



ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) POLICY

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Abbreviation Table:

ESG	- Environment, Social, Governance
HCM	- Human Capital Management
CO2	- Carbon Dioxide
LGBTQ+	- Lesbian, Gay, Bisexual, Transgender, Queer/Questioning
CEO	- Chief Executive Officer
SDGs	- Sustainable Development Goals
UN	- United Nations
OECD	- Organisation for Economic Co-operation and Development
GRI	- Global Reporting Initiative
EFRAG	- European Financial Reporting Advisory Group
IFRS	- International Financial Reporting Standards
PRI	- Principles for Responsible Investment
CDSB	- Climate Disclosure Standards Board
ISSB	- International Sustainability Standards Board
IIRC	- International Integrated Reporting Council
SASB	- Sustainability Accounting Standards Board
TCFD	- Task Force on Climate-Related Financial Disclosures
UNGPRF	- United Nations Guiding Principles Reporting Framework
SECR	- Streamlined Energy and Carbon Reporting
BRSR	- Business Responsibility and Sustainability Reporting
NVGs	- National Voluntary Guidelines on Corporate Social Responsibility
SEBI	- Securities and Exchange Board of India
CSR	- Corporate Social Responsibility
MCA	- Ministry of Corporate Affairs
NGRBC	- National Guidelines on Responsible Business Conduct
UNGC	- United Nations Global Compact
NITI Aayog	- National Institution for Transforming India Aayog
MSMEs	- Micro, Small, and Medium Enterprises
FY	- Financial Year
NCAER	- National Council of Applied Economic Research
GSER	- Global Start-up Ecosystem Report
PAI	- Public BRSRc Affairs Index
NGO	- Non-Governmental Organization
ERP	- ESG Reporting Provider
FDI	- Foreign Direct Investment
KSPCB	- Kerala State Pollution Control Board
KSUDP	- Kerala Sustainable Urban Development Project
CMD	- Centre for Management Development

1. Introduction to the Environment, Social and Governance concept

1.1. What is E-S-G?

ESG, an acronym for **Environmental, Social, and Governance**, constitutes a robust framework designed to offer stakeholders a comprehensive understanding of how an organization navigates the intricacies of managing risks and capitalizing on opportunities. These criteria, also referred to as ESG factors, delve beyond mere environmental concerns, embracing a holistic perspective that encompasses social and governance dimensions. In its essence, ESG transcends traditional business paradigms by recognizing that sustainability entails more than environmental stewardship. It underscores the imperative for organizations to actively engage and address social and governance challenges, fostering a resilient and responsible operational ethos.

The significance of ESG extends far beyond financial realms. While investors seek insights into an organization's ESG performance to inform their investment decisions, stakeholders encompass a broader spectrum. These stakeholders comprise not only the investment community but also customers, suppliers, and employees, each with a vested interest in the sustainability quotient of an organization's operations.

In a landscape increasingly shaped by ethical, environmental, and social imperatives, ESG emerges as a pivotal framework, bridging the gap between financial performance and societal impact. By embracing ESG principles, organizations demonstrate a commitment to transparency, accountability, and long-term value creation, thereby fostering trust and resilience within their ecosystems.

E - S - G stands for Environment, Social, Governance



E - Environmental

Environmental factors encompass the diverse ways in which an organization interacts with its surroundings and manages associated risks. From greenhouse gas emissions to the stewardship of natural resources, these factors paint a vivid picture of an organization's environmental impact and resilience in the face of climate-related challenges like climate change, flooding, and wildfires.

Forward-thinking organizations committed to environmental sustainability often adopt proactive measures aligned with these principles:

1. **Publishing Comprehensive Reports:** Transparency lies at the heart of environmental accountability. By sharing detailed carbon or sustainability reports, organizations invite stakeholders to assess their environmental performance, highlighting efforts to reduce emissions and minimizing ecological footprints.
2. **Limiting Harmful Pollutants:** Recognizing the adverse effects of pollutants and chemicals on ecosystems and public health, responsible organizations take steps to minimize their usage. This might involve embracing eco-friendly alternatives, adhering to strict pollution control standards, and investing in cleaner technologies.
3. **Lowering Greenhouse Gas Emissions:** A cornerstone of environmental responsibility, reducing greenhouse gas emissions is a key focus for many organizations. They achieve this through measures like energy efficiency improvements, adoption of renewable energy sources, and innovative carbon offset initiatives.
4. **Embracing Renewable Energy:** Transitioning to renewable energy sources such as solar and wind power not only reduces reliance on fossil fuels but also aligns with sustainability goals. By harnessing clean energy technologies, organizations play a pivotal role in advancing decarbonization efforts and promoting a greener future.
5. **Waste Reduction Initiatives:** Waste management is central to sustainable operations. Organizations implement strategies like waste segregation, recycling programs, and innovative waste-to-energy solutions to minimize landfill waste and optimize resource utilization.

By prioritizing these environmental considerations and implementing corresponding measures, organizations not only mitigate environmental risks but also contribute to broader sustainability objectives.

Through their actions, they demonstrate a commitment to responsible environmental stewardship, fostering resilience and sustainability for generations to come.

S – Social

The social dimension of ESG underscores an organization's commitment to its stakeholders and broader societal impact. It encompasses:

1. **Human Capital Management (HCM) Metrics:** Reflecting fair wages, employee engagement, and professional development opportunities, HCM metrics highlight a company's dedication to foster a supportive and rewarding workplace culture.
2. **Community Engagement:** Beyond profit-driven motives, organizations are evaluated based on their contributions to the communities they serve. This involves sustainable business practices, philanthropic endeavors, and initiatives aimed at local development.
3. **Ethical Supply Chains:** Upholding ethical standards in sourcing practices is paramount. By ensuring supply chains are free from exploitation and adhere to environmental and labor regulations, organizations demonstrate their commitment to responsible business conduct.
4. **Diversity, Equity, and Inclusion (DEI) Initiatives:** Promoting diversity and inclusion fosters innovation and strengthens organizational resilience. By championing LGBTQ+ rights, embracing workforce diversity, and fostering an inclusive environment, organizations cultivate a culture of belonging and respect.
5. **Policies Against Misconduct:** Maintaining a safe and respectful workplace environment is non-negotiable. Organizations implement robust policies to prevent misconduct, harassment, and discrimination, prioritizing the well-being and dignity of all employees.
6. **Fair Compensation:** Fair wages are fundamental to social sustainability. By offering living wages that meet employees' basic needs, organizations promote economic stability and social equity.

By addressing these social factors, organizations not only enhance their ESG performance but also contribute to a more equitable and prosperous society. Embracing social responsibility as a core principle, companies play a pivotal role in shaping a sustainable and inclusive future for all stakeholders.

G – Governance

Governance, at corporate levels, serves as the guiding ethos that shapes the ethos and operational practices of an organization's leadership and management. ESG (Environmental, Social, and Governance) analysts are tasked with a comprehensive examination, seeking insight into how leadership incentives align with the multifaceted expectations of stakeholders, the commitment to upholding shareholder rights, and the robustness of internal controls designed to foster transparency and cultivate a culture of accountability among top executives.

Within this complex landscape, several key pillars emerge as indispensable:

1. **Diversity Advocacy on the Board of Directors:** Acknowledging the richness inherent in diverse perspectives, effective corporate governance actively promotes the inclusion of individuals from varied backgrounds and experiences within the boardroom. This commitment not only enriches decision-making processes but also reflects a broader societal imperative towards equity and inclusivity.
2. **Emphasis on Corporate Transparency:** Transparency stands as the bedrock upon which trust and integrity within an organization are built. Effective governance mandates a commitment to openness in operations, ensuring that stakeholders, including investors, employees, and the public, have access to accurate and timely information about the company's performance, risks, and strategies.
3. **Independent Board Chairmanship:** To foster a climate of checks and balances, it is imperative that the role of board chair is held by an individual distinct from the CEO. This delineation of responsibilities helps mitigate potential conflicts of interest, enabling the board to provide robust oversight and strategic guidance, independent of executive influence.
4. **Staggered Board Elections for Continuity and Stability:** By implementing staggered board elections, organizations mitigate the risk of abrupt turnover in leadership, thus ensuring a consistent continuity of experience and vision. This strategic approach not only enhances stability but also facilitates effective long-term planning and decision-making, safeguarding the interests of stakeholders and shareholders alike.

In essence, effective corporate governance transcends mere regulatory compliance; it embodies a commitment to principled leadership, ethical conduct, and sustainable value creation, thereby underpinning the resilience and enduring success of organizations in an ever-evolving business landscape.

ENVIRONMENTAL				SOCIAL				GOVERNANCE	
Climate Change	Natural Resources	Biodiversity	Pollution & Waste	Employees & Human Capital	EHS	Human Rights & Labor Practices	Community Impact & Equity	Corporate Governance	Corporate Decision-Making
Carbon Emissions	Circularity	Raw Materials Sourcing	Clean Energy	Talent Development	Education	Responsible Supply Chains	Philanthropy & Volunteering	Diversity & Inclusion	Ethics & Anti-Corruption
Water Stewardship	Land use	Facilities	LCA	Product Quality & Safety	Stakeholder Relations	Privacy & Data Security	Health & Wellbeing	Communications Transparency	Executive Compensation
Packaging	Environmental Risk	Climate Financing	Innovation	Product Access & Inclusion	Economic Development	Cultural Opportunity	Social Innovation	Ownership	Accounting & Financial Controls

1.2. Importance and need of ESG

The significance of ESG (Environmental, Social, and Governance) factors has grown markedly, driven by several compelling factors.

Primarily, ESG serves as a critical tool for investors seeking transparency into companies' sustainability initiatives and practices. This enhanced visibility enables informed investment decisions, allowing investors to direct capital towards firms aligned with their values and long-term objectives.

Secondly, there is a notable uptick in investor interest surrounding ESG considerations, fueled by the recognition of financial risks associated with environmental and social issues. Integrating ESG factors into investment strategies facilitates risk management, aiding in the identification of companies positioned for sustainable growth.

