Deloitte.

ESG preparedness survey report

May 2023

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Foreword

Climate and sustainability: How ESG can support a sustainable future

Climate change is here, and now. Its impact is visible in the rise in extreme weather events across the world, including droughts, wildfires, floods, intense heat waves, and superstorms. The United Nations Office for Disaster Risk Reduction recorded over 7,300 such major events across the world in less than two decades during 2000-2019, which displaced 4.2 billion people and killed 1.23 million.[1]

A key reason for climate change is an exponential rise in human activities leading to increased emissions of carbon dioxide and greenhouse gases (GHG).[2] A significant proportion of such emissions come from industrial activities, with an estimated 79 percent of global GHG emissions coming from namely four sectors—energy, industry, transport, and construction.[3]

The Sixth Assessment Report (AR) published by the Intergovernmental Panel on Climate Change (IPCC) in its latest climate model estimates that the global average temperature is expected to breach the Paris Accord Commitment of limiting global warming to up to 1.5 degrees C (about 3 degrees F) within the next few decades.[4] This has several critical implications since climate ecosystems and human societies are linked inextricably and, if left unchecked, will become an existential threat for humanity.

A key dimension of this threat is economic, translating into organisational risks for organisations ranging from supply-chain disruptions and higher insurance costs, to a range of human capital challenges. An estimated US$2.97 trillion in global economic losses has been attributed to climate change events in 2023 until now.[5] Further, it is estimated that the cost of not tackling climate change can amount to global economic losses of up to US$44 trillion over the next 25 years.[6] Reducing carbon dioxide and greenhouse gas emissions is key to avoid the worst effects of climate change. Organisations must lead this charge towards positive action. The IPCC AR 6 report says GHG emissions must decline 43 percent by 2030 to limit global warming to 1.5°C.[7] Passing this threshold would cause irreversible changes to the climate and unleash frequent extreme weather events across the world, drastically impacting businesses, economies, society, and our way of life at large.

An Environmental, Social and Governance (ESG) framework is both an enabler and an amplifier for organisations to start translating their intent into action. There is also increasing pressure from investors, boards, governments, and consumers to adhere to new ESG disclosure and compliance requirements per the Business Responsibility and Sustainability Reporting (BRSR) guidelines.

Additionally, organisations will need to account for emerging global regulations on sustainable finance, climate disclosures, biodiversity, and social and governance dimensions, including gender diversity and living wages within a couple of years.

ESG is becoming a key licence to operate and conduct business. ESG may appear to be a complicated maze of disclosures and documents to navigate and comply with; however, there is a well-thought-out art and science behind ESG.

At Deloitte, we believe that ESG is an opportunity for organisations to create long-term and sustainable value by introducing new product and service lines, with a lower carbon footprint and net positive planetary impact. Over time, a robust ESG culture will translate into better top line growth, cost reductions, reduced compliance burden,

[1] https://www.undrr.org/publication/human-cost-disasters-overview-last-20-years-2000-2019
[2] https://nca2018.globalchange.gov/chapter/2/
[3] https://report.ipcc.ch/ar6syr/pdf/IPCC_AR6_SYR_SPM.pdf
[4] https://report.ipcc.ch/ar6syr/pdf/IPCC_AR6_SYR_SPM.pdf
[5] https://www.undrr.org/publication/human-cost-disasters-overview-last-20-years-2000-2019
[6] https://ir.citi.com/E8%2B83ZXr1vd%2Fqyim0DizLrUxw2FvuAQ2jOlmkGzr4ffw4YJCK8s0q2W58AkV%2FypGoKD74zHfji8%3D
[7] https://report.ipcc.ch/ar6syr/pdf/IPCC_AR6_SYR_SPM.pdf

increased productivity, and better investment quality and asset optimisation. ESG is a significant value driver and embedding it into an enterprise's operations is a differentiator.

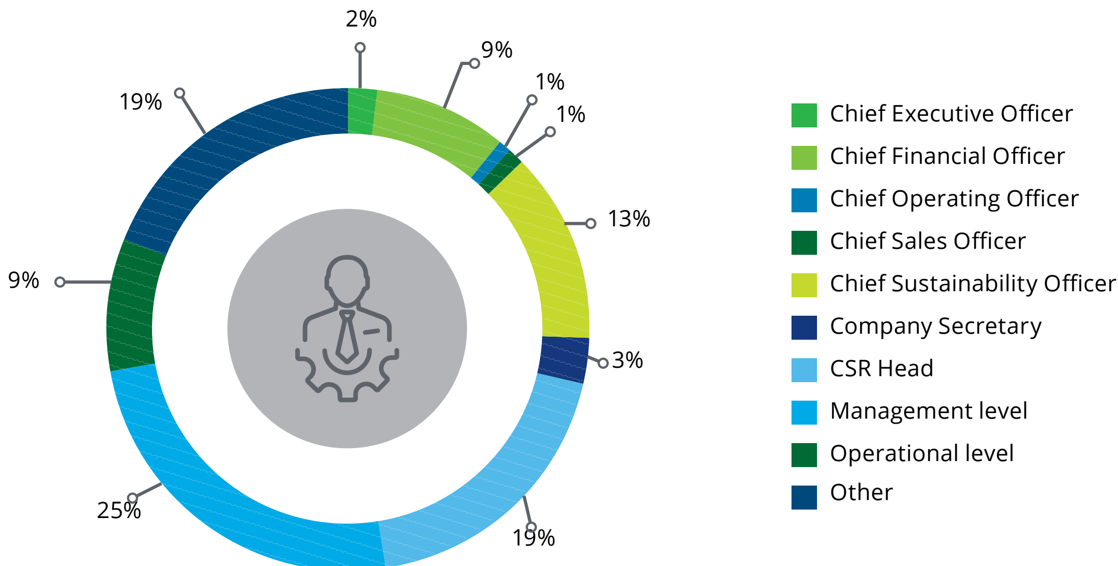
Deloitte Touche Tohmatsu India LLP has carried out a comprehensive ESG preparedness survey. The survey covers 150 organisations and brings together the responses of leaders and CXOs on their preparedness to engage with ESG both from a compliance and disclosure perspective and as new-generation value drivers. A strong ESG strategy is a force multiplier. We hope you will find the report useful in planning your strategic growth journeys for a sustainable business.

Approach and methodology

Deloitte Touche Tohmatsu India LLP (Deloitte India) undertook this survey to gauge organisations' preparedness levels on ESG requirements (policies, regulations, disclosures, and compliances) and examine their ESG efforts and strategies.

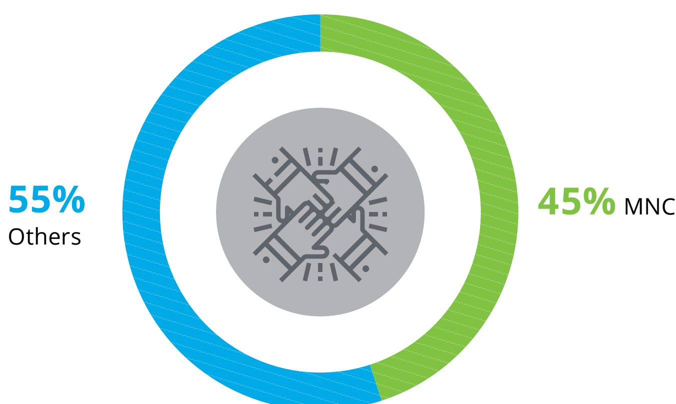
The survey was rolled out to 150 organisations across the country and the respondents included Chief Executive Officers (CEOs), Chief Financial Officers (CFOs), Chief Sustainability Officers (CSOs), Corporate Social Responsibility (CSR) heads, and management and operations executives.

Respondents' Designation

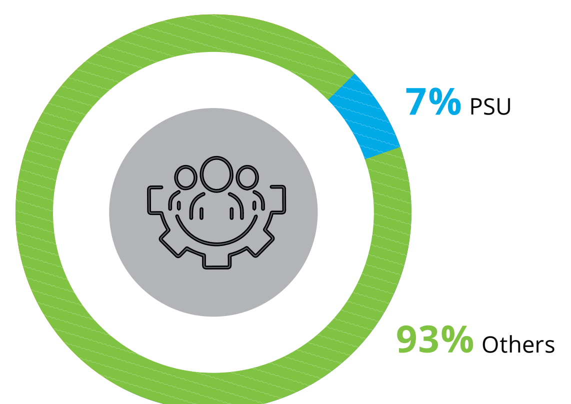


In the survey, **more than 70 percent organisations were listed in India.** Out of the 150 organisations surveyed, 67 were multinational corporations (MNCs). Moreover, 7 percent respondent organisations identified as Public Sector Undertakings (PSU).

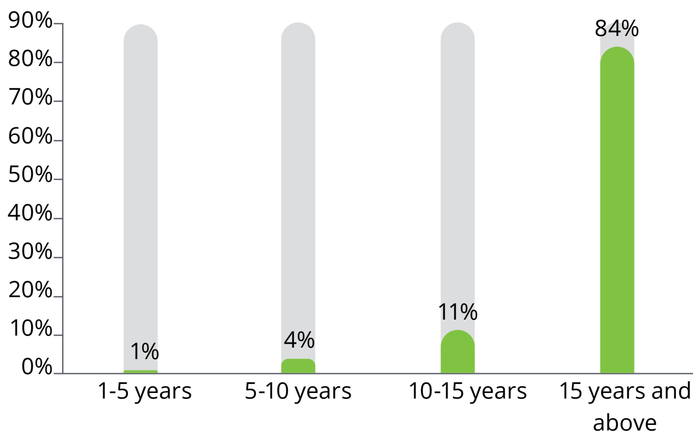
Percentage of respondents from multinational corporations (MNCs)?

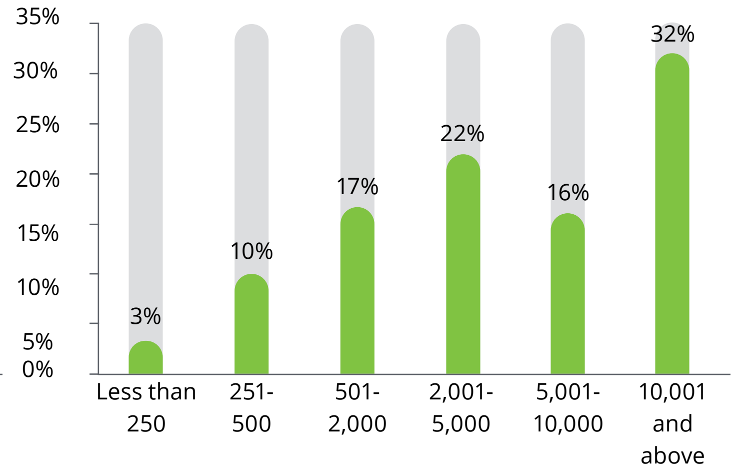


Percentage of respondents from public sector undertakings (PSUs)?



A majority of the surveyed organisations have been in existence for 15 years or more, while 15 percent were aged between 5 and 15 years. More than half of the surveyed organisations had an employee headcount between 500 and 10,000, while **32 percent organisations reported having over 10,000 employees.**



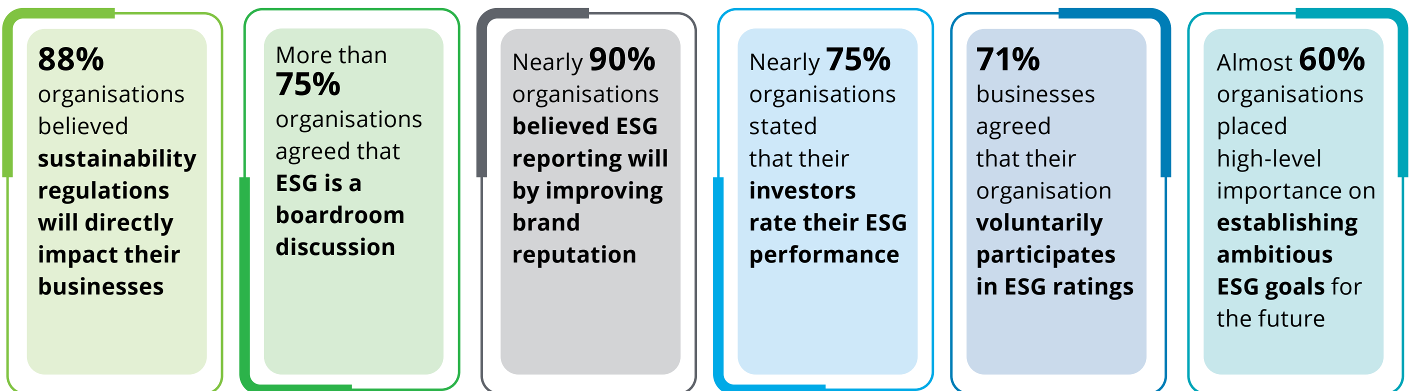


The survey results were analysed, and the insights generated have been compiled and presented in this report to help India Inc. assess the maturity of current and future ESG programmes and initiatives.

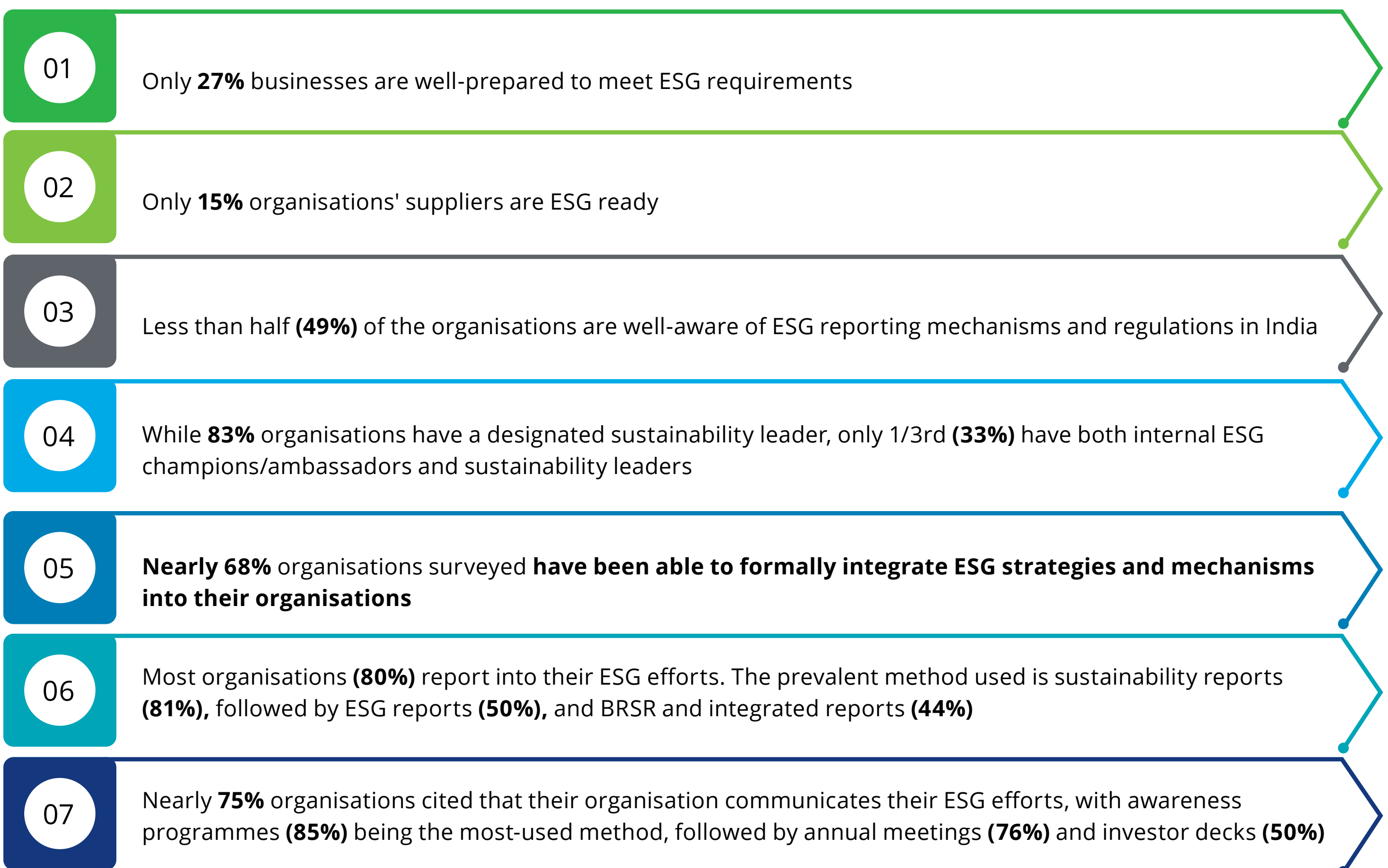
Executive summary

Businesses around the world see value in sustainability, as do customers, communities, governments, and other stakeholders. ESG is the foundation that helps businesses evaluate the sustainability quotient of their business actions. Building ESG capabilities creates shared value for all stakeholders and adds a new competitive edge.

Deloitte India's ESG preparedness survey report shows that Indian businesses see value in sustainability and building ESG capabilities.



But how is India Inc. moving from commitment to action on ESG?



What are the challenges and growth opportunities?

Sustainability will be a key driver in the organisation's decision-making process. The report highlights that a comprehensive ESG programme is founded on four pillars: Governance, strategy, management, and performance and reporting, along with a plan to execute these core tenets within a defined time. It further highlights certain steps organisations must take as they embark on their ESG transformation journey.

