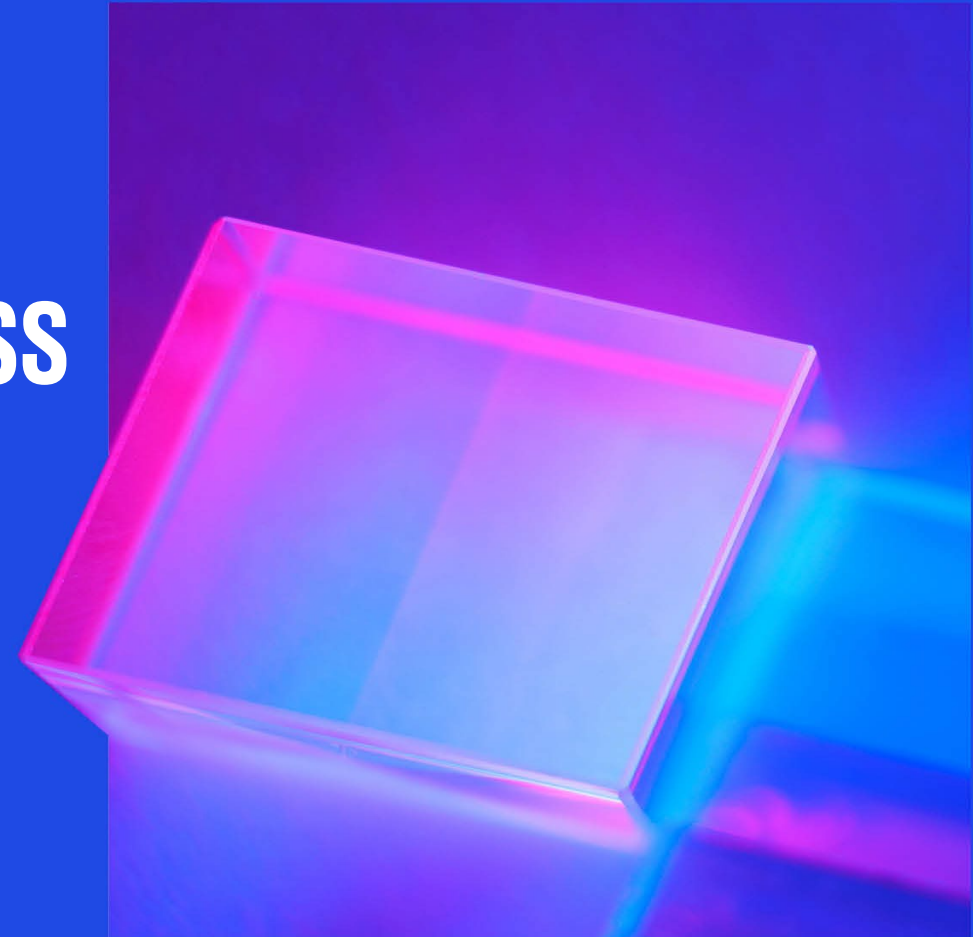


# ESG, Collaboration and Business Responsibilities – The CEO's Dilemma and CMA's Role



**Meenakshi Sharma**  
Technical Director  
Capital Markets, KPMG India

01

ESG

# How has Time changed? From Profits to Sustainability



Era of double entry bookkeeping

**Financial capital**



Era of Industrialization

**Manufactured capital**



Era of Dotcoms

**Human & Intellectual capital**



Era of Sustainability and Climate Change

**Natural, Social & Relationship capital**

# What is ESG?

ESG performance constitutes understanding the **environmental, social and governance-related** risks and/or opportunities that may impact an entity, also referred to as sustainability, non-financial or extra-financial risks/opportunities. There are multifold benefits for companies to invest in development and implementation of robust ESG strategies. A strong ESG proposition can help create enormous business value across the enterprise

## Environment

Environmental criteria examines how a business performs as a steward of the natural environment, based on factors such as energy and emissions performance, water and waste management, ecological restoration, etc.

