

ESG ANALYSIS ON



LISTED COMPANIES IN INDIA

BABY STEPS BY INDIA INC.
TOWARDS SUSTAINABILITY

Table of Contents

Acknowledgements	3
Executive summary	4
Introduction to ESG	7
Prominence of ESG and the Present Study	11
ESG highlights	12
Scoring categories	15
Sample selection	16

I – Policy Disclosures

1.1 Principle-wise (as per NVGS) BR policy / policies	18
1.2 BRR implementation	20
1.3 General Disclosures	21

II – Environment

2.1 General disclosures	24
2.2 Product / Services	26
2.3 Energy consumption	28
2.4 Renewable Energy	30
2.5 Water consumption	32
2.6 Air emissions	34
2.7 Waste management	36
2.8 Environmental incidents	38

III – Social

3.1 Workforce	41
3.2 Health & safety	45
3.3 Relationships with local communities	47
3.4 Data security & customer orientation	48

Table of Contents

IV – Governance

4.1 Board composition	52
4.2 Board committees	55
4.3 Director’s remuneration	56
4.4 Statutory auditors	58
4.5 Audit & financial reporting	59
4.6 Stakeholder engagement	60
4.7 Other governance factors	62

V – Evaluation Framework

Model - Legal and Voluntary Framework	69
ESG scoring	70
Limitations of the model	72
Annexure I – List of companies	73
Annexure II – Disclosure pattern in BRR table	74

Acknowledgements

At the outset, Stakeholders Empowerment Services (SES) would like to thank NSE for providing this opportunity and a platform to present maiden report of SES on a contemporary and extremely relevant topic “ESG – Reporting Trends and Practices in India”. Undoubtedly, this endeavour would not have been possible without the initiative taken by NSE and its guidance and support to the SES team on a continual basis. The purpose of this report is to provide

a brief summary of ESG footprints of selected NSE listed companies, evaluated by SES through its proprietary model (available at (“Model”).

The report is the result of collective efforts of NSE and SES, with Cyril Amarchand Mangaldas (**CAM**) being a knowledge partner solely with respect to the model. NSE provided financial support, guidance, and logistics; SES developed the model, and CAM assisted with vetting the model from a

legal standpoint. The report (including data capturing, analysis, findings, and report writing) was solely worked on by SES team, without any involvement of NSE and CAM.

I express my sincere gratitude to all team members from NSE and SES for this report, and in particular, the following team members for their untiring efforts in compiling and analysing voluminous data and developing the report in its present form. ■

NSE	SES
Ms. Priya Subbaraman	Mr. J.N. Gupta
Mr. Avishkar Naik	Ms. Aditi Chandani
Ms. Yukti Sharma	Mr. Mukesh Solanki
Mr. Lokesh Bhandari	

Executive Summary

For a long time, investors and analysts have been using traditional financial metrics to value a company, as if it is only financial results that matter. The fact is that for investors, in the end, it is only the financial outcome that matters. However, financial analysis is like a post-mortem; it is like a result card and can be used for modelling future. However, beyond the numbers, there are several factors which are non-monetary yet affect the performance of investments and can be said to be constituents which eventually determine financial outcome. No longer can a business perform in isolation; it has to integrate itself with the environment in which it operates. Hence, Environment (E) and Society (S) must be an important part of business operations. Integrating E and S factors with business Governance (G) plays an important role. As a result, investor focus and interest have shifted to

the study risks, on account of these non-financial parameters. Investors are realising that businesses cannot survive for long without caring for environment and society.

