



Integrating ESG and Sustainability into Business Strategy

Introduction

Brief definition of ESG: Environmental, Social, and Governance

- ESG stands for environmental, social and governance. These are called pillars in ESG frameworks and represent the 3 main topic areas that companies are expected to report in.
- **The goal of ESG is to capture all the non-financial risks and opportunities inherent to a company's day to day activities.**

Importance of sustainability in the current business landscape

- Sustainability for business is about balance. It's not just about maximizing profits but also minimizing negative effects on the environment and society. In doing so, businesses can create long-term value for their stakeholders while reducing their impact on the planet.

What is ESG?



Explanation of Environmental factors (E) :

- The environmental factors in ESG refer to a company's impact on the natural environment and its ability to operate sustainably.
- *Examples: Carbon footprint, energy efficiency, waste management*



• Explanation of Social factors (S) :

- The 'S' in ESG signifies social factors, which evaluate a company's interactions with its personnel, the communities in which it operates, and the political environment. ESG factors, including ratings and scoring systems, play a pivotal role in assessing a company's adherence to these social factors.
- *Examples: Employee well-being,*

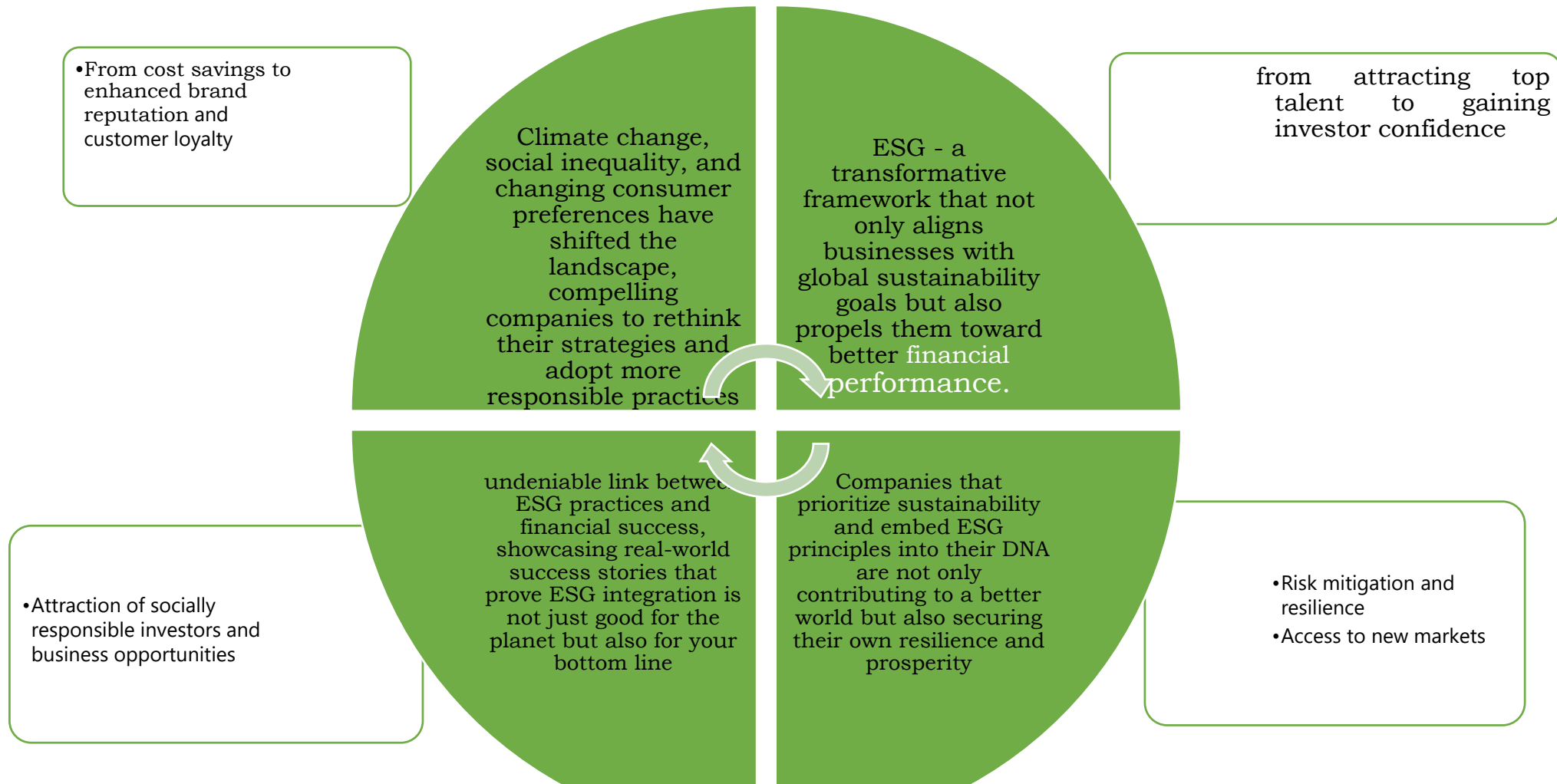


• Explanation of Governance factors (G) :