Furthermore, the global pursuit of the United Nations' Sustainable Development Goals (SDGs) underscores the importance of ESG. These goals address pressing global challenges, and companies prioritizing ESG factors can play a significant role in advancing them. Additionally, evolving consumer preferences are driving demand for businesses to uphold higher standards of sustainability and employment quality. Companies with robust ESG practices stand to benefit from enhanced reputation and customer loyalty.

Finally, regulatory bodies and policymakers are increasingly emphasizing ESG considerations, prompting companies to integrate responsible strategies into their operations and contribute positively to society. In conclusion, the growing importance of ESG factors reflects a broader recognition of their significance in driving sustainable business practices and long-term value creation.

1.3. Global scenario of ESG

Environmental, Social, and Governance (ESG) considerations have undergone a remarkable transformation in recent years, transitioning from a peripheral concern to a core focus within the global business landscape. This evolution has been driven by a confluence of factors including regulatory imperatives, escalating investor interest, and heightened stakeholder influence. The standardization of global ESG reporting protocols aims to instill uniformity and comparability in reporting practices, underscoring the pivotal role of ESG in both corporate decision-making and investment strategies.

In tandem with governmental initiatives geared towards achieving the objectives outlined in the Paris Agreement and Sustainable Development Goals (SDGs), there has been a discernible surge in the adoption of ESG methodologies by investors. A 2021 Bloomberg report projects substantial growth in ESG assets under management, potentially exceeding a third of the anticipated \$140.5 trillion global total by 2025, with ESG assets expected to reach \$50 trillion. This trajectory reflects a significant escalation from \$37.8 trillion recorded by the end of the preceding year and a notable surge from \$22.8 trillion in 2016.

Moreover, insights from Bloomberg Intelligence (BI) report suggest that global ESG assets surpassed \$30 trillion in 2022 and is on track to account for approximately one-third of the overall assets under management worldwide. This trajectory mirrors the continuous ascent of ESG assets, following their surpassing of the \$35 trillion mark in 2020.

ESG reporting adheres to specific frameworks or approaches that offer guidance and structure on how reports and their findings are to be assessed and communicated. Several prominent reporting frameworks include:

1. Organization for Economic Co-operation and Development (OECD) - Founded in 1967, the OECD promotes economic growth, enhances living standards, and fosters cooperation among its 38-member nations.

2. Global Reporting Initiative (GRI) - Established in 1997, GRI provides a widely adopted framework with sector-specific and universal standards aimed at enhancing sustainability reporting.
3. European Financial Reporting Advisory Group (EFRAG) - Formed in 2001 by the European Commission, EFRAG advises on financial reporting in the EU and promotes the adoption of International Financial Reporting Standards (IFRS).
4. United Nations Principles for Responsible Investment (PRI) - Founded in 2005, PRI advocates for the integration of ESG factors into investment practices to align investments with sustainability goals.
5. Climate Disclosure Standards Board (CDSB) - Originating in 2007 as an initiative of CDP, CDSB provided a framework for measuring the environmental aspect of ESG reporting, later merged into the International Sustainability Standards Board (ISSB) in 2022.
6. International Integrated Reporting Council (IIRC) - Established in 2010, IIRC promotes integrated reporting, combining financial and non-financial information to enhance corporate reporting and decision-making.
7. Sustainability Accounting Standards Board (SASB) - Established in 2011, SASB offers a framework for reporting material sustainability information for financial reporting purposes.
8. Task Force on Climate-Related Financial Disclosures (TCFD) - Formed in 2015 by the Financial Stability Board, TCFD provides recommendations for disclosing climate-related financial information.
9. United Nations Guiding Principles Reporting Framework - Introduced in 2017, this framework focuses on ethical governance and human rights issues.
10. Streamlined Energy and Carbon Reporting - Developed by the U.K. in 2019, SECR mandates detailed reporting on sustainability efforts, including carbon emissions data.
11. International Sustainability Standards Board (ISSB) - Established in November 2021, ISSB develops IFRS Sustainability Disclosure Standards to facilitate high-quality and transparent reporting on climate and other ESG matters.
12. Business Responsibility and Sustainability Reporting (BRSR) - Introduced in 2021, BRSR is an Indian framework requiring companies to disclose their ESG performance and impacts to stakeholders. BRSR framework provides guidelines for standardized reporting, such as those by GRI, SASB, TCFD and IR.

These frameworks provide guidance on specific ESG aspects such as climate change, human rights, or supply chain management. The absence of a universal framework grants companies the flexibility to select the framework that aligns best with their needs or meets stakeholder expectations.

1.4. Evolution of ESG in India

India has emerged as a frontrunner in sustainability reporting, leading the charge among its global counterparts. With an increasing emphasis on responsible and sustainable business practices, India's regulatory landscape has witnessed significant evolution and progressive market reforms. This concerted effort reflects a growing societal demand for businesses to prioritize environmental and social stewardship alongside financial performance.

The journey of sustainability reporting in India began in 2009 with the introduction of the National Voluntary Guidelines on Corporate Social Responsibility (NVGs). These guidelines aimed to instill transparency, accountability, and ethical conduct across businesses of all sizes and operations.

In 2012, the Securities and Exchange Board of India (SEBI) mandated the top 100 listed companies to submit the Business Responsibility Report (BRR), aligning with the NVGs. This report provided a holistic view of companies' non-financial performance, encompassing various Environmental, Social, and Governance (ESG) factors.

Over time, the ambit of reporting expanded. By 2015, the coverage extended to the top 500 listed companies, further broadening to include the top 1,000 listed companies in 2019. This progressive expansion underscored India's commitment to comprehensive and inclusive reporting practices.

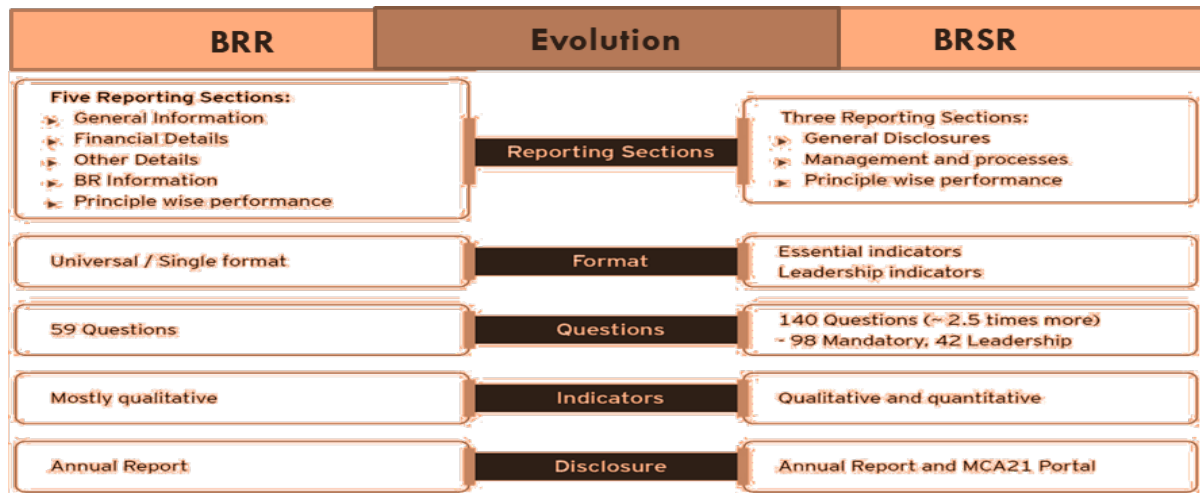
In 2019, the National Guidelines on Responsible Business Conduct outlined nine pillars of conduct and responsibility for companies, emphasizing compliance with applicable laws and fostering ethical business practices.

Meanwhile, Corporate Social Responsibility (CSR) gained statutory recognition under Section 135 of the Companies Act, 2013, supplemented by the Companies (CSR Policy) Rules 2014 and subsequent amendments in 2021.

A significant milestone was reached in May 2021 with the introduction of the Business Responsibility and Sustainability Report (BRSR), replacing the BRR. Effective from the fiscal year 2022-2023, BRSR reporting became the new norm. This transition not only reflected a strategic shift towards sustainability but also aimed to streamline reporting processes.

Moreover, the integration of BRSR reporting with the MCA 21 portal further facilitated companies' compliance efforts. Initially voluntary, BRSR reporting became mandatory from the fiscal year 2022-2023 onwards.

This journey highlights India's unwavering commitment to fostering corporate accountability and promoting sustainable business practices, aligning with global standards and catering to the evolving needs of stakeholders.



1.5. Business Responsibility and Sustainability Report (BRSR)

The BRSR framework operates on the principle of "comply or explain," wherein listed entities are obligated to divulge their ESG-related information in accordance with the specified format or furnish a valid justification for their non-compliance. This framework encompasses various dimensions of sustainability, including governance, environmental stewardship, social impact, customer relations, supply chain management, and human rights.

Aligned with global sustainability reporting standards such as the Global Reporting Initiative (GRI) and the United Nations Global Compact (UNGC), the BRSR reporting mandate seeks to elevate the standard of sustainability reporting by listed entities in India. SEBI periodically revises the BRSR framework to align with international advancements in sustainability reporting, ensuring its continued relevance and efficacy in fostering sustainable business practices among listed entities.

SEBI has directed the top 1000 listed companies (based on market capitalization) to adhere to the Business Responsibility and Sustainability Reporting (BRSR) requirements from FY2022-23 onwards. Notably, in the preceding fiscal year (FY 2021-22), over 175 companies voluntarily reported on the BRSR framework.

With the BRSR becoming mandatory starting this financial year (FY 2022-23), and given the increasing reliance of stakeholders such as investors and ESG rating agencies on BRSR disclosures, assurance mechanisms are crucial for bolstering the credibility of disclosures and investor confidence. Moreover, there is a growing demand for enhanced visibility and transparency in ESG disclosures from supply chain participants of companies.

1.5.1. Sections in BRSR report framework:

Section A - General disclosures: This section serves as a comprehensive repository of essential information pertaining to the company's operations. It encompasses a broad spectrum of details, including but not limited to the company's scale, geographical presence, diversity of products or services offered, the magnitude of its workforce, and initiatives undertaken in the realm of corporate social responsibility. These disclosures provide stakeholders with a foundational understanding of the company's profile and its engagement with various aspects of its operating environment.

