

ESG: Identifying key strategic opportunities for Enterprises

An Infosys perspective on how to get the most out of your ESG initiatives

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Executive Summary

GlobalData identifies ESG (Environmental, Social, and Governance) as a key strategic focus in 2022 and beyond for companies of all sizes operating in all sectors across all geographies. In a post-pandemic world, ESG will continue to drive strategic and operational decisions for all corporate boards as their stakeholders demand better. Social inequality, corruption, tax avoidance, and climate change are all issues that companies must now address head-on, in full public view.

ESG strategies are increasingly being set by the C-Suite and are impacting across the entirety of companies' supply and value chains. The relative speed of adoption varies by region and country, with EU nations tending to lead the way, but the global direction of travel is clear.

While regulation plays a role in driving forward the ESG agenda, the loudest voices are customers (both enterprise and consumer) and the investment community, who demand that companies set carbon neutral strategies, act on inequality, and pay their employees fairly. Companies that get it right are using ESG initiatives as a competitive differentiator, but it is increasingly becoming table stakes for doing business.

The reluctance of some CEOs to fully engage with ESG can be attributed to the misplaced established perception that it will hurt profits. However, GlobalData's ESG Strategy Survey 2021 suggests the opposite: 70% of the 1,500 ESG executives that we surveyed believed that setting ESG targets positively impacted revenue. The same survey found that 80% of companies plan to increase their investments to meet ESG goals.

Successful delivery is key to reaching such goals. Commitment to ESG values must come from the top in order to permeate company culture. ESG is no longer a 'tick-box' Corporate Social Responsibility activity, rather ESG values are becoming engrained in enterprises, while proof of delivery by independent third-party experts is essential. GlobalData believes that ESG reporting is quickly becoming as important as existing financial reporting obligations and integrated reporting is gaining traction, becoming mandatory in certain jurisdictions. For instance, in March 2022, the SEC proposed rule changes that would require registrants to include certain climate-related disclosures in their registration statements and periodic reports and the G7, in June 2021, backed moves to force banks and companies to disclose their exposure to climate-related risks.

Execution of ESG strategies and projects should be approached in a collaborative manner, drawing from the expertise and resources from companies across all sectors. Companies are under considerable pressure to act quickly on ESG issues, the latest climate science from the Intergovernmental Panel on Climate Change (IPCC) suggests that there is "a brief and rapidly closing window of opportunity" in which to act to keep global temperature increase below 1.5°C. Partnering with companies with a demonstrated commitment and track record to ESG should be a strategic priority for all companies.

ESG is the key issue of our time

This decade, ESG will be the most important theme discussed in corporate boardrooms worldwide. While previous decades have witnessed environmental movements, the current wave of ESG consciousness is unprecedented. Each new climate-related emergency, human rights violation, or corruption scandal reinforces the public opinion that companies must take meaningful steps to address environmental, social, and governance issues.

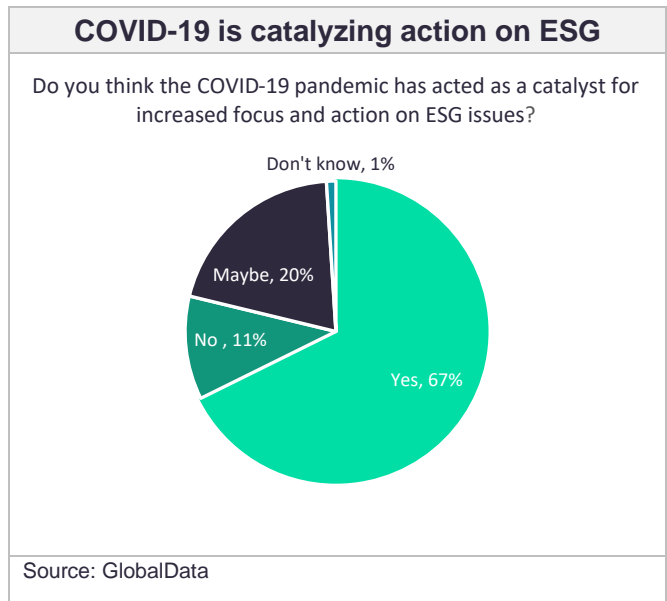
The COP26 meeting in November 2021 and the fast-approaching COP27 (Egypt, November 2022) highlight that the United Nations and its members recognize that ESG is now front and center on the global agenda, both at the state level and within the corporate world. This move has been accelerated by the COVID-19 pandemic, with employees often having to change their work patterns (for example with remote working), or ‘essential workers’ having to conform to strict protection measures to minimize exposure.

