

Board's Accountability on ESG

Lesson 12

KEY CONCEPTS

- ESG ■ Identification of ESG Goals ■ ESG Governance Structure

Learning Objectives

To understand:

- Board's Responsibility for integration of ESG into vision, mission, values and strategies.
- Constituents of ESG- Factors covered under Environmental, Social and Governance.
- International perspectives
- ESG reporting scenario prevailing in selected corporate houses.

Lesson Outline

- Introduction
- What constitutes 'E', 'S', 'G'?
- International Perspective
- Accountability of the Board on "E", "S", "G"
- ESG Governance Structure
- Lesson Round-Up
- Glossary
- Test Yourself
- List of Further Readings
- Other References

INTRODUCTION

The term “ESG” was first coined in the year 2004 when the United Nations Global Compact and the Swiss Federal Department of Foreign Affairs jointly published a report “Who Cares Wins. Connecting Financial Markets to a Changing World.” ESG has now become centre stage and a critical requirement for an organisation's ability to create value and nurture sustainability. More and more Boards are integrating their ESG goals and mission into the operating strategies and policies of their organisations. Survival of a business, in the future may actually depend to a significant extent on its ESG focus.

What is ESG?

ESG stands for Environmental, Social and Governance. ESG represents the three main areas that organisations should focus and manage to improve overall sustainability.

The International Finance Corporation, World Bank Group defines ESG as under:

“ESG as a set of environmental, social, and governance factors considered by companies when managing their operations, and investors when making investments, in respect of the risks, impacts, and opportunities relating to but not limited to:

Environmental issues: potential or actual changes to the physical or natural environment (e.g. pollution, biodiversity impacts, carbon emissions, climate change, natural resource use);

Social issues: potential or actual changes on surrounding community and workers (e.g. health and safety, supply chain, diversity and inclusion); and

Governance: corporate governance structures and processes by which companies are directed and controlled (e.g. board structure and diversity, ethical conduct, risk management, disclosure and transparency), including the governance of key environmental and social policies and procedures.”

What Constitutes ESG?

In order to provide a clear understanding on ESG, the factors that impact ESG are separately listed below:

Environmental:

- Usage:
 - Natural Resources
 - Energy
 - Water
- Generation:
 - By Products
 - Waste
 - Carbon Emissions
- Pollution
 - Green House Gas Emissions

Air Pollution

Water Pollution

- General Impact:
Climate Change
Bio Diversity and Ecosystems Rehabilitation

Social:

- Employee Related
Labour Practices
Health and Safety
Child Labour
Employee Welfare
- Society Related:
Diversity and Inclusion
Community Management
Attributes of Product and Services
Human Rights Policy

Governance:

- Board Related:
Board Composition
Board Diversity
Board Independence
Succession Planning
Board Evaluation
- Others:
Risk Management
Internal Controls, Policies and Processes
Ethics and Compliance Management
Governance Structure
Environmental and Social Oversight
Executive and Board Compensation

Stakeholder Engagement
Anti-Corruption
Supply Chain
IT Security & Data Protection
Disclosures and Reporting

Why is ESG relevant to today's organisations?

There are several reasons why ESG concerns have now become very relevant and intertwined with a company's operations.

a) Regulatory and Governmental interventions:

There is now huge pressure to get organisations work on climate change, reduce GHG emissions, limit resources usage, curb waste and improve productivity. The adoption by various governments of Sustainability Development Goals is a pointer in this direction. Businesses must therefore focus their attention on their Sustainability orientation. Otherwise the governments could make their operations uneconomical by levying additional costs. Sometimes they may even go to the extent of shutting down operations.

b) Cost Reductions:

Adopting ESG relevant processes can actually lead to reduction in overall cost of operations for very many businesses. For instance, savings in water consumption, recycling of waste, reduction in usage of scarce raw materials lead to corresponding decrease in cost of goods sold. In these days when pricing has to be super-competitive, such reductions directly add to your bottom line.

c) Improvement in Productivity:

There is a clear link between an organisation's orientation to environment and sustainability and its employees' productivity. When the company sees the big picture, when there is an attempt to look at the interests of all stakeholders, the employees are motivated to give their best. Such an exercise also attracts better talent.

d) Better Social Standing/Better Brand Image

A company with a concern for environment and a deep interest in improving sustainability is always better regarded in the society in which it operates. The brand image of the company is unconsciously built with every forward step it takes in the ESG arena.

e) Increased Business Revenue:

With more customers looking to purchase only sustainable products, ESG focus will actually see more revenue traction for the company concerned. A product manufactured with lower carbon emissions, reduced material usage (say packaging) and better governance processes is bound to be preferred by a "sustainability conscious" customer.

f) Better Financing Options:

ESG considerations (apart from economic returns) are a key part of an investor's decision to financing. A Company with a better ESG track record can access easier financing at better terms.