## Social

Social criteria examines how a company treats people, including its employees and the communities in which it works, and provide a safe and healthy working environment for all its employees and others in its value chain.

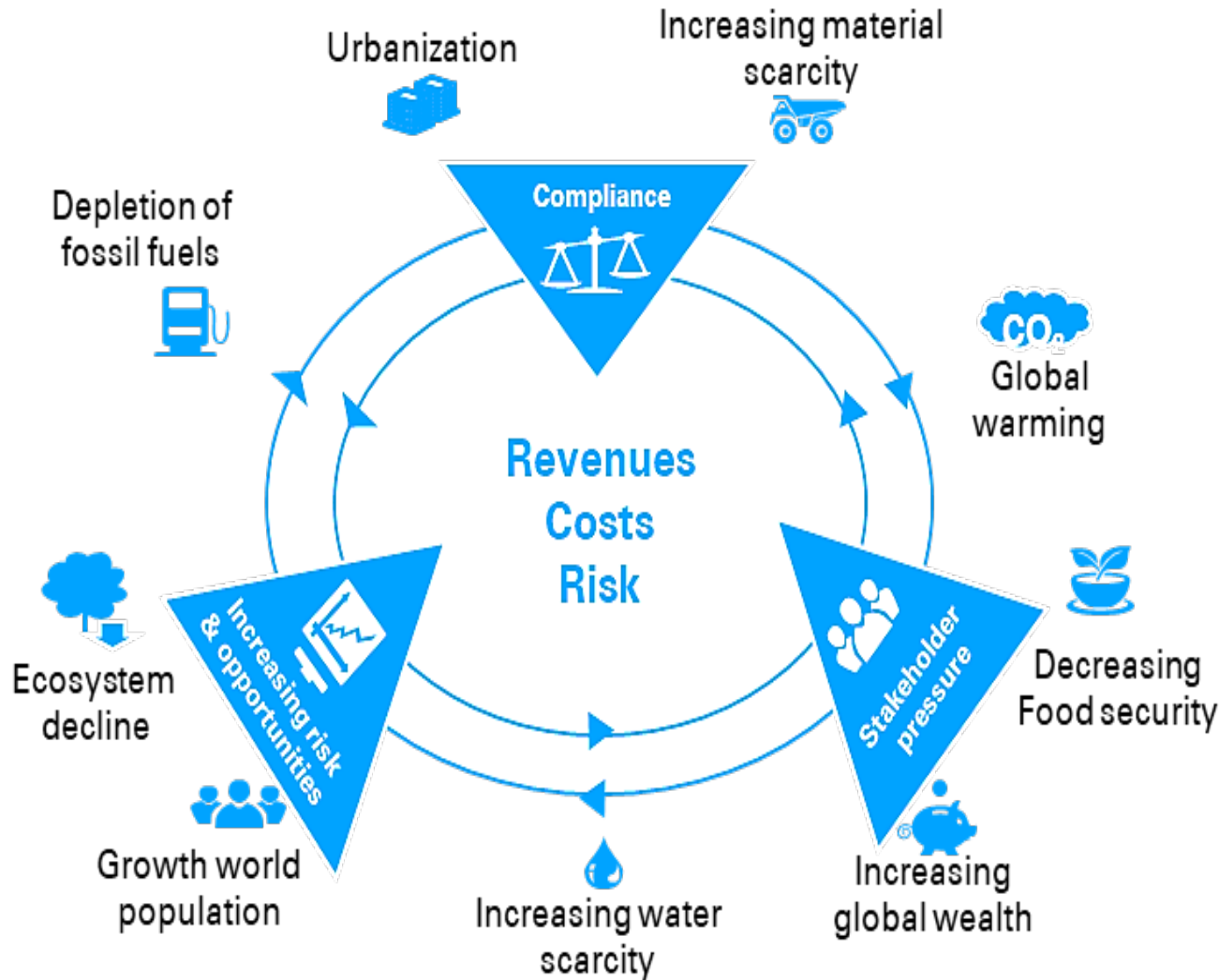


## Governance

Governance criteria examines how a corporation polices itself, is governed by its leadership, and monitored through other regulatory mechanisms and systems.

