



ESG SERVICES - INDIA

Developing a Strategic Environmental, Social and Governance (ESG) Framework



Key Drivers Shaping Today's ESG Environment:

Environmental, social and governance (ESG) issues are a top concern of corporate management and boards. Proactive attention to ESG issues is not only critical for long-term success but there are also tangible benefits that accrue to corporations.

The drivers and benefits include:

- Increasing demands by investors for ESG-led companies
- Lenders are offering varying interest rate based on a company's ESG profile
- Companies can unlock competitive value and keep activists at bay
- Customers, supply chains, employees, regulators, insurers, and ratings agencies are working towards one goal – sustainability at workplaces.

ESG looks beyond just financial metrics and assesses a company's impact on all stakeholders – employees, customers, business partners within the communities in which it operates, as well as the risks and opportunities associated with them. Most recently, Union Budget in India has also emphasized the importance of sustainability amidst the pandemic and rising environmental concerns.

In the acronym ESG, the E focuses on the attention to environment, the S on the company's relationship and reputation with people and communities and the G involves the attention to governance, compliance and transparency.

Environment



Social



Governance



It is important to consider the interplay between each of the ESG components. They often work together but not always. Each attribute must be considered in the context of other considerations relevant to your business, such as- political hierarchies, state intervention, nature of industry, location of operations - while developing your ESG priorities. There is no one-size-fits-all approach to ESG.



The E focuses on everything environmental about a company and its operations - the energy it consumes, the waste it discharges, the resources it needs, and the impact on living beings as a result.



The S covers company's relationship and reputation with people and the communities it operates in. It involves community engagement, wage and labor issues, philanthropy, safety, and diversity, equity and inclusion.



The G involves the internal processes and controls put in place for governance, effective decision making, compliance and transparency.

Key steps and Drivers for Developing a Strategic ESG Framework

Environmental, social and governance (ESG) issues are a top concern of corporate management and boards.

- Investors are demanding ESG-positive companies- and paying more for them.
- Lenders are offering varying interest rate based on a company's ESG profile.
- Companies are able to unlock competitive value and keep activists at bay
- Customers, supply chains, employees, regulators, insurers and ratings agencies-all are calling for companies to be responsible and rewarding those that are.



DEVELOPING A STRATEGIC ESG FRAMEWORK

We have witnessed the ambiguity surrounding ESG reporting requirements, the lack of consistent ESG metrics and the unclear legal and economic implications of ESG. Together, these factors often act as hurdles for companies to invest in a focused ESG framework.

Key building blocks, in A&M's experience, have helped boards lead from the front and develop a strong ESG framework.

The past two years have completely changed the scenario of people, culture and workplace. Rising climate change concerns and the Covid-19 pandemic have ignited the thought for companies to re-think their strategies. There is a race to adopt environmental, social and governance (ESG) norms, following mounting pressure from investors. Boards need to begin addressing how to incorporate ESG compliance within their company framework by taking the following initial steps:

- Identify themes within the firm's existing policies and practices
- Develop an understanding of primary frameworks and rating firms
- Incorporate ESG within the existing risk management framework
- Research materials published by several nonprofit global advocacy organizations like the Global Reporting Initiative (GRI); Sustainability Accounting Standards Board (SASB); Global Initiative for Sustainability Rankings (GISR)



Identify the Appropriate ESG Criteria for You

It is important to consider the interplay between each of the ESG components, as they often work together but not always. Each attribute must be considered in the context of other considerations relevant to your business, such as – political hierarchies, state intervention, nature of industry, location of operations – while developing your ESG priorities. There is no one-size-fits-all approach to ESG.



Communicate

Regulations relating to disclosure of ESG performance around the world are evolving. In the Indian context, the most recent Securities and Exchange Board of India (SEBI) circular – Business Responsibility & Sustainability Reporting (BRSR) mandates top 1,000 listed companies by market cap to disclose on nine principles of National Guidelines on Responsible Business conduct from FY 2022-2023 onwards.

Aside from the regulatory reporting requirements, establishing the right set of ESG metrics, measuring them on a regular basis, and sharing progress publicly can help you unlock value and build a stronger corporate brand.

Focus on fundamentally moving the needle rather than looking at this as a marketing opportunity. The perils of greenwashing can undermine the credibility of the efforts.