- The 'G' in ESG stands for 'governance' considerations. Governance ESG criteria cover corporate policies, stakeholder rights and responsibilities, as well as how the corporation is managed and its success measured.
- *Examples: Corporate governance, ethical business practices, transparency*

The Business Case for ESG Integration

- ESG integration is the process of managing environmental, social and governance risks that might negatively impact companies and their stakeholders, including employees, customers, suppliers, and society and the environment at large.



Advantages

Risk Mitigation:

ESG integration helps identify and manage potential risks related to environmental, social, and governance factors. This proactive approach can reduce the impact of unforeseen events, such as regulatory changes, supply chain disruptions, or reputational issues.

Cost Savings:

Implementing sustainable practices often leads to increased efficiency and reduced resource consumption. Companies that focus on sustainability can find cost savings through energy efficiency, waste reduction, and streamlined processes.

Enhanced Brand Reputation:

Consumers and investors increasingly value companies with strong ESG practices. Integrating sustainability into business operations can enhance a company's reputation, leading to increased customer loyalty and positive public perception.

Access to Capital:

Many investors now consider ESG factors when making investment decisions. Companies with strong ESG performance may have better access to capital as they attract socially responsible investors and have a lower risk profile.

Employee Engagement and Retention:

A commitment to sustainability can attract and retain top talent. Employees often prefer working for companies with a clear sense of purpose and commitment to environmental and social responsibility.

Market Differentiation:

Incorporating ESG practices can differentiate a company from its competitors. This can be a valuable marketing tool, appealing to consumers who prioritize ethical and sustainable products and services.

Innovation and Long-Term Value Creation:

Focusing on sustainability can drive innovation within a company. By adopting environmentally friendly practices and developing sustainable products, businesses can position themselves for long-term success in a rapidly evolving market.

Regulatory Compliance:

Integrating ESG principles into operations helps ensure compliance with evolving environmental and social regulations. Staying ahead of regulatory requirements can prevent legal issues and financial penalties.

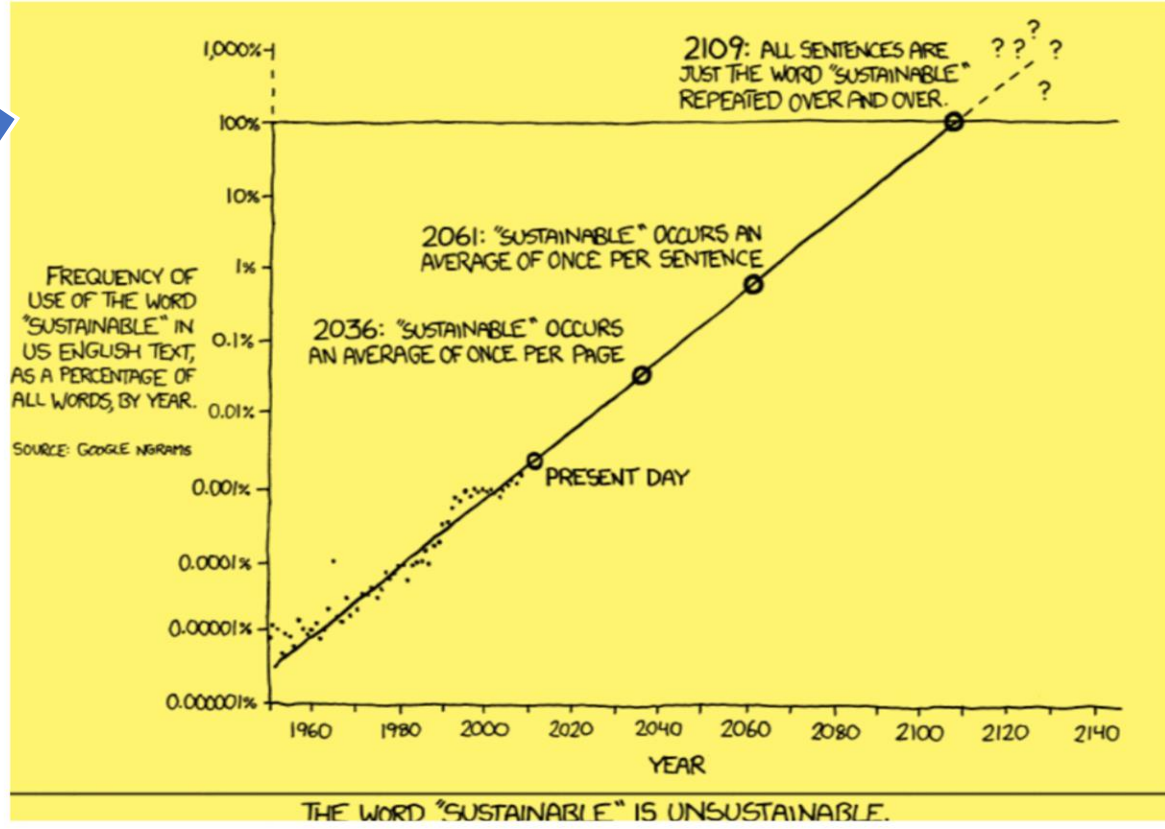
critical to maintaining our quality of life, the diversity of life on earth, and the health of earth's resource-rich ecosystems.

