

ESG (ENVIRONMENTAL, SOCIAL, GOVERNANCE) AND ITS IMPACT ON FINANCE & COMPLIANCE

Introduction

A decade ago, financial success was measured by profit margins and market share. Today, another yardstick has entered the boardroom: ESG—Environmental, Social, and Governance. Investors, regulators, and even consumers now ask not just “How much money does a company make?” but also “How responsibly does it make it?”

For commerce professionals—this shift is more than a buzzword. ESG compliance is rapidly becoming a core requirement in financial reporting, auditing, and corporate governance. Ignoring it is no longer an option but embracing it could define the future of finance.

What is ESG?



Environmental: How a company manages its impact on nature—carbon emissions, water usage, waste management, energy efficiency.

Social: How it treats people—employees, customers, communities, and supply chain labor practices.

Governance: How the company is run—board structure, transparency, ethical practices, shareholder rights.

Together, ESG creates a non-financial lens through which stakeholders evaluate long-term sustainability and risk.

Why ESG Matters in Finance

1. Investor Decisions

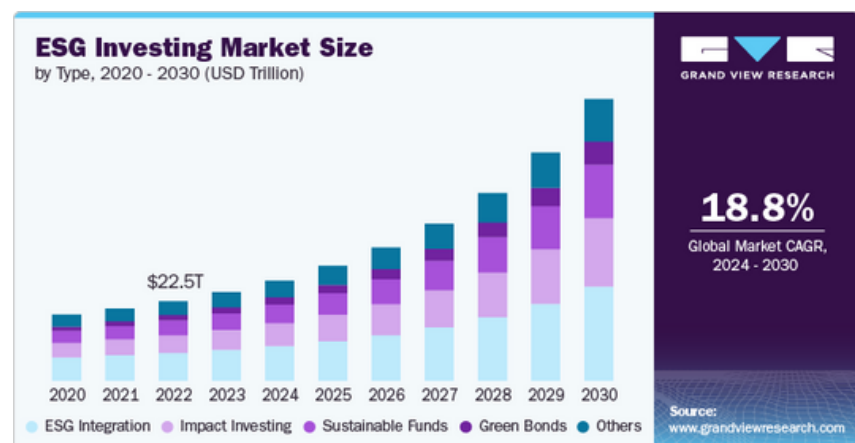
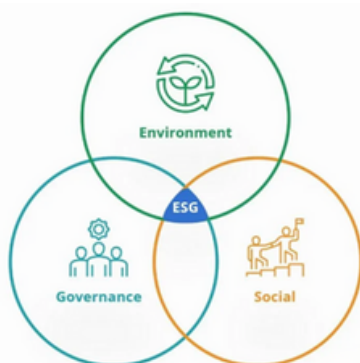
Global investors now prefer companies with strong ESG credentials. A McKinsey study revealed that firms with high ESG scores enjoy lower capital costs and higher valuations.

2. Risk Management

Companies ignoring ESG often face fines, lawsuits, or reputational damage. Accountants must factor ESG risks into financial disclosures.

3. Access to Capital

Green bonds, sustainability-linked loans, and ESG-focused funds are on the rise. Finance professionals must know how to structure these instruments.



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ESG & Compliance: New Responsibilities for Commerce Professionals

• ☐ For Chartered Accountants (CAs):

Audit & Assurance: ESG disclosures are being included in annual reports. CAs may be tasked to verify data like carbon footprint, CSR spending, or diversity ratios.

Taxation: Green taxes, carbon credits, and sustainability-linked tax benefits are emerging areas.

• ☐ For Cost and Management Accountants (CMAs):

Costing Models: CMAs must include sustainability costs—renewable energy, waste management, ethical sourcing—into cost sheets.

Performance Metrics: Non-financial KPIs (like emission reductions) are being linked to

- performance evaluations.

• ☐ For Company Secretaries (CSs):

Corporate Governance: CSs ensure ESG policies are aligned with SEBI and MCA requirements.

Board Reporting: They act as the bridge between the board and ESG reporting teams, ensuring shareholder communication is transparent.

- Renewable Push: Incentives for solar, wind, and green hydrogen are driving ESG-linked investments.

Yet, challenges remain—greenwashing, inconsistent reporting standards, and lack of awareness among smaller companies.

India's ESG Landscape



India has taken significant steps to integrate ESG into its corporate framework:

- SEBI's BRSR (Business Responsibility and Sustainability Report): Mandatory for the top 1,000 listed companies.
- CSR Law (2% Profit Rule): India is the first country to mandate corporate social responsibility spending.

ESG in Action: Global and Indian Examples

* ****Global****: Tesla scores high on environment but has governance concerns; Unilever is praised for sustainable sourcing.

* ****India****: Infosys publishes detailed ESG reports with net-zero commitments. Tata Steel focuses on decarbonization.

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These case studies show that ESG is not just an ethical choice—it has financial consequences. Companies with poor ESG track records often see declining investor trust and higher capital costs.



Future of ESG: Opportunities for Commerce Students

1. New Career Paths

- a) ESG Auditors
- b) Sustainability Analysts
- c) Green Finance Specialists



2. International Relevance

As IFRS develops global sustainability reporting standards (IFRS S1 and S2), Indian professionals will gain opportunities abroad.

3. Skill Development

Courses on ESG reporting, green finance, and sustainable auditing are becoming essential add-ons to CA, CMA, CS qualifications.



ESG is more than a corporate trend—it is a paradigm shift in finance and compliance. Companies are judged not only by their profits but by their responsibility toward the environment, society, and governance. For commerce professionals, this shift creates new challenges but also unprecedented opportunities.

The accountant of tomorrow will not only balance books but also measure carbon footprints. The cost manager will not just track expenses but also sustainability investments. The company secretary will not just ensure legal compliance but also ethical leadership.

In short, ESG is redefining finance itself. And for students stepping into CA, CMA, or CS careers, embracing ESG today means becoming indispensable professionals of tomorrow.



Dev Sharma

Dev Sharma is a CMA Intermediate student and freelance content writer specializing in finance and personal branding. Passionate about simplifying complex concepts, he blends technical knowledge with creative storytelling. His work helps individuals and businesses build strong narratives while making finance accessible, engaging, and impactful for diverse audiences.