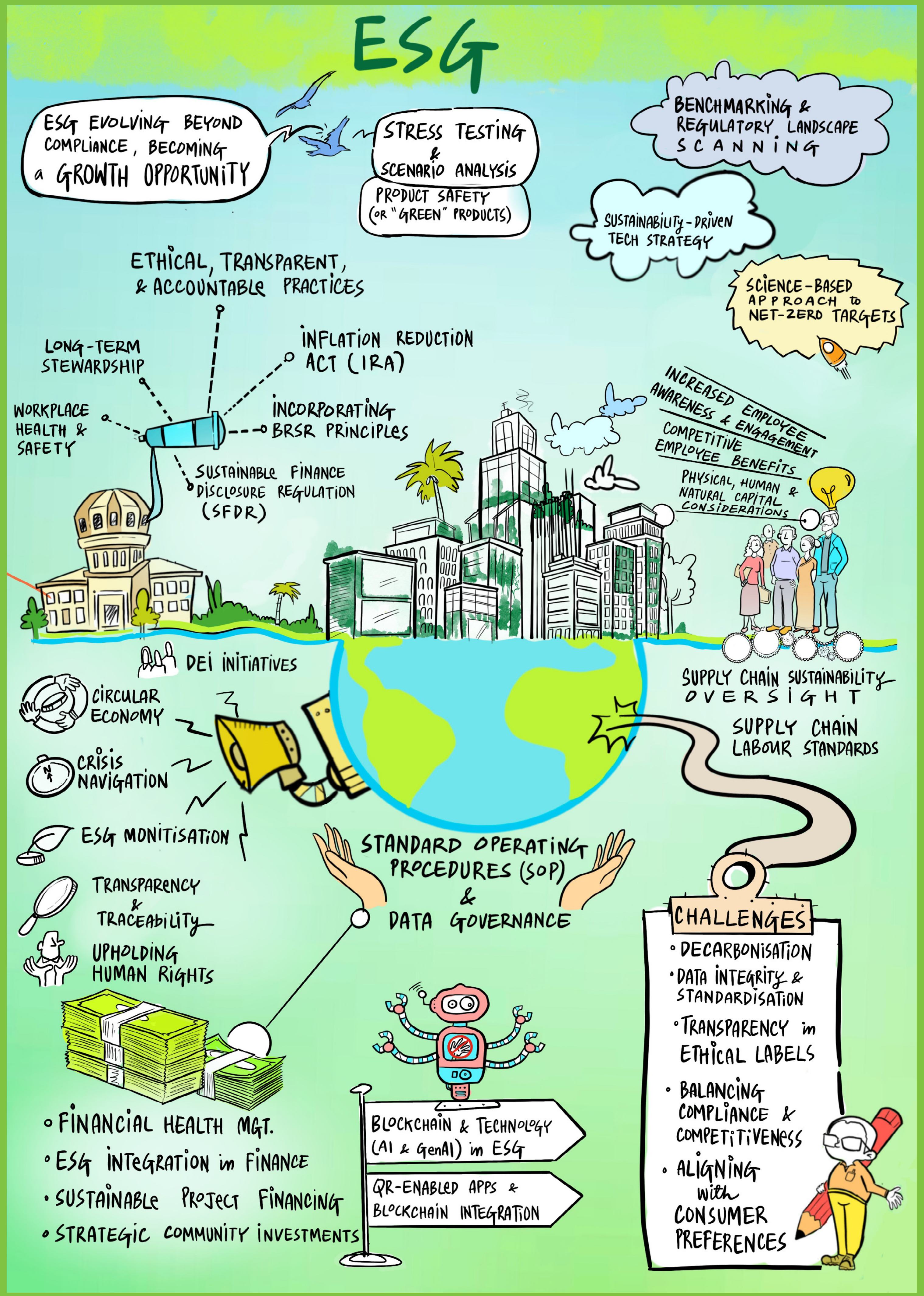

Enterprise of the future
ESG

Environmental, Social, and Governance (ESG) has emerged as a prominent framework for evaluating and measuring a company's sustainability and ethical impacts. It has gained significance owing to the adverse climatic changes, which necessitates immediate action to prevent future financial and environmental adversities.

ESG has become a high-priority agenda for boardroom discussions, with organisations taking steps to enhance their ESG strengths. Globally, executives are recognising the importance of ESG and are gradually enhancing their internal ESG capabilities. According to Deloitte's 2023 CXO sustainability report and Deloitte ESG preparedness survey:

- 81 percent of Indian CXOs have reported an increase in sustainability investments compared to the previous year.
- 68 percent of surveyed organisations are formally integrating ESG strategies and mechanisms into their operations.
- 80 percent of surveyed organisations are actively engaged in ESG reporting through sustainability, ESG, and Business Responsibility and Sustainability Reporting (BRSR) reports.

Driving companies towards ESG excellence

Direct factors to change

- Physical capital: Organisational infrastructure, assets, and equipment can be disrupted and damaged by extreme environmental hazards.
- Human capital: Extreme weather conditions can directly impact the productivity of working hours. Additionally, a failure to invest in social and governance initiatives can result in lower employee satisfaction and higher turnover rates.
- Natural capital: Adverse environments directly impact natural resources, which form the backbone of various supply chains.

Transitional factors to change

- **Consumers:** Consumers and B2B customers are increasingly applying pressure on organisations by considering environmental impact when making purchasing decisions.
- **Investors:** Investors are demanding greater accountability and clearer environmental reporting while tilting portfolios to reduce climate risk.
- **Employees:** Employees are applying pressure through open letters, walkouts, and forming activist groups, such as a leading e-commerce company's employees for climate justice.
- **Regulators:** Governments are imposing pressure in the form of carbon pricing, national commitments, and targets, and implementing subsidies or tariffs.
- **Civil society:** Civil groups apply pressure through increasing awareness of climate change and setting organisational standards for corporate behaviour.

Other driving factors of ESG for businesses

Businesses require ESG for the following reasons:

- **Cost savings:** Embracing ESG practices can lead to operational efficiencies and cost reductions. For instance, energy-saving initiatives or waste reduction efforts can lower utility bills and waste disposal expenses.
- **Long-term value for stakeholders:** Prioritising ESG factors helps in building trust and goodwill with investors, customers, employees, and the wider community. This contributes to long-term relationships and sustained support.
- **Ensure regulatory compliance:** Adhering to ESG standards aligns the business with the required compliance, preventing legal penalties and reputational risks.
- **Address stakeholder priorities (social licence to operate):** Demonstrating commitment to social and environmental responsibility is crucial for maintaining a positive reputation and gaining the trust and support of local communities and regulatory bodies.
- **Productivity and intellectual capital:** Prioritising social factors, such as employee well-being and diversity and inclusion, fosters a positive work environment. This, in turn, leads to higher productivity, innovation, and attraction/retention of top talent.
- **Refine corporate purpose and culture:** ESG considerations provide a framework for defining the company's purpose beyond profit-making. This helps create a strong organisational culture centered around values, which can boost morale and employee satisfaction.
- **Competitive advantage:** Companies with strong ESG practices often have a competitive edge. They can attract environmentally conscious consumers, gain favour with impact-driven investors, and stand out in the market.
- **Optimise risk management:** Proactively addressing environmental and social risks minimises potential financial and reputational losses. This includes mitigating risks related to climate change, supply chain disruptions, and reputational crises.

