameworks, strengthen their ESG data capabilities, and prepare for greater scrutiny. Aligning with emerging or adopted standards reduces compliance risks and positions companies to leverage sustainability as a driver for growth, innovation, and competitive advantage in a rapidly evolving market landscape.

We encourage companies to view these changes not as compliance hurdles but as strategic opportunities to lead sustainable business practices. At Uniquis, we have extensive expertise with global ESG reporting frameworks, standards, and ratings. Please reach out if you are interested in gaining a better understanding of specific implications for your company.

US

01 CDP report indicates 85% of financial institutions are leveraging ESG ratings

An August 2024 report released by CDP highlights that 85% of financial institutions (FIs) reporting to CDP identified climate-related opportunities with significant financial or strategic impacts on their business. Notably, 18 of these institutions, collectively managing \$4 trillion in assets, pointed to "improved ratings by sustainability/ESG indexes" as a primary driver of these opportunities.

The report also underscores the critical need for interoperability among policy initiatives related to ESG ratings and data products. It calls on policymakers to establish aligned definitions for ESG metrics, clarifying distinctions and overlaps to prevent duplication, improve coordination, and enhance overall effectiveness. To further streamline the ESG landscape, the report proposes a reciprocity system that would allow ESG ratings and data providers to simultaneously demonstrate compliance with multiple codes of conduct or regulatory frameworks. This approach simplifies the complex ESG compliance environment, supporting data providers and users in navigating evolving standards more effectively.

California lawmakers pass amendment SB 219 to its climate accountability package, to be decided upon by Governor Newsom in September 2024

California grabbed attention when its lawmakers approved three climate laws in 2023. These included SB 253 (GHG emissions disclosure) and SB 261 (climate risk disclosure), which were [covered by Uniquus previously](#), followed by AB 1305 (carbon offset disclosures) – together often referred to as California's climate accountability package. However, the state has since delayed enforcement of these laws due to issues around establishing adequate funding and appropriate implementation rules.

With the original deadline for the California Air Resources Board (CARB) to issue appropriate rules approaching in January 2025, lawmakers approved an amendment bill, SB 219. This new bill combines the climate accountability package into one regulation, provides CARB with an additional six months to establish implementing rules (i.e., by July 2025), and allows CARB to amend the reporting schedule for Scope 3 emissions by in-scope entities – with the first Scope 3 reports due in 2027. Furthermore, the amendment clarifies that reports can be consolidated at the parent company level, exempting subsidiaries from reporting, and delinks payment of annual fees from filing disclosures. At this stage, Governor Newsom must decide whether to sign or veto the amendments before a 30th September deadline, although Newsom has previously proposed delaying implementation by two years.

Uniquus' POV

The US continues to experience regulatory challenges around sustainability and climate-related disclosures, as evidenced by the hurdles faced by California in implementing its climate accountability laws. California's climate laws also face pending litigatory challenges in federal courts, the outcomes of which will affect current and future attempts to establish reporting frameworks in the US.

Despite these regulatory challenges, the consensus remains that sustainability and climate-related issues will continue to be important to many regulators, investors, businesses, and clients – as evidenced by the CDP's recent report, for example. Irrespective of a state- or federal-level (e.g., the US SEC's pending climate disclosure rules) regulatory regime for reporting ESG information, stakeholders still demand standardized, reliable ESG data as a tool for risk management, value creation, and accountability. Businesses can strive or continue to meet ongoing and future disclosure expectations by strengthening their ESG data collection and assurance capabilities.



India

01 India Facing Escalating Climate Risks Amid Insurance Hurdles

India faces mounting climate risks that threaten critical sectors like agriculture, which contributes 15% to GDP and employs 40% of the workforce. Between 2015 and 2021, climate events destroyed millions of hectares of crops, with economic losses reaching USD 159 billion in 2021 alone. The insurance sector is struggling to cope with these rising risks, with record underwriting losses of over USD 100 billion in 2023, reducing coverage in high-risk areas. By 2050, climate change may force 45 million people to migrate, disrupting local economies. To address these challenges, insurers, policymakers, and stakeholders must collaborate to create adaptive, resilient solutions that protect vulnerable communities and sustain economic growth.

Uniquus' POV

India's increasing climate risks demand urgent collaboration between insurers, policymakers, and businesses to enhance resilience in high-risk sectors. The insurance industry must explore innovative partnerships to ensure vulnerable communities, especially in agriculture, can access affordable coverage. Promoting investment in climate adaptation and resilience is crucial to safeguarding the economy and society, particularly as climate migration threatens to disrupt local economies. Stakeholders must proactively bridge the insurance gap and secure sustainable futures for vulnerable populations.

02 Sovereign green bonds trading at IFSC to commence in 2nd half of this fiscal

The Reserve Bank of India (RBI) has introduced a scheme to support the trading and settlement of Sovereign Green Bonds (SGRBs) in the International Financial Services Centre (IFSC). Although derivative instruments and repo transactions are prohibited, eligible investors can participate in primary auctions and secondary market trading. IFSC Banking Units (IBUs) are limited to secondary trading under a "back-to-back" arrangement with their parent banks in India to avoid overnight positions. This scheme aims to enhance participation and strengthen India's green finance market, with additional guidelines to be provided by the IFSC Authority.

