ESG Corner

Our Monthly Newsletter

July 2024

Foreword

Greetings and welcome to yet another release of Uniqus' ESG newsletter! We are extremely excited to have you on board as we continue to explore the ever-changing realm of Environmental, Social, and Governance (ESG) practices. Our primary aim remains to apprise you of regulatory shifts, industry news, best practices, and the pivotal themes influencing sustainable business. We are thrilled to have you join us in navigating the ESG landscape, offering valuable insights and practical knowledge. Enjoy your read!

Anu Chaudhary
Partner, Global Head of
ESG Consulting

In the News

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

Global

01 ISO Plans to Launch First International Standard on Net Zero

The International Organization for Standardization (ISO) is developing a new standard to help organizations and governments achieve net-zero targets. The standard will be an independently verifiable international standard which will provide guidance on net zero strategies which are best practice, consistent and comparable across the globe. The development of this standard reflects the growing importance of sustainability and the need for coordinated action to address climate challenges. The new ISO standard on net zero is set to be launched at COP30 in November 2025, following a public consultation period earlier in the year.

02 IFRS Collaborations to Ease Reporting Requirements

GRI and IFRS

The collaboration between the Global Reporting Initiative (GRI) and the International Financial Reporting Standards (IFRS) Foundation seeks to achieve full interoperability between their respective standards. This initiative aims to enhance the consistency and comparability of sustainability reporting and financial reporting. Through this collaboration, companies can seamlessly integrate their sustainability reporting with their financial reporting, providing stakeholders with a more comprehensive view of a company's performance. This will help investors, regulators, and other stakeholders make more informed decisions by having access to a holistic set of information covering financial and non-financial aspects of a company's operations and at the same time reduce cost of compliance by preparers. By aligning the GRI Standards with the IFRS Standards, companies can streamline their reporting processes, reduce duplication of efforts, and improve the overall quality of their reporting. The collaboration between these two has also come to an agreement on a joint methodology pilot for biodiversity to build upon the recently published GRI 101 Biodiversity Standard.

IFRS and IFC

The International Finance Corporation (IFC) and the International Financial Reporting Standards (IFRS) Foundation recently announced a partnership to improve sustainability reporting in emerging markets. This collaboration aims to enhance the quality and consistency of ESG reporting by providing support and resources to companies operating in these regions. By leveraging the expertise of both organizations, this initiative seeks to promote transparency, accountability, and sustainable business practices in emerging economies. Overall, the partnership between IFC and IFRS Foundation is a significant step towards advancing sustainability reporting standards globally, fostering better-informed decision-making, and enabling companies to demonstrate their commitment to ESG principles.

CDP and IFRS / CSRO

CDP has launched a new platform to streamline environmental reporting for 75,000 companies, cities, states, and regions. This platform aligns with IFRS S2, TNFD, and ESRS standards, simplifying compliance and enhancing data utility. The new questionnaire covers climate, forests, water, biodiversity, and plastics, with a version tailored for SMEs. The platform aims to reduce the reporting burden, receive support from advanced technology, and facilitate quicker environmental actions. CDP's initiative emphasizes securing high-quality environmental data to attract capital, enhance business efficiency, comply with regulations, encourage global adoption, and promote positive change.

GHG Protocol and IFRS Foundation

The GHG Protocol and the IFRS Foundation have signed a Memorandum of Understanding (MoU) to streamline reporting on greenhouse gas emissions. This partnership will integrate GHG Protocol standards with IFRS S2 Climate-related Disclosures, enhancing consistency and transparency for global companies. The ISSB will be more active in updating the GHG Protocol Corporate Standard, with an ISSB representative joining the GHG Protocol Independent Standards Board. This collaboration aims to reduce reporting burdens and improve data for investors, supporting companies in achieving climate goals.

Uniqus' POV

The forthcoming ISO net zero standard, and recent sustainability reporting collaborations signify a critical shift for businesses. Early adoption can provide a competitive advantage, showcasing commitment to sustainability and attracting environmentally conscious investors and consumers.

The remit of the IFRS Foundation in setting up of ISSB was to set a global baseline on sustainability disclosures. The ISSB is steadfastly moving in that direction. With interoperability being established with several global frameworks the investor focus of comparability and consistency will be achieved. the ISSB standards will set the benchmark akin to what IFRS achieved on financial reporting.

