

FEBRUARY 2026



"ESGrite" Your rite - We write

# ESG DIGEST

"The genesis of new era is unfolding"



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Did you Know?

# EDITORIAL

Welcome to the ESG Digest Newsletter, your essential guide to corporate governance, sustainability, and responsible business practices. As Environmental, Social, and Governance (ESG) factors continue to shape the corporate landscape, the need for effective governance strategies that integrate these principles has never been more critical.

In this newsletter, we offer valuable insights, practical advice, and in-depth discussions on how companies can align their governance frameworks with ESG considerations. We explore how ESG factors can drive decision-making, enhance risk management, and strengthen board governance structures. We firmly believe that robust corporate governance, combined with strong ESG principles, is key to sustainable growth, resilience, and ethical leadership.

The journey ahead is both exciting and challenging, but with your support, we are confident in our ability to succeed. This year's theme, "YEAR OF TRANSITION – What to do what", reminds us that change is not just about moving forward, but about transforming challenges into meaningful outcomes.



**J Sundharesan**

Founder and Sustainability Visionary

# Guest Xpress

## Draft Framework of India's Climate Finance Taxonomy (May 2025): Status, Structure and Emerging Critique



**J Vaidyanathan**  
Certified Independent Director

The Draft Framework of India's Climate Finance Taxonomy, released in May 2025 by the Department of Economic Affairs (DEA), Ministry of Finance, marks India's first formal attempt to create a structured classification system for climate-aligned economic activities. Its core objective is to channel capital toward projects that support India's climate commitments – including its Net Zero target of 2070 and its updated Nationally Determined Contributions (NDCs).

### **Purpose and Policy Context : The draft taxonomy is intended to-**

- Provide a credible classification framework for climate-aligned investments
- Reduce risks of greenwashing
- Improve transparency and comparability
- Facilitate domestic and international capital flows
- Support India's long-term decarbonisation and resilience strategy

At its foundation, the taxonomy seeks to create a common language for regulators, financial institutions, corporates, and investors. It represents a financial architecture initiative rather than merely an environmental policy tool.

**Guiding Principles:** The draft adopts a principles-based approach, not a prescriptive rulebook. Its key principles include:

- Alignment with India's development priorities
- Consistency with national climate goals
- A science-based and evidence-driven approach
- Avoidance of significant harm to other environmental objectives
- Dynamic and iterative evolution and promotion of a just and inclusive transition

Importantly, the framework recognises India's energy security concerns and developmental stage, distinguishing it from more restrictive global taxonomies.

# Guest Xpress

**Scope of Climate Activities :**The taxonomy is structured around three broad categories:

- 1.Climate Change Mitigation - Activities that reduce or avoid greenhouse gas emissions – renewable energy, energy efficiency, green hydrogen, low-carbon transport, and industrial decarbonisation.
- 2.Climate Change Adaptation - Investments that enhance resilience to climate risks – climate-resilient infrastructure, water management, agricultural resilience, and disaster preparedness.
- 3.Transition Activities - A distinctive feature of the Indian draft is its explicit recognition of transition finance. Emissions-intensive yet economically critical sectors such as steel, cement, and thermal power are not excluded; instead, financing is encouraged for credible decarbonisation pathways.

## **“Do No Significant Harm” (DNSH) and Safeguards**

The draft introduces a Do No Significant Harm (DNSH) principle to ensure climate-aligned activities do not materially undermine other environmental or social objectives. It also refers to governance safeguards and regulatory compliance requirements. However, detailed technical screening criteria (TSC), emission thresholds, and quantitative benchmarks are not yet specified. These are expected in later phases.

### **Approach to Technical Criteria and Interoperability**

Unlike the EU Taxonomy, India's draft does not prescribe immediate quantitative emission intensity thresholds. Instead, it outlines a phased and consultative approach, with sector-specific criteria to evolve over time.

The framework also highlights the importance of interoperability with global taxonomies, balancing international credibility with India-specific flexibility to attract cross-border capital.

**Implementation Outlook:** Once finalised, the taxonomy is expected to influence:

Green bond frameworks; Banking and lending classifications; ESG disclosures Transition finance instruments ; Regulatory reporting standards  
However, until formally notified, its application remains advisory rather than binding.

