Baseline Assessment - A Tool for ESG Excellence

TECH mahindra

Abstract

Climate change has far-reaching and intricate consequences. Investors, customers, regulators, employees, local communities, and many other stakeholders which have a direct or indirect relationship with an organization want to know what steps the organization is taking to address today's ESG challenges and how it intends to prepare for the future. A key component in this journey is baseline ESG assessment which helps to understand the as-is state, uncovers hotspots for missed opportunities and potential risks in line with the evolving landscape.

Tech Mahindra's holistic approach towards baseline assessment takes a comprehensive look at all pillars of ESG and provides organizations with a robust understanding of their onward journey.

Key Takeaways

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Introduction

Establishing a comprehensive baseline is essential for the foundational elements of a comprehensive sustainability reporting. It represents the critical first step by measuring the as-is stage of an organization and aids in essential sustainability planning and strategy.

A baseline assessment is an analysis of the present ESG performance to aid in identifying and establishing strategies and measuring the progress. This should be the starting point for every company in the ESG journey, in which the company determines its current position before considering the next level strategies and execution plans. The baseline assessment draws on readily available, broad ESG performance data to establish the current as-is state of the company. The baseline report is essentially a gap analysis report that provides the information related to each pillar evaluated along with a list of initial recommendations of potential improvement opportunities.

Baselining aims to identify the issues relevant to the sector, geographical location. and the company's unique operations that it will need to address to get started with sustainability. One of the starting points in implementing a sustainability strategy within an organization is the adoption of a sustainability mission or a policy statement in line with the company's broader context. Baselining helps an organization to identify the mission and policy framework which lends meaning to an organization's ESG practices and summarize the ESG goals and values.

Irrespective of the sustainability maturity of the organization, a sustainability baseline assessment helps to establish the starting point for any pivotal journey that the company needs to undertake. The need for a baseline assessment can be triggered by several factors, including a change in the regulatory environment of the organization.
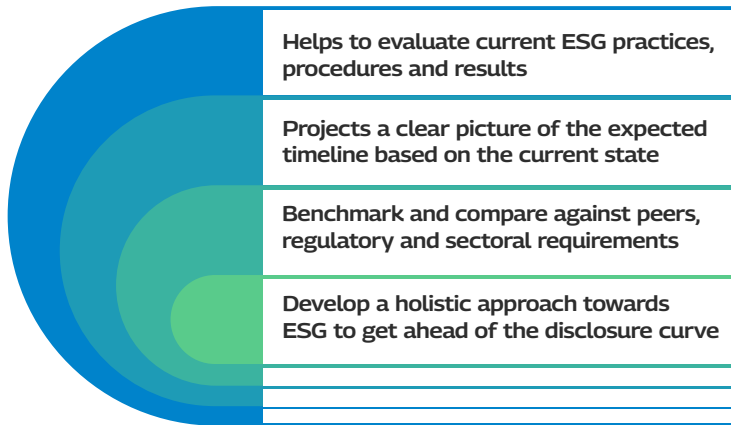
What is Baselining?

ESG baseline assessment, as the name suggests, is a systematic analysis conducted to analyze the sustainability practices and ESG data of the company, the output of which is to identify the starting point for sustainability practice or project and setting a benchmark for measuring future progress.

The objective of an ESG baseline, similar to any other baseline is to evaluate the consequences of a change, track the progress of an improvement project or compare the difference between two time periods. The baseline helps to evaluate the performance of the company throughout the span of its sustainability transformation journey. The baseline report establishes the foundation layer for the organization's as-is state.

A baseline assessment can be conducted by any organization, irrespective of its size, market, or sustainability maturity. This can then serve as the starting point in the organization's next phase of sustainability transformation.

Benefits of Baselining

Implementation of baselining is a crucial step toward effective sustainable planning for any business. It is the most efficient way of establishing a meaningful foundation for the sustainability efforts of the organization.

Helps to evaluate current ESG practices, procedures and results
Projects a clear picture of the expected timeline based on the current state
Benchmark and compare against peers, regulatory and sectoral requirements
Develop a holistic approach towards ESG to get ahead of the disclosure curve

Tech Mahindra's deep sectoral expertise coupled with our in-depth understanding of the evolving sustainability landscape helps us support our clients in their sustainability journey.

Figure 1: Benefits of Baselining

Baselining helps to raise awareness which demonstrates the tangible benefits of sustainability strategies and changes in behaviors of stakeholders. Baselining assessment is first step in the development of a long- term sustainability strategy that will support the economic vitality, ensure the efficient use of limited resources by focusing on the most pressing issues pertaining to the organization's context. It will also enable the organization to effectively understand and measure the overall sustainability performance over time, along with the impact of individual ESG initiatives.

Performing a baseline assessment early in the journey of the sustainability transformation helps ensure that all stakeholders and various functions within the organization are made aware of the importance of sustainable practices and sustainability agenda gets reinforced at the organization level. It helps to get the right leadership buy-in early in the process which helps drive long term transformation.

The Baselining Process

The baselining process starts with the development of an assessment framework which will form the base framework against which the organization's context and maturity will be evaluated. This step typically draws upon the **materiality assessment** of an organization. The **materiality matrix** combined with the industry, sector, company's operational structure and geographical context form the basis for developing the assessment framework for a baseline assessment and is unique to any organization.