US

01 The EPA's Updated 2024-2027 Climate Adaptation Plan

On June 20, 2024, the Environmental Protection Agency (EPA) published its 2024-2027 Climate Adaptation Plan, outlining detailed actions to address climate change's impacts on communities, ecosystems, and the environment. The Plan is part of a combined release of over twenty federal agencies' climate adaptation plans and focuses on building resilience against climate-related challenges and potentially devastating impacts by integrating climate considerations into the EPA's programs, policies, and operations. For example, the four-year Plan has a roadmap to reinforce critical infrastructure and supply chains. Importantly, the plan also emphasizes the importance of fostering a climate-ready workforce that is knowledgeable about climate impacts and the EPA's vulnerability to them. It emphasizes collaboration with partners to enhance adaptation efforts, improve data collection and analysis, and provide technical assistance to support adaptation actions. Overall, the Plan emphasizes the US Federal Government's commitment to enhance resilience against the impacts of climate change to protect public health and the environment.

02 The Rise of Mandatory Climate Reporting

With California leading the charge on mandatory climate reporting in the United States, other states are expected to follow suit. State governments are starting to play a more active role in requiring US companies to disclose their environmental impact through increased mandatory climate reporting. The four states that are considering climate disclosure legislation are Washington, New York, Illinois, and Minnesota. Although each bill differs in timelines, they all resemble the California Climate Law SB253. Due to inconsistent and unreliable information resulting from voluntary reporting, this shift towards mandatory climate reporting emphasizes the growing recognition of climate change as a significant risk factor for businesses and economies. The need for clear, accurate, and comparable climate-related information is important to inform decision-making processes for investors, regulators, consumers, and other stakeholders.

Uniqus' POV

Attention towards climate data and reporting continues to evolve and grow in the US. The recent announcement of the EPA's Climate Adaption Plan, and various state climate bills focused on mandatory reporting of climate data, emphasize a critical shift towards prioritizing a healthy environment. While the future of US climate-related reporting and regulations remains somewhat uncertain, it is important that companies begin taking steps towards gathering, analyzing and assessing their climate data. Implementing technology to act as an important enabler should also be incorporated into the plan. Upskilling of people and capacity building is also an important factor that requires focus of companies. By doing this from an early-stage companies will find themselves in a comfortable place to adhere to any new regulations, frameworks, policies, or plans.

India

01 India Ranks 63rd on Energy Transition Index, Sweden on Top

India has improved its ranking to 63rd on the Global Energy Transition Index, moving up from 67th. This progress reflects India's efforts in enhancing energy equity, security, and sustainability. The Index, released by the World Economic Forum, is led by Sweden, followed by Denmark, Finland, Switzerland, and France. India's improvement is noteworthy amidst the global challenge of balancing energy security with environmental sustainability. Despite significant advancements, India continues to face challenges, such as its reliance on coal, which is heavily impacting its emission intensity. The report highlights the need for innovative solutions and policy interventions to accelerate the global adoption of sustainable energy practices.

Uniqus' POV

The World Economic Forum's Global Energy Transition Index 2024 highlights significant progress in the global shift towards sustainable energy. India's improvement amongst the 120 countries, is due to 42% of its energy being generated from renewables, reflecting its commitment to energy security, equity, and sustainability. Sweden retains the top position due to robust energy policies. The Index assesses countries' readiness and performance in transitioning to secure, sustainable, and equitable energy systems, considering regulatory frameworks, energy security, sustainability efforts, and carbon reduction initiatives. The leadership of countries like Sweden, Denmark, Finland, Switzerland, and France underscores the importance of global comprehensive energy policies.

02 Leading REIT's Landmark Sustainability Bonds: Driving Green Growth with IFC Partnership

A business park REIT issued Rs 650 crore in sustainability-linked bonds to the International Finance Corporation (IFC) with a 7-year tenure and a coupon rate tied to ESG targets. These targets include reducing GHG emissions, increasing green-certified building areas, and reducing energy intensity. The bond framework includes KPI selection, performance target calibration, reporting, and verification. Bureau Veritas confirmed the framework's alignment with international standards. This issuance follows a previous green bond issue, reinforcing the company's commitment to sustainability and aligning with India's net-zero ambitions.

Uniqus' POV

The REIT's bonds, rated AAA (Stable) by ICRA, tie their coupon rates to achieving specific ESG targets, including GHG emissions and energy intensity reductions, over a 7-year term. Supported by a robust sustainability-linked financing framework, the initiative focuses on critical elements such as selecting KPIs, calibrating sustainability targets, and ensuring rigorous verification, as validated by Bureau Veritas. The REIT's CEO celebrated this milestone, marking their inaugural sustainability-linked bond issuance in India's REIT sector following a successful green bond launch. With a cumulative INR 18.6 billion in green financing, the effort underscores a steadfast commitment to sustainable growth, integrating environmental and social benefits into their business strategy. The partnership with IFC aims to advance sustainability across their business parks, aligning with India's net-zero aspirations and promoting resilient climate finance solutions. The recent SEBI approval for ESG ratings by domestic rating agencies like ICRA, CRISIL, and CARE is expected to contribute to a more robust ESG ecosystem in India.