# Guest Xpress

**Emerging Critiques and Identified Gaps** : While widely welcomed as a foundational step, several commentaries and expert submissions during the consultation phase have highlighted perceived deficiencies:

1. **Limited India-Specific Grounding** - Some critiques argue the draft relies heavily on international taxonomy models and does not sufficiently reflect India's unique economic, climatic, and developmental realities.
2. **Sector Prioritisation Concerns** - Questions have been raised regarding sector emphasis. Inclusion of agriculture and food/water security has been criticised by some analysts who argue greater focus should be placed on high-emitting industrial sectors such as energy, manufacturing, cement, and transport.
3. **Lack of Detailed Technical Criteria** - The framework remains high-level, lacking quantitative thresholds, clear screening metrics, or measurable performance benchmarks – potentially limiting usability for investors and regulators.
4. **Just Transition Integration** - Stakeholders have urged stronger integration of social dimensions – including reskilling, livelihood transitions, and community resilience – to ensure a genuinely inclusive transition.
5. **Alignment with Domestic Pathways** - Experts suggest closer alignment is required with India's domestic decarbonisation roadmaps, sectoral targets, and greenhouse gas intensity benchmarks.
6. **Ecosystem Integration** - There are calls for clearer linkages with other policy instruments, such as carbon markets and sectoral transition strategies, to improve policy coherence and capital mobilisation.

## Overall Significance

Despite pending finalisation and noted gaps, the Draft Framework represents a foundational architecture for India's sustainable finance ecosystem. It signals policy intent, legitimises transition finance, and establishes a conceptual basis for aligning financial flows with climate objectives. The broader stakeholder expectation is clear: the final taxonomy should be more India-centric, technically robust, socially inclusive, and integrated with emerging policy instruments. If refined accordingly, it could become a cornerstone of India's climate finance strategy and a critical enabler of its long-term economic and climate ambitions.



# Key Highlights in Sight

**Canopy Warns Wood  
Fibre Supply Chains Face  
Rising Risk as Forest  
Pressures Mount**





A new research brief released at the World Economic Forum warns that global wood-dependent industries face mounting commercial and ecological risks as demand, climate impacts, and regulation push forests toward ecological limits. Produced by environmental non-profit Canopy with Finance Earth, the report highlights how business-as-usual sourcing of virgin wood exposes brands and investors to higher costs, supply volatility, and reputational risk.



The 2026 issue brief, *Paper Thin Comfort*, finds escalating demand across energy, construction, packaging, and textiles converging with climate-driven supply shocks and tightening regulations. Certified and traceable virgin wood is expected to become structurally scarce, raising compliance and cost pressures for companies reliant on paper packaging and viscose textiles. The report flags rising bioenergy demand, engineered timber uptake, and climate-related losses such as wildfires as key stressors. Virgin wood pulp already accounts for about one-fifth of global wood use, leaving packaging and textile sectors particularly vulnerable.



Regulatory scrutiny is intensifying. The EU Deforestation Regulation (EUDR), entering into force in late 2026, will restrict market access for non-compliant commodities, while investors increasingly demand deforestation-free portfolios. This alignment of forest risk with climate disclosure regimes is reshaping capital allocation. To mitigate exposure, the brief outlines three pathways: scale recycled and “Next Gen” fibres from agricultural residues and waste textiles; strengthen certification and traceability; and integrate wood-related risks into procurement and financial planning.

For executives and investors, the message is clear: resilience, traceability, and circular sourcing are shifting from voluntary commitments to strategic imperatives for forest-dependent sectors worldwide.



## **EU Moves To Ban Destruction Of Unsold Clothing Under New Circular Economy Rules**





The European Union has introduced binding rules to end the destruction of unsold apparel and footwear, a practice responsible for millions of tons of avoidable textile waste. Under the new Ecodesign for Sustainable Products Regulation, large companies will face enforcement from July 2026, while medium-sized firms must comply by 2030.

Currently, 4–9% of unsold textiles in Europe are destroyed annually, generating about 5.6 million tons of CO<sub>2</sub> emissions—comparable to Sweden’s total net emissions in 2021. The ban aims to curb overproduction and weak resale infrastructure, pushing businesses toward circular solutions such as donations, reuse, and resale platforms.



A key feature is the mandatory disclosure framework, beginning in February 2027, requiring companies to report discarded inventory volumes using a standardized EU-wide template. This transparency measure will reshape ESG reporting, turning waste into both a reputational and financial risk factor. Limited exemptions will apply for safety risks or irreparable damage, with national authorities monitoring compliance. The policy aligns with Europe’s broader circular economy agenda, embedding waste reduction into corporate governance and supply chain management.

For executives, the regulation introduces new accountability in inventory forecasting, procurement, and lifecycle design. For investors, disclosure data will serve as a benchmark for operational efficiency and sustainability readiness, influencing valuations and access to green finance.