Uniquus' POV

The RBI's new scheme enhances India's green finance landscape by facilitating the trading and settlement of sovereign green bonds (SGRBs) within the International Financial Services Centre (IFSC). This initiative provides a structured framework for international investors to participate in green bonds while maintaining regulatory controls, particularly prohibiting derivative instruments and repo transactions. The "back-to-back" trading arrangement for IFSC Banking Units (IBUs) ensures effective risk management. This scheme is a significant step towards attracting sustainable investments and supporting India's climate objectives.



03 Government Declares CCUS As Unviable for Upgrading Existing Thermal Power Plants

The Indian government has determined that Carbon Capture, Utilization, and Storage (CCUS) is currently not viable for retrofitting existing thermal power plants due to its high cost and energy demands. Effective implementation of CCUS requires significant climate finance and technology transfer, which depends on international collaboration. CCUS, which involves capturing and storing CO₂ from large sources, remains complex and costly, particularly for existing infrastructure. The government underscores the need for developed countries to lead in emission reductions and support developing nations through finance and technology, reflecting principles of global climate equity and shared responsibilities.

Uniquus' POV

The government's stance on Carbon Capture, Utilisation, and Storage (CCUS) highlights its current impracticality for retrofitting existing thermal power plants due to high costs and technical challenges. This situation underscores the urgent need for increased climate finance and technology transfer to make CCUS feasible. Furthermore, the emphasis on developed countries taking the lead in emissions reductions and supporting developing nations is essential for advancing global climate goals and ensuring effective, equitable climate action across all countries.



Middle East

01 Dubai Chamber of Commerce launch a new ESG Label for businesses

The Dubai Chamber of Commerce recently launched a new Environmental, Social, and Governance (ESG) Label to promote sustainable business practices. The label helps organizations evaluate their ESG readiness and maturity levels, align with ESG best practices, enhance brand image and reputation, and foster business growth.

The ESG Label builds upon a thorough assessment and integration of global and regional regulatory frameworks to determine an organization's ESG maturity and global best practices that meet the local and international ESG reporting and preparedness baseline.

The ESG Label is open to businesses of all sizes that have been established for at least two years. Upon application, the business will receive a feedback report highlighting any areas for improvement, together with a maturity level score based on their overall ESG rating. Once awarded, the Dubai Chamber of Commerce ESG Label certificate is valid for a period of one year.

Uniquus' POV

There is an increased need for businesses of all sizes to integrate ESG considerations into their governance, strategy, operations, risk management, and reporting to meet evolving stakeholder demands and regulatory requirements and align with best practices while gaining a competitive advantage. The Dubai Chamber of Commerce recently launched ESG Label presents the opportunity to businesses in Dubai to assess their current ESG standing and showcase their maturity. This initiative will encourage lagging businesses to kick-start or improve their ESG journey.

The ESG Label will foster trust and confidence among investors and other stakeholders in the ESG practices of participating businesses. In addition, this initiative reduces the risk of greenwashing as businesses are scrutinized on their ESG practices in alignment with global and regional standards and frameworks.

Oman explores green mobility initiatives and Intelligent Transportation Systems (ITS)

Oman is making significant strides in revolutionizing its public transport system by focusing on green initiatives that explore the potential of hydrogen fuel cell technology and integrating solar energy to reduce reliance on fossil fuels. In addition to introducing electric and hydrogen buses, the Oman government is also supporting the production of sustainable local biofuel, which could further enhance the sustainability of its transport sector.

Oman is also investing heavily in Intelligent Transportation Systems (ITS) to modernize its public transport system, thereby leading to significant cost savings and improved operational efficiency. ITS relies heavily on effective data management and a regulatory framework that facilitates data sharing; however, Oman is focused on ensuring its public transport system achieves the benefits of ITS – enhanced system safety, operational efficiency, and reduced prototype and testing times.

Uniquus' POV

Oman shows commitment to its goal of achieving net zero carbon emissions by 2050 with increased economic value, industrial competitiveness, and green investment opportunities. This is especially true in the transportation sector where the country aims to achieve a major overhaul with a transition to electric vehicles (EVs) within an improved public transportation system. Also, through the Oman Vision 2040, the country supports energy transition and green hydrogen.

Introducing the electric bus represents a notable advancement towards zero emissions and sustainable public transportation in Oman. This initiative establishes a starting point for the private sector to follow suit in transforming their fleets to eco-friendly alternatives. Large companies can also utilize the ITS to monitor fleets, analyze passenger and driver behavior, and plan future developments in alignment with national sustainability commitments and goals.



In-depth Analysis

This section delves deep into a significant ESG development, offering comprehensive insights and a nuanced perspective. We break down the critical facets of this development, analyzing its implications for businesses, investors, and regulators. Our in-depth analysis clarifies the potential impact on global markets and how this change may influence strategic decisions across sectors. Join us as we explore this development, shedding light on the opportunities and challenges in the evolving ESG landscape.