- Sustainable environmental practices **improve water and air quality, reduce landfills, and increase renewable energy sources in the long term.** These changes guarantee cleaner and healthier living conditions for all people, particularly those in lower-income communities.

- **a liveable planet for future generations.** Because natural resources are finite, they must be used conservatively in the short term.
- in business, sustainability not only helps address global challenges, it **contributes to an organization's overall success as well.** According to McKinsey, companies with the highest ESG metrics (used to determine the ethical standards and sustainability of an organization) consistently outperform the rest of the market; as a result,

- Long-term business viability
- Regulatory compliance and avoiding legal issues
- Meeting stakeholder expectations
- Positive impact on the planet and society
- sustainable companies tend to be the most profitable. Sustainable practices also increase success by protecting a company's brand, mitigating risk, and providing a compelling competitive advantage.

Sustainability matters



Steps to Integrating ESG into Business Strategy

Assessing Current ESG Performance

- Conducting an ESG audit
- Identifying strengths and weaknesses

Setting Clear Objectives

- Defining measurable goals for ESG performance
- Aligning objectives with business values and stakeholder expectations

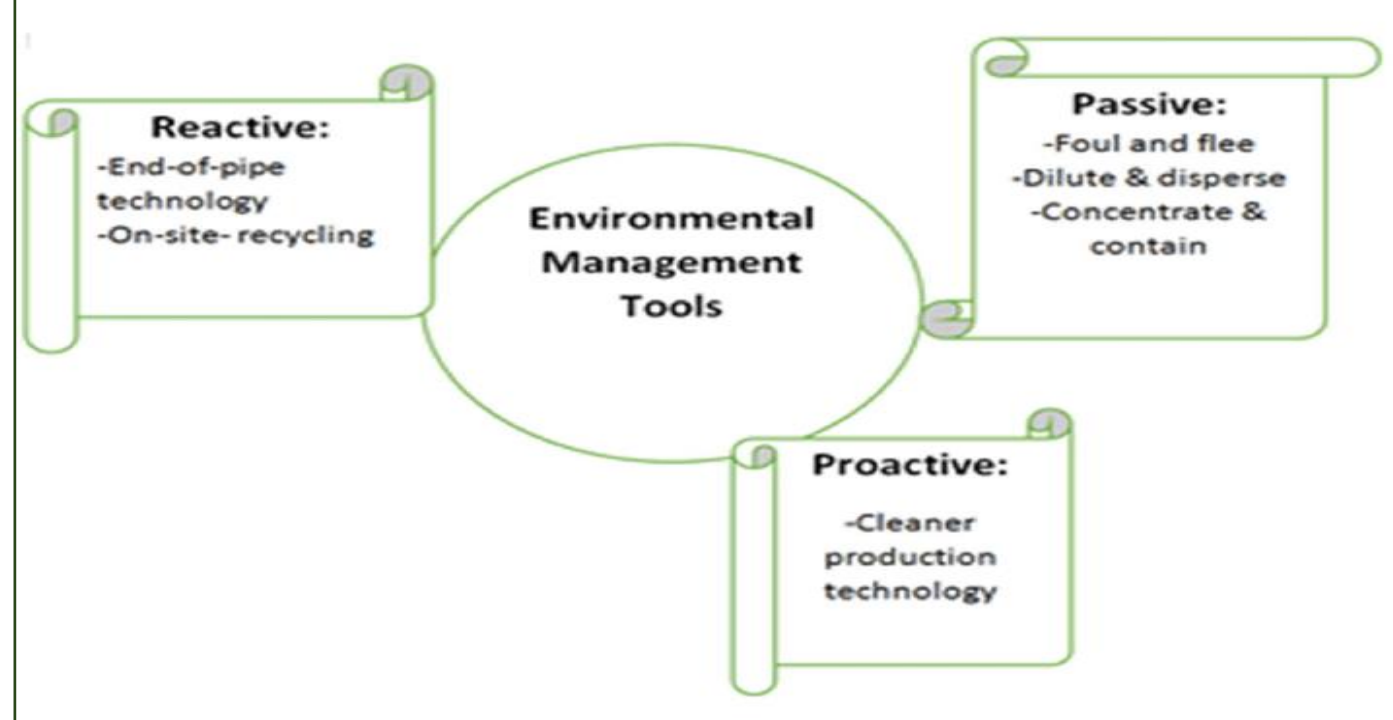
Embedding ESG in Corporate Culture

- Fostering a culture of sustainability
- Engaging employees in ESG initiatives

Strategies for Environmental Integration

Environmental integration involves

- Incorporation of environmental considerations into all aspects of
 - Thinking (Cognitive Frameworks)
 - Behaviour/Action (Policies),
 - Rules And Organisations (Institutions) That (Potentially) Impact Significantly



Impact:

Energy Efficiency

- Implementing renewable energy sources
- Reducing carbon emissions

Sustainable Supply Chain

- Ethical sourcing
- Supplier diversity

Strategies for Social Integration

Employee Well-being

- Health and wellness programs
- Work-life balance initiatives

Diversity and Inclusion

- Promoting diversity in the workplace
- Equal opportunities and fair treatment

5 insights you should know

Organizations often fail to realize ESG plans because **those do not get prioritized or elevated**. This leads to undefined goals, unclear ownership, and lack of a cohesive approach to achieve objectives.

Many organizations can't make sense of ESG data or **leverage it to drive business objectives**. When data is siloed, specialized, and distributed across a vast ecosystem of extended business relationships and service providers (partners), it becomes challenging to offer a unified view of ESG initiatives and compliance.

As consumer-facing organizations are improving the maturity of their sustainability programs and contend with their complex extended supply chain, this **third-party ecosystem can affect their ESG strategies that have a tangible impact on society**.