By linking environmental policy with corporate reporting, Brussels is signaling that waste management is no longer optional—it is now a core compliance requirement shaping competitiveness in the decade ahead.



A background image featuring a close-up of two hands shaking in a firm grip, symbolizing a business deal or agreement. The hands are set against a blurred background of a modern office or cityscape. Overlaid on this are various financial data visualizations, including a candlestick chart with blue and white bars, a line graph with a yellow line and data points, and a grid pattern. The overall color palette is dominated by blues and greys, with some yellow highlights from the line graph.

**Sustainability Practices Drive Profitability  
Among Top US and Canadian Companies,  
CSE Finds**



New research from the Center for Sustainability and Excellence (CSE) shows that sustainability has become a core driver of profitability among leading US and Canadian firms. The 2026 Annual Research analyzed 210 high-performing FT 500 companies across 21 sectors, revealing that structured sustainability practices are closely tied to financial performance, resilience, and long-term value creation. Companies that treat sustainability as a strategic discipline rather than a reporting exercise demonstrate stronger governance, clearer accountability, and greater operational resilience.



The study found that 72% of the most profitable companies held medium to high sustainability ratings across at least three global systems, consistently showing stronger climate risk management and measurable targets tied to business outcomes. Reporting has become standard practice, with 87% aligning with GRI, 75% following SASB, and 74% disclosing climate risks through TCFD. Sectoral contrasts remain sharp: Energy and Business Services lead with mature frameworks and decarbonization investment, while Apparel and Wholesale lag due to weaker targets and transparency.



Climate ambition is accelerating, with 35% of companies setting near-term targets aligned with the Science Based Targets initiative by 2025, up from 21% in 2024. Oversight is increasingly tied to executive incentives, and materiality assessments are becoming routine. According to CSE President Nikos Avlonas, “Sustainability now defines how companies grow, manage risk, and build trust.” For executives and investors, sustainability expertise is emerging as a defining leadership skill—driving profitability, resilience, and competitive advantage across North America.





**Secures Up To 6.6 GW Nuclear Power To Fuel AI Data Center Growth**



Meta has announced landmark agreements with Vistra, TerraPower, Oklo, and Constellation to secure up to 6.6 GW of nuclear capacity by 2035, positioning itself as one of the largest corporate buyers of nuclear energy in U.S. history. The deals are designed to meet surging electricity demand from Meta's expanding data center footprint, including the Prometheus supercluster in Ohio.



Unlike traditional utility-led nuclear expansion, Meta's strategy leverages 20-year power purchase agreements and early-stage capital to unlock projects that might otherwise struggle to secure financing. TerraPower's Natrium reactors will benefit from funding for two new units totaling 690 MW, with rights to future capacity that could reach 2.8 GW. Oklo will develop up to 1.2 GW of new baseload power in Pike County, Ohio, creating thousands of jobs and reinforcing domestic supply chains.

Vistra's role centers on extending the life of three existing nuclear plants in Ohio and Pennsylvania, with Meta purchasing more than 2.1 GW of power and supporting reactor uprates of 433 MW expected in the early 2030s. These agreements not only stabilize aging fleets but also strengthen grid reliability without direct public subsidies.

For Meta, nuclear energy offers the firm, carbon-free baseload power required for hyperscale AI computing. The move reflects a broader governance trend where Big Tech capital accelerates advanced nuclear deployment, reshaping financing models and linking digital infrastructure growth directly to clean energy expansion. Industry observers expect similar corporate-backed models to emerge globally as AI drives electricity demand to unprecedented levels.



# REGULATORY UPDATES





**CMA**

Competition & Markets Authority

**UK Regulator Warns Retailers They Could Be on the Hook for Greenwashing by Suppliers**



The UK's Competition and Markets Authority (CMA) has issued new guidance clarifying supply chain responsibility for environmental claims, warning that businesses may be liable for misleading "green" claims even if they are simply passing on information from suppliers. The CMA explained that retailers repeating false claims made by manufacturers could face enforcement under consumer law, reinforcing its 2021 Green Claims Code.



The guidance stresses that all businesses in the supply chain must ensure claims are accurate, verifiable, and backed by evidence. If companies cannot obtain proof from suppliers, they are advised to reconsider how they present claims—or even their trading relationships—given the legal risks. The CMA noted that enforcement will consider factors such as who made the claim, whether businesses attempted to comply, and whether internal processes exist to verify accuracy. Practices will be viewed as "particularly egregious" if firms ignore obligations despite prior guidance or regulatory actions.