As ESG is emerging as an important strategy resulting in long term value creation, the role/engagement and the accountability of the Board is substantial in terms of strategies, policies, oversight and its integration into the business.

Indian Regulatory Perspective on Accountability of the Board:

The MCA and the Companies Act provide the responsibility requirements of Indian Boards towards ESG considerations.

Sec 166(2) of the Companies Act provides that a Director of a Company shall act in good faith in order to promote the objects of the Company for the benefit of its members as a whole and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.

In 2019 the Ministry of Corporate Affairs released the National Guidelines on Responsible Business Conduct requiring Companies to focus on ESG along with business operations.

SEBI and the Companies Act have also mandated reporting requirements on the Board on ESG.

International Regulatory Perspective on Accountability of the Board:

Malaysia:

The Malaysian Code of Corporate Governance updated in April 21 clearly mandates the Board to integrate sustainability considerations in operating Strategy. Principle A.1 of the Code reads as under:

Effective board leadership and oversight also require the integration of sustainability considerations in corporate strategy, governance and decision-making, as sustainability and its underlying environmental, social as well as governance (ESG) issues become increasingly material to the ability of companies to create durable and sustainable value and maintain confidence of their stakeholders. For companies to be resilient, boards need to take a much more holistic view of the business coupled with proactive and effective measures to anticipate and address material ESG risks and opportunities.

United States:

Each State in the US has its own corporate governance requirements but most of them have been modelled on the Delaware Act or the Model Business Corporations Act. They are more on the governance side of corporations.

The Securities Exchange Commission, in respect of all listed corporations, has laid down numerous reporting requirements mandating corporations to disclose information on ESG.

Singapore:

The Practice Guidance issued by the Monetary Authority of Singapore highlights the various governance requirements of corporations. Guidance Note No1 relates to the Board Roles and Director duties. Among other things the Note States that the Board's role is to: "provide entrepreneurial leadership and set strategic objectives which should include appropriate focus on value creation, innovation and sustainability.

Board's accountability for ESG:

The Regulatory authorities both domestic and foreign are clear about the accountability of the Board of Directors for ESG initiatives. It, therefore, becomes a critical responsibility for the Board to see that ESG issues/concerns/projects are integrated into the operational policies, processes and objectives so that achievement of business

objectives would directly lead to meeting ESG requirements as well. We can study the accountability of the Board under the following heads:

1. Identification of ESG Risks and Opportunities
2. Integration of ESG Goals into operating strategies
3. ESG Reporting.

1. Identification of ESG Risks and Opportunities:

In the section “What constitutes ESG” a number of ESG factors that need to be considered by any business have been listed. Each organisation needs to prioritise from this list the top ESG concerns that affect their operations or their other stakeholders and look to address them.

As per the Global Risks Report 2024 of the World Economic Forum, the following are the top ten severe Environmental and Social risks over the next ten-year period:

1. Extreme Weather Events
2. Critical change to Earth systems
3. Bio-diversity loss and Eco System Collapse
4. Natural Resource shortage
5. Misinformation and disinformation
6. Adverse outcomes of AI technologies
7. Involuntary Migration
8. Cyber Insecurity
9. Societal Polarisation
10. Pollution

Wherever these affect a particular business, they will have to be considered for remedial action.

CRISIL in their ESG risk assessment of 586 companies for the fiscal year 2022 found 73 companies in the “below average” and “weak” categories. A lot of work is therefore to be done by the Boards of Indian Companies to combat ESG related issues.