Market trends show consumers are **demanding more transparency on ESG matters**. They want to be associated with brands that have a small environmental footprint, display ethical and responsible sourcing, and demonstrate environmental stewardship aligned with their Purpose as an organization.

Scientists say **we need to halve emissions by 2030 and reach net zero by 2050** to avoid the most catastrophic impacts of climate change.¹ This will require a rapid end-to-end business transformation.

5 actions you can take

1

Bake it in your strategy. Define your ESG priorities with associated objectives, time-bound targets, and key performance indicators to evaluate performance. Then, embed your ESG priorities within your corporate strategy to stay on track.

2

Get your data right. Gathering the right information for ESG strategies can be a long journey. Your organization can derive more value by collaborating across its business ecosystem to simplify data collection, synthesis, and reporting.

3

Choose your companions wisely. Being ESG focused (e.g., considering minority-owned organizations and environmentally responsible partners) needs to be one of the driving factors when selecting third parties. Monitor and evaluate how the new and existing third-party relationships impact your ESG priorities.

4

Tell your story. Communicate your ESG vision clearly to win consumer support. Develop a method to monitor ESG matters in accordance with a standard reporting framework to stay transparent and so that consumers can follow along with your sustainability journey.

5

Be innovative. To provide value in a net-zero economy in the future, organizations should strengthen operations that can lower carbon emissions by adopting new technologies and sustainable practices. Also, they should look for ways to transform business models and innovate market-making solutions to move toward

Strategies for Governance Integration

Transparent Reporting

- Regular ESG reporting
- Providing stakeholders with accurate information

Ethical Business Practices

- Establishing a code of conduct
- Zero-tolerance for corruption and unethical behavior

Sustainable Tourism Principles

Sustainable tourism, also known as **ecotourism** or **green tourism**, embodies a commitment to acknowledging and mitigating both its present and future **economic**, **social**, and **environmental** repercussions. It accomplishes this by considering the interests and well-being of visitors, the tourism industry, the natural surroundings, and the communities that welcome travelers.

Numerous dialogues have taken place emphasizing the imperative shift toward more sustainable and ethical tourism practices. These conversations have arisen in response to pressing global issues, including the escalating levels of greenhouse gas emissions, concerns about overcrowding, and the preservation of the unique socio-cultural identity within host communities.