The evolution of Environmental, Social and Governance (ESG) Reporting in India

Over the years, there has been a gradual shift towards more standardised and transparent ESG reporting practices, driven by the growing demand for ESG information by investors, regulators, and other stakeholders. This has led to a growing momentum of non-financial disclosures by organisations in India, leading to a sharper focus from regulators, who are wary of greenwashing and are on the lookout for an inclusive performance framework.

The evolution of ESG reporting practices in India can be traced back to 2009 (see Figure 1) when the concept of corporate social responsibility (CSR) was introduced as a voluntary practice for Indian organisations. These guidelines were formulated to encourage organisations to voluntarily contribute to society beyond their financial performance and promote sustainable development. The guidelines provide a framework for organisations to plan, implement, and report their CSR activities.

In 2011, the Securities and Exchange Board of India (SEBI) issued the Business Responsibility Report (BRR), which made it mandatory for the top 100 listed organisations (by market capitalisation) to prepare and disclose sustainability disclosures based on principles of transparency and accountability and encourage organisations to adopt sustainable business practices. The BRR disclosure requirement was extended to the top 500 and top 1,000 listed organisations (by market capitalisation) in FY2015-16 and FY2019-20, respectively.

In 2019, the Ministry of Corporate Affairs (MCA) introduced the National Guidelines on Responsible Business Conduct (NGRBC). The guidelines outline nine principles that organisations are expected to follow, expanding the purview beyond mere legal compliance to promote sustainable development and contribute to social, economic, and environmental progress.

The NGRBC principles are aligned with the 17 United Nations Sustainable Development Goals (SDGs) (see Figure 2) and provide a roadmap for private and public sector organisations to contribute towards these SDGs.

In 2021, SEBI mandated the Business Responsibility and Sustainability Report (BRSR) disclosure for the top 1,000 listed organisations (by market capitalisation) in the country FY2022-23 onwards. Replacing the BRR disclosures, the BRSR integrates the nine NGRBC principles and incorporates multiple key performance indicators (KPIs) from international frameworks to bring non-financial reporting by Indian organisations at par with global sustainability and ESG reporting trends. BRSR disclosures include information on a company's ESG policies and performance and are to be reported as part of their annual report. Also, there has been a growing adoption of international best practices and standards amongst Indian organisations. Several organisations in India have started adopting multiple reporting standards and frameworks, such as the Global Reporting Initiative (GRI) Standards, the CDP (earlier known as the Carbon Disclosure Project), Dow Jones Sustainability Index (DJSI), Task Force on Climate-related Financial Disclosures (TCFD), etc., driven by the demand for sustainability and ESG-linked performance disclosures from stakeholders.

The evolution of ESG reporting practices in India can be seen as a gradual process, starting with voluntary CSR practices, followed by mandatory disclosure of CSR activities, and expanding to include environmental and governance factors. With the recent updates to the BRSR, it is evident that the focus of Indian regulators has shifted from encouraging organisations to report qualitative and voluntarily reporting using a principles-based approach to a more quantitative, metric-driven approach that enables year-on-year, cross-company, and cross-sectoral comparability.

Figure 1. Evolution of Environmental, Social and Governance (ESG) reporting in India

Figure 2. Alignment between the National Guidelines on Responsible Business Conduct (NGRBC) principles and Sustainable Development Goals (SDGs)

	NGRBC principles	Sustainable Development Goals (SDGs)
P 1	Businesses should conduct and govern themselves with **ethics, transparency, and accountability**	16, 17
P 2	Businesses should provide goods and services that a**re safe and contribute to sustainability** throughout their life cycle	2, 6, 7, 8, 10, 12, 13, 14, 15
P 3	Businesses should promote the **well-being of all employees**	1, 3, 4, 5, 8, 9, 11, 16
P 4	Businesses should respect the interests of, and be **responsive towards all stakeholders**, especially the disadvantaged, vulnerable, and marginalized	1, 5, 9, 11, 16
P 5	Businesses should **respect and promote human rights**	5, 8, 16
P 6	Business should respect, protect, and make efforts to restore the **environment**	2, 3, 6, 7, 10, 12, 13, 14, 15
P 7	Businesses, when influencing **public and regulatory policy,** should do so in a responsible manner	2, 7, 10, 11, 13, 14, 15, 17
P 8	Businesses should support inclusive growth and **equitable development**	1, 2, 3, 4, 5, 6, 8, 9, 11, 13, 14, 15, 16, 17
P 9	Businesses should engage with and **provide value to their customers** in a responsible manner	2, 4, 12, 14, 15

Source: National Guidelines on Responsible Business Conduct (NGRBC), Ministry of Corporate Affairs, Government of India (https://www.mca.gov.in/Ministry/pdf/NationalGuildeline_15032019.pdf)

What are the current BRSR disclosure requirements?

In its current form, starting FY2022-23, the BRSR regulation requires the top 1,000 listed organisations (by market capitalisation) in India to disclose information on their ESG policies, practices, and performance (see Figure 3) in a stipulated format (essential and leadership)[8] annually for current and preceding financial years. While the essential indicators are to be reported mandatorily, disclosure of leadership indicators is voluntary and requires organisations to provide additional information on their approach to sustainability, sustainability-related risks and opportunities, and sustainability-oriented targets and achievements.

The BRSR report should include disclosures on the following parameters:

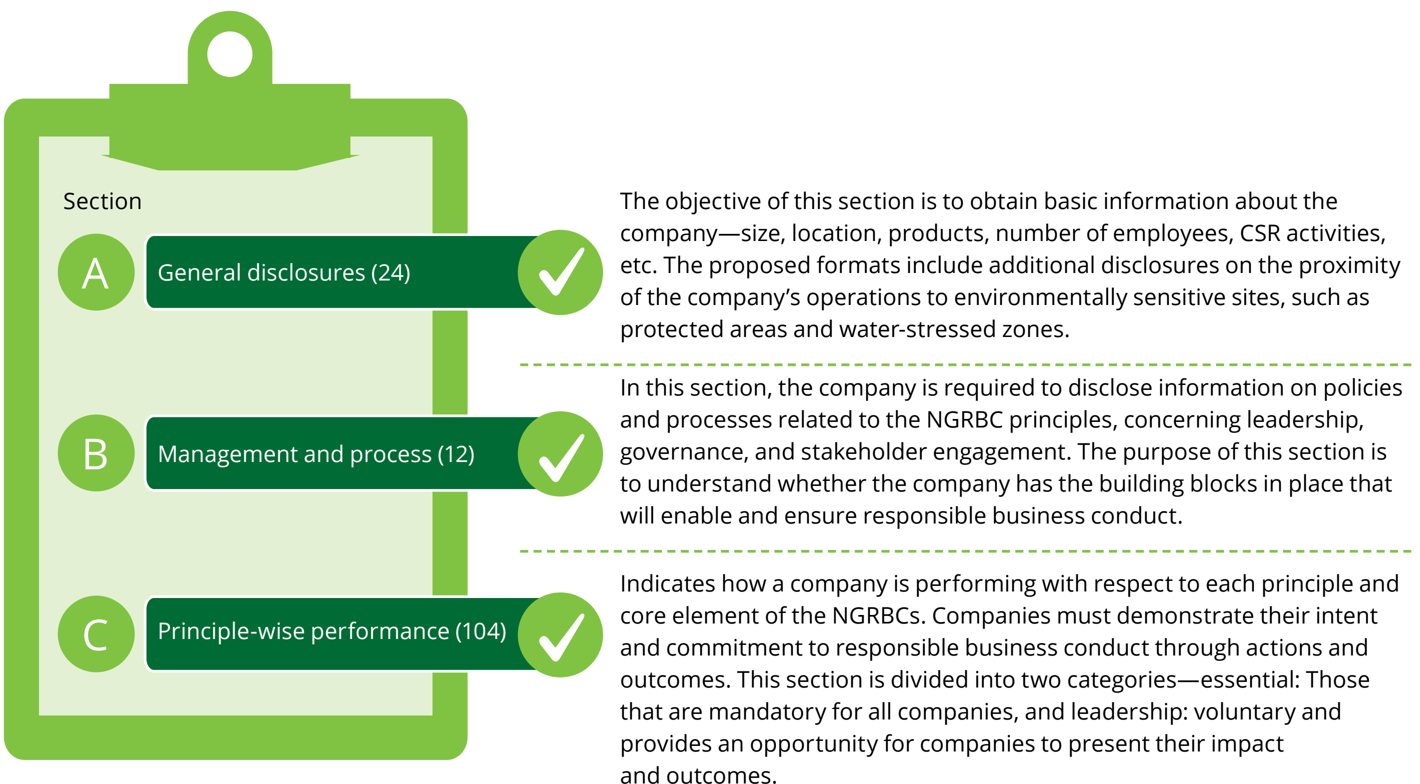
- Governance: Disclosures related to board composition, independence of directors, director remuneration, and board evaluation.
- Environment: Disclosures related to the company's environmental policies, impact assessment, emissions, and waste management.

[8] For complete BRSR disclosure template see SEBI circular dated 10th May 2021

- Social: Disclosures related to the company's policies on human rights, labour practices, health and safety, and community engagement.
- Customer and product responsibility: Disclosures related to the company's product quality, safety, and customer satisfaction.
- Human capital: Disclosures related to the company's policies on talent management, employee development, and diversity and inclusion.
- Supply chain: Disclosures related to the company's policies on supplier selection, monitoring, and engagement.
- Stakeholder engagement: Disclosures related to the company's engagement with stakeholders, such as customers, employees, investors, and communities.

In addition to the above, the BRSR report should also include a statement from the board of directors acknowledging their responsibility for the disclosures made in the report and certifying that the company has implemented adequate internal processes to ensure the accuracy and completeness of the disclosures.

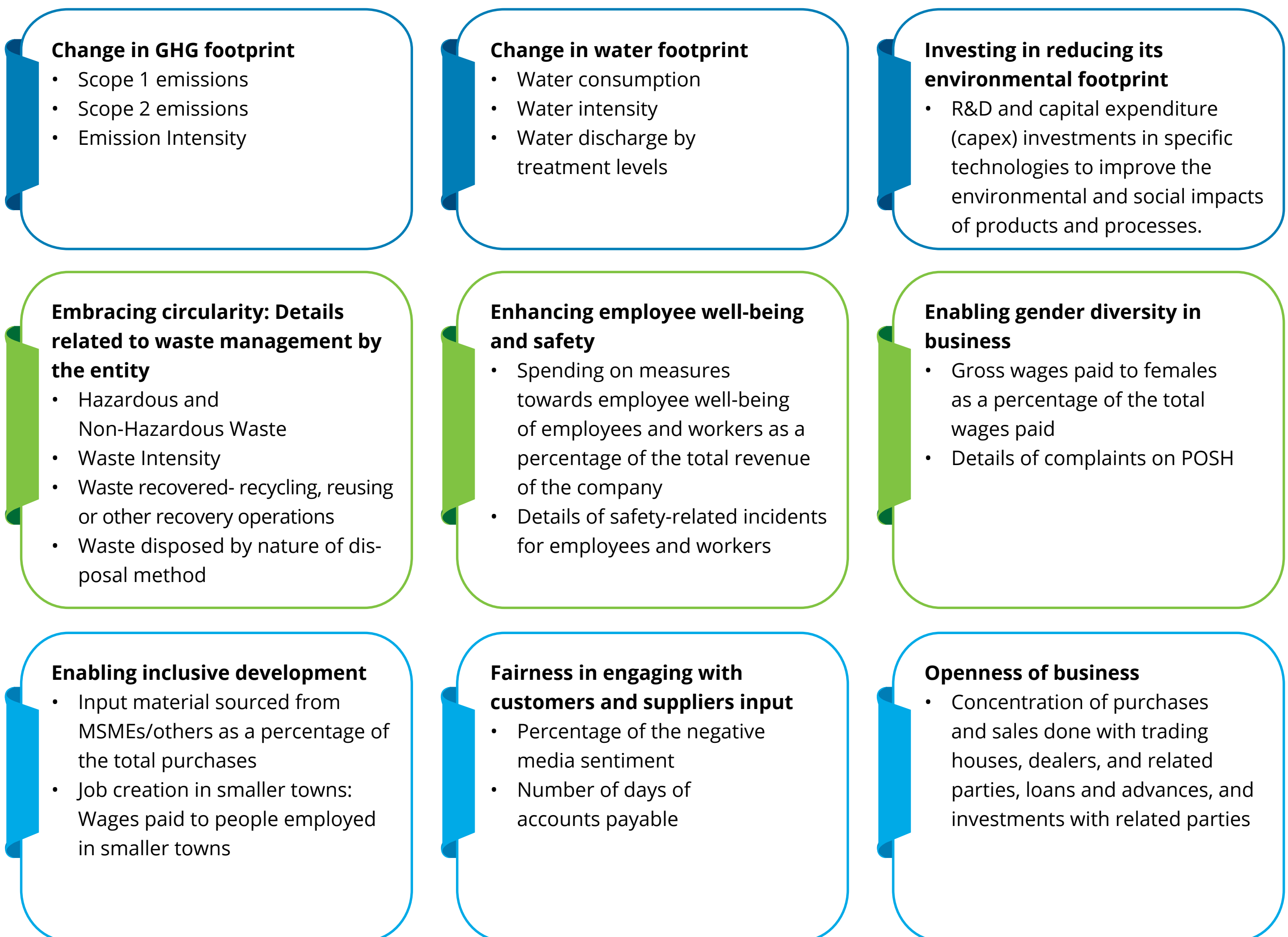
Figure 3. Structure of Business Responsibility and Sustainability Report (BRSR)



Key BRSR updates and other developments in India

The latest updates to the BRSR, issued in February and March 2023, expand the scope of disclosures to include a subset of 20 KPIs—the BRSR core—that include the performance metrics designed, keeping in mind the unique environmental and social challenges faced by stakeholders in India. To increase transparency across the value chain, the BRSR Core also establishes a phased approach for listed organisations for both, mandatory disclosure and reasonable assurance, for identified KPIs (from FY2023-24 onwards); and extends this to the supply chain for listed organisations (FY2025-26 onwards).

Figure 4. BRSR Core KPIs



A key concern for Indian regulators is that of unregulated ESG Ratings Providers (ERPs) and the risk of greenwashing and mis-selling associated with the increasing umbrella of ESG/sustainability-themed and linked financial instruments. To address this, the SEBI consultation paper issued on the 29 March 2023 directed ERPs to integrate BRSR Core disclosures as part of the standalone BRSR Core Rating issued on assured disclosures. Further, it established an investment criterion for ESG mutual fund schemes, requiring 65 percent of Assets Under Management (AUM) to be invested in listed organisations, where BRSR Core assurance has been undertaken.

Other global developments around ESG reporting impacting Indian businesses

In addition to the BRSR, other key developments may significantly affect the way Indian organisations integrate sustainability practices and prepare their non-financial and ESG disclosures. Article 6.2 of the Paris Agreement

seeks to establish international cooperation towards the development of carbon markets to allow countries to collaborate in reducing greenhouse gas (GHG) emissions and achieve their climate goals. While India's current GHG emissions are the third largest[9] (in absolute terms) globally; the government has committed towards achieving net-zero emissions by 2070.

As part of operationalising Article 6.2 – the Energy Conservation (Amendment) Bill, 2022[10] passed in the Lok Sabha in August 2022 seeks to design a new framework for establishing a domestic carbon market. Building upon this, the Bureau of Energy Efficiency (BEE) has, on 29th March 2023, released a draft stakeholder consultation report on Carbon Credit Trading Scheme (CCTS)[11] that primarily targets high-emitting sectors such as energy, steel, and cement. Per the issued blueprint, respective state authorities will issue certificates of various regulated entities on their emissions performance. The final draft of the CCTS is expected to be released by June 2023.

Several countries, including the US and the UK, and the European Union (EU), have introduced mandatory ESG reporting requirements for listed organisations that may have an impact on Indian organisations. In November 2022, the European Commission (EC) passed the Corporate Social Reporting Directive (CSRD)—an EU ESG standard designed to make corporate sustainability reporting more common, consistent, and standardised like financial accounting and reporting. The CSRD introduces more granular reporting requirements that expand on the scope of the Non-Financial Reporting Directive (NFRD). The CSRD is expected to come into effect in 2024 and will require large organisations, including international, non-EU organisations, and Indian organisations with more than €150 million annual revenue within the EU and which have at least one subsidiary or branch in the EU exceeding certain thresholds to report their ESG performance in a standardised reporting format.

Similarly, in March 2022, the Securities and Exchange Commission (SEC) in the US proposed rules to enhance and standardise climate-related disclosures for investors. The proposed rule mandates organisations to prepare their climate-related disclosures on Scope 1, Scope 2, and Scope 3 GHG emissions, including information about climate-related risks that are reasonably likely to have a material impact on their business, results of operations, or financial condition, and certain climate-related financial statement metrics in a note to their audited financial statements. While these requirements are specific to US-based organisations, they may indirectly impact Indian organisations that are listed on US stock exchanges, as well as other organisations that have significant operations or investments in the US.

Need for a standardised global ESG reporting framework

As ESG regulations continue to evolve globally, there is a significant uptake in efforts towards standardising the existing ESG frameworks and standards – most notably the creation of the International Sustainability Standards Board (ISSB). Led by the International Financial Reporting Standards (IFRS) Foundation, which oversees the International Accounting Standards Board (IASB), the ISSB is intended to develop a globally accepted sustainability reporting standard that is consistent, comparable, and reliable.

