EDITORIAL

Environmental, Social & Governance (ESG)

Environmental, Social and Governance (ESG) are three key factors used to measure a company's sustainability and social responsibility performance. ESG is more than good intentions. It's about creating a tangible, practical plan that achieves real results. Success is not about climate change, diversity and disclosures alone. It's about embedding these principles - and more across your business - from investment to sustainable innovation. Bringing together your best people and smartest technology so you can see more, go deeper and act swiftly. Enabling you to tackle the biggest challenges of today – and capture the best opportunities of tomorrow. Investing responsibly, or considering environmental, social and corporate governance (ESG) criteria in investment valuations and assessment, can generate long-term competitive financial returns and positive societal impact.

Hence, organizations worldwide are developing and embedding environmental, social and governance strategies to build sustainable businesses. Both global and Indian business operations have been undergoing significant changes amidst externalities such as climate change, finite resource availability, deteriorating ecosystems and evolving stakeholder expectations. The Covid-19 pandemic and associated business disruptions have only heightened and reinforced the need for action, making ESG a critical agenda for companies as they are focusing on long-term sustainable growth.

In 2013, India became the first country to mandate corporate social responsibility with the Companies Act of 2013. This tenet was previously suggested in the National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business released in 2011 before being included in the Companies Act 2013. Additionally, the top 500 listed firms in India by market-cap were instructed by SEBI to disclose indicators of business responsibility and sustainability through Business Responsibility Reporting (BRR). SEBI in India plays the role of market regulator, regulating securities, and protecting the interests of the stakeholders in the market. SEBI is also responsible for the implementation of an efficient ESG policy mechanism. In 2021, SEBI issued a circular containing details of new sustainability-related reporting requirements called the Business Responsibility and Sustainability Report (BRSR), which brings India's sustainability reporting to global reporting standards.

The new Environment, Social, and Governance (ESG) reporting format outlines mandatory ESG policies and requirements for the top 1000 listed companies by market capitalization. The format is based on the nine principles stipulated in the "National Guidelines on Responsible Business Conduct" (RBC Guidelines). The RBC Guidelines addresses key sustainability matters, such as business ethics and transparency, human rights, environmental safety, and fair labour practices. The reporting format is mandatory from FY 2022-23 but is voluntary for FY 2021-22. This is to provide companies with sufficient time to adapt to the new reporting compliance. The BRSR is aimed at securing transparent and standardized disclosures by companies on their ESG parameters and sustainability-related risks. This approach is expected to help companies better demonstrate their sustainability objectives, position, and performance to the market, resulting in long-term value creation and increasing the ability of investors to make informed ESG-related decisions.

CMAs play a key role in the ESG adoption process. They are professionally competent enough to assess the environmental and social impact of investments; advise corporate governance practices that best matches the expectations of the investors and other stakeholders; suggest smart materials, energy-efficient processes and technologies for building construction in consultation with the functional specialists; propose effective and efficient ways of usage of water, electricity and also effective means of waste disposal; contribute towards the preservation of environmental quality and bio-diversity and ensuring that sustainability issues are factored into corporate strategies and capital allocation decisions. By enabling scientific ESG adoption, CMAs can ensure the sustainability of corporate performance.

We know, International Women's Day is celebrated this month (March 8) globally to mark the social, economic, cultural and political achievements of women around the world. Hence, it offers me an opportunity to pen down a few words on women's achievement in this month's editorial column. Influential women can be found leading us in 2022 in politics, business, sports, entertainment, philanthropy, science, environmental conservation, and even in space are: First Lady Dr. Jill Biden and Vice President Kamala Harris. Astronaut Kayla Barron is another woman of impact set to make history, as she was chosen by NASA to become the first woman to walk on the moon in just a few years. Athletes include Serena Williams, Naomi Osaka, and Simone Biles. Greta Thunberg is amongst the most famous women in the world as she continues to bring attention to the world's environmental issues. The entertainment realm is packed full of women with influence such as Oprah Winfrey, Rihanna, Lady Gaga, and Angelina Jolie. At this outset, we must mention India's first ESG-focused start-up venture program ONE in India formed by Nadine Bruder of Germany, and Pritika Kumar from India to support impact-driven founders who blend sustainability, disruptive technologies, and game-changing solutions to help solve India's most pressing challenges.

This issue presents a good number of articles on the cover story "Environmental, Social & Governance (ESG)" written by distinguished experts. We look forward to constructive feedback from our readers on the articles and overall development of the Journal. Please send your emails at editor@icmai.in. We thank all the contributors to this important issue and hope our readers will enjoy the articles.