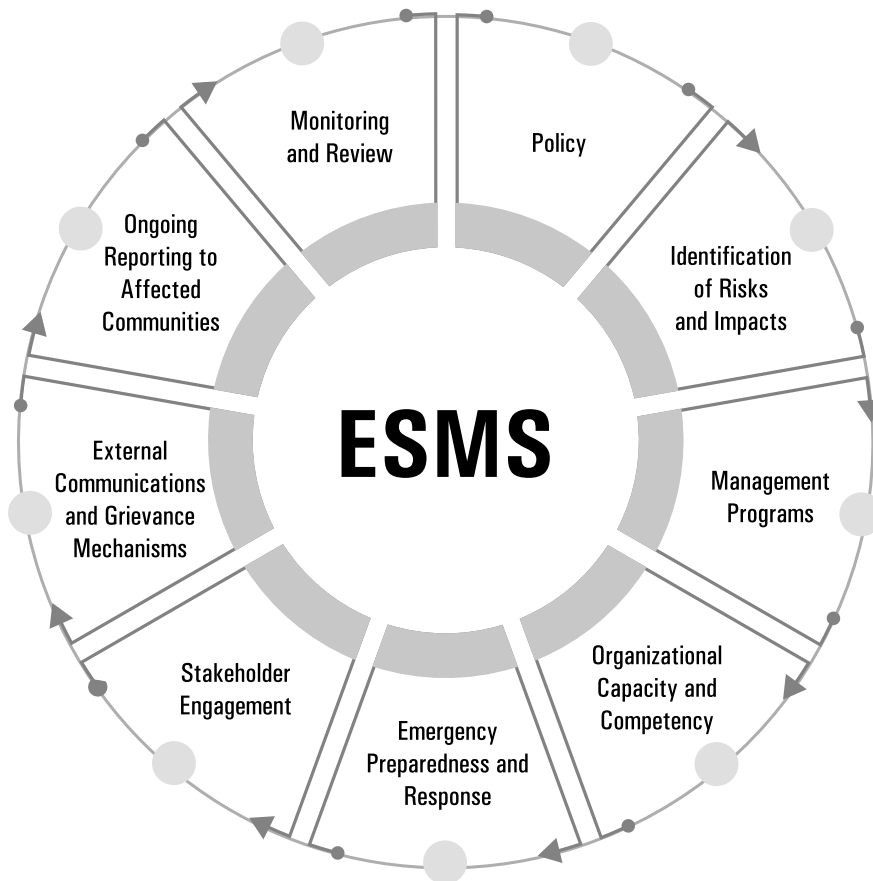
2. Integration of ESG Risks/Opportunities into Strategy/Policy/Oversight:

The next step is to integrate the identified ESG Risks and Opportunities into the Organisation's strategies, objectives and policies and have an effective oversight of the same. To make this integration, the Board has to consider the following:

1. Align ESG Goals with the respective operational functions.
2. Have a separate oversight for ESG standards and goals
3. Establish organisational policies on ESG e.g. human rights policy, environment policy, anti-corruption policy etc.

The International Finance Corporation has developed an Environmental and Social Management System Implementation Handbook demonstrating how the various considerations listed above

can be integrated into the normal management of a business. Nine elements have been identified to be worked on as shown in the following diagram:



Source: IFC ESMS Implementation Hand Book

The Board of Directors are accountable for most of the items stated in the elements of effective ESMS whether policy, identification of risks, stake holders' engagement, reporting obligations, monitoring/overseeing ESG targets.

The IFC ESG Guide Book states that *Boards are responsible for setting an organization's strategy and vision and for overseeing their implementation. Accordingly, they should ensure that ESG issues are fully integrated into their company's vision or purpose and its strategy.*

Deloitte's "Chair of the future—India perspective" survey Published in September 2022 states that The Chairs that were interacted with (35 Chairpersons of Indian corporates), observed that Boards need to have a clear oversight on the notion of sustainability and long-term value creation. They should be able to ask questions around the organisation's ability to transition to lower carbon initiatives, the removal of waste from supply chains, the climate impact on and of the business, and its social and community impact across the value chain and supply systems, amongst others.

How have Indian Boards fared on ESG identification and integration:

Let us look at some case studies:

Hindustan Unilever Limited:

One of the largest Fast Moving Consumer Goods Company in the country, Hindustan Unilever Limited has fully integrated sustainability into their business strategy and are working towards ESG goals to lead change.

The Company realises that it cannot be oblivious to the needs of the environment and society.

There is a separate ESG Committee of the Board with five Directors fully responsible for oversight on sustainability related matters. The Board and the ESG Committee have ensured that the Company's sustainable business strategy is also in line with India's development agenda and the United Nations Sustainable Development Goals.

