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Environmental Social Governance : A way to Sustainability for small organizations

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ESG the term widely used by major investors and big organizations to attract rich investment. Environmental, social and governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments. Here we are going to talk in brief about the effect of small companies using ESG. Before that we will take view on individual factors of ESG i.e. Environmental, Societal and Governance factor.

Environmental criteria, includes the energy your company takes in and the waste it discharges, the resources it needs and the consequences for living beings as a result. Not least, *E* encompasses carbon emissions and climate change. Every company uses energy and resources; every company affects, and is affected by, the environment.

Societal factor, how can a company manage its relationships with its workforce, the societies in which it operates, and the political environment this is the central question behind the social aspect of sustainable investing.

Corporate Governance, Corporate governance is concerned with the internal company affairs and its relationships with the main company's stakeholders, including its employees and the shareholders. In addition, corporate governance is directly linked to a company's long-term success, as proper governance policies can help to attract and retain talented employees.

Now coming back to the objective we are going to discuss here is; small companies should adopt ESG and small investors or investors who invest in small companies should follow ESG for sustainable investment. Number of small companies, organizations, firms, manufacturing units etc. are multiple times higher than the number of big business groups who have adapted ESG and following the same. For example, TATA, BIRLA, Reliance, Mahindra and Adani some of the big business groups in India. If this five groups working very strictly adopting ESG still they can contribute to environment with some limitations but small companies like we can take banking and financial institutions, service industries etc. they are very big in number like microfinance institutions.

Here we can also compare contribution on number of companies in any industry. We will take example of Telecom and Microfinance industry. There are only four major telecom companies in India. At the same time there are 223 microfinance institutions in India. The total contribution of small 223 microfinance institutions will be way more than the 4 telecom companies even though are very big companies in the country.

The areas where small companies can work to contribute or give back to Mother Nature are:

- Environmental performance in areas such as emission reductions, resource efficiency, recycling, substitution or reduction of toxic substances. The main drivers entail the adoption of improved technologies and operating procedures, the development of eco-friendly products and services and raising customer awareness
- **Embrace climate change -** A special subject within the management of environmental issues is the subject of climate change. We request that we should have a climate policy and strategy including a process to integrate climate change risks and opportunities into the company's centralized risk management framework and a governance structure which ensures sufficient oversight over the management of climate change related risks. An important aspect of this is water management, and companies should be aware of their exposure to water related risks and develop appropriate mitigation strategies.
- **Manage water risks -** Water-related risks are an important issue with a number of environmental and social implications. Depending on the company's exposure to water stressed areas, we want to track daily water use, quality & quantity, set ambitious reduction and recycling targets.
- **Low Carbon Emission** – Most important factor to consider and work on.

Tools to work at ground level as per the individual factors of ESG:

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Environmental factors –

1. **Plantation –** This is the simplest tool to start off ESG in any and every organization. This can go with number of branches of any organization or number of employees. The goal is to reach a mark of one year plant life for all the plantations to be made on initial day.
2. **Paper –** Going paperless is the need of time. Also in this era we are way ahead at online platform so we are basically wasting our cost on paper usage.
3. **Electricity –** Saving electricity will be always cost saving tool to any company apart from which we can go solar as per the small occupancy of the company. The cost of installation will be low and will be bigger helping hand in cost saving from electricity bill.
4. **Water –** This is the tool we need to look from sustainable perspective because this will not be bigger cost saving factor but definitely we will be saving water for our future generations. Premises to be accommodate with rain water harvesting systems and strict tracking of water usage and wastage along with necessary actions.
5. **Food –** Every firm has the food wastage in small or large quantity. If we convert it into manure that would be helpful and contributing towards our sustainability goal. This will be directly used in same plantation yard of the company. It will strengthen the waste management system.
6. **Fuel –** Major saving factor in terms of cost and pollution as well. Unnecessary travels are now a days are way more important which directly saving cost to company and also contributing to the pollution control and fuel saving.

Social factors –

1. **Employee safety –** Awareness programmes on employee safety measures are of mere importance. The tools we use for employee safety attracts the employees to join and retain the organization. Travel safety awareness, helmet usage, safety training in manufacturing unit are some of the low hanging fruits in the topic.
2. **ESG awareness** – The lowest effort and highest impact generating activity we can say to this ESG awareness among stakeholders and shareholders. This creates impact of your company in the industry. Investors will get attracted to know the smaller

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organizations working very seriously on sustainable development goal and the company will get benefitted.

3. **Governance Factor** – Internal governance/risk check system to be indulged with ESG criterion. All the maker checker policies assigned for smother functioning of the company should also be assigned with the work ESG tracking of each tools in all three factors and generate higher score.

Above mentioned tools are very basic and easy to adapt tools by any small company or business. This will attract investors towards the organization. This will retain employees in the organization. This will save cost to company in some ways and this will create value for the company in entire industry. Any medium, small or marginal company or firm can work towards Environmental, Social and Governance factors and can lead the company towards sustainable investment.

“SMALL DEEDS BY THE LARGE NUMBER WILL BE THE LARGEST CONTRIBUTION”