Regulations on ESG

ESG regulations mandate companies to provide investors with information on environmental, social, and governance factors, enabling them to make informed decisions regarding sustainable and responsible investment. Below are examples of both national and international regulations on ESG:

- **Institutionalising the Business Responsibility and Sustainability Reporting (BRSR) framework within an organisation:** Spearheaded by the Chief Sustainability Officer, this entails a comprehensive approach to embedding BRSR principles into every aspect of the organization's operations and strategy. This process is crucial for aligning the company with responsible and sustainable business practices, ensuring compliance with reporting requirements, and meeting its sustainability commitments. Key areas of focus include strategy development that incorporates Environmental, Social, and Governance (ESG) factors, effective communication of sustainability efforts to stakeholders, integration of sustainability into human resources policies and culture, and the development of sustainable operational practices. Additionally, it involves identifying and managing ESG-related risks, integrating sustainability into financial strategies and reporting, ensuring legal compliance with sustainability initiatives, and embedding ESG considerations into internal audits. Further, the National Guideline on Responsible Business Conduct (NGRBC), which outlines nine principles for responsible business, emphasizes the importance of ethics, transparency, accountability, employee wellbeing, environmental protection, inclusive growth, and responsible business practices. These principles guide organizations in operating ethically, enhancing employee well-being, protecting the environment, promoting inclusive growth, and ensuring responsible business operations.

- **EU Corporate Sustainability Reporting Directive (CSRD):** The EU CSRD marks a significant advancement in sustainability reporting standards for EU-based companies. Effective from January 5, 2023, the CSRD introduces enhanced regulations for social and environmental disclosures by companies. The directive mandates EU-based companies, including large and listed SMEs, to integrate various sustainability aspects, including environmental, social, human rights, and governance factors, into their reporting frameworks. This expansion of reporting obligations ensures a more inclusive sustainability reporting landscape.

  The primary objective of these updated regulations is to provide investors and stakeholders with crucial information for assessing the societal and environmental impacts of companies. The CSRD plays a pivotal role in advancing transparency and accountability in corporate sustainability practices within the EU.

- **EU Taxonomy Regulation:** It is a fundamental component of the EU's sustainable finance framework and plays a crucial role as a market transparency tool. This regulation serves as a classification system that delineates criteria for economic activities aligning to achieve a net-zero trajectory by 2050, including broader environmental objectives beyond considerations related to climate change.

  This regulatory framework serves as a comprehensive categorisation system, aiding both firms and investors in recognising and understanding environmentally sustainable practices. It significantly impacts corporate governance by mandating companies to align their operations and investment decisions with sustainable goals, effectively embedding environmental factors into their strategic decision-making procedures.

- **Sustainable Finance Disclosure Regulation (SFDR):** The SFDR aims to elevate transparency within sustainable investment markets, mitigating the risk of greenwashing and fostering increased investment in sustainable products. Enforced since March 2021, it became mandatory from January 1, 2023, with potential updates expected after a consultation period in 2023/early 2024.

  SFDR strives to establish fair conditions for both financial market participants (FMP) and financial advisers, emphasising transparency on sustainability risks. It mandates the integration of assessments of adverse sustainability impacts into the investment procedures of these entities. Furthermore, it requires the disclosure of sustainability-related information regarding financial products.

- **Inflation Reduction Act (IRA):** The IRA of 2022, passed in the US, introduces tax credits as incentives for companies to invest in sustainable technologies and practices. The primary goal of this legislation is to redirect corporate investment strategies towards more sustainable and eco-friendly technologies. This, in turn, directly influences governance decisions related to sustainability investments and financial planning.

  Enacted in response to global energy concerns and climate change issues, a key objective of the IRA is to achieve a substantial reduction in carbon emissions, targeting a decrease of approximately 40 percent by 2030. The act offers a comprehensive set of incentives, including grants, loans, and tax provisions, designed to expedite the implementation of various sustainable initiatives such as clean energy solutions, clean transportation, green buildings, and sustainable manufacturing.

  The IRA addresses multiple priorities, including clean energy deployment, electricity grid expansion, domestic clean technology development, electric vehicle adoption, methane emission reduction, building efficiency enhancements, and enhancing the climate resilience of communities, among other priorities.

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Challenges in the path to ESG excellence

- **Decarbonisation challenges:** Despite progress, significant work remains in achieving decarbonisation targets, and failure to do so could have potentially catastrophic consequences.
- **Uncertainties in temperature increases:** Managing uncertainties related to temperature rises beyond 2 degrees Celsius underscores the urgency for coordinated actions to combat climate change and its effects.
- **Transparency and understanding of ethical labels:** Consumers find it challenging to understand how ethical labels on products align with a company's actual practices, leading to uncertainty when making choices.
- **Scope and compliance of ESG reporting:** Meeting evolving reporting standards and ensuring comprehensive coverage of all relevant aspects, including direct and indirect emissions poses a significant challenge.
- **Data integrity and standardisation:** Establishing and upholding uniform regulatory compliance across diverse components is crucial, particularly for publicly traded firms with varying levels of development and investment capacities. This includes preserving data integrity across distinct areas that may not adhere to identical standards.

Key considerations for upholding ESG standards

Some factors considered while upholding ESG standards

- **Standard Operating Procedures (SOP) and data governance:** Establishing SOPs and robust data governance systems to collect and manage ESG data, with a focus on transparency and public availability of this information.
- **Comparative data for stakeholders:** It is crucial to provide stakeholders access to detailed information for comparing a company's ESG report with those of other organisations. These comparative data aid investors and the public in making informed decisions.
- **Blockchain and technology in ESG:** It is also crucial to explore the potential of blockchain technology for supply chain management and environmental impact assessment, and its broader applications in tracking financial transactions.
- **Science-based approach to net-zero targets:** Underlining the crucial role of a science-based approach in achieving a net-zero outcome is essential.
- **Sector-wise targets and carbon border adjustment:** Acknowledging the necessity of setting targets tailored to specific sectors and comprehending the effects of policies such as the Carbon Border Adjustment Mechanism on exports to Europe is crucial.
- **Urgency of climate change:** A quick affirmation is required to address climate change due to its amplification of risks and vulnerabilities in society, including the impact of extreme climate change. For instance, nearly half of India's workforce is susceptible to the of climate change.
- **Building workforce capabilities:** This involves addressing the evolving organisational requirements and functions, especially in industries undergoing significant transformations.

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Enterprise of the future

ESG

Office of CSO

CEOs, as the highest-ranking executives within organisations, find themselves at the forefront of this seismic change, where ESG considerations are influencing their roles and responsibilities. ESG's influence on CEOs can be observed across a host of dimensions. First and foremost, it affects strategic decision-making. CEOs are compelled to consider how their companies impact the environment, society, and governance structures. Decisions regarding product development, supply chain management, resource utilisation, and community engagement must align with ESG principles. This alignment is not merely an option but a strategic imperative in an era where sustainability and responsible business practices are synonymous with long-term success.

Moreover, ESG considerations are changing the way CEOs communicate and report on their company's performance. Transparency and accountability are essential facets of ESG, and CEOs are expected to provide stakeholders with clear, accurate, and comprehensive information about their organisations' ESG efforts.

CEO leadership in Environmental, Social, and Governance (ESG) domains

Environmental: CEOs play a pivotal role in overseeing the direct and indirect impact of a company's operations and its extended supply chain on the natural world. This encompasses critical areas, such as managing greenhouse gas emissions, water conservation, energy efficiency, biodiversity preservation, waste reduction, and ensuring responsible product stewardship.

Social: Leaders are involved in cultivating and maintaining relationships both within the organisation (with employees) and outside (with customers, supply chain partners, and society at large). This involves introducing initiatives for diversity and inclusion, fostering high levels of employee engagement, upholding human rights, ensuring workplace health and safety, providing competitive employee benefits, and making strategic community investments.

Governance: CEOs influence decision-making processes ranging from policy development to the equitable distribution of rights and responsibilities among a host of executives and shareholders. Key aspects include promoting board diversity, upholding robust corporate governance standards, ensuring robust IT and cybersecurity measures, prioritising compliance, and transparent disclosure practices, and overseeing comprehensive risk management protocols.