Climate Change: A growing threat and the urgency for a transition to Net-Zero

The increase in the concentration of greenhouse gases (GHGs) in the atmosphere, which results in climatic change, is one of the biggest global problems of the century. The mean global temperature on earth has increased by about 1.1 degrees centigrade since 1880, and most of it has occurred since 1975 at a rate of roughly 0.15 to 0.20°C per decade¹. This phenomenon has had a chain of disastrous impacts that have affected the world's biological and social systems. Nowadays, we very often experience the adverse impact of climate change in the form of various global and local phenomena like heat waves, droughts, floods, sea level rise, ocean acidification, and many others.

Climate change has several effects on society, which are worse for marginalized communities. Natural disasters, therefore, result in new displacements, food and income insecurity, and property loss, and, above all, can be catastrophic for human life. Higher temperatures result in sea-level rise that puts the coastal regions, communities, and structures in a vulnerable position. Climate change negatively affects crop yield, water availability, and even livestock, making the agricultural sector highly sensitive. Besides, climate change is dangerous to business, supply chain, and financial well-being. Since exposure to climate-related disasters is becoming more frequent and severe, organizations across the globe are exposed to greater operational and financial risks.

The imperative to address climate change has never been more urgent. The longer we wait and procrastinate on the issue; the impacts are going to be worse and permanently conceding. Introducing a low-carbon economy is imperative not only to compensate for it from the moral standpoint but also from the tactical aspects. In this regard, by taking concrete actions to prevent GHG emissions, we speak for ourselves, minimizing the severe effects of climate change, leaving the world a better place for the next generations, and unlocking prospects for new economic activities.

Global GHG Emissions: A Historical Perspective

The leading cause of climate change is the extensive emissions of GHGs, with the most important gases being Carbon Dioxide (CO₂), Methane (CH₄), and Nitrogen Oxide (N₂O). Most global GHG emissions originate from human activities, mainly burning fossil fuels for energy, transportation, and industrial processes.

Historically, developed countries have contributed the most to global GHG emissions. The Industrial Revolution, which started in Europe and North America in the 18th century, paved the way for a quick rise in the use of fossil fuels and emission levels. Thus, developed countries have a relatively enhanced carbon footprint per capita compared with the nations of the developing world. However, the global emission landscape is changing rapidly, given that many developing nations are experiencing rapid economic growth and, consequently, a higher energy demand.

1. <https://earthobservatory.nasa.gov/world-of-change/global-temperatures>

Comparison of Absolute GHG Emissions (GtCO₂e) of Top 5 Economies and India²

Country	Absolute GHG Emissions (GtCO ₂ e)
China	15.68 (2022)
United States	6.01 (2022)
India	3.94 (2022)
European Union	3.58 (2022)
Russia	2.57 (2022)

As above, China, the United States, India, the European Union, and Russia are the five largest emitters of greenhouse gases. As a rapidly developing economy, India is grappling with the challenges of balancing economic growth with environmental sustainability. While its per capita emissions are still relatively low compared to those of developed countries, its total emissions are rising due to the large population and growing industrial sector. For instance, in 2022, India's per capita emissions were approximately 2.79 tonnes of CO₂ equivalent per person³, significantly lower than developed countries like the United States (17.9 tonnes) and the European Union (8.09 tonnes). However, India's emissions profile is expected to evolve continuously as it strives to meet its development goals and reduce its reliance on fossil fuels.

Countries worldwide have recognized climate change as a global challenge and a threat to human civilization, hence taking several actions to combat this. Actions by global economies broadly include the development of a national climate change strategy, commitment to net zero, extensive focus on renewable energy development, adoption of carbon emission trading scheme, and focus on green finance to mobilize capital for climate-friendly projects and investment. These commitments at the national level are translating into actions at the ground level through many corporations across the globe, taking targets, net-zero commitments, and actions to reduce the impact of climate change directly from their operations and their value chain.

Net-Zero: A Path to a Sustainable Future

Net-zero emissions, as defined by the Science-Based Targets Initiative (SBTi), means achieving absolute zero/ near absolute zero (90% reduction from base year) greenhouse gas emissions across all scopes of a company's operations. This includes direct emissions (Scope 1), indirect emissions from purchased electricity and heat (Scope 2), and indirect emissions from the value chain (Scope 3).

The Science-Based Targets Initiative (SBTi) plays a crucial role in driving companies towards net-zero emissions. SBTi provides a framework for companies to set ambitious, science-based targets aligned with the Paris Agreement's goal of limiting global warming to 1.5 degrees Celsius. By setting science-based targets, companies can demonstrate their commitment to climate action, attract investors, and mitigate climate-related risks.

