APRIL 2026

ESGrite
An Initiative of J Sundhareson and Associates
"ESGrite" Your rite - We write

ESG DIGEST

"The genesis of new era is unfolding"

Inside this Newsletter

ESGrite

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 so 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

J Vaidyanathan
Certified Independent Director

Climate Risk in Lending Portfolios: A New Frontier in Credit Risk Management

Climate change has evolved from being an environmental concern to a material financial risk for banks and financial institutions. Lending portfolios—the core of banking activity—are increasingly exposed to climate-related disruptions that can impair borrower creditworthiness, erode collateral values, and create systemic vulnerabilities. Consequently, integrating climate risk into credit assessment is fast becoming both a strategic necessity and a regulatory expectation.

At its core, climate risk in lending refers to the potential impact of climate-related factors on borrowers' cash flows and asset values, ultimately affecting loan performance. This risk manifests through two principal channels: physical risk and transition risk.

Before examining these channels, it is important to understand how institutions can embed climate considerations at a policy level. Broadly, lending strategies may incorporate:

a) a negative list of industries or activities that the institution chooses to avoid due to high climate vulnerability or misalignment with sustainability goals; and

b) defined parameters for evaluating physical and transition risks within permissible sectors.

Physical risk arises from acute events such as floods, cyclones, and heatwaves, as well as chronic changes like rising temperatures and sea levels. These risks can disrupt operations, damage assets, and reduce productivity. Borrowers operating in climate-sensitive sectors or geographies—such as agriculture, coastal real estate, or infrastructure—are particularly vulnerable. This, in turn, affects their repayment capacity and increases credit risk for lenders.

Transition risk, on the other hand, stems from the global shift toward a low-carbon economy. Regulatory measures such as carbon pricing, stricter emission norms, and enhanced environmental compliance requirements can increase operating costs for businesses. At the same time, technological advancements—especially in renewable energy—can render existing business models obsolete. Changing market preferences, with consumers and investors increasingly favouring sustainable practices, further intensify these pressures. As a result, carbon-intensive industries face declining viability and elevated default risks.

These risks transmit into lending portfolios through multiple channels. First, credit risk rises as borrowers face declining revenues or increasing costs. Second, collateral risk emerges when the value of pledged/ hypothecated assets is impaired—for instance, properties in flood-prone or coastal areas losing value. Third, concentration risk becomes significant when banks have high exposure to climate-sensitive sectors or regions. Finally, business model risk arises when borrowers' long-term sustainability is undermined by structural shifts linked to climate change.

Recognising these emerging vulnerabilities, regulators globally are placing greater emphasis on climate risk management. In India, the Reserve Bank of India has initiated steps to sensitise banks to climate-related financial risks. These include encouraging climate-related disclosures, promoting scenario analysis and stress testing, and nudging institutions to incorporate climate considerations into their risk management frameworks.

From a risk management perspective, banks have adopted a structured and forward-looking approach. The first step is risk identification—mapping exposures across sectors and geographies vulnerable to climate risks. This is followed by integrating climate considerations into credit appraisal processes, including due diligence, financial projections, and borrower assessments. For example, lenders may evaluate a borrower's resilience to extreme weather events or preparedness for regulatory transitions.

Scenario analysis and stress testing are critical tools in this context. By simulating the impact of different climate pathways—such as severe weather events or abrupt policy changes—banks can assess the resilience of their portfolios. Based on these insights, portfolio rebalancing may be necessary to reduce exposure to high-risk sectors while increasing financing for sustainable and green activities.

Risk-based pricing is another important lever. Lending rates can be adjusted to reflect climate-related vulnerabilities, thereby incentivising borrowers to adopt more sustainable and resilient practices. Additionally, active engagement with borrowers is crucial. Banks can encourage improved disclosures, adoption of cleaner technologies, and stronger risk mitigation strategies.

However, implementing climate risk frameworks is not without challenges. Data availability remains a key constraint, particularly at the borrower level. Climate risks are inherently long-term, uncertain, and difficult to quantify. The absence of standardized methodologies and consistent ESG reporting further complicates risk assessment and comparability.

Despite these challenges, climate risk also presents significant opportunities. Financing renewable energy, green infrastructure, and sustainable business models can open new avenues for growth while aligning portfolios with long-term economic and environmental transitions.