The Board has laid down the following policies:

- Responsible Partner Policy specifying among other things fundamental principles for sustainable business;
- Safety and Health Policy for employees, contractors and visitors; and
- Environment Policy to prevent or minimise the risk of an adverse environmental impact arising from their business.

Following are the data related to ESG as listed out in their Annual Report for the financial year 2022-23.

Improvements:

1. Reduction in total energy consumed -	44%
2. Reduction in CO2 emissions -	97%
3. Reduction in water usage -	48%
4. Reduction in waste generated -	55%
5. No of women micro entrepreneurs Created by Project Shakti	1,90,000+
6. No of employees trained on Code of Business Principles -	100%
7. Hazardous Waste to Landfill	0%

The Company has set out an ambitious sustainability agenda to tackle issues such as climate change, plastic pollution and inequality. Some of the targets set out are:

- Net Zero Emissions for all Products By 2039
- Reduce by 50% the Greenhouse Gas impact of the products sold By 2030
- Help protect and regenerate land, forests and oceans By 2030
- Contribute to 3 trillion litres of water potential in India By 2025
- Double the number of food products sold that deliver positive nutrition By 2025
- 5% of the workforce to be made up of people with disabilities By 2025
- Ensure that everyone providing goods and services to the Company will
- Earn a living wage or income By 2030
- Pioneer new employment models and provide access to flexible working practices to all employees By 2030

ICICI Bank Limited:

One of the largest banks in the country, ICICI Bank is cognisant of protecting and nurturing the environment to ensure the sustenance of the future generations. The Bank has adopted a structured approach in building green workplaces, conserving energy and water and reducing the use of paper.

ICICI Foundation, the philanthropic arm of the Bank implements environment supportive projects in the areas of tree plantation, sustainable forests, watershed management, rainwater harvesting and renewable energy.

The Bank's ESG philosophy is to adopt sustainable business practices that ensures the long-term success of the organisation and at the same time have a positive impact on the environment and the society.

The Bank's ESG policy is approved by the Board of Directors and the Risk Committee of the Board comprising of five directors has complete oversight of this Policy. The Bank has a Steering Committee under the Risk Committee of the Board to closely monitor progress on ESG initiatives.

Highlights of their ESG activities as per their Annual Report for the year 22-23:

1. Water Saving	11 billion litres
2. Water Harvesting Potential created	17.1 billion litres
3. Green Energy Certification -	For a little over one third area
4. Developed a Framework for Sustainable Financing – billion	Outstanding as at 31 st March 2023 – 556
5. Bank's Data Privacy Practices	above Industry's benchmark.
6. Dedicated ESG Team for ESG initiatives	

ITC Limited:

A diversified conglomerate, ITC has been a pioneer in Triple Bottom Line reporting. The Company believes that businesses exist to service society and has made sustainable and inclusive growth as the bedrock of its corporate strategy.

The Company has been carbon, water and solid waste recycling positive for more than a decade and is now focussing its agenda under Sustainability 2.0 on the following areas:

- Climate change
- Net zero economy
- Water Security
- Restoration of Bio Diversity
- Nature Based Solutions
- Circular Economy for post-consumer packaging waste

The Board has constituted a CSR and Sustainability Committee consisting of 9 Directors to oversee all ESG and Sustainability initiatives of the Company.

Tata Motors Ltd:

One of the largest automobile companies in the country, the Board of Tata Motors is committed to ensuring that sustainability is engrained in their values and integrated into their business strategy. They aim to forge a better future for generations to come.

The Board has constituted a Safety, Health and Sustainability Committee to oversee the ESG functions. Being an integral part of the Tata Group endeavour "Project Aalingana", the Company emphasises on decarbonisation, circular economy principles and preservation of the natural environment as sustainability initiatives to be integrated into their business strategy. The Company has not only an Environmental Policy but also an "Environmental Procurement Policy" to tailor environmental concerns into procurement operations.

3. ESG Reporting

There are two types of Reporting on ESG: mandatory and voluntary.

Mandatory Reporting:

Sec 134(4) introduced one of the first ESG disclosure requirements for Companies. It mandated Companies to include a report by the Board on conservation of energy along with the annual financial statements.

SEBI in the year 2021 released the Business Responsibility and Sustainability Report Framework aligning with the nine principles espoused in the NGRBC. The BRSR framework has been made applicable to the top 1000 listed companies by market capitalisation.

