KPMG

On the ESG committee agenda 2025

Accelerating sustainable value creation

Board Leadership Center (India)

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Introduction

As we enter the new financial year, the role of corporate boards in driving ESG excellence continues to evolve. Whilst we are witnessing mixed signals in global arena on ESG, corporates in India largely continue to be on the path of ESG enablement. This means that boards continue to embrace ESG as a core pillar of long-term value creation. Beyond compliance, businesses must mitigate ESG risks and seize opportunities in the green economy, social equity, and responsible governance. A forward-looking ESG agenda ensures resilience and competitiveness, aligning companies with sustainability goals.

The question now is: Can we drive ESG in an economic sense? How can we ensure that our efforts lead to tangible economic benefits while also supporting sustainability? It's not just about solving climate issues but also about creating a resilient, sustainable business model that thrives in the face of environmental challenges.

01 Revamping boardroom strategies

Sustainability is often not a structured agenda item in board meetings, leading to fragmented oversight. Board members may not have adequate visibility on sustainability-linked risks and opportunities, making it difficult to guide the company effectively. Boards must ensure that sustainability is a standing agenda item in every key business discussion, and adequate time is given to it to ensure undiluted attention. This could start with a dedicated sustainability governance framework, with clear roles, responsibilities, and reporting structures.

Key questions for boards to consider:

- Does the board have sufficient ESG expertise, and is there clear accountability at the executive level?
- How are ESG metrics reflected in executive compensation, and do they drive meaningful outcomes?
- Are we ensuring independent assurance of our ESG disclosures to strengthen stakeholder trust?
- Is the ESG committee evolving fast enough to address emerging regulatory and investor expectations?
- Are we aligning our business purpose with broader societal goals (e.g., UN SDGs) to create long-term value?

02 The economic sense of ESG

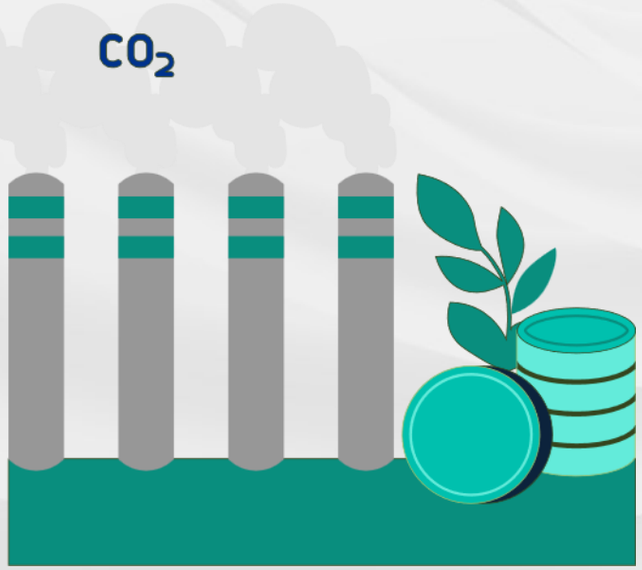
Boards must emphasise the importance of embedding ESG into business DNA and explore the economic benefits of sustainable practices. A shift is required from standalone ESG initiatives to fully integrated, measurable goals across all business units. Boards must regularly evaluate financial and environmental/social impacts of operations, especially their supply chains and consider the long-term impact and risk of not adhering to local/regional regulation. Additionally, a focus on sustainable innovation, while prioritising research and development for green technologies, circular economy models, and climate-resilient products/services will differentiate the business.

Key questions for boards to consider:

- How effectively is ESG integrated into our core business strategy and value creation model?
- Are we conducting regular double materiality assessments to understand both financial and environmental/social impacts?
- What sustainable innovations or circular economy models are we investing in, and how do they differentiate us competitively?
- Are our ESG goals both ambitious and realistic, with well-defined accountability across all business units?
- Are we investing enough to innovate and evolve the business while considering ESG risk?
- Are we considering the long-term ROI of our ESG investments?
- What mechanisms are in place to gather and act on stakeholder feedback regarding ESG performance?

03 Evaluating climate risk and transition plans

Business leaders acknowledge sustainability's importance but struggle to translate it into tangible, measurable business outcomes. There is a visible gap between what is promised and what is delivered. While Net-zero targets are being set, ensuring clear targets (scope 1, 2, and 3 emissions) with verifiable interim milestones is essential. Businesses evaluating ESG-based models must stress-test operations against multiple climate futures to take informed and long-term decisions. This kind of thinking brings all verticals on-board with the overall vision and drives the right kind of culture within the organization.