In conclusion, climate risk is redefining traditional notions of credit risk. For banks, the question is no longer whether to act, but how effectively and swiftly they can integrate climate considerations into lending decisions. Institutions that proactively adapt will not only safeguard their portfolios but also position themselves as resilient and forward-looking players in an increasingly climate-conscious financial ecosystem.

Key Highlights in Sight

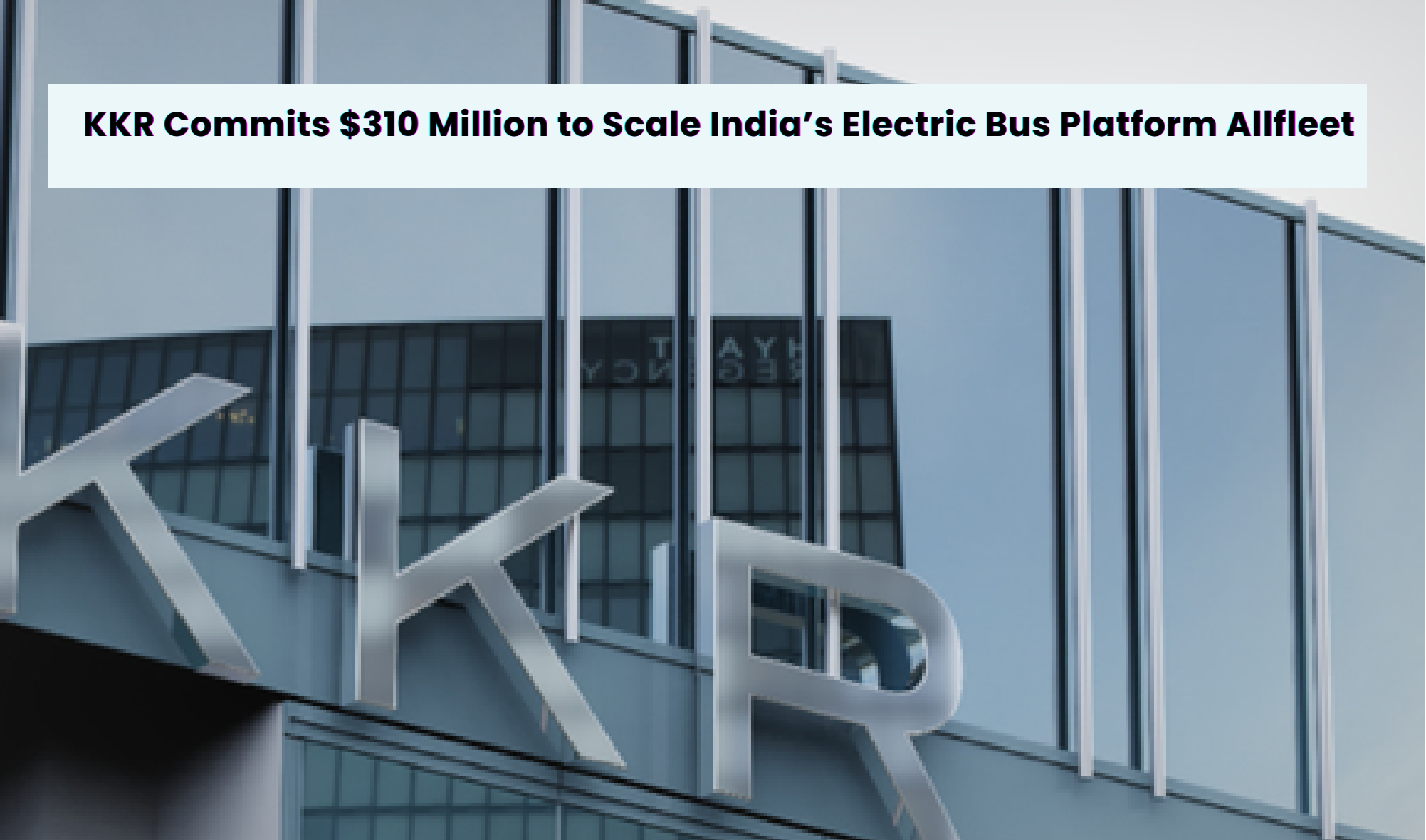
India Targets 25% Steel Emissions Cut While Scaling Capacity to 400 Million Tons by 2035