Key challenges in ESG and sustainability management seen across different departments of an organisation

Below are some of the indicative (non-exhaustive) challenges that pose significant obstacles for CEOs:

- **Goals and aspirations**
  - Setting and achieving ambitious yet realistic ESG targets
  - Balancing long-term priorities with short-term financial pressures
- **Operations**
  - Increasing operational efficiency for a more resource efficient business
  - Transitioning from conventional fuels to green energy while not disrupting current operations
- **Product stewardship**
  - Balancing the development of environmentally friendly products/services keeping commercial viability in mind
  - Balancing cost considerations with sustainable sourcing objectives
  - Integrating ESG considerations into innovation and venturing activities
- **Organisational culture**
  - Aligning community investment with organisational goals,
  - Promoting DEI initiatives in the workplace
  - Improving the state of employee well-being, and ensuring increase in productivity
- **Public relations**
  - Avoiding allegations of greenwashing while shaping a credible external branding strategy
  - Navigating the delicate balance between genuine social advocacy and potential accusations of tokenism

Considerations for upholding ESG standards

The CEO should consider implementing various solutions that provide a thorough approach to transparent and automated ESG reporting. These solutions enable customisation of metrics and feature interactive visualisation dashboards in line with the organisation's ESG strategy.

- Integration of effective sustainability policies for strategic decisions in the organisation.
- Evaluating impact of climate risks and identifying and mitigating them with regular monitoring.
- Implementing circular economy principles as an organisation value to foster use of sustainable resources and reduce waste.
- Crafting authentic green product branding that resonates with consumers while ensuring transparency in sustainability.
- Ensuring ESG compliance throughout the supply chain and managing diverse suppliers and associated risks.
- Developing higher levels of employee awareness and engagement in sustainability initiatives in the organisation.
- Implementing no-touch reporting to automate ESG data collection and reporting.

Enterprise of the future
ESG

Office of CFO

The role of a CFO has undergone significant transformation over the years, extending beyond traditional financial management to encompass a broader spectrum of responsibilities, including the consideration of ESG factors. In recent times, the importance of ESG factors has gained prominence in the corporate world, driven by a growing recognition of the interconnectedness between business operations and the broader social and environmental contexts in which they operate. This shift is not only influenced by ethical considerations and societal expectations, but also by the tangible impact ESG practices can have on a company's long-term sustainability, risk management, and financial performance.

For CFOs, this changing landscape poses both challenges and opportunities. On one hand, they are tasked with managing the financial health of the organisation, ensuring profitability and stability. On the other hand, they are increasingly expected to integrate ESG considerations into their financial strategies, reporting, and decision-making processes. This dual role requires a nuanced understanding of how ESG factors can impact financial outcomes, and the ability to navigate the complex terrain of sustainability initiatives, regulatory frameworks, and stakeholder expectations.

The CFO's contribution to achieving ESG excellence

ESG considerations are poised to have a profound impact on the finance function across several critical dimensions including governance, workforce, operational processes, and data and technology systems. It is imperative for CFOs to proactively assess how ESG regulations will affect their organisations. According to the Deloitte CXO survey 2023, the results underscore the significance of ESG initiatives:

- About 65 percent of surveyed businesses anticipate that their ESG initiatives will bolster the overall value of their enterprise.
- Nearly 27 percent of businesses say they consider ESG issues in every capital allocation decision while a further 36 percent say they often do so.
- Close to 40 percent of respondents explicitly recognise ESG as a potent source of competitive advantage and an avenue for creating additional value.

The CFO, as a pivotal figure in the realm of climate and sustainability efforts, takes on a multifaceted role that encompasses both visionary strategist planning and hands-on operator responsibilities. This multifaceted role involves a comprehensive approach across each critical aspect:

- ESG risk assessment and reporting
- Managing the organisation's carbon footprint
- Engaging with stakeholders
- Supply chain sustainability oversight

Considering the evolving ESG landscape, CFOs are at the forefront of aligning financial strategies with ESG objectives, thereby contributing to the organisation's long-term success and resilience in an increasingly sustainability-focused business environment.

Challenges in upholding ESG standards

Some of the challenges that CFOs face in upholding ESG standards are mentioned below:

- **Driving the finance towards sustainable project:** Today, CFOs are not only expected to ensure the value creation for their stakeholders but also do so in a sustainable manner. As a result, one of the top challenges being faced by the CFOs is directing the finance towards sustainable projects while ensuring the value creation for their stakeholders.
- **Regulatory compliance and reporting complexities:** The rapidly evolving landscape of the ESG regulations (such as BRSR and CSRD) and the increasing demand of stakeholders for ESG-related disclosures in line with different reporting frameworks, pose a significant challenge for CFOs in meeting stakeholder expectations as well as ensuring the company's compliance with regulations.
- **Access to reliable ESG data and metrics:** Identifying the key data metrics and collating the accurate and reportable data in line with the requirements of ESG frameworks is one of the key challenges identified by the CFOs. Furthermore, with the evolving demand for reasonable assurance, ensuring the credibility and traceability of the data also poses another challenge.
- **Identifying ESG priorities and setting ESG goals:** Another key challenge that is being faced by the CFOs is identifying the key ESG priorities in line with the evolving sustainability landscape and setting realistic and measurable targets which are not only in line with the industry standards but are practical so that they don't result in greenwashing.

Suggestions for improvement

Here are some suggestions for CFOs to enhance their efforts in maintaining ESG standards:

- **Unlocking sustainable finance instruments:** With the world's attention on investing in sustainable projects, there are several financing options available today. These include Green Bonds, Green Loans, Carbon Credits, Internal Carbon Pricing, and Sustainable Stock Exchange. By implementing mechanisms to access these financial instruments, CFOs can enhance the feasibility of sustainable projects within their organisations.
- **Understanding stakeholders' expectations:** With the constantly evolving ESG regulatory landscape, along with multiple non-financial reporting frameworks, CFOs must constantly engage with their stakeholders and be cognisant of their expectations to ensure precise and concise disclosure of their non-financial performance.
- **Integrate data management system:** Developing an integrated data management system as well as availability of credible data can help CFOs in meeting the stringent assurance requirement, along with monitoring the company's performance.
- **Undertaking materiality analysis:** Undertaking regular materiality analysis to assess the outside-in and inside-out view will allow CFOs to identify the key priorities.
- **Setting science-based targets:** Setting real and measurable targets backed with scientific rationale and in line with global standards, such as SBTi, will allow CFOs to ensure the practical and realistic targets that are acceptable to stakeholders as well.

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> "CFOs serve at the heart of the enterprise with a unique line of sight across the business."

Enterprise of the future
ESG

Office of RCC

Managing RCC in ESG is crucial for organisations to navigate climate-related challenges. By focusing on risk management and responsible governance, organisations can tackle climate risks, encourage sustainable practices, and ensure transparency and accountability for long-term sustainability.

Climate-related risks in ESG

- **Physical risk:** Tangible and immediate hazards presented by extreme weather events, the rise in sea levels, and shifts in temperature. These risks have the potential to cause harm to property, the destruction of infrastructure, and pose a threat to human lives, thus emphasising their pivotal role in strategies designed to adapt to and mitigate the effects of climate change.
- **Transitional risk:** Financial risks that may arise during the shift towards a more environmentally sustainable, low-carbon, and circular economy. These risks can be triggered by factors such as alterations in climate and environmental policies, advancements in technology, or shifts in market sentiments and preferences.
- **Liability risk:** Consequences for banks, including legal issues related to the disclosure of climate risks and their practices.