Section B - Management disclosures: Within this segment, the focus shifts towards elucidating the company's governance framework and leadership ethos in alignment with the NGRBC Principles. Here, the company is tasked with disclosing intricate details regarding its policies, protocols, and operational mechanisms that reflect its commitment to ethical leadership, robust governance practices, and proactive engagement with stakeholders. Furthermore, companies are encouraged to furnish web links directing stakeholders to relevant sections on their websites, fostering transparency and accessibility of pertinent information.

Section C - Principle-wise disclosures: This section represents a pivotal component of the disclosure framework, wherein companies are called upon to demonstrate tangible evidence of their dedication to responsible business conduct. Through detailed responses, companies showcase their initiatives, strategies, and performance outcomes vis-à-vis the nine Principles and Core Elements delineated in the NGRBCs. These disclosures not only underscore the company's commitment to ethical business practices but also provide stakeholders with insights into its concrete actions and achievements in advancing sustainable and responsible business conduct.

1.5.2. Questions in BRSR report framework:

Essential Indicators (mandatory): These indicators form the backbone of the BRSR reporting framework, representing fundamental metrics that all companies are required to report on. They serve as non-negotiable benchmarks, ensuring that every company demonstrates a minimum level of commitment to responsible business conduct. Essential indicators are designed to capture core aspects of sustainability and corporate responsibility, providing stakeholders with essential insights into a company's performance in these critical areas.

Leadership Indicators (voluntary): In addition to the mandatory essential indicators, the BRSR framework offers voluntary leadership indicators for companies seeking to showcase a deeper commitment to sustainability and responsible business practices. These indicators go beyond the minimum requirements and are tailored to encourage companies to demonstrate their leadership role in driving positive change. By voluntarily disclosing additional information and metrics aligned with these indicators, companies can signal their dedication to advancing sustainability goals, fostering innovation, and making a meaningful impact on society and the environment. While not mandatory, embracing leadership indicators reflects a company's proactive stance towards sustainability and its willingness to go above and beyond basic compliance.

1.5.3. Overview of the BRSR principles:

The Securities and Exchange Board of India (SEBI) has implemented a framework consisting of nine fundamental principles. These principles are designed to assist companies in integrating sustainable business practices into their operations while

 <p>Principle 1: Businesses should conduct and govern themselves with integrity and in a manner that is ethical, transparent and accountable.</p>	 <p>Principle 2: Businesses should provide goods and services in a manner that is sustainable and safe.</p>	 <p>Principle 3: Businesses should respect and promote the well-being of all employees, including those in their value chains.</p>
 <p>Principle 4: Businesses should respect the interests of and be responsive to all its stakeholders.</p>	 <p>Principle 5: Businesses should respect and promote human rights.</p>	 <p>Principle 6: Businesses should respect and make efforts to protect and restore the environment.</p>
 <p>Principle 7: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.</p>	 <p>Principle 8: Businesses should promote inclusive growth and equitable development.</p>	 <p>Principle 9: Businesses should engage with and provide value to their consumers in a responsible manner.</p>

ensuring transparent and thorough reporting. SEBI's initiative aims to encourage companies to prioritize sustainability and provide stakeholders with clear insights into their environmental, social, and governance (ESG) initiatives. By adhering to these principles, companies can enhance their accountability, mitigate risks, and contribute to the long-term well-being of society and the environment.

- a) Principle 1: Integrity, Ethics, Transparency, and Accountability: This principle serves as a cornerstone, emphasizing the fundamental importance of conducting business with unwavering integrity and ethical standards. It advocates for transparent business operations wherein companies not only adhere to ethical practices but also maintain a high level of transparency in all aspects of their activities. Furthermore, it underscores the necessity for businesses to be held accountable for their decisions & actions, fostering trust and credibility among stakeholders.
- b) Principle 2: Sustainable and Safe Provision of Goods and Services: This principle underscores the imperative for businesses to adopt sustainable practices throughout their operations. It extends beyond mere profitability to encompass the broader impact on the environment and society. By prioritizing sustainability, companies can minimize their ecological footprint and ensure the safety and well-being of both consumers and the environment, thereby contributing to long-term viability and resilience.
- c) Principle 3: Employee Well-being and Value Chain Respect: This principle emphasizes the holistic approach businesses should take towards their workforce, encompassing not only direct employees but also those within their value chains. It underscores the responsibility of companies to provide a conducive and safe working environment, fair compensation, and avenues for professional growth and development. By extending these considerations to all individuals within their value chains, including suppliers and contractors, businesses can uphold the dignity and well-being of their entire workforce.
- d) Principle 4: Stakeholder Engagement and Responsiveness: This principle highlights the importance of active engagement with stakeholders to ensure that business decisions are aligned with broader societal interests. It emphasizes the need for businesses to listen and consider the perspectives of various stakeholders, including shareholders, employees, customers, suppliers, and communities. Moreover, it stresses the importance of responsiveness, whereby businesses address concerns and feedback in a timely and meaningful manner, fostering trust and collaboration.

- e) Principle 5: Promotion and Respect for Human Rights: This principle underscores the moral and legal imperative for businesses to respect and promote human rights in all aspects of their operations. It encompasses a range of rights, including civil, political, economic, social, and cultural rights, advocating for their protection and advancement. By actively promoting human rights within their spheres of influence and addressing any violations that may arise, businesses can contribute to a more just and equitable society.
- f) Principle 6: Environmental Stewardship and Restoration: This principle emphasizes the role of businesses as stewards of the environment, charged with safeguarding natural resources and ecosystems for present and future generations. It calls for proactive measures to minimize environmental impact, conserve biodiversity, and mitigate climate change. Additionally, it advocates for efforts to restore and rehabilitate degraded ecosystems, recognizing the interconnectedness of environmental health with social and economic well-being.
- g) Principle 7: Responsible and Transparent Policy Engagement: This principle underscores the importance of businesses engaging in policy advocacy with integrity and transparency. It emphasizes the need for businesses to participate in public and regulatory policy discussions responsibly, avoiding actions that could compromise the public interest or undermine democratic processes. By adhering to ethical standards in their advocacy efforts, businesses can contribute to the development of policies that benefit society as a whole.
- h) Principle 8: Promotion of Inclusive Growth and Equitable Development: This principle advocates for businesses to play an active role in promoting inclusive and equitable economic development. It emphasizes the importance of creating opportunities for all members of society, particularly those who are marginalized or disadvantaged. By fostering economic audits, empowerment, supporting local communities, and championing diversity and inclusion, businesses can contribute to building more resilient and sustainable economies.
- i) Principle 9: Responsible Consumer Engagement: This principle highlights the ethical responsibility of businesses towards consumers, encompassing the entire lifecycle of products and services. It emphasizes the need for businesses to provide safe, high-quality products and services while ensuring transparency and integrity in marketing and sales practices. By prioritizing consumer welfare and providing relevant information to facilitate informed decision-making, businesses can build trust and loyalty while contributing to societal well-being.

List of ESG Parameters with an Indian Context

Category	Subcategory	Description
Environment	Energy Efficiency	Is the entity identified as a designated consumer (DC) under the Performance Achieve and Trade (PAT) Scheme by the Government of India? If yes, has it met the energy consumption targets outlined in the PAT scheme? If targets have not been met, what remedial actions have been taken? Additionally, provide details of any energy-saving initiatives implemented.
	Water Management	Has the entity implemented measures to achieve Zero Liquid Discharge, effectively managing its water discharge? Provide insights into the techniques and technologies employed for water conservation and wastewater treatment.
	Waste Management	Is the Extended Producer Responsibility (EPR) applicable to the entity's activities? If yes, does its waste collection plan align with the EPR plan submitted to the Pollution Control Boards? Elaborate on the strategies adopted for waste reduction, recycling, and disposal, along with any partnerships established for effective waste management.
	Land Use and Conservation	Does the company operate in or near ecologically sensitive areas like national parks, wildlife sanctuaries, etc.? Describe the company's initiatives to conserve biodiversity and minimize environmental impact in such areas.
Environment and Social	Corporate Social Responsibility (CSR)	What percentage of the mandated CSR expenditure has the company spent? Are the funds utilized effectively, especially when managed through trusts/foundations? Provide examples of CSR initiatives undertaken and their impact on communities and stakeholders.

Category	Subcategory	Description
Social Responsibility	Job Creation in Regional Areas	How many jobs has the company created in smaller towns or rural areas? Highlight any skill development or entrepreneurship programs initiated by the company to promote employment in regional areas.
	Sourcing from MSMEs and Less Developed Regions	What percentage of the company's input materials are sourced from Micro, Small, and Medium Enterprises (MSMEs) and from regions categorized as aspirational districts? Describe any capacity-building efforts or financial support provided to MSMEs and businesses in less developed regions.
	Diversity and Inclusion	Is there gender-based disclosure of wages and salaries? What measures has the company taken to facilitate job creation and provide infrastructure for differently-abled individuals? Provide details of diversity and inclusion programs implemented, including training and support initiatives for underrepresented groups.
Governance	Compliance Monitoring	Does the company utilize Regtech / Systems solutions to monitor and demonstrate compliance with regulatory requirements effectively? Describe the features and capabilities of the compliance monitoring system and how it ensures adherence to legal and regulatory standards.
	Corporate Governance	What percentage of non-promoter shareholders voted against the appointment of independent directors? Provide insights into the company's governance structure and practices, including board composition, committee functions, and mechanisms for shareholder engagement and oversight.

Category	Subcategory	Description
Governance	Related Party Transactions Oversight	What percentage of non-promoter shareholders voted against related party transactions (RPTs)? Describe the company's policies and procedures for reviewing and approving related party transactions, ensuring transparency and fairness in such dealings.
	Royalty Payments	Over the past five years, has the increase in royalty payments exceeded the increase in Profit Before Tax (PBT)? If so, what were the values of royalty payments during this period, and what factors contributed to the increased royalty? Provide insights into the rationale behind royalty payments and their alignment with business strategies and performance.
	Related Party Transactions Analysis	What percentage of purchases, sales, loans & advances, and investments involve related parties, excluding Public Sector Undertakings (PSUs)? Describe the company's policies and controls for managing related party transactions, including disclosure requirements and mechanisms to prevent conflicts of interest.

