

Inspired by

SUSTAINABILITY

& Driven by **TECH**

Defining an **ESG Framework** for
the **New World**



In 2020, an Investor Advisory Committee established under the Dodd-Frank Act in the US found a proliferation of inconsistent research methodologies and superficial comparison, rendering ESG visibility translucent. Further, in 2021, this study reported that 53% of investors considered a lack of standardization in ESG data a stumbling block for investment decisions. While more recent research acknowledges that ESG ratings are unlikely to indicate diametrically opposing assessments, the divergence in reporting makes differentiation for sustainability leaders challenging. Does it mean there is a subtle disconnect between how ESG adherence is perceived and how businesses across sectors strive to attain their ESG goals at the moment?

Considering that ESG is pivotal for businesses to withstand disruptions and meet stakeholder expectations, there is no ambiguity on the need for better operational and reporting frameworks. While preserving stakeholder trust, such a tool must also allow a company to constantly assess, benchmark, and tune its operations to touch more ambitious ESG thresholds.

While this can be easier said than done, the architects of such a framework need not reinvent the wheel. In 2023, ESG adherence has arguably attained considerable maturity. We believe that rather than being a zero-based exercise, the design of a common ESG framework can be initiated upon the following foundations:



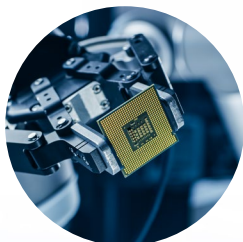
Proven Systems & Measurement KPIs

Systems to consolidate ESG reports for unified visibility, and KPIs to measure sustainability across entire value chains are already available. However, they need to be further worked on to arrive at universally comparable data for analysis and for identifying trends in consumption, savings, and other aspects.



A Growing Urge to be Sustainable

In 2022, Gartner reported 87% of business leaders to be bullish on sustainability. Such a pervasive positive sentiment makes it easier to build a strong business case for sustainability that can slice through the conventional policy and perception barriers and set a priority for more inclusive ESG frameworks.



Intelligent Technologies

In the digital age, should we choose to, data discrepancies and errors in reporting can be a thing of the past. At present smart QHES systems, embedded with Industry 4.0 capabilities like IoT, AI, and ML can paint the ESG picture of a business in runtime without relying on human interventions for analysis. Today, such digital constructs can bring the ESG performance of companies closer to realities than ever before.



A Multi-layered Approach to Building a Sustainable Business

It was precisely the approach while we at STL embarked on a quest to find solutions to complex performance measurement and process improvement challenges for our core innovation areas. However, we persisted as being sustainable and consistently striving towards Net-zero emissions are central to our corporate mission. Having an inclusive and integrated ESG framework is a thread that connects both to the desired outcomes.

During the exercise, our sustainability experts realized the need for building a reliable ESG framework. However, they also highlighted the imperative that such a framework should meet the expectations of all stakeholders. To enable this, it had to be rooted in digital constructs for driving processes and continuously measuring the outcomes. Our conceptualization of such an ESG framework is therefore multi-layered with the following components:

