



Boardroom questions

Environmental, Social and Governance (ESG)
Board Leadership Center (India)



The evolving ESG agenda

Global impetus on the evolution of Environmental, Social and Governance (ESG) has not only accelerated its way through the last decade, but also transformed within a short span of time in the gambit of strategies, mandates and disclosures adopted by organisations. This transformation has also made it imperative for boardrooms to adapt to emerging concepts such as circularity, diversity and inclusion, responsible governance and biodiversity, among others. Stakeholders now demand organisations to enhance ESG maturity by internalising ESG linked processes and controls as well as integrating stakeholder considerations and ESG focus areas into corporate strategy and disclosures.

Translating global risks into opportunities¹

The call for global action has translated into active stakeholder dialogue to drive collective action and accountability across people, planet and prosperity

USD3.1 trillion in climate smart investment opportunities in India as estimated by IFC

Risks



USD44

trillion or 50% global GDP is moderately or highly dependent on nature



USD100-900

billion annual costs of protecting biodiversity

Opportunities



USD2.1

trillion in sustainable business opportunities



ESG assets rising to **USD50**
trillion will reshape **USD140.5**
trillion of global AUM by 2025

1. Natural Capital Insights, KPMG International, 2021
ESG Assets, Bloomberg Intelligence, 2021

The demand for impact-based ESG tools and disclosures

The shifting emphasis on ESG across policy directives and regulatory mandates has ushered organisations across sectors to establish ESG centric strategies and adopt responsible business practices. As stakeholder demands continue to evolve, there has been substantial momentum towards establishing harmonised global ESG reporting standards that enable reliable, consistent and comparable ESG disclosures:

International Sustainability Standards Board

(ISSB): Consolidation of global bodies - CDSB, IIRC and SASB –along with the support of IOSCO, TCFD and WEF to develop standardised disclosures. It aims to develop a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs by the International Financial Reporting Standards (IFRS).

Corporate Sustainability Reporting Directive

(CSRD): Enhanced guidelines introduced by the existing Non-Financial Reporting Directive (NFRD) with a focus on 'double materiality' which seeks information on impact and financial materiality, improving transparency for all stakeholders.

The Task Force for Nature-related Financial

Disclosures (TNFD): Global risk management and

disclosure framework, aligned to evolving nature-related risks and opportunities to enable nature-positive outcomes. The framework also intends to provide guidance on how organisations can align ESG to business practices and financing, underwriting and lending approaches.

Business Responsibility and Sustainability Reporting (BRSR):

The mandate introduced by Securities Exchange Board of India (SEBI) for the top 1,000 listed companies based on market capitalisation is effective FY23 onwards. BRSR seeks disclosures on their performance against nine principles of 'National Guidelines on Responsible Business Conduct' (NGRBC). The disclosures will help investors in better investment decision making, along with businesses to effectively engage with their stakeholders on non-financial parameters.

Boardroom questions



Define the board's governance structure

- Do we have an individual or committee responsible for ESG/ climate change at the board level?
- Do we need a dedicated committee for ESG oversight, or should it be integrated with other existing committees?
- Should we establish a board level ESG/ sustainability committee or a management ESG/ sustainability committee?
- Do we have any independent directors on the board in positions that enable them to influence board decisions across ESG parameters?



Establish responsibility and accountability

- Do we have the capacity, skills and expertise at the board level for effective oversight of ESG matters?
- How do we measure the board's performance on ESG?
- Do we have a robust compliance framework in place to ensure adherence to evolving ESG regulatory/ statutory requirements?
- How can we establish mechanisms to integrate ESG considerations into executive incentives?



Integrate ESG into the organisation's strategic fabric

- How do we define the organisation's core to embed an ESG-centric culture?
- Do we have processes and systems in place to identify and align emerging risks to long-term ESG oversight and strategy?
- How can we increase oversight of broader workforce diversity, equity and inclusion across corporate functions?

Key objectives for boards to consider

Board skills matrix and accountability

- Enhance capacity building sessions to establish an ESG-competent board and ensure ESG becomes a part of the board oversight fabric
- Bridge required ESG and climate change gaps across the board skills matrix
- Establish dedicated ESG/ climate change committees which consist of internal and external subject matter experts.



Strategy and risks

- Oversee, review and assess the organisation's strategy, policy and initiatives in line with the evolving macroeconomic and ESG landscape
- Review and assess emerging risks and opportunities around ESG.



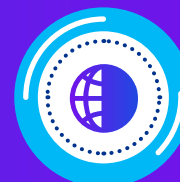
Metrics and key performance indicators

- Periodic review of material ESG aspects for the organisation
- Board oversight across the development and implementation of targets, standards and metrics established by management to assess and track the organisation's ESG performance.



ESG disclosures

- Review and approve the organisation's ESG public disclosures and oversee the organisation's engagement with stakeholders on ESG issues
- Review stakeholder feedback on the ESG disclosures to enhance impactful reporting practices.



Monitoring and review

- Review ESG monitoring processes and data systems as well as ESG performance at periodic intervals and accelerate updates to the board
- Engage experts as deemed necessary to enhance the quality of review process.



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