Nobody could have predicted the scale of disruption caused by the COVID-19 pandemic, but it has shed light on the importance of ESG.

In fact, 67% of ESG executives believed that the pandemic has acted as a catalyst for an increased focus and action on ESG issues, according to GlobalData’s 2021 ESG Strategy Survey.

ESG goes beyond environmental sustainability and tackling climate change. A growing base of enterprises and government bodies are committed to their social and governance goals in lock-step with environmental concerns. Companies are now looking to report not just on carbon emissions, energy use, and the circular economy, they are also paying more attention to their relationships with other businesses, consumers, their employees, and the communities in which they operate. Although resisted by some conservative opinions, the direction of travel is clear: and it is driven by a broad alliance of customers, investors, and a growing proportion of the global talent pool. Generation Z and Generation COVID are likely not to choose to work with an enterprise that is not committed to delivering on ESG values.

All companies are on a journey when it comes to ESG and face similar challenges along the way. Moving beyond the low hanging fruit to become fully sustainable is a considerable challenge all companies will have to face. Leading-edge technologies such as artificial intelligence (AI), Internet of Things (IoT), cloud computing, blockchain, and 5G have the potential to help address ESG challenges, improve resource efficiency, and reduce carbon emissions. However, technology also has the capacity to undermine ESG goals – for instance, Bitcoin mining uses more electricity per year than the Netherlands, and 57.4 million tons of electronic waste (E-waste) is produced per year worldwide.

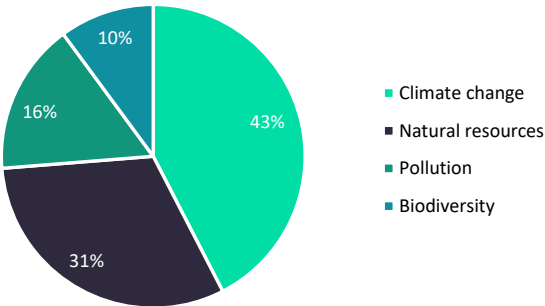
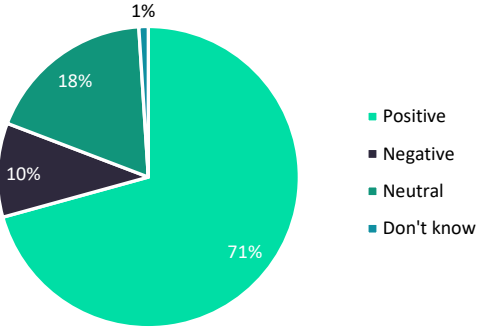


Climate change is the most urgent ESG issue

Climate change is an existential issue. It is already disrupting many natural systems, accelerating wildfires, sea-level rise, coastal flooding, the frequency of extreme storms, and human displacement. The World Bank estimates that 140 million people will be affected by extreme droughts, floods, and storms by 2050. By the same date, rising sea-levels could affect much of the US East Coast, while islands such as The Bahamas and low-lying cities such as Jakarta and Mumbai could be catastrophically submerged.

To avoid such consequences, scientists overwhelmingly agree that there is just one meaningful course of action: halting the increase in greenhouse gasses (GHGs), primarily from the burning of fossil fuels, but also from the release of gases such as methane.

