Speaking Notes of Shri Amarjeet Singh, WTM, SEBI at the Programme on Biodiversity & Business in Harmony (Roles and Opportunities for Chartered Accountants)

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1. Good afternoon. It is a pleasure to be part of this event. I thank ICAI for inviting me.

2. I appreciate the organizers' efforts in hosting this program and bringing much-needed attention to biodiversity related issues. The past few years have seen increased awareness around climate change, driven by efforts from governments, investors and regulators. Biodiversity and nature-related issues have however, received comparatively less global attention despite the fact that as per some estimates[1], 50% of the global economy is dependent on biodiversity. The theme of this event (biodiversity and business in harmony) underscores that growth and ecological responsibility are not mutually exclusive goals — they must move in tandem if we are to build a sustainable future.

3. In my address today, I would like to (i) first, touch upon why biodiversity matters for corporates and some of the global developments, particularly in the area of disclosures, (ii) secondly, I will share the work done by SEBI in the area of sustainability disclosures, including nature-related reporting and (iii) finally, I will talk about assurance of sustainability disclosures and the role of Chartered Accountants.

A. *Why biodiversity matters for corporates*

4. Companies across sectors rely heavily on biodiversity for essential resources such as water, raw materials, fertile soil, and pollination. These dependencies can create risks within operations and supply chains. For example, critical global supply chains — from agribusiness to semiconductors — can face disruptions due to water

[1] https://www.weforum.org/stories/2023/02/biodiversity-nature-loss-cop15/#:~:text=The%20report%20delivers%20a%20stark,on%20nature%20and%20its%20services%E2%80%9D

shortages and water stress. Similarly, the degradation of forests can pose a serious threat to the long-term availability and security of key commodities and natural resources that certain industries depend on.

5. At the same time, corporate activities can also adversely impact ecosystems — through pollution, deforestation, land use change, and overextraction of natural resources. Such impacts can accelerate biodiversity loss, further compounding the risks to business continuity and resilience. Recognizing these growing risks and dependencies, the global community has begun to respond.

B. Global developments

6. At the 15th Conference of the Parties to the Convention on Biological Diversity COP15 in Montreal in December 2022, nearly 200 countries, including India, adopted the Kunming-Montreal Global Biodiversity Framework. It outlines 23 global targets, including the 30x30 goal — to conserve at least 30% of the planet's land and ocean by 2030.

7. Target 15 of this framework — and also India's updated National Biodiversity Strategy and Action Plan (NBSAP) — explicitly calls on large and transnational companies and financial institutions to disclose their risks, dependencies, and impacts on biodiversity. This includes reporting on business operations, supply chains, value chains, and portfolios. The framework therefore recognizes that biodiversity is no longer just an environmental issue — it is a material financial issue.

8. Reporting on biodiversity however poses challenges. Biodiversity is multifaceted, covering aspects such as land, water, oceans, atmosphere. There is no universal indicator of risk exposure like greenhouse gas (GHG) emissions for climate reporting. Biodiversity-related risks are localised, further adding to the challenge of data availability and aggregation.

9. In this context, the Taskforce on Nature-related Financial Disclosures (TNFD) has developed a set of disclosure recommendations and guidance that can enable business to assess, report and act on their nature-related dependencies, impacts, risks and opportunities.

10. As part of its work plan, the International Sustainability Standards Board (ISSB) is researching sustainability-related risks and opportunities associated with biodiversity, ecosystems and ecosystem services (BEES). As per the initial findings, published by ISSB –
    - The market is still in early stages of assessing and understanding effects of BEES-related risks and opportunities on an entity's prospects.
    - Companies commonly disclose information on water, pollution and waste, however information on other topics such as species, land-use change, resource use and extraction are far less common and consistent.

11. To my mind, we are still in the early stages of building a decision-useful biodiversity reporting ecosystem. The foundations are however being laid.

C. BRSR and nature related disclosures

12. Let me now turn to the work done by SEBI in the area of sustainability disclosures, including nature-related reporting.

13. As many of you would be aware, SEBI's journey in sustainability disclosures started way back in 2012 when it introduced a mandatory Business Responsibility Reporting (BRR) for top 100 companies. Let me fast forward to 2021, when SEBI prescribed a new framework for ESG reporting, called the Business Responsibility and Sustainability Report or BRSR.