2. Stepping towards ESG Compliance (Kerala Industrial Policy)

Kerala stands proudly among the elite league of developed states, boasting impressive human development indices validated by esteemed global institutions like the Global Data Lab. The state has carved out an illustrious path of success, particularly in education, healthcare, and social welfare, marking significant milestones in each domain. In the realm of healthcare, Kerala's prowess is evident as it clinched the top spot in the "Healthy States, Progressive India" Health Index report by NITI Aayog, a testament to its unwavering commitment to public welfare.

Embracing a forward-looking perspective, Kerala has embarked on a transformative journey with its new Industrial Policy, aiming to steer development through innovative avenues. The Micro, Small, and Medium Enterprises (MSMEs) sector holds immense promise within Kerala's economic landscape. Legislation has been enacted to empower non-red category MSMEs, allowing them a grace period of three years to operate without certain prior approvals under state laws.

In a bold declaration, the Government of Kerala designated the year 2022-23 as the 'Year of Enterprises,' with a resolute objective to foster the birth of at least one lakh new MSMEs. Remarkably, surpassing expectations, 1,39,840 enterprises emerged during the year, infusing an investment of 8422.42 Crore and generating nearly 3 lakh employment opportunities. Undeterred by success, the government continued its momentum into 2023-24, witnessing the birth of another lakh of enterprises, drawing global acclaim. Notably, a significant proportion of these trailblazing entrepreneurs are women. Furthermore, a mission is underway to upscale the turnover of 1000 selected MSMEs, amplifying their impact on the economic landscape. The innovation and startup ecosystem in the State has also received global acclaim for its support to entrepreneurs and the infrastructure support put in place.

With a steadfast commitment to fostering a conducive business environment, the Government of Kerala has pioneered several initiatives aimed at enhancing the ease of doing business. Among these initiatives are streamlined licensing and inspection procedures, facilitated by the MSME Facilitation Act, providing a breather to investments falling under certain categories.

Collaborating with the Government of India, Kerala has embraced initiatives like the Business Reforms Action Plan and the PM Gati Shakti National Master Plan, aiming to minimize regulatory burdens and propel economic growth. To fortify Kerala's appeal as an investment hub, an Investment Facilitation Cell has been established, committed to expeditiously processing applications with an investor-centric approach. Additionally, a dedicated toll-free helpline has been introduced to address investment-related queries promptly.

Recognizing the need for legal reforms, Kerala has undertaken the monumental task of decriminalizing various acts, ushering in an era of responsible investment and industry. Aligning with its ecological ethos, Kerala envisions itself as a beacon of Environment Social and Corporate Governance (ESG) investment in India.

In its quest to nurture a knowledge-driven society, Kerala lays emphasis on strengthening industry-academia linkages and fostering a skilled workforce through robust training schemes. The government also endeavors to attract modern industries aligned with the ethos of the state, leveraging its abundant human resources and embracing the opportunities presented by the Fourth Industrial Revolution. In essence, Kerala's vision transcends mere economic growth; it aspires to weave a tapestry of sustainable development, propelled by innovation, inclusivity, and ethical stewardship.

2.1. Seven Focus Pillars of Kerala Industrial Policy

These foundational principles serve as guiding pillars, meticulously crafted to foster harmonious collaboration among implementing agencies, industry partners, and stakeholders alike, all united in their pursuit of the policy's overarching objectives. With a shared vision of advancement, these principles aim to orchestrate a concerted effort towards cultivating a resilient Industry 4.0-ready ecosystem within the State of Kerala. By embracing innovation and collaboration, they are poised to unlock transformative potential, ushering in a new era of industrial development marked by technological prowess and sustainable growth.

These principles stand as beacons, illuminating the path towards realizing a multitude of key outcomes, each essential for the State's prosperity and global competitiveness. Through strategic alignment and collective action, they lay the foundation for fostering entrepreneurship, nurturing talent, and creating an enabling environment conducive to the flourishing of high-tech industries. In essence, they represent a commitment to progress, promising to propel Kerala towards a future defined by innovation, opportunity, and inclusive growth.

- a. Fostering Entrepreneurship
- b. Establishing Enabling Infrastructure
- c. Facilitating Transition to High Technology (IR 4.0, Robotic manufacturing, etc.)
- d. Enhancing Skills & Skillset upgradation for futuristic jobs
- e. Sectoral Ecosystem (Prioritizing Sector-based Industrialization)
- f. ESG compliant (Cultivating a Supportive Business Environment)
- g. Strengthening the 'Kerala' Brand Equity

2.2. Twenty-Two priority sectors of Kerala Industrial Policy

Nurturing a robust sectoral ecosystem within the State stands as a foundational element of our industrial vision, with a keen focus on fostering innovation and advancing priority sectors.

In our commitment to spearhead the industries of tomorrow, we have meticulously identified key priority sectors. Each of these sectors will be guided by specialized sub-policies meticulously designed to provide comprehensive assistance. This assistance will span across critical areas such as infrastructure augmentation, technological advancement, institutional optimization, market expansion, facilitation of exports, dedicated research and development initiatives, skill enhancement programs, and strategic incentivization schemes.

Outlined below are the 22 sectors delineated in our Industrial Policy, each representing a pivotal aspect of our strategic roadmap:

1. Aerospace and Defence
2. Artificial Intelligence, Robotics, and Breakthrough Technologies
3. Ayurveda
4. Biotechnology & Life Sciences
5. Design
6. Electric Vehicles
7. Electronic System Design & Manufacturing
8. Engineering Research & Development
9. Food Technologies
10. Graphene
11. High Value-Added Rubber Products
12. High-tech Farming and Value-Added Plantation Produce
13. Logistics & Packaging
14. Maritime Sector
15. Medical Equipment
16. Nano Technology
17. Pharmaceuticals
18. Recycling & Waste Management
19. Renewable Energy
20. Retail Sector
21. Tourism & Hospitality
22. 3D Printing

Kerala's industrial policy intertwines with ESG (Environmental, Social, and Governance) initiatives on multiple fronts. Primarily, the policy underscores ESG as a pivotal area of emphasis, affirming the government's dedication to implementing the most advanced practices for the benefit of nature, society, and the planet. Moreover, it encompasses several targeted strategies to foster ESG-aligned enterprises, including:

- a. Establishment of a sector-specific ESG rating framework for industries.
- b. Provision of performance-based loans and incentives to encourage innovation and eco-friendly expansion based on ESG ratings.
- c. Creation of dedicated funds aimed at incentivizing green practices among entrepreneurs advocating sustainable industrial approaches.
- d. Convening investment promotion gatherings themed around "Responsible Investments."

Furthermore, the policy's ESG focus harmonizes with Kerala's broader developmental aspirations. By envisioning itself as a "responsible and forward-thinking industrial ecosystem", the state underscores ESG's integral role in realizing this vision. Businesses adhering to ESG principles are not only more likely to demonstrate innovation and sustainability but also social responsibility, attributes that align with Kerala's industrial agenda.

In essence, Kerala's Industrial Policy serves as a definitive proclamation of the state's commitment to advancing ESG initiatives. This strategic emphasis is poised to attract enterprises seeking to operate ethically and sustainably, potentially positioning Kerala as a premier destination for ESG-driven investments. Looking ahead, the Government of Kerala aims to craft sector-specific policies that integrate and synchronize the Environmental, Social, and Governance (ESG) dimension.

3. Kerala Scenario

Kerala, renowned for its progressive ethos, has consistently endeavored to align its efforts with the Sustainable Development Goals (SDGs). Notably, Kerala achieved a commendable score of 75 in the SDG India Index 2020, surpassing the national average of 60 points as reported by NITI Aayog. Bolstering its credentials further, Kerala boasts a Human Development Index of 0.782, significantly surpassing the national average of 0.645, with a remarkable literacy rate of 94%.

The state's robust societal values have fostered a culture of heightened awareness, promoting environmentally conscious lifestyles, community engagement, and sustainable investment practices. However, Kerala's high population density (860/km²) translates to limited per capita land availability (0.13Ha), accentuating the imperative to safeguard the delicate ecosystem upon which the well-being of its populace hinges.

Against this backdrop, prudent investment decisions must prioritize environmental considerations, facilitating a seamless transition towards sustainable development. Kerala's ascendancy as a hub for innovation is underscored by its top-ranking status in the States Start-up Ranking and its prominence in the Global Start-up Ecosystem Report (GSER) for Affordable Talent in Asia in 2022.

Furthermore, accolades such as being ranked the third best-governed state in the country by the Public Affairs Index (PAI) 2022 and securing a prominent position in the State Investment Potential Index of the Government of India reaffirm Kerala's stature as an attractive investment destination.

Moreover, Kerala's strategic focus on environmental, social, and governance (ESG) initiatives is evidenced by its ESG policy framework aimed at fostering sustainable industrial ecosystems, achieving SDGs, and positioning Kerala as a premier green investment destination.

Aligned with the Government of India's climate action objectives, Kerala's ESG policy seeks to attain ambitious targets such as reaching 500GW of non-fossil energy capacity and achieving net-zero emissions by 2070, thereby contributing significantly to global sustainability efforts.

The Vision, Mission, and Objective of ESG Policy:

3.1. Vision of ESG Policy

To create a sustainable and responsible future by integrating environmental, social, and governance (ESG) principles in our state to streamline the business operations and decision-making processes environment, to position Kerala as leading destination for ESG-compliant investment and business.

3.2. Mission of ESG Policy

Take affirmative steps to position Kerala state as a leader in sustainable practices, demonstrating our commitment to ethical conduct, environmental stewardship, social responsibility, and transparent governance to proactively implement and promote an ESG policy that drives positive impact and long-term value creation for our stakeholders, while addressing key environmental, social, and governance challenges.

3.3. Objective of ESG Policy

The primary aim of this policy is to elevate the performance standards across environmental sustainability, social responsibility, and corporate governance parameters within Kerala. By integrating these critical pillars into business operations, the policy seeks to foster a more responsible and sustainable business environment. Through initiatives aimed at reducing environmental footprint, promoting diversity and inclusivity, upholding ethical standards, and enhancing transparency and accountability, the policy aims to drive positive change that benefits both businesses and society as a whole within the state of Kerala.