Involve Mid-Level and Senior Management

Partner with not only business leaders and C-suite executives but involve business managers to understand the ESG perspectives of stakeholders. Business managers are the primary resource that can inform the most pressing ESG issues.



Be Specific. Be Practical

Prioritize ESG initiatives. If not coordinated properly, multiple ESG strategies can set off multiple projects – and too many initiatives can have little impact in value creation. Priorities and the road map should be clearly articulated, and the board must play an active role in driving initiatives that best achieve the company's long-term objectives and mission.



Engage With Stakeholders

Customers, supply chains, employees, regulators and ratings agencies – all are calling for companies to be responsible. Non-governmental organizations and activists are lobbying for changes too. Encourage business leaders to actively engage with stakeholders to understand and embed the evolving and dynamic ESG perspectives in the way business operates.



Continuous Process – Assess, Monitor and Manage ESG Risks

Continue to assess, monitor and manage ESG risks. Companies with a stronger ESG proposition have boards that are involved beyond strategy formulation and involved in overseeing implementation of mitigation measures and assessing the impact of such changes.



Know Your Stakeholders

Stakeholders have vested interest in firms supporting ESG goals. Develop a thorough grass-roots level understanding of your stakeholders. Prioritize stakeholders whose interests are most directly linked to your performance. Evaluate stakeholders' needs in the context of shareholders' interests.



HOW CAN WE HELP YOU?

A&M India's Risk & Regulatory team brings deep ESG expertise and credentials and can leverage a global team of specialized professionals to achieve deep sustainable results. We believe that good ESG begins with a strong commitment and close monitoring – and that transparency is as important as performance.

As your ESG partner, we are committed to building on your company's unique strengths and earning you the credit you deserve. Our approach to ESG goes far beyond risk mitigation – we look to not only preserve value but create it. Among other services, our offerings include:

- **Comprehensive gap analysis** of industry benchmarking activities to determine key areas of tangible risk and opportunity
- **Ratings improvement** by identifying the highest-impact disclosures and performance metrics to enhance ESG disclosures and scoring with raters and rankers
- **Materiality assessments** to evaluate ESG topics most critical to a company and its key stakeholders to develop a tailored materiality matrix
- **Sustainability strategy** to drive value and meet the needs of stakeholders such as investors, employees and regulators
- **Investor positioning** to leverage a company's ESG position to create opportunities, improve valuation, expand access to capital and garner proxy support
- **Stakeholder engagement** that integrates ESG into the organizational narrative through effective communications approaches
- **Reporting capabilities** to advise on best practices in disclosure to highlight priorities, performance and commitments and align with reporting frameworks, including Sustainability Accounting Standards Board (SASB) and Task Force on Climate Related Financial Disclosures (TCFD)
- **Social purpose advancement** to explain in clear and compelling terms why a company's business, products and services are in the broad interest of society
- **Knowledge hub** access to share ESG fundamentals and keep our clients apprised of meaningful news, trends and updates

- **Climate-related disclosure** that highlights metrics and approaches to address climate change
- **Perception studies** customized to access company sentiment and gain insight into views on approach and performance
- **ESG due diligence** for private equity investors to identify ESG risks and opportunities to maximize transaction value.
- **Bespoke corporate intelligence program** to identify and monitor ESG risks on an ongoing basis.

KEY CONTACTS



Gaganpreet Puri

Managing Director

gpuri@alvarezandmarsal.com

+91 98187 56955



Sahil Gupta

Director

sgupta@alvarezandmarsal.com

+91 98337 60529

ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) for leadership, action and results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services. When conventional approaches are not enough to create transformation and drive change, clients seek our deep expertise and ability to deliver practical solutions to their unique problems.

With over 6,000 people across four continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, leverage A&M's restructuring heritage to help companies act decisively, catapult growth and accelerate results. We are experienced operators, world-class consultants, former regulators and industry authorities with a shared commitment to telling clients what's really needed for turning change into a strategic business asset, managing risk and unlocking value at every stage of growth.

Follow us on:



© Copyright 2022 Alvarez & Marsal Holdings, LLC.
All Rights Reserved. 408823

When action matters, find us at: [AlvarezandMarsal.com](https://www.alvarezandmarsal.com)

ALVAREZ & MARSAL
LEADERSHIP. ACTION. RESULTS.™