Key questions for boards to consider:

- Do we have a credible, science-based net-zero roadmap with interim targets and transparent progress reporting?
- How are we stress-testing our business models against multiple climate scenarios?
- What are the biggest risks and opportunities in the energy transition, and how are we proactively addressing them?
- How resilient is our supply chain to climate disruptions?
- Have we identified our operations in high-risk zones? Do we have alternative models in place in high-risk zones?
- What are the key risks associated with failing to adapt to climate scenarios expectations, and how can we mitigate them?

04 From compliance to internal motivation

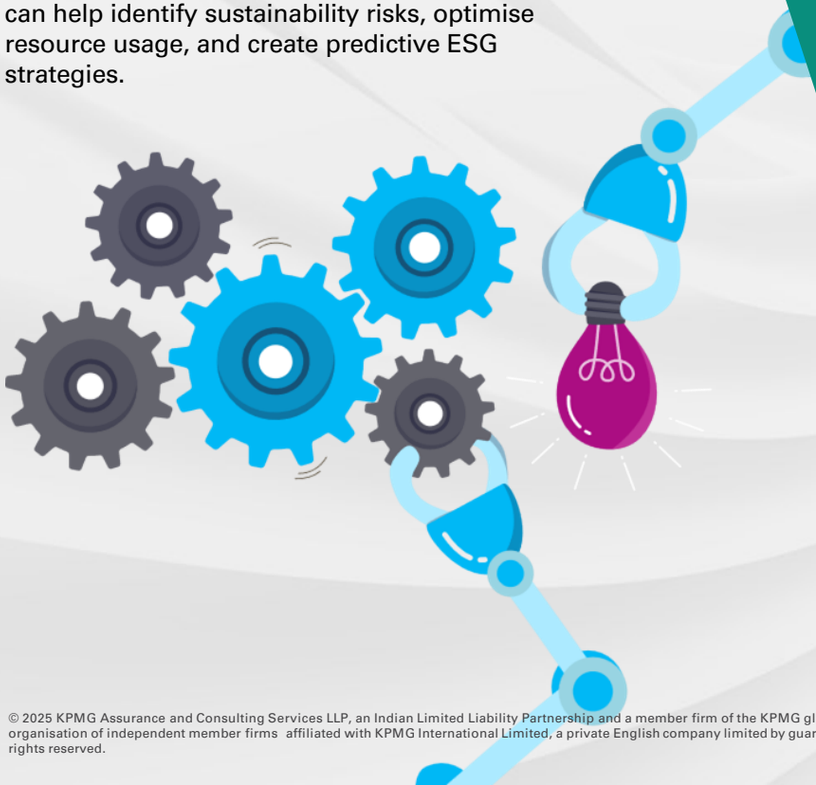
Organisations often struggle to achieve ESG targets due to a lack of employee engagement. While the intentions are commendable, success depends on active workforce participation, so it's crucial to embed ESG principles into core values and daily operations. To overcome this challenge, organisations need to cultivate an internal and holistic ESG culture. This could include recognition programmes, bonuses, or career advancement opportunities linked to ESG performance. Setting clear targets is important, but the real impact comes from valuing and rewarding ESG efforts at all levels. Building a culture of ownership transforms ESG goals into sustainable outcomes, making sustainability an individual responsibility.

Key questions for boards to consider:

- How are we communicating our ESG goals, progress, and challenges to our employees?
- What training and educational resources are provided to equip employees with the skills needed for meaningful ESG contributions?
- Can we link ESG performance to career advancement opportunities?
- What digital tools are we leveraging to simplify ESG reporting and track progress?
- How are we sharing best practices and lessons learned across the organization?
- How are we preparing our workforce for the future of work, including reskilling and well-being initiatives?
- Are we creating shared value through meaningful community engagement and social impact programs?

05 ESG reporting automation and AI

Staying ahead of changing ESG reporting standards (e.g., ISSB, EU CSRD, SEBI BRSR etc.) is only possible if both internal and external ESG data is transparent and traceable. Evolving technologies like AI can spearhead organisations towards actually achieving interim goals. Using AI and data analytics can play a transformational role in ESG reporting, tracking carbon footprints, and ensuring compliance. Boards must champion technology adoption to facilitate real-time ESG tracking and decision-making. Automation of ESG disclosures ensures accuracy, transparency, and reduced manual efforts in regulatory reporting. Adding AI-driven insights can help identify sustainability risks, optimise resource usage, and create predictive ESG strategies.