Middle East

01 Oman Ranks 2nd Among GCC and Middle East in the Environmental Performance Index 2024

The 2024 Environmental Performance Index (EPI) ranks Oman second among GCC states and the Middle East, just behind the UAE, advancing 99 places to 50th globally with a score of 51.9. This improvement is reflected positively in Oman's development sectors. The EPI, focusing on ecosystem vitality (42% of the total score) and environmental health (20%), evaluates countries on habitat, biodiversity, air quality, and waste management. Oman's efforts, including new natural reserves and biodiversity initiatives, significantly boosted its ranking. The Environment Authority's actions in managing reserves and combating invasive species also contributed to this success.

Uniqus' POV

Oman's remarkable improvement in the 2024 Environmental Performance Index brings forth significant opportunities for collaboration on sustainable development projects. The score advancement highlights the effectiveness of Oman's environmental policies and the potential for further enhancing sustainability practices. Oman plans to continue contributing efforts to protect biodiversity, combat desertification, and integrate green technologies align with Uniqus' expertise in policy advisory, regulatory compliance, and sustainability initiatives. These efforts highlight potential collaboration to promote environmental stewardship and sustainable growth across the region.

02 QCB Launches ESG And Sustainability Strategy for Financial Sector

Qatar Central Bank (QCB) launched the ESG and Sustainability Strategy for the Financial Sector, aligning with Qatar National Vision 2030. The strategy focuses on managing climate, environmental, and social risks, mobilizing capital towards sustainable finance, and integrating ESG practices into QCB's operations. Key initiatives include building capabilities in sustainable finance, developing a sustainable finance data infrastructure, and enhancing the financial system's resilience to sustainability transitions. This strategy aims to support national sustainability goals and inspire regional and global efforts. The QCB has also outlined 12 supervisory ESG principles, including 'Board oversight,' 'strategy and risk materiality,' and 'disclosure requirements.' for addressing ESG and climate risk.

Uniqus' POV

We view Qatar Central Bank's (QCB) launch of an ESG and Sustainability Strategy for the financial sector as a transformative step towards sustainable finance. This strategy, aligned with Qatar National Vision 2030, focuses on managing climate and social risks, mobilizing capital for sustainable investments, and integrating ESG principles within QCB's operations. Uniqus can support financial institutions in building capabilities, developing sustainable finance data infrastructure, and ensuring compliance with these progressive sustainability standards, thus fostering a resilient and sustainable financial ecosystem.

In-depth Analysis

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

Taskforce on Nature-related Financial Disclosures (TNFD)

The Taskforce on Nature-Related Financial Disclosures (TNFD) is a global initiative that provides recommendations for companies and financial institutions on assessing and reporting on nature-related financial risks and opportunities. The TNFD was established to address the urgent need for organizations to integrate nature-related considerations into their financial decision-making processes.

The TNFD recommendations encourage organizations to assess their dependencies and impacts on nature, including biodiversity, ecosystem services, and natural resources. By following the TNFD framework, companies can better understand how these dependencies and impacts can affect their short, medium, and long-term financial performance. This, in turn, helps investors, lenders, and other stakeholders make more informed decisions that account for nature-related risks and opportunities.

The TNFD disclosure recommendations are structured on four pillars, which are consistent with the Taskforce on Climate-related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB).

- Governance processes, controls and procedures required to monitor and manage nature-related issues, including board and senior management oversight on nature-related issues.
- Strategic approach used to manage these issues, including disclosures on effect of nature-related issues on the organization's business model, strategy, and financial planning.
- Risk and impact management processes for identifying, assessing, prioritizing, and monitoring nature-related dependencies, impacts, risk, and opportunities.
- Metrics and targets to be used to assess and manage material nature-related dependencies, impacts, risks, and opportunities.

Additionally, the TNFD leverages existing frameworks such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). The TNFD has also collaborated with the European Financial Reporting Advisory Group (EFRAG) to align the TNFD's recommendations with EFRAG's European Single Reporting Format (ESRS) for environmental and social disclosure. This structured approach allows companies to disclose information on their impacts and dependencies on nature, similar to how they report on climate-related risks and opportunities. The correspondence mapping also aims to provide consistency in nature-related disclosures across reporting frameworks, as well as enhancing transparency and comparability for stakeholders.