Key drivers of risks in climate change

Physical risk drivers are:

- **Vulnerability:** Conversion of the intensity of a hazard into anticipated risk or harm for assets and systems that are exposed. It is affected by variables such as construction standards, building regulations, and various socio-economic factors.
- **Hazard:** The hazard linked to each risk that a region faces is influenced by climate change and other environmental factors.
- **Financial, social, and macroeconomic:** The mechanisms by which both direct and indirect losses occur at the financial or macroeconomic level are influenced by various transmission channels.
- **Exposure:** The risk exposure determined by the geographic location of assets and systems is influenced by factors such as population growth, economic changes, and migration.

Transitional risk drivers are:

- **Climate policies:** Under the Paris Agreement, the participating nations committed to implementing actions aimed at reducing Greenhouse Gas (GHG) emissions. These actions include the adoption of energy transition policies, the enforcement of pollution control regulations, the implementation of resource conservation policies, and the provision of public subsidies.
- **Investor sentiment:** Investor awareness and expectations regarding climate change are on the rise, both among equity and debt investors.
- **Technology:** Technological advancements in energy efficiency, low-carbon transportation, and the adoption of non-fossil fuels and other emission-reducing technologies are essential to achieve policy objectives.
- **Consumer sentiment:** A shift in consumer behaviour toward environmentally friendly consumption would lead to changes in areas such as transportation, manufacturing, and energy usage, promoting climate-friendly practices.

Potential financial implications of climate-related risks

Understanding both physical and transition risks associated with climate change is essential for assessing the following potential financial impacts on businesses and industries:

- Production/operation disruptions (for example – power, transportation, worker availability)
- Supply chain disruptions
- Physical damage to assets (and raising insurance costs)
- Changes in resource/input prices (for example, water, energy, food)
- Changes in demand for products/services

Building a sustainable supply chain in the face of climate change and disruptions

Climate change-related disruptions can affect the stability and reliability of supply chains, leading to material shortages, and delays in production or delivery, ultimately affecting the organisation's profitability and customer satisfaction. This gives rise to the concept of a sustainable supply chain. It refers to the integration of environmentally and socially responsible practices throughout the entire supply chain, from raw material sourcing to production, distribution, and disposal. This holistic approach encompasses various key aspects:

- **Circular economy:** It involves designing products and supply chains with the intent to recycle, reuse, or repurpose materials and products at the end of their life cycle, thus creating a closed loop.
- **Transparency and traceability:** Companies need to be transparent and traceable about their supply chain operations. They need to ensure ethical practices are conducted in their operations.
- **Stakeholder engagement:** Stakeholder engagement is a critical component of building sustainable supply chains as it helps companies understand their sustainability expectations and concerns.
- **Initiatives and Standards:** Companies must comply with local and international protocols and standards related to environmental protection, labour rights, and other sustainability issues. Some initiatives and standards are as follows:
  - United Nations Sustainable Development Goals (SDGs): The SDGs, a collection of 17 global goals adopted by all United Nations member states, include objectives that directly pertain to sustainability in supply chains.
  - ISO 14001: This international standard outlines requirements for an environmental management system, helping organisations identify and reduce their environmental impact, including those in their supply chains.
    - **Carbon Disclosure Project (CDP):** It gathers and shares data on companies' environmental footprints, encompassing emissions within their supply chains, to promote transparency and accountability.
    - **Global Reporting Initiative (GRI):** GRI provides a framework for reporting on sustainability performance, including supply chain-related issues.
    - **Circular economy initiatives:** Multiple countries and regions are endorsing circular economy principles, urging businesses to prioritise the design of products and supply chains with recycling and reuse in mind.
- **Environmental responsibility:** It involves minimising waste, conserving resources, and reducing greenhouse gas emissions in supply chain operations.
- **Sustainability risk and mitigation:** Organisations face distinct supply chain challenges in the upstream, downstream, and operational stages, which often exist independently. To effectively manage these challenges, organisations must implement targeted sourcing strategies that address each issue individually and comprehensively.

Typical roadmap

A typical climate risk mitigation roadmap will have the following elements:

- **Business model and strategy:** Businesses need to establish a vision and assess their business models.
- **Benchmarking and regulatory landscape scanning:** Businesses need to conduct benchmarking exercises, gap analysis, and assess regulatory expectations.
- **ESG framework:** Businesses need to build an internal control framework, define the roles and responsibilities of key owners of climate risk, assess the training requirements of staff, and develop training modules on ESG issues.
- **Risk measurement and mitigation:** Businesses need to conduct emissions baselining, setting net-zero targets and building decarbonisation strategies.
- **Disclosure:** They need to monitor their progress and report it to different stakeholders in standards such as TCFD, BRSR, GRI, and SASB.
- **Stress testing and scenario analysis:** They need to do climate risk modelling and calculate stress loss under various scenarios (especially for banks and financial institutions).

Enterprise of the future
ESG

Office of CHRO

The CHRO supervises and enables effective governance of talent practices within an enterprise. The tasks include hiring suitable professionals, employee development, performance management, compensation/benefits, and driving an overall organisational culture. The emergence of ESG as a major expectation from organisations has had a profound influence on the CHRO's role. CHROs are required to own ESG objectives and drive key initiatives that include:

- Formulating hiring/onboarding strategies devised around professionals who possess skills relevant not only to the organisation's workflow but also to ESG practices.
- Initiating employee programmes focused on aspects such as equal pay and sustainable workspace practices.
- Creating a suitable plan for nurturing and promoting a diversified and inclusive employee environment across the enterprise.

The CHRO, as someone who also acts as the conscience keeper of an organisation, needs to enable constant review of governance processes and policies. It is eventually the CHRO's role to ensure that the culture of good and ethical governance is thoroughly incorporated into every decision, process, or policy.

The CHRO is also responsible for monitoring and measuring the decisions of executives, in line with the enterprise-level ESG framework. As a best practice, companies incentivise the executives to implement conducive ESG decisions that reflect the impact created. It can be determined by a Performance Management Plan, which outlines certain environmental and social parameters to assess the range of decisions being taken and implemented for ESG.

Challenges encountered by CHROs

Below are some of the hurdles encountered by CHROs when it comes to upholding ESG standards:

- **Supply and demand discrepancy:** Recognising that the demand for proficient ESG professionals currently exceeds the available supply. This is largely due to the recent surge in the prominence of the ESG field.
- **Metrics vs. real impact:** As the CHRO measures the CXO performance via certain metrics, there exists a degree of uncertainty regarding the accuracy of certain metrics (or the parameters) when it comes to evaluating the actual impact of ESG initiatives.

Key considerations for upholding ESG standards

Here are some factors that CHROs should consider or deal with:

- **Role of HR in climate transformation:** It emphasises the critical role of HR and people leaders in preparing organisations for rapid ESG transformation, including the requirement and roadmap for confident and capable leadership.
- **Aligning sustainability with talent strategies:** Incorporating sustainability objectives into talent management strategies is imperative for both attracting and retaining top-tier talent, all the while advancing ESG initiatives.
- **Engagement of the broader workforce:** It is crucial to emphasise the importance of involving the broader workforce in designing work processes aligned with ESG goals, along with engaging with vendors for sustainable practices.

Case study

Objective: The leading multinational Alco-Bev Company's HR leaders adopted certain steps to align its Performance Share Plan with ESG metrics for long-term business sustainability.

Equal weightage to ESG metrics: Employed a balanced approach by assigning equal weightage to four core ESG metrics for its CXOs. A balanced distribution ensures a comprehensive assessment of the company's ESG performance.