1. Environmental Administration:

- a. Striving to minimize resource consumption, waste generation, and greenhouse gas emissions to reduce the environmental impact.
- b. Working towards transitioning to 100% renewable energy by 2040 and achieving net carbon neutrality by 2050.
- c. Encouraging sustainable practices across the entire value chain, including sourcing, production, and distribution.

- d. Investing in renewable energy, energy efficiency, and eco-friendly technologies to mitigate our environmental footprint.

2. Social Responsibility:

- a. Cultivating a diverse, inclusive, and safe workplace that upholds the rights and dignity of all employees.
- b. Increasing the representation of women in our workforce during the policy's duration.
- c. Upholding human rights, labor standards, and fair practices in our operations and supply chains.
- d. Engaging with local communities, addressing their needs, and contributing to their well-being through philanthropic initiatives and partnerships.

3. Governance and Ethics:

- a. Enforcing a zero-tolerance policy towards corruption.
- b. Maintaining high standards of corporate governance, transparency, and accountability, with a specific focus on expertise in sustainability matters.
- c. Implementing robust internal controls and compliance measures to prevent corruption, bribery, and unethical practices.

4. Performance Measurement and Reporting:

- a. Establishing clear ESG (Environmental, Social, and Governance) performance indicators and targets to monitor progress and drive continuous improvement.
- b. Regularly reporting on our ESG performance, ensuring transparency and accountability within our industries.
- c. Embracing external frameworks and standards to enhance the comparability and credibility of our ESG disclosures.
- d. By aligning our vision, mission, and objectives with an ESG policy, we aim to integrate sustainability into our business strategy and contribute to a more equitable, resilient, and sustainable future for all stakeholders.

The government aims to communicate its intention by effectively implementing policies, regulations, and incentive programs aligned with ESG goals, creating a supportive framework for businesses and investors to partake. Overall, these efforts would serve as a roadmap for the Government of Kerala's commitment to sustainable development, positioning it as a leader in ESG compliance and attracting investment from stakeholders globally.

4. The Seven Focus Pillars

The State Government has laid down the following seven focus pillars for achieving the objectives detailed herein the policy and will take actions for implementation accordingly:

1. Awareness Creation and Educating People
2. ESG Performance Reporting Framework
3. ESG Recognition and Reward System
4. Fostering ESG Policy Adoption
5. Tailored Industry Campaign
6. Branding Kerala as ESG State
7. Policy Measures for Financial Support & Economic Incentives

4.1. Awareness Creation and Educating People

The government will thrive to launch campaigns promoting Environmental, Social, and Governance (ESG) awareness within the state signifies a proactive step towards fostering sustainable development and responsible citizenship. These campaigns will aim to educate individuals about the significance of ESG principles, encompassing environmental sustainability, social responsibility, and governance standards. By raising awareness about the importance of reducing carbon emissions, conserving natural resources, supporting fair labor practices, respecting human rights, promoting transparency, and combating corruption, the government seeks to instill a culture of sustainability and ethical conduct among citizens and businesses alike. Through these efforts, the government aims to reap long-term benefits, including enhanced economic growth, improved social cohesion, strengthened governance structures, and a more sustainable environment for current and future generations.

4.1.1. Public Outreach Strategies

- a) Utilize diverse media channels such as television, radio, print media, social media platforms, and websites for campaign dissemination.
- b) Foster partnerships with influencers, celebrities, public figures, grassroots organizations, and community leaders.
- c) Engage local communities through initiatives like town hall meetings, public consultations, and community forums.
- d) Facilitate collaborations between government agencies, private businesses, and NGOs.

4.1.2. Industry Involvement

- a) Government engagement with industry associations and trade organizations to raise awareness of Environmental, Social, and Governance (ESG) principles among their members.

4.1.3. Educational Events

- a) Organize workshops, seminars, and conferences centered on ESG topics.
- b) Invite experts and practitioners to share insights and experiences.

4.1.4. Training and Education

- a) Implement education programs targeting government officials, businesses, investors, and the public to promote understanding of ESG principles, emphasizing their importance and benefits.
- b) Collaborate with academic institutions and professional organizations to integrate ESG-related subjects into relevant courses and certifications.

4.1.5. Government Policies, Regulations, and Collaborations with Existing Initiatives

- a) Provide special tax incentives, subsidies, and grants to incentivize businesses adopting sustainable practices and complying with ESG standards.
- b) Establish criteria for imposing penalties or fines on organizations failing to adhere to ESG guidelines.
- c) Define reporting standards to ensure transparency and accountability in ESG practices among organizations.
- d) Recognize the significance of collaborating with ongoing sustainability campaigns within Kerala, such as Suchitwa Mission, Green Protocol, Miyawaki Forests, Plastic Free Kerala, Save Our Rivers, Haritha Keralam Mission, Save Chaliyar, Navakeralam Mission, Vazhivettam, Operation Anantha, and She-Taxi.
- e) These initiatives collectively address various aspects of waste management, sanitation, ecosystem preservation, plastic reduction, river conservation, green development, flood mitigation, and women empowerment, aligning with the state government's commitment to tackle environmental and social challenges comprehensively.
- f) By leveraging the expertise and resources of these campaigns, the government aims to advance its sustainability objectives while promoting environmental consciousness and inclusivity in Kerala.

- g) This collaborative approach underscores the state's dedication to comprehensive efforts in addressing environmental and societal challenges, ensuring the continued growth and sustainability of Kerala as a socially responsible region.

4.2. ESG Performance Reporting Framework

The ESG report stands as a beacon of communication and transparency, designed to illuminate an organization's Environmental, Social, and Governance (ESG) performance, alongside the associated risks and opportunities. Although ESG reporting remains largely voluntary across global jurisdictions, its role in fostering corporate accountability and sustainability cannot be overstated.

In the process of determining priority ESG metrics, organizations are presented with a myriad of approaches and resources:

- a) **Reference Standards:** In the absence of explicit legal mandates, organizations can turn to esteemed third-party entities such as the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), the Task Force on Climate-related Financial Disclosures (TCFD), the Carbon Disclosure Project (CDP), & the Business Reporting Standards and Requirements (BRSR) for authoritative recommendations, foundational frameworks, and suggested metrics tailored for reporting and disclosure purposes.
- b) **Peer Engagement and Research:** Organizations embarking on their ESG reporting journey seldom find themselves in isolation within their industry. Engaging with industry leaders and peers offers a unique opportunity to glean insights into prevailing reporting practices, benchmarks, and areas of focus. Through desk research and peer dialogue, organizations can tap into invaluable knowledge resources that inform and shape their ESG reporting endeavors.
- c) **Stakeholder Consultation:** External ESG analysts and stakeholders, including investors, often possess valuable perspectives and preferences regarding ESG metrics and disclosure priorities. Soliciting their views through structured consultations can enrich the decision-making process, fostering alignment with stakeholder expectations and enhancing the credibility of ESG reporting efforts.
- d) **Tailored Approach:** Beyond the confines of regulatory obligations, organizations are encouraged to design their ESG measurement, reporting, and disclosure processes in alignment with their unique identity, values, and operational context. Developing bespoke ESG Key Performance Indicators (KPIs) that resonate with the organization's ethos and strategic objectives is essential for driving meaningful ESG outcomes and fostering a culture of sustainability and accountability.

In a proactive step towards advancing sustainability and accountability within the state, the Government of Kerala endeavors to introduce a bespoke framework for ESG reporting. This framework aims to simplify the reporting process while aligning it with the national agenda on climate change. By providing structured guidance on various dimensions of ESG, including climate change mitigation, human rights, and supply chain management, the framework seeks to empower organizations within the state to embrace sustainable practices and contribute to broader environmental and social objectives.

4.3. ESG Recognition and Reward System

The evaluation of a company's environmental, social, and governance (ESG) performance is conducted through the ESG rating methodology, which assesses how effectively a company manages and addresses key ESG factors. These factors serve as crucial indicators of its sustainability, ethical standards, and capacity for long-term value creation. ESG ratings are typically conferred by specialized rating agencies or research firms, which meticulously analyze and score companies based on a spectrum of ESG criteria. In certain jurisdictions, such as in the state, these assessments are complemented by guidelines stipulated for ESG Reporting Providers.

These ratings are communicated through numerical scores, letter grades, or rankings, facilitating comparison of companies' ESG performance by investors, stakeholders, and the wider public. The Government of India, through the Securities and Exchange Board of India (SEBI), introduced the Securities and Exchange Board of India (Credit Rating Agencies) (Amendment) Regulations, 2023. This amendment delineates rules and regulations governing ESG Ratings Providers (ERPs), appending a subchapter to the existing Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999.

The Amendment outlines guidelines and regulations pertaining to the registration of ESG rating providers, their eligibility criteria, accompanying conditions, code of conduct, transparency measures, governance structures, conflict of interest prevention mechanisms, rating processes and oversight, rating review protocols, mandated disclosures, and applicability clauses. This regulatory intervention reflects a heightened awareness of the substantial economic and financial ramifications associated with climate change and ESG risks.

SEBI's directive for the top 1,000 listed companies by market capitalization to adhere to the Business Responsibility and Sustainability Reporting (BRSR) framework from FY23 underscores this regulatory trend. The Government of Kerala is contemplating

the implementation of a regulatory framework governing ESG ratings and rating providers. Additionally, industries deemed exemplary in their ESG performance may be conferred ESG awards across various categories. Such a framework holds the promise of delivering manifold benefits to the state and its industries.

In the future, the Government of Kerala envisages launching an E-Portal dedicated to ESG Ratings and Awards. This digital platform will offer easy accessibility for the public to obtain information regarding products, services, industries, and institutions, enabling assessments of their alignment with ESG norms and parameters at their convenience.