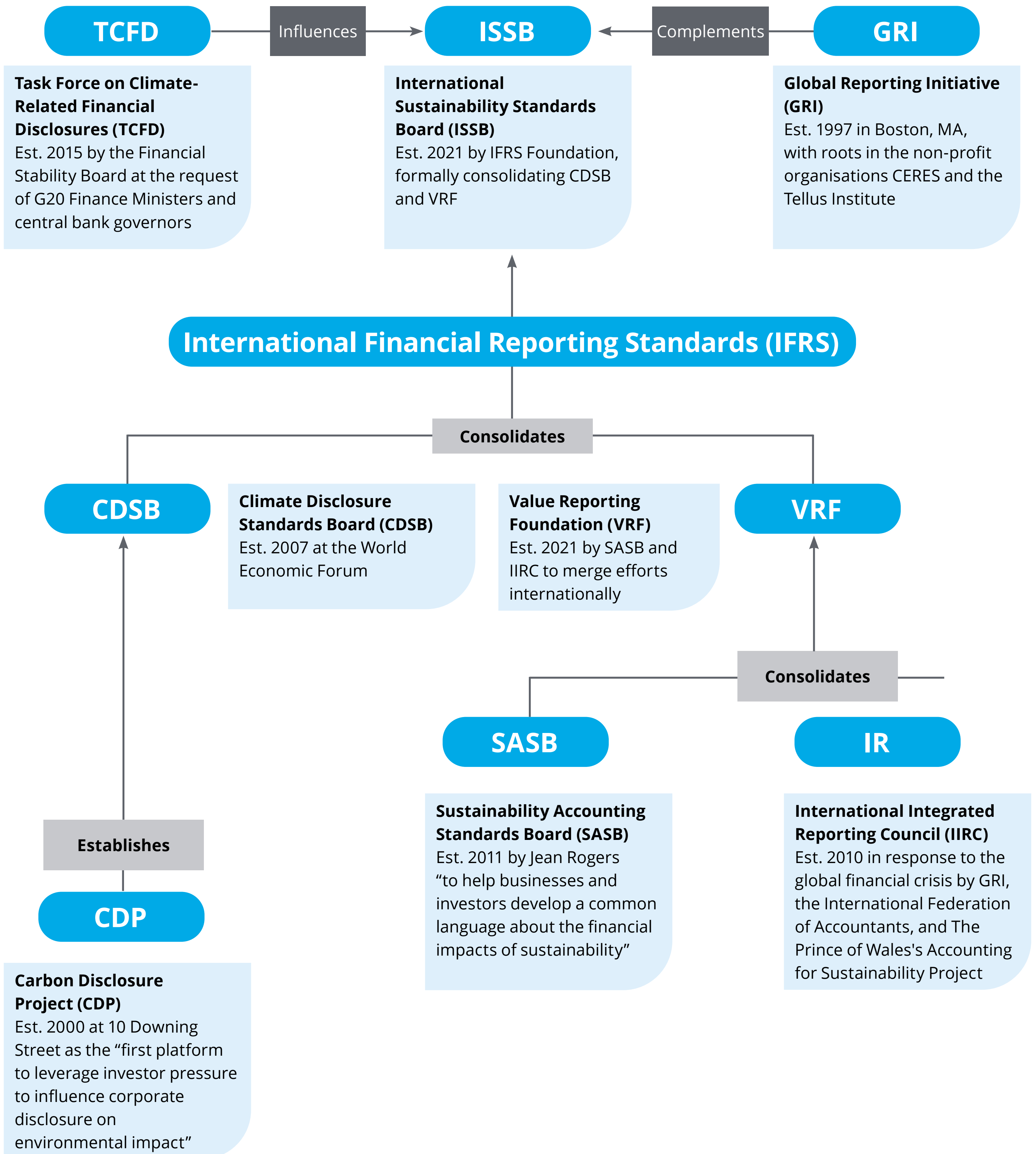
ISSB builds on the work of existing sustainability reporting frameworks (see Figure 5), such as GRI, Sustainability Accounting Standards Board (SASB), International Integrated Reporting Council (IIRC), Climate Disclosure Standards Board (CDSB), and the CDP to create a comprehensive and consistent standard to provide investors and other stakeholders with reliable and comparable information on organisations' sustainability performance. In November 2021, the IFRS Foundation published two exposure drafts on proposed sustainability reporting standards: IFRS S1 and IFRS S2.

[9] United Nations Environment Programme (2022). Emissions Gap Report 2022: The Closing Window — Climate crisis calls for rapid transformation of societies. Nairobi. https://www.unep.org/emissions-gap-report-2022

[10] For draft of the Energy Conservation (Amendment) Bill, 2022 click here

[11] For Stakeholder Consultation Draft of the National Carbon Market see here

Figure 5. The linkage between ISSB and other global Environmental, Social and Governance (ESG) Standards and Frameworks



Source: Auditboard

IFRS S1 proposes disclosure requirements for climate-related information, including greenhouse gas emissions, climate risks and opportunities, and climate-related governance and strategy. The standard also includes guidance on reporting the potential impact of climate-related risks on a company's financial statements. IFRS S2 proposes disclosure requirements for broader sustainability-related information, such as environmental impact, social issues, and governance matters. The standard focusses on issues that are material to a company's business model and operations and includes guidance on reporting these issues consistently and comparably. The final standards for both IFRS S1 and IFRS S2 are expected to be released by June 2023, and will be effective starting January 2024. The IFRS Foundation is engaging with national and regional standard-setting bodies to encourage the adoption of the ISSB's standards. For example, in India, the foundation has been working with the Institute of Chartered Accountants of India (ICAI) to ensure that the proposed standards align with Indian regulations on sustainability reporting.

To summarise, the BRSR (core and comprehensive) disclosures and the ISSB IFRS S1 and S2 standards are a step in the direction of the adoption of a common ESG reporting framework for listed organisations. Going forward, this will help provide consistent and comparable information on organisations' sustainability performance to enable investors and other stakeholders make more informed decisions about their investments and business relationships.

1. The rise of ESG in India

ESG (environmental, social, and governance) is a term that is gaining traction in boardrooms, quarterly earnings announcements, and global impact reports. The changing macroeconomic and geopolitical environment and the regulatory push to increase the scrutiny on how organisations and investors address ESG have only amplified its relevance. Organisations across sectors and value chains are feeling the pressure to combat climate change and biodiversity loss, respond to changing societal needs, ensure responsible corporate citizenship, enhance inclusion and diversity, and achieve stakeholder-centric financial and non-financial growth.

At the beginning of the 2000s, ESG discussions were limited to more mature economies. By the end of the decade; however, these ESG headwinds had reached India’s emerging economy. The Ministry of Corporate Affairs (MCA) issued the National Voluntary Guidelines (NVGs) in 2011, demonstrating India's early adoption and commitment to corporate responsibility. Since then, the framework for corporate citizenship and sustainable reporting has rapidly evolved in the country. The regulatory environment is India's most important driver of sustainable growth. Beginning with Business Responsibility Reporting (BRR) for the top 100 listed organisations in 2012, the initiative was expanded to include the top 500 listed organisations in 2015. Organisations fulfilling financial parameters related to their net worth, turnover, and profit are required by law to spend a certain amount on the needs of the communities in which they operate to promote responsible corporate citizenship. The Securities and Exchange Board of India (SEBI) recently replaced the existing Business Responsibility Reporting (BRR) framework with the new Business Responsibility and Sustainability Reporting (BRSR) framework, which will be mandatory for the top 1,000 listed organisations, beginning from the fiscal year 2022-23.

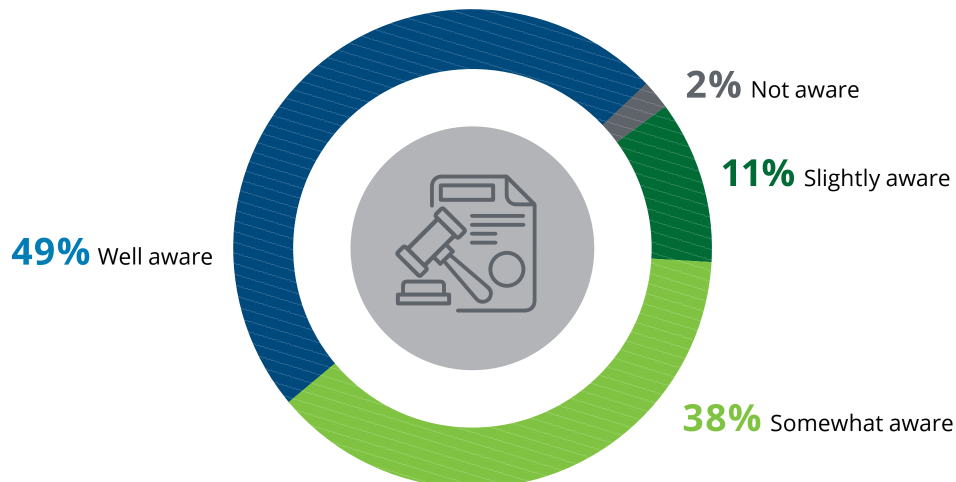
In addition to the regulatory push, investors and stakeholders believe that the triple bottom line approach—people, planet, and profits—will produce greater risk-adjusted returns over the medium-to-long term. To align better with the investor community, organisations have turned to ERPs. SEBI responded to this development by publishing a consultation paper, amongst the first of its kind, and proposed a regulatory framework for ERPs in the country. The directive dated 24 January 2022,

required accreditation of ESG-rating agencies to focus on transparency, governance, conflict of interest prevention, and the correct ESG methodology. SEBI proposed that ESG credit rating providers must employ at least one expert each in data analysis, finance, law, IT, and sustainability. The ESG ecosystem is collaborating with India's education system to provide to launch new ESG courses or training programmes for ESG ecosystem stakeholders.

Compared with mature economies, the regulatory and investor push in India is still in its infancy, and the country's ESG ecosystem is still nascent. In mature markets, institutional investors drove the ESG and regulatory regime, whereas, in India, policy development precedes market and ecosystem development. This makes India a significant market with high growth potential for green finance and sustainability solutions, making it a potential leader in the global ESG ecosystem.

ESG is increasingly gaining importance, not just from an ethical standpoint but also from an economic and growth mindset. Out of the 150 organisations surveyed, less than half (49 percent) reported being aware of existing ESG reporting mechanisms and regulations in India.

Current awareness of ESG regulations in India

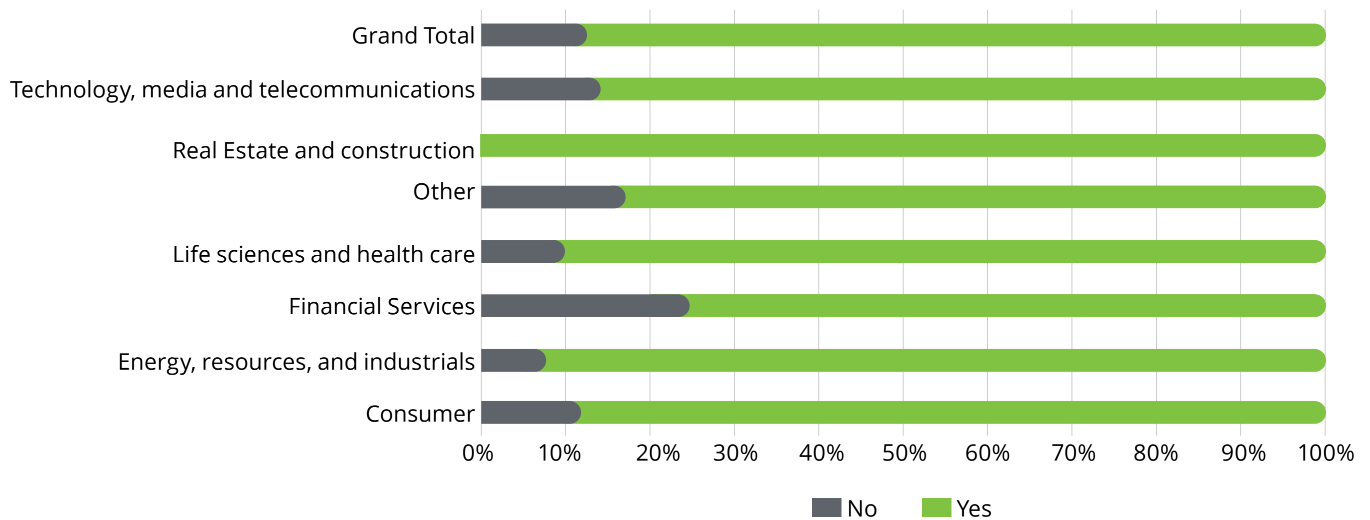


Eighty-eight percent organisations agree that sustainability regulations will **directly impact** their businesses in the future. This highlights the existing gap between the perceived impact of ESG and sustainability regulations and the current awareness around it.

Do you see sustainability regulations impacting your business in the future?

This sentiment is echoed across sectors, highlighting that ESG will have direct implications on the daily operations of organisations across industries, from Energy, Resources, and Industrials (ER&I), to Technology, Media, and Telecommunications (TMT).

Sector-wise representation of sustainability regulation implications



Despite SEBI implementing sustainability regulations, several mandated disclosures lack clear guidance on responses. Unlike other prominent voluntary standards, such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and Task Force on Climate-related Financial Disclosures (TCFD), sectoral guidance is not available. Also, the obligation to disclose the details and methodology used to determine material ESG issues (via a materiality assessment) is absent. Although this may raise concerns about under-reporting, the regulatory intention is to not make ESG disclosures burdensome during the initial phase.

More than 75 percent organisations agree that ESG's gaining relevance is transforming it into a critical business driver, except for the consumer sector, where only 26 percent organisations believe that ESG is a boardroom discussion.

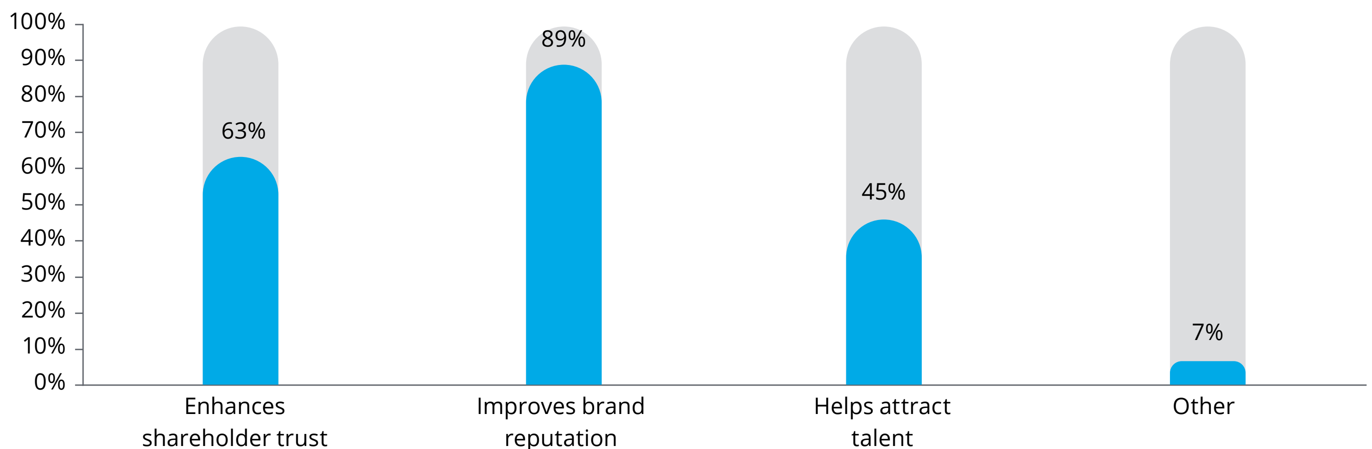
Though ESG has assumed importance in boardroom discussions, the larger task at hand is to ensure these sentiments percolate down to business units and functional heads. Translating boardroom commitment with functional-level action with similar enthusiasm will require a cultural shift from the finance-focussed mindset and is a hurdle that India Inc. will need to overcome.

Is ESG a boardroom discussion?

There is growing evidence that organisations that prioritise environmental sustainability, social responsibility, and good corporate governance are better positioned to manage risks, build stronger relationships with stakeholders, identify opportunities for growth and innovation, and tend to perform better financially over the long term.

Integrating ESG into a company's strategy can benefit the company's long-term business performance and value. Organisations anticipate a wide range of benefits from enhanced ESG reporting and brand reputation. **Nearly 90 percent organisations** surveyed stated that ESG reporting would benefit their company by **improving brand reputation, followed by enhancing shareholder trust (63 percent)**.

How do you think ESG reporting would benefit your company?