2. https://edgar.jrc.ec.europa.eu/report_2023#emissions_table

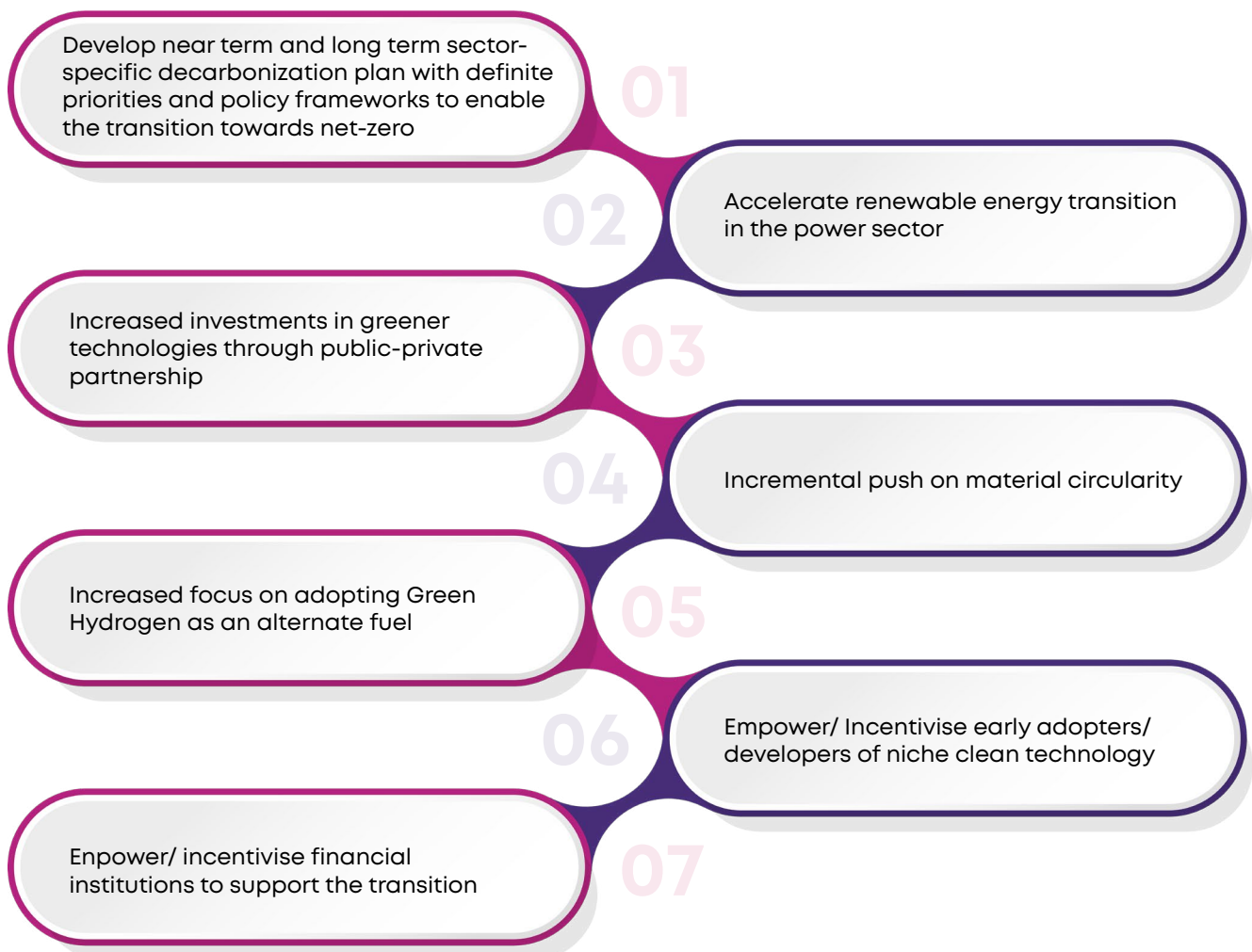
3. https://edgar.jrc.ec.europa.eu/report_2023?vis=ghgpop#emissions_table

Several of the world's largest emitting countries have set ambitious net-zero targets. For example, the United States aims to achieve net-zero emissions by 2050, while the European Union has also set a target of 2050. China, the world's largest emitter, has pledged to achieve carbon neutrality by 2060.

India has made significant strides in setting ambitious climate targets and implementing initiatives to transition to a net-zero future. At the COP26 climate summit in Glasgow in 2021, India announced its intention to achieve net-zero emissions by 2070.

For geographies globally to achieve net zero, active engagement from all stakeholders is crucial. The government must continuously develop appropriate policies for various sectors and foster a supportive regulatory environment to make clean energy technologies economically feasible across industries. Overcoming technological hurdles necessitates ongoing support from public and private entities and a willingness among businesses and policymakers to embrace innovative solutions.

The following are enablers that could play a significant role in net-zero transition globally:



Decarbonization Levers for High-Emitting Sectors

Companies across various sectors and geographies must adopt various decarbonization measures to achieve net-zero emissions. The specific levers will vary depending on the industry, the nature of the company's operations, and the geography of operation. As the energy sector contributes roughly ~73⁴% of the World's total GHG emissions, the technological advancement and adoption of clean technology in this sector will be crucial in the global net-zero transition. Given below are some of the decarbonization levers that will enable the net-zero transition for the energy sector:

Decarbonizing Power Generation

- Transitioning to a cleaner energy mix for power generation by increasing the proportion of Renewable Energy in total power generation.