4.3.1. Guidance of SEBI on ESG Rating Provider

The global emphasis on Environmental, Social, and Governance (ESG) factors in investment decisions has propelled the need for robust ESG rating methodologies. In India, this trend is particularly significant given the country's unique socio-economic and regulatory landscape. Against this backdrop, ESG Rating Providers (ERPs) play a crucial role in evaluating companies' sustainability practices. To ensure accuracy and relevance, ERPs must integrate India-specific standards and regulations into their assessment frameworks across various dimensions such as energy efficiency, emissions, waste management, chemical safety, and water management. Adjusting intensity ratios for Purchasing Power Parity (PPP) further enhances the validity of these assessments, providing investors and stakeholders with valuable insights into companies' ESG performance within the Indian context. ERPs are advised to integrate India-specific standards, laws, and guidelines into their rating methodologies across various sustainability dimensions:

- a) **Energy Efficiency and Green Building Initiatives:** ERPs should incorporate Indian standards such as GRIHA, IGBC, Building Integrated Photovoltaics (BIPV) or Energy Conservation Building Code (ECBC) to evaluate energy efficiency and green building initiatives effectively.
- b) **Air Emissions:** Consideration of India-specific standards and regulations for air emissions, such as ZED certifications and emission regulations under the AIR Act, as well as requirements for Continuous Emissions Monitoring Systems, is imperative for comprehensive assessment.⁴
- c) **GHG Emissions:** ERPs should account for India-specific initiatives and targets under schemes like Perform, Achieve and Trade (PAT), the National Action Plan on Climate Change, and relevant legislation such as the Environment Protection Act and Ozone Depleting Substances Rules when rating greenhouse gas emissions.
- d) **Waste Management:** Integration of India-specific standards and rules for waste management, including Solid Waste Management Rules, Plastic Waste

Management Rules, and Electronic Waste Management Rules, among others, is essential for evaluating a company's waste management practices accurately.

- e) Chemical Safety: ERPs should factor in Indian regulations such as bans on single-use plastics and specific agri-chemicals when assessing chemical safety practices.
- f) Effluent/Wastewater Management: Incorporating India-specific standards and policies like the Zero Liquid Discharge policy and provisions related to Common Effluent Treatment Plants ensures a comprehensive evaluation of effluent and wastewater management.
- g) Water Management: Consideration of India-specific regulations, including areas notified by the Central Ground Water Board (CGWB) as over-exploited or critical, as well as implications of the Water Act and Water Cess Act, is vital for assessing water management practices accurately.
- h) Adjustment for Purchasing Power Parity (PPP): All intensity ratios should be adjusted for Purchasing Power Parity (PPP) to provide a more accurate reflection of a company's sustainability performance relative to economic context.

4.3.2. Goals of ESG Rating and Awards:

In pursuit of fostering sustainable practices and accountability within industries, the Government of Kerala has embarked on an initiative aimed at enhancing Environmental, Social, and Governance (ESG) standards. This initiative seeks to provide a comprehensive framework that ensures consistency, transparency, and comparability across sectors. Let's delve into the key facets of this initiative:

a) Ensuring Consistency and Clarity:

This initiative strives to establish a unified approach to assessing ESG performance across industries. By delineating clear parameters and assessment methodologies, it aims to eliminate ambiguity and promote a standardized understanding of ESG practices. This clarity not only facilitates the evaluation process but also reinforces the adoption of ESG policies throughout the state.

b) Promoting Transparency and Accountability:

By defining ESG parameters and rating methodologies, this initiative enhances transparency within industries. It encourages companies to disclose their ESG performance and practices, fostering accountability to stakeholders. Transparent reporting not only builds trust but also empowers stakeholders to make informed decisions, driving positive change within organizations.

c) Incentivizing ESG Excellence:

The introduction of ESG awards based on rating scores serves as a powerful incentive for industries to improve their sustainability practices. Recognizing and rewarding companies that excel in ESG performance not only acknowledges their efforts but also

motivates others to follow suit. This culture of recognition fosters a competitive spirit that propels continuous improvement in ESG standards across sectors.

d) Driving Responsible Investments:

Aligned with the Government of Kerala's agenda of Responsible Investments, this initiative holds the potential to attract investors by bolstering confidence in industries with higher ESG ratings. Such confidence can pave the way for increased investment opportunities, ultimately fueling economic growth and development within the state.

e) Facilitating Collaborative Learning:

A robust regulatory framework fosters collaboration among industries, encouraging the exchange of best practices and knowledge sharing. This collective effort not only accelerates the adoption of sustainable practices but also nurtures a culture of innovation and collaboration, driving continual improvement in ESG performance.

f) Elevating Brand Value and Market Reach:

By enhancing the brand value of industries at local, national, and international levels, this initiative serves as a powerful promotional tool. It enables companies to position themselves as leaders in sustainable practices, thereby expanding their market reach and tapping into diverse market segments effectively.

In essence, the Government of Kerala's initiative to enhance ESG standards underscores its commitment to fostering sustainable development and responsible business practices within the state. Through collaborative efforts and incentivization, this initiative aims to create a thriving ecosystem where businesses thrive while prioritizing environmental, social, and governance responsibilities.

4.3.3. Categories of Awards

The state government is gearing up to institute a prestigious array of awards, specifically tailored to recognize achievements in Environmental, Social, and Governance (ESG) initiatives. These awards are meticulously crafted to honor remarkable endeavors in environmental sustainability, social responsibility, and governance practices. The overarching goal is to inspire and commend organizations, businesses, and individuals who exhibit exceptional commitment to ESG principles.

By introducing these distinguished awards, the government aims to cultivate a culture of responsibility and excellence within the state. It seeks to not only incentivize the adoption and promotion of ESG initiatives but also to foster a broader ethos of ethical governance and community engagement. This initiative stands as a testament to the government's steadfast dedication to promoting sustainability, corporate responsibility, and ethical conduct across various sectors, ultimately contributing to the overall well-being and progress of the region.

4.4. Fostering ESG Policy Adoption and Compliance

The Government of Kerala has recently unveiled its New Industrial Policy, signaling a steadfast commitment to Environmental, Social, and Governance (ESG) principles. This strategic move underscores the state's dedication to fostering a sustainable business landscape. The policy outlines a comprehensive framework aimed at propelling ESG sustainability forward.

Central to this initiative is the encouragement of ESG investment within Kerala. By incentivizing businesses to align with ESG criteria, the policy seeks to catalyze a transformative shift towards sustainability. It emphasizes the importance of integrating environmental, social, and governance considerations into business practices, thereby promoting responsible corporate conduct.

Moreover, the government is set to embark on the development of sector-specific policies tailored to provide targeted support and incentives for industries embracing ESG compliance. These bespoke measures will not only reinforce ESG investment but also facilitate the emergence of sustainable industries across the state.

In essence, the introduction of the new Industrial Policy marks a significant milestone in Kerala's journey towards fostering a sustainable economy. By embracing ESG principles and incentivizing responsible business practices, the government aims to pave the way for a brighter, more sustainable future for generations to come. The following are the initiatives aimed at encouraging ESG in the State:

4.4.1. Procurement Preference

The State Governments are embarking on a transformative journey in their public procurement processes, offering preferential treatment to companies aligned with Environmental, Social, and Governance (ESG) principles. Leading this charge is the Government of Kerala, which is prioritizing companies with sustainable practices and meeting specific ESG criteria in their procurement endeavors. This strategic shift aims not only to promote sustainability but also to catalyze a wider market transformation, stimulating demand for eco-conscious products and services.

By giving ESG-compliant companies a competitive edge in procurement, the government is not just endorsing responsible business practices but actively shaping a business landscape where sustainability is integral to success. This initiative underscores a broader commitment to fostering a sustainable economy, where every purchasing decision contributes to environmental and social well-being. It represents a significant step towards building a future where sustainability is not merely an option but a fundamental driver of economic growth and prosperity.

4.4.2. Principles essential for every investment:

The Government of Kerala is taking decisive steps to ensure that industries operating within the state uphold Environmental, Social, and Governance (ESG) norms. It mandates that all investments made by these industries adhere to stringent ESG compliances, underlining the imperative of integrating sustainability principles into their operations. This proactive stance is aimed at fostering a business environment where ESG considerations take precedence, leading to enduring environmental and social benefits.

In tandem with this commitment, the government will introduce a comprehensive framework of laws and regulations compelling companies to invest in ESG initiatives. Compliance will become mandatory, necessitating industries to disclose their ESG performance and implement measures to mitigate their environmental impact. By enshrining ESG compliance into law, the government seeks to instill a culture of corporate accountability and drive tangible progress towards sustainability objectives.

Moreover, the Government of Kerala is poised to launch extensive awareness campaigns, as outlined in its policy, to educate consumers and investors on the significance of ESG compliance. By empowering individuals to make informed choices, these campaigns aim to cultivate a groundswell of support for ESG-compliant industries. Concurrently, the government will actively champion companies that voluntarily invest in ESG initiatives through ESG branding initiatives. By enhancing their reputation and attracting customers and investors, these companies will serve as beacons of sustainable business practices, driving a cultural shift towards corporate responsibility and innovation.

Acknowledging the burgeoning popularity of ESG investing, the government recognizes the role of ESG investment funds in driving sustainable practices. These funds prioritize investments in companies that meet specific ESG criteria, thus incentivizing businesses to adopt environmentally and socially responsible strategies. Leveraging ESG investment funds, the government aims to mobilize financial resources towards ESG initiatives, catalyzing positive environmental and social impacts across the state.

This holistic approach underscores Kerala's commitment to fostering a sustainable and inclusive economy, where ESG principles are not just a choice but a cornerstone of long-term prosperity.

4.4.3. Convergence with Department

The Kerala State Industrial Development Corporation Limited and Directorate of Industries and Commerce in Kerala plays pivotal roles in driving the state's industrial development agenda. Recognizing the imperative of Environmental, Social, and Governance (ESG) considerations in modern business practices, these entities are taking proactive steps to encourage their adoption among enterprises. Through a suite of schemes and programs, it aims to incentivize businesses to integrate ESG principles into their operations.

Financial assistance programs will be structured to support businesses that invest in ESG-friendly technologies or adopt management systems aligned with ESG standards. Moreover, enterprises that prioritize renewable energy sources or implement energy-efficient measures will receive targeted support from the Government.