India is preparing to transform one of its most carbon-intensive industries under the draft National Steel Policy 2025. The government aims to cut emissions intensity from about 2.65 tons of CO_2 per ton of steel to 2 tons by 2035–36, while expanding crude steel capacity to 400 million tons, more than double today's levels. Steel production contributes 10–12% of India's total emissions, making decarbonisation critical to achieving the country's net-zero target by 2070. The policy responds to mounting global pressure, including the European Union's carbon border tariff, which imposes fees on high-emission imports. India also plans to more than double steel exports to 20 million tons, aligning with stricter environmental standards in key markets.

The strategy prioritises a shift away from coal-intensive processes by scaling up gas-based steelmaking, boosting scrap usage, and incentivising continuous emissions reductions. However, infrastructure gaps pose challenges—only 21% of blast furnace capacity and 5% of direct reduced iron capacity currently have access to gas pipelines. To address this, the policy calls for collaboration with the oil ministry and international partners across 19 countries to secure resources and technology transfer. The expansion will require an estimated $183 billion investment, with the potential to create over 3 million jobs. The steel sector already employs 2.8 million people and contributes 2.5% to India's economy. Reducing reliance on imported coking coal is also a priority, targeting a decline in dependence from 90% to 80% by 2035–36.

For investors and industry leaders, the policy underscores a dual challenge: scaling output while decarbonising processes—decisions that will shape India's competitiveness in a carbon-conscious global market.

ESGrite.



KKR Commits $310 Million to Scale India’s Electric Bus Platform Allfleet

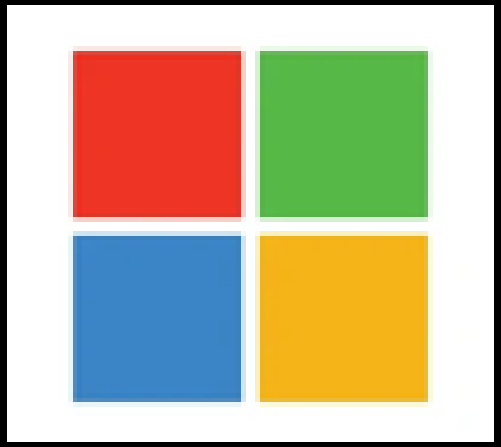
KKR is committing up to $310 million to accelerate India's clean mobility agenda, acquiring a majority stake in Allfleet and a minority stake in PMI Electro. The deal, expected to close in mid-2026, marks KKR's first Global Climate Transition investment in India, expanding its $44 billion climate portfolio. Allfleet, established by PMI Electro in 2022, operates as an integrated platform to develop, own, and manage electric bus fleets for city transport systems. It is on track to deploy 5,000+ e-buses under long-term contracts with state transport authorities. KKR's investment will strengthen Allfleet's ability to partner with municipalities and expand into new cities, supporting India's push to decarbonize urban transport.

The platform's model integrates manufacturing, financing, operations, and lifecycle maintenance, reducing risk for public authorities while enabling faster fleet electrification. PMI Electro's manufacturing capacity will also be bolstered, positioning it to meet rising domestic demand for electric commercial vehicles.

India's policy environment increasingly favors clean mobility, with incentives and procurement frameworks driving adoption across major cities. The partnership reflects how institutional capital and local manufacturing can combine to deliver infrastructure at scale.

KKR's Neil Arora emphasized India's significance in global transport electrification, citing its scale, urbanization, and climate ambitions. PMI Electro CEO Aanchal Jain called the investment a milestone, underscoring the vision of building a scalable, reliable ecosystem for sustainable public transport.
For investors, the deal highlights platform-based models that align predictable government-backed revenues with climate transition priorities, positioning India's transport sector as a focal point for global capital flows.

ESGrite



Investors Demand Transparency on Data Center Sustainability from Amazon, Microsoft, and Google

Institutional investors are intensifying pressure on Amazon, Microsoft, Google, and other tech giants to disclose more detailed information on water and energy use tied to rapidly expanding U.S. data centers. With AI and cloud infrastructure driving unprecedented growth, concerns are mounting over climate commitments, local resource strain, and long-term operational risks.

