

ESG and Corporate Sustainability – Align and Grow

By Shailesh Haribhakti and Suyash Agrawal (Co-Founders – YCWI and DialESG)

The paradigm of running a business has evolved in the 21st century. While age-old tenets of resilient business models are very much relevant today, it is now incumbent on corporates to sensitize themselves to emerging opportunities. Corporates must continuously aspire, adopt, and adapt to these new ideas.

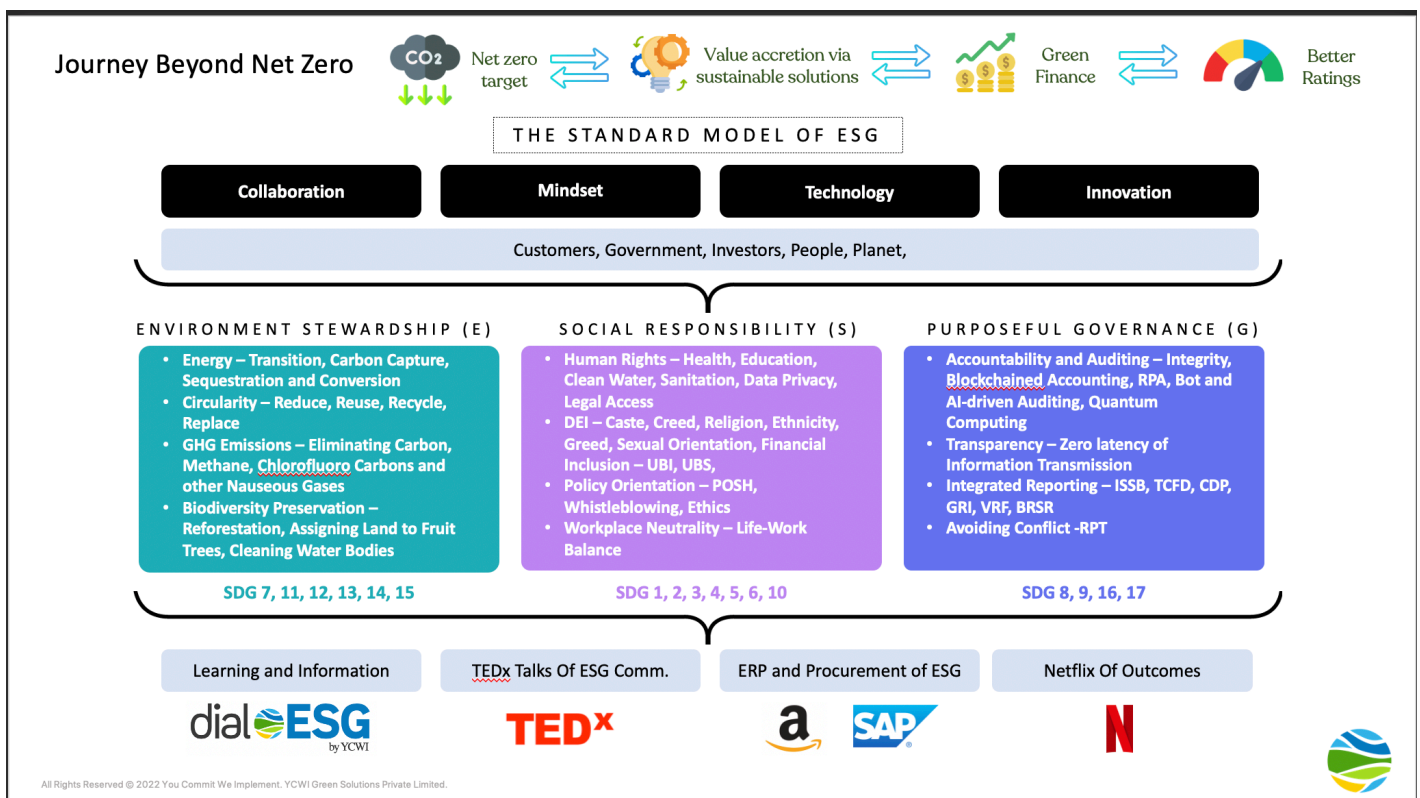
Having a vision and purpose, product differentiation, and lowest cost models were enough to establish market leadership. Today’s dynamic times call for a strategic focus on rapid digitization, net positive operations, DEI, circular economy, and utmost transparency.

Purposefully delivering for people and the planet is leading to higher profitability. The corporate world in India and globally is flush with examples of organizations that are earnestly delivering on this promise. Leaders of tomorrow now have to fill the ambition and implementation gap.