Decarbonizing Manufacturing Industries and Construction

- Sustainable transformation of sectors like iron & steel, cement, aluminum, and chemicals to low carbon through:
 - Energy efficiency and energy conservation measures
 - Replace fossil fuels with renewable sources for electricity/ heat/ steam generation
 - Adopt Green Hydrogen as a fuel/ feedstock/ process raw material
 - Adopt sustainable biomass as a feedstock/raw material to replace conventional fossil raw material
 - Adopt energy-efficient building materials and design
 - Increase the use of recycled raw material to replace virgin raw material (material circularity)
 - Carbon capture, utilization, and storage (CCUS)

Decarbonizing Transportation

- Development and promotion of alternate drive trains (Battery Electric Vehicles (BEV), Strong Hybrid Electric Vehicles (SHEV), Plug-in Hybrid Electric Vehicles (PHEV), and Flex Fuel Vehicles) and fuel types (ethanol-blend petrol, biodiesel, bio-CNG, Sustainable Aviation Fuel, etc.) across different transport types.

The availability and commercial viability of these levers vary across sectors and geographies. While some technologies, such as solar and wind power, are well-established and cost-effective, others, like CCS, are still under development and may require significant investments. The ecosystem for decarbonization is evolving rapidly, and companies need to stay informed about emerging technologies and opportunities.

Climate change significantly threatens our planet, its inhabitants, economies, and businesses across geographies. Transitioning to a low-carbon economy is essential for environmental protection and presents opportunities for innovation and economic growth. Let's work together to build a sustainable future.

4. <https://ourworldindata.org/ghg-emissions-by-sector>, https://www.climatewatchdata.org/ghg-emissions?end_year=2021&start_year=1990

In Conversation with ESG Pioneers

This section features exclusive interviews with industry leaders at the forefront of ESG transformation. These experts share their experiences, challenges, and visions for a sustainable future in these candid discussions. Their valuable insights can inspire and guide others on their own ESG journeys.

HDFC Bank is one of India's leading private banks and was among the first to receive approval from the Reserve Bank of India (RBI) to set up a private sector bank in 1994. As of July 2024, the Bank's distribution network was at 8,883 branches and 21,080 ATMs/Cash Recycler Machines across 3,836 cities/towns. The Bank has five key subsidiaries, HDB Financial Services Limited, HDFC Life Insurance Company Limited, HDFC Asset Management Company Limited, HDFC ERGO General Insurance Company Limited and HDFC Securities Limited.

We interviewed

Ms. Anjalee Tarapore

Executive Vice President & Head ESG
HDFC Bank

Anjalee S. Tarapore is an Executive Vice President and Head, ESG at HDFC Bank. Prior to the merger of HDFC Limited with HDFC Bank, she was with HDFC Limited for over 25 years. She has a keen interest in investor relations, macroeconomic analysis, finance, and Environmental, Social, and Governance (ESG) issues from a corporate perspective. She has assisted high-level committees constituted by the Government of India on affordable housing and infrastructure finance.

Here is an excerpt from our conversation with Anjalee:



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In the business of banking, 'trust' is the cornerstone. The governance pillar sets the values and ethics upon which all spheres of activity are conducted. This value system works through the demonstrative effect, and it should percolate to every level within the organization.

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How have you embedded ESG within your organization structure?

There is strong recognition that financial disclosures combined with non-financial parameters offer a holistic perspective of an organization. I have always maintained that ESG at HDFC Bank (the Bank) is a collective narrative of what we do at work each day. As is the case with most critical functions, the tone at the top matters as to how ESG is inculcated and practiced across the organization.

At HDFC Bank, the governance structure on ESG entails the Board, the CSR & ESG Committee of the Board, and an executive director's direct oversight of the ESG function. At the management level, we have an ESG Apex Council. Under the ESG Apex Council, there are three working groups – Environment, Social & Governance, and Product Responsibility.

The lifeblood of ESG reporting lies with an array of departments across the Bank, which provide ESG-related data. The role of the ESG department is to bring the big picture together.

Experience has taught us that outcomes are vastly different when data providers understand the purpose and impact of such data. Investing time and effort in sensitizing teams to the importance of ESG data is critical. With evolving regulatory frameworks, this must be a continuous effort.

Going forward, the three lines of the defense model will increasingly be used to assess ESG data.

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Our focus remains on being committed to voluntarily raising the bar on our disclosures and ensuring that communication on ESG is honest, transparent, and clearly articulated.

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02 What are the biggest challenges you foresee in transforming into an ESG-driven organization?

First, phased timelines to align with evolving regulatory requirements are essential because they enable better preparedness.

Second, is creating robust ESG management information systems that ensure the analysis of data on an ongoing basis, so course correction becomes more effective.

Third is rapid automation because one deals with huge data sets, and automation reduces copious time spent on data collection and allows for better analysis.

In the long run, it is preferable to have sector-specific ESG frameworks rather than sector-agnostic frameworks. For the Indian financial sector, inter-regulatory coordination amongst financial regulators on ESG will also be important.