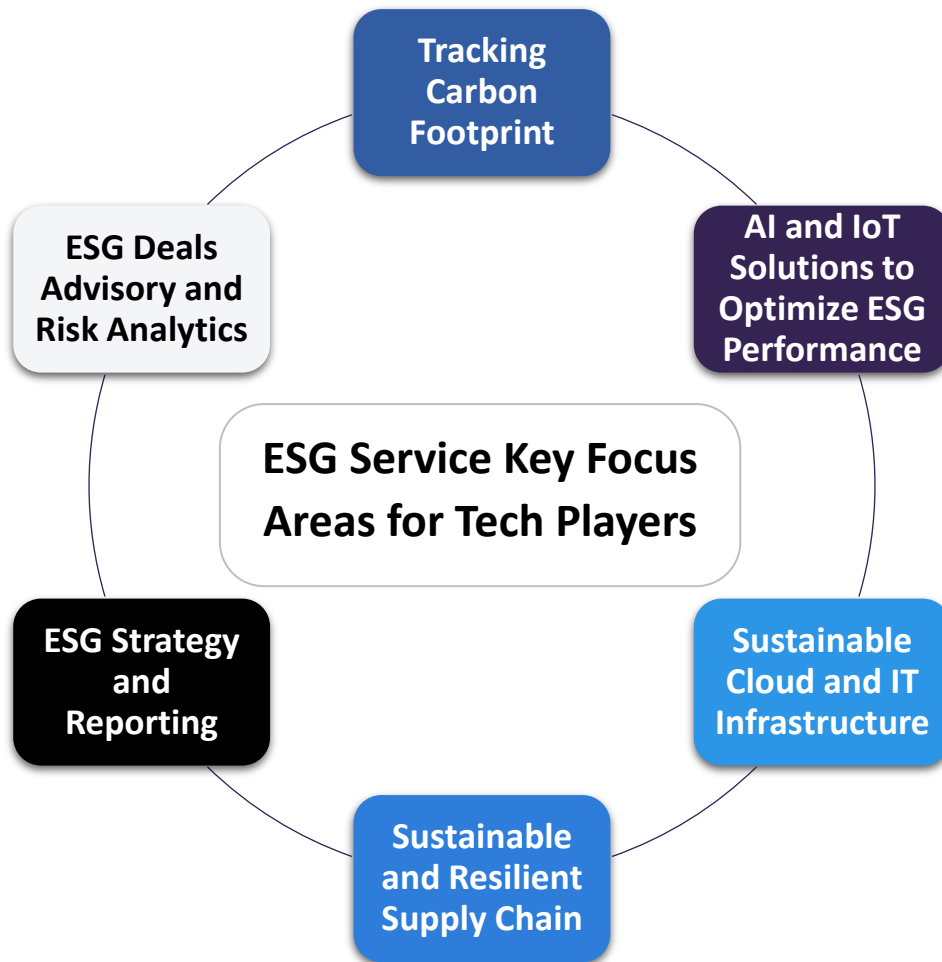
Companies are attuning to the importance of climate change. GlobalData research has found that 42% of companies ranked climate change as the most important environmental factor.

Climate change is viewed as the most important environmental factor	Setting environmental targets is deemed to have a positive impact on revenues																				
<p>Which of the following environmental factors do you consider to be the most important for your sector?</p>  <table border="1"> <caption>Environmental Factors</caption> <thead> <tr> <th>Factor</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Climate change</td> <td>43%</td> </tr> <tr> <td>Natural resources</td> <td>31%</td> </tr> <tr> <td>Pollution</td> <td>16%</td> </tr> <tr> <td>Biodiversity</td> <td>10%</td> </tr> </tbody> </table>	Factor	Percentage	Climate change	43%	Natural resources	31%	Pollution	16%	Biodiversity	10%	<p>Does setting and implementing environmental performance targets have a positive, negative, or neutral impact on revenue?</p>  <table border="1"> <caption>Impact on Revenue</caption> <thead> <tr> <th>Impact</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Positive</td> <td>71%</td> </tr> <tr> <td>Negative</td> <td>18%</td> </tr> <tr> <td>Don't know</td> <td>1%</td> </tr> <tr> <td>Neutral</td> <td>10%</td> </tr> </tbody> </table>	Impact	Percentage	Positive	71%	Negative	18%	Don't know	1%	Neutral	10%
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<p>Source: GlobalData</p>																					

The research also suggests that environmental performance does not have to come at the expense of financial performance. In fact, the opposite is observed with 70% of respondents stating that setting and pursuing environmental performance targets have a positive impact on revenue.

The technology sector is demonstrating leadership in tackling climate change

Leading companies within the technology sector are taking some of the most aggressive steps in ESG, with C-suite management investing billions to become carbon-neutral in their operations. These companies view their performance on sustainability and climate goals as a key differentiator and compete to have the strongest climate change credentials. Tech companies use staggering amounts of electricity to keep their data center servers cooled, to address this, many are leading the transition to green energy sources. Perhaps not surprisingly, tech companies are using their expertise in areas such as AI to reach their ESG targets and in turn to help their clients reach their own sustainability targets.