Immersing Organizational Strategy in ESG

Embedding principles of ESG will help us through the challenges of this sustainable transformation. ESG stands for, E – Environmental Stewardship, S – Social Responsibility and G – Purposeful Governance. ESG, sustainability, climate action, impact investing, PRI (Principles of Responsible Investing), called by several names, have multiple overlaps.

ESG is a mindset, a tool or framework to deliver on the promise of “Conscious Capitalism”. An attempt to refocus on stakeholder primacy over shareholder value, to think long-term



value over short-term profits, to drive equitable distribution of opportunities and to restore the ecological balance.

Globally, companies that have adopted sustainability with a defined net zero target have managed to attract green finance and better ratings. They implement sustainable solutions that drive enterprise value accretion and report transparently. We call our model “A Journey Beyond Net Zero”. Our time has been lost and we are moving towards disaster if we do not change course immediately.

E is for environmental stewardship, it encompasses the following:

- Energy transition, carbon capture, carbon sequestration and carbon conversion to energy. Mitigating emissions at source.
- Circularity in terms of reduce, reuse, recycle, and replace.
- Efforts of significant importance to eliminate greenhouse gas emissions, ie. carbon dioxide, methane, Chlorofluorocarbons, among others.
- Biodiversity preservation, that will cause existence and interaction of all life, on land and under water, reforestation using fruit trees, and cleaning air and water bodies.

For an interconnected world to emerge, we must support the existence of all life of our planet. The SDGs which are supported by this is are 7, 11, 12 13, 14 and 15. Abundant healthy span life can be promoted only if these SDGs are fully implemented by 2030.

Moving on social responsibility is the S in the equation, includes the following:

- Human rights, that includes the right to high-quality health, and telehealth.
- Access to education clean water sanitation, data privacy and legal access.
- Diversity, equity and inclusion (DEI). No discrimination by cast, creed, religion, ethnicity, greed, sexual orientation.
- Financial inclusion for all through instruments of universal basic income (UBI) and universal basic services (UBS).
- Policy orientation must be very strong in every enterprise. They should have a policy on sexual harassment, whistleblowing, unethical conduct, workplace neutrality and a lifework balance.
- The SDG’s which are supported by the SRSDG is 1,2,3,4,5,6 and 10

The G stands for purposeful governance and includes the following:

- Accountability, absolutely independent and thorough auditing that will deliver integrity.

- Blockchain accounting robotic process automation must drive auditing. Large-scale deployment of machine learning, artificial intelligence, and quantum computing will be critical in delivering great governance.
- Transparency - zero latency in information transmission through very high powered internet-driven networks so that information becomes available ubiquitously.
- Integrated reporting on the six capitals, while mapping critical elements of other frameworks such as the Task Force on Climate-related Disclosures (TCFD), Global Reporting Initiative (GRI), Value Reporting Foundation (VRF), and the Climate Disclosure Project (CDP), among others.
- Greenwashing must be avoided at all costs, regulation must accommodate for heuristics and defined deviations, to make reporting and assurance more usable for investors.
- Conflicts arising due to related party transactions must be traced, monitored and avoided at all costs.

The G in the ESG equation supports SDGs 8, 9, 16 and 17.

Evolving ESG Risks, Reporting, and Disclosures

Following the growing support for ESG and Stakeholder capitalism, a whole new era of corporate reporting is emerging with a focus on 6 capitals: Financial, Environmental, Human, Physical, Relationship, and Innovation!

Companies must adopt risk management tools that can help:

- Evaluate gaps between companies' risk management initiatives and global best practices and implement enhancing actions
- Assess materiality and review of priorities
- Effectively capture and measure data sets
- Commit to science-based commitments and targets
- Produce accurate and reliable outcomes and end reports

To standardize these disclosures reporting bodies and regulators have put together comprehensive reporting frameworks. Some of these include Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Integrated Reporting <IR>, Climate Disclosures Project (CDP) and Task Force on Climate-related Financial Disclosures (TCFD).

As for India, the transition to ESG reporting started in 2009 with the MCA issuing National Voluntary Guidelines on Corporate Social Responsibility, our first step towards mainstreaming ESG. Since then, ESG reporting in India has continuously evolved. A decade of several iterations has got us to the Business Responsibility and Sustainability Reporting (BRSR) today.

Transparent disclosures supported by honest implementation of net zero technologies will enhance credibility in quality of disclosures. Ultimately, the food, water and air we consumer should fully clean, produced from green sources, and made available at democratized costs to all citizens perennially!