

‘Sustainability heads should strive to make themselves redundant’

A collaborative approach among stakeholders to mitigate and adapt to climate risks is an absolute necessity, emphasises **Deeksha Vats**, Chief Sustainability Officer, Aditya Birla Group (ABG), in an online interview with **Madhura Mitra**, Executive Director – Climate Change and Carbon Markets, PwC India.



Madhura Mitra (left); Deeksha Vats (right)

Excerpts from the interview

Madhura Mitra: A very warm welcome to Deeksha Vats, Chief Sustainability Officer, ABG, to this edition of Immersive Outlook. Today’s session will discuss climate change with a focus on climate change adaptation. ABG has been a forerunner when it comes to climate policies, actions, as well as disclosures since the last two decades. So, I’d like to understand what has changed post the Paris Agreement and how has it impacted your vision as a group and your actions?

Deeksha Vats: Thank you, Madhura, for inviting me to speak on this topic.

As a group, we’ve been working on various aspects of how climate change is impacting us and how we are impacting climate change. When we talk about sustainability, the terms sustainability and ESG over the last few years are being used interchangeably. I thought it’s important to put this out there that both external factors and externalities need to be taken into account when we talk about any aspect of sustainability. As ABG, we have defined sustainability as our ability to sustain how we will be around in the times to come. Therefore, what could come in the way from a risk perspective, from different megatrends that are

playing out, how they impact us and how we can make a difference in that aspect both in terms of risks and opportunities.

Climate change has started to speak for itself. In the last few years, we can clearly see how the changes are happening closer to home whether it is in terms of flooding, heat stress, and too much or too little water. This has changed one’s understanding of climate change and the way it is being looked at globally.

It was in Paris where climate change started to become more tangible in terms of what was expected and what is now emerging from more formal conversations like the COP28 UN Climate Change Conference in Dubai, at the end of 2023. The tangibility at the global level was converted to tangibility at the national level in terms of regulations, expectations on compliance, consequences of non-compliance, and the opportunities that would come our way if everybody complied. So, that’s how we started to look at it, that we need to be more structured around it. We need to have our own policies, standards and targets. Once you have these policies, standards and targets, it also leads to developing roadmaps with milestones for which you need partners of various kinds – technology partners, partners for

implementation, communication, and partners for policy advocacy. That’s how we look at the whole aspect of climate change.

Madhura Mitra: While you touched upon the risks, opportunities and regulations, could you elaborate on the aspects of risk opportunities and the kind of regulations we have as they vary from mitigation to adaptation? Do you consciously, as a group, differentiate between climate change adaptation and mitigation? If yes, at what stage do you bifurcate the two – at the policy level, investment level, or implementation level? Is there a conscious bifurcation between climate change adaptation action and mitigation action?

Deeksha Vats: ABG is present in almost 40 countries. We now have close to 2,00,000 employees and are spread across diverse sectors. Given the diversity of sectors and geographies, the part we play in different aspects of the value chain and given that different businesses have been at different levels of maturity in terms of sustainability practices, we use the 4D approach. The four dimensions are sector, geography, position in the value chain, and time. We came up with the fact that sustainability for us would mean looking at the 16 areas



we are focusing on and this is something we made public in early 2021. When we say climate change is a very material issue for us as a group, it is both in terms of how we make and what we make as well as in terms of the kind of products and services which would help economies or some other businesses to become resilient towards climate change. And that's the point where we started to talk about decarbonisation and climate resilience and adaptation. So how do we bring down the carbon footprint? For this we are talking about a longer term goal of being net zero by 2050. We are also talking about the area where we are yet to have a quantitative goal in that sense, which is climate change adaptation. Because the climate has changed. If you look at data, 2023 has broken all kinds of records in terms of the physical risk which is impacting corporations already.

We've been talking about not exceeding 1.5 degrees from the pre-industrial average, but in 2023, temperatures were already 1.43 degrees higher. So coming back to the physical risks, if we are running, say, smelters in areas where the temperatures are high and where temperatures are going to go higher, how would that align to our longer term vision on how we use water? Do we say we are reducing our freshwater consumption and give up our license of the amount of water? Or would people need more water to drink because the temperatures are going to go higher? If we are talking of expanding in certain locations, how is the water availability, temperature profiles, geophysical risk going to be in those locations? So that's how we have started to look at climate

change, how we are mitigating the increase in greenhouse gases both by the way of what we do in our energy consuming businesses, but also by the way of our renewable energy business. So that's an opportunity because we are into the business of solar power. Then, we also look at how we can mitigate climate risk and also help our products companies in managing that risk. So we look at climate change from all those perspectives.

Madhura Mitra: Thank you, Deeksha. Companies have mostly invested in mitigation and not so much in adaptation because they don't see the return on investment. What do you think is the trigger for industries to act on adaptation? When should they act, and why? Should they act now or at a later point in time? Is it related to the risk that you talked about, or the opportunity, or is it a combination of both?

Deeksha Vats: Madhura, I think in a way the answer lies in the question that you have asked and how climate change is playing out at this time. First let's go with data. How do we make it (climate risks) real? Otherwise, it can feel like something that is in the future. We have 200-plus locations and if we were to include some of our critical suppliers, the number could go up to 300. These are the locations which, at least from a manufacturing perspective, are vulnerable to physical risks from climate change. So, we worked with an organisation to see if they could help us understand through their tool – where datasets are actually coming from IPCC's model – to say if these are the geo-coordinates and this is the

kind of operation that we run there or this is the value at risk in that location, then what is the risk? Can we put some numbers on it? So how would those risks play out, we did that assessment and some of it actually tallied very well with what we've been seeing happening in some of these locations.