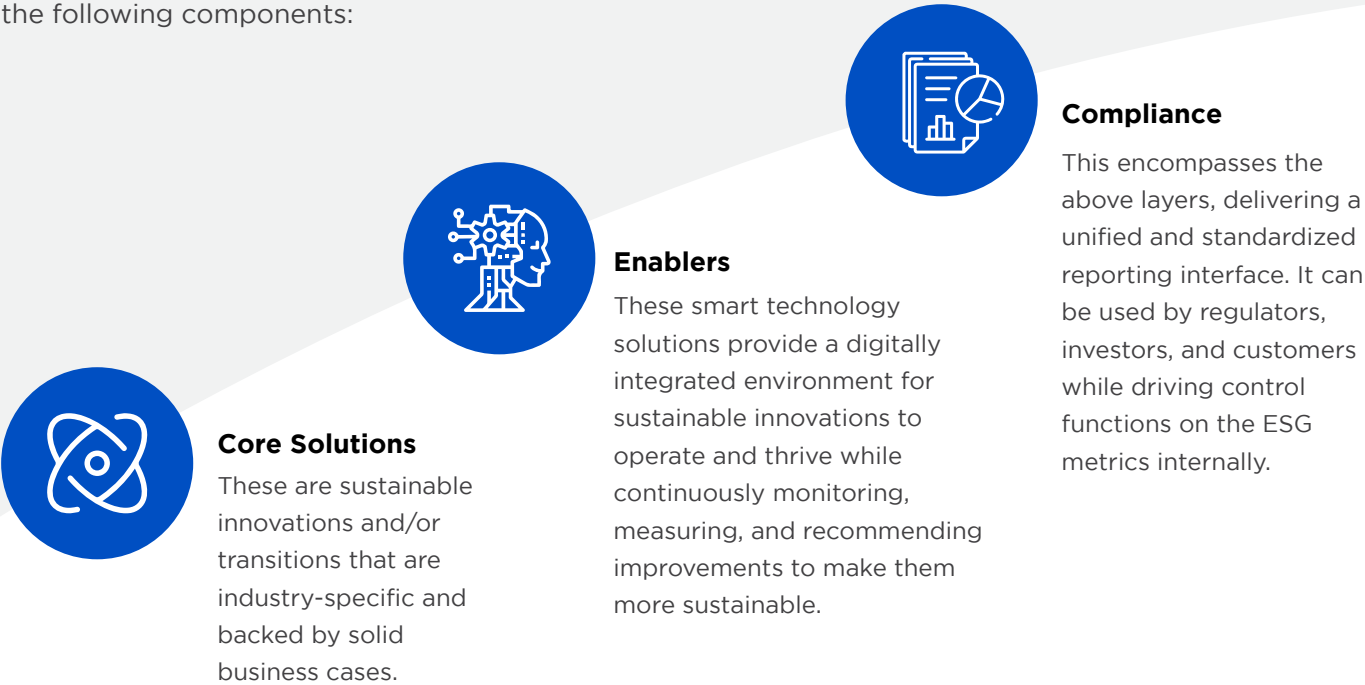
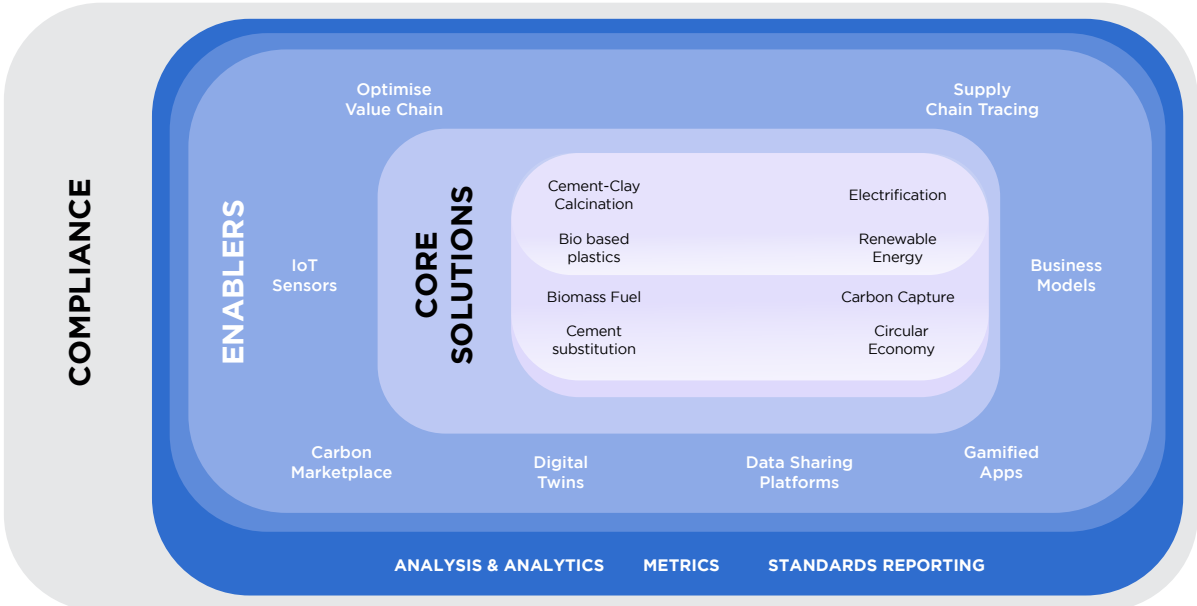


Fig. Exhibit 1



In Exhibit 1, it is apparent that sustainable innovations/transitions at the core of a business model are subjected to unique operational realities. However, enablers and compliance are the two levers businesses can readily pull, irrespective of their industries. Consequently, these two layers appear most promising from the standpoint of building a standardized ESG framework. Following are their subcomponents:

Enablers for Sustainability



Visibility Enablers

Reliable data is the currency driving business decisions that are sustainable, inclusive, and profitable. Data provides visibility to guide measurable and responsible business practices. Whether it's about inducting alternate energy systems, optimizing supply chains, or managing waste, data-driven insights can help make the right choices. For instance, 82% of data leaders enjoyed improved resilience amid the pandemic. Here, visibility enablers like Digital Twins, Gamification, and Intelligent Business Modelling, can help in pragmatic process building without over or under-engineering systems. The confident prediction of the outcomes can help optimize the business impact on the environment and society while saving resources internally.

Improvement Enablers

Impactful ESG adherence pivots around targeted and deliberated thrusts rather than passive and incremental modification. For instance, tracing energy leakages, emission spikes, water consumption patterns, or labor rights violations across the value chain using conventional means can be a complex task delivering translucent outcomes at best. Instead, data-sharing platforms and intelligent IoT sensor arrays embedded into the operational environment can collect and analyze data, pinpointing possible improvement areas in realtime. Interestingly, it is estimated that dynamic analytics and real-time system monitoring can reduce the energy footprint of water processing and delivery by up to 25%, along with other associated benefits.



Monetization Enablers

Being sustainable and ESG compliant can be financially rewarding for a business, provided it has the right enablers. 42% of consumers have switched to climate-conducive brands. Further, the carbon credit market globally is growing at an impressive CAGR of 31%, and is estimated to reach USD 2.4 trillion by 2027. To financially leverage these trends, a business needs to embed within its ESG framework the enablers that can track emissions across the lifecycle of its products and processes, and report progress against the defined KPIs.

Compliance for Sustainability



Reporting

ESG reporting is a multidimensional responsibility and must be treated as such. Such reports have diverse stakeholders, including investors, regulators, supply chain partners, consumers, and communities, in a broader context. The Compliance layer of the ESG framework must be able to contextualize sustainability communication for each target persona while adhering to globally accepted reporting standards. Here, connecting with stakeholders at an intersection of their sustainability concerns becomes a precondition of trust in a brand.

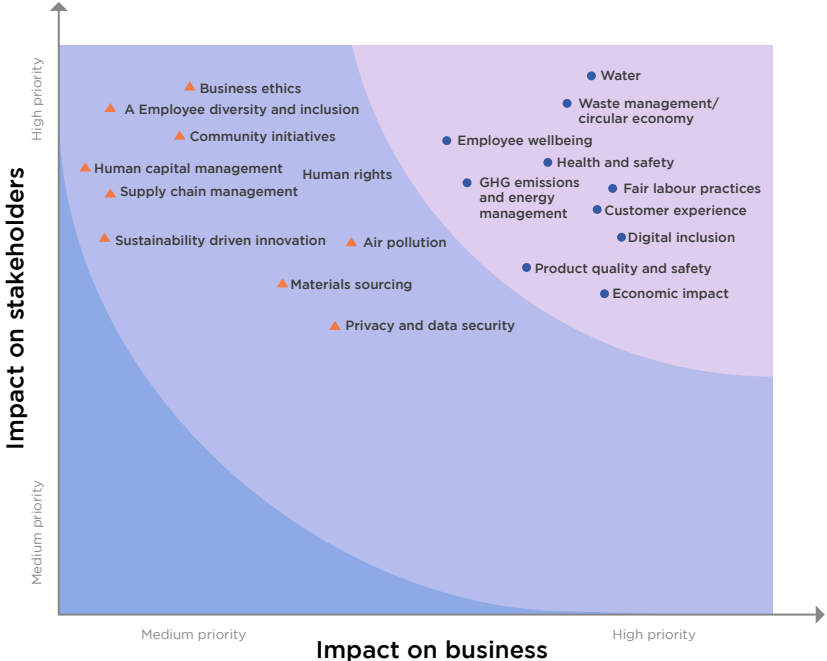
Analytics

Advanced analytics attaches objectivity and actionability to the sustainability intent of a company, making it an indispensable part of an ESG framework. It helps businesses assess the cost, performance, and impact of various ESG proposals while predicting future requirements and adapting to market conditions. For instance, a company can consider moving freight by rail or road while planning outbound logistics. Approximately, rail freight can move a ton of load nearly 500 miles while consuming a gallon of fuel, while a truck can transport the same load for only 134 miles on a gallon of fuel. By correlating the fuel efficiency input with other data points like road conditions, cargo commitment, turnaround time, and capital investments, the planners can arrive at the best transport option that is the most carbon efficient, profitable, and suited to the prevailing market demands.