- **Reduction in carbon emissions:** Established a target, based on the absolute volume of carbon emissions measured in 1,000 tonnes. It aimed at reflecting the company's commitment to mitigating its environmental impact and contributing to global climate goals.
- **Positive change in attitude towards underage drinking:** Acknowledging the societal responsibility in combating underage drinking, it actively participates in education programmes, encourages pledges, and extends its brand reach to young people, parents, and teachers.
- **Diversity and inclusion:** Targeted a certain percentage of females in global leadership positions and the percentage of ethnically diverse leaders in specific regions, with the commitment to fostering an inclusive work environment.
- **Annual target setting and pay-out computation:** Conducted annual target-setting exercises to evaluate its performance against the predefined ESG metrics, ensuring a systematic and transparent approach to performance evaluation.

Payouts under the Performance Share Plan are contingent on achieving the specified ESG targets. Thereby, the company showcased a forward-thinking approach towards sustainable business practices. It reinforced the company's commitment to long-term value creation for stakeholders and the environment.

Enterprise of the future
ESG

Office of CMO

The CMO acts as a pivotal executive in any organisation and is responsible for driving marketing strategies, brand development, customer engagement, and overall market positioning. In recent years, there has been a growing recognition of the impact of ESG considerations on various facets of business, including marketing. This paradigm shift is transforming the role of the CMO and influencing how companies approach marketing and brand management.

The impact of ESG on the CMO's role is substantial. They are tasked with developing and implementing marketing strategies that authentically reflect the organisation's commitment to ESG principles. This may involve highlighting environmentally friendly practices, showcasing social impact initiatives, and demonstrating sound governance practices in communications and campaigns.

ESG trends: Navigating a dynamic landscape for sustainable business growth

- **Consumer cost as a barrier to sustainable products:** The cost factor is a significant hurdle in encouraging shoppers to embrace sustainable products, as indicated by 41 percent of global shoppers. Consumer preferences are influenced by the perceived cost of sustainable options.
- **Youth and sustainable product preferences:** Gen Z and millennial consumers are at the forefront of the growing market demand for eco-friendly and ethically produced products, demonstrating a greater readiness to invest in sustainable options. According to Deloitte's analysis, there is a significant preference among Gen Z (39 percent) and millennials (42 percent) to allocate additional funds for sustainable products, surpassing the inclination observed in Gen X (31 percent) and Boomers (26 percent). This highlights the business opportunity for brands catering to the sustainability preferences of younger generations.
- **Transparency and ethical practices:** Transparency in ESG frameworks, particularly in legal, ethical, and fair labour practices, is crucial. However, consumers find it challenging to assess ethical labels. Brands such as Patagonia set a high bar for transparency. In Deloitte's analysis, 66 percent of shoppers express a willingness to transition from their usual brand to an alternative one that offers more comprehensive product information.
- **Turning trash into treasure:** Implementing recycling and waste reduction initiatives can be a strategic move for businesses, not only contributing to environmental sustainability but also driving sales and fostering brand loyalty.
- **Diverse and inclusive marketing:** Implementing diverse and inclusive marketing strategies serves as the secret sauce for broadening audiences and significantly boosting sales. Deloitte's analysis indicates that 42 percent of shoppers are willing to pay a premium of 5 percent or more when patronising a retailer dedicated to inclusion and diversity, underscoring the economic impact of such commitments.
- **Generational shift:** Generational divergence in investing goals between Millennials and Boomers is prompting banks and investment firms to reconsider their models. Notably, 66 percent of millennial and Gen Z investors express the expectation that their investments should align with Environmental, Social, and Governance (ESG) concerns. Moreover,

they are willing to accept potentially lower returns in their pursuit of ESG goals, signalling a significant shift in investment preferences towards sustainability and ethical considerations.

- **Greenwashing:** Greenwashing, by creating a deceptive image of environmental responsibility, erodes consumer trust. This betrayal of trust acts as a catalyst, compelling consumers to boycott and switch allegiances. Brands engaged in greenwashing practices face the real risk of losing a significant portion of their customer base, as consumers are increasingly inclined to cease purchasing from companies found guilty of deceptive environmental claims.

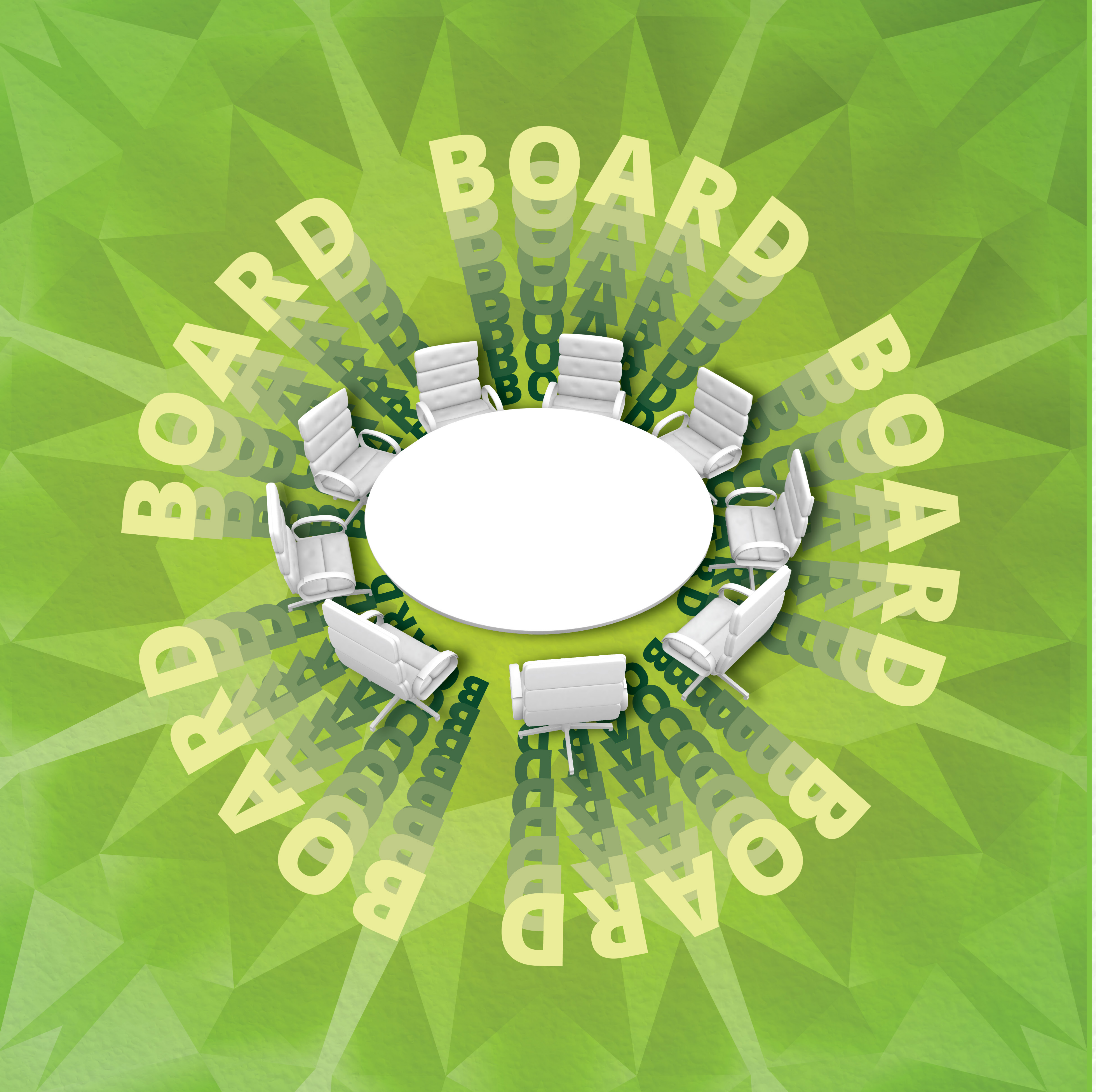
ESG journey is no less than a transformation

The intricate landscape of ESG is evident as businesses increasingly acknowledge climate change as a pivotal concern. Stakeholders, influenced by both direct and indirect interests, advocate for the adoption of environmentally responsible practices. The younger generation, represented by Gen Z, actively seeks corporate alignment with ESG principles. The emphasis on "green finance" and organisations investing in sustainable initiatives reflects a growing commitment to reducing carbon footprints. The importance of evaluating vendors and partners based on their ESG performance is gaining prominence, recognising their significant impact on an organisation's ESG rating. Measuring and controlling ESG aspects in vendor relationships is critical for achieving sustainability goals and showcasing the interconnectedness of business networks.