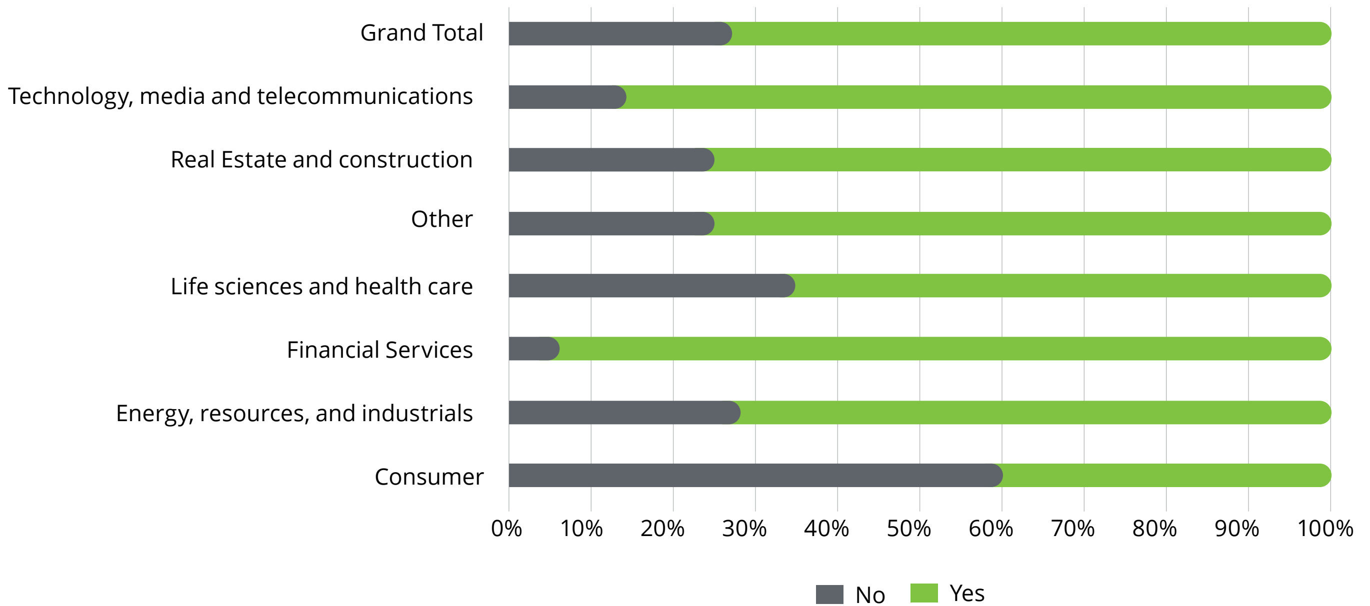


Investors are increasingly valuing sustainability, social responsibility, and good governance in their investment decisions. **Nearly 75 percent organisations** stated that their investors **rate their ESG performance.** Organisations with a strong environmental record may be better positioned to face risks related to climate change, such as regulatory changes, physical damages, or reputational risks. Similarly, organisations that prioritise social and governance issues, such as employee safety, diversity and inclusion, or ethical management practices, are often more resilient to regulatory scrutiny and reputational damage.

Do investors rate you on ESG performance?

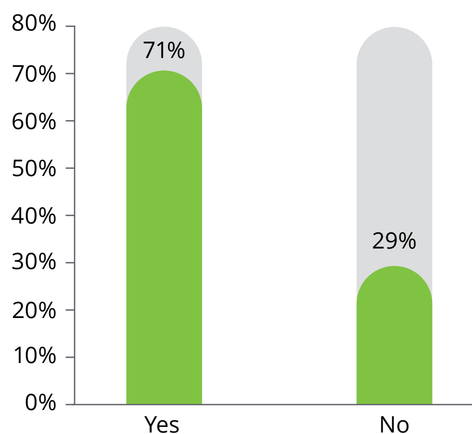
Further, out of the organisations that have **an annual turnover of around INR 5,000 crore, almost 90 percent** agree that they are rated by investors on their ESG performance. Sectoral analysis depicts that organisations in the Financial Services and TMT industries are most rated by investors on their ESG performance, whereas, the Consumer industry is the least rated.

Sector-wise representation of investors' focus on ESG performance



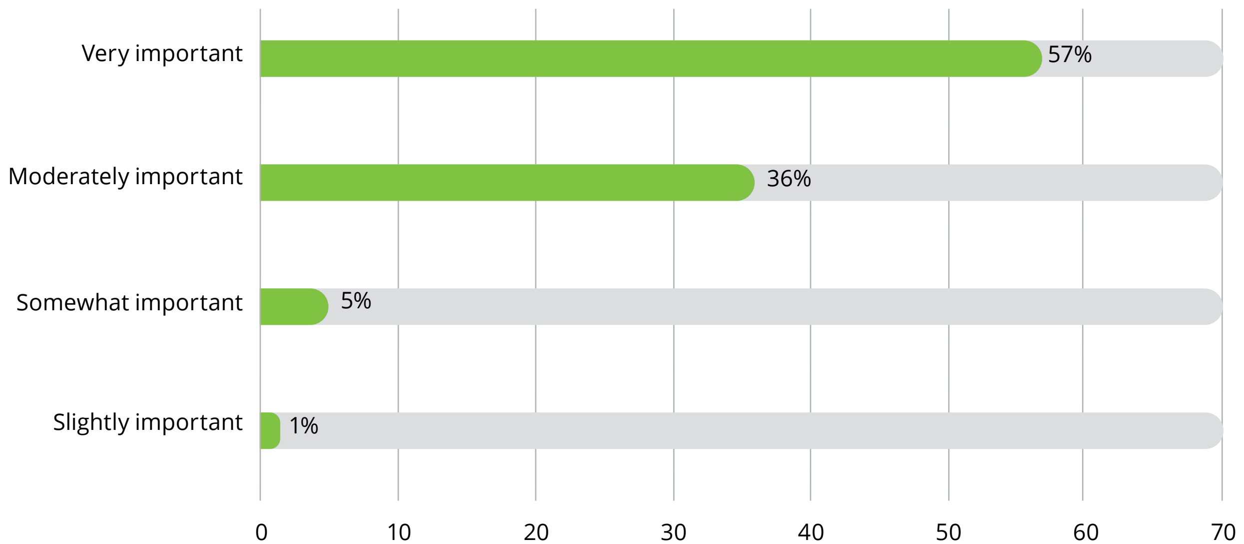
There is also growing pressure from investors, consumers, and other stakeholders to demonstrate organisational commitment to sustainability, responsibility, and good governance. With investors focussing on ESG in their investment decisions, organisations with strong ESG performance will enjoy lower capital costs. This can translate to higher valuations and lower borrowing costs, which can be a significant advantage for organisations that prioritise ESG issues. Out of the 150 organisations surveyed, **71 percent agreed** that their company **voluntarily participates** in ESG ratings. This is partly driven by concerns around issues such as climate change, social inequality, and corporate accountability, but also a growing recognition of the role that businesses can play in addressing these challenges.

Does your company voluntarily participate in ESG ratings?



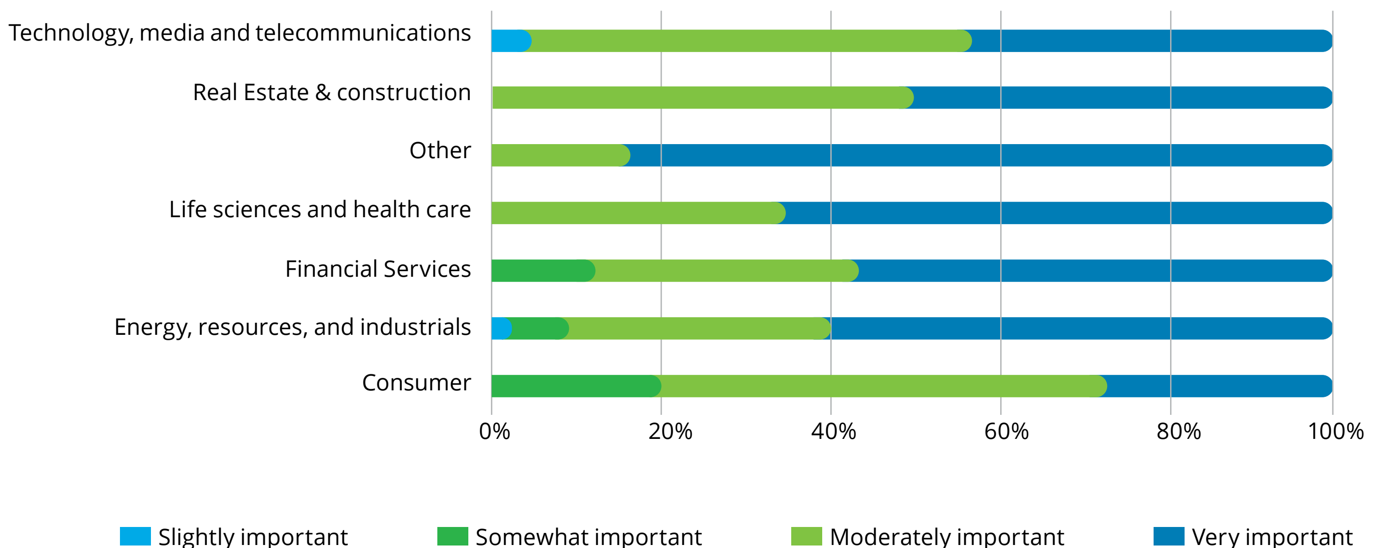
Given the ever-evolving eminence of ESG, organisations are gearing up to anchor themselves to ambitious ESG goals and broaden the scope of their ESG efforts. **Fifty-seven percent organisations** placed high-level importance on establishing **ambitious ESG goals.**

Keeping in mind the company's current situation, how important is it for the company to set ambitious future ESG goals?



There is increasing recognition of the role that organisations play in emitting greenhouse gases (GHG), leading to a stringent focus on accountability and a transition to cleaner, sustainable operations. The **Energy, Resources, and Industrial** industry reflects this with **almost 60 percent** organisations in this sector agreeing that **setting more ambitious future goals is a crucial agenda item.** In comparison, other industries place less importance on the need for more ambitious future ESG goals, with **only 26 percent** organisations in the **consumer** industry considering this to be an important future agenda.

Sectoral analysis on the importance for organisations to set ambitious future ESG goals



Additionally, **of organisations with an annual turnover of more than INR 1,000 crore, 62 percent regarded ambitious future ESG goals as very important** to their business objectives, whereas only 38 percent of organisations with an annual turnover of less than INR 1,000 crore regarded setting ambitious future ESG goals as very important.

ESG will be a driving force for organisations in the fight against climate change. It provides a shared framework for organisations and investors to consider the ESG implications of their activities. By taking ESG factors into account, organisations can reduce their impact on the environment, promote social development, and make responsible decisions that promote sustainability. This makes business sense when catering to new market opportunities associated with climate mitigation products and services, while also being in the right from an ethical perspective.

2. How corporate India is pivoting towards ESG?

India is committed to become carbon neutral by 2070. Risk mitigation strategies are driving urgency within corporate India, but the potential for value creation will also drive ESG-centric organisational values. The power, steel, cement, and agriculture sectors account for approximately 70 percent carbon emissions in India.[12] While many Indian organisations are taking steps to reduce their carbon footprint, not all organisations have robust strategies in place to mitigate climate change impacts. Setting ambitious targets for reducing greenhouse gas emissions, implementing comprehensive carbon management practices, and assessing and disclosing climate-related risks and opportunities are a few ways in which organisations can move towards building improved ESG strategies.

Indian organisations are quickly utilising innovative and sustainable technologies, such as renewable energy, waste management, circular economy solutions, data analytics, and AI to measure and manage their ESG risks and opportunities. Adoption of ESG-focussed technological solutions and the deployment of digital assets will only increase as multiple regulatory regimes converge towards standardisation, simple adoption, and measurable KPIs for sustainable business practices. We see a tipping point emerging soon, where Indian organisations will provide at-scale sustainable solutions at different price points for multiple market segments.

Corporate India has a rich history of being first movers across segments, with Yes Bank issuing the first green bond in 2015 before there was any regulatory pressure. State Bank of India, ICICI, HDFC, and Axis all incorporate ESG practices into their lending and investment decisions, but it is still early days for ESG performance to result in a reduction in the cost of debt. The most recent discussion paper on mainstreaming climate risk considerations from the Reserve Bank of India should encourage Indian banks to begin using climate risk as a critical metric in lending decisions.

As ESG continues to gain prominence in the business and investment landscape, it is crucial for organisations to consider and address their ESG performance comprehensively and transparently, considering the specific ESG risks and opportunities relevant to their industry, operations, and stakeholders. ESG investing continues to be a niche topic for India Inc., where domestic investors do not appear to differentiate between green and non-green debt issuances (or investments), hence a domestic "greenium" does not exist. The market for ESG-based mutual funds in India is modest but expanding rapidly. Only 31 of the 5,180 Indian investors who have signed the United Nations Principles for Responsible Investing (UNPRI) are headquartered in India. 29 of these investors have become signatories post pandemic, indicating that the momentum is gaining. With nearly 75 percent of organisations stating that their investors already evaluate their ESG performance, this figure is anticipated to increase rapidly.[13]

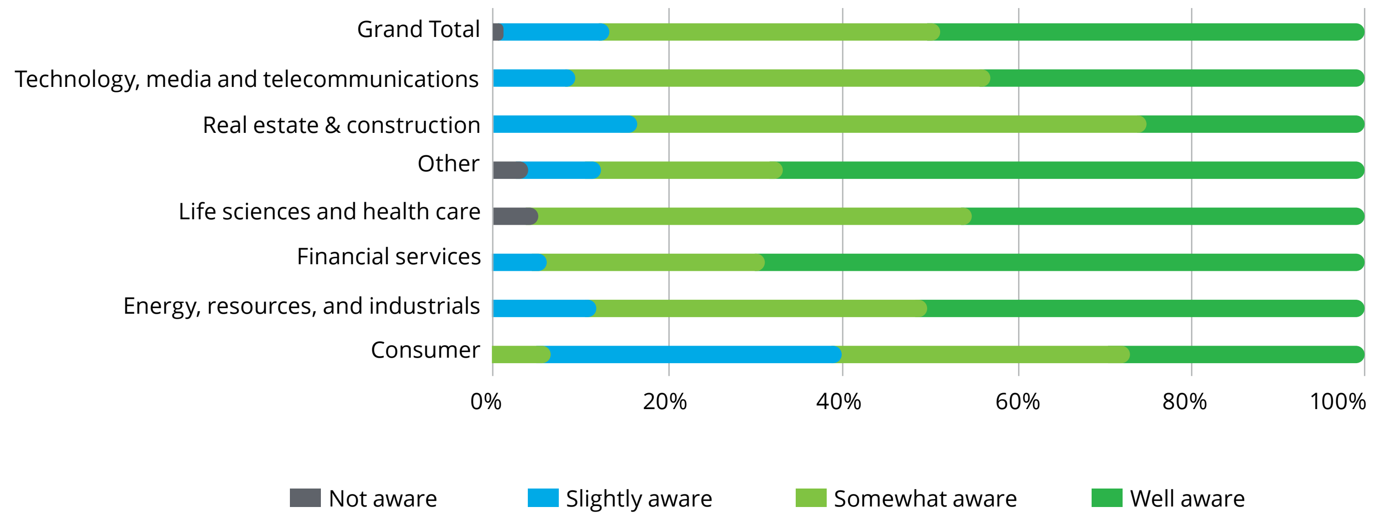
Over 84 percent organisations have been in operation for more than 15 years, constituting a significant portion of corporate India. The private sector is driving the ESG conversation within India Inc., which is reflected in this survey, with 93 percent organisations being private sector entities. Over 70 percent organisations were India-listed organisations, which corresponds with the regulatory and stakeholder pressures on publicly traded organisations to be responsible corporate citizens. Approximately 73 percent of the remaining 30 percent organisations are privately held. A noticeable trend was that 120 of the 150 organisations reported their ESG efforts, while 20 percent did not.

[12] NITI Ayog's Report on Carbon Capture, Utilization and Storage – Policy Framework and Deployment in India

[13] For UNPRI Signatory Directory click here

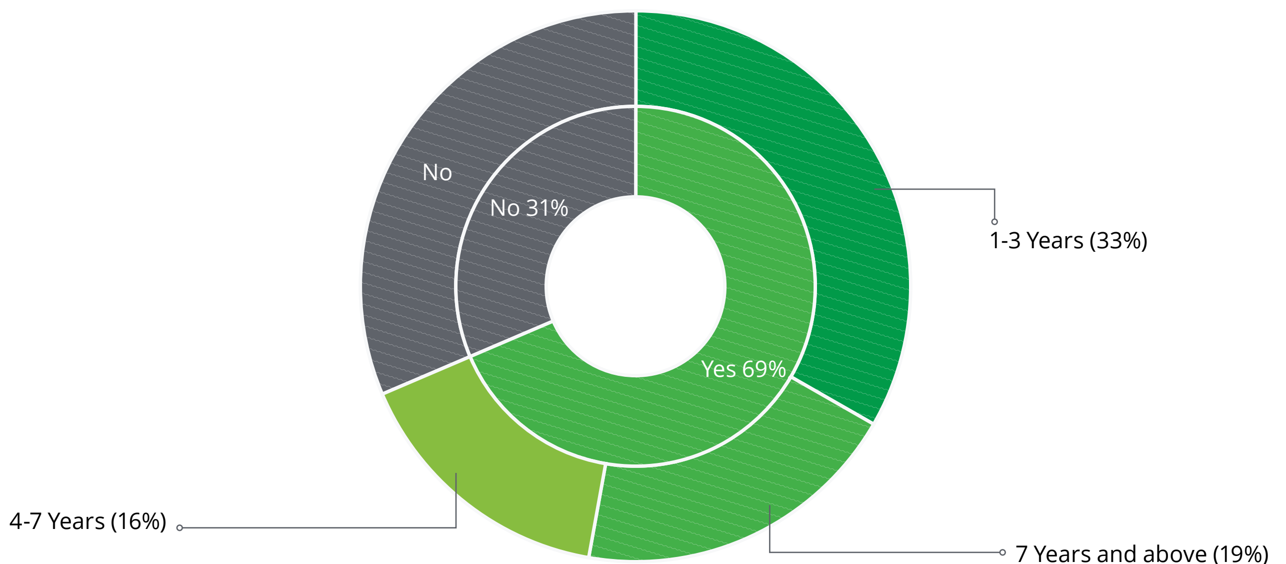
Only less than half (49 percent) of the organisations reported that they **are well-aware of the ESG reporting mechanisms and regulations** in India, which indicates a gap in the understanding of ESG reporting mechanisms, as 80 percent organisations do report their ESG efforts, but only 49 percent claim to be well aware of the reporting mechanisms. While **68 percent organisations in the financial services** sector are **well-aware** of the ESG regulations, **only 25 percent are well-aware in the consumer and Real Estate and Construction industry sectors.**

Sector-wise representation of ESG awareness



Formal integration of ESG strategies and mechanisms within the company is imperative for ensuring large-scale impact of such policies. **Nearly 68 percent** organisations surveyed **have been able to formally integrate ESG strategies and mechanisms.** The **Financial Services** industry takes the lead, with **more than 85 percent** organisations being able to move towards formal ESG integration. This number remains **low for the consumer industry,** where **only 33 percent** organisations have been able to formally integrate their ESG strategies and mechanisms.

