Leadership on ESG reporting has helped boost Mahindra's brand and attract global impact investors

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Introduction

The Mahindra Group, founded in 1945, is an India-based multinational federation of companies that employs more than 260,000 people in over 100 countries. Its businesses encompass automobiles, farm equipment, information technology, financial services, logistics, hospitality, real estate, renewable energy and agriculture.

Mahindra has updated its group sustainability strategy to embrace a more ambitious set of environmental targets that focus on both its own operations and supply chain. The group aims to integrate sustainability more closely with business strategy to deliver on its aspiration to become a "planet-positive" business. To further this goal, Mahindra is taking action in three key areas (see Figure):

1. **Greening ourselves**: through becoming net zero on Scope 1 and 2 emissions, net zero on water and waste, and embedding the principles of material circularity in its products

2. **Decarbonizing our industries**: to address Scope 3 emissions by transitioning to a greener portfolio, supporting its supply chain to become net zero and building circular business models

3. **Rejuvenating nature**: through promoting regenerative agriculture, afforestation and biodiversity conservation

FIGURE 1 **Mahindra Group Sustainability Mandate**

Among the five critical enablers for Mahindra's sustainability mandate, leading on reporting and disclosures is one of the most important and core to the group's ambition to become a global environmental, social and governance (ESG) leader. The company has also made the following tangible environmental commitments:

1. Become net zero by 2040 on Scope 1 and 2 emissions
2. Use 100% renewable electricity by 2030
3. Double energy productivity by 2030
4. Maintain water positivity at group level
5. Ensure zero waste to landfill by 2030
6. Plant 5 million trees per year by 2026

The group's auto and farm business, Mahindra & Mahindra Limited (M&M), discloses its performance to the Dow Jones Sustainability Index (DJSI). It is the only Indian company in the automobile and components sector to gain a place on the DJSI's World Index, which targets the top 10% of ESG performers worldwide. It is actively involved in the Sustainable Markets Initiative, launched by King Charles III, when he was Prince of Wales, at the World Economic Forum Annual Meeting 2020 in Davos-Klosters, Switzerland. The company also sits on the committee formed by the Securities and Exchange Board of India (SEBI) to set mandatory ESG regulations for the country's top 1,000 companies.

M&M signed the Stakeholder Capitalism Metrics declaration in November 2020 and reported against all 21 of the core metrics in its annual sustainability report. It also reported on 13 of the expanded metrics in 2022 and 28 of the expanded metrics in 2023. It is the only automobile manufacturing company worldwide and one of two companies in India to be an early reporter of the Forum's core and expanded Stakeholder Metrics.

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Key takeaways

- The motivation for embracing the Stakeholder Metrics came from the top – driven by Group Chairman Anand Mahindra, who has instilled ESG values at the core of the company's purpose, a process strengthened by Anish Shah, Managing Director and Chief Executive Officer, Mahindra Group.

- ESG reporting cannot be done by middle management or a single corporate function – it is an exercise of strategic importance that needs leadership at the highest level. Reporting on the Forum's expanded metrics engaged multiple leaders from Mahindra Group's executive board.

- The company can report its own information on land use, freshwater, air pollution, water pollution and solid waste disposal, but gathering this data for the supply chain is much more challenging.

- Mahindra has a large number of small and medium-sized enterprise (SME) suppliers and is working with them closely on ESG initiatives. The company believes in engaging with suppliers over the long term to help them adopt sustainable processes, rather than just laying out expectations.

- The process of reporting the Stakeholder Metrics has increased Mahindra's willingness to be transparent on ESG issues in the public domain. This in turn has attracted impact investors who are more aligned with the company's core purpose.

- Mahindra Group has recently raised ~$400 million of investment from impact investors into solar energy and electric vehicles, due in part to the group's visibility and reputation as a leader in ESG.

- The key takeaway is that there may not be an immediate P&L gain that is attributable to reporting on and investing in ESG, but there is always a longer-term business case to be made. Every company needs to change its mindset on this.