Climate change takes centre stage in ESG discussions, emphasizing the urgency of addressing it to avert future financial and environmental challenges. The economic impact of proactive measures against climate change, with potential benefits of US$11 trillion, exemplifies the tangible advantages of such initiatives. However, professionals in the field face challenges in ensuring data integrity and compliance, particularly in publicly listed organisations, where harmonising and regulating diverse data sources is crucial.

From a regulatory standpoint, India is broadening its approach to ESG through frameworks such as Business Responsibility and Sustainability Reporting (BRSR) and Business Responsibility and Sustainability (BSR). These frameworks emphasize that ESG is not a compartmentalised concept but spans various organisational aspects, showcasing India's commitment to shaping the ESG landscape and incorporating sustainability into corporate governance.

ESG is evolving beyond mere compliance, becoming an avenue for opportunities and growth. Companies are shifting toward leveraging ESG for business advantage, emphasizing the establishment of Standard Operating Procedures (SOP) and robust data governance systems. Transparency for investors and the public is paramount, and technology, including AI and GenAI, plays a crucial role in achieving traceability and accountability in evolving reporting standards such as BRSR. The integration of blockchain technology for supply chain management highlights its broad applications and ability to connect with experts, showcasing the transformative potential of technology in advancing ESG goals.



Enterprise of the future

ESG

Board implications

The role of the Board in the context of ESG has become increasingly pivotal as the business landscape grapples with multifaceted challenges. Boards have a key role in providing strategic oversight as the businesses integrate ESG considerations into the company's long-term strategies and plans. In a world where climate change is already manifesting its impact and where governments are recognising the urgency of the situation, the Boards play a crucial role by providing unbiased perspectives and ensuring that ESG goals align with the overall corporate strategy.

Their role, therefore, becomes important, in driving constructive discussions because ESG is not divorced from business strategy.

- As Vision Provocateurs, board members inspire the organisation to think boldly, act responsibly, and pave the way for a sustainable future. Board members are expected to bring a forward-thinking perspective to the table. They should advocate for ambitious and bold goals, urging the organisation to reach beyond conventional boundaries. Board members play a crucial role in aligning long-term sustainability objectives with the overarching vision of the organisation, ensuring that environmental responsibility is integral to its mission. Their role also extends to fostering a culture of innovation by encouraging fresh and inventive approaches to addressing climate challenges.
- As Guardians, Board members must take on the role of meticulously evaluating climate-related risks while also identifying opportunities that stem from sustainable practices. Staying well-informed and up to date with the ever-evolving landscape of environmental regulations is a paramount duty, ensuring that the organisation remains in compliance and adapts to emerging standards effectively. Moreover, board members must exercise rigorous oversight over communication about the organisation's ESG goals and disclosures. By diligently focusing on these aspects, they contribute significantly to the company's resilience in the face of climate challenges, safeguarding its reputation and long-term viability.
- As a Culture and Talent cultivator, Boards need to actively incorporate ESG considerations into all talent-related decisions. This encompasses recruitment, promotions, and the nurturing of talent, ensuring that sustainable and responsible practices are ingrained in every aspect of talent management. They serve as catalysts for ESG awareness and readiness, not only within the board itself but also among the broader management team. By fostering a culture that places a high premium on ESG values and ensuring that both the board and management are well-prepared to embrace these principles, they contribute significantly to cultivating a sustainable and responsible organisational ethos.
- As Torchbearers of ethical business practices, board members carry the responsibility of upholding a standard of unwavering integrity. This encompasses two pivotal roles: firstly, diligently fostering an environment where ethical conduct is paramount, ensuring that the organisation's actions consistently align with the highest moral standards. Secondly, board members actively engage with stakeholders to build trust and address their concerns, recognising that trust is the cornerstone of enduring relationships.
- As Crisis Compass, board members hold the responsibility of guiding the organisation through the evolving landscape. They can achieve this by actively evaluating transitory risks associated with climate change, ensuring that the organisation remains agile and prepared to respond effectively to unforeseen challenges. Board members also need to play a vital role by asking the right questions to assess the organisation's readiness to navigate a climate or social crisis, fostering a proactive and forward-thinking approach. Additionally, they act as a compass for the CEO and executive team, providing guidance and strategic direction during times of crisis, ensuring that the organisation remains steadfast in its commitment to climate resilience and sustainability.

Challenges for Board members in overseeing ESG matters

- Organisations struggle to meet the diverse expectations of stakeholders and regulatory bodies regarding ESG disclosures. Balancing these often-competing interests can be challenging for the management, compelling the Boards to navigate this intricate landscape with strategic finesse and ethical discernment.
- As ESG regulations evolve, Board members may face the challenge of keeping pace with the latest regulatory changes and learning about their implications across different sectors.
- Aligning organisations with the trajectory needed to achieve net-zero emissions by 2050, a critical ESG target, requires a robust level of knowledge that the Boards will need to equip themselves with.
- Balancing compliance with the regulatory changes and building sustainable products and processes while maintaining competitiveness poses a challenge and Directors will have to play their part in of steering the organisation strategies in the right direction.
- Despite increasing sustainability awareness, many Indian consumers still prioritise affordability over eco-conscious choices. Organisations grapple with the challenge of convincing consumers about the sustainability of both the product and brand, navigating a delicate balance between economic factors and the call for sustainable practices.

Key considerations

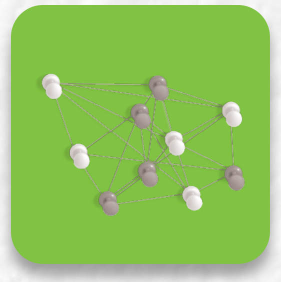
- **Changing regulatory landscape:** Boards are expected to stay updated on regulatory guidance, such as SEBI's recommendations and other global disclosures. Aligning these guidelines with the organisations' vision is crucial for effective ESG governance.
- **Board competence and learning:** One of the key considerations is assessing whether boards are adequately equipped to make decisions regarding competence in ESG. assurance. Cultivating a learning culture within the boardroom becomes paramount for effective ESG governance.
- **Tailored approaches:** Boards need to recognise that Diversity, Integrity, and Inclusion definitions can vary across regions. They should support the adoption of tailored approaches that align with the specific ESG needs and goals of their organisations.

Enterprise of the future
ESG

Office of CIO (Digital)

In today's rapidly evolving business landscape, CIOs play a pivotal role in shaping an organisation's technological strategies and digital transformation initiatives. The growing emphasis on ESG factors has prompted CIOs to broaden their scope of responsibilities beyond traditional IT functions, incorporating sustainable and ethical practices into their strategic agendas.

As organisations increasingly recognise the imperative to operate in a socially and environmentally responsible manner, CIOs find themselves at the nexus of this transformation. As technology's leading executive, they now bear the responsibility of aligning technology strategies with broader corporate sustainability objectives. This evolving landscape presents a unique set of challenges and opportunities for CIOs, necessitating a revaluation of how technology is leveraged to foster a more responsible and resilient digital infrastructure.



