



**dvmgopal & associates**  
Company Secretaries

May - 2024

# NEWSLETTER



## TOPICS:

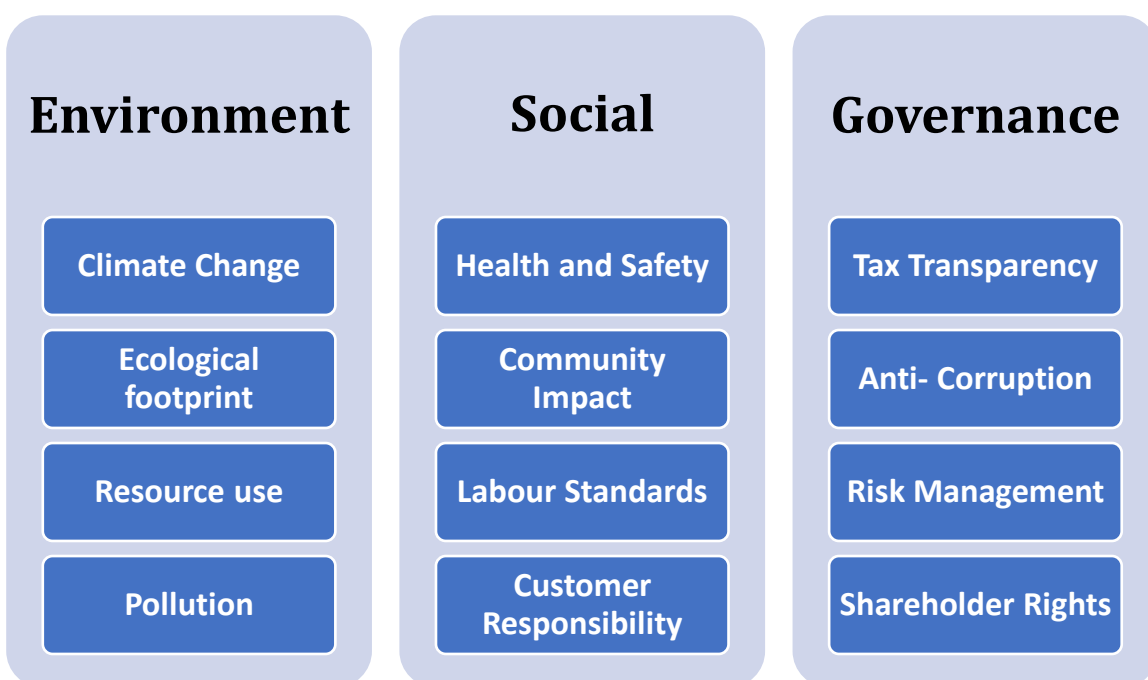
- ESG – Environmental Social & Governance
- Monthly Updates on Indian Acts April - 2024
- Compliance Calendar – May 2024



ESG criteria are gaining popularity worldwide, but India still has a long way to go in terms of ESG legislation and regulations. Global ESG investing has grown since the COVID-19 pandemic. ESG investing principles are now offered by many mutual funds and brokerage firms and can help avoid holding companies with unethical practices. Companies claiming ESG accomplishments have raised concerns. ESG stakeholders include not only investors but also customers, suppliers, and employees

## What is ESG?

Environmental, Social, and Governance (ESG) refer to a set standard for a company’s behaviour used by companies to follow governance, ethical practices, environment-friendly measures, and social responsibility. It is a framework used to evaluate an organization’s operations and performance on many ethical and sustainable concerns. It also offers a tool to gauge the potential and hazards for businesses in certain fields



## Environmental Aspect

Climate change, greenhouse gas emissions, biodiversity loss, deforestation and reforestation, pollution abatement, energy efficiency, and water management are just a few of the environmental issues included in the data

## Social aspect

Information on employee safety and health, working conditions, diversity, equity, and inclusion, as well as conflicts and humanitarian crises, is reported. This information is relevant in risk and return assessments because it has an impact on how satisfied customers and engaged employees are affected

## Governance aspect

Aspects of corporate governance are covered in the data, including management structure, executive salary, diversity on the board of directors, and cybersecurity and privacy policies