# Emergence of ESG – From “Good to have” to “Must Have”

Investors are increasingly looking towards companies that are embedding ESG into business strategies



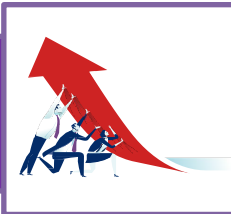
- Climate change
  - Air and Water pollution
  - Energy efficiency
- Environment**



- Customer Satisfaction
  - Labor Standards
  - Data protection and privacy
- Social**



- Compliance
  - Risk Management
  - Stakeholder Dialogue
- Governance**



02

# Collaborations for survival

# ESG is becoming a mandate for business survival



Access to finance is increasingly being hinged on ESG performance



High co-relation of ESG performance with market value /share price evident



ESG is fast representing an existential threat to companies



Increasing pressure forcing companies to change /innovate with core business models



Rise in regulatory requirements and stringent disclosures due to climate change agenda



Stakeholder activism becoming more frequent and severe

03

# Regulatory Landscape



# The evolving ESG regulatory landscape

Ministry of Corporate Affairs, Government of India introduced NVG which focused on the ESG principles

SEBI extended mandate to top 500 listed companies to develop BRR as part of their annual report

MCA released NGRBC guidelines

MCA released BRSR guidelines recommended to align the framework from FY2021-22

June 2011

August 2012

December 2015

February 2017

March 2019

November 2019

August 2020

March 2021

SEBI mandated BRR for top 100 listed companies for disclosure on ESG parameters in the annual report

SEBI asks top 500 listed companies to voluntarily adopt 'Integrated Reporting'

SEBI has extended the BRR requirement to top 1000 companies

BRSR is applicable on a mandatory basis for the top 1000 companies from FY 2022-23

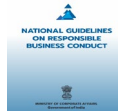
# The Universe of ESG Frameworks and Standards

## Standards and guidelines

Strategy



Reporting



## Rating agencies & benchmarks



## Commitments & Memberships



## Policies & Global Agenda



## Assurance Standards



International Auditing and Assurance Standards Board



04

# Future of ESG

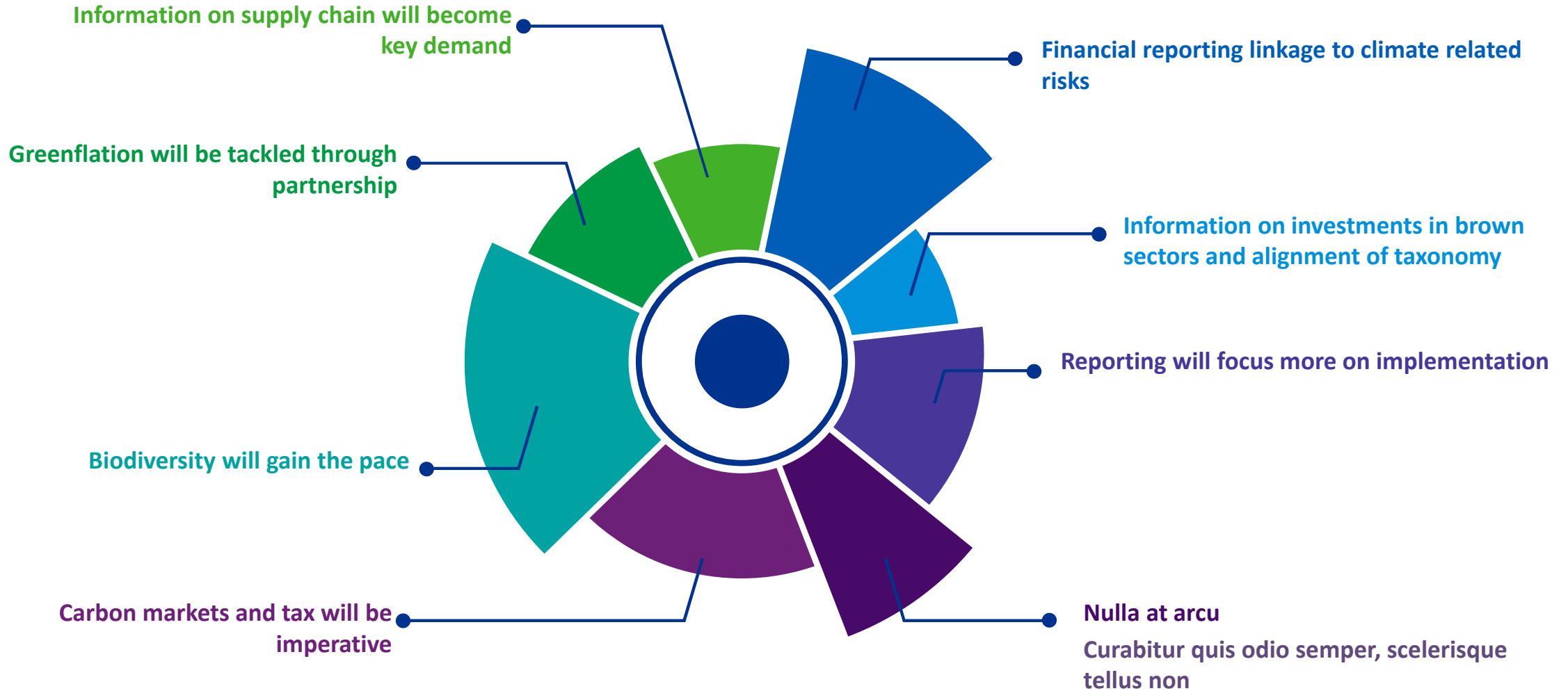
# The global risk landscape is changing ..