Companies can integrate TNFD recommendations by adopting the Locate, Evaluate, Assess & Prepare (LEAP) approach developed by TNFD. This approach is designed for use by organizations of all sizes and across sectors and geographies – and is consistent with existing Standards & Frameworks, including the Natural Capital Protocol, Science-Based Targets Network, ISSB, GRI, and the ESRS. LEAP adopts the following four-step approach for the assessment of nature-related issues:

Locate – determining the organization's interface with nature.

- Identifying the organization's activities by sector, direct operations and value chain
- Determining which of these sectors, direct operations and value chains are associated with moderate & high impacts & dependencies on nature
- Where these impacts are located, and which biomes are impacted
- Which activities of the organization are in ecologically sensitive areas

Evaluate – measuring the organization's dependencies & impacts on nature.

- Determining what operations, assets, value chain are to be assessed
- Mapping the dependencies and impacts on nature
- Measuring the size and severity of impacts and dependencies
- Identifying material impacts and dependencies

Assess – identifying the corresponding risks & opportunities.

- Identifying the risks & opportunities associated with the organization's material impacts and dependencies
- Adjusting existing risk management framework to account for nature-related risks & opportunities
- Prioritizing material risks & opportunities for adaptation and disclosures

Prepare – determining how the organization will respond to and report on material risks & opportunities.

- Setting targets and defining performance metrics
- Preparing disclosures in line with TNFD recommendations
- Communicating nature-related disclosures to stakeholders

By streamlining their existing reporting processes based on the LEAP approach, companies can communicate their impacts on nature and biodiversity more effectively, contributing to sustainable business practices. The TNFD has welcomed the decision of the International Sustainability Standards Board (ISSB) to begin work on addressing nature-related issues. The ISSB aims to enhance transparency and accountability in reporting on natural capital by initiating research projects on nature and human capital.

By integrating TNFD recommendations into their reporting practices, organizations can enhance their resilience to environmental challenges and contribute to building a more sustainable global economy.

As of June, the TNFD has surpassed 400 organizations adopting its framework, showing a growing global interest in adopting nature-related financial disclosures. Additionally, new sector-specific guidance has been released to assist organizations in implementing TNFD recommendations effectively within their industries. This signifies a significant step towards mainstreaming nature-related risks and opportunities in financial decision-making.

Uniqus' POV

We view the TNFD as a key piece of the global sustainability standards landscape, which brings into focus an organization's dependency and impact on nature. Moving beyond carbon, there is a growing stakeholder focus on biodiversity and nature-based solutions, which the TNFD captures. Going forward, organizations must identify and manage their nature-related risks and opportunities – to ensure continued access to raw materials, attract conscious investors and customers, and ensure long-term sustainability. The TNFD provides organizations of all sizes with a risk management and disclosure framework to identify, measure and manage their dependencies and impacts on nature.

The TNFD will continue to gain significance as a key sustainability and ESG standard – as evidenced from its adoption by over 400 early adopters (covering 30% of the MSCI 1500 companies) as of June 2024 (with 16% of adopters coming from emerging economics).

Regulatory Watch

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

Global

Governing Body	Update	Uniqus' Impression
Parliament of Canada	Canada had adopted new Greenwashing Rules into Law. The new rules for combating greenwashing require companies to provide detailed information about their environmental impact, including emissions, energy use, and waste production. This move is part of Canada's efforts to increase transparency and accountability related to ESG factors in corporate reporting. The regulations address concerns about misleading claims companies make regarding their sustainability practices, enhancing trust and credibility in the marketplace.	As ESG continues to evolve from voluntary reporting to mandated reporting, more stringent oversight, and a bigger push to regulate environmental claims are being introduced. Canada is taking big steps to ensure that investors and customers receive a company's accurate ESG information.
IFRS Foundation and Greenhouse Gas Protocol	On June 24th, the Greenhouse Gas (GHG) Protocol and IFRS Foundation signed a memorandum of understanding to formalize their collaboration, ensuring compatibility between the GHG Protocol Corporate Standard and IFRS S-2 Climate-related Disclosures.	This agreement signifies a major step towards harmonizing global climate-related reporting standards, reducing reporting entities' costs and complexities. By integrating the ISSB into the decision-making process for updates to the GHG Protocol, the collaboration aims to streamline corporate sustainability reporting and promote transparency and consistency in climate disclosures worldwide.