04 What are the key steps, in your view, banks and financial institutions need to take to meet their public net zero targets?

From a BFSI perspective, there are three pillars: the first entails meeting net zero targets for one's own operations; the second is the liability side, i.e., raising green resources for on-lending; and the third is the asset side, which entails increasing the green portfolio and funding the transition of borrowers to meet their net-zero targets.

A lot of technological innovation, reforms, and regulatory changes are expected in the near future, which will aid in moving faster toward a lower carbon trajectory. For banks, however, the most significant carbon footprint comes from financed emissions. Standardizing applicable emission factors and India-specific environmentally extended input-output models will go a long way in helping banks disclose their financed emissions.

Banks and financial institutions must also demand more customer information on environment and social (E&S) parameters, particularly from wholesale borrowers.

03 What are the biggest opportunities you foresee when transforming into an ESG-driven organization?

At the Bank, our biggest opportunity is being a preferred financier to enable our borrowers to transit to a lower carbon trajectory. We are seeing this gradually happen both in the retail and wholesale lending segments.

We want to seize emerging opportunities and innovations in the new-age economy. At a sectoral level, it is important not to chase assets merely because they have a 'green' or 'social' label to them. Ultimately, there cannot be a substitute for prudent lending practices.

05 How do you embed ESG in your lending operations?

For our wholesale borrowers, we have an ESG Risk Management Policy for lending where a mandatory E&S assessment needs to be done for loans above a defined threshold limit. This forms part of the overall credit appetite memo. The most significant change we have seen is that customers are gradually getting attuned to providing such data compared to a few years ago. Yet, there is more ground to cover. As E&S data from customers improve, so will the monitoring of financed emissions of the Bank.

06 What are some best practices in ESG in your view for the banking and financial services sector?

In the business of banking, 'trust' is the cornerstone. The governance pillar sets the values and ethics upon which all spheres of activity are conducted. This value system works through the demonstrative effect, and it should percolate to every level within the organization.

On the social side, the underlying philosophy has always been to be a 'responsible lender' focusing on taking banking to the unbanked. On the environment, we have tried to be ahead of the curve through voluntary disclosures. For instance, we published our pilot study on financed emissions, which is going to become a critical disclosure for Indian banks in the near future.

Combined, our focus remains on being committed to voluntarily raising the bar on our disclosures and ensuring that communication on ESG is honest, transparent, and clearly articulated.

Regulatory Watch

Regulation around ESG continues to evolve rapidly. This section summarizes some of the latest regulatory developments across critical global markets, including the US, EU, UK, India, and the Middle East. Our analysis captures the nature of the legislative changes or updates and our high-level assessment of broader implications on business practices and compliance strategies.

Global

Governing Body	Update	Uniquis' Impression
Australia Parliament's House of Representatives	Australia passed its mandatory climate reporting bill, which will be signed into law effective January 2025. The Australian Accounting Standards Board (AASB) will finalize its country-specific disclosure standards in the coming weeks based on those of the ISSB.	Australia joins other major markets (e.g., the EU, Brazil, and Japan) in creating mandatory reporting requirements around climate-related information. As expected, the standards will be based on the internationally recognized ISSB framework, contributing to the harmonization and standardization of climate-related disclosures around the globe. Uniquis welcomes this new regulation, providing stakeholders with comparable, standardized, and assured data regarding climate-related risks and opportunities.

US

Governing Body	Update	Uniquis' Impression
U.S. District Court for the Central District of California (<i>USCC, et al. v. CARB</i>)	At the beginning of 2024, several industry groups filed a against CARB regarding the climate accountability package, alleging three claims (i.e., First Amendment, Supremacy Clause, Burns on Commerce). Though CARB has filed a partial motion to dismiss the first two claims, oratory arguments began on 09 September.	The results of this suit will have widespread repercussions for the future of climate-related disclosure regimes in the US. Similar suits have been filed against the US SEC's climate rules (e.g., <i>WV, et al. v US SEC</i>). Businesses should be prepared for an evolving legal landscape. Uniquis tracks the status of these cases closely to understand any implications of the resulting outcomes.

Middle East

Governing Body	Update	Uniquus' Impression
<u>Federal Decree-Law No. (11) of 2024 On the Reduction of Climate Change Effects</u>	Federal Law No. 11 of 2024 on the Reduction of Climate Change Effects was issued on 28 August 2024 and will be effective on 30 May 2025. The Law applies to all public and private enterprises whose operations or activities release GHG emissions into the atmosphere in the UAE, including Free Zones.	The UAE continues to maintain its position as a leader in the GCC region in the sustainability agenda to fight climate change through diplomacy, policymaking, and investment. The enactment of this new law aligns with the UAE's continuous commitment to achieve net zero emissions by 2050 in alignment with the Paris Agreement, which calls on countries to prepare long-term strategies to reduce greenhouse gas (GHG) emissions and limit the rise in global temperature to 1.5°C compared to pre-industrial levels. The Federal Decree-Law re-emphasizes the critical impact of climate change on the overall economy and the urgency for companies to ensure compliance. The law seeks to enforce the measurement, reduction, and management of GHG emissions of companies in the UAE through energy efficiency, clean energy, carbon offsetting, carbon capture, use, and storage (CCUS), among other indicated measures and technologies. In response to the law, companies are to put systems and processes in place to ensure that their GHG emissions (Scope 1, 2 & 3) are accurately accounted for, and emission reduction strategies are developed, which incorporates a comprehensive science-based target setting to achieve net zero in alignment with sectoral and national commitments.