2023	Rank	2022
Failure to mitigate climate change	1	Climate action failure
Failure of climate-change adaptation	2	Extreme weather
Natural disasters and extreme weather events	3	Biodiversity loss
Biodiversity loss and ecosystem collapse	4	Social cohesion erosion
Large-scale involuntary migration	5	Livelihood crises
Natural resource crises	6	Infectious diseases
Erosion of social cohesion and societal polarization	7	Human environmental damage
Widespread cybercrime and cyber insecurity	8	Natural resource crises
Geoeconomic confrontation	9	Debt crises
Large-scale environmental damage incidents	10	Geoeconomic confrontation

■ Environmental   
 ■ Geopolitical   
 ■ Economic   
 ■ Technological   
 ■ Societal

- **Failure to mitigate climate change remains the biggest environmental risk in the long term**, like last year. 70.0 percent of the participants in WEF’s risk report, stated the current preventive measures for climate change as “**ineffective**” or “**highly ineffective**”.
- **Widespread cybercrime and cyber insecurity risk is one of the new entrants** in the Top 10 global risks category. The usage of technological devices and new technologies such as Artificial Intelligence and Machine Learning is increasing and so are the malicious attacks in cyberspace.
- In the short-term (2023–25), **cost-of-living crisis is emerging as the most severe risk**, driven by high inflations and disruption is in the flow of energy and food due to Russia and Ukraine war.

# ESG Trends to look for in 2023



# The Future of ESG Reporting

## Convergence of Framework and Standards

Popular standards and framework collaborate to develop a harmonized framework

## Governments and Regulations

Countries like U.S, Europe, Australia have mandated climate related disclosures as part of mainstream reporting and this trend continues

## Stakeholder-led

Stakeholders are demanding for impact and outcome-based, impactful report with this the focus will shift towards double materiality

## Assurance

Stakeholders are demanding for credible data and are questioning the organizations on the disclosed data

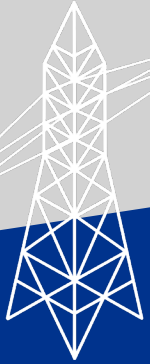
## Digitalization of the report

AI and data analytics are advancing and continue to support the slicing and dicing of data, to get customized views on a wide variety of topics

05

# CEOs Dilemma and Role

# Accelerating ESG Expectations



The KPMG CEO Outlook provides an in-depth outlook from thousands of global chief executives on enterprise and economic growth