- Advice to fellow practitioners: it is okay to start small, but it is important to take the first step.

- Advice to standard-setters and regulators: there is an urgent need to get behind a simple, common, globally recognized sustainability reporting framework.

Rationale for reporting: sustainability is core to the company's purpose

The motivation for embracing the Stakeholder Metrics came from the very top – driven by Anand Mahindra, chairman of the group, who has instilled ESG values at the core of the company's purpose. This process was further strengthened by Anish Shah, Managing Director and Chief Executive Officer, Mahindra Group, who also encouraged engaging with the Forum's metrics. The company has released an annual sustainability report since 2008, which includes disclosures as per the guidelines and standards of the Global Reporting Initiative (GRI) and the Task Force on Climate-Related Financial Disclosures (TCFD, since 2021-2022). So, the company already had the data on hand for the Forum's 21 core metrics.

What encouraged Mahindra to adopt the Stakeholder Metrics was the prospect of extending its reporting into new areas represented by the 34 expanded metrics.

"We had information for around two-thirds of those metrics and analysed the processes we needed to put in place to capture information on the remainder," says Anand Marathe, who leads on sustainability disclosures and business impact for the Mahindra Group.

Solutions: hand-holding suppliers and rewarding them for ESG performance is key to improving supply chain impacts

Some of the most challenging of the expanded metrics that Mahindra has tackled include those relating to the impact of the supply chain, nature loss and related environmental criteria. These have required a deeper level of thinking and a multi-year planning process to set up the right reporting systems. Previously, sustainability metrics had been the domain of the chief sustainability officer. However, the demands of the Forum's expanded metrics led to conversations that have engaged multiple top-level C-suite heads on the group's executive board.

"The Stakeholder Capitalism Metrics triggered this entire conversation – this is what was new," says Ankit Todi, Lead, Sustainability Strategy and Partnerships at the Mahindra Group.

The push to expand sustainability reporting coincides with the company's "planet-positive" strategy that seeks to transform operational and supply chain impacts in relation to emissions, water, biodiversity and circularity. The company's auto business is moving into electric vehicles (EVs), the construction business is focusing on greening its buildings, and the hospitality business is converting its properties into green resorts – a holistic green transformation in the making.

Capturing the environmental impacts of supply chain companies

The Stakeholder Metrics include several disclosures for the company and its value chain within the Planet pillar. These include: metrics on Scope 3 greenhouse gas emissions; a new metric for supply chain operations on land use and ecological sensitivity; and metrics on freshwater consumption and withdrawal, air pollution, water pollution and solid waste disposal along the whole value chain.

"For our own operations, we track all relevant data and metrics," says Kiran Sarkar, who leads sustainability for the auto and farm business, "but we have over one thousand suppliers, so it's hard to capture information across the value chain. We are working closely with our procurement colleagues to make progress here."

R. Veeraraghavan, head of strategic sourcing for M&M, outlines the company's approach to the supply chain reporting challenge. M&M has drafted a set of supplier sustainability policies which it expects every supplier to adhere to. "These follow the essence of the Stakeholder Capitalism Metrics," he says. The company is in the process of evaluating its suppliers on their performance against multiple ESG criteria. "These scores will act as an input on the sourcing of new business they will get in the future, thus rewarding them for good ESG behaviour," he explains. Following up on this internal evaluation, the company has conducted a third-party ESG audit, which includes a physical audit on a sample set of about 200 suppliers.

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Mahindra has a large number of SME suppliers. “We have realized the need to work more closely with our suppliers and hand-hold them on ESG initiatives, rather than just laying out our expectations. This requires a long-term view and a sustained approach,” says Veeraraghavan. This year, the company completed a programme with the UN Global Compact to help some SME suppliers understand the importance of getting behind ESG. Over the four-month programme, Mahindra contacted more than 100 suppliers to initiate their sustainability journey by explaining the business case, the importance of the Sustainable Development Goals (SDGs) and how the Mahindra Group is approaching the challenge. It is the first programme of its kind in India and one of just seven UN Global Compact pilots around the world.

