

'Net-zero milestones must be linked to executive pay'

Deloitte reports insights on climate leadership, role of boards and executive compensation

Greesh Chandra Prasad

greesh.p@livemint.com

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Companies should link executive compensation to specific milestones for achieving their net-zero goals, and establish board committees to supervise climate initiatives, Deloitte said in a report based on a survey of chairpersons of 28 Indian companies.

The report, titled *Chair of the future - The role of the Chair in climate transition*, shared exclusively with *Mint*, explored the insights of company leadership on climate change, its integration with business strategies, and the potential role of the boards of directors.

The participating companies comprised some of the largest public and private Indian corporations, as well as multinationals from sectors including banking, financial services, and insurance, oil and gas, fast-moving consumer goods, and industrial products.

The report, citing the recommendations of the chairpersons surveyed, said that incentivizing environmental, social, and governance (ESG) objectives within corporate boardrooms is pivotal to effectively addressing climate change.

It also underscored the importance of commitment by the leadership, particularly from the CEO and the executive team. "CEO compensation should have one component related to ESG performance," it said. Considering that companies are now defining their net-zero strategies, a key aspect of the corporate journey to achieve these goals involves meeting various milestones along the way, said Viral Thakker, partner, and sustainability and climate leader, Deloitte South Asia.

He also underscored the importance of a calibrated approach rather than



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relying on ad hoc measures. "One has to work towards it, and implement projects to get there. In order to make sure these projects are prioritized, it requires active involvement of the management."

"Based on whatever is the net-zero pathway that might be committed, it's important for the management to follow

porate actions are guided by the leadership's vision, linking executive remuneration with ESG goals is a step in the right direction, as it would aid in ensuring that sustainability strategies translate into action on the ground, and is visible to stakeholders in the way business is done," said Neha Malhotra, partner,

organisational goals towards sustainability, the report added.

According to the report, businesses and consultants are increasingly focusing on green development as climate action has, in some instances—such as the European Union's implementation of a carbon border tax—resulted in trade barriers. This transformation underscores the importance accorded to green development in the global agenda, as evidenced by G20 leaders' resolution to strike a balance between pursuing environmentally sustainable action and inclusive economic growth during a meeting in Delhi last year.

The Deloitte survey also highlighted the participating chairpersons' suggestions to establish dedicated committees within boards for overseeing climate action, mirroring the role of audit committees in companies, which oversee accounting policies and statutory audits.

GREEN INITIATIVE

BUSINESSES and consultants are increasingly focusing on green development

THIS transformation underscores the importance given to green development in the global agenda

EXPERTS see merit when pay is linked with environmental, social and governance goals

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that through. And hence, the achievement of those milestones can be a part of the evaluation process. We believe it is possible to align profitability with purpose," he added.

Experts found merit in linking executive pay with ESG goals. "Given that cor-

sustainability and ESG solutions, Nangia Andersen India.

As climate change risks escalate, the 'Chair of the future' must direct the leadership's focus towards adaptation and mitigation strategies, and incentivise alignments between individual and