Progress Towards Responsible Tourism



National Strategy for Sustainable Tourism (2022)

In 2022, the Ministry of Tourism formulated a comprehensive **National Strategy for Sustainable Tourism** to promote responsible tourism in India.



Emphasis on Green Tourism

India is strategically focused on fostering a transition to green tourism, aligning its efforts with the 17 Sustainable Development Goals (SDGs) of 2030—a pivotal priority within the global economy.



Pillars for Green Tourism Success

To position India prominently on the global green tourism map, several key pillars are being established, including the development of sustainable green destinations, active collaboration among stakeholders, fostering a change in mindset, and offering robust training, support, and upskilling opportunities.



Role of Recent Meetings

Recent meetings spearheaded by the Ministry of Tourism have played a pivotal and decisive role in shaping the direction of sustainable tourism practices. These meetings hold immense significance for all tourism stakeholders.



G20's Tourism Influence

G20 economies collectively represent a significant portion of the global landscape, contributing approximately 85% of the world's GDP, facilitating over 75% of global trade, and hosting about two-thirds of the world's population.



Global Tourism Impact

In 2022, G20 economies welcomed a remarkable 74% of international tourists and accounted for an impressive 73% of global tourism exports. In 2019, prior to the COVID-19 pandemic, the Tourism Direct GDP for G20 economies stood at a substantial 3.7%.

Why Sustainable Tourism Matters?

Addressing Global Challenges



Government Focus

The Government of India has consistently prioritized responsible and sustainable tourism as it navigates the sector through the recovery phase post-pandemic.



Climate Crisis

Climate action failure, ranked as the top global threat in the World Economic Forum's Global Risk Report, includes concerns about extreme weather events and biodiversity loss.



Environmental Impact

Climate change is intensifying worldwide, leading to disproportionately extreme weather conditions, particularly in countries like India.



Urgency of Action

The Intergovernmental Panel on Climate Change (IPCC) 2023 report underscores the urgency, revealing that the timeframes to limit global temperature increases to 1.5°C and 2°C above preindustrial levels are rapidly diminishing.



Why Sustainable Tourism Certifications Are Crucial?



Informed and Vocal Tourists

- Travelers are increasingly conscious of climate issues, with 83% recognizing the importance of sustainable travel.
- The pandemic has further driven sustainability aspirations, with 61% wanting to travel more sustainably in the future.
- A remarkable 69% of global travelers now expect the industry to provide sustainable travel options.
- Traveler behavior aligns with these sentiments, evident in the 10 million travelers choosing lower-emission flights in 2019.



Industry Responsibility

- As an industry, it's our responsibility to ensure accurate and truthful information in property advertising and marketing.
- Sustainable hospitality isn't just a planet-saving necessity; it's a savvy business move. Practices like energy efficiency, resource conservation, and local sourcing benefit both the environment and guest experiences.
- With the growing demand for sustainable accommodations and the industry's mounting climate impact, adopting sustainability strategies becomes imperative for responsible and balanced tourism.



Expressing Commitment

- Certifications mandated by governing bodies showcase a commitment to sustainability.
- Such commitments are highly appealing to the increasing number of eco-conscious travelers, setting properties apart in a competitive market.

Sustainable tourism in the hospitality industry presents both challenges and opportunities

Challenges:

Environmental Impact:

- *Challenge:* The hospitality industry contributes to environmental issues, including energy consumption, waste generation, and water usage.
- *Opportunity:* Implementing energy-efficient practices, waste reduction, and water conservation measures can minimize the environmental impact.

Over-tourism:

- *Challenge:* Popular tourist destinations may face over-crowding, leading to environmental degradation, increased waste, and strain on local resources.
- *Opportunity:* Promoting off-peak seasons, diversifying tourist attractions, and implementing visitor management strategies can help address over-tourism.

Cultural Preservation:

- *Challenge:* Uncontrolled tourism can lead to the erosion of local cultures and traditions.
- *Opportunity:* Engaging in community-based tourism, promoting cultural exchange programs, and supporting local artisans can help preserve and celebrate cultural diversity.

Resource Consumption:

- *Challenge:* The hospitality industry relies heavily on resources such as water, energy, and food, contributing to resource depletion.
- *Opportunity:* Adopting sustainable sourcing practices, reducing waste, and implementing energy-efficient technologies can address resource consumption.

Waste Management:

- *Challenge:* The tourism industry generates significant amounts of waste, including single-use plastics.
- *Opportunity:* Implementing waste reduction and recycling programs, as well as encouraging guests to adopt sustainable practices, can minimize the impact of waste.