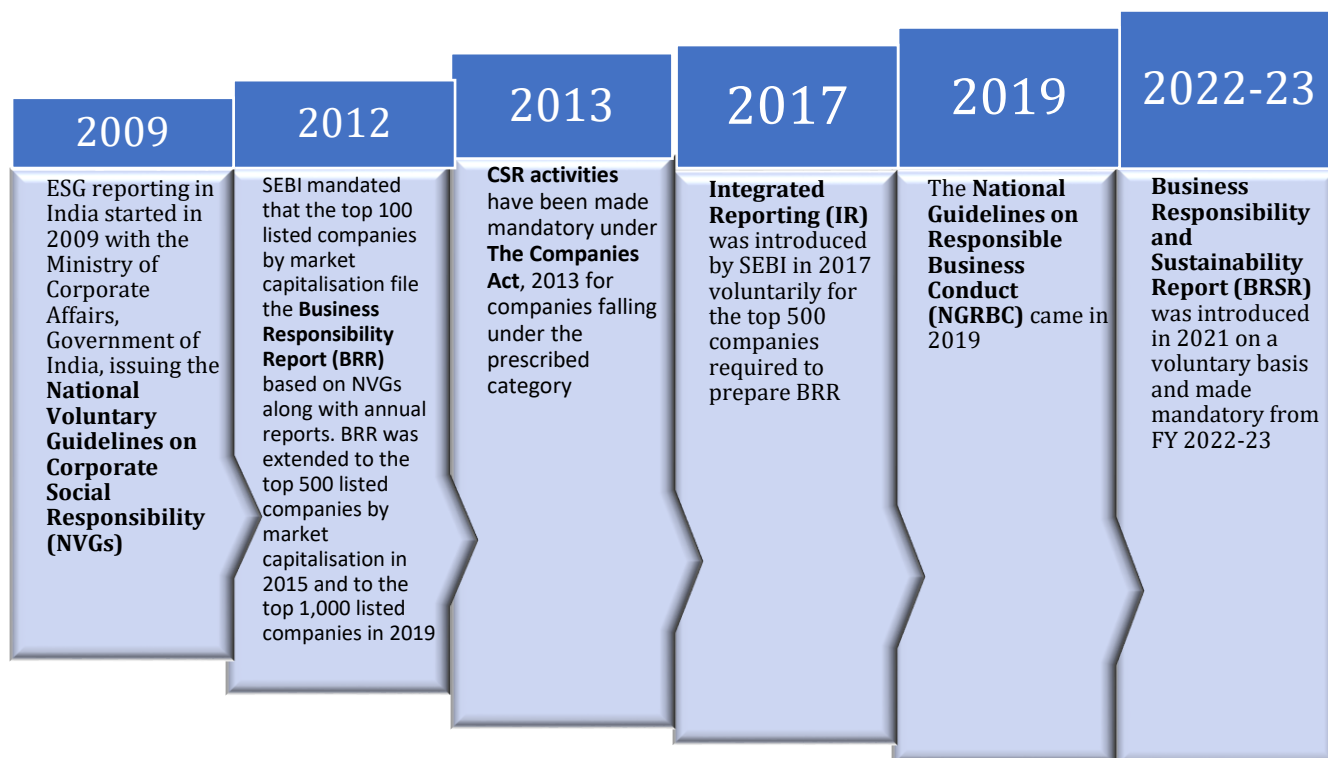
### The Origins of ESG?

In 2004, ESG was first used when the United Nations Secretary-General Kofi Annan invited 55 CEOs of major financial institutions to integrate ESG into capital markets. The group produced a study in 2005 called "Who Cares Wins," which presented the business case for including ESG factors in investment decisions. Doing so can improve the sustainability of markets and lead to better outcomes for society

### ESG in India

India faces social and environmental problems, such as poverty, inequality, discrimination, and human rights violations, which are exacerbated by environmental challenges like pollution, deforestation, and climate change. To invest in businesses that resolve these issues and advance social justice, it is crucial to recognize businesses with effective governance systems. ESG is still in its early stages in India, where companies may face problems with corporate governance, regulatory compliance, and corruption. The SEBI has made ESG disclosures mandatory for the top 1,000 listed companies under its BRSR initiative. India mandates CSR for companies with a net worth of Rs 5 billion, turnover of Rs 10 billion, or net profit of Rs 50 million, requiring them to spend at least 2% of their net profits on CSR and disclose their ESG profiles to attract capital from global ESG investors and financiers. The Companies Act, 2013, enacted by the Ministry of Corporate Affairs, introduced CSR as a mandatory provision