Figure 2: Step by step process

The next step in the baseline assessment is to perform a peer and industry bechnmarking exercise. Peer and industry benchmarking benchmarks the company's efforts with respect to industry peers and sectoral requirements. It uncovers missed opportunities and hotspots for the organization to improve their ESG performance.

Based on the readily available documents and data for the material topics, a gap analysis report is drawn which forms the basis for the as-is state of the organization. This gap analysis report is a snapshot view of the gaps in the organization's current sustainability practices, policies and data maturity in comparison to the regulatory requirements, peers and industry requirements.

The findings in the gap analysis report feed into a readiness score helps the organization understand their current maturity level with respect to the peers, sectoral and regulatory landscape, which forms the basis for the final recommendations report.

Tech Mahindra's Approach

Tech Mahindra follows a holistic approach towards sustainability and adopts the same in our baselining process. Our approach helps companies meet stakeholder's expectations for sustainability reporting and enhances their ability to meet the evolving demands.
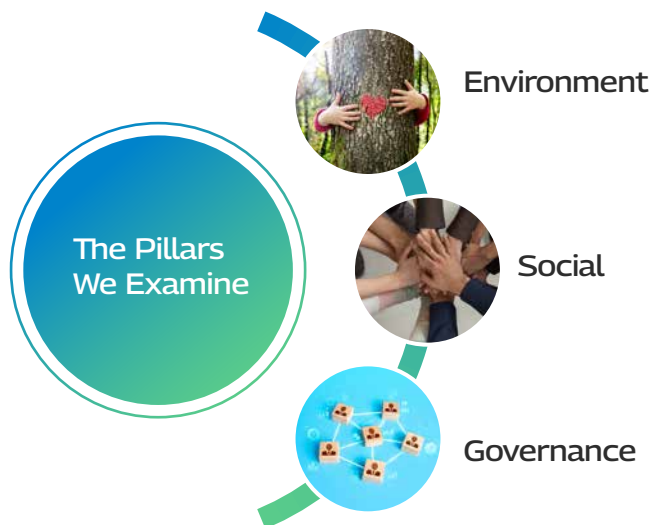
Sustainability is not limited to the environmental sphere.

Tech Mahindra's holistic approach towards ESG examines the environment, social and governance pillars to provide a robust understanding of the organization's Sustainability maturity.

Figure 3: Pillars of examination

We closely examine all pillars of the ESG spectrum to provide a complete overview of the organization's maturity across these pillars. This helps demonstrate tangible benefits of sustainability strategies and practices by involving leadership at crucial stages of the process. This approach provides the foundation for the strategic roadmap aligned with the sustainability mission for the organization by focusing on the topics that are most relevant for the organization's unique context.

Organizations undertaking a baseline assessment may struggle to obtain reliable data due to the process of extracting data from various sources and involvement of various stakeholders. Given the complex and continously evolving landscape, it might be difficult to comprehend what your organization should be measuring and to ensure that the metrics gathered are relevant. Our approach aims to tackle these challenges by pairing an ESG baseline assessment with an ESG foundations session for our clients which sets the stage for the initial stakeholder buy-in.

Tech Mahindra's approach also looks to combine a baseline assessment with a materiality assessment that supports the decision making and KPI identification relevant for the organization. In case an organization has conducted a materiality assessment in the past, the same is used for driving the baseline assessment as well. This combination can help companies understand their metrics and ensure their chosen metrics are meaningful, accelerating their journey towards ESG measurement and improvement.

Snapshot View of Current Best Practices in ESG

As organizations across the world continue to evolve their understanding of ESG, Tech Mahindra can support the organizations with evaluating their carbon footprint . This starts with an understanding of the value chain of the organization and the sector they operate in, moving on to the company's unique operations.

Eco-design is a management approach that considers environmental impacts in product development and aims at improving the environmental performance of products throughout their lifecycle. As organizations aim to move towards a greener strategy, eco-design is a useful approach for them to embed sustainability into their product and business strategy.

As the world continues to evolve to large data processing models, the need for IT infrastructure continues to increase. So far, the primary driver for developing Green IT was due to improving computing efficiency and cost reduction. But with the ever-growing needs of the IT infrastructure in almost every field, there is a huge demand of growing computing needs, which also has led to ever growing energy consumption and global warming. Tech Mahindra's approach to green IT solutions extends beyond energy management, looking at multiple layers of efficiency achievement at hardware, computing as well as SDLC level.

Conclusion

In essence, performing a baseline assessment is crucial for any organization looking to pivot on their sustainability journey from one stage to another, irrespective of their current level of maturity. The outcomes of this assessment help build a strong foundation layer for the organization to move to the next level of maturity. The process also helps ensure that the company stays abreast of the latest evolving regulations, industry trends with a fair comparison to peers. As the baseline assessment bridges the gap between planning and action, it needs to be iterative and responsive process which drives continuos improvement, shapes organzation behaviors, and maximizes ESG efforts.

Tech Mahindra's holistic approach towards baselining helps organizations present a well-rounded business case to all stakeholders for their necessary buy-in and real impact.

Authors

Tanu Sood

Head, ESG Platforms and Delivery

Shrutika Salunkhe

Associate Analyst, Enterprise- Governance, Risk and Compliance

Rupesh Sunil Trymbake

Business Analyst, Enterprise- Governance, Risk and Compliance

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