Simultaneously, the Department of Environment and Climate Change is tasked with protecting Kerala's natural resources and mitigating the impacts of climate change. Leveraging its regulatory powers, the department will mandate ESG compliance for businesses seeking environmental clearances or operating permits. Stricter enforcement of environmental standards, in line with ESG Policy directives, will ensure that businesses are accountable for their ecological footprint.

In addition to environmental considerations, the Social Justice Department is dedicated to promoting equitable economic opportunities for all segments of society. To this end, it will introduce initiatives tailored to incentivize ESG practices that benefit marginalized communities. Financial support will be extended to enterprises that prioritize the hiring of women or individuals from disadvantaged backgrounds, as well as those investing in social welfare initiatives.

Meanwhile, the Finance Department, entrusted with managing the state's fiscal resources, will introduce a range of fiscal policies aimed at promoting ESG adoption. Tax incentives and financial subsidies will be offered to businesses demonstrating a commitment to sustainable practices, thereby aligning economic incentives with environmental and social objectives.

Furthermore, recognizing the critical role of education in fostering a culture of sustainability, the Directorate of General Education will integrate ESG awareness into the state's educational curriculum.

Students will be exposed to modules addressing environmental conservation, social responsibility, and ethical governance practices. Additionally, teachers will receive training through workshops and seminars to effectively impart ESG concepts in the classroom.

Through collaborative efforts across these government departments, Kerala aims to create an enabling environment for businesses to embrace ESG principles. By intertwining economic development with environmental stewardship and social equity, the state endeavors to chart a path towards sustainable and inclusive growth. The government's emphasis on ESG implementation underscores its commitment to fostering a resilient and responsible business ecosystem in Kerala.

4.4.4. ESG a boost to Renewable Energy

The renewable energy sector is inherently aligned with Environmental, Social, and Governance (ESG) principles, making it a cornerstone within sustainability frameworks. It encompasses various dimensions:

Renewable energy sources, such as solar, wind, hydro, and biomass, are pivotal in environmental sustainability efforts. They significantly reduce greenhouse gas emissions, thus combating climate change. Moreover, they have profound social impacts by extending clean energy access, fostering job creation, and promoting economic development. Within this sector, governance emphasizes transparency, ethical practices, and regulatory compliance.

The Government of India has taken proactive measures to bolster renewable energy adoption, notably in wind energy, including permitting Foreign Direct Investment (FDI) up to 100% through the automatic route. In recent years, there has been a remarkable surge in installed renewable energy capacity, witnessing an increase of approximately 128% since 2014. Government-endorsed projects such as the Intra-State Transmission System - Green Energy Corridor Project have further propelled this growth trajectory.

In Kerala, the government is committed to nurturing workforce development initiatives, spanning vocational training programs, educational partnerships, and skill enhancement endeavors. This strategic approach aims to enhance the social impact of renewable energy while ensuring a sustainable workforce for the sector's growth. To foster the expansion of the renewable energy sector, the Government of Kerala is formulating a comprehensive policy framework. This framework will encompass setting renewable energy targets, providing incentives and subsidies for projects, streamlining regulatory processes, and cultivating an attractive investment climate.

Furthermore, Kerala aims to enhance its renewable energy infrastructure, encompassing solar parks, floating solar installations, rooftop solar systems, wind farms, small hydroelectric plants, and biomass energy facilities. Public-private partnerships will be instrumental in promoting innovation, facilitating technology transfer, and fostering knowledge exchange.

Such collaborations are envisioned to attract investments, leverage expertise, and expedite the deployment of renewable energy solutions.

The Government of Kerala recognizes the importance of public awareness and education regarding the benefits of renewable energy. To this end, it will implement initiatives aimed at raising awareness and fostering understanding among the populace. Several initiatives have been undertaken by the Kerala state government to advance renewable energy, including its ambition to transition into a 100% renewable energy-based state by 2040 and achieve net carbon neutrality by 2050. The Kerala State Action Plan on Climate Change 2023-2030 (Kerala SAPCC 2.0) outlines strategies to realize these objectives.

The state government's focus on renewable energy entails a multifaceted approach aimed at addressing various aspects. This includes efforts to increase renewable energy production, thereby lowering emissions of greenhouse gases and other pollutants, alongside initiatives to enhance energy efficiency for electricity production at reduced cost rates. Additionally, the government is committed to supporting community development through the provision of training and education opportunities, fostering both skill development and local engagement.

Furthermore, investments in research and development are prioritized to enhance technology within the renewable energy sector, aiming to make it more cost-effective and sustainable in the long term. A crucial component of these efforts involves creating job opportunities within the renewable energy industry, contributing to economic growth and prosperity.

Through various incentives, benefits, and subsidies, the Government of Kerala underscores its dedication to fostering sustainable energy practices and bolstering the renewable energy sector.

4.4.5. ESG for MSME

The Government of Kerala is steadfast in its commitment to championing the "Zero Defect, Zero Effect" initiative laid out by the Government of India. Embracing this initiative is not merely an act of compliance; it's a testament to Kerala's dedication to sustainability and responsible business practices across all sectors, be it established industries or emerging enterprises.

At its core, "Zero Defect" embodies a philosophy of relentless pursuit of excellence within manufacturing and production processes. This transcends conventional quality control measures to encompass a holistic approach that prizes flawlessness and efficiency.

For industries operating under the umbrella of ESG principles, this means embracing sustainable practices that not only boost operational efficiency but also minimize environmental impact and uphold ecological integrity.

Conversely, "Zero Effect" underscores a critical aspect of responsible business conduct – the imperative to mitigate adverse effects on the environment and society. It emphasizes the need for industries to move beyond regulatory compliance and actively engage in practices that promote social responsibility and ethical stewardship. By adhering to ESG standards, industries can ensure that their operations contribute positively to the welfare of local communities, enhance employee well-being, and safeguard public health.

Now, focusing on the Micro, Small, and Medium Enterprises (MSMEs) sector in Kerala, the significance of the ZED initiative cannot be overstated:

Implementation of ZED principles serves as a powerful tool for enhancing the global, national, and state competitiveness of the manufacturing sector. By prioritizing quality and efficiency, MSMEs can expand their customer base and carve out a distinct niche in the market. Moreover, ZED acts as a catalyst for realizing the overarching objectives outlined in the "Made in Kerala" initiative. By strengthening the manufacturing sector's contribution to the state GDP and stimulating job creation, ZED fuels economic growth and fosters an environment conducive to entrepreneurship and innovation.

Embracing ZED practices also brings about a transformative shift in the operational landscape of MSMEs, bolstering productivity and efficiency. Streamlining processes and optimizing resource utilization enables MSMEs to enhance their cost competitiveness, thereby maximizing profitability and sustainability.

Furthermore, ZED's emphasis on environmental sustainability resonates deeply with the global trend towards ecological preservation and climate action. By positioning Kerala as a champion of eco-friendly practices and pollution control, ZED not only attracts investments but also nurtures long-term economic resilience and environmental stewardship.

In essence, the ZED initiative represents a paradigm shift towards sustainable and responsible business practices, embodying Kerala's unwavering commitment to fostering inclusive growth, environmental stewardship, and socio-economic development.

4.4.6. Collaboration with Institutions

The Government of Kerala is committed to fostering collaboration with various institutions to advance Environmental, Social, and Governance (ESG) practices. These institutions play pivotal roles in supporting the Kerala government's efforts to promote sustainable and socially responsible initiatives across various sectors:

a) Kerala State Industrial Development Corporation Limited (KSIDC): KSIDC's significant role lies in promoting ESG practices within the industrial sector by offering guidance and support for the implementation of sustainable initiatives. Acting as a key player, KSIDC is well-suited to spearhead the establishment of an independent committee or body responsible for overseeing the state-level monitoring and implementation of ESG policies. Furthermore, KSIDC's expertise can facilitate the creation of an annual progress report on ESG initiatives and institutionalize ESG-rated enterprises to attract green financing and investments, thus bolstering the state's commitment to sustainable business practices.

b) Kerala State Pollution Control Board (KSPCB): The collaboration between the government and KSPCB is essential for raising awareness, developing policies, and monitoring industries' environmental performance to promote ESG practices in line with environmental standards.

c) Kerala Sustainable Urban Development Project (KSUDP): As an initiative of the Kerala government, KSUDP is instrumental in integrating ESG practices into urban planning, waste management, energy efficiency, and social inclusiveness, aligning with the state's vision for sustainable urban development.

d) Centre for Management Development (CMD): CMD's role is pivotal in organizing training programs, workshops, and awareness campaigns to educate businesses and professionals on the significance of ESG practices, thereby enhancing their capacity and understanding of sustainable management principles.

e) Research Institutions and Universities: Collaborating with research institutions and universities fosters innovation, knowledge exchange, and research on ESG practices, contributing to the advancement of sustainable solutions and practices.

f) Non-Governmental Organizations (NGOs) and Industry Associations: Partnership with NGOs and industry associations specializing in sustainability and social responsibility further amplifies the government's efforts to promote ESG practices and facilitate their implementation across various sectors.

4.5. Tailored Industry Campaign

Success story sessions and roadshows are slated to be conducted periodically at selected destinations, encompassing both State and National levels. This strategic initiative is designed to foster awareness and promote engagement with stakeholders. Concurrently, the ESG (Environmental, Social, and Governance) Policy will be actively advocated through Sector-Specific Road Shows, aligning with the directives outlined in the Kerala Industrial Policy.

