

'Environment in corporate governance is not just a fad, it's a very serious issue': Former SEBI chief G N Bajpai on ESG

If climate change is left unchecked, it will lead to migration of 500 million people and \$5 trillion loss annually to world economy, said Bajpai at BT500 Wealth Creators Summit event

Former SEBI chief G N Bajpai recently said companies have to comply on ESG (Environmental, Social, and Governance) front because the ramifications are manifold.

Speaking at BT500 Wealth Creators Summit event in Mumbai, Bajpai said board room practices in India haven't significantly improved.

He was speaking at a session titled "The 4 Pillars of Corporate Governance" along with J N Gupta, co-founder & MD, Stakeholders Empowerment Services and Amit Tandon, founder & MD, Institutional Investor Advisory Services. The session was moderated by Sourav Majumdar, Editor, Business Today.

Independent directors have a role, not only for minority shareholders, but also for human resources, and society. Questions on risk blindness, inappropriate compensation, social stability have to be asked by independent directors. As an independent director, why do I have to reckon only about accounting profit, what about the economic profit?" asked Bajpai.

If the resources of the society are limited, there has to be accounting by both independent and non-independent directors, he added.

J N Gupta said mindset of companies has to change.

"My interaction with companies and investors suggests for them compliance is a cost and that mindset has to change. How many of us say medical insurance is a cost, it's a necessity. Similarly, treat compliance as medical insurance for good health of companies," Gupta said.

Market regulator Securities and Exchange Board of India has been trying to get companies to comply on ESG front. Recent studies found that only 27% of Indian companies are ESG-ready.

In response to this data, Bajpai took to history to explain why things came to such a pass. "Twin revolutions of Industrial Revolution and innovation of joint stock companies with limited liability enhanced and speeded up economic development of the world. Many people came out of poverty but it also led to annihilation of environment. Environment has become

very, very important. We are already 1.5 degrees Celsius above the industrial times. Nothing serious is being done and there is only lot of glib talk. What happened in Dubai today (at COP28) with all the compromises being reached, by the end of this century we will be 3.5 degrees Celsius above and by the middle of next century 4.5 degrees Celsius above and this will lead to migration of 500 million people and \$5 trillion loss annually to world economy," explained Bajpai.

"Environment in corporate governance is not just a fad, it's a very serious issue that needs to be addressed immediately," he said.

He also referred to what Britain's competition watchdog said on Tuesday about scrutinising environmental claims made by UK consumer goods giant Unilever about certain household essential items, amid a wider crackdown on greenwashing.

The Competition and Markets Authority (CMA) said it is seeking to make sure shoppers are not being misled after an initial review uncovered a range of concerns that the maker of Dove soap "may be overstating how green certain products are".

Unilever have been accused of greenwashing because broad standards have not been developed. Need to get really serious with scientists to develop broad standards on how to be carbon neutral, he added.

"My suggestion to regulators is to be let's get serious because the largest polluters in the world are firms. No compromise in Dubai because all petroleum companies were up in the arms," said Bajpai.

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