Community Engagement:

- *Challenge:* Lack of community involvement can lead to tensions between the tourism industry and local communities.
- *Opportunity:* Engaging with local communities, investing in local infrastructure, and ensuring that tourism benefits are shared equitably can foster positive relationships.

Regulatory Compliance:

- *Challenge:* Compliance with evolving environmental and social regulations can be challenging for businesses.
- *Opportunity:* Proactively adopting and exceeding regulatory requirements can position businesses as leaders in sustainable tourism and build trust with stakeholders.

Opportunities

Eco-friendly Accommodation

- Developing and promoting eco-friendly hotels, resorts, and lodges can attract environmentally conscious travelers.

Green Certifications:

- Obtaining and showcasing recognized sustainability certifications can enhance a hotel's reputation and attract environmentally conscious guests.



Renewable Energy Adoption:

- Investing in renewable energy sources, such as solar or wind power, can reduce the carbon footprint of hospitality operations.



Local Sourcing:

- Prioritizing local and sustainable sourcing for food and products can support local economies and reduce the environmental impact of transportation.



Technology Integration:

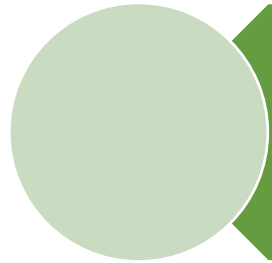
- Implementing technology solutions, such as smart building systems and energy-efficient appliances, can contribute to resource conservation and operational efficiency.



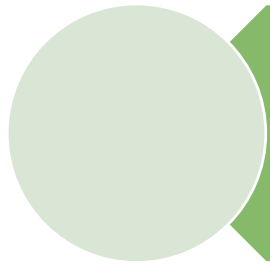
Incentivizing Sustainable Behavior:

- Offering incentives for guests who choose sustainable practices, such as reusing towels or participating in conservation programs, can encourage responsible behavior.

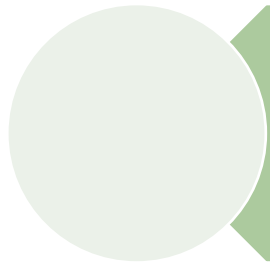
Monitoring and Reporting



Implementing ESG metrics and key performance indicators (KPIs)



Regular reporting to stakeholders



Continuous improvement based on feedback and results

Challenges and Solutions : Limited engagement with portfolio companies on ESG issues

Challenge: Once the investment is made, engaging portfolio companies to improve their ESG performance and implement ESG action plans can be challenging.

Solution:

- Actively collaborate with portfolio companies on ESG matters by establishing clear expectations and goals during the investment process. Provide resources and support to help portfolio companies enhance their ESG performance. Offer guidance and best practices, and establish regular communication channels to monitor progress. Consider appointing ESG-focused board members or advisors to provide oversight and guidance.

Challenges and Solutions: Lack of standardized ESG metrics and reporting



Challenge: The absence of consistent and comparable ESG data makes it challenging to evaluate and compare current and future portfolio companies' ESG performance.

Solution: Engage with industry peers and organizations to advocate for standardized ESG metrics and reporting frameworks. Encourage portfolio companies to disclose relevant ESG information and support initiatives that promote transparency and standardization, such as the [EDCI](#), [SASB](#) or [GRI](#).



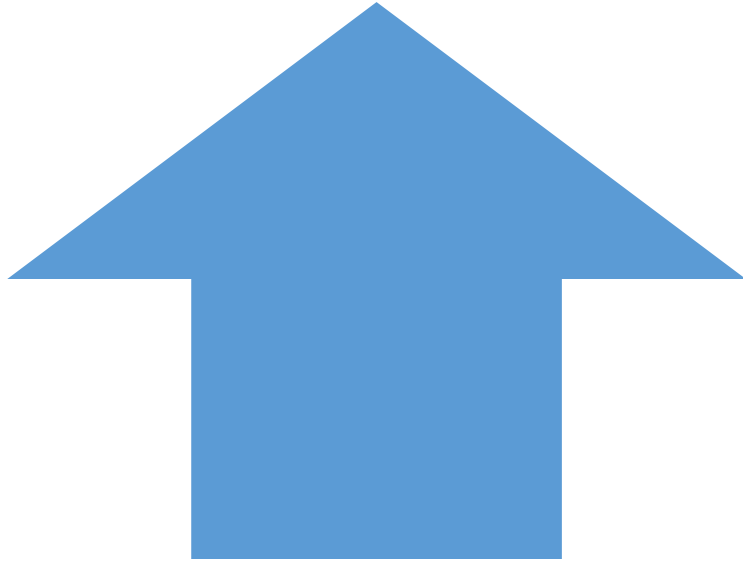
Challenges and Solutions: Limited access to reliable and comprehensive ESG data

Challenge: Obtaining accurate and up-to-date ESG data can be difficult, especially for private companies or those operating in emerging markets.