ESG has gone from a nice-to-have to integral to long-term financial success

**34%** CEOs in India agree that ESG programs improve financial performance

**77%** CEOs in India see stakeholder demand for increased reporting and transparency on ESG issues

**62%** CEOs in India believe stakeholder scrutiny on ESG will continue to accelerate

**71%** CEOs globally believe the public is looking to businesses to fill the void on societal challenges

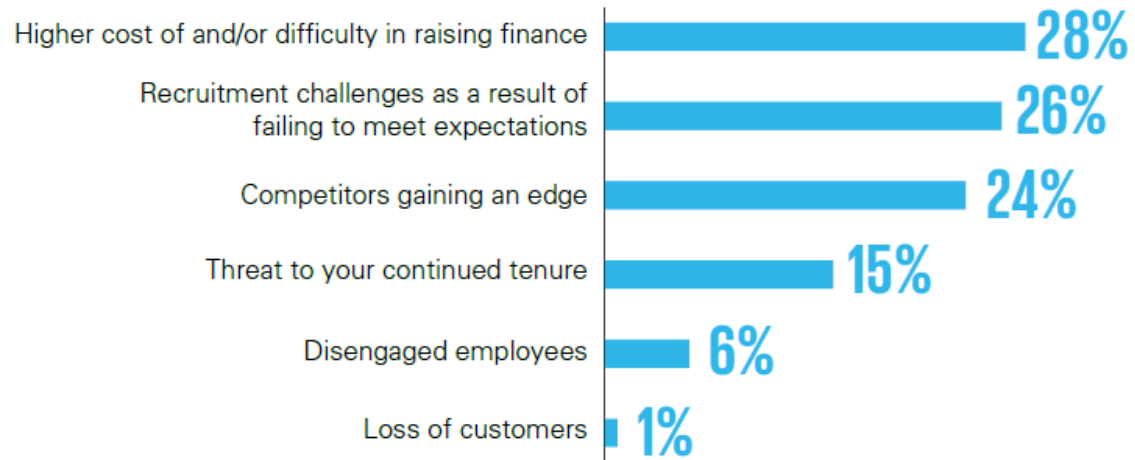
Source: KPMG CEO outlook 2022



# CEOs struggling to keep up with ESG

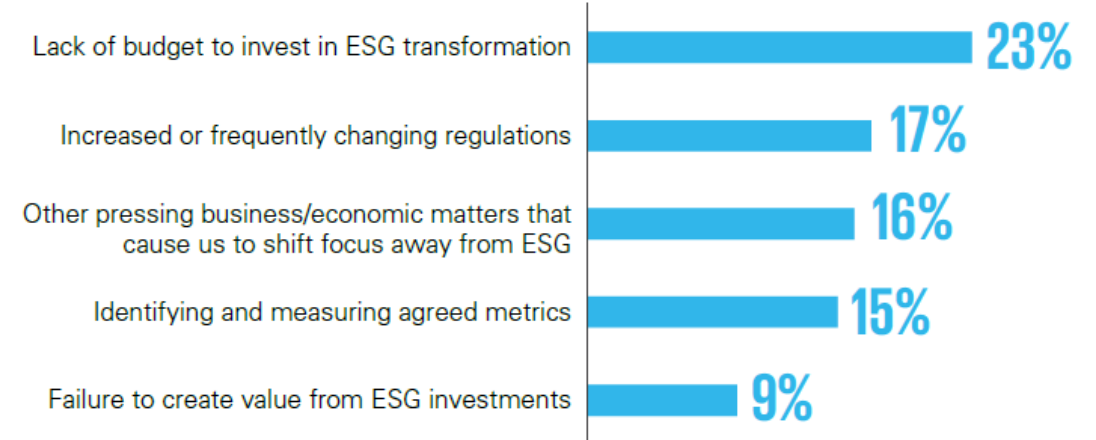
ESG has become an intrinsic business imperative, delaying key ESG efforts could make businesses more reactive in the future rather than help them lead the way with greater transparency, resilience and sustainability