Companies with formal ESG mechanisms and the time spent on their implementation

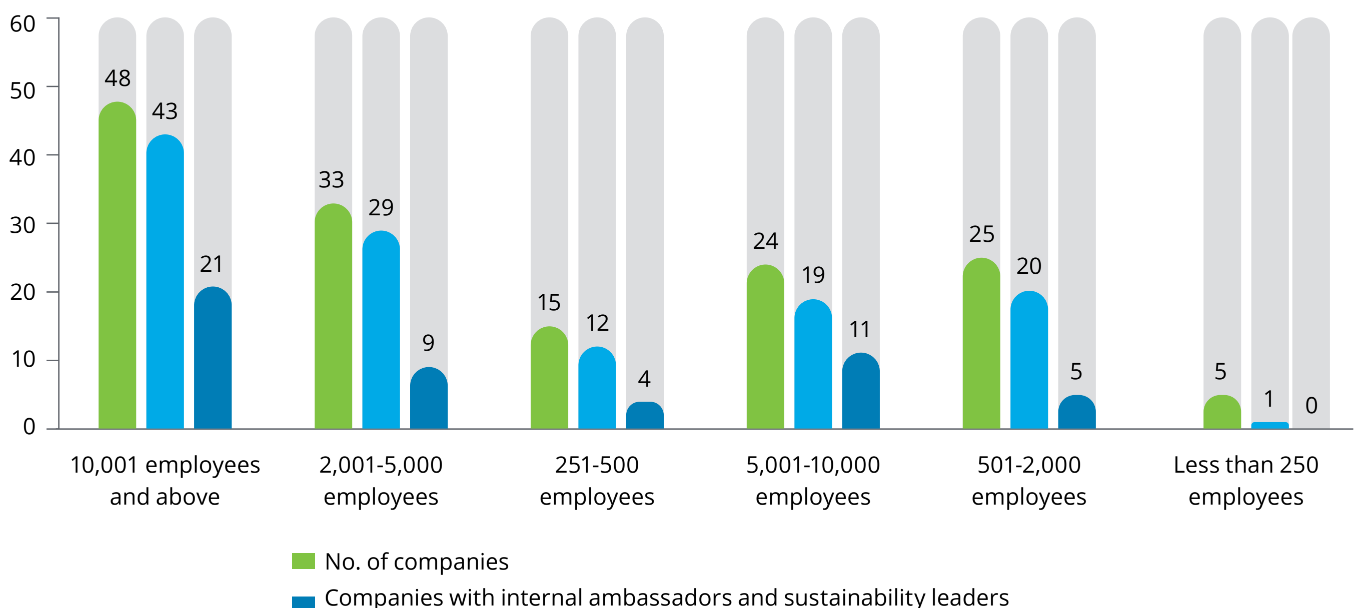


Of the organisations that have formal ESG mechanisms and organisational ESG strategies (69 percent), 49 percent organisations have been working on the formulation and implementation of these policies for the past 1-3 years, which highlights how recent ESG implementation has been in India.

Sustainability leaders within organisations are crucial for driving positive environmental, social, and economic impacts. They guide organisations towards sustainable practices, create value for stakeholders, and position the business for long-term success in a rapidly changing and dynamic world where environmental concerns are at an all-time high. While **83 percent organisations** have a **designated sustainability leader,** only **1/3rd (33 percent) have both internal ESG champions/ambassadors and sustainability leaders.** Further, of the organisations that have **more than 10,000 employees, less than 50 percent** have both sustainability leaders and internal ambassadors. The presence of a Chief Sustainability Officer and/or ESG ambassadors is a prerequisite, as more than 75 percent organisations to our survey concur that ESG is on the boardroom agenda and is a relevant discussion at internal meetings.

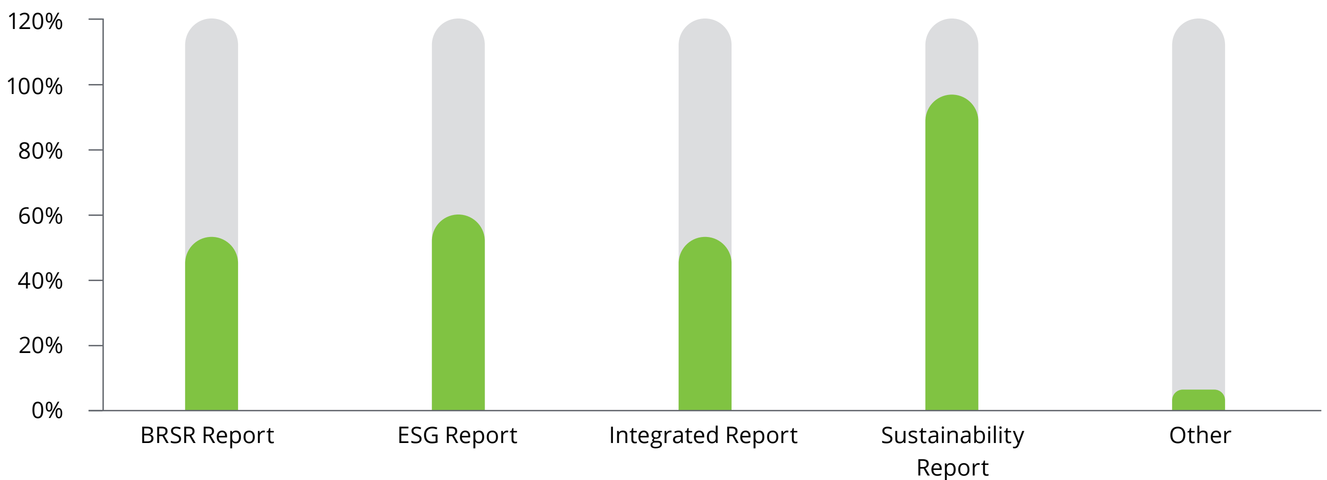
A robust ESG strategy requires a workforce dedicated to ESG matters, headed by a Chief Sustainability Officer, with oversight from the board and the relevant ESG and climate risk committees. Several businesses are reskilling and upskilling their workforce, while others are relying on external consultants for project-based or part-time support. The skill gap, however, is expected to significantly reduce in the future with an increasing number of sustainability courses and certification mechanisms being incorporated within the human capital function of organisations.

Presence of internal ambassadors and sustainability leaders in the respondent's company



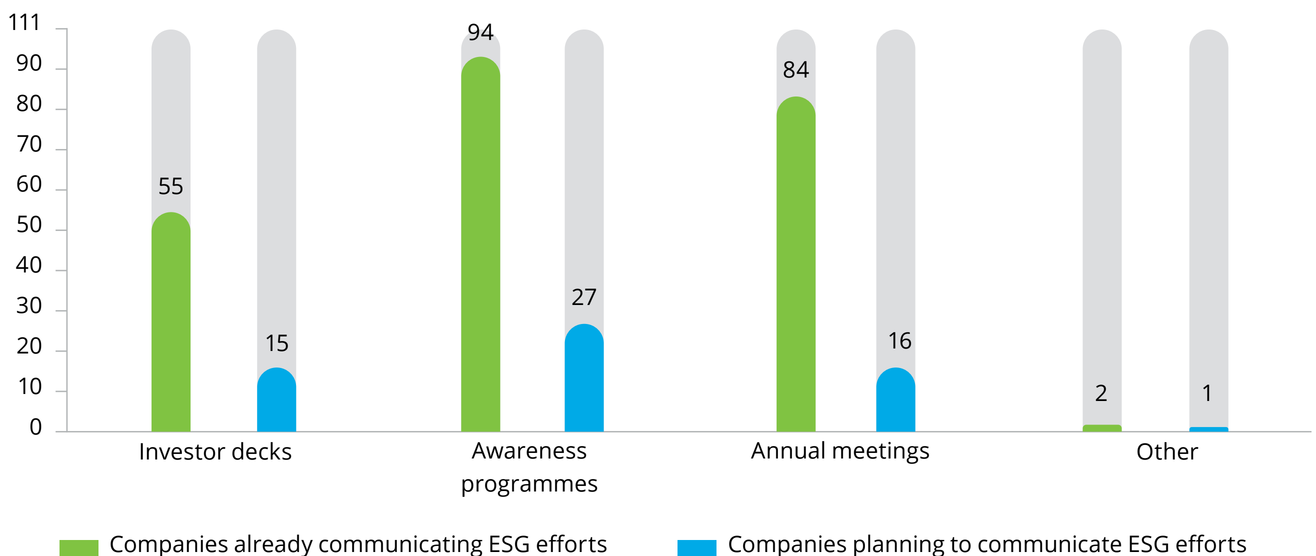
In conjunction with the establishment of ambitious ESG goals and information needs of investors and other stakeholders, transparent communication of a company's ESG efforts is crucial. Most organisations (80 percent) report their ESG efforts. The prevalent method used is **sustainability reports** (81 percent), followed by **ESG reports** (50 percent), and **BRSR and integrated reports** (44 percent). The number of organisations reporting their ESG efforts using the **BRSR framework** is expected to rise, following its mandatory implementation in 2022-23 for the top 1,000 listed organisations.

Mechanisms of ESG reporting



Nearly 3/4th organisations cited that their organisation communicates their ESG efforts, with **awareness programmes** (85 percent) being the most used method, **followed by annual meetings** (76 percent) and investor decks (50 percent). A majority of those who do not communicate their ESG efforts plan to report them **through awareness programmes (69 percent).**

Modes of ESG Communication



By reporting ESG efforts, organisations can raise awareness about critical issues, set targets for improvement, and track progress over time, driving positive changes in the operations, supply chain, employee practices and community engagement, and contributions to broader sustainability goals.

3. Level of ESG preparedness amongst organisations

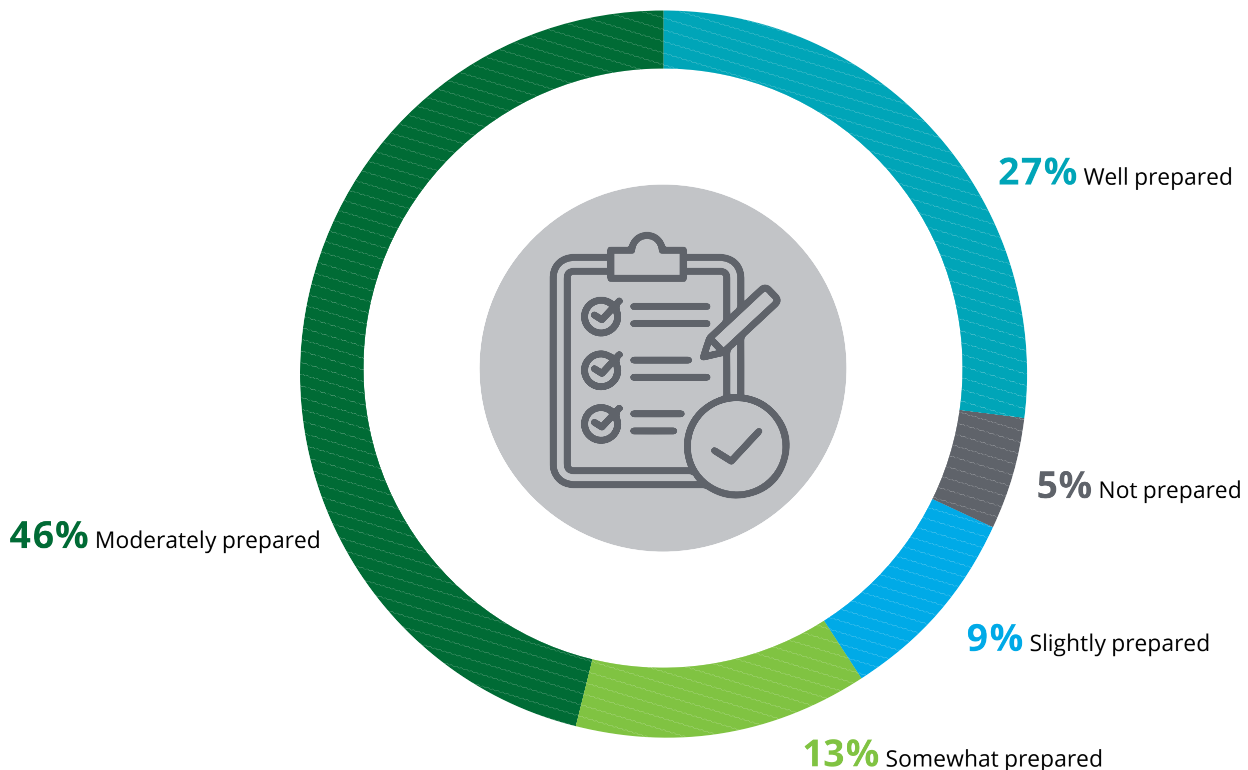
With the accelerating pace and severity of climate change, it is important for organisations to build adequate capacities for ESG preparedness. Organisations that address ESG issues proactively are better equipped to manage the risks associated with their operations. For example, organisations that focus on reducing their carbon footprint can reduce their exposure to risks associated with climate change, such as extreme weather events, regulatory action, or reputational damage. Building capacities for ESG preparedness can help organisations manage risks, attract sustainable investment capital, and drive innovation by identifying new business opportunities.

There is increasing demand from stakeholders for transparency and accountability on the organisation's ESG performance, with governments around the world introducing laws and regulations to address ESG issues.

ESG readiness can be achieved when there is a unified and concentrated effort by a dedicated cross-functional ESG working group. Organisations should proactively take steps to enhance internal governance and control environments to prepare for GHG emissions and climate-related disclosures through the annual financial reporting process by implementing new systems and controls, investing in new technologies and tools, and hiring new staff.

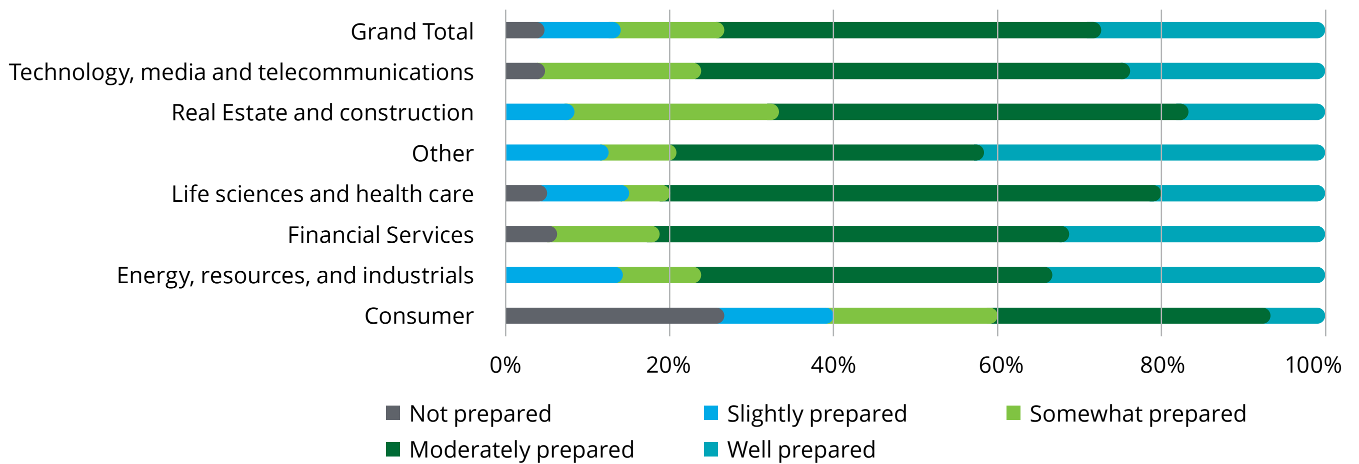
ESG reporting has gained significant attention from organisations worldwide in recent years. Although organisations are giving increasing importance to ESG concerns, the level of preparedness amongst organisations to synergise their ESG efforts varies. **Only 27 percent organisations** reported that their organisation is **well prepared** to handle ESG strategy and compliance requirements.

Rate the company's preparedness to handle ESG requirements



Forty-six percent businesses surveyed indicated that they are moderately prepared to meet ESG requirements. Amongst the 27 percent well prepared organisations, 34 percent belong to the Energy, Resources, and Industrials industry. Only 5 percent organisations reported that they were unprepared, with the Consumer industry accounting for 57 percent of that faction. According to the graph below, the Consumer industry is lagging in ESG preparedness, with the lowest proportion of organisations that are well-prepared to handle dynamic ESG requirements (7 percent). This coincides with the lack of investors' focus on ESG performance of organisations in the Consumer industry, as highlighted earlier. Approximately 80 percent organisations in the Energy, Resources, and Industrials (ER&I), Financial Services, and Life Sciences and Health Care industries are either well prepared or moderately prepared to adapt to ESG requirements, whereas only 40 percent organisations in the Consumer industry are either well prepared or moderately prepared to adapt to ESG requirements.