Solution:

- Collaborate with reputable ESG data providers that specialize in private markets or emerging markets. Leverage their expertise to obtain reliable ESG data and insights. Consider engaging [third-party consultants with ESG expertise to support data collection and analysis](#)

Challenges and Solutions: Difficulty in quantifying the financial impact of ESG factors



Challenge: It can be challenging to quantify the financial implications of ESG risks and opportunities accurately.



Solution:

- Engage with industry experts and conduct in-depth analysis to quantify the financial impact of specific ESG factors in each portfolio. Establish policies and practices to regularly collect and dissect quality ESG data, as well as scalable processes to tie those data insights to bottom line performance. Develop comprehensive financial models that integrate ESG considerations to assess the potential value creation and risk mitigation opportunities

Challenges and Solutions: *Limited expertise and resources for conducting thorough ESG due diligence*

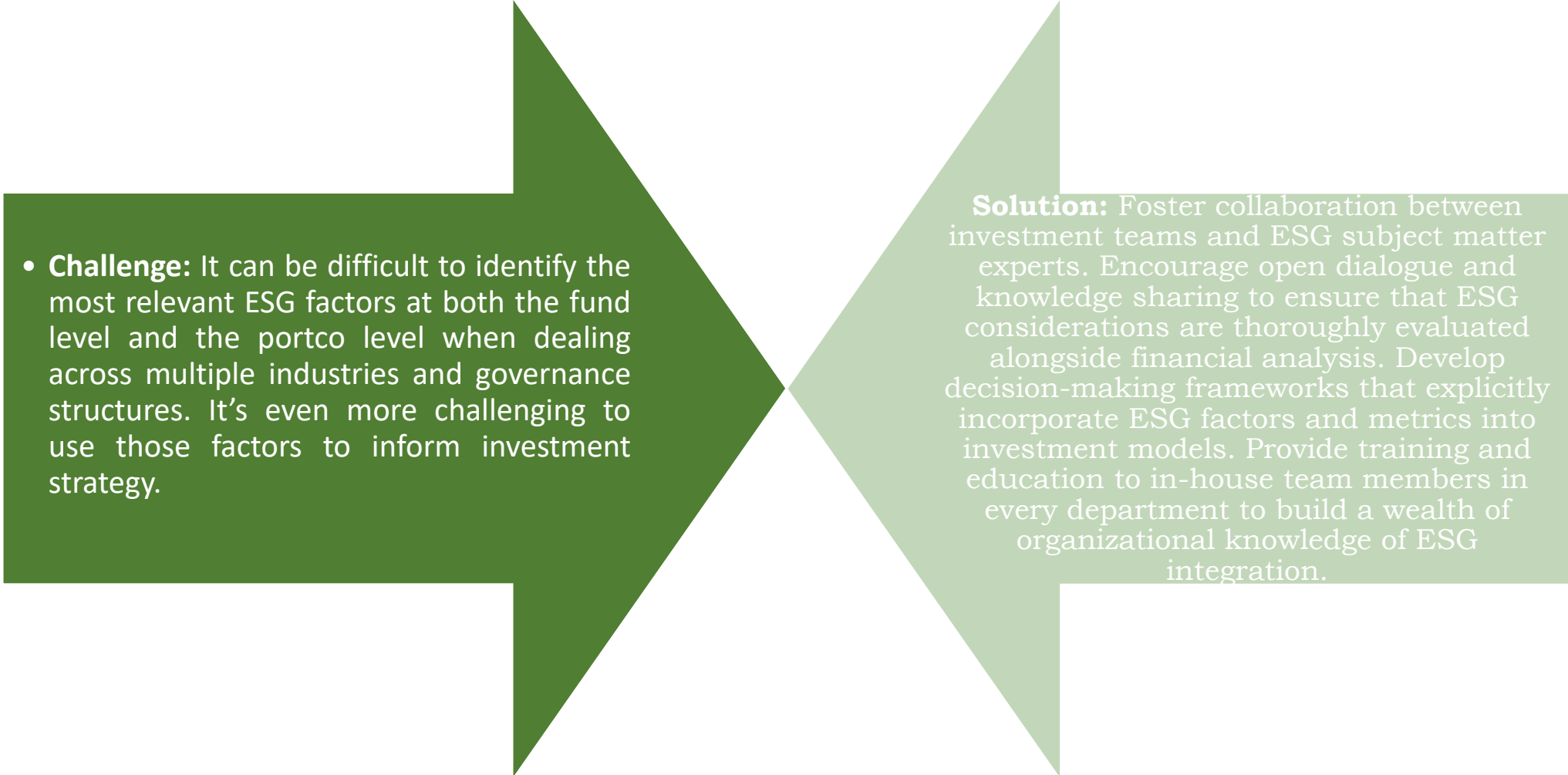
challenge

- Private equity firms may lack the necessary internal expertise and resources to conduct meaningful ESG due diligence.

