

ZOHO for Enterprise

The strategic role of **ESG**

Trust series, Q1 2023

Environmental, Social, and Governance (ESG) is an increasingly important framework for organizations and the consumers they serve. Realizing the benefits of this holistic approach means understanding how company decisions impact every stakeholder, including those outside the organization.

Why ESG matters

58% of consumers advocate for brands based on shared beliefs and values

60% of employees will select workplaces based on shared beliefs and values

80% of investors will back organizations based on shared beliefs and values

[Edelman Trust Barometer, 2022]

The impact of an ESG-based business strategy goes beyond its ethical footprint. More than just the “right” thing to do, ESG in alignment with strategic and operational goals can offer a financially sound path forward and win-win outcomes across

divisions, reducing the size and frequency of large capital investments, driving savings-creating objectives, and ensuring preparedness for changing environmental and privacy regulations.



ESG in action generates benefits that pay for themselves many times over: maintaining a dynamic (and diversely sourced) supply chain that’s resilient in the face of climate change; building processes that take the guesswork out of compliance; providing better risk management and data hygiene; and helping surface overlooked opportunities and insights through initiatives focused on under-served markets.



ESG outcomes can sometimes feel intangible, but the benefits are not. Prioritizing long-term viability means prioritizing sustainability, which also builds customer trust.

- **Vijay Sundaram,**
Chief Strategic Officer at Zoho

Perhaps the greatest benefit for companies that invest in ESG programs comes from the fact that consumers are demanding those programs: 80% of consumers want to purchase from organizations investing in ESG¹.

What ESG isn't

It's important to ensure that corporate ESG behaviors are strategic rather than performative. The difference? Performative ESG, often referred to as greenwashing, happens when limited initiatives that are actually aimed at required compliance or waste reduction targets are attributed to ESG motivations. These optimizations are about

doing the bare minimum required or gaining a small edge over competitors, rather than about seeking the most sustainable, ethical, or beneficial decisions.

Piecemeal application of ESG processes will yield piecemeal results. If the focus of ESG efforts is only on improving operational efficiency or avoiding legal issues rather than creating fair, transparent, and equitable processes, neither a culture of innovation nor a grassroots ESG mindset will ever take hold.

Organizations want to be doing more

75% of executives cite ESG as a meaningful factor in consumer buying decisions. Similarly, 75% of C-level leaders understand the need for ESG-forward technology and internal compliance officers, but less than 30% of those leaders actually invest in those interventions.

[Icertis, 2022]

[1] TriplePundit, 2022

What ESG is

Good data governance is an essential part of ethical IT and ESG, according to Andrew David Bhagyam, Zoho's Digital Privacy Officer. "A corporate data breach leaves a wake of consequences for the business and for the consumer, making a safety-first mantra a must in today's hyper-digital age. Apart from ensuring organizations are abiding by the law, it helps ensure customer data is subject to strict security and privacy controls, reducing the risk of fraud, phishing and identity theft."



Strategic ESG can help tightly align organizational goals with operational realities. This naturally includes a host of new KPIs and other relevant measures; lasting change is effected only when financial metrics are meaningfully contextualized among metrics relating to social good or environmental impact. It may also require new tools that support centralized efforts while still allowing teams to build their own decentralized solutions.



Driven by values

Zoho has been passionate about customer privacy from the beginning. We automatically apply GDPR-level protections to every account around the world, and our Data Privacy Officer reports directly to the CEO. Our employees regularly receive training in Zoho's privacy and data handling procedures, and our stringent security protocols are subject to constant penetration testing and external audits. A business succeeds on the strength of its data; Zoho keeps it secure, accessible, and trustworthy.

Turning missions into metrics: Impact-weighted accounting

Turning the "good" that an organization does into meaningful metrics showing financial impacts is key to fostering strategic

and innovative ESG, and cultivating support for these initiatives among both internal and external stakeholders. So how do organizations express the positive (and negative) impacts of these initiatives? Using a measurement system based on an impact-weighted accounting process.



Impact-weighted accounting requires understanding how ESG initiatives offer ways to measure value and success outside of just profit. Positive impacts might include the impacts of employment (such as amounts invested in employee training and education), or details about reductions in emissions. Negative impacts might include fines resulting from poor data hygiene, or an increase in capital investments and operating costs to establish new design protocols.

This is accounting focused on outcomes. Rather than looking at the value of a new data privacy policy, which may be subjective, a decision-maker might point to the reduction in costs related to regulatory fines and damage-control expenses, or the number of employee hours saved. Instead of touting a reduced carbon footprint, reports might show the tons of waste diverted from landfills because of a more sustainable choice of office supplies. In place of generalizations about the value of diversity and equality, reports can highlight the number of women and minorities promoted internally to management, or the concrete outcomes of outreach efforts in the local community.

Getting going

Effective ESG is the result of re-imagining how an organization can both be and do better, rather than exclusively focusing on traditional KPIs around profit, market share, and expansion of markets. As with any strategic transformation, the first stage is discovery. This means listening first, deploying later. Not all ESG issues are created equal, nor should every

organization attempt to tackle them all simultaneously. The right areas to focus on should emerge logically from the organization's sector and areas of greatest impact: a logistics provider might start by reducing its carbon emissions, while a customer-facing organization might focus on building more diverse management teams first.



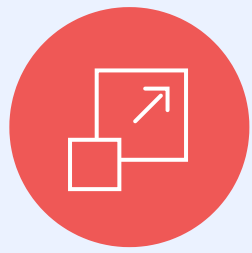
Secure IT empowerment

Ethical IT is fundamental to good data governance. It's building processes that ensure compliance; making data hygiene the norm with strict access and cleansing protocols; efficiently using information resources. Zoho Creator's cloud-based application builder lets IT teams build, deploy, and scale solutions on demand, within customizable guardrails. The data security environment is always evolving, and Creator gives IT teams the ability to keep their organizations protected against these challenges in real time.

The potential outcomes for ESG are huge; they can literally change the world. Getting started might feel like a huge project, but the steps to success are small, measured, and planned. And while successful ESG requires some shifts in strategic direction, it offers incredible opportunities to expand a brand's identity, its positive impacts, and its ability to sustain customer trust.

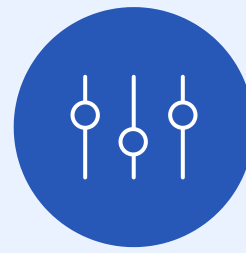
Why Zoho for Enterprise?

Proven software, customer commitment, tremendous value.



Scalability & Reliability

Zoho for Enterprise reduces the cost of infrastructure, unifies existing apps, and solves complex business problems for increased enterprise fitness, resilience, and scalability.



Customization & Extensibility

Through granular customizations and powerful in-house developer platforms, Zoho lets you orchestrate workflows, streamline data management, and deploy world-class solutions at scale.



Security & Privacy

From owning our own data centers to GDPR compliance features, Zoho enables enterprise organizations to focus on core business priorities, rather than data management.



Enterprise Services

From data migration to consultation and implementation, our team is armed with the in-depth product knowledge and industry expertise to meet your unique technical requirements.

Are you ready to transform your organization?

We're here to help. Have a 15-minute, no-obligation call with one of our **Business Architects** to get all your questions answered.

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