## Evolution of ESG Reporting Norms in India



## Steps Taken by the Government to promote ESG in India

India promotes sustainable investments through guidelines from the Ministry of Corporate Affairs and SEBI. The Impact Investors Council (IIC) was formed to drive investment impact. The Ghaziabad Municipal Corporation issued India's first green bond, raising capital for water treatment. The government will issue a sovereign green bond to fund public projects reducing carbon intensity.

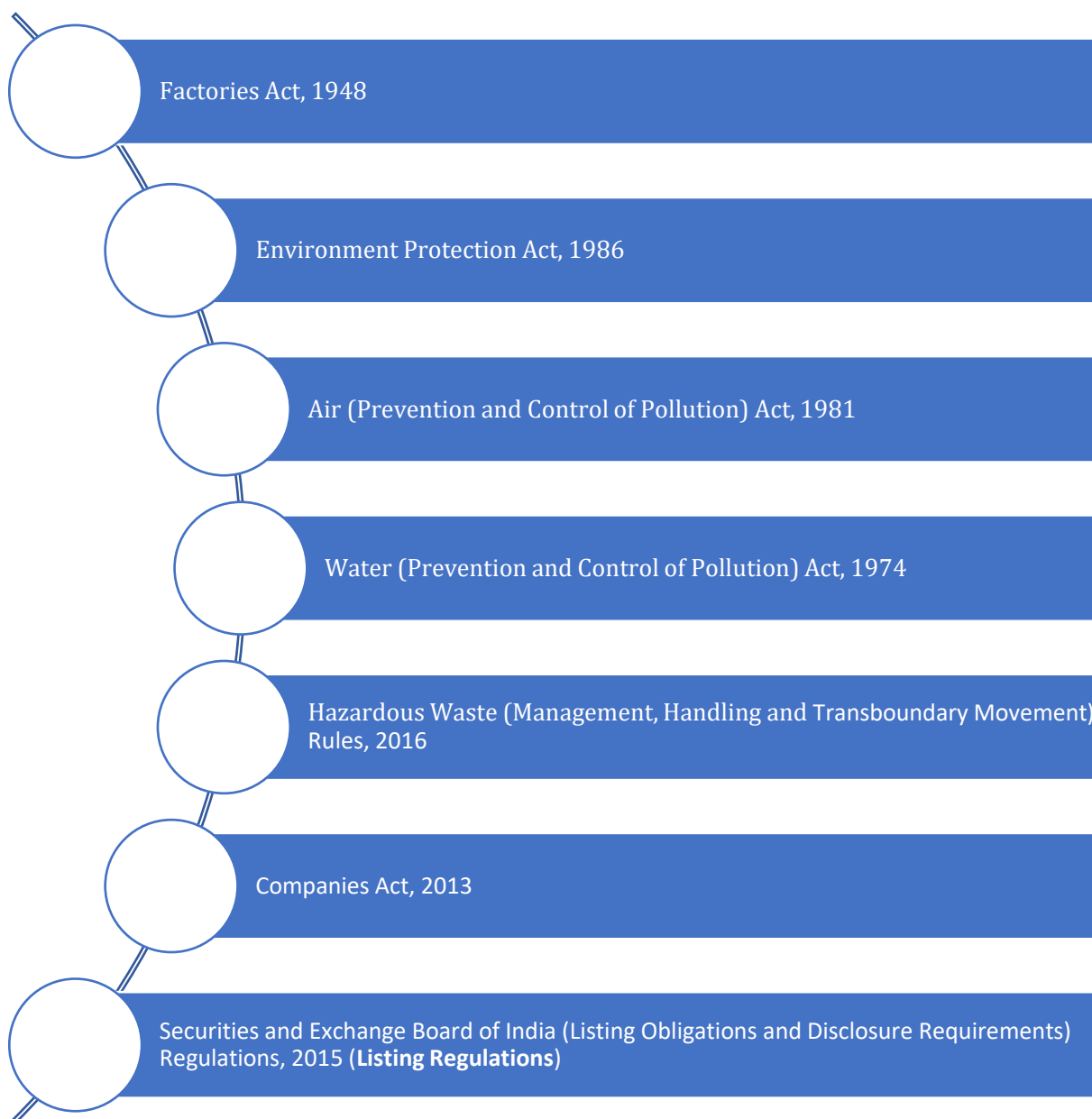
## Benefits of ESG Norms

ESG reporting norms (like BRSR Guidelines) are likely to play a bigger role in how companies are assessed, not only by investors but by consumers and stakeholders. ESG frameworks are heading towards standardisation, which would reduce the scope of misrepresentation and greenwashing. Greenwashing is the act of giving a false image or giving false information about how an organisation's products are more environmentally friendly. It is the practice of making unsupported claims about the environmental friendliness of a company's products in order to mislead customers.

BRSR Guidelines will bring in more transparency in ESG reporting. This will attract greater investments in socially responsible and environmentally sustainable companies. This will prompt corporates to adopt sustainable measures.

➤ **ESG-related Regulations**

The regulatory framework related to environmental, social, and governance (**ESG**) is not found in any one piece of legislation but comes under various pieces of legislation, including the



<b>Companies Act</b>	
Section 134(3)(m)	Duty to contain details on the conservation of energy in the board's report.
Section 166	They must also consider the best interests of employees, shareholders, community, and the environment.
Section 135 r/w CSR	Eligible companies must form a CSR committee to oversee policy and activities.
Section 149	The top 1,000 listed entities must have female directors.

Section 178 & Regulation 19 of the LODR	Publicly listed companies must create a nomination and remuneration committee (NRC).
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➤ **SEBI's BRSR Guidelines:**

BRSR is a standardised reporting format that will provide a basis to compare environmental, social and governance goals across companies and sectors

The BRSR guidelines are more elaborate and stringent than the existing BRR norms. BRSR incorporates metrics of international frameworks on par with global ESG reporting trends. It is a significant step towards bringing sustainability reporting at par with financial reporting.