Implementation areas

- **Data architecture for ESG (Governance):** Building data architecture tailored for ESG that involves defining data governance policies, ensuring data integrity, and implementing frameworks for collecting and managing ESG-related data.
- **Transparency in reporting:** Implementing systems and processes that facilitate clear, accurate, and timely disclosure of ESG-related information building trust amongst stakeholders and showcasing the organisation's commitment to responsible business practices.
- **Greener IT (Tracking measurable):** Transitioning to a more sustainable IT infrastructure is a strategic imperative that minimises environmental impact, such as energy-efficient hardware, virtualisation, and cloud computing. Tracking and measuring the environmental footprint of IT operations is key to achieving greener outcomes.
- **Supply chain traceability:** Establishing end-to-end traceability in the supply chain is crucial for ESG compliance by leveraging blockchain or advanced ERP systems to track the journey of products from sourcing to delivery.
- **Scope and data capture:** Defining the scope of ESG initiatives and capturing relevant data is foundational, with the implementation of tools and systems to capture data points related to ESG metrics. This ensures comprehensive coverage and enables meaningful analysis.
- **ESG as a service (monetisation and operationalisation):** Transforming ESG initiatives into valuable services is a forward-looking strategy. CIOs should explore opportunities to monetise ESG-related offerings, creating new revenue streams while operationalising ESG principles within the business. This may involve developing proprietary ESG tools or platforms.
  - Additionally, CIOs can evaluate their data exchange standards and practices, as their partners hold them accountable for sustainability efforts. Also, certain KPIs and reporting criteria for partners and suppliers to transparently monitor metrics quarterly.

Challenges

- Integrating new technologies, such as QR-enabled apps or blockchain into existing processes may require significant time and resources.
- Navigating complex regulatory environments and ensuring compliance of technology with evolving ESG policies can be demanding.
- Over-reliance on government support without a proactive internal strategy could lead to dependency and lack of innovation.
- Setting overly ambitious ESG targets for technology implementation and resource allocation without a realistic plan could lead to disillusionment.

> "We might not meet our sustainable goals, but it is important that we do our best for the next generation."
> **- Aditya Puri (Former CEO of HDFC Bank)**

Key opportunities for CIOs

- **Implementing a holistic, integrated data and insights programme to measure and drive environmental sustainability:** Spearheading several data and insights programmes to effectively measure and advance environmental sustainability efforts across the organisation.
- **Leveraging a sustainability-driven tech strategy:** CIOs can harness the opportunity to adopt a tech strategy that prioritises sustainability. It integrates eco-conscious technologies and practices into the organisation's IT infrastructure and operations.
- **Driving transparency and accountability in the value chain:** CIOs can utilise blockchain technology to establish unchangeable records of supply chain transactions, assuring ethical sourcing practices, and a reduced environmental impact of production processes.

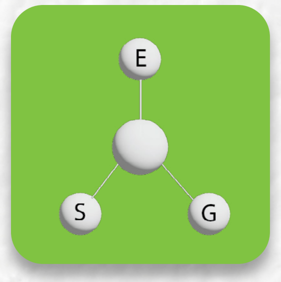
Considerations for upholding ESG standards

- Investing in advanced reporting and analytics tools, that can enhance transparency and compliance.
- Conducting regular assessments and adjustments to ESG strategies based on performance data is crucial for long-term success.
- Providing transparent reporting on ESG objectives that are aligned with CSR initiatives, providing necessary information, and building trust with stakeholders.

Enterprise of the future
ESG

Office of Tax

Incorporating ESG principles into business operations has gained significant importance in today's global landscape. The alignment of tax policies and incentives with ESG goals has emerged as a critical aspect of this shift. In this evolving landscape, businesses are advised to include tax planning early in the development of ESG initiatives, recognising that these costs may not necessarily be passed on to customers. Furthermore, tax transparency, responsible tax behaviour, and fair tax contributions are becoming integral to corporate governance and accountability, emphasising the importance of tax alignment with ESG principles.



Placement of tax within "E", "S" and "G" of the ESG agenda:

The role of devising ESG strategy cannot be underestimated.

- **Environment:** Tax policies often influence environmental behaviour. Tax incentivisation and disincentivisation are widely used by governments of both developed and developing countries to address environment-related challenges.
- **Social:** Responsible tax practices ensure that companies contribute their fair share to society, address social needs, and promote overall well-being.
- **Governance:** Tax governance is a crucial part of a company's overall governance, and aggressive tax avoidance can raise concerns about the company's integrity and accountability. Companies with transparent and responsible tax practices are more attractive to investors.

Current developments in the ESG landscape

Though ESG is still evolving, there has been considerable progress in terms of the introduction of new regulations, tax incentives and other policies on ESG front. Here are significant advancements in the contemporary ESG scenario when viewed from the lens of taxation.

- **Carbon Border Adjustment Mechanism (CBAM) in the EU**
  CBAM initially focuses on certain sectors, including energy-intensive industries like cement, steel, aluminum, fertilisers, and electricity generation. These sectors are considered at a higher risk of carbon leakage due to their significant greenhouse gas emissions. The implementation of CBAM is a phased process. The European Commission has outlined a gradual approach, with a pilot phase starting in 2023 for selected sectors. CBAM could lead to a 20-35 percent tax on specific imports that have not been produced through environmentally friendly processes from 2026 onwards.
- **Supply chain**
  There is an increase in the supply chain restructuring among the corporates as they set to march towards their ESG

goals. It is mainly from the perspective of enhancing efficiency, reducing costs, promoting ethical sourcing, capturing new opportunities, reducing carbon footprint and efficient consumption of resources. For instance, a group might consider decentralisation of manufacturing functions to reduce the carbon emissions from transport. Another possible example could be centralisation of logistics and fleet management – to reduce the global emissions footprint of the group and meeting external reporting obligations. With ESG trend gaining momentum, apart from changes to the supply chain and operating models, there are number of changes in the business that might take place such as development of new product or new process, increase in costs or changes leading to cost savings, development of green intangibles and many more. These changes have a direct impact on taxes, and one should embed tax planning right from the decision-making stage of this ESG-led transformation to not only optimise the strategy but also mitigate future tax risks.

- **Carbon credits**
  Each business will have a unique carbon strategy having regard to their products and processes, design and developments, supply chain and feasibility of emission reduction. Carbon trading can be an effective way for companies to reduce greenhouse gas emissions and at the same time, minimise their overall group carbon tax liability. However, it requires careful planning and management of transfer pricing policies for intragroup transactions to ensure compliance with regulations and best practices. From a tax standpoint, there is special taxation at 10 percent for income arising on transfer of carbon credits which are validated by UNFCCC. However, the current framework does not encompass other forms of certificates, such as VERs, which are either taxed as ordinary business income or deemed not taxable at all, categorising them as of a capital nature and received outside the usual course of business.

Green hydrogen

Green hydrogen is produced using renewable energy sources, resulting in minimal or zero greenhouse gas emissions. Key tax considerations in green hydrogen are as follows:

- Duties and indirect taxes levied on the import of solar modules, equipment for the generation of green energy (WOEG), and other capital expenditure items such as electrolysers.
- Additional benefits provided through Free Trade Agreements (FTAs) and programmes that offer deferred payment or full exemption from duties, amongst other incentives.
- Creating a financial strategy for establishing a comprehensive green hydrogen ecosystem, including considerations for structuring legal entities as a single or multiple entities as well as analysing the investment and funding mix.
- Determining eligibility for the corporate tax rate of 17.16 percent for new manufacturing companies and conducting an impact assessment for the acquisition of brownfield assets or projects.
- Government's initiation of a Production-Linked Incentive (PLI) scheme for the manufacturing of green hydrogen and electrolysers.
- Incentives related to investments for establishing green hydrogen or electrolyser manufacturing facilities include investment subsidies, duty and tax exemptions, employment generation subsidies and customised package schemes.