The amalgamation of two technologies – AI and IoT – has given rise to the concept of AIoT. AIoT involves embedding AI technology into IoT components. Combining data collected by connected sensors and actuators with AI allows for reduced latency, increased privacy, and real-time intelligence at the edge. It also means that less data needs to be sent to, and stored on, cloud servers. Companies are deploying AIoT to help reach ESG goals, monitoring and analyzing operational data throughout the entire value chain to optimize processes reducing carbon and cutting costs.

Infosys' approach to ESG

Infosys takes a two-pronged approach to ESG. Infosys aims to establish ESG leadership in its own business while extending its capabilities to help its clients become more sustainable.

To build credibility, it's critical for Infosys to be able to walk to talk, putting targets and strategies into action. Infosys has been recognized as one of the world's most ethical companies in 2022 for the second year running by Ethisphere, a leader in defining and advancing the standards of ethical business practices. Infosys has become the only company in India and one of the four honorees globally in the software and services industry to be recognized.

Infosys aspires to become the leading ESG partner to help its partners deliver ESG initiatives, working with clients to understand, design, and implement purposeful, practical, and profitable solutions.

Infosys has already reached carbon neutrality – thirty years ahead of the Paris Agreement timeline

Infosys has been pursuing carbon neutrality since 2008 and became carbon-neutral across scopes 1 (direct), 2 (indirect), and 3 (value chain) in 2020, 30 years ahead of the 2050 timeline set by the Paris Agreement. Infosys received the United Nations Global Climate Action Award in 2019 and has been certified against PAS 2060:2014.

Infosys has three pillars to its carbon neutrality commitment:

- Energy efficiency
- Renewable energy
- Carbon offsets

Energy Efficiency

Infosys' efficiency projects revolve around optimizing operations, using higher efficiency equipment, and eliminating wastage. During 2021, Infosys implemented over 15 energy efficiency projects across heating, ventilation, air conditioning (HVAC) and lighting. For example, a major lighting retrofit in its Pune campus involved replacing 9,000 CFL-based light fixtures spanning 1 million square feet, across 4 buildings, with high efficiency LED lighting and motion sensors. The result was a reduction in lighting power usage of 68%, (~417kW).

Renewable energy

Infosys is committed to meeting its energy requirements using renewable energy sources. Given the regulatory landscape in India and the availability of renewable energy, some of Infosys' renewable power is purchased. To address this, Infosys commissioned its first solar photovoltaic (PV) plant in its Jaipur campus in 2011, and now has ~60MW of on-site and off-site solar PV capacity. In FY2021, 50% of Infosys' electricity for its India operations was from renewable sources, and the firm is targeting 100% renewable energy by 2040.

Carbon offsets

Despite best efforts, some emissions remain unavoidable, including emissions from business travel and employee commutes. To offset these, Infosys invests in community-based carbon offset projects that reduce carbon emissions in rural communities, while also providing them with social and economic benefits. Today, Infosys' project portfolio includes nine carbon offset projects which have created 2600 jobs and positively impacted over 120,000 families. Furthermore, Infosys' offsetting projects have a positive impact on 11 of the 17 Sustainable Development Goals (SDGs).

Infosys' ESG Commitments

Climate change is the single greatest threat we face today, it is existential and is already disrupting many natural systems, accelerating wildfires, causing sea-level rise, increasing the frequency of storms, and human displacement. Scientists overwhelmingly agree that the global economy must reach net-zero greenhouse gas (GHG) emissions to ward off the catastrophic results of climate change.

Infosys recognizes that the private sector has an important role to play in reaching carbon neutrality by the middle of the 21st century. Infosys' ESG vision is to "Shape and share solutions that serve the development of business and communities". Their ESG Vision 2030 –encapsulates ESG responsibilities and commitments towards the planet at large, the people, and its stakeholders within the communities it inhabits.

Under the environmental pillar of its ESG Vision 2030, Infosys aims to:

- Leverage technology to support the transition to a low-carbon world.
- Maintain carbon neutrality across scope 1, 2, and 3 emissions every year.
- Reduce absolute scope 1 and 2 greenhouse gas (GHG) emissions by 75%.
- Reduce absolute scope 3 GHG emissions by 30%.
- Reduce its water footprint and enhance water availability in the communities where it operates.
- Maintain 100% wastewater recycling every year.
- Reduce, reuse, and recycle to minimize waste, including e-waste.
- Ensure zero waste to landfill.

To date, Infosys has reduced its absolute Scope 3 emissions by 83.6%, reduced its scope 1 and 2 emissions by 46.1% against business-as-usual, and executed over 20 projects for clients facilitating climate change actions.