So corroborating what we had seen happening in some of our locations with a desk-based study helped us think through that had we known this earlier what would we do differently? Then you consider the actual impact of it and who is responsible for it in the organisation? Then we come to your point to say what is an immediate action versus what is a longer term action and ultimately it is also about costs.

Madhura Mitra: Very interesting, Deeksha. Do you see a market when we talk about a new kind of product or a new kind of concrete? Do you see a market already available, or do we need to develop that market, that awareness among people?

Deeksha Vats: I would say the latter because these are all conversations. These are thoughts that have emerged and are picked up as a logical opportunity. Similar to what happened with circularity, with time, I think it would happen with concrete, too, since climate change has started to speak for itself. On an internal rate of return (IRR) basis, it may cost less to use climate resilient concrete, than if you were to rebuild everything.

This reminds me of a story in one of the American newspapers or magazines where only one house stood in the whole of Florida coast after a hurricane. When they checked the house,



it was made with a well-thought-out design and the construction material was carefully selected. But back to your question – are people aware? Maybe, somewhere in the subconscious. But is it a commonplace conversation? The answer is 'No'.

Madhura Mitra: When we talk about adaptation, at least when it comes to large scale infrastructure, the government plays the most significant role. However, when it comes to a flood or a cyclone, it's not just the location where you are operating but also the entire water basin that is getting affected. So, a large group of stakeholders are involved – the government, the communities which are residing there, and all members of the supply chain. Hence, collaboration will play a very important role going forward.

If you must act around adaptation, what should be the prior experience? What are the models that we should look at

when we start collaborating? Or if you have already collaborated, what is the model that you have used? Do you agree that collaboration is important?

Deeksha Vats: I think everybody needs to collaborate with everybody. In climate change adaptation, it is going to be 'everyone doing everything all at once' which is a very hard thing to do because we don't have any proven models to fall back on. This requires policymakers, industries, finance providers, community leaders – just about everyone to come together. And it doesn't help that we are in some sort of a polycrisis. There are geopolitical conflicts, a pandemic, climate change and there is inequality all around. We will have to come up with newer models which are testable and not worry too much about how quickly we are going.

It would also help if we were to



get a push from the centre on how large-scale procurement will happen and the design criteria to be incorporated. That's what I mean when I say 'everyone, everywhere, all at once', because it requires a multi-dimensional and multi-stakeholder way of working. Fundamentally, both collaboration and patience and maybe a leap of faith would be needed.

Madhura Mitra: When it comes to climate change, the ways of working have evolved over time. Earlier, we were looking at energy saving measures, for example, as one of the most important sustainability measures, but now we are looking at more OpEx and CapEx intensive measures where we do not see short-term returns. How do you think the role of the chief sustainability officer has changed over time? Are you looking for a more collaborative governance framework, or a comprehensive framework where you talk to the chief executive officer (CEO) or the chief operating officer (COO) more often, or collaborating with other core stakeholders outside the organisation? Is collaboration inside the organisation important too and, if so, how is it taking place? How should we change the way we operate as an organisation to make this happen?

Deeksha Vats: The answer in one word is 'absolutely' because, for one, it brings that integration because you walk the talk. We can't tell everybody to work together and exclude ourselves. What we need to understand here is that the more collaborative we are externally, the more collaborative we need to



become internally since different people bring different skill sets and networks. For sustainability colleagues, it is very important to be a collaborative, empowering and secure individual – someone to deliver the message that the world is changing, both verbally and with the way you carry yourself at work.

Another thing is that the ultimate goal of a sustainability head should be to make themselves redundant. Sustainability must become a part of how teams work, be it procurement, marketing, operations, energy or technology.

Madhura Mitra: I have one last question. Since you have been to COP28, I wanted to understand which outcomes of the Summit resonated with you and which ones did not meet your expectations?

Deeksha Vats: I went to COP after an exceptionally long time and I'm glad that I went there. Firstly, the fact that there are so many people from diverse backgrounds serves as a reminder of what we spoke about – the need to collaborate. Coming together for conversations like this allows us to understand the diversity of perspectives, expectations and solutions. There is no one problem, therefore, there is no one solution.

The second good thing was that I felt that all voices were being heard. Much like all COPs in the past, there wasn't any definite concrete action and I think it shouldn't be expected either, since it is such a diverse multi-stakeholder conversation against the backdrop of a just transition. What would have made me happier is that while people were speaking a lot of diverse things, if

if they were also listening to all the diverse things because in many conversations I felt that people kept saying what they wanted to say without taking cognisance of what others had to tell them.

For example, saying that some countries need to take faster action, but if those countries don't have the financial resources and have large populations, you cannot force them to act faster. I am hopeful that our understanding in this regard will increase. However, coming together and striving for a change was a positive experience.

Madhura Mitra: Thank you, Deeksha. This conversation has been very positive. When you say that adaptation action is not something for the future and that collaboration among stakeholders is an absolute necessity, it gives me a lot of hope as a climate change professional.

Deeksha Vats: Thank you for the opportunity, Madhura, and thank you to the PwC team.

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