STL's Approach to Sustainability

As a company with its founding principles deeply rooted in pluralistic thought and technology leadership alike, STL's approach to sustainability has been ambitious and exploratory. How can we break free from the conventional mold of ESG adherence as a tick-box exercise and make it an ideal central to our corporate existence and that of our industry partners? How can sustainability become the instrument for redesigning the narrative for a better world?



These questions inspired our planners when they came up with the proposed ESG framework for businesses in the New World. Fortunately, as an organization, we had a head start. STL is endowed with visionary leadership that has always prioritized sustainability as central to our value proposition. Consequently, we are home to some of the most spectacular sustainable innovations for the telecom manufacturing and networking sector. We are a leader in the use of digital enablers for sustainable outcomes, and all our reporting practices are already aligned with global standards like GRI, SASB, UNWEP, UNGC, UNEP, and others.

But most importantly, our intent to be sustainable does not exist in isolation. It flows directly from our stated ESG Goals for 2025 & 2030, shaped by the 17 UN SDGs. As an organization, we have pledged to transform 5 million lives by the end of this decade through a holistic strategy that has enough space to accommodate investor, institutional, and community interests. No wonder while we are aiming for complete sustainable sourcing, carbon neutrality, water positivity, and Zero Waste to Landfill certification for all our manufacturing locations worldwide, we also desire to help communities thrive through water conservation, livelihood creation, biodiversity preservation, and other socio-economic and environmental interventions.



Spearheading these efforts is our comprehensive ESG framework that has equipped us to innovate and deliver measurable outcomes across multiple thrust areas for sustainability. For instance:



Net-zero Emissions

ESG reporting is a multidimensional responsibility and must be treated as such. Such reports have diverse stakeholders, including investors, regulators, supply chain partners, consumers, and communities, in a broader context. The Compliance layer of the ESG framework must be able to contextualize sustainability communication for each target persona while adhering to globally accepted reporting standards. Here, connecting with stakeholders at an intersection of their sustainability concerns becomes a precondition of trust in a brand.

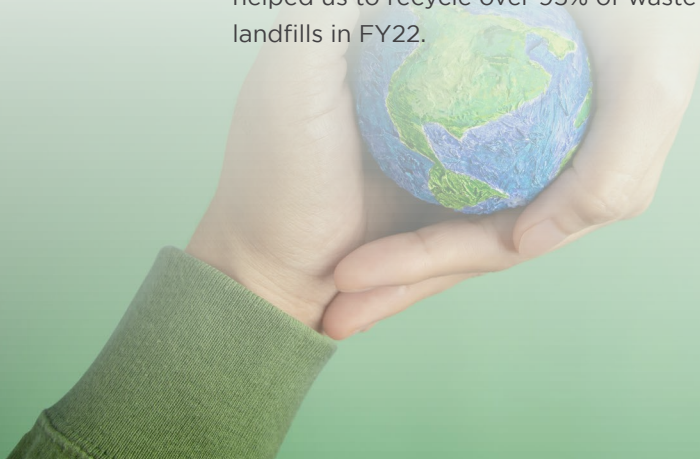
Water Positivity

STL's approach to water management is based on the philosophy of reduction, reuse, and recycling of precious water resources. Consequently, we are one of the few industry players to operate efficiently in drought-prone Aurangabad, Maharashtra. We have taken multiple steps to ensure efficient water usage. These include automated and sensor-based dosing systems; high recovery reverse osmosis plants, in-plant customizations, and multi-effective evaporator (MEE) plants, and using recycled water for all industrial uses. Owing to these efforts, all our manufacturing units in India secured zero-liquid discharge certification. In FY22, we were able to recycle 1,45,747 m³ of water.