Voluntary Reporting:

A large number of Indian Companies voluntarily report on their Sustainability performance through

- a) Integrated Reporting (combination of financial and non-financial reporting)
- b) Sustainability Reporting using standards set by:
 - The International Sustainability Standards Board
 - The Task Force on Climate Related Financial Disclosures
 - Carbon Disclosure Project
 - Global Reporting Initiative
 - B Corp Standard

Disclosure requirements under SEBI BRSR Framework with respect to role and Accountability of the Board on ESG

PART III. Section B: Guidance note for Business Responsibility & Sustainability Reporting format that deals with Management and Process Disclosures, substantially covering the disclosure requirements on ESG related matters on the part of Board are as under:

Q. No.	Field Name	Instruction/Guidance
5, 6	Specific commitments, goals and targets set by the entity along-with performance, if any	<p>Under this field, the entity may disclose if it has any specific commitment, goal or target against any of the principles. Such disclosures may include the following:</p> <ul style="list-style-type: none"> ● Baseline and context for goals and targets ● Entities covered such as subsidiaries / associates / joint ventures / value chain partners ● Expected result or outcome, in quantitative or qualitative terms

Q. No.	Field Name	Instruction/Guidance
		<ul style="list-style-type: none"> ● Expected timeline for achieving each goal and target ● Whether goals and targets are mandatory (based on legislation) or voluntary. If they are mandatory, the organization should list the relevant legislation. <p>The entity shall state the performance achieved against each goal or target. Any change in goals with regard to timelines, partial achievement of a goal or delay in achievement should also be specifically indicated, and where possible, with reasons.</p> <p>The entity need not strictly follow the tabular format for this disclosure. The issues for each principle can be covered in a running format.</p>
7.	Statement by director responsible for the report for to highlight ESG issues	<p>The listed entity shall include a statement from the director who is responsible for preparation of the report, highlighting the relevance of sustainability to the organization. Such statement can include the following:</p> <ul style="list-style-type: none"> ● The overall vision and strategy of the organization for the short-term, medium- term, and long-term, with respect to managing the significant environmental and social impacts that the organization causes, contributes to, or that are directly linked to its activities, products or services ● Strategic priorities and key topics for the short and medium-term with respect to sustainability ● Broader trends influencing the sustainability priorities of the entity ● Key events, achievements, and failures during the reporting period ● Views on performance with respect to targets ● Outlook on the organization's main challenges and targets ● Any other items pertaining to the organization's strategic approach <p>2. The listed entity can place this disclosure at the beginning of the report or under Section B.</p>

Q. No.	Field Name	Instruction/Guidance
8.	Highest authority responsible for implementation and oversight of the Business Responsibility policy(ies)	<ol style="list-style-type: none"> 1. For the policies disclosed at Question 1 of Section B, the entity shall disclose the highest executive authority in the organization who is responsible for their implementation and highest authority responsible for oversight. Such authority could be a director of the board, committee of the board, senior management personnel or a committee of employees. 2. In case a committee is the highest authority, then the composition of the committee shall be disclosed, including the following: name of individuals, designation and in case of director, DIN and category (Chair / ED / NED / ID). 3. In case an individual is the highest authority, the name, designation and in case of director, DIN and category (Chair / ED / NED / ID) shall be disclosed. 4. In case, different authorities are responsible for the implementation of different policies, the same may be indicated.
9.	Does the entity have a specified Committee of the Board/ Director responsible for decision making on sustainability related issues? (Yes / No)	<ol style="list-style-type: none"> 1. The entity shall indicate 'Yes' if it has a specified Committee of the Board or a director of the Board of the entity who is responsible for decision making on sustainability related issues. 2. In case a Committee of the Board is responsible, its composition shall be disclosed, including the following: name of individual, designation and in case of director, DIN and category (Chair / ED / NED / ID). In case a director is responsible, DIN and category (Chair / ED / NED / ID) shall be disclosed. 3. In case the response to this question is the same as that to question 8, the entity need not repeat its response and can cross-refer to the same.

Students may refer to Lesson 19 (Sustainability Audit; ESG Rating; Emerging Mandates from Government and Regulators) for the details of ESG reporting Indian/international prescriptions

Summary:

To summarise, the following questions may be raised on accountability of Board on ESG?

1. With respect to Board Composition/Committees:

Whether the Company has diversified Board including an ESG expert as Board member?

Whether the Board has constituted an exclusive committee for identifying ESG risks and opportunities?