UK

Governing Body	Update	Uniquus' Impression
Financial Conduct Authority (FCA)	The FCA has delayed the mandatory implementation of the Sustainability Disclosure Requirements (SDR), first promulgated in November 2023, from December 2024 to April 2025, to give more time for in-scope asset managers to meet the SDR standards. While the SDR's anti-greenwashing rule is already in effect, the FCA offered firms flexibility in complying with the fund labeling regime under the SDR.	The FCA's SDR was introduced to assist investors in correctly understanding the sustainability characteristics of funds and avoiding greenwashing risks. While not explicitly aligned with similar requirements in other jurisdictions (e.g., EU SFDR), the SDR may support investors in incorporating ESG factors into their decisions in a standardized way. The delay of the rules affords in-scope investors additional time to change the name of their funds and prepare disclosures – an ongoing issue. This is a pragmatic approach by the FCA while improving the UK's position as a nexus for sustainable investments.
Competition and Markets Authority (CMA)	The CMA, which enforces advertising rules in the UK, has warned 17 well-known fashion brands to review the compliance of their sustainability claims with the CMA's Green Claims Code. The CMA will soon be able to fine businesses up to 10% of their worldwide revenue for non-compliance.	The CMA's actions reflect the UK regulatory focus on greenwashing. Indeed, earlier this year, the CMA also negotiated with fashion retailers Boohoo and Asos regarding similar greenwashing concerns. Regulatory focus around greenwashing will continue to grow in the UK and globally as investors, regulators, and consumers increasingly demand veritable information about companies' sustainability performance.



ESG Best Practices Around the Globe

Uniquus has observed and summarized leading ESG practices worldwide, aiming to inspire governments, businesses, and individuals. We highlight exemplary initiatives and strategies that set environmental stewardship, social responsibility, and governance excellence standards. Learn how these best practices achieve sustainable outcomes and drive meaningful change across various sectors and communities.

Rwanda: World's First Development Bank to Globally Issue its First Sustainability-Linked Bond (SLB)

The Development Bank of Rwanda (BRD) has made a significant leap in sustainable development finance by issuing its first Sustainability-Linked Bond (SLB), a pioneering move backed by the World Bank. As the first global development bank to issue such a bond, BRD sets a new standard for private capital mobilization to support sustainable development. This issuance is crucial in addressing the multi-trillion-dollar investment gap needed annually in emerging markets to meet climate and poverty reduction goals.

Aligned with its Vision 2050, Rwanda faces challenges in securing the necessary financing for its sustainability ambitions. Traditionally reliant on government and international funding, BRD's SLB represents a game-changing shift, offering access to diverse funding sources. The bond incentivizes BRD to achieve key performance indicators, such as increasing ESG compliance, expanding funding for women-led projects, and financing affordable housing.

A standout feature is the innovative credit enhancement mechanism, where USD 10 million in IDA funds collateralized the bond, reducing investors' risk and enabling BRD to raise three times the amount in funding. Oversubscribed and attracting over 100 investors, the bond has successfully diversified BRD's funding sources while reducing exposure to foreign exchange risks.

This groundbreaking issuance supports Rwanda's sustainable development and is a model for other emerging markets.