Circular Economy

STL is conscious of the rising burden of waste on the planet and has been an ardent advocate of the Zero Waste to Landfills philosophy. However, being a responsible business, we are not blind to the compliance needs of waste processing and have an elaborate mechanism for managing hazardous and non-hazardous wastes as per the prescribed laws. Waste management at STL is classified into four broad approaches, viz. Reuse packaging, Waste to energy, recycling, and Repurposing of byproducts. To balance safety and optimum outcomes, we have adopted multiple innovations. For instance, sodium hypochlorite from our processes is sold to authorized vendors in the food, textile, and pharmaceutical industries as an input in their manufacturing processes. Further, optical fiber scrap and low-smoke halogens are co-processed with our partners in the cement industry. Such approaches have helped us to recycle over 95% of waste and divert 42,000+MT of waste from landfills in FY22.



Green Supply Chain



The disruptions of the recent past have illustrated the need of supply chain resilience for businesses across industries, and telecom manufacturing is no exception. STL actively pursues a policy of a balanced supplier mix with each one of them screened as per stringent industry standards like Restriction of Hazardous Substances (RoHS) and Registration, Evaluation, Authorisation, and Restriction of Chemicals (REACH) and their adherence to environmental compliances and fair-labor practices and anti-corruption regulations. While our supply chain has become strong and indigenous with over 55% participation of the local vendors in FY22, a direct outcome of our capacity-building initiatives, it has also become greener with the incorporation of innovations like collapsible HDPE boxes and recycle spools as an alternative to wood and plastic packaging.

Social Outreach

Alongside building resilient business operations, STL aspires to build progressive, healthy, and digitally connected communities. Consequently, as an integral part of the ESG framework, our social intervention strategy is geared to deliver women empowerment, environmental conservation, healthcare, and education, with an investment of over INR 11 cr in FY22. In this mission, we have invoked the partnership of both public and private sector organizations like the Government of India, the Government of Maharashtra, the American Indian Foundation, Lighthouse Communities, USAID, SEVAMOB, The World Bank Group, and several more for driving our initiatives like the Hybrid healthcare interventions, Jeewan Jyoti Women Empowerment Programme, Digital Equalizer & Improved Learning (DEIL) Programm and Mission Green. Together, we have brought a healing touch to over 1.4+ million lives, providing better livelihoods, quality education, accessible healthcare and nutrition, and a cleaner environment.



Governance



STL is an equal-opportunity employer with a strong emphasis on the highest standards of ethical governance. Our efforts have delivered steady results in fostering a diverse, equal, and inclusive work culture that values talent and hard work. We are an ISO 45001 certified employer for safety management, with 100% of our employees covered under social security instruments. Our HR policies are geared by the tenets of mutual respect, employee engagement, due emphasis on mental health, fairness, and zero tolerance for labor rights violations and associated malpractices.

The demand for credible action and more transparent reporting on ESG is on the rise. However, the implications for businesses to be sustainable transcend much beyond mere compliance demands. Edelman reports that for the last several years, companies have come up top as the most trusted institutions for the public good. The trend seems to continue unabated into the foreseeable future.

Looking beyond the bottom line and responding to this call to action at this juncture becomes almost a strategic and tactical liability for businesses. In response, several top institutions worldwide have their ESG objectives impressively sorted. For those who don't, an ESG framework can be a handy tool in fine-tuning corporate posturing for greater resilience, growth, and social palatability.

AUTHORS



Akanksha Sharma

Head CSR and Sustainability

STL is committed to the community, and Akanksha spearheads the company's vision for CSR and Sustainability. She drives a portfolio of community projects aligned to the UN Sustainable Development Goals. Akanksha brings in experience from organisations such as UNICEF, Jubilant Food Works and Vedanta. Post her MBA, she has done an advanced program from Harvard Business School.

Srinivasan Varadanarayanan

Global Head of Consulting and Advisory Services

Srini's experience spans across three decades conceptualizing the platform architectures that includes Market Positioning, Product journey, User Experience layers and Business cases. Srini is passionate about Sustainability, Disruptive Innovation and keeps customers & teams at the heart of every strategy formulation.





ABOUT US

STL Digital - Engineering for Experience

STL Digital is a global IT Services company that enables enterprises and industries to experience the future of digital transformation. With an end-to-end portfolio of services across product engineering, software, cloud, data and analytics, enterprise application services, and cyber-security, STL Digital works with global businesses to deliver innovative experiences and operational excellence with agility. STL Digital is a whole owned subsidiary company of Sterlite Technologies Limited (STL), one of the industry's leading integrators of digital networks, providing All-in 5G solutions (<https://www.stl.tech/>)

To know more about STL Digital, contact us or click on <https://stdigital.tech/>