Key questions for boards to consider:

- How do we leverage technology for real-time tracking, carbon accounting, and supply chain transparency?
- How can we ensure that our ESG data, both internal and external, remains transparent and auditable as we adopt new technologies?
- What specific AI technologies are available to help us achieve our ESG goals, and how can they be integrated into our current systems?
- What predictive ESG strategies can we develop using AI and data analytics?
- What training or resources do our teams need to effectively implement and manage these new technologies?
- How prepared are we for evolving global reporting requirements (e.g., ISSB, EU CSRD, SEBI BRSR)?

06 AI for good

Artificial Intelligence is revolutionizing industries and societies, offering solutions to pressing challenges such as climate change, healthcare, education, and social equity. For responsible organisations, embracing 'AI for good' is a strategic imperative. AI enhances healthcare diagnostics, predicts climate change, optimizes energy use, personalises education, supports mental health, and aids disaster response, driving positive social, environmental, and economic impacts. To ensure ethical AI initiatives, board members must adopt a forward-thinking and accountable approach, guiding their organisations toward sustainable innovation while mitigating risks.

Key questions for boards to consider:

- Do we have an AI strategy that aligns with our organisation’s ESG goals?
- How can AI be aligned with our organization’s mission to address key social challenges in India (e.g., education, healthcare, climate resilience)?
- What key performance indicators (KPIs) should we track to ensure AI-driven social programs are effective and scalable?
- How are we assessing the potential social impact of our AI projects?
- How are we investing in AI education and training for our workforce to ensure responsible use?
- What partnerships can we form with other organizations to advance AI for Good?

07 Creating sustainable brands

ESG considerations are now crucial for business strategy and stakeholder trust, offering a competitive edge. Beyond compliance, it builds authenticity, reputation, and long-term value. Companies can create a powerful, authentic narrative by aligning their marketing and ESG teams. Collaboration between marketing and ESG teams can translate ESG goals into compelling stories and ensure accuracy and credibility. By embedding ESG values into brand identity, companies not only build trust but also differentiate themselves in the market. This synergy drives both purpose and profit, showing stakeholders that sustainability is more than just a corporate checkbox.

Brands looking to build a sustainable business and hit their net zero targets have begun reporting on crucial metrics tied to the core of their business and making the necessary changes to their operations to sow their commitment. A global consumer goods company is advancing ESG through a strategy focused on net zero emissions by 2039, reducing plastic waste, and supporting regenerative agriculture. It promotes diversity, equity, and inclusion, with goals for gender balance and fair wages across its supply chain. The company invests in sustainable innovation, including plant-based products and eco-friendly packaging, embedding ESG principles into its core business to drive long-term value while addressing climate change, social inequality, and resource scarcity.

To measure brand effectiveness, companies must understand perceptions of their ESG credentials and have the right data to back their claims.

Key questions for boards to consider:

- Are we using our ESG commitments to create a competitive advantage and differentiate our brand?
- Are our ESG communication strategies clear, compelling, and supported by credible data?
- How do we ensure consistency and authenticity in ESG messaging across all communication channels?
- What safeguards do we have in place to avoid greenwashing and ensure compliance with global standards?
- Do we have clear and measurable KPIs to assess the business and brand impact of our ESG initiatives?
- How are we engaging with key stakeholders to understand and address their ESG expectations?
- Do we have the right governance structures to ensure accountability for ESG communication?
- How frequently are we auditing our ESG claims to ensure accuracy and alignment with evolving regulations?

08 Moving away from greenwashing

The rise of ESG initiatives has brought attention to the risks associated with greenwashing, where companies falsely portray themselves as environmentally friendly or socially responsible. Greenwashing undermines the credibility of genuine sustainability efforts, eroding consumer trust and investor confidence. It poses reputational risks, leading to potential backlash and legal implications for organisations found engaging in deceptive practices. Common examples include instances where emission tests were manipulated, sustainability claims were exaggerated, or eco-friendly branding masked ongoing harmful practices. Some companies have faced backlash for promoting 'green' initiatives that, upon closer inspection, had little environmental benefit or even caused more harm.