Ahead of upcoming shareholder meetings, investors argue that fragmented reporting practices make it difficult to assess exposure to water scarcity and energy challenges. For example, Meta reports only on owned sites, excluding leased facilities, while Microsoft provides aggregate figures without site-level detail. Amazon links water use to power consumption rather than total volumes, and Google omits third-party operations. This lack of consistency leaves investors unable to fully evaluate sustainability strategies. Water consumption has emerged as a critical ESG metric. Research suggests North American data centers consumed nearly 1 trillion liters of water in 2025—comparable to New York City's annual usage. Communities near large projects have already raised concerns about electricity demand and water availability, fueling local resistance.

Shareholder resolutions are now targeting climate accountability. Trillium Asset Management has asked Alphabet to explain how it will meet its pledge to operate on carbon-free energy by 2030, despite emissions rising 51% since 2020. Green Century Capital Management is engaging Nvidia on similar risks tied to AI growth.

For investors, the issue is no longer just environmental messaging—it's about operational resilience, regulatory risk, and long-term value. As AI reshapes infrastructure, site-level transparency is becoming essential to balance innovation with sustainability.

ESGrite.

Renasens Secures €10 Million to Expand Waterless Textile Recycling Technology

Sweden-based cleantech startup Renasens has secured €10 million ($11.5M) in seed funding to expand its breakthrough textile recycling technology across Europe. Founded in 2022 by Dr. Jade Bouledjouidja, the company is tackling one of fashion's toughest sustainability challenges: recycling mixed textile waste.

Renasens' process uses modified supercritical CO_2—a state where carbon dioxide behaves like both a liquid and a gas—to separate blended fibers and remove dyes without water or harsh chemicals. Unlike conventional recycling methods that degrade fiber quality, the platform preserves material integrity, enabling recovered fibers to be reused directly in manufacturing systems. This innovation supports circular fashion goals and reduces reliance on virgin resources.

The funding round, led by climate-focused investor Extantia with participation from Course Corrected VC and Norrsken Launcher, will support a pilot facility in Borås, Sweden, a hub for textile innovation. The modular design of Renasens' platform allows integration into existing facilities, minimizing the need for large centralized plants and accelerating adoption across supply chains.

The timing is critical: from January 2025, EU member states must implement separate textile collection systems, and by June 2027, Extended Producer Responsibility (EPR) rules will require brands to pay fees based on recyclability. Renasens' solution positions fashion companies to meet these regulatory demands while advancing sustainability targets.

Investors see strategic value in the company's approach. Extantia's Principal Carlota Ochoa Neven Du Mont described Renasens as a vital piece of Europe's sustainability infrastructure, helping brands access locally sourced recycled fibers and reduce environmental impact.


REGULATORY
UPDATES

CALIFORNIA
AIR RESOURCES BOARD

California Weighs Approaches to Phase in New Scope 3 GHG Emissions Reporting Requirements

The California Air Resources Board (CARB) has unveiled proposals for implementing SB 253, the state's new corporate climate disclosure law requiring large companies to report greenhouse gas (GHG) emissions. SB 253 applies to firms with revenues above $1 billion doing business in California, mandating annual reporting of Scope 1 and 2 emissions beginning in 2026, and Scope 3 value chain emissions starting in 2027.

Scope 3 emissions—covering supply chains, business travel, commuting, procurement, waste, and water use—are often the largest share of a company's footprint but remain the most difficult to measure. CARB's workshop outlined three rollout options:

- **Broad Applicability:** all companies report all Scope 3 categories from 2027, with exemptions for de minimis categories.

- **Sectoral Phase-In:** initial reporting limited to transportation and industrial sectors, which account for about 60% of California's emissions.

- **Category Phase-In:** phased reporting starting with commonly disclosed categories such as business travel, purchased goods, commuting, and waste

CARB also proposed flexible accounting methodologies, including spend-based (monetary values), activity-based (physical measures), and supplier-specific (direct supplier data), allowing companies to use hybrid approaches.
The regulator's Standardized Regulatory Impact Assessment estimated average annual compliance costs between $135,000 and $152,000 per company over the first three years, depending on the Scope 3 rollout option.
With the first disclosure deadline set for August 10, 2026, CARB's proposals highlight the growing importance of Scope 3 transparency. For companies, the rules represent both a compliance challenge and an opportunity to strengthen climate accountability across their value chains.