US

Governing Body	Update	Uniqus' Impression
California Air Resources Board (CARB)	Governor Gavin Newsom has announced a delay on the recently proposed California Climate Laws SB 253 and 261. The announcement proposes a two-year implementation delay. The initial rules had an intended implementation timeline of January 1, 2025. The proposed amendment would require Scope 1 and 2 emissions reporting by 2028 and Scope 3 emissions reporting by 2029. The delay in the implementation timeline is intended to eliminate inconsistent reporting by creating a more feasible reporting timeline for companies.	While there have been changes and delays recently in ESG reporting, it is important that companies remain up to date on the evolving regulatory landscape. While we have seen slight changes such as delays in timeline, it is important that companies stay on track and begin gathering necessary information so they can be prepared when the rules are finalized and require companies to report on necessary information.

UAE

Governing Body	Update	Uniqus' Impression
UAE Cabinet	The United Arab Emirates approved the Sustainable Digital Transformation Framework (SDTF) and the AI Development and Usage Charter on 10 June. The SDTF is a set of principles for incorporating sustainable practices into government digital transformation, aligning with the nation's efforts to address climate change and promote a sustainable future.	The approved charter for AI use ensures adherence to top safety and privacy standards, fostering a positive societal impact.
UAE Sustainable Finance Working Group (SWFG)	The UAE SFWG has launched the 'Principles for Sustainability-Related Disclosures for Reporting Entities' as part of the Year of Sustainability. This initiative aims to upgrade sustainability disclosure requirements so UAE financial institutions can align with international best practices.	This move underscores the UAE's commitment to enhancing transparency in sustainability reporting and promoting a sustainable green economy. By adopting these principles, financial institutions are expected to play a crucial role in the UAE's efforts to achieve climate neutrality by 2050 and enhance its global competitiveness and sustainability status.

EU

Governing Body	Update	Uniqus' Impression
Danish Government	Denmark will become the first to impose a carbon dioxide tax targeting farms. This tax is part of Denmark's efforts to curb carbon emissions from the agricultural sector and aligns with its commitment to sustainable practices. The move signifies a proactive approach by the Danish government towards addressing environmental concerns and promoting green initiatives in the country.	Denmark is taking significant steps towards reaching its 2030 goals to reduce carbon emissions. This is an example of how countries are prioritizing their sustainability efforts and taking an industry-specific approach. Although this change will require adaptability, it is encouraging to see countries like Denmark take these positive steps forward.
European Commission	The European Commission has approved a EUR3 billion Swedish scheme to support the development of carbon capture and storage (CCS) technologies to reduce biogenic CO2 emissions. The funding will establish transport and storage infrastructure for captured CO2 emissions, helping Sweden achieve its climate goals. By investing in CCS projects, Sweden is taking a significant step towards decarbonizing industries that are traditionally difficult to abate, such as cement and steel production. This scheme aligns with the EU's broader efforts to promote sustainable and low-carbon technologies to mitigate climate change and transition towards a more sustainable future.	Countries around the globe are taking more significant steps toward combating climate change. Sweden's project to reduce biogenic CO2 emissions is one example of how countries are leading the charge to create a more sustainable future.

Governing Body	Update	Uniqus' Impression
European Commission	The European Commission initiated a public consultation on July 1st regarding a preliminary Implementing Regulation concerning the monitoring and reporting of greenhouse gas (GHG) emissions within the EU Emissions Trading System (EU ETS).	The revised ETS Directive is crucial to the EU's plan to cut greenhouse gas emissions by 55% by 2030. It sets stricter caps on emissions and broadens the scope of regulated sectors, pushing businesses to adopt greener practices and invest in sustainable technologies to avoid penalties.
European Supervisory Authorities	On June 4th, the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA), and the European Insurance and Occupational Pensions Authority (EIOPA) released their final reports on "greenwashing" in the financial sector, analyzing sustainable investment practices in the EU and globally.	The publication of these reports highlights the commitment of EU regulators to address greenwashing and ensure the integrity of sustainable investments. ESMA's ongoing efforts to monitor and produce guidance on greenwashing risks and its request for reinforced mandates from the European Commission aim to enhance transparency and accountability in the financial sector, thereby protecting investors and promoting genuine sustainability practices.
European Council	The European Council announced on June 17th the adoption of the first regulation on nature restoration. The regulation aims to restore at least 20% of the EU's land and sea areas by 2030, and all other ecosystems in need of restoration by 2050. The Nature Restoration Law includes legally binding targets and obligations aimed at protecting all ecosystems including terrestrial, marine, freshwater and urban.	The newly adopted EU regulation dedicated to nature restoration is the first of its kind. This highlights the improvements being made globally to protect the environment and ensure a sustainable and healthy future.