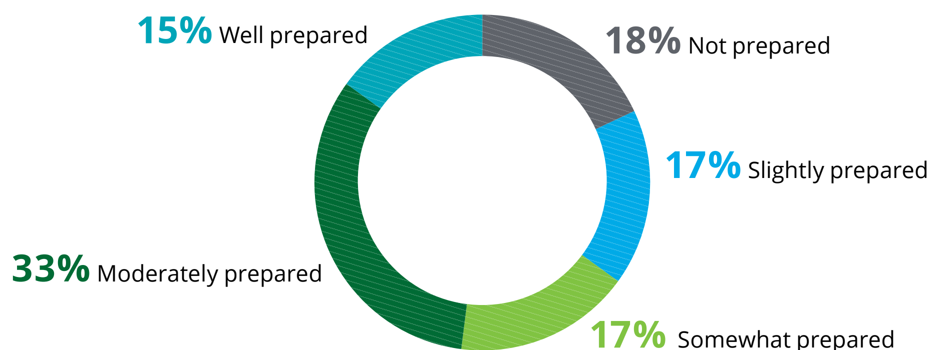
Sector-wise ESG preparedness of indian organisations



Many businesses have recognised the importance of factoring in ESG in their decision-making processes and have begun to report on their ESG performance. Despite this increased awareness, there is a need for organisations to further build their ESG capacity for preparedness.

Only 15 percent organisations mentioned that their suppliers are **well-prepared** to adhere to the organisation's ESG requirements. The focus on suppliers is critical since most upstream Scope 3 emissions will require supply chains to be decarbonised and certified per sustainability requirements. One of the biggest challenges organisations in India will face is dealing with Scope 3 emissions originating from supply-chain partners. Numerous domestic supply-chain associates of larger corporations are Medium, Small, and Micro Enterprises (MSME). The consistent, dependable, and science-based accounting of Scope 3 emissions requires processes, skill sets, and instruments that are unavailable to these small businesses. There is currently no regulatory, investor, or stakeholder pressure on small enterprises to be ESG compliant. In the foreseeable future, it is expected that their supply-chain partners will exert pressure on them to enhance their ESG profile.

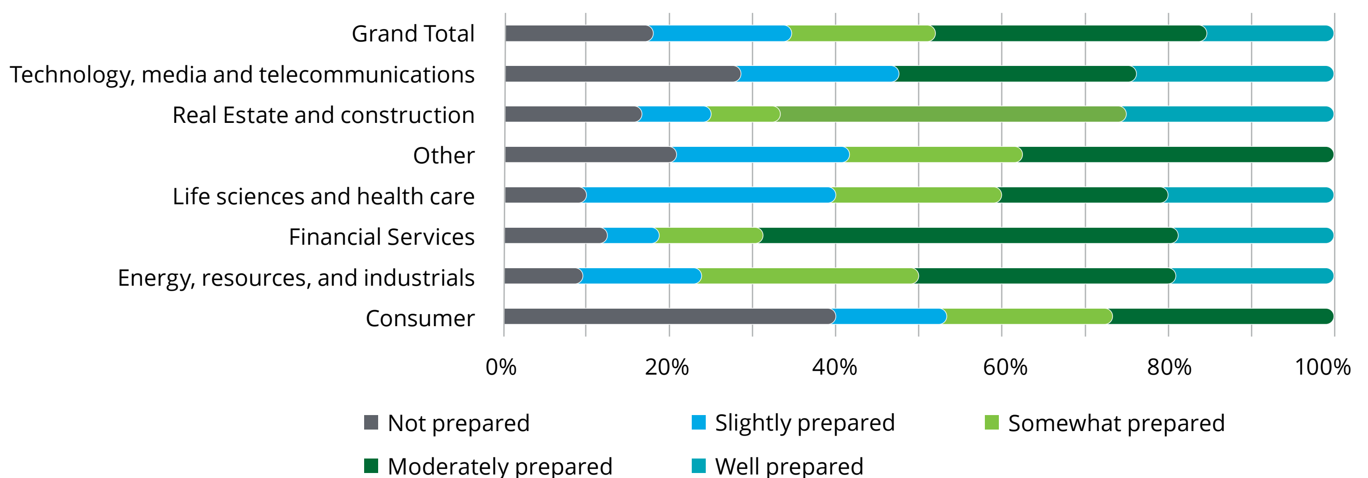
How well prepared are the company's suppliers in adhering to the company's ESG requirements?



The graph illustrates the difficulty of getting suppliers on board with ESG preparedness, with only 15 percent organisations being well prepared, 33 percent being moderately prepared, and 18 percent not being prepared at all. Only 20 percent organisations in the Technology, Real Estate, Life Sciences and Health Care, Financial Services, and Energy, Resources, and Industrials (ER&I) industry sectors are well-prepared to integrate their suppliers with ESG requirements. Sixty-eight percent organisations in the Financial Services and Real Estate are either well prepared or somewhat prepared, followed by 50 percent organisations in the Technology and Energy, Resources, and Industrials (ER&I) industry sectors.

Building ESG capacities can help organisations identify new areas for improvement and enhance their overall sustainability performance, which can lead to long-term benefits for both the business and society. Ultimately, investing in ESG capacities can help organisations stay ahead of the curve and demonstrate their commitment to sustainable practices.

Sector-wise preparedness of suppliers for ESG requirements



4. Emerging challenges and growth opportunities

Incorporating ESG considerations into the overall business strategy and decision-making processes can be challenging. Organisations must align ESG goals with their long-term business objectives, which may require changes in operational processes and governance structures. Ensuring ESG integration in business strategy and decision-making across organisational levels is a complex process that requires significant effort and commitment.

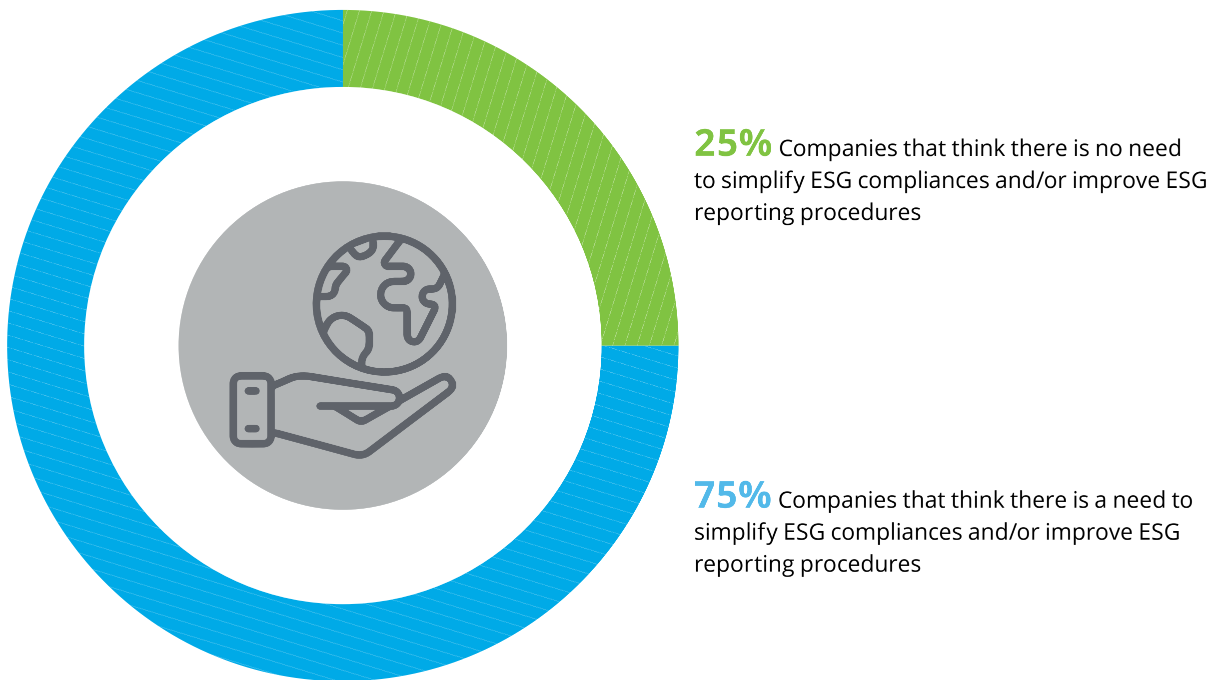
ESG regulations and requirements, moreover, are rapidly evolving, which makes it difficult for organisations to stay updated. Compliance with ESG regulations and understanding their legal implications are also complex, especially for organisations operating in multiple jurisdictions. This leads to a host of challenges in navigating the regulatory and legal landscape for ESG, as any perceived under-reporting of sustainability impacts can cast significant doubt over an organisation's credibility.

Implementation of regulations governing the disclosure of ESG data is a positive step towards improved corporate governance; however, ensuring the completeness and accuracy of sustainability data is another obstacle that all sectors must surmount. Third-party assurances can be used to mitigate risks to some extent, but they are not yet necessitated in India. Disclosures regarding the measurement of Scope 3 GHG emissions appear to be a work in progress. Lack of confidence in the quality of data from external vendors and lack of data availability are the leading obstacles to Scope 3 GHG emissions details today. Even though SEBI is implementing sustainability regulations, there is a need for sectoral guidance across disclosures requiring descriptive responses.

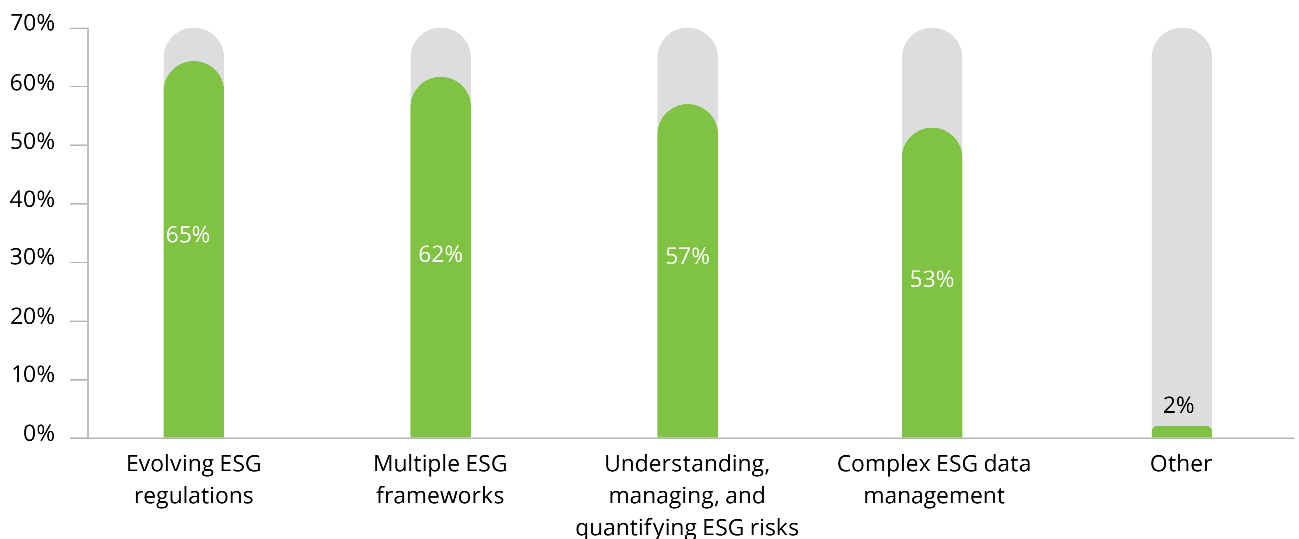
There are going to be frequent regulatory updates and clarifications, and the need to engage with multiple stakeholders will emerge over time. This can be a challenge, but will also be an opportunity for organisations to tighten their processes and systems and increase enterprise value. Fifty-three percent of the organisations observed that they were already experiencing a change in demand from stakeholders regarding ESG reporting.

Change in demand from stakeholders

Organisations (65 percent) suggested **evolving ESG regulations** to be the major challenge in building ESG preparedness capacity, followed by **multiple ESG frameworks** (indicated by 62 percent organisations). **Three-fourth organisations (75 percent)** also concurred that there is a need to **simplify ESG compliance** or improve ESG reporting procedures.



Ranked in order of most challenging aspects of building ESG preparedness capacity

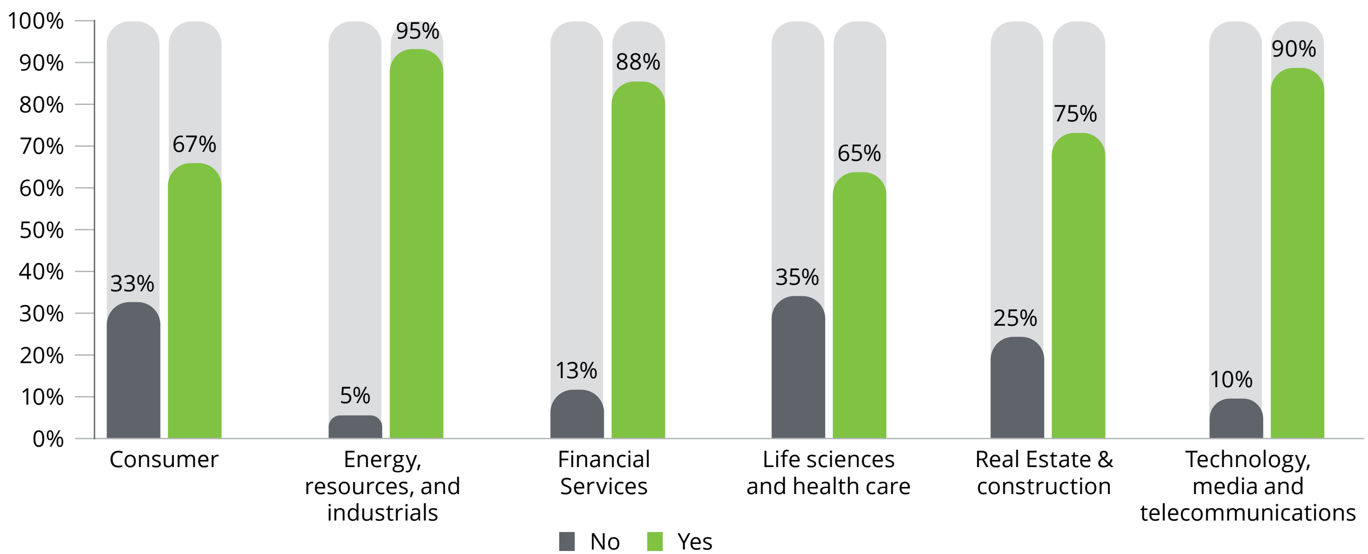


Overall, the connections between ESG and green and sustainable investments is also increasing in India, but there are some significant challenges that need to be addressed for them to achieve their full potential. At the same time, there are also opportunities for growth that can be harnessed to further drive ESG. The growth potential of ESG is significant with numerous opportunities, such as the use of emerging technologies around carbon capture and storage, which can be utilised to drive the sector forward.

5. Environment: Building resilience against climate impact

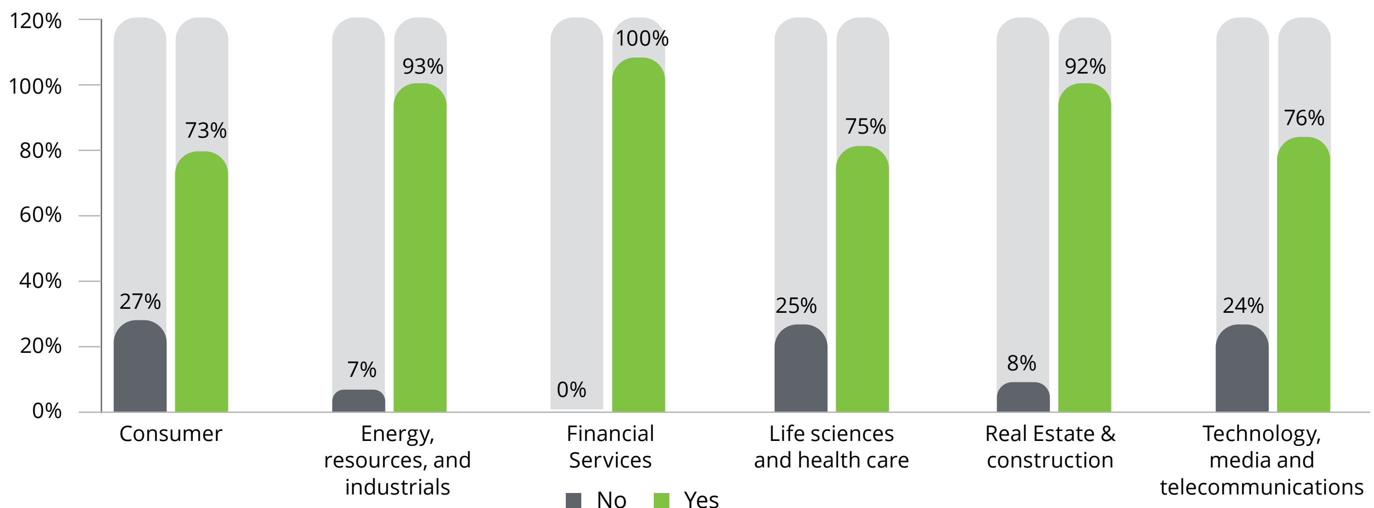
As climate change continues to pose significant risks to businesses through its impact on supply chains, operations, and the financial performance of organisations, boardrooms are recognising that addressing climate change is not just an environmental issue but also a business issue. In our survey, **83 percent organisations agreed that climate change or global warming is a concern at the boardroom level for their organisation.** This sentiment was most evident in the Energy, Resources, and Industrial and TMT industries, as indicated by 95 percent and 90 percent organisations, respectively.

Is climate change/global warming a concern for your company at a boardroom level?