2. With respect to Policies and Strategies:

Whether the company has ESG Goals and targets?

Whether the Company's vision/mission/values as aligned with ESG Goals? Whether ESG is integrated into business models?

Whether the company has policies on ESG matters on non-mandatory matters? Whether the company has extended the ESG practices to supply chain also?

Whether the Board, Senior Management and employees are sensitised with various ESG issues? ?

Whether ESG targets are set for Board/Senior management? Whether Enterprise Risk Management System addresses ESG related risks?

Whether ESG issues are taken into consideration for investment decision?

How effectively the Board engages with stakeholders?

3. With respect to Reporting:

Whether the Company discloses ESG related matters as per regulatory prescriptions?

Whether the company discloses critical ESG issues voluntarily beyond what is prescribed?

Does the company follow global standards for ESG Reporting?

Case Study on Sterlite Industries (India) Ltd Copper Smelting Plant at Thoothukudi, Tamil Nadu

Sterlite Industries (India) Ltd set up a 40000-tonne capacity copper smelter unit in Thoothukudi, Tamil Nadu in 1997. The plant operated from 1998 till 2018. Ever since its commencement, the plant was complained of violating pollution norms. After a huge protest from locals, the plant was ordered to be shut down by the Tamil Nadu Pollution Control Board on 28th May 2018.

The Madras High Court upheld the decision of the TNPCB. Sterlite then went on appeal against the closure to the Supreme Court. A three-judge bench of the Supreme Court on 29th February 24 upheld the orders of the Madras High Court. The Apex Court stressed the need to prioritise the well-being of the local populace and upheld the principles of sustainable development, the polluter-pays principle and the public trust doctrine in its decision to keep the plant closed.

Case of HCL Technologies

The company has a long history of giving back to the communities and have been built on the values of innovation, entrepreneurship, humanity and a people-centric culture. The company is committed to long term value creation for all its stakeholders and its philosophy has always been about incorporating the right environmental, social and governance (ESG) practices to ensure a sustainable present and future. Its holistic approach is designed to maximize its contribution towards the UN Sustainable Development Goals (SDGs).

The company conducts materiality assessment periodically to identify and prioritize topics material to our business operations. The stakeholder engagement inputs, regulatory requirements, global trends and peer benchmarking are fed into our materiality exercise. The goals of the company under Environment, Social and Governance are as under:

1. Environment

- Achieve Net Zero by 2040.

- Reduce absolute scope 1 & 2 emissions by 50% by 2030.
- Transition to 80% of electricity usage to renewable energy by 2030.
- Achieve zero waste to landfill at all owned facilities by 2025.

2. Social

- Improve the environmental, social and governance (ESG) knowledge and skills of the employees.
- Improve the gender diversity in the workforce with 40%.
- Women by 2030 Increase gender representation in senior leadership levels to 30% by 2030.
- Become recognized among the best employers in our key operating geographies.

3. Governance

- Strengthen the sustainable supply chain process.
- Integrate environmental, social and governance (ESG) to Risk Management and Internal Audit processes.
- Become recognized among industry leader for information security practices and data privacy standards.

Tata Group: Project Aalingana:

Project Aalingana (meaning embrace in Sanskrit) embodies the Tata group's vision for a greener, cleaner, more sustainable and equitable future for the planet. It commits embedding sustainability into business strategy by focussing on three interconnected pillars:

- i) driving the decarbonisation of business and our value chain;
- ii) applying a systemic circular economy approach to reduce resource use and waste; and
- iii) preserving and restoring the natural environment.

The project has been launched with sustainability commitments from seven companies who currently make up 99.5% of the group's Scope 1 and Scope 2 emissions, 94% of freshwater use and 99.4% of solid waste.

The project has the following targets set out:

Driving Net Zero:

25% reduction in absolute carbon emissions by 2030 (baseline 2020)

Net Zero emissions across the group by 2045

Pioneering Circular Economies:

More than double the content of renewable or recycled resources in products by 2025 (baseline 2020)

Replenish freshwater and zero waste to landfill by 2030

Replenish more freshwater than consumed by 2040

Preserving Nature and Bio Diversity:

Action plans for net positive impact by 2024.

