

Speaking Note for PSM

(Time allotted: 15 min)

“Embracing Sustainable Business Principles and Practices: Transitioning Indian Industry from Compliance to Competitiveness,”

September 20, 2024,

10:00 AM to 2:00 PM at PHDCCI Jaipur

- **As global markets evolve, sustainability has become a key competitive factor, shaping consumer preferences, investor decisions, and regulatory landscapes. For Indian industries, integrating sustainability into core strategies is crucial for long-term growth and maintaining a global edge.**
- **Given this backdrop, sustainable business practices - ranging from reducing carbon footprints to responsible sourcing and resource-efficient production - are becoming key differentiators. These practices ensure that businesses not only minimise environmental harm but also create economic and social value, helping them access new markets, attract investments, and build stronger brand reputations. This shift from mere compliance to strategic competitiveness is vital for India’s growing economy and global integration.**
- **To maximise these benefits, it’s important to address not just production but also consumption. While cleaner production - like reducing emissions, conserving resources and adopting advanced technologies - has been a focus, sustainable consumption also plays a critical role. It involves reducing demand and shifting consumer behaviour towards eco-friendly products. A combined approach fosters a circular economy, benefiting both the environment and industry with innovation and new market opportunities.**

- **Goal 12 of the United Nations Sustainable Development Goals (SDGs) emphasises 'Responsible Consumption and Production.'** This goal encourages businesses and governments to rethink how goods are produced and consumed. For industries, this means designing durable products, using renewable energy, minimising waste, and ensuring sustainability throughout the supply chain.
- **Indian industries have a significant opportunity to lead by adopting circular business models - where resources are not just extracted, used, and discarded but rather re-used, recycled, and re-purposed.** By embracing this shift, Indian businesses can tap into global demand for sustainable products, gaining a competitive edge.
- **One major challenge is the perception that sustainability and economic growth are at odds.** Traditionally, industries, especially in emerging markets, have thrived on high production and consumption volumes. However, we are at a tipping point where sustainable practices are not only ethical but increasingly profitable.
- **Take, for example, the evolving global standards - the EU's Carbon Border Adjustment Mechanism (CBAM), the Corporate Sustainability Reporting Directive (CSRD), and the Eco-design for Sustainable Products Regulation (ESPR).** These new rules are not just about compliance; they are reshaping industry perceptions globally. Indian firms must proactively align with these regulations or risk losing access to critical markets.
- **The CBAM is designed to levy a carbon tax on imports based on the carbon emissions embedded in products.** This means Indian exporters, particularly in carbon-intensive sectors like steel, aluminium, and cement, must adjust their production processes to lower emissions or face higher costs when exporting to the EU.

- **The CSRD, mandates companies to disclose climate-related risks and opportunities across their entire value chains - both upstream and downstream. This pushes companies to adopt more transparent and sustainable practices throughout their supply chains, which is increasingly influencing investor decisions and market access.**
- **The ESPR requires businesses exporting to the EU to meet stringent sustainability standards. This includes providing accessible, detailed information, such as barcodes on products that demonstrate compliance with eco-design requirements, starting in January 2026. For Indian companies, especially those in textiles, paints, and furniture, this creates a pressing need to innovate and adopt more sustainable production methods.**
- **In addition to environmental concerns, the importance of integrating social clauses into business strategies is also critical. Global markets increasingly prioritise ethical considerations, such as fair wages, safe working conditions, and human rights throughout the supply chain. Companies that fail to meet these social standards risk losing market access and investor confidence.**
- **In July 2023, the SEBI added new environmental, social and governance (ESG) metrics for mandatory disclosure under ‘Business Responsibility and Sustainability Report (BRSR) Core’ for the top 1000 listed companies in India. This change responds to increasing demand from investors and stakeholders for standardised sustainability reporting aligned with international standards.**
- **To navigate this complex landscape, Indian businesses can benefit from technical assistance, capacity building, and partnerships. Engaging with government programs, international organisations, and industry associations can provide the necessary tools and training to meet these stringent requirements. These collaborations can offer access to new**

technologies, skills development, and financial resources, helping businesses align with global standards while also fostering innovation and competitiveness in the sustainability-driven global economy.

- **Key government schemes, like the Raising & Accelerating MSME Productivity (RAMP) scheme, the MSME Sustainable Zero Defect Zero Effect (ZED) certification scheme, and the National Mission for Enhanced Energy Efficiency (NMEEE), offer financial support for green technologies. Multilateral collaborations like the BEE-UNIDO-GEF Programme (Global Environment Facility) also help mobilise finance for low-carbon transitions within MSME clusters.**
- **To help MSMEs transition towards sustainability, platforms like the Udyam portal and Udyam Assist Platform have been established, enabling easier access to finance. Besides, innovative frameworks like the Open Credit Enablement Network (OCEN) are critical in offering credit based on cash-flow data, ensuring MSMEs can finance energy-efficient upgrades. With MSMEs consuming vast amounts of energy in emission-intensive processes, supporting them through financing and technological upgrades will be key to reducing India's carbon footprint.**
- **It is been reported that the government is planning a ₹15,000 crore green initiative for MSMEs, set to launch by early 2025. The scheme aims to support MSMEs in adopting green technologies, setting up material recovery facilities, and improving waste management. The initiative is designed to reduce the carbon footprint of MSMEs and boost their global competitiveness.**
- **Another notable initiative is India's Lifestyle for the Environment (LiFE) campaign, which promotes sustainable living by encouraging mindful resource use. While primarily targeting consumption behaviours, it also influences production by encouraging industries to produce goods that are energy-efficient, durable, and less resource-intensive.**

- **To conclude, I want to reiterate the need for a proactive approach to sustainability. It's no longer just a compliance exercise but a key to remain competitive in the global market. Embracing sustainable practices opens new markets, enhances brand reputation, and reduces operational costs. It's crucial that industries see this transition as a window of opportunity - a chance to innovate, grow, and lead - rather than a threat or burden.**
- **Finally, I cannot emphasise enough the importance of collaboration. For this transition to be successful, government, businesses, and civil society must work together. By aligning efforts, sharing knowledge, and building partnerships, we can drive this movement towards a sustainable future, ensuring long-term growth and competitiveness for Indian industries.**