UK

Governing Body	Update	Uniqus' Impression
Institute of Directors (IoD)	On June 6th, the Institute of Directors released a consultation paper on a new voluntary code of conduct to support directors and enhance business integrity and public trust. The code, which is applicable to directors across all sectors, is based on six principles: leading by example, integrity, transparency, accountability, fairness, and responsible business. The consultation period ends on 16 August 2024.	The new Code aims to restore public trust in UK businesses by embedding values that most responsible leaders already follow. It provides a practical roadmap for directors facing complex challenges. It serves as a voluntary commitment designed to support rather than burden directors and offers common-sense guidelines to aid in crucial decision-making moments. By adhering to the Code, directors can make responsible choices that benefit their organizations and stakeholders.

ESG Best Practices Around the Globe

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

UAE Initiative for Financial Wellbeing and Sustainability: Emphasizing the SMART Platform and ESG Benefits

H.H. Sheikh Theyab bin Mohamed bin Zayed Al Nahyan has unveiled the UAE Initiative for Financial Wellbeing and Sustainability in partnership with First Abu Dhabi Bank and other key allies. This initiative seeks to improve financial education and offer necessary financial resources to UAE nationals and residents, promoting financial stability and economic development.

SMART Platform

Launching an innovative and integrated platform for financial well-being is crucial to this endeavor. This platform provides many services, including educational programs, debt management tools, and workshops accessible in person and remotely. The SMART platform seeks to utilize cutting-edge financial technology to make financial literacy readily available and exciting for people of all ages so that individuals can make well-informed financial choices.

ESG Benefits

This initiative highlights the UAE's dedication to Environmental, Social, and Governance (ESG) principles. It promotes economic sustainability and resilience by encouraging financial literacy and inclusion. The comprehensive impact of this integrated approach, which involves collaboration from the public, private, and third sectors, enhances the lives of thousands of families and contributes to a more resilient future for society.

This initiative gives individuals power and supports broader ESG objectives by cultivating a sustainable economic environment that benefits the UAE community.

ESG Encyclopedia

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

Three Scopes of Emissions

What is scope 1, 2, and 3 GHG emissions?

Numerous businesses aim to lower their greenhouse gas emissions. When they report their progress, they frequently use the terms 'Scopes 1, 2, and 3 emissions,' but what exactly do these designations signify?

When working towards achieving net zero emissions, one of the primary methods for evaluating and quantifying companies' greenhouse gas emissions involves analyzing them across three distinct 'scopes.'

Why are there three scopes of emissions?

To reduce emissions, we first need to understand and measure their sources.

A company and its broader 'value chain' (suppliers and customers) categorize the emissions created by its operations into three scopes.

The name 'scopes' comes from the Greenhouse Gas Protocol, the most widely used standard for greenhouse gas accounting worldwide.

The Greenhouse Gas Protocol explains that creating a comprehensive inventory of greenhouse gas emissions, which includes Scope 1, Scope 2, and Scope 3 emissions, allows companies to comprehend the entirety of their emissions across the value chain and concentrate on the most significant opportunities for reduction.