ESGrite.

Tightens ESG Disclosure Rules, Targets Greenwashing Risk Across Financial Sector

South Africa's Financial Sector Conduct Authority (FSCA) is moving ESG oversight from voluntary guidance to enforceable conduct standards, placing sustainability claims under the same scrutiny as financial disclosures. The regulator's update makes clear that ESG is now integral to product design, marketing, and disclosure frameworks.

At the core is information quality. The FSCA emphasizes that "complete, accurate, timely, and comparable information" is essential for market integrity and investor protection. ESG data is being treated as a financial risk factor, with implications for governance, compliance, and trust.

Rather than introducing new rules, the FSCA is clarifying how existing legislation applies to sustainability claims across financial advice, insurance, collective investment schemes, and banking. Any ESG-related statement must meet the same legal threshold as traditional disclosures—factually correct, not misleading, and in plain language. Weak claims risk greenwashing and reputational damage.

On the corporate side, mandatory climate disclosures aligned with International Sustainability Standards Board (ISSB) frameworks are set to begin with large listed companies. Initial focus will be on IFRS S1 and S2, creating a global baseline for climate-related financial reporting. This will improve data comparability and enable investors to integrate climate risk into valuation and capital allocation.

The rollout will be phased, coordinated with national policy and exchanges to avoid fragmentation. For financial institutions, the message is clear: ESG must be embedded into governance, product design, and disclosure processes. Credible data will increasingly determine access to capital, compliance, and market confidence as South Africa enters a new era of disciplined sustainable finance.

ESGrite.

Future of ESG

ESG in 2026: From Ambition to Accountability

The ESG landscape in 2026 looks fundamentally different from where it stood just a few years ago. Companies are no longer being judged on how boldly they announce sustainability goals — they are being judged on whether those goals can survive scrutiny.

The Era of Mandatory Reporting Has Arrived

2026 marks a new level of standardization in ESG reporting. With the ISSB becoming the global anchor for climate and sustainability disclosures, companies are now working to unify frameworks like SASB, TCFD, and GRI into a single, coherent reporting strategy. Voluntary pledges alone no longer satisfy regulators or investors.

Greenwashing Is Under the Microscope

Green marketing and sustainability claims have become a core issue in governance and risk management, with regulators comparing sustainability statements against financial filings and marketing materials to ensure consistency. For businesses, this means every claim must be backed by verified data — not just good intentions.

CBAM Changes the Trade Game

The EU Carbon Border Adjustment Mechanism went live in 2026, imposing costs on imported goods based on their carbon intensity — a move that is already complicating international trade and driving fresh regulatory debate. Businesses with global supply chains must now factor carbon pricing into their trade strategy, not just their sustainability reports.

Supply Chains Are the New ESG Frontier

A survey of over 1,600 companies found that while 63% treat sustainability as a board-level priority, only 19% have full visibility across their supply chains — a gap that defines the real ESG challenge of 2026.

The Bottom Line

ESG is not retreating. The backlash is not a retreat from sustainability ambitions — it is a reset toward strategic materiality, focusing on the sustainability topics that genuinely matter for business value creation. For companies willing to build the right systems, 2026 is not a setback. It is a starting line.

Mohanraj , Trainee at
J Sundharesan and Associates

DID YOU KNOW?