## The downside of failing to meet ESG expectations for CEOs in India



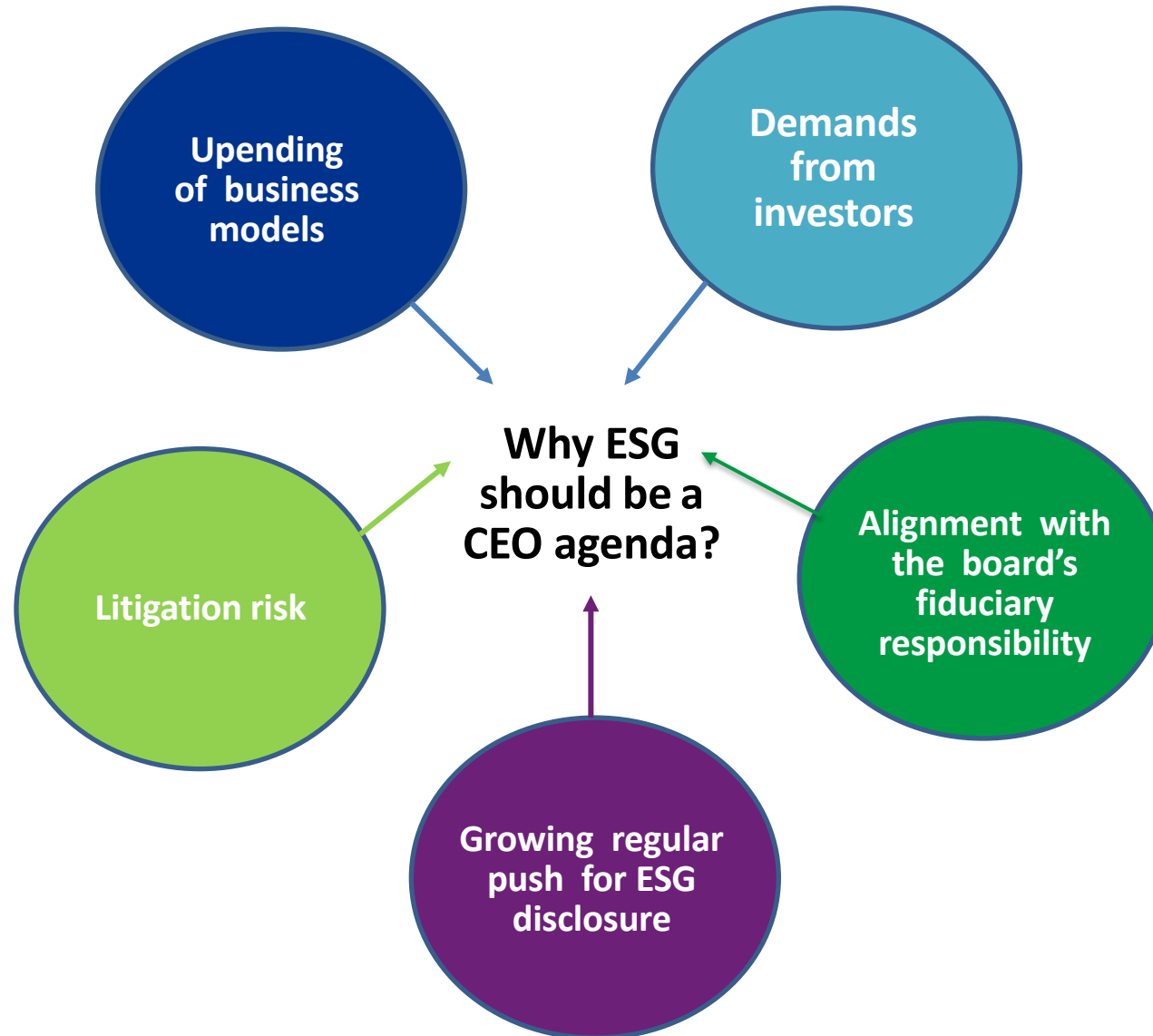
Source: KPMG 2022 CEO Outlook

## Top five challenges for CEOs in India in delivering their ESG strategy over the next three years

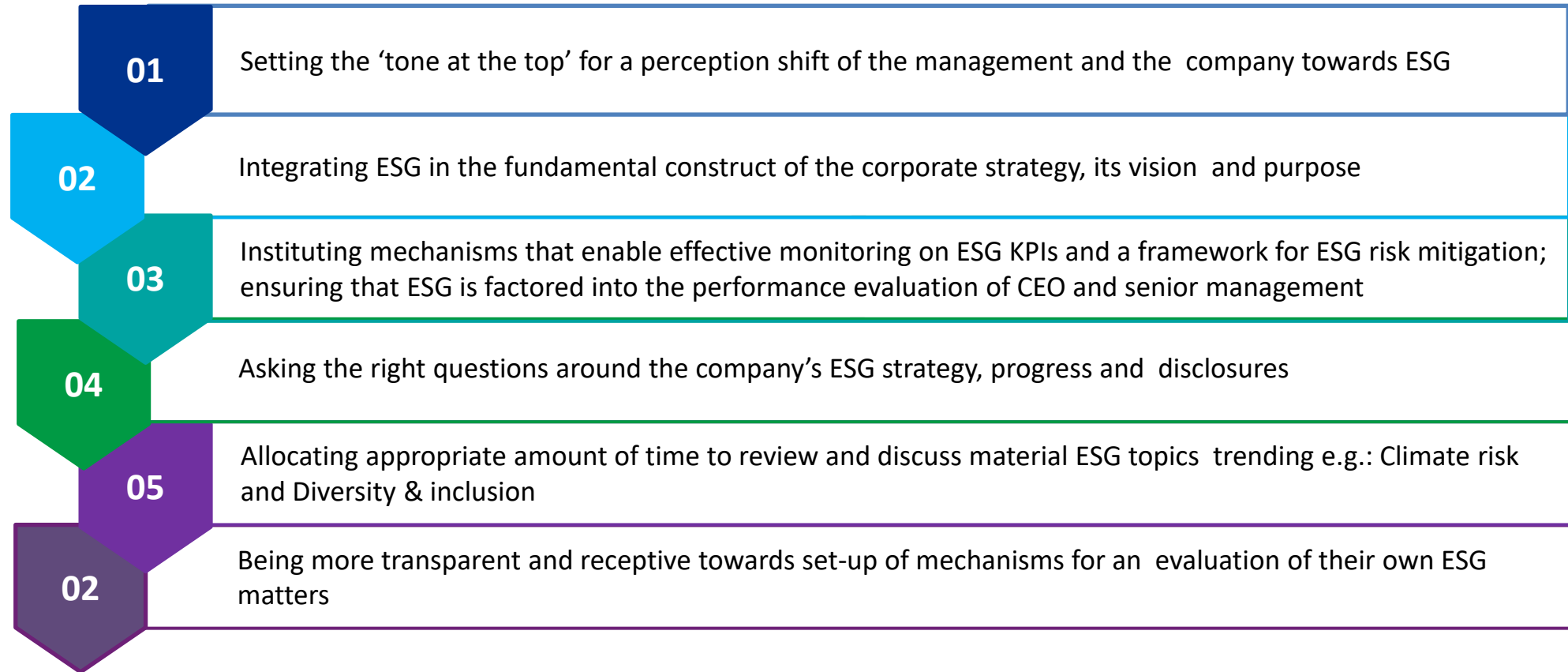


Source: KPMG 2022 CEO Outlook

# Why ESG should be a CEO agenda?



# What Actions can the CEO consider?



# These questions might help CEOs in accelerating ESG Transformation

**01**

What processes do we have for the identification of ESG opportunities and impending risks?

**02**

Do we comprehensively understand material ESG risks and opportunities of our business?

**03**

Do we have the ability to integrate the identified ESG parameters to our vision, goals and metrics?

**04**

Does the Board have the necessary skills and information to guide the management on the way forward?

**05**

How strong is our focus on the governance criteria? Do we consider topics like board diversity, ethics, etc.?

