

Sustainability & ESG for India Inc.

**Dr. Ganesh Natarajan*



Over twenty years ago, when I was appointed the Managing Director of a small software export company, Zensar Technologies Ltd., I mentioned to the analyst community that my goal would be to grow the company with a focus on the triple bottom lines of people, planet and profits. That was seen as rather brave at a time when the company was yet to pay its first dividend but our focus on these areas much before ESG (Environment, Social & Governance) became a corporate must-do was clearly the right one. The company grew in revenues and profits and value creation for all stakeholders. In fact, in the five year period from 2001 to 2015, the company's value grew at a CAGR of over 40 percent, clearly underlining the value that a balanced focus brings.

Today, every responsible corporation owes it to all its stakeholders to give equal importance to caring for the environment, scaling social work in the community and adopting the highest standards of governance. ESG is no longer a choice; it is an imperative for sustainability of corporations, society and the world at large. While the rhetoric about Green Energy and Circular Economy peaks and the Big Four and all Consulting organisations launch ESG services at a steady clip, let us peel the onion and examine the “Why, What and How” of Sustainability and ESG for the future.

The Sustainability Imperative

Speaking at the “Sustainability in Asia” panel at the 2019 Global Summit of the Asian Venture Philanthropy Network in Singapore, I mentioned the very far-sighted article written by Isaac Asimov in 1941 where he spoke of Space Solar Panels that would be used to concentrate solar energy and send it to earth providing a real alternative source of non-polluting energy for the planet. And what a great source that could be with the

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The real scrutiny that industry analysts, customers and even responsible millennials in the employee base are subjecting the company's sustainability and ESG strategy to, makes it imperative for all of Indian Inc. to take concrete and measurable steps in the right direction.

sun expected to radiate energy for at least the next fifty billion years! Geo-thermal, Wind, Ocean and other renewable forms of energy have all joined the consideration set in the last decade and more opportunities like Green Hydrogen and Electric Mobility should be pursued with collaborative vigour.

From the pre-industrialisation era to now, global warming has seen average temperatures on the planet rise by over a degree Celsius and if we don't pay heed, we may reach an awful 2C level or two degrees warming by 2050. Al Gore in his “An Inconvenient Truth” video had demonstrated the perils of this level of warming all too graphically. What can we do about our

constant green house gas emissions, carbon footprint enlargement and uncaring dumping of plastics in the ocean and methane in the atmosphere and what steps can be taken to save our planet?

Many other initiatives can also be adopted to further the cause of sustainability. Decarbonizing power and fuel, carbon capture and sequestration, industry adaptation of technologies and processes to eliminate or substantially reduce methane emissions and halting deforestation are imperatives. Having grown up in the Chotanagpur plateau of Jharkhand in East India, where temperatures in Ranchi would rarely cross the mid-thirties in the sixties and seventies and seeing it now with the mercury soaring to early forties in summer, one can appreciate the cost of a land mass equal to one Greece being deforested every year and the number of bald patches that show up every time one sees a video of the Amazon forests these days. The Why is clear, but What can we do?

Sustainability of the planet is clearly linked to the sustainability of organisations as well and the focus on ESG will enable responsible and responsive firms to maximise enterprise value through identification of sustainability related risks and focus on balanced stakeholder value with extreme cognizance to the Sustainable Development Goals (SDGs articulated by the UN in 2015). Apart from the environmental aspect, social focus on the communities the organisation operates in and serves and the participation of employees in doing good for the community has been shown to enhance customer and employee satisfaction and engagement. To provide some anecdotal evidence, at Zensar we found that the attrition amongst the thirty percent or more of the employees engaged in CSR projects was at least four percentage points lower than the company average. Clearly, focusing on people and planet had a positive impact on cost reduction and profits as well.

Governance is not an aspect one needs to stress upon on an IOD platform since there are well managed institutions in the country like SEBI, the RBI IRDA etc. that ensure highest standards and disclosures in public listed organisations and organisations like Institute of Directors, India (IOD) provide yeoman service in getting Board and Directors ready for the challenges they face today. However, the sustainability movement will necessitate more active participation at Board level to ensure that there is genuine value add to social causes chosen by the management team and all organisations define a pathway to carbon neutrality and net zero in a realistic time frame.

Pathways to Social Success

A few transformational ideas will show us how to do social transformation with the funds that are at the disposal of every CSR Committee in modern times. The days of “cheque book philanthropy” are over and ever since the MCA mandated two

percent of profits to go towards genuine social causes, there has been a focus on the usual suspects – rural inclusion, education, gender, skills for sustainable livelihoods, women's entrepreneurship and of course the environment with a commitment to get the company and its employees fully involved.

My own social sector experience in the last ten years, first chairing NASSCOM Foundation and then serving on the Board of Social Venture Partners International, Swades Foundation, Digital Empowerment Foundation, Asian Venture Philanthropy Network, Educate Girls and our own GTT Foundation and Lighthouse Communities Foundation has given me a wonderful window into the large scale needs of our country. At Educate Girls, we have seen girls in Rajasthan, MP and UP pushed by COVID out of school and even today, showing a marked reluctance to get back to school. Swades's comprehensive district transformation model that started in Raigad Maharashtra and now, thanks to Honeywell support is spreading in Nashik has revealed the fissures that lie deep in every aspect of rural transformation and DEF has impacted over twenty million citizens of the country through its work on digital literacy and empowerment.

Our own work in building 'skill lighthouses' to lead urban slum youth towards sustainable livelihoods through a unique PPP (Public-Private Partnership) model with the Government, the Corporate sector and Civil society has provided opportunities for large and medium sized national and global corporations to witness transformation before their eyes and this has caught the attention of global philanthropy organisations as well. The number of beneficiaries will cross 100,000 this year with a clear goal of delivering a million livelihood-enabled transformed families by 2030. And the rapid adoption of new entrepreneurship models by women particularly in artisan work has shown us that large scale reorientation of mind-sets in rural India can see women everywhere emerging as bread winners for their families. Social pathways will have to see a natural transition from establishment of scope to achievement of scale for an inclusive India to truly emerge and this is a worthy challenge for CSR Committees and Boards to consider.

Setting the Sustainability & ESG Agenda

The ESG movement has grown from being an activity of the CSR function to a Board Room agenda in the last few years. A report by Morningstar Inc. suggests that in the year 2019, capital in excess of seventeen billion dollars was invested in ESG related products, over five times more than the figure in 2016 and ESG assets under management are in excess of thirty billion dollars. While the numbers may be one part of the tale, the real scrutiny that industry analysts, customer and even responsible millennials in the employee base are subjecting the company's



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Our Social Commitment

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At a time when the world seems to be spinning into an abyss in terms of health, inflation, geo-political instability and energy concerns, it is essential for all good people to come together and envision a better future – for the next generation and the world itself. For corporations it is important to remember what management thinker Joel Barker has said:

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Vision without Action is just a dream.
Action without Vision is like passing time.
Vision with Action can change the world!

Time indeed for every responsible Board and the management team to set up a compelling vision and an action plan to implement it and change our world has come. ■

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