Infosys has 50 million square feet of smart connected spaces, with over 28 million LEED Platinum Certified. Infosys has managed to reduce its per capita electricity consumption by 55% since its 2008 baseline and has projects addressing 11 of 17 United Nations Sustainable Development Goals (UNSDGs).

While the findings from GlobalData's 2021 ESG Strategy Survey found that ESG executives are singling out the environment as the most important factor, companies equally embrace all three elements of ESG to outperform their peers. Today, across all economic sectors and geographic areas, companies face increasing pressure to adopt more socially sustainable practices, look after their employees, and ensure their supply chains are free from child and forced labor.

Under the social pillar of its ESG Vision 2030, Infosys aims to:

- Extend digital skills to 10M+ by 2025.
- Empower 80M+ lives via tech for good programs by 2025
- Create a gender-diverse workforce with 45% women
- Deliver 33% of work by leveraging flexible/remote work options
- Facilitate best-in-class employee experience

Corporate Governance assesses how a company's internal controls are used to inform business decisions, comply with the law, and meet moral obligations to all stakeholders. Simply put, governance is what determines whether a company will deliver results to stakeholders, however it defines stakeholders, and however it defines results.

Corporate governance is often the most overlooked pillar of ESG. According to GlobalData's ESG Strategy Survey 2021, 57% of ESG executives ranked governance as the least important ESG factor. Companies cannot afford to overlook the importance of governance in setting and executing an ESG plan.

"Good corporate governance is about maximizing shareholder value on a sustainable basis while ensuring fairness to all stakeholders: customers, vendor partners, investors, employees, government and society."

-N. R. Narayana Murthy

Under the governance pillar of ESG, Infosys aims to:

- Create an empowered, diverse, and inclusive board
- Ensure sustainable supply chains
- Develop robust compliance and integrity practices
- Ensure transparent communications with stakeholders
- Develop leading data privacy standards
- Develop industry leadership in its information security practices

Infosys' ESG Offerings

Infosys helps companies to move beyond the easy wins and address the challenges they face when developing and executing ESG initiatives. Infosys helps clients progress ESG initiatives through practices such as:

- **Data collection and advanced metrics** provide a clear look into operations and expose wasted resources.
- **Automation** extracts excess carbon from company systems much more than the most dedicated employees.
- **Artificial intelligence** optimizes enterprise operations via intuitive decisions, thus allowing decarbonization efforts to be more effective.
- **Change management** builds ESG efforts into company culture, enabling all stakeholders to support ESG and drive progress.

Infosys' sustainability offerings a comprised of six core pillars: Decarbonization, Smart Spaces, PLM Circularity, Sustainability Design and Advisory, ESG Finance, and ESG Data and Analytics.

<p>Decarbonization</p> <p>Reduce the GHG emissions that are produced by, or for, the enterprise.</p> <ul style="list-style-type: none"> • Assessment of ESG metrics, emissions, energy and resource use and waste. • Smart metering and IOT sensor deployment; command centers and predictive analytics, intel. automation • Optimization of facilities and operations, Energy transition to renewables • Mobility and transportation optimization 	<p>Smart Spaces</p> <p>Optimize the efficiency and effectiveness of the built environment.</p> <ul style="list-style-type: none"> • Energy-efficient building and facility designs (Retrofits and New) • Manage embedded and operational emissions, resource usage, waste • Employee occupancy and work patterns to improve efficiencies, reduce resource usage and support costs. • Return-to-Work, employee safety, health 	<p>PLM Circularity</p> <p>Optimize production to move towards a for circular business model.</p> <ul style="list-style-type: none"> • Comprehensive waste management: design out waste, waste as an input or revenue stream, zero-to-landfill, single-use materials, waste treatment • Digital design, digital twin for virtual and rapid development and testing, predictive maintenance • Product/service design for circularity, product end-of-use
<p>Sustainability Design Advisory</p> <p>Create a roadmap of valuable sustainability initiatives to transform your business</p> <ul style="list-style-type: none"> • Focused engagement, analyzing current sustainability maturity/readiness, across technology, data, finance and culture • Applying design thinking to identify best-value opportunities 	<p>ESG Finance</p> <p>Enable greater clarity and improved decisions based on ESG data</p> <ul style="list-style-type: none"> • Advisory on ESG (Environmental, Social, Governance) strategy and execution • ESG data collection and analysis for private holdings, risk models • ESG reporting and marketing 	<p>ESG Data and Analytics</p> <p>Gather, rationalize and analyze current-state ESG metrics, to enable action.</p> <ul style="list-style-type: none"> • Identification, capture and analysis of client-specific ESG KPIs • Selection of reporting frameworks to support strategy and compliance • Development of reporting mechanisms to enable planning and action