The business community finds consensus in the belief that green hydrogen is a lucrative opportunity attracting significant investments, with the potential to decarbonise businesses and supply chains directly or indirectly. While government policies supporting green hydrogen are welcomed, the current cost is around INR 300 per kilogram. To encourage widespread adoption, additional incentives, including tax relief, are needed to rationalise production costs.

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Tax transparency

Tax transparency is linked to ESG criteria as investors and stakeholders recognise the broader impact of corporate tax practices on society and the environment. Transparent tax practices can influence a company's environmental impact by demonstrating its commitment to sustainability.

Tax transparency has evolved over time, with various regulations and standards being introduced by different countries and regulators.

- **2014:** EU introduced Capital Requirement Directive IV, a transparency initiative for banks and capital markets.
- **2015:** The Organisation for Economic Cooperation and Development (OECD) introduced Base erosion and profit shifting (BEPS) to prevent MNCs from exploiting tax mismatches in the rules to avoid paying tax and provided certain Country-by-country reporting (CbCR) to tax authorities.
- **2016:** His Majesty's Revenue and Customs (HMRC) announced requirements for UK businesses to publish a tax strategy.
- **2019:** The Global Reporting Initiative (GRI) developed a new standard on tax.
- **2020:** WEF's International Business Council released a set of "stakeholder capitalism" metrics, including reporting of taxes paid as a core metric and taxes collected and paid as a recommended metric.
- **2021:** EU agreed to new public CbCR requirements for large businesses, expected to go into effect by 2024.

Tax transparency reporting is not mandatory in India, but it is gaining importance especially for large companies and multinationals. This is due to several factors, including global pressure from investors and regulators, as well as the fact that tax transparency can improve a company's credit rating.

Tax transparency reporting is valued by various stakeholders, including customers, regulators, and investors. There is no one-size-fits-all approach to tax transparency reporting. Companies report not only corporate tax, but GST, royalties, and license fees, which are being paid to get certain rights, to use natural resources.

Key considerations in this respect:

- Organisations need to understand relevant regulations, identify external and internal stakeholders, and collate matters of potential interest concerning taxes.
- They must develop a strategy, plan communication channels, and identify resource needs to implement the strategy effectively.
- Organisations need to set up an effective governance and risk management framework.
- They need to review external reporting objectively and refine strategy through ongoing monitoring.

The above considerations will help businesses evaluate tax transparency reporting in a measured manner that helps build strong governance from ESG score standpoint and at the same time, yield more M&A amenability in future.

Key takeaways

The interplay between tax and ESG is a dynamic landscape that calls for proactive engagement, strategic thinking, and a commitment to sustainability. By integrating tax planning into ESG initiatives, we can collectively contribute to a more equitable, globally aware, and sustainable economy. Here are some key takeaways to encapsulate the essence of the ESG-tax nexus:

- **Identify tax implications of your ESG strategy:** Align the business's ESG goals with tax considerations, emphasising incentives, savings opportunities, and other sustainability benefits. Highlight tax impact of sustainable changes to supply chains including mergers and acquisitions, business models and other strategic shifts for better decision-making.
- **Value chain tax awareness:** Understand tax consequences of operational changes to meet carbon and climate goals. Consider IP ownership, corporate tax, transfer pricing, and VAT/customs impacts for sustainability-related supply chain shifts.
- **Prioritise tax transparency:** Establish accurate KPIs to transparently disclose ESG-related tax matters. Collaborate and engage proactively with policymakers and regulators to influence tax policy.
- **Tax advocacy for sustainability:** Engage with government for policies supporting environmental objectives, such as taxes on plastics and incentives for investment in renewables. Drive tax policies that contribute to sector growth and operate on a level playing field. Tax leaders can leverage opportunities offered by sustainability to transform the business and the tax function itself.

Tax needs to be ready to support the business in new ways to manage the tax consequences for sustainability-related business change and to help tell the company's sustainability story. Tax leaders can leverage opportunities offered by sustainability to transform the business and the tax function itself.

As tax leaders one need to have a broad understanding of these fast-evolving areas of sustainability to distinguish themselves and create value for the business.

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Enterprise of the future
ESG

Office of CSO

CSOs are responsible for aiding in the development, coordination, and communication of an organisation's strategic initiatives and future objectives. Their expertise is essential for guiding the company through market dynamics and ongoing changes. However, the CSO's role is flexible and at times, some of their responsibilities may be assumed by other C-suite executives. In line with current trends, there has been a growing presence of CSOs, primarily driven by the urgency of climate change and the global call for immediate and proactive action by organisations. The limited timeframe for addressing this crisis amplifies the significance of incorporating ESG principles into organisational strategies.

Amidst market volatilities, ranging from shifting geopolitics to disruptions in the global supply chain, CSOs are assigned to create roadmaps for companies to realise holistic growth. Owing to this, ESG becomes an integral framework and practice for CSOs to analyse the market scenario and blend ESG practices to secure future growth prospects.

Strategising ESG implementation

- **Integrating the Chief Sustainability Officer's role with the CSO:** Integrating the Chief Sustainability Officer and CSO roles achieves a balance between sustainability and profitability. For instance, in a locomotive manufacturing company, the CEO also serves as the Chief Sustainability Officer.
- **Inclusion of ESG operations to CSR:** ESG can also be implemented by adding it to an existing function such as CSR, covering the required social impact that the organisation aims to create.
- **Elevating non-financial data to the same level as financial data:** To ensure transparency and uphold proper governance, non-financial data should be given equal significance.
- **Escalating climate-related risks:** It remains one of the main components that is driving several enterprises towards a robust ESG framework adoption.
  - For instance, major mining companies are closely collaborating with steel manufacturers to recognise the existential risk of not decarbonising steel production within the value chain.
  - The strategy formulation also accommodates the future climatic conditions and scenarios that are expected to affect business operations (either operations or logistics).
- **Customer perception:** Customers are placing a growing emphasis on sustainability, prompting companies to prioritise their brand, image, and reputation as responsible organisations.
  - For instance, petrochemical companies are innovating the chemicals used in polymer production, to reach net zero emissions. It is also considered an avenue for reinventing materials and exploring new products and business models.

Conclusion

ESG principles are at the core of corporate strategies, transcending traditional business models to embrace ethical, environmental, and societal considerations. This shift, fuelled by the urgent need to address climate change and social inequalities, has seen companies worldwide integrate ESG into their operations, governance, and strategic planning to ensure long-term sustainability and resilience.

The increasing emphasis on ESG reflects a broader recognition of the interconnectedness of business practices with global environmental and social challenges. Companies are now evaluating their roles and impacts, aiming to align their operations with sustainable practices that not only mitigate risks but also uncover new opportunities for growth and innovation. This transformation is further propelled by evolving stakeholder expectations and a regulatory landscape that demands transparency, accountability, and genuine commitment to ESG principles.

Central to the successful integration of ESG is the role of corporate governance, which necessitates a holistic approach to sustainability.

The Board's role in providing strategic oversight and ensuring alignment between ESG goals and corporate strategy is equally vital. As stewards of sustainability, Board members must navigate the multifaceted aspects of ESG governance, from risk management to stakeholder engagement, embodying a forward-thinking approach that prioritises long-term value creation over short-term gains.

In conclusion, the enterprise of the future is one that recognises the inherent value of integrating ESG principles into every aspect of its operations. This shift towards sustainability is not merely a response to regulatory pressures but a strategic embrace of responsible business practices that contribute to a more equitable and sustainable world. By championing ESG, companies can forge a path to resilience, innovation, and success, ensuring their legacy in a rapidly evolving global landscape. The road to ESG integration is complex, but with commitment, collaboration, and strategic foresight, businesses can lead the charge toward a sustainable future, creating enduring value for all stakeholders.