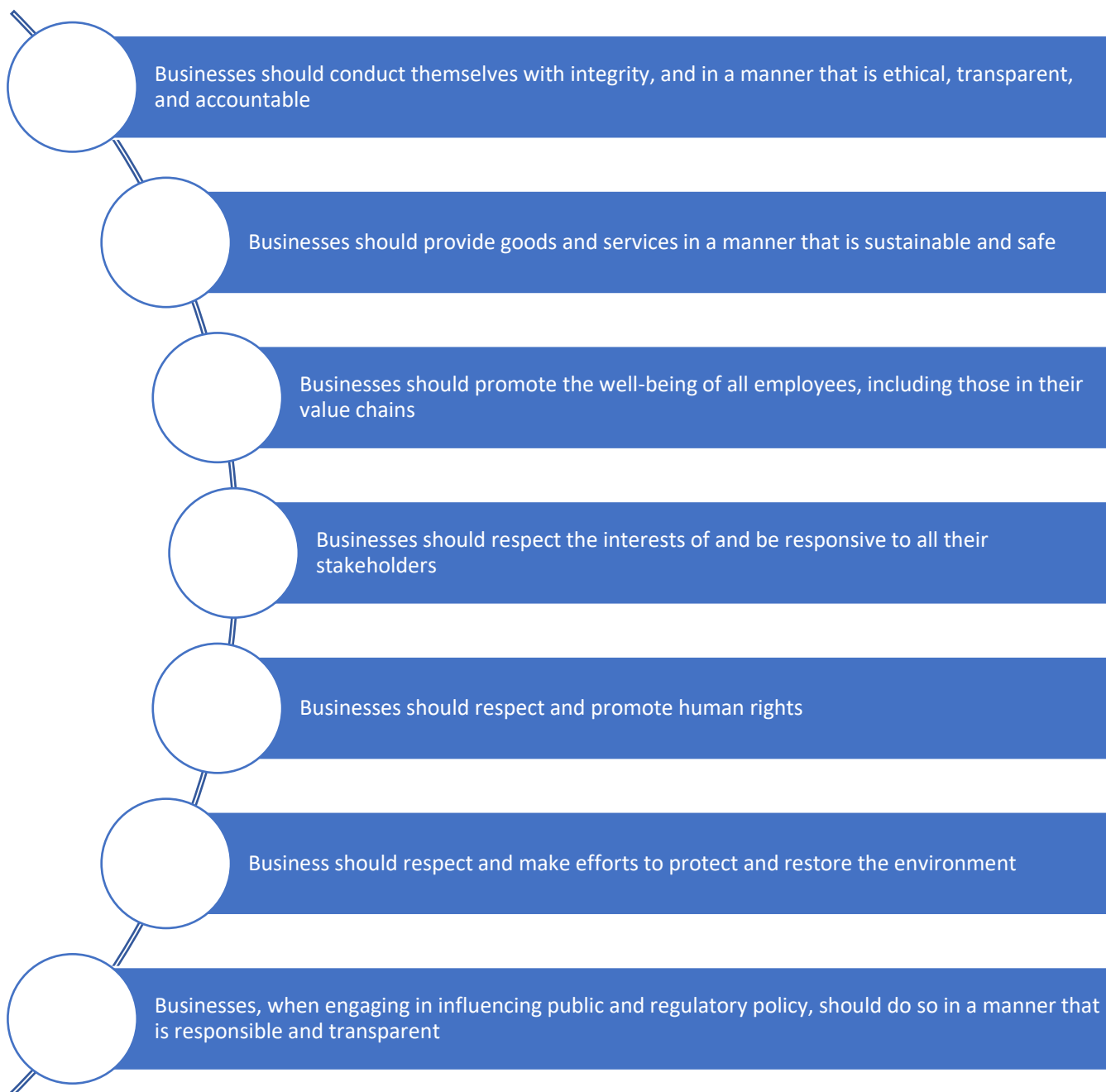
**Some of the key disclosures sought in the BRSR are**

- ❖ Sustainability related goals & targets and performance against the same;
- ❖ Environmental disclosures related to resource usage (energy and water), air pollutant emissions, greenhouse (GHG) emissions, transitioning to a circular economy, waste management practices, extended producer responsibility, biodiversity etc.;
- ❖ Social disclosures covering the workforce, value chain, communities and consumers, that include:
  - ✚ Employees/workers: Gender and social diversity including measures for differently-abled employees and workers, turnover rates, median wages, welfare benefits, occupational health and safety, training etc.;
  - ✚ Communities: Disclosures on Social Impact Assessments (SIA), Rehabilitation and Resettlement, Corporate Social Responsibility etc.; (iii) Consumers: Disclosures on product labelling, product recall, consumer complaints in respect of data privacy, cyber security etc

**Governance Initiatives:**

Corporate Governance in India has undergone significant reforms in recent years. The Companies Act 2013, introduced provisions aimed at enhancing transparency and accountability, such as the mandatory appointment of independent directors, and the strengthening of audit committees and disclosure requirements and CSR. The Securities and Exchange Board of India (SEBI) also introduced listing regulations for listed companies, mandating practices such as the separation of the roles of the chairman and CEO and the establishment of risk management committees. The NFRA further reinforced governance by overseeing financial reporting quality and auditor independence. Board diversity, transparency, and accountability are important aspects of Corporate Governance in India, with several leading companies acknowledging their value.

➤ **NGRBC:** The principles of NGRBC are as follows:



## ESG-Initiatives in Indian Companies

Indian companies are making significant strides in sustainability by adopting renewable energy, transitioning from traditional fossil fuels, and engaging in carbon offsetting initiatives. Many companies are implementing waste reduction techniques, resource efficiency, and water-efficient technologies. These proactive sustainability measures demonstrate a growing commitment to environmental responsibility and are shaping a more sustainable corporate landscape in India



## Environmental Sustainability:

❖ **TATA MOTORS:** Tata Motors, a leading Indian automobile manufacturer, has made significant strides in renewable energy adoption. The company installed solar panels at its Pune plant, resulting in a substantial reduction in carbon emissions and energy costs. Firms like Tata Motors and Tata Power have entered into power purchase agreements with renewable energy providers to source a significant portion of their electricity from renewable sources.