**06**

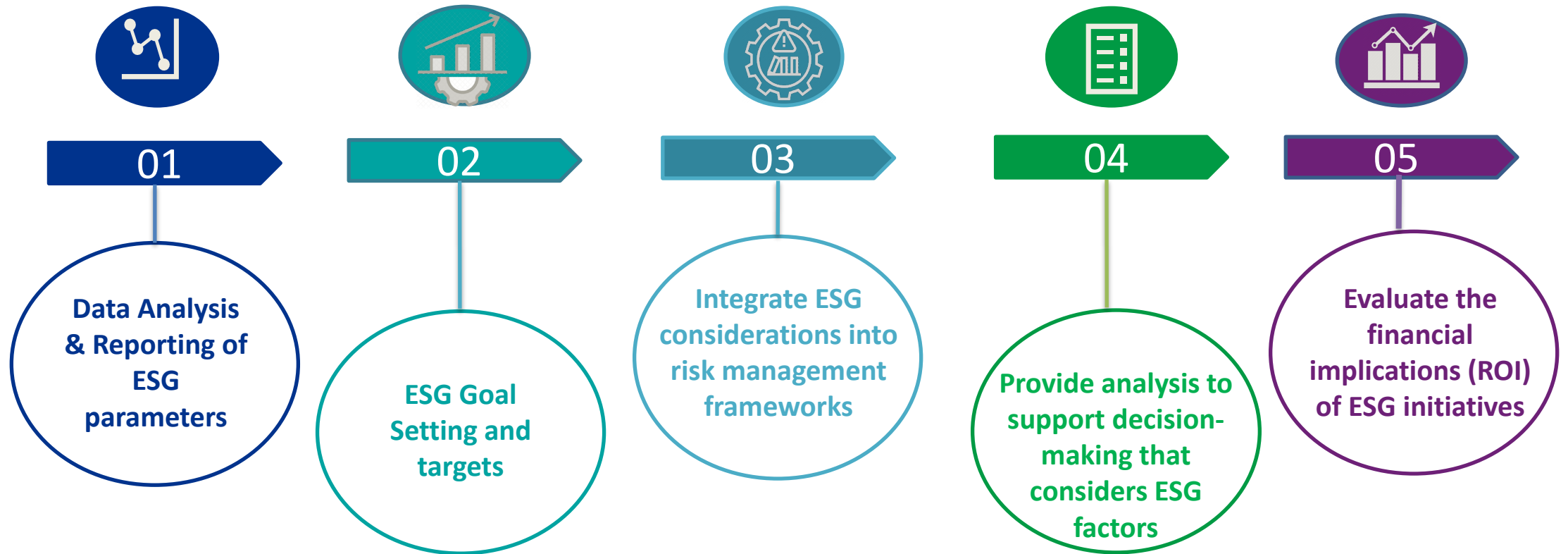
How can we effectively communicate the company's "ESG story" to our stakeholders?

# Exploring Opportunities for Growth

- **Recognize ESG's impact on financial performance:** ESG has become integral to long-term financial success. CEOs in India increasingly agree that ESG programs improve financial performance, which includes being able to secure talent strengthen employee value proposition, attract loyal customers and raise capital.
- **Invest in real-time technologies:** CEOs in India should monitor deeper into their supply chain (i.e., at the third and fourth levels). Supply chain leaders in India as well as globally are starting to double down on investing in technology - including real-time, end-to-end analytics - to identify where issues exist and improve visibility across the entire value chain.
- **Take the lead on IDE:** CEOs in India can play a powerful role in helping lead and drive the IDE agenda in the years ahead. It is important to normalize IDE within companies and create a culture of inclusion and diversity across the organization to attract and retain new employees.
- **Build strong connections among functions:** Resilient organizations have well-connected internal teams, so for example, the finance function is aware of what the ESG teams are doing.

# CMA's role in ESG journey ?

“Behind Every Successful Business Decision is a CMA”, the profession of CMAs have a pivotal role in ESG





Let's do our bit !!!



Thank You