Invest in Nature-based solutions by 2025

Be a Nature Based Solution leader by 2030

WAY FORWARD

With reference to ESG matters, it is to be noted that there's no one-size-fits-all solution. The boards of the companies must navigate its own uniqueness related to its organizational structure, global reach, environmental impact, business circumstances, and industry requirements. Further, the broad constellation of topics comprising ESG often doesn't fit neatly into any one board committee's charge. Consequently, companies increasingly are opting for ESG governance frameworks that allocate responsibilities to various combinations of board committees and the full board.

It is to be noted that companies in high-emitting sectors like industry and energy face stringent scrutiny by the Government.

Forward-looking organisations started reporting their ESG performances complying with globally-accredited frameworks such as GRI, TCFD, and IR. Even unlisted companies voluntarily disclose their ESG exercises based on the BRSR-lite format. Many large global investors have adopted well-defined ESG policies in their due diligence and investment monitoring processes. They capitalise on opportunities to promote ecologically impactful investing and environmental sustainability. On the other hand, investors perform exclusionary screening for socially sensitive companies and avoid investing in entities with poor ESG parameters. However, the Indian corporate environment is still at an early stage of optimising its transition strategy, financing requirements, and ESG profiles.

Thus, it may be inferred that board's accountability on ESG matters is going to soar in the near future and their decisions or approaches in dealing with ESG issues will undergo microscopic analysis by the stakeholders.

LESSON ROUND-UP

- There is substantial shift in the focus of companies from shareholder value maximisation to enterprise value creation for stakeholders including employees, customers, communities, government and supply chain as well.
- The Board of Directors are accountable for most of the items stated in the elements of effective ESMS whether policy, identification of risks, stakeholders engagement, reporting obligations, monitoring/overseeing ESG targets.
- Climate Action failure is considered to be most critical risk globally in both short term and long term. As per the Global Risks Report 2022 of the world Economic Forum, most severe risks on a global scale over the next 10 years include, climate action failure, extreme weather, bio-diversity loss , social cohesion erosion, livelihood crises, infectious diseases etc.
- Many companies already use management systems for quality control. An environmental and social management system (ESMS) simply extends that approach to the management of your business's impact on the environment, your workers, and other external stakeholders.
- The accountability of the Board on ESG may be discussed under the following heads:
 1. Identification of ESG risks and opportunities.
 2. Strategy, policy, oversight and Value creation.
 3. ESG Reporting.

GLOSSARY

ESG Performance: An organization's performance in fulfilling its responsibilities regarding environmental, social, and governance issues.

Integrated Reporting: Integrated reporting is a process founded on integrated thinking for communicating how an organisation's strategy, governance, performance and prospects lead to the creation of value in the short, medium and long term.

BRSR Framework: The BRSR Framework is based on 9 Principles, which include conducting business with integrity, providing sustainable and safe goods and services, respecting and promoting human rights, and promoting inclusive growth and equitable development, among others.

4 Ps of Board's Accountability: The four Ps of Board's Accountability are- people, purpose, performance and progression.

3 ESG Pillars: The three pillars of ESG are- people, process and product.

Board Accountability: Board accountability means that the board takes responsibility for the company's actions and presents them transparently to stakeholders.

TEST YOURSELF

(These are meant for recapitulation only. Answer to these questions are not to be submitted for evaluation.)

1. Examine the performance of any two listed public sector companies (Central Public Sector Enterprises, preferably 'Navratnas') and two private sector companies from Coal, Power and Fertilizers sectors (core sectors of Indian economy) on their compliances with the elements covered under the Environmental, Social and Governance dimensions. Suggest scope of improvement.
2. How the concept of Business Responsibility and Sustainability Reporting is going to change the scenario of corporate sector's approach towards achieving business sustainability and growth?
3. What are the key takeaways for Indian companies with reference to the best practices of ESG?

LIST OF FURTHER READINGS

- ESG Matters: How to Save the Planet, Empower People, and Outperform the Competition by Dr. Debra Brown
- Benchmarking ESG & CSR: A Compendium of Best Practices in ESG & CSR in India by Garima Dadhich, Ravi Raj Atrey
- Sustainability: What Everyone Needs to Know by Paul B. Thompson · Patricia E. Norris
- ESG in the Boardroom: A Guidebook for Directors by Katayun Iris Jaffari and Stephen Pike

OTHER REFERENCES

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- https://www.sebi.gov.in/sebi_data/commondocs/may-2021/Business%20responsibility%20and%20sustainability%20reporting%20by%20listed%20entitiesAnnexure2_p.PDF