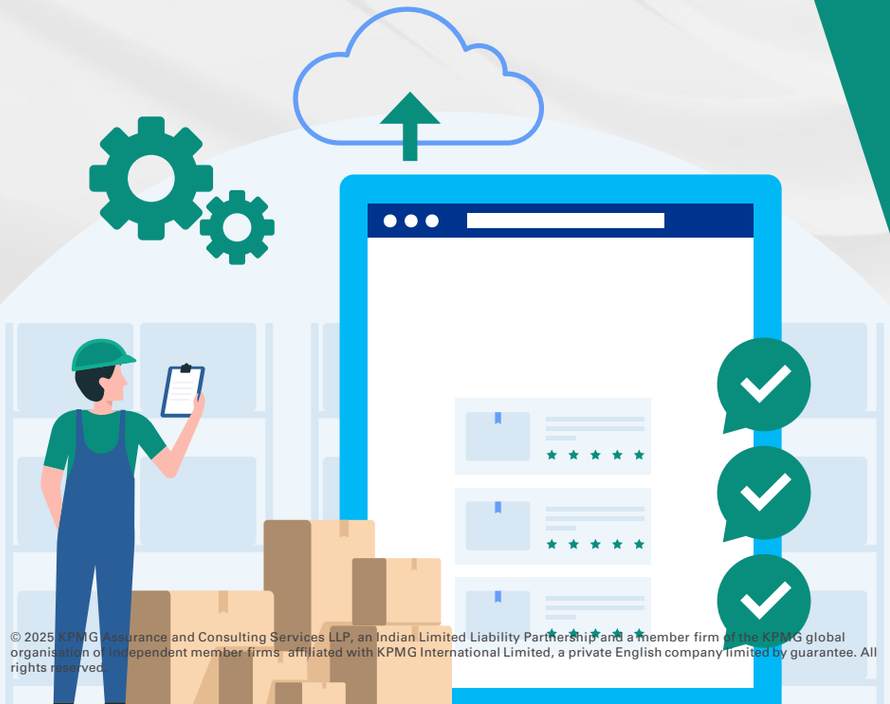
Moreover, greenwashing can result in misallocation of resources, as investors may unknowingly support companies that prioritise marketing over meaningful sustainability actions. To mitigate these risks, regulators, investors, and consumers are increasingly demanding greater transparency and accountability in ESG reporting. Companies must ensure their ESG commitments are genuine, measurable, and aligned with tangible actions to build trust and credibility in the evolving landscape of sustainability.

Key questions for boards to consider:

- Are our sustainability goals backed by clear action plans and measurable outcomes, rather than vague commitments?
- Have we reviewed our ESG marketing and branding materials to ensure we're not overpromising or misrepresenting our sustainability efforts?
- What safeguards are in place to prevent selective ESG reporting (e.g., cherry-picking positive metrics while ignoring material issues)?
- Are we using science-based targets for climate action and credible certifications to support environmental claims?
- Do we have a clear, consistent framework for tracking ESG progress, and who is responsible for oversight?
- What steps are we taking to avoid greenwashing in our ESG communications, including marketing materials and investor reports?
- Are we disclosing both positive and negative ESG impacts, or are we only highlighting the successes?

09 Natural capital and biodiversity

Strategies that are nature-positive, are financially beneficial and enhance communities – initiatives such as water stewardship, deforestation-free supply chains, and biodiversity protection go beyond the board, bottom-line and can spearhead reputation significantly. Governments and companies are increasingly incorporating natural capital into wealth and performance assessments to address biodiversity loss. Investors are starting to notice companies' reliance on unpriced natural capital, especially in sectors highly exposed to biodiversity risks.



Key questions for boards to consider:

- What is our organisation's awareness and understanding of natural capital and biodiversity at board and executive management level?
- Have you completed a nature-positive readiness review to understand your impacts and dependencies on nature?
- Are you familiar with the emerging tools and data sets that can help you to baseline, measure and manage biodiversity?
- How are we collaborating with the supply chain to promote nature-positive practices?

10 A key responsibility to not inflate CSR

While CSR is about how a company spends money on social initiatives, ESG is about how a company earns money by embedding sustainability into core operations. ESG goes beyond philanthropy, covering governance, risk management, environmental impact, and responsible business practices. Additionally, ESG takes the CSR agenda further to provide quantifiable indicators for accountability.

These initiatives extend beyond merely enhancing the organization's public image; they promote social and environmental responsibility among stakeholders. This approach helps to build and maintain trust with existing customers while attracting new ones. Additionally, investors and partners develop increased confidence in the business, reassured by the prospect of positive financial returns in the long term.

Key questions for boards to consider:

- How do we engage with our stakeholders, including customers, employees, and the community, in our efforts?
- What specific CSR and ESG initiatives have we implemented in the past year?
- How do our CSR and ESG efforts align with our overall business strategy and corporate values?
- How do our investors and partners view our commitment to CSR and ESG? Have we received any feedback from them?

Bottomline

ESG is no longer optional—it is a key driver of long-term economic success. Companies that integrate ESG principles gain competitive advantages, including risk mitigation, cost savings, and better access to capital. Investors favor ESG-compliant businesses, leading to higher valuations and lower financing costs. As global regulations tighten and consumer preferences shift toward sustainability, ESG-focused companies are better positioned for resilience and growth in the evolving economic landscape.

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