To support compliance, the CMA included checklists for retailers, brands, and manufacturers. Retailers are urged to seek evidence before advertising products, review claims regularly, and request supplier confirmation. Brands and manufacturers should provide records on product composition, testing, or independent verification, while avoiding casual or unverifiable claims.



By placing responsibility across the supply chain, the CMA aims to strengthen accountability and reduce misleading environmental marketing, signaling that green claims must now meet the same standards of accuracy and governance as other consumer protections.





**Proposes IFRS Aligned Sustainability Reporting Rules For UK Listed Companies From 2027**



The UK's Financial Conduct Authority (FCA) has opened a consultation that could significantly reshape sustainability reporting for listed companies, proposing alignment with the forthcoming IFRS-based UK Sustainability Reporting Standards (UK SRS) starting in January 2027. This marks a shift beyond the current reliance on the Task Force on Climate-related Financial Disclosures (TCFD), embedding broader ESG transparency into financial disclosure regimes.



The move follows the work of the International Sustainability Standards Board (ISSB), which released its inaugural standards—IFRS S1 (general sustainability risks) and IFRS S2 (climate disclosures)—in June 2023. The UK government published exposure drafts of UK SRS S1 and S2 in 2025, with final standards expected in 2026. Under the FCA's proposal, listed companies would be required to publish climate-related disclosures aligned with UK SRS S2, while transitional relief would apply to Scope 3 emissions and broader sustainability disclosures to ease compliance.



For investors, the alignment promises greater comparability across jurisdictions and reduced duplication for multinational issuers. It also signals that ESG metrics are moving from voluntary reporting into the core of governance oversight and risk assessment. By positioning London markets within emerging global frameworks, the FCA's proposal is expected to shape investor expectations, influence cross-border capital flows, and reinforce the UK's role in advancing international sustainability standards.

This consultation underscores a regulatory pivot: sustainability reporting is no longer just about climate—it is becoming a comprehensive, standardized requirement integrated into financial markets.



# Future of ESG

A modern server room with glass walls, solar panels on the roof, and wind turbines in the background, symbolizing sustainable technology.

Can Bitcoin Go Green? Exploring the Future of Sustainable Crypto Mining

ESG disclosures are no longer just box-ticking exercises. In today's markets, they drive investor trust, influence access to funding and even shape company valuations. Large investors and asset managers now expect meaningful insights from ESG data. They want to understand how prepared a business is to manage risks and identify long-term opportunities. When a company is transparent about its ESG performance, it reflects its leadership, values and genuine commitment to sustainability.

Investor expectations have also evolved. They are no longer satisfied with attractive promises and marketing narratives. What they seek is proof reliable data, clearly defined policies and measurable outcomes. Investors closely examine climate risks, carbon footprints, employee practices, governance structures, and the effectiveness of ethical standards. This information helps them assess whether a company can navigate regulatory changes, climate-related risks, supply chain disruptions and potential reputational challenges.

Consistency and credibility in ESG reporting are critical. Frameworks such as India's BRSR, global standards like GRI and climate disclosures under TCFD enable investors to compare companies across sectors. When a company's actions do not align with its disclosures, it raises serious concerns. Several high-profile companies that announced ambitious net-zero targets without credible implementation pathways later faced regulatory scrutiny, loss of investor confidence, and declining share prices. These cases highlight that honest and verifiable ESG reporting is no longer optional.

Governance disclosures are equally important. Investors pay close attention to board oversight of ESG matters, whistleblower mechanisms, enforcement of ethical standards and whether executive remuneration is linked to ESG performance. From an environmental perspective, they expect concrete details on climate action, emission management, and renewable energy initiatives. Social indicators including employee well-being, diversity, safety and data privacy also remain under strong scrutiny. Increasingly, investors prefer ESG information that is independently assured, as verified disclosures build trust, reduce perceived risk and encourage long-term investment relationships.

**DID YOU  
KNOW?**



## World Wetlands Day

February 2nd



**ESTABLISHED TO RAISE GLOBAL AWARENESS ABOUT THE CRUCIAL ROLE WETLANDS PLAY FOR OUR PLANET AND HUMANITY, MARKING THE ADOPTION OF THE RAMSAR CONVENTION ON WETLANDS IN 1971.**

## World Day of Social Justice

February 20th



**TYPICALLY FEATURE SYMBOLS OF EQUALITY, FAIRNESS, AND HUMAN RIGHTS, SUCH AS BALANCING SCALES, RAISED FISTS, DIVERSE GROUPS OF PEOPLE, AND STYLIZED GLOBES**