Transitioning to a Sustainable Business

Climate change is creating risks and opportunities for businesses in a diverse number of ways. There are questions arising, whether it is mandatory for a company to incorporate ESG when working on its business models and operating plans, and the response to that, should be a loud and definite 'YES!'. Irrespective of whether the regulations are applicable or not, getting on to the sustainability journey today is an existential question.

Transition to net zero and resilient economies, that are socially inclusive, is particularly important for emerging economies like ours. Our dependencies on fossil fuels for electricity, transportation, manufacturing, or livelihood opportunities pose a heavy risk to this transition.

Investors, regulators and other stakeholders are challenging organisations to take responsibility sooner than later, by adopting an integrated, strategic approach to addressing the climate imperative.

An important aspect of this transition is finance. As per the IEA's Net Zero by 2050[1] report, there has to be a significant investment that needs to be done to upgrade legacy systems and invest in new technologies. The cost of this transition is currently being largely borne by the business. However, there can be mechanisms such as subsidies, and allowances, or tax benefit for corporates who are attempting to move towards this goal. In addition, this cost should be shared by governments and consumers as well. While the government will work on the polices, guidelines and financial tools, the consumers need to change their mindset and consumption patterns.

In this endeavour, the role of the board and senior leaders is to estimate the impact of climate change on their organisation by considering physical, transition, financial, operational risks and opportunities under different future scenarios. There needs to be enough focus on strengthening internal monitoring systems and building strong external narratives, through public disclosures.

***Easier said than done.***

The pathways to this transition are neither simple, nor straight forward. Most of the industries and businesses are grappling with these issues and working towards building a comprehensive mitigation and adaptation strategy.

Some points to consider-

- Ensuring organisational resilience amidst fluctuating market situation and evolving regulatory needs
- Effectively meeting stakeholder expectations across their value chain
- Prioritise immediate focus areas of the businesses that have quick returns
- Lay out medium to long-term vision for the business
- Build the institutional capability in the space of ESG and sustainability

While we all may be at different stages of our ESG journey, it is the commitment we all need to make towards understanding the shift within the sector, our peers, market and global ecosystem. It may be therefore important to treat the transition opportunity as an investment rather than a cost.

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*Sattva has been working with various non-profits and social organisations as well as corporate clients to help them define their social impact goals. Our focus is to solve critical problems and find scalable solutions. We assist organisations in formulating their long-term impact strategy by aligning with business objectives and providing meaningful solutions to social issues.*

*If you have any such stories or ideas to share, please write to us: esg@sattva.co.in*

Note: 1. https://www.iea.org/reports/net-zero-by-2050