Definitions of Scope 1, 2, and 3 emissions

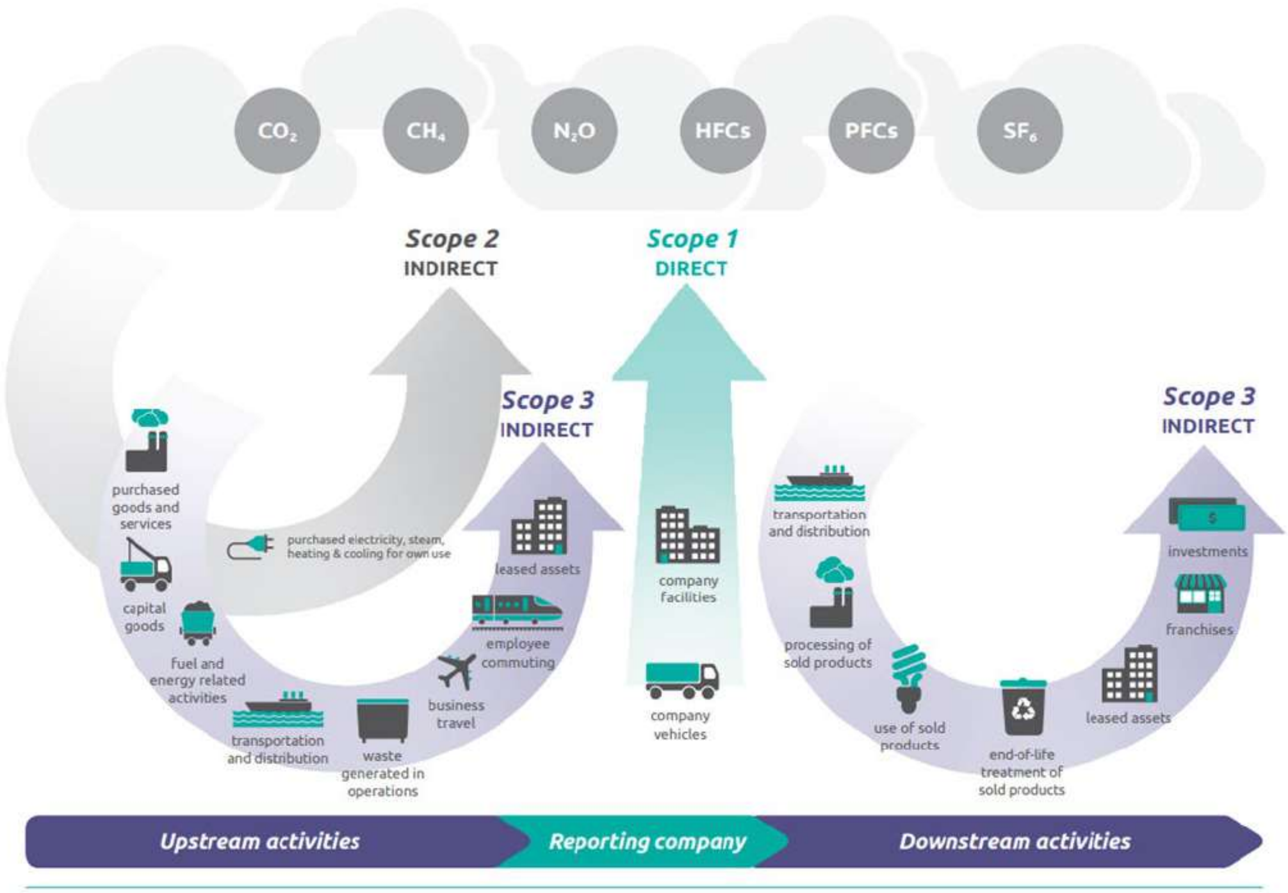
Scope 1 pertains to the direct emissions that a company owns or controls. Conversely, scope 2 and 3 indirect emissions result from the company's activities but originate from sources not owned or controlled by the company.

Scope 1 emissions
Scope 1 includes emissions from sources that an organization directly owns or controls - for instance, fuel combustion in its fleet of vehicles (if they are not electrically powered).

Scope 2 emissions
Scope 2 emissions stem from a company's indirect actions, originating from producing the energy it acquires and utilizes. This category encompasses emissions resulting from the generation of electricity used in our buildings.

Scope 3 emissions
The scope 3 category includes emissions not generated by the company itself. It does not originate from activities associated with assets owned or controlled by the company but from external parties involved in its value chain. For instance, this might include purchasing, using, and disposing of suppliers' products. Scope 3 emissions encompass all sources outside the scope 1 and 2 boundaries.

Overview of GHG Protocol scope and emissions across the value chain



In Focus: Findings from our Latest ESG Survey

Uniqus recently released the 'Sustainability in Action: Integrating ESG for long-term value creation' report in collaboration with IMA India.

Based on insights gathered from surveys and interviews conducted with leaders of more than 150 companies, this comprehensive report delves into the ESG maturity of Indian corporates. It reveals significant strides in integrating sustainability into core strategies. Our findings highlight companies' proactive steps towards ethical responsibility and using green finance and technology. The report explores how Indian businesses pave the way for a sustainable future. The detailed report can be accessed using this link.

Some key highlights are listed below:

- 76% of our respondent companies actively embrace or explore ESG principles, marking a substantial shift towards integrating sustainability into core business strategies.
- The degree of integration between ESG and the company's broader strategy tends to be higher among larger companies, which are both better able to leverage their resources and must comply with stricter sustainability-related regulations.
- At the Boardroom level, ESG discussions are more prevalent in larger companies, where they are often either a standing agenda item or regularly discussed.
- Nearly 9 in 10 companies adopt ESG strategies at least partly out of a sense of responsibility towards the environment. Regulatory factors and investor/customer expectations also matter significantly, indicating that this is not an either-or issue.
- Over one-third of companies prioritize internal sustainability through employee training, while 29% actively report ESG initiatives. Despite 70% not yet engaging, there is a readiness for transparency as firms prepare for mandatory disclosures under SEBI BRSR or global standards like GRI or ISSB.
- Green finance is gradually gaining traction in India, with 6% of surveyed companies already utilizing it for specific projects. Another 14% are actively exploring options, and 32% may do so soon.