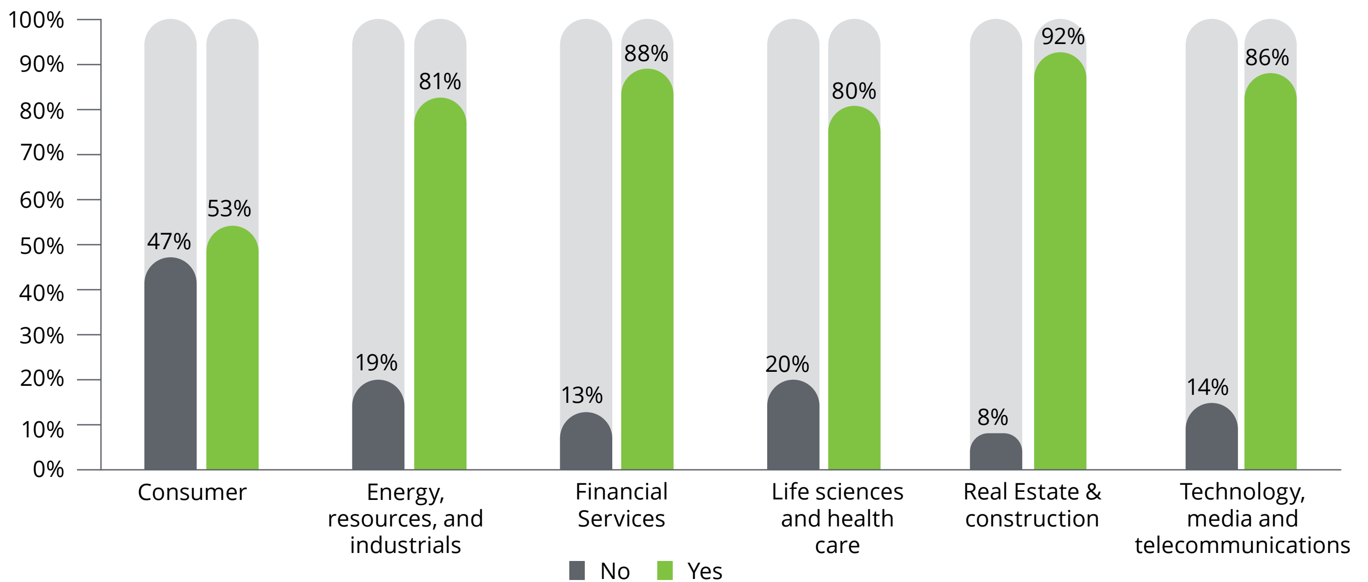
Extreme weather events, supply-chain disruptions, and increased insurance costs are some prominent risks that businesses associate with climate change, and by accounting for these risks, organisations can better prepare themselves to respond to potential climate-related impact. In the survey, **85 percent organisations agreed that their company proactively accounts for climate change-related risks and plans for mitigation.** All organisations from the Financial Services industry, 93 percent from the Energy, Resources and Industrial industry, and 92 percent from the Real Estate and Construction industry sectors shared this view.

As a company, do you proactively account for climate change related risks and plan for mitigation?



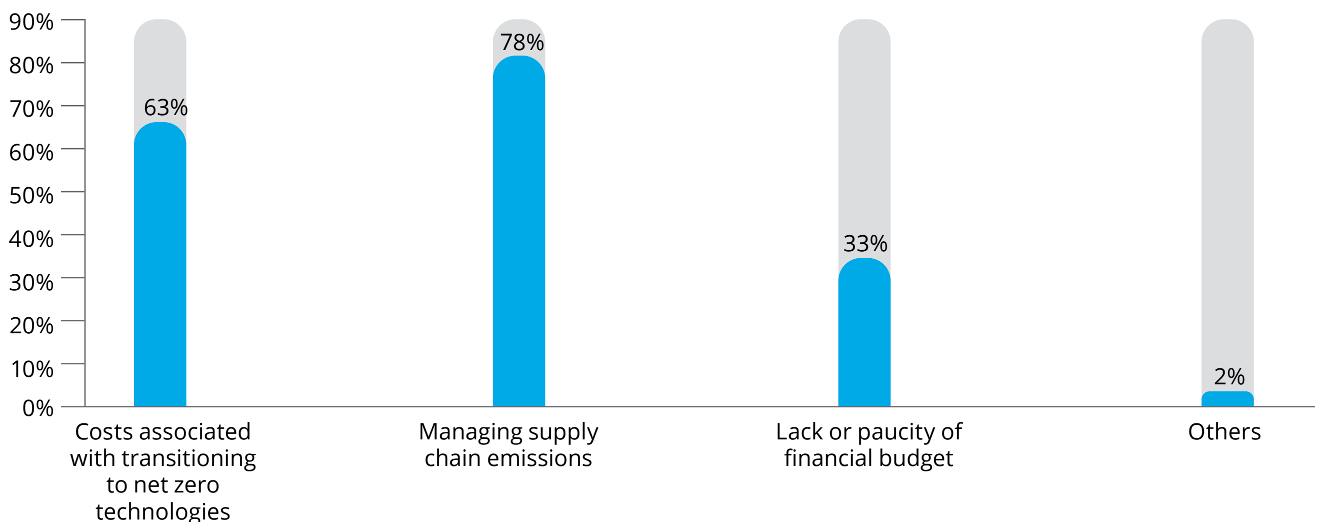
In this regard, public commitments demonstrate the company's commitment to addressing climate change and can help enhance its reputation and brand image. Customers, employees, and investors are increasingly interested in the environmental impact of the organisations they interact with and are more likely to support those taking action to reduce their carbon footprint. **More than 80 percent organisations highlighted that they have time-bound public commitments to address issues related to the environment.** Ninety-two percent organisations from the Real Estate and Construction industry sectors, 88 percent from Financial Services industry, and 86 percent from the TMT industry agreed to have time-bound commitments as well.

Do you have any time-bound public commitments to address issues related to the environment?



Switching to net-zero technologies involves significant investments in infrastructure, equipment, and processes. These investments could pose financial challenges for organisations. Additionally, organisations may be dependent on their suppliers to make changes to their operations and reduce their emissions. This can be challenging when suppliers may not have similar commitment levels to sustainability or the necessary resources to make relevant changes. The report highlights that **78 percent participants identified managing supply-chain emissions as a potential obstacle to achieving net-zero** targets, with the costs associated with adopting net-zero technologies coming in second (per 63 percent organisations).

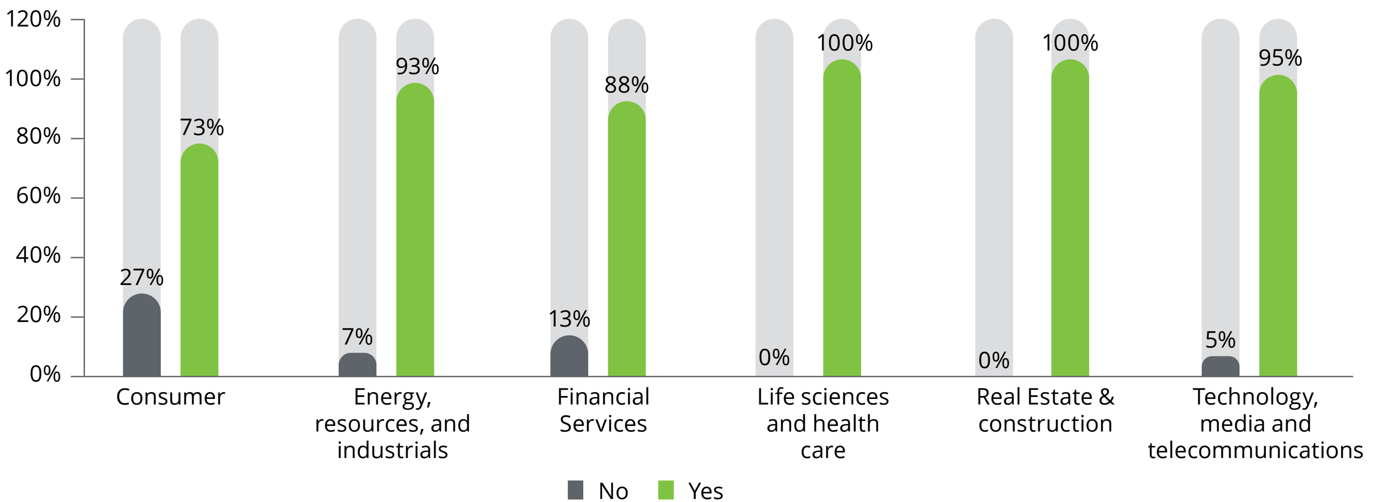
What are some of the potential challenges that your company could face in achieving net zero targets?



6. Social: An arena of clear intent with limited action

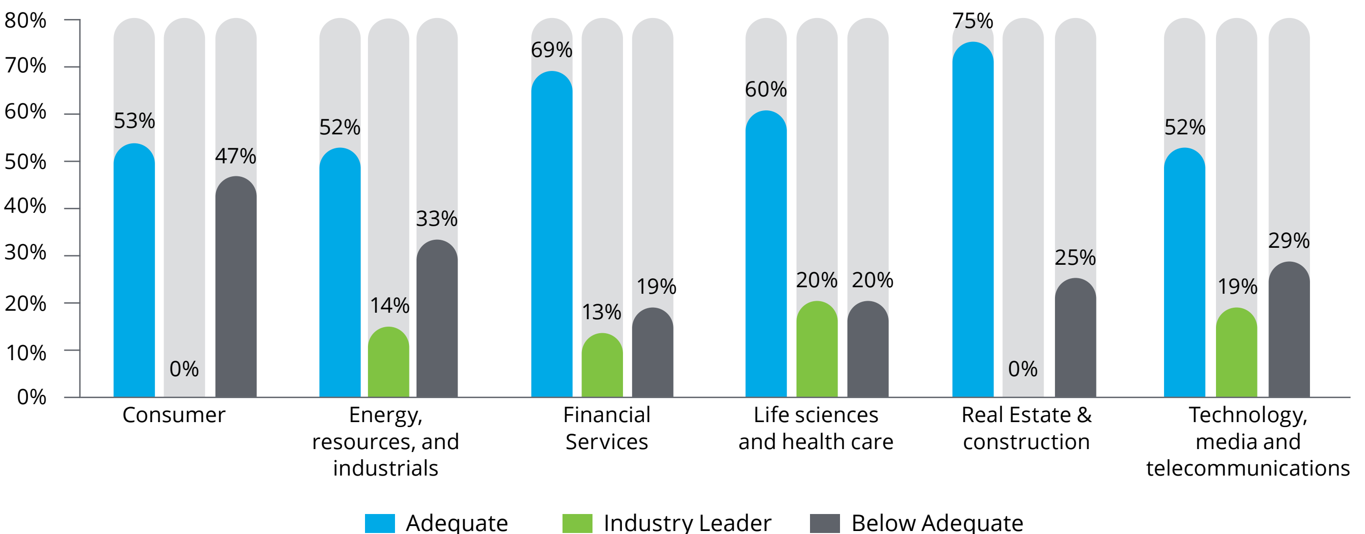
Investing in community welfare can be an important part of a company's social responsibility strategy. By demonstrating their commitment to the well-being of the communities they operate in, organisations can enhance their reputation, build strong relationships with stakeholders, create shared value, and help address important social and environmental challenges. Results from the survey indicate that **more than 90 percent respondent organisations have some part of their investments directed towards community welfare programmes.** All the organisations from the Life Sciences and Health Care, Real Estate, and Construction industry sectors agreed with this view, followed by the TMT industry at 95 percent.

Are the company's investments being directed toward community welfare programmes



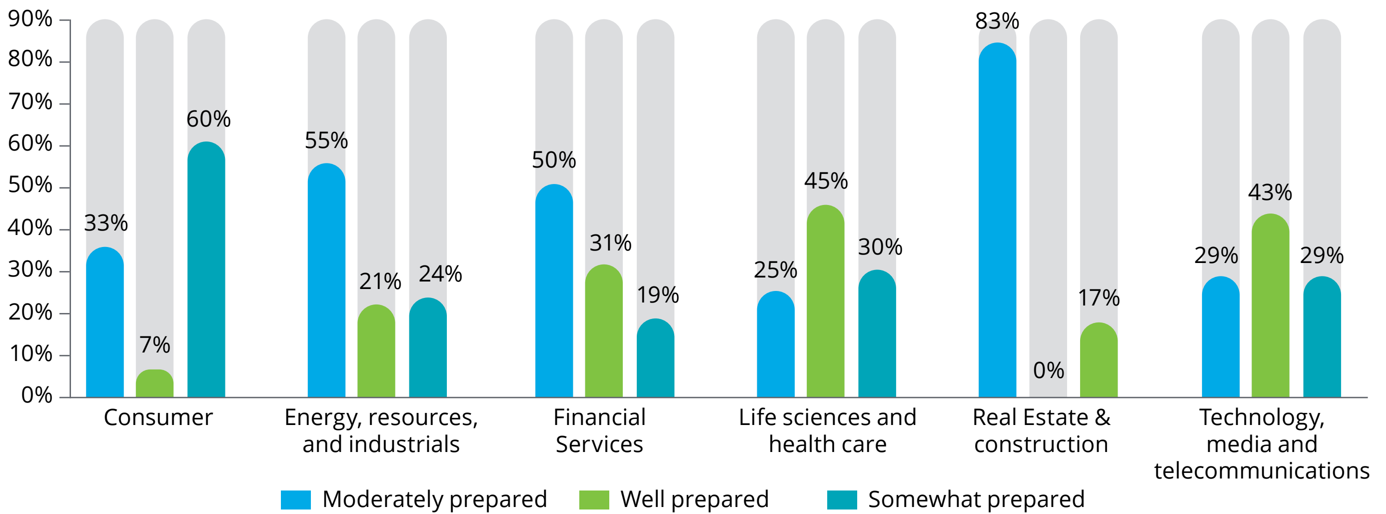
Diverse teams are more likely to bring different perspectives and ideas to the table, which can lead to better problem-solving, innovation, and decision-making. This can have a positive impact on a company's bottom line. Organisations should have policies and procedures in place to ensure that recruitment and hiring practices are inclusive and non-discriminatory. When asked to rate their organisational policies and initiatives on diversity, equity, and inclusion, **only 14 percent organisations considered themselves to be industry leaders in this regard, with the rest being adequate (56 percent) or below adequate (30 percent).** This is most evident in the Consumer and Real Estate and Construction industry sectors, where 47 percent and 25 percent organisations, respectively, fall below the adequate category, with none saying that they have policies

Please rate the company's policies and initiatives on diversity, equity, and inclusion



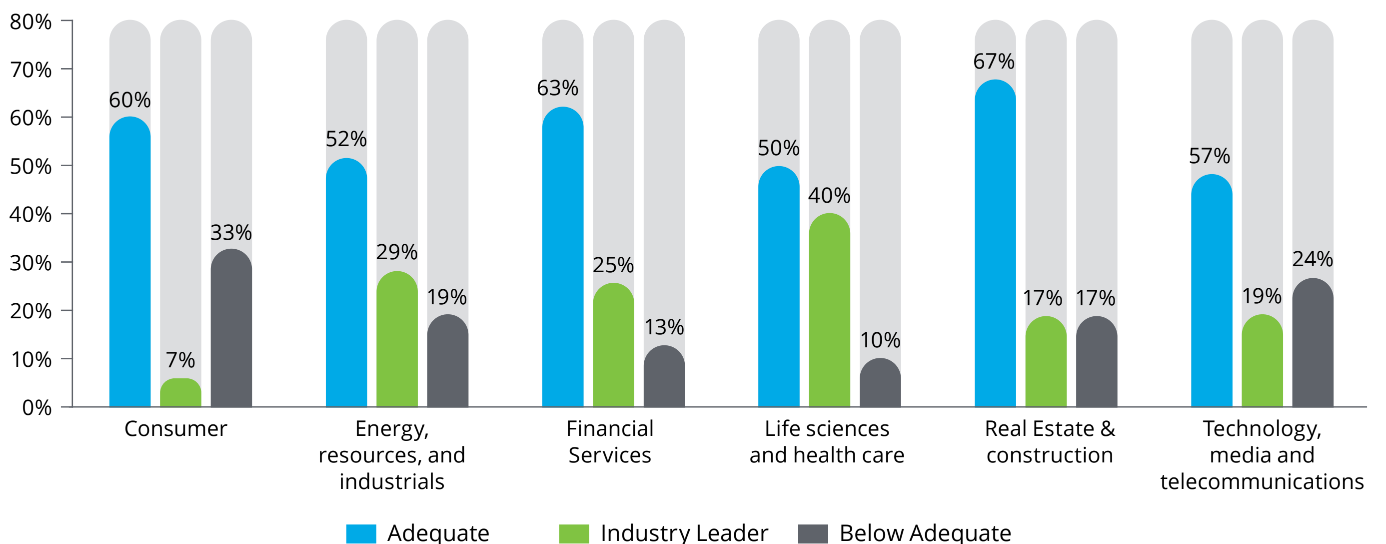
that can be considered industry leading in each case. **Furthermore, only 25 percent organisations indicated that their organisation is well prepared to meet rising public, investor, and government expectations around inclusion, diversity, and equity, with the rest being moderately prepared (45 percent) or somewhat prepared (29 percent).** The Consumer and Real Estate industry sectors seem the least prepared to meet external expectations around policies based on inclusion, diversity, and equity within their organisations.

How prepared is the company in meeting the rising public, investor, and government expectations around inclusion, diversity, and equity?