March 28, 2026

India's Earth Hour 2026

Celebrating 20 Years of Global Climate Action

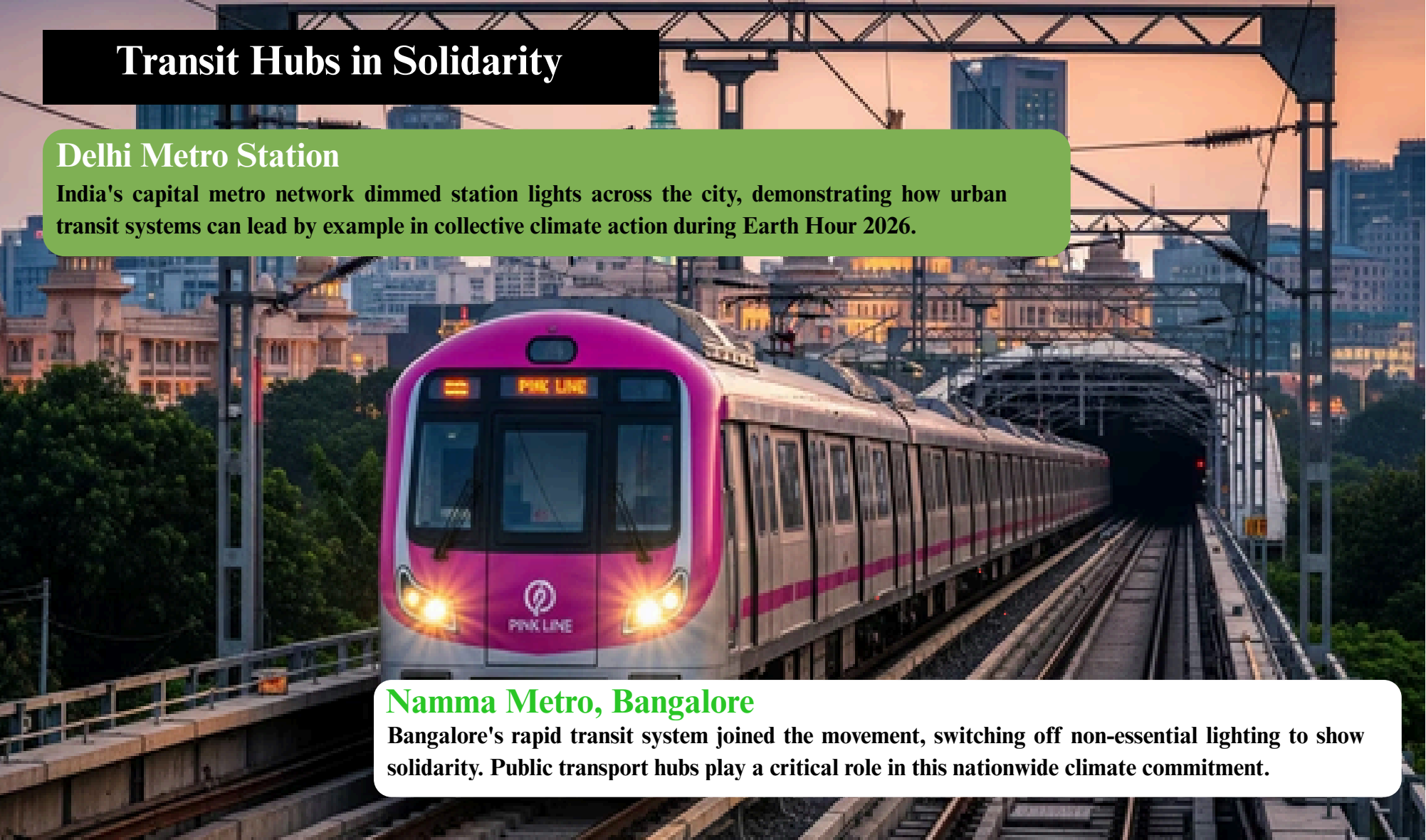
One of the largest-ever nationwide participation from 8:30 PM to 9:30 PM

Iconic Monuments That Went Dark

From India Gate in Delhi to the Gateway of India in Mumbai, these historic monuments stood in solidarity, dimming their lights to symbolize India's commitment to climate action during Earth Hour 2026's 20th anniversary celebration.

From Kolkata's iconic Howrah Bridge spanning the Hooghly River, to the magnificent Mysore Palace illuminated by 100,000 bulbs that went dark, to Hyderabad's beloved Charminar—these historic landmarks joined millions in switching off lights for Earth Hour 2026, demonstrating India's commitment to climate action.

Transit Hubs in Solidarity



Delhi Metro Station

India's capital metro network dimmed station lights across the city, demonstrating how urban transit systems can lead by example in collective climate action during Earth Hour 2026.

Namma Metro, Bangalore

Bangalore's rapid transit system joined the movement, switching off non-essential lighting to show solidarity. Public transport hubs play a critical role in this nationwide climate commitment.

THANK YOU