Solution:

- Consider building internal expertise by hiring dedicated sustainability professionals or training existing staff on ESG issues. Collaborate with external ESG consultants or engage specialized service providers to support the due diligence process. Establish partnerships with research institutions or industry associations that offer resources and guidance on ESG integration.

Challenges and Solutions: Integration of ESG considerations into investment decision-making

- 
- **Challenge:** It can be difficult to identify the most relevant ESG factors at both the fund level and the portco level when dealing across multiple industries and governance structures. It's even more challenging to use those factors to inform investment strategy.

Solution: Foster collaboration between investment teams and ESG subject matter experts. Encourage open dialogue and knowledge sharing to ensure that ESG considerations are thoroughly evaluated alongside financial analysis. Develop decision-making frameworks that explicitly incorporate ESG factors and metrics into investment models. Provide training and education to in-house team members in every department to build a wealth of organizational knowledge of ESG integration.

successful examples of businesses integrating ESG into their strategies

One example of a company that has successfully integrated ESG principles into its business model is Unilever. The consumer goods giant has made sustainability a core component of its strategy, committing to sourcing 100% of its agricultural raw materials sustainably and reducing its environmental footprint.

Some of the key companies in ESG in travel and tourism theme are Melia, Accor, Hurtigruten, Wizz Air, Walt Disney, Royal Schiphol Group, Deutsche Bahn, Expedia Group, and Carnival Corporation, Ponant, Marriott International, Hilton Hotels and Resorts, Comcast, VINCI, and InterContinental Hotels and Resorts.

Successful Examples Of Businesses Integrating ESG Into Their Strategies

IHCL launched Paathya : a framework to drive its sustainability and social impact measures. Taking IHCL's over century-old legacy ahead, Paathya forges a journey focused on environmental stewardship, social responsibility, and excellence in governance, and has defined several short and long-term goals to be fulfilled by 2030

ITC Hotels: claims to have been the by-word for sustainability in the hospitality industry for over a decade. According to H C Vinayaka, Vice-President, Technical, EHS and Sustainability, ITC Hotels, ITC pioneered the concept of 'Responsible Luxury' – delivering luxury experiences with planet positive experiences.

Raddison hotels: committed to incorporating sustainable and greener practices throughout our operations. In collaboration with Sunfuel, we are actively enhancing the electric vehicle (EV) infrastructure across our hotels in India. With 110 operating hotels, this is the largest deployment of this kind of infrastructure, and we are working on a chain level to make all RHG partner hotels EV-friendly.

Government of India's Stance on Certification for Sustainable Tourism



Alignment with National Strategy

The Indian government emphasizes certification's role in promoting sustainable tourism, as per Chapter 7 of the National Strategy on Sustainable Tourism. It stresses measuring sustainability adoption across destinations, products, and industry segments, such as accommodation providers and tour operators.



Development of Sustainable Tourism Criteria

The Ministry of Tourism is actively formulating Sustainable Tourism Criteria for India. These criteria will combine global best practices with India's specific context. They'll serve as a comprehensive framework for certification, covering destinations, accommodations, and tour operators.



Industry and NGO Collaboration

The government seeks to collaborate with the tourism industry and respected NGOs. This collaboration will tap into their technical expertise to effectively promote sustainable tourism. By working together, the government aims to ensure the successful implementation of criteria and indicators.



Upcoming Initiatives

The Ministry of Tourism is committed to finalizing the Scheme for Certification and Sustainable Tourism Criteria in consultation with industry representatives. These initiatives are aimed at fostering sustainable practices, ensuring responsible tourism, and promoting India as a sustainable tourism destination.

Conclusion

- Experts believe that ESG in India is still in its infancy, the buzz about it is certainly strong. Firstly, COVID 19 has led corporates to increase their emphasis on employee well-being, mitigating natural calamities, and managing partners/ stakeholders in times of uncertainty.
- PM Narendra Modi's commitment at the United Nations Climate Change Conference in 2021 to achieve net zero emissions (cutting greenhouse gas emissions to as close to zero) by 2070, has pushed big corporates to start putting in place a robust ESG plan.