❖ **WIPRO:**

Similarly, Wipro has set up large-scale solar power plants at its campuses to reduce its reliance on conventional energy sources [Wipro Sustainability Report 2020-21]. Tech companies like Wipro have robust e-waste management programs that ensure proper disposal and recycling of electronic waste generated from their IT operations. Companies in water-intensive industries

❖ **RELIANCE:**

Reliance Industries, one of India's largest conglomerates, has implemented energy-efficient technologies across its refining and petrochemical operations, reducing energy consumption and greenhouse gas emissions [Reliance Industries Annual Report 2020-21].

## Challenges:

Many Indian businesses might not completely understand the significance of ESG elements or could lack the means to incorporate them into their operations. Investors may find it challenging to assess ESG performance and make wise investment decisions because there may not be much publicly available information on ESG variables for firms. To ensure ESG compliance by businesses, India's regulatory environment may not be completely created or enforced. This could result in a lack of openness and accountability in business activities. In India, there may not be many investment alternatives available to investors that concentrate primarily on ESG aspects, making it challenging to completely in corporate ESG factors into investment decision-making

## Way forward:

The relevance of ESG aspects for sustainable and responsible investment has to be better understood by businesses, investors, and regulators to encourage ESG adoption in India. To better enable investors to assess their ESG performance, companies in India should disclose ESG indicators more thoroughly and consistently.

To encourage more ESG compliance by businesses, India's regulatory framework has to be reinforced. This may entail defining clearer ESG standards, adopting more strong reporting requirements, and applying legislation more strictly.



## Monthly Updates on Indian Acts April - 2024

### Foreign Exchange Management Act

#### 1. Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019

The above regulations shall now be called Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 which are effective from 23<sup>rd</sup> April, 2024.

#### Following amendments were taken up in the Regulation:

##### 1. Insertion of Schedule XI under Regulation 3 which deals with the following

<p>X. Schedule XI</p> <p>Purchase or Subscription of Equity Shares of Companies Incorporated in India on International Exchanges Scheme by Permissible Holder</p>	<p>A. Mode of payment</p> <p>The amount of consideration for purchase/ subscription of equity shares of an Indian company listed on an International Exchange shall be paid -</p> <p>(i) through banking channels to a foreign currency account of the Indian company held in accordance with the Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2015, as amended from time to time; or</p> <p>(ii) As inward remittance from abroad through banking channels.</p> <p><u>Explanation:</u> The proceeds of purchase / subscription of equity shares of an Indian company listed on an International Exchange shall either be remitted to a bank account in India or deposited in a foreign currency account of the Indian company held in accordance with the Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2015, as amended from time to time.</p> <p>B. Remittance of sale proceeds</p> <p>The sale proceeds (net of taxes) of the equity shares may be remitted outside India or may be credited to the bank account of the permissible holder maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p>
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##### 2. Amendment to Regulation 4

**Existing Provision:** 4(8): The Authorised Dealer Category I banks shall report to the Reserve Bank in Form LEC (FII) the purchase / transfer of equity instruments by FPIs on the stock exchanges in India.

**Amendment:** The existing provision shall be substituted by the following:

4(8): LEC (FII): (i) The Authorised Dealer Category I banks shall report to the Reserve Bank in Form LEC (FII) the purchase / transfer of equity instruments by FPIs on the stock exchanges in India.



(ii) The Investee Indian company through an Authorised Dealer Category I bank shall report to the Reserve Bank in Form LEC (FII) the purchase/subscription of equity shares (where such purchase / subscription is classified as Foreign Portfolio Investment under the rules) by permissible holder, other than transfers between permissible holders, on an International Exchange.”

## **2. Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2015**

The above regulations shall now be called Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) (Amendment) Regulations, 2024 which are effective from 23<sup>rd</sup> April, 2024

### **Amendment to Regulation 5:**

Existing Provision: 5(F)(1) Subject to compliance with the conditions in regard to raising of External Commercial Borrowings (ECB) or raising of resources through American Depository Receipts (ADRs) or Global Depository Receipts (GDRs), the funds so raised may, pending their utilisation or repatriation to India, be held in deposits in foreign currency accounts with a bank outside India.