- a) The active participation of Micro, Small, and Medium Enterprises (MSMEs) in expos and roadshows will be actively encouraged, serving as a catalyst to attract investments across specialized domains such as Stem Cell Research, Probiotics development, Nano biotics, among others. By spotlighting these burgeoning sectors, the initiative aims to create a conducive environment for investment and innovation.
- b) In an effort to showcase the State's prowess in robotic innovation, international expos and investment roadshows will be meticulously organized. These events will spotlight sectors ripe for robotic advancements, including agriculture, healthcare, education, tourism, disaster management, logistics, among others. The overarching goal is to allure investments towards the development of robotic solutions, thus propelling technological innovation and economic growth.
- c) To underscore Kerala's appeal as an investment destination for Engineering Research and Development (R&D), international exhibitions and roadshows will be meticulously orchestrated. These platforms will not only showcase the state-of-the-art infrastructure and conducive ecosystem but also highlight the remarkable achievements of indigenous industries and research institutions. Such endeavors are poised to attract significant investment inflows, bolstering Kerala's position as a hub for technological innovation.
- d) In collaboration with Industry-Academia partnerships, specialized roadshows and events will be curated to assess the market potential of high-value rubber products in the international arena. Through these collaborative efforts, stakeholders will gain invaluable insights into market dynamics, paving the way for strategic decision-making and fostering synergistic collaborations.
- e) Emphasizing the importance of collaborative synergy between industry and academia, a series of roadshows and events will be organized. These initiatives will serve as platforms for knowledge exchange, fostering innovation, and nurturing talent. By harnessing the collective expertise of both sectors, the aim is to drive sustainable growth and prosperity, ensuring Kerala's continued advancement on the global stage.

4.6. Branding Kerala as ESG State

Kerala stands as the pioneering state in India to introduce an Environment, Social, and Governance (ESG) Policy, a significant stride aligning with its ambition to transition towards carbon neutrality and a 100% reliance on renewable energy sources. Establishing the Kerala ESG brand holds paramount importance in catalyzing investments and augmenting the value of exports. A distinct brand, "KERALA – Pioneer ESG State," will be cultivated for this purpose, symbolizing the state government's overarching objective of fostering energy self-sufficiency and nurturing a sustainable economy.

The "KERALA – Pioneer ESG State" endeavor will be propelled through various strategic avenues, including:

1. **Advertising and Marketing Campaigns:** A series of comprehensive advertising and marketing initiatives will be launched by the government across print, television, and digital platforms. These campaigns will serve to enhance public awareness of the initiative while encouraging consumers to prioritize ESG-compliant goods.
2. **Branding and Certification:** The government will institute a robust branding and certification program specifically tailored for products manufactured in Kerala. This initiative will facilitate the identification of products meeting stringent quality standards as "KERALA – Pioneer ESG State" certified, empowering consumers to make informed choices in favor of ESG-compliant goods.
3. **Government Procurement:** Preference will be accorded to businesses endorsed with the "KERALA – Pioneer ESG State" certification in state government procurement processes. This commitment ensures a guaranteed market for ESG-compliant goods, thereby fostering increased demand and market growth.
4. **Dedicated E-Platform:** A comprehensive e-commerce platform will be developed exclusively for "KERALA – Pioneer ESG State" products and services. This platform will streamline accessibility for consumers, distributors, exporters, investors, stakeholders, and the general public to identify ESG-compliant offerings. Additionally, the utilization of a special barcode system on product packaging will be encouraged to seamlessly direct consumers to the E-commerce platform.
5. **Incentives and Subsidies:** Special financial incentives and subsidies will be extended to businesses operating in Kerala that demonstrate adherence to ESG standards and produce "KERALA – Pioneer ESG State" goods. These incentives aim to mitigate the operational costs for businesses and render investment in the state more appealing.

6. Trade Fairs and Exhibitions: The government will organize trade fairs and exhibitions showcasing "KERALA – Pioneer ESG State" products to potential buyers worldwide. These events will serve as platforms to amplify the initiative's visibility, attract new export markets, and foster international partnerships.

The "KERALA – Pioneer ESG State" initiative embodies a long-term commitment, and its fruition will necessitate time and concerted efforts. Nonetheless, the government remains resolute in its dedication to championing the initiative and ensuring its success. By leveraging diverse channels, the government endeavors to raise awareness, advocate the benefits of ESG compliance, and cultivate a conducive environment for increased investment in Kerala.

4.7. Incentives

The adoption of the ESG (Environmental, Social, and Governance) policy is anticipated to yield manifold advantages spanning diverse industries, harmonizing seamlessly with the incentives delineated in the Kerala Industrial Policy of 2023 across its comprehensive spectrum of 22 sectors. Notably, embedded within the fabric of the Kerala Industrial Policy of 2023 are 18 incentives intricately intertwined with the ESG principles embraced by the state. These incentives underscore the government's steadfast dedication to nurturing sustainable practices and fostering responsible business conduct throughout Kerala's industrial milieu. This concerted effort not only promotes economic growth but also ensures environmental preservation and social welfare, aligning with the overarching vision of sustainable development in the region.

The incentives being offered as a part of the policy are being elaborated herein:

- 1) Tax Credit for ESG Initiatives: The government shall offer tax credits i.e., 100% reimbursement on capital investment for 5 years aimed at reducing the tax liability of individuals or businesses engaged in initiatives that promote Environmental, Social, and Governance (ESG) goals. These credits are granted based on predetermined criteria (to be notified by Government from time to time) to encourage ESG-focused endeavors.
- 2) Tax benefits: Provide tax advantages for investors who allocate funds to ESG-focused mutual funds, such as tax credits or deferrals on capital gains.
- 3) Green Subsidies: "Green subsidies" for ensuring alignment with environmental impact criteria and fostering the transition to a greener-operations i.e., subsidy of 10% on fixed capital investment for ESG compliance, subject to a maximum of Rs. 50 lakhs, in phases.

- 4) Concessional Loans for Machinery: The Kerala State Industrial Development Corporation Limited (KSIDC) shall provide concessional loans for machinery purchases aimed at fulfilling ESG objectives. These loans adhere to guidelines published by the corporation, delineating criteria for eligibility and compliance with ESG goals.
- 5) Purchase Preference Incentives: Enterprises engaging in local value addition compliant with the ESG policy within the State, will be given preferential treatment in public procurement processes, with a purchase preference margin of 20%.
- 6) Assistance in Detailed Project Reports (DPR) Preparation: Support will be made available through MSME Clinics for businesses in preparing Detailed Project Reports (DPRs) that incorporate Environmental, Social, and Governance (ESG) measures. This assistance ensures that projects align with sustainability objectives and meet regulatory requirements.
- 7) Extension of Entrepreneurship Support Scheme (ESS): The offerings under Entrepreneurship Support Scheme (ESS) is extended to provide continued assistance and resources to entrepreneurs, facilitating the development and implementation of sustainable business practices.
- 8) Incubator Support: Offer support through ESG-focused startup incubators or accelerators, providing mentorship, resources, and networking opportunities.
- 9) Training and Education: Provide workshops, seminars, and online resources to educate startup founders and other business on ESG principles and best practices.
- 10) Market Access: Facilitate partnerships with larger corporations or government agencies that prioritize ESG, helping startups gain access to markets and distribution channels.
- 11) Funding for ESG compliance: All new investments to the State will have to be within ESG framework and all the existing players will be assisted in availing financial assistance from various financial institutions at subsidized costs to convert to ESG compliance in the forthcoming 5 years from the date of notification of this policy.

5. Conclusion

The Government of Kerala has embarked on a momentous journey towards fostering sustainable development and cultivating responsible business practices with the introduction of the nation's first Environmental, Social, and Governance (ESG) policy. This landmark policy represents a holistic framework, articulating the steadfast commitment of the Government and the Department of Industries of Kerala towards championing environmental sustainability, social well-being, and exemplary governance within the industrial landscape.

Encompassing a broad spectrum of objectives, the implementation of this ESG policy by the Department of Industries seeks to create an enabling environment for businesses to prosper, ensuring their operations are conducted with integrity and a conscientious approach. Central to this endeavor is the integration of environmental considerations into industrial endeavors.

Moreover, the policy underscores the imperative of upholding social welfare by advocating for inclusive employment practices, prioritizing worker safety, and fostering community support initiatives. Emphasizing the principles of good governance, transparency, and accountability, the policy encourages businesses to embrace responsible practices across domains such as corporate governance, stakeholder engagement, and anti-corruption measures. This ethos not only cultivates trust and confidence among stakeholders but also fortifies the societal fabric at large.

Aligned with global sustainability imperatives and international commitments such as the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement on climate change, as well as with the Government of India's pledge towards Sustainable Development Goals (SDGs) and the initiatives of Niti Ayog and PanchAmrit COP26 on climate change, the formulation of this ESG policy underscores Kerala State's progressive stance and unwavering dedication to sustainable industrial development for a brighter tomorrow.

To ensure the effective execution of this policy, the Department of Industries will engage in collaborative efforts with diverse stakeholders, including industry associations, environmental organizations, local communities, and governmental bodies. Rigorous monitoring, transparent reporting, and periodic evaluation of the policy's impact will be instrumental in gauging progress, identifying areas for enhancement, and refining future policy iterations.

By pioneering the adoption of the ESG policy, the Department of Industries sets a commendable precedent for other states and regions across the nation, demonstrating that economic prosperity and sustainable development are not mutually exclusive but rather complementary pursuits. This initiative reaffirms Kerala State's identity as a socially inclusive, environmentally aware, and economically dynamic hub for industrial growth and innovation.

6. Policy Review Mechanism

Kerala State Industrial Development Corporation (KSIDC) shall serve as the **Nodal Agency** for the implementation and monitoring of the ESG Policy.

To ensure the policy remains relevant and responsive to evolving sustainability standards and stakeholder expectations, the following review mechanism shall be instituted:

- **Annual Stakeholder Feedback:** Inputs and suggestions shall be collected annually from relevant departments of the Government of Kerala and other stakeholders, following a structured consultation process similar to that undertaken during the initial drafting of the ESG Policy.
- **Engagement with SEBI:** Consolidated feedback and recommendations will be formally communicated to the Securities and Exchange Board of India (SEBI) for consideration in the periodic revision of the Business Responsibility and Sustainability Reporting (BRSR) framework.
- **Policy and Framework Updates:** Based on stakeholder inputs, regulatory developments, and implementation experience, the ESG Policy and its associated implementation framework shall be reviewed and updated periodically. Amendments, where necessary, shall be approved through the appropriate administrative process and disseminated to all concerned entities.

7. Policy Validity

The ESG Policy is designed to maintain a dynamic stance over the forthcoming five years, commencing in October 2025. This timeframe will witness a process of continual refinement, characterized by regular adjustments and the integration of pertinent sub-policies tailored to meet evolving industry demands and emergent sectoral trends.