Sources

1. https://esgnews.com/epa-releases-2024-2027-climate-adaptation-plan-to-enhance-u-s-climate-resilience/
2. https://www.epa.gov/newsreleases/epa-publishes-its-2024-2027-climate-adaptation-plan-0
3. https://www.iso.org/contents/news/2024/06/netzero-standard-underway.html
4. https://esgnews.com/iso-to-launch-first-international-standard-on-net-zero-at-cop30-in-2025/
5. https://www.ifrs.org/news-and-events/news/2024/05/gri-and-ifrs-foundation-collaboration-to-deliver-full-interoperability/?utm_campaign=ICYMI%20-%20Sustainability%20Updates&utm_medium=email&_hsenc=p2ANqtz--9UoIJZPvZ--vXAjZqen4SRyLad8vj0D6PQvQZJKnpwfJJCaXSxww1zoGzLIwQ3Nvb7lxRLQBnTtVVnMArEvf-k4feoQ&_hsmi=89800584&utm_content=89732024&utm_source=hs_email
6. https://www.globalreporting.org/news/news-center/gri-and-ifrs-foundation-collaboration-to-deliver-full-interoperability-that-enables-seamless-sustainability-reporting/
7. https://esgnews.com/ifrs-foundation-and-ifc-announce-partnership-to-improve-sustainability-reporting-in-emerging-markets/
8. https://www.ifrs.org/news-and-events/news/2024/06/ifc-ifrs-foundation-announce-partnership-sustainability-reporting-emerging-markets/
9. https://tnfd.global/tnfd-welcomes-the-issbs-decision-to-commence-work-on-nature-related-issues/
10. https://www.albayan.ae/uae/news/2024-06-20-1.4892744
11. https://www.cdp.net/en/articles/media/financial-institutions-with-a-record-142-trillion-in-assets-demand-climate-and-nature-data-as-cdp-unveils-new-disclosure-platform
12. https://energy.economictimes.indiatimes.com/news/renewable/india-ranks-63rd-on-energy-transition-index-sweden-on-top-wef/111108093
13. https://m.economictimes.com/small-biz/sustainability/esg-consultancies-and-services-on-the-rise-as-companies-rush-to-get-sustainability-tag/amp_articleshow/111101890.cms
14. https://fintech.global/2024/06/27/ghg-protocol-and-ifrs-foundation-enhance-global-emissions-standards/
15. https://www.constructionweekonline.in/business/first-indian-reit-sustainability-linked-bond-issued-by-mindspace-reit-raises-rs-650-crore
16. https://timesofoman.com/article/146265-oman-ranks-2nd-among-gcc-and-middle-east-in-environmental-performance-index-2024
17. https://economymiddleeast.com/news/79-percent-of-executives-in-the-middle-east-have-formal-sustainability-strategy-in-place-report/
18. https://thepeninsulaqatar.com/article/13/06/2024/qcb-launches-esg-and-sustainability-strategy-for-financial-sector
19. https://www.qcb.gov.qa/Documents/Environmental%2C%20Social%20and%20Governance%20Supervisory%20Principles%20(For%20Banks).pdf
20. the-uae-sfwg-launches-the-principles-for-sustainability-related-disclosures-for-reporting-entities-in-line-with-the-year-of-sustainability-en.pdf (centralbank.ae)

About Uniqus

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

With operations in the US, India, and the Middle East, Uniqus is committed to leveraging technology and an integrated global delivery model to provide best-in-class consulting services that drive measurable results and create long-term value for its clients.

Contributing Authors

Nirav Patel
(Partner, ESG)

Matt Berner
(Managing Director, ESG)

Dr. Elena Primikiri
(Associate Partner, ESG)

Luv Nijhawan
(Director, Clients & Markets)

Nachiketa Das
(Director, ESG)

Sagnik Chakraborty, Manager, ESG
Tiphaine Delepine, Manager, ESG
Alex Matalon, Associate Consultant, ESG
Rahil Shah, Associate Consultant, ESG
Ryan Kim, Associate Consultant, ESG

Feedback

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