### **Amendment: The following shall be substituted**

Subject to compliance with the conditions in regard to raising of External Commercial Borrowings (ECB) or raising of resources through American Depository Receipts (ADRs) or Global Depository Receipts (GDRs) **or through direct listing of equity shares of companies incorporated in India on International Exchanges**, the funds so raised may, pending their utilisation or repatriation to India, be held in foreign currency accounts with a bank outside India

## **Income Tax**

1. ITR-1, ITR-2, ITR-4 & ITR-6 for AY 2024-25 are enabled for filing in Offline as well as Online mode at e-filing portal. Excel utilities of ITR-1, ITR-2, ITR-4 and ITR-6 for AY 2024-25 are available under at e-filing portal.
2. Deductee/Collectee having PAN status as 'Inoperative' attracts higher TDS/TCS rates. However, for the transactions entered into up to 31.03.2024 with inoperative PANs, Deductors/ Collectors shall have no liability to deduct TDS/TCS at higher rate if PAN becomes operative on or before 31.05.2024.

***Note: There are no updates under Companies Act, 2013, SEBI Act,***

## Compliance Calendar – May 2024



### Companies Act, 2013

Compliance details	Form	Applicability	Due Date
Reconciliation of Share Capital Audit Report	Form PAS-6 (Half Yearly)	Every unlisted public Companies.	5/30/2024

### FEMA

Compliance details	Form	Applicability	Due Date
ECB - FEMA	Form ECB-2	All Companies having ECB	5/7/2024

### SEBI LODR Regulations

Compliance details	Form	Applicability	Due Date
Regulation 24A	Secretarial Compliance Report	All Listed Entity & its material unlisted subsidiary, Except (a) the listed entity having equity PUC up-to Rs. 10.00 Cr & net worth up-to Rs. 25.00 Cr, as on the last previous FY date (b) the listed entity listed its specified securities on the SME Exchange.	5/30/2024
Regulation 33	Financial Results along with Limited review report/Auditor's report	All Listed Entity	5/30/2024
Regulation 23(9)	Disclosure of Related Party Transactions	All Listed Entity	On the date of publication of the Financial Results
SEBI Circular dated 26th November, 2018	Large Corporate: Annual Disclosure	by Listed entity identified as a Large Corporate, as per the said circular	5/15/2024

### Labour Laws

Compliance details	Form	Applicability	Due Date
State Professional Tax (PT)	Form V	Entities registered with PT	5/10/2024
PF Payment	Monthly ECR	Entities registered with PF Authorities	5/15/2024
ESI Payment	Monthly ECR	Entities registered with ESIC Authorities	5/15/2024

### INCOME TAX

Compliance details	Form	Applicability	Due Date
TDS Payment	Challan 281	Non-government deductors	5/7/2024
TCS return		All Tax Collectors	5/15/2024
TDS returns	Form 24Q/26Q/27Q	All Tax deductors	5/31/2024
statement of financial transaction	Form 61A	Applicable taxpayers	5/31/2024

### GST

Compliance details	Form	Applicability	Due Date
Return of outward supplies of taxable goods and/or services	GSTR 1	GST Taxpayers - not opted for QRMP scheme	5/11/2024
	GSTR 1	GST Taxpayers - opted for QRMP scheme	5/13/2024
Summary Return of Outward and Inward Supplies along with payment of Tax	GSTR 3B	GST Taxpayers who have not opted for QRMP scheme	5/20/2024
GST Challan Payment if no sufficient ITC		GST Taxpayers who opted for QRMP scheme and not having sufficient ITC	5/25/2024
Summary Return of Outward taxable supplies and tax payable	GSTR 5 & 5A	Non-Resident GST Taxpayers	5/20/2024
Return for details of ITC received and distribution	GSTR 6	Input Service Distributors	5/13/2024
Return for TDS under GST	GSTR 7	Government Authorities	5/10/2024
Return for Details of Supplies and the amount of tax collector	GSTR 8	E-commerce Operator	5/10/2024
Return for details of goods and services purchased in India	GSTR-11	Taxpayer claiming Refund & having UIN	5/28/2024