A strong policy on employee welfare is an important factor from an ESG perspective. Organisations that prioritise employee welfare are more likely to attract and retain top talent, enhance their reputation, and comply with regulations, while also improving productivity and performance. **Twenty-seven percent organisations have considered themselves to be industry leaders in this regard, with the rest being adequate (53 percent) or below adequate (20 percent).** Thirty-three percent and 24 percent organisations from the Real Estate and TMT industry sectors indicated being below adequate in their employee welfare policies, whereas 40 percent organisations from the Life Sciences and Health Care industry sectors indicated being industry leaders in employee welfare policies.

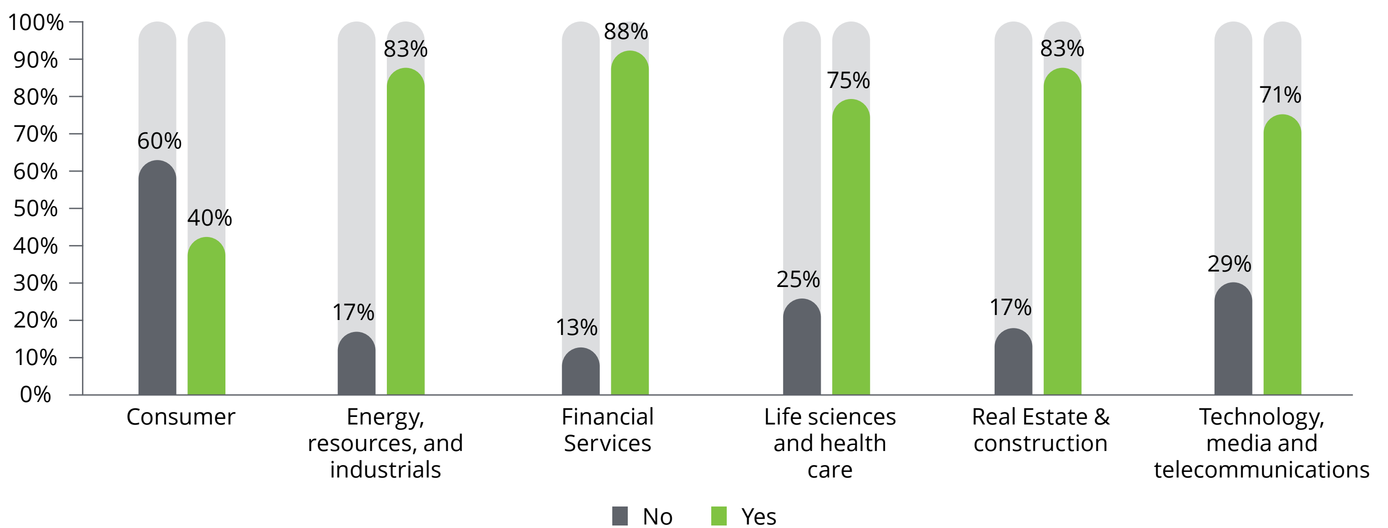
Please rate the company's policies on employee welfare



7. Governance: Growing focus on ESG

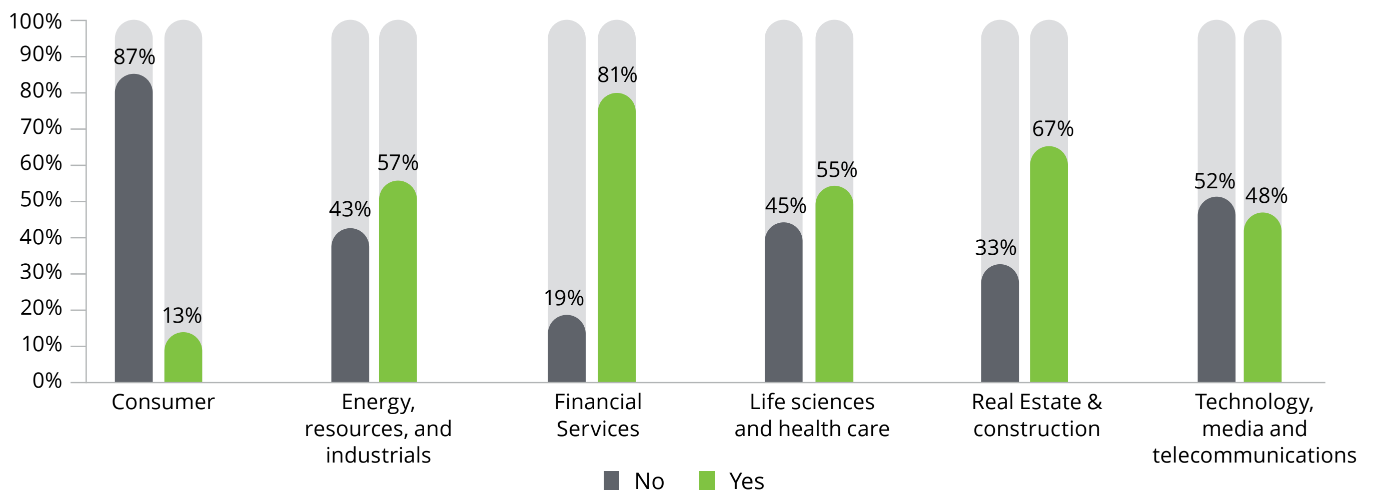
A strong governance structure ensures that the company is held accountable for its ESG-related actions and decisions. This includes setting goals, measuring progress, and reporting on ESG-related matters to stakeholders. **Nearly 75 percent organisations agreed that the board has an appropriate governance structure for overseeing the company's ESG-related matters.** Eighty-eight percent and 83 percent organisations from the Energy, Resources, and Industrials, and Financial Services industry sectors indicated having a governance structure in place for ESG matters, while only 40 percent from the Consumer industry agreed to have one.

The Board has an appropriate governance structure for overseeing the company's ESG-related matters



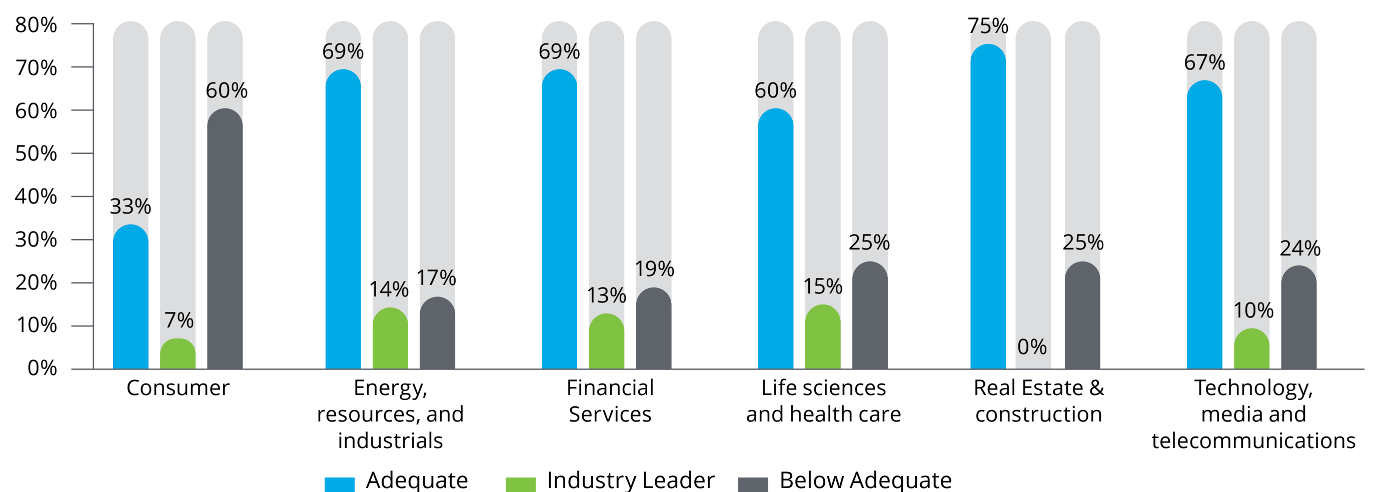
It is important to note that ESG-linked performance incentives can encourage leaders to take a long-term view of the company's sustainability practices and make decisions that benefit it in the long term, rather than focussing solely on short-term financial performance. Additionally, they can promote transparency and accountability by making the company's ESG-related goals and the incentives for achieving them clear. **More than 50 percent organisations agreed that the company has formal ESG-linked performance incentives.** Eighty one percent organisations from the Financial Services industry indicated that they had an ESG-linked incentive system in place. On the other hand, in the Consumer industry, 87 percent organisations indicated the lack of any such incentives. **Additionally, half of the organisations indicated a demand from stakeholders for more ESG reporting and transparency.**

Does the company have formal ESG-linked performance incentives?



Having robust governance policies in place for critical issues, such as board diversity, executive compensation, and management ownership can help organisations effectively manage ESG-related risks, improve sustainability performance, and build trust with stakeholders. **Only 15 percent of the surveyed organisations considered themselves to be industry leaders in this regard, with the rest being adequate (59 percent) or below adequate (27 percent).** Sixty percent organisations from the consumer industry indicated being below adequate in formal governance policies, while 75 percent organisations in the Real Estate industry sector and 70 percent each in the Energy, Resources, Industrial, and Financial Services industry sectors indicated being adequate in their governance policies.

Please rate the company's formal governance policies



What organisations need to do to gear up for ESG

Since the IT revolution, ESG has been the only topic to create a buzz of such magnitude. Policies and market forces are driving actions across sectors and supply chains, creating opportunities for value creation. Environmental sustainability is an immediate priority, and governments, organisations, employees, communities, and investors are increasingly joining forces to tackle the climate crisis. At this time, it is important to note what organisations should consider to succeed in their ESG transformation.

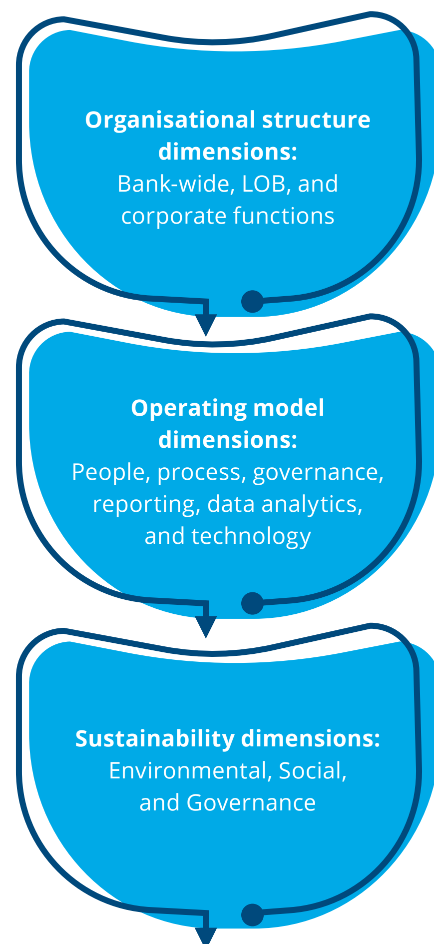
Organisations globally are feeling the need to incorporate ESG aspects into their decision-making processes, and as a result, are focussing more on developing robust ESG strategies and frameworks. Moving forward, sustainability will be a key driver in the organisation's decision-making process. A comprehensive ESG programme is founded on four pillars: Governance, strategy, management, and performance and reporting, complemented with a plan to execute on these core tenets in a defined time. There are certain steps that organisations will need to take to embark on their ESG transformation journey.

Integrate into core strategy

It is important for organisations to **integrate their sustainability efforts into a core strategy and transformation agenda.** There will be a need to gather and analyse the existing situation (e.g., ESG and climate plans, programme plans, strategy), constructively challenge it based on leading practices and benchmarks, update or refine the existing approach, identify quick wins and opportunities to accelerate in parallel, come up with ESG and climate change aspirations and an approach with near- and long-term goals. During this phase it will also be important to deep dive into gauging the maturity of ESG capabilities (people and processes) and mapping the necessary capabilities.

Define and design operating model

It is critical to define the **future state capabilities and design principles** of the ESG-integrated **future operating model.** Organisations need to assess what they have and what is needed to meet their aspirations across business lines and functions, people, processes, data, reporting, and technology. Enmeshing ESG into the operating model of a large and complex organisation typically requires a three-dimensional view of how individual decisions, responsibilities, and initiatives intersect. Traditionally, tax as a function has been excluded from ESG strategy, but now with finance and cross-border trade coming into the limelight, tax is increasingly intersecting with ESG issues.



Understanding data needs

With increasing demand from regulators, investors, and other stakeholders on the action taken and impact made on critical ESG aspects, it is important that **data and analytics infrastructure** should also evolve to meet the needs of internal and external stakeholders. Synchronised action is also required to address ESG data management and analytical

tools needs (including assessing data source identification, classification, acquisition, preparation, and analytical model changes to account for ESG objectives) and identify technology/analytical tool capabilities and requirements to deliver on ESG objectives.

Aligning governance

Reliably achieving goals and objectives while managing risks requires alignment and coordination, and more importantly, clear accountabilities. A well-designed and implemented ESG governance model for the board and management, including key processes and accountabilities/responsibilities will include the following:

- Defined functional organisational models for ESG roles and responsibilities
- Developed and implemented governance documents, such as policies, committee charters, and terms of reference

Plan and take action

Ultimately, an integrated plan in the form of an ESG roadmap will help organisations actively manage multiple dimensions of cross-enterprise initiatives. This will incorporate both new (e.g., future operating model design) and existing (e.g., line of business action plans) initiatives across people, process, technology, and data. This coherent view of ESG initiatives across the organisation, at the enterprise-level and across LOBs and corporate functions, will highlight critical interdependencies and potential synergies and ensure aligned outcomes. An integrated plan will cater to an organisation's E, S, and G initiatives to drive coordination of effort and prioritisation in the short, medium, and long term.

During this phase of transition, it is also critical to identify potential enablers in the form of key people, processes, and product enablers essential for immediate impact to the organisation's ESG aspirations.

Monitor, record, and report

Integrating ESG is a continual process, the progress of which, must be monitored, reviewed, and evaluated regularly. Aligned with the ESG framework and scorecard and with transparency as the foundation of ESG, it is critical that progress be accurately disclosed to the public. Given the global nature of businesses in today's time, it is crucial to have frameworks aligned with international and national frameworks. This includes both voluntary and regulated frameworks, such as GRI, BRSR, US-SEC, EU-CSRD, and so on.

Future trends for corporate India's ESG ambitions

The sustainability performance and climate action of organisations are increasingly intertwining through an overarching system of regulatory incentives and disincentives. Soon, organisations will need to make multiple investment decisions for sustainable operations across their value chain. At Deloitte, we foresee organisations requiring support and enablement with strategic frameworks and tools, such as internal carbon pricing, natural capital accounting, and the Marginal Cost of Abatement (MAC).

Companies will require a deep strategy refresh, that will have to cut through size and scale parameters. This would mean that one size will not fit all, and strategy capabilities will have to be built and transferred according to sector and industry maturity levels. The second is the "sensorisation" and "intelligentisation" of large-scale ESG data, based on the strategy refresh, which will require technology solutions to be smart, agile, and powerful enough to provide real-time actionable insights. The third is a board- and leadership-level capability enhancement that allows for clear direction setting for sustainable value creation.

There is increasing pressure on businesses to set ambitious emission reduction targets, embed sustainability into corporate strategy, and disclose climate-related risks and opportunities. Such pressure is also a clear opportunity for businesses to invest in innovation and technology and engage employees and stakeholders to achieve timebound sustainability goals. There are several dimensions that businesses must consider to effectively manage climate change risks and achieve net zero targets:

Embed sustainability into corporate strategy: Organisations must integrate sustainability into their corporate strategy and decision-making processes. It should be a part of their goals and aspirations and lead to concrete actions.

Turn strategy into execution: Organisations should be primed to implement their strategies in critical areas, such as energy use, waste management, and recycling and reuse capabilities. A refreshed strategy is implementable when goals can be broken down into annual targets, and each target can be further broken down into quarterly KPIs with clear internal owners and champions.

Set ambitious emissions reduction targets: Organisations must set ambitious emissions reduction targets aligned with the Paris Agreement's goal of limiting global warming to 1.5°C. These targets must be science-based and consider the company's entire value chain, including its supply chain and customers' use of products. We see the overall increase in enterprise value to be significant in the coming years for organisations that pursue and achieve aggressive emission reduction targets.

Disclose climate-related risks and opportunities: Transparency is crucial in managing climate change risks. Businesses must disclose climate-related risks and opportunities to investors, customers, and other stakeholders. This includes disclosing the company's greenhouse gas emissions, and progress towards emission reduction targets.

Actively collaborate across the ecosystem: Achieving net-zero targets requires collaboration between businesses, governments, and other stakeholders. A decarbonised and net-positive value chain requires suppliers, customers, and other stakeholders to sign up for shared sustainability goals. This includes collaborating with other organisations to develop and scale innovative low-carbon solutions.

Invest in innovation and technology: Investing in innovation and technology can help businesses reduce their greenhouse gas emissions and achieve net zero targets. Businesses must invest in research and development of new technologies and sustainable solutions that reduce their environmental impact and improve their energy efficiency.

Engaging employees and stakeholders: Businesses must engage their employees and stakeholders in sustainability efforts. This includes training employees on sustainable practices, raising awareness about sustainability goals, and encouraging customers to adopt sustainable practices.

Corporate governance underpins and connects these dimensions. Effective governance is essential for businesses to manage climate change risks and achieve net-zero targets. Hence, the governance of today and tomorrow will not only have to encompass traditional issues, but also include issues of sustainability, lower carbon footprint, and fair and decent working conditions for everyone.

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