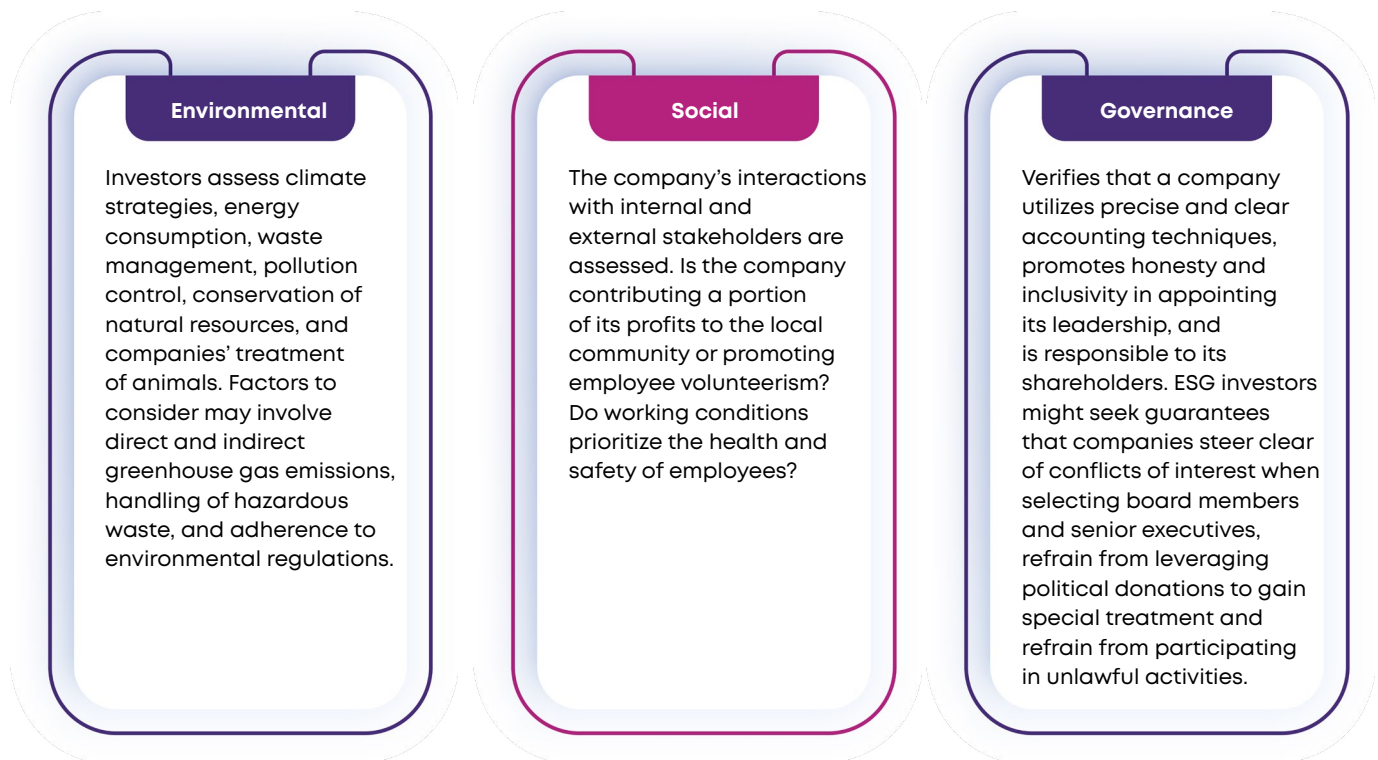
ESG Encyclopedia

Dive into the essentials of ESG with our monthly spotlight on key topics, themes, and concepts shaping the landscape of sustainable business practices. In each issue of our newsletter, we select a new focal area to give you an in-depth understanding of its significance and application.

ESG Investing

ESG investing evaluates how companies perform on these ethical standards and metrics for potential investments. Environmental factors assess how a company protects the environment. Social factors review how it handles interactions with employees, suppliers, customers, and communities. Governance evaluates a company's management, executive compensation, audits, internal controls, and shareholder rights.

ESG investing is also known as sustainable, responsible, impact, or socially responsible investment (SRI). Investors consider various actions and policies when evaluating a company using ESG criteria. ESG investors aim to verify that the companies they invest in are environmentally responsible, ethical corporate members, and managed by responsible leaders based on specific criteria such as:



To summarize, companies that adhere to favorable environmental, social, and governance principles are the center of ESG investing. Investors are growing interested in aligning their portfolios with ESG-related companies and fund providers, leading to its expansion and positive impact on society and the environment.

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About Uniquus Consultech:

Uniquus Consultech is a global tech-enabled consulting company that specializes in Accounting & Reporting, ESG and Tech Consulting. The Company was co-founded in December 2022 by consulting veterans Jamil Khatri and Sandip Khetan and backed by marquee investors such as Nexus Venture Partners, Sorin Investments, and other angel investors. Anu Chaudhary, a global ESG specialist with over 20 years of experience, serves as the Global Head of ESG. Abhijit Varma, a veteran technology specialist, leads Tech Consulting globally.

Uniquus now has a global team of 400+ professionals led by 50+ Partners & Directors across eight offices in the USA, India, and the Middle East. The company serves more than 200 clients, including marquee names such as HDFC Bank, Reliance Industries, Al Rajhi Group, Tawal, Flipkart, Zomato, GE, GAP and Grammarly. Uniquus is committed to leveraging technology and an integrated global delivery model to provide best-in-class consulting services that drive measurable results and create long-term value for its clients.

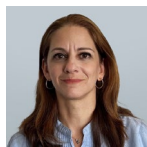
Contributing Authors



Nirav Patel
(Partner, ESG)



Siddhwasattwa Mukherjee
(Partner, ESG)



Dr. Elena Primikiri
(Associate Partner, ESG)



Matt Berner
(Managing Director, ESG)



Luv Nijhawan
(Director, Clients & Markets)



Nachiketa Das
(Director, ESG)

Lakshay Ahuja, Associate Director, ESG

Sagnik Chakraborty, Manager, ESG

Tiphaine Delepine, Manager, ESG

Rahil Shah, Associate Consultant, ESG

Ryan Kim, Associate Consultant, ESG

Feedback

We encourage you to share this newsletter with your colleagues and networks, and to provide us with feedback on topics that you would like to see covered in future issues. Uniquus is here to support you in navigating this evolving landscape. [Contact us](#) to learn more about how we can help you on your ESG journey.