“While none of this work is done solely for the Stakeholder Capitalism Metrics, the Forum’s initiative is an element that has triggered a bigger conversation across the company,” says Ankit Todi. “We started looking at not just the operational level but also the leadership level into how we can improve our sustainability reporting across all dimensions.”

Impact and added value of the Stakeholder Metrics

Ankit Todi points to two areas where the Forum’s Stakeholder Metrics have added value to the Mahindra Group. The process of engaging with the metrics has triggered a commitment from the highest levels of the business to expand its sustainability reporting and to embrace a greater degree of transparency in its reporting.

“The Stakeholder Capitalism Metrics have triggered the leadership to act on expanding our sustainability disclosures – they have been a big enabler,” says Todi. But, the company has seen the biggest impacts around the consequences of being more transparent.

Transparency in reporting attracts the right investors

The Forum’s initiative has led to Mahindra Group becoming more flexible and comfortable with reporting its sustainability performance openly. “The process of reporting the Stakeholder Capitalism Metrics has increased the company’s willingness to be more transparent in the public domain,” says Abanti Sankaranarayanan, Chief Group Public Affairs Officer and Group Executive Board Member, Mahindra Group.

Significantly, this greater degree of transparency has helped attract new investors. In the past 18 months, the group has raised $400 million across three of its businesses. Each of the investors is an impact investor. In their renewable energy business, the Ontario Teachers’ Pension Plan invested $90 million into a new portfolio of solar energy installations with a capacity of over 100MW. In their commercial vehicles business, the World Bank Group’s International Finance Corporation has invested $70 million into their electric three-wheeler business. And in their automobile business, British International Investment, the development finance institution of the UK government, has invested in the company’s four-wheeler EV business.

“We have been able to engage and attract the world’s most credible investors,” says Sankaranarayanan, who adds: “In many ways that can be attributed to our leadership on ESG – and reporting on the Stakeholder Capitalism Metrics demonstrates that leadership.”

Learning and advice

Learning: the business case for sustainability is long term

For Ankit Todi, the key takeaway from the company’s experience in executing and reporting on its sustainability strategy is that “unlike with financial investments, there is not always an immediate P&L gain you can pinpoint when doing an exercise like the Stakeholder Capitalism Metrics or investing in ESG. But there is always a longer-term business case to be made. This is a mindset shift that all companies have to make.” Todi points to how the group’s proactive stance on ESG has boosted trust in the brand and benefitted both its employees and its external stakeholders – “both will be happier if you’re a consumer-facing business.”

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The other key takeaway is that the group's growing leadership on sustainability has, as we've seen above, attracted the right kinds of investors. "Investing in ESG will help you partner with the right set of organizations, both on the investor side and on the business side," says Todi. Impact investors bring more long-term capital and they are more closely aligned with Mahindra Group's larger corporate vision, which states: "Only when we enable others to rise will we rise." Attracting this kind of international capital into businesses in the Global South is a top priority, he adds.

Advice to fellow practitioners – take the first step, even if it is a small one

Many areas of sustainability reporting are still evolving. "It's OK to start small," says Todi, "but it's important to take the first step." And it is essential to involve the senior leadership. Mahindra Group's CEO and board are all aware and involved in the process. "This cannot be done by middle management or a single corporate function – you can't leave it to the sustainability team or investor relations," he says, adding: "This is an exercise of strategic importance – it needs leadership at the highest level." Ideally, the whole corporate ecosystem, including suppliers, should understand why this kind of reporting is so important.

Advice to standard-setters – create a simple, common global framework

Ankit Todi recognizes the need for mandatory reporting, but calls on standard-setters and authorities to streamline the metrics and eliminate those that bring little benefit to anyone. "It's more about simplification," he says. Generally, there are too many sustainability guidelines. As a result, "so much effort goes into compliance rather than into real action". The main contribution of the Stakeholder Metrics in his view is that they focus on fewer metrics that are more impactful. He concludes: "A simple, common, globally recognized sustainability reporting framework is the need of the hour."

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