Partnerships are key to progressing the ESG agenda

GlobalData believes that partnerships between two or more companies are crucial for achieving carbon-neutrality and a more sustainable future. The importance of partnerships is reflected in the United Nations Sustainable Development Goals with goal 17 to “*Strengthen the means of implementation and revitalize the global partnership for sustainable development*”

Infosys shares this view and recognizes the importance of partnerships in achieving ESG goals. Below, is a selection of case studies

Infosys and Ellen MacArthur Foundation partner to drive forward the circular economy



Infosys has joined the Ellen MacArthur Foundation Network as a partner to work to accelerate the global transition to a circular economy. The collaboration coincides with the launch of the strategic Sustainable Business Unit within Infosys, which will enable its customers to better incorporate circular designs into their products, services, and supply chains. Infosys will align its digital transformation toolkit – Live Enterprise Suite – with the Foundation’s circular economy performance measurement tool, Circulytics which allows companies to measure their circular economy performance and identify opportunities to adopt, or further embed circular practices into the business.

Infosys and the Economist Group announce new strategic partnership around sustainability



Infosys and The Economist Group, a leading global media company, have announced a strategic partnership designed to enable and accelerate sustainability solutions to drive impact through a new business-to-business model.

As the official digital innovation partner of The Sustainability Project, Infosys will leverage its digital services capabilities and expertise to create experiences that will enable users to navigate and engage with Economist Impact content and tools. The vision for The Sustainability Project is to build a community that is designed to effect change, Infosys will help build the community features and create a platform to enable insights, innovation and engage stakeholders with the power to effect real change.

Infosys and bp to develop 'Energy as a Service' solution for campuses and cities



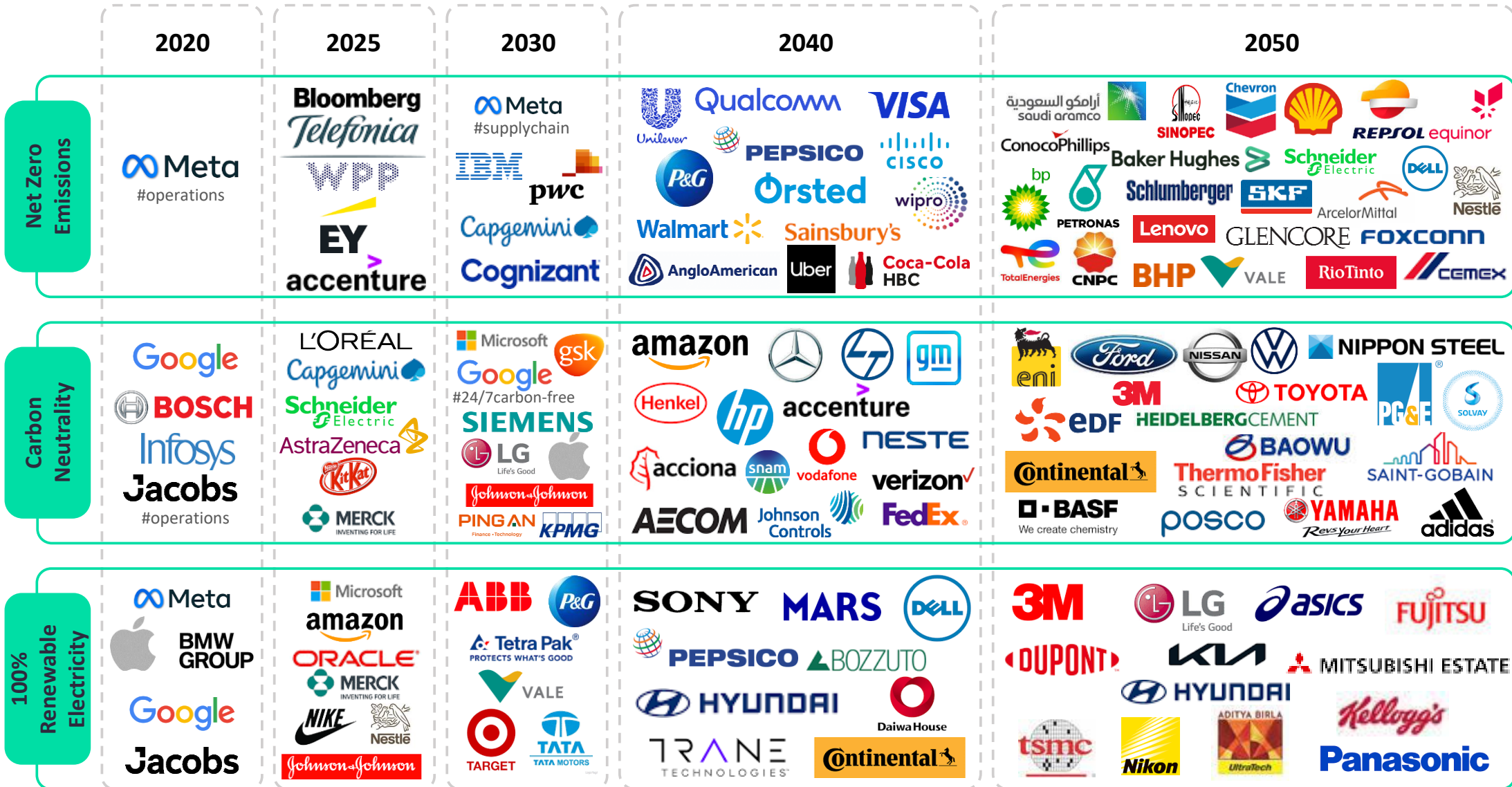
Infosys and bp, a global integrated energy company have agreed to develop and pilot an Energy as a Service (EaaS) solution, aimed to help businesses improve the energy efficiency of infrastructure, and help meet their decarbonization goals.