14. The BRSR was a notable departure from the BRR. The BRR was more of a light touch regime while BRSR is more focused on having quantifiable metrics and is more outcome oriented.

15. It is a home-grown framework, tailored to our unique domestic requirements and aligned with our national priorities. While developing the framework, we were cognizant that emerging markets have a different set of environmental & social challenges. Therefore, we have consciously followed a climate plus approach that includes reporting on quantitative social metrics. At the same time, we had also conducted a benchmarking exercise with the then available international frameworks such as TCFD and GRI; and there are a number of commonalities between these frameworks and the BRSR. The BRSR is applicable to the top 1000 listed entities (by market capitalisation) on a mandatory basis.

16. <u>Key nature related disclosures</u>

    a. In addition to disclosure of sustainability related risks, opportunities and targets, the BRSR includes key nature related disclosures on air pollutants, water, waste generated and waste management practices, operations in ecologically sensitive areas etc.

    b. More recently, we have added a leadership (voluntary) indicator on green credits that have been generated or procured (under the Green Credit Programme of the Ministry of Environment, Forest and Climate Change) by the listed entity or its top 10[2] value chain partners. This is applicable for BRSR filed for FY 2024 – 25 onwards.

[2] In terms of value of purchases and sales

D. BRSR Core – Assurance and Value chain disclosures

17. We are mindful that transparency without credibility can be counterproductive. With a number of stakeholders such as investors and ESG Rating Providers placing reliance on the disclosures in the BRSR, and concerns around green-washing being raised globally, in July 2023, we introduced assurance requirements for a select set of metrics in the BRSR, called the BRSR Core.

18. A glide path, in terms of timelines and applicability to listed entities, has been prescribed for implementation of assurance requirements.

19. Given that a number of companies have significant sustainability footprints such as the use of natural resources, employment practices, emissions and wastages in their value chain, disclosures as per the BRSR Core were also extended to the value chain of listed companies.

20. We have recently eased the disclosure requirements with regard to ESG disclosures for the value chain:
    - **We have made the disclosure "voluntary"**, instead of the earlier requirement of 'comply-and-explain'
    - **We have also reduced the scope of value chain** to cover the top upstream and downstream partners of a listed entity, individually comprising 2% or more of the listed entity's purchases and sales (by value), respectively, while retaining the requirement that the listed entity may limit disclosure of value chain to cover 75% of its purchases and sales (by value), respectively.

E. Role of Chartered Accountants

21. As sustainability reporting evolves, both in the mandatory and voluntary space, the role of Chartered Accountants is important in assuring sustainability-related information, and upholding their integrity.

22. While a profession agnostic approach to sustainability assurance is being advocated globally, there is no doubt that Chartered Accountants, long regarded as custodians of financial integrity, are well placed to contribute meaningfully to this field. The ability to understand financial statements equips them to assess the linkages between sustainability-related risks and financial performance. Having said that, sustainability assurance is inherently multidisciplinary, and its successful implementation will require collaboration across a range of skill sets.

23. I would also urge the profession to be mindful of the ethical considerations and challenges, associated with sustainability assurance. Ensuring the credibility of such disclosures demands careful attention to issues like conflicts of interest, confidentiality, objectivity, and the consistent application of professional skepticism. In this context, it is encouraging to note that global standard-setters, the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) have stepped in with sustainability-specific assurance and ethical standards to help guide the profession.

24. Of course, standards alone are never enough. As new disclosure frameworks, and standards emerge, one of the most critical challenges will be capacity building. Successful implementation of these frameworks depends on the availability of trained professionals who understand both financial and environmental dimensions of sustainability. This is where institutions like ICAI can play a pivotal role by guiding the profession and fostering greater discourse, education, and preparedness across the ecosystem.

F. *Concluding Remarks*

25. Ultimately, our goal is a future where sustainability is woven into the fabric of our financial systems. This will be a collective journey and a number of stakeholders – investors, companies, regulators, and civil society - will have to coordinate and collaborate in the shift towards more informed capital markets, and more inclusive and sustainable economies, that better serve our environment and society.
I am confident that the profession will rise to the occasion and play a defining role in this transition — not just as technical experts, but as ethical leaders and agents of change.

Thank You !