The digital platform co-developed by bp and Infosys collects data from multiple energy assets and uses AI to optimize the energy supply and demand for power, heat cooling, and electric vehicle charging. The platform will be piloted in Infosys' Pune Development Center, an environment that replicates a small city, where energy is generated, stored, and consumed at multiple points. Once the pilot is successful, they will aim to roll this model out across other Infosys campuses in India, and with some clients, to help manage energy and help reduce emissions.

ESG performance is achievable, ESG leadership is smart business

Enterprises, suppliers, partners, investors, talent, governments, and customers are all focused on ESG, so embracing it is essential for long-term survival. But 'greenwashing' and rainbow washing' will not cut the mustard. Commitments need to be stated publicly and measured independently. There is a consensus among companies that more will be done in the near future to monitor and audit companies' ESG performance. This is supported by the GlobalData ESG research which found that 80% of ESG executives expect monitoring and auditing to increase.

When it comes to the environmental aspect of ESG, companies have a responsibility to address scopes 1,2, and 3 carbon emissions. But commitments need to extend beyond the Environment challenge. Social and Governance credentials are also set to expand in parallel. Ecosystems of like-minded product and service providers will emerge, stretching from the end customer through to service and equipment providers. Getting a head-start on this trend will provide competitive (and commercial) advantage to leading players.



About GlobalData

GlobalData is a leading provider of data, analytics, and insights on the world's largest industries. In an increasingly fast-moving, complex, and uncertain world, it has never been harder for organizations and decision makers to predict and navigate the future. This is why GlobalData's mission is to help our clients to decode the future and profit from faster, more informed decisions. As a leading information services company, thousands of clients rely on GlobalData for trusted, timely, and actionable intelligence. Our solutions are designed to provide a daily edge to professionals within corporations, financial institutions, professional services, and government agencies.

Unique Data

We continuously update and enrich 50+ terabytes of unique data to provide an unbiased, authoritative view of the sectors, markets, and companies offering growth opportunities across the world's largest industries.

Expert Analysis

We leverage the collective expertise of over 2,000 in-house industry analysts, data scientists, and journalists, as well as a global community of industry professionals, to provide decision-makers with timely, actionable insight.

Innovative Solutions

We help you work smarter and faster by giving you access to powerful analytics and customizable workflow tools tailored to your role, alongside direct access to our expert community of analysts.

One Platform

We have a single taxonomy across all of our data assets and integrate our capabilities into a single platform – giving you easy access to a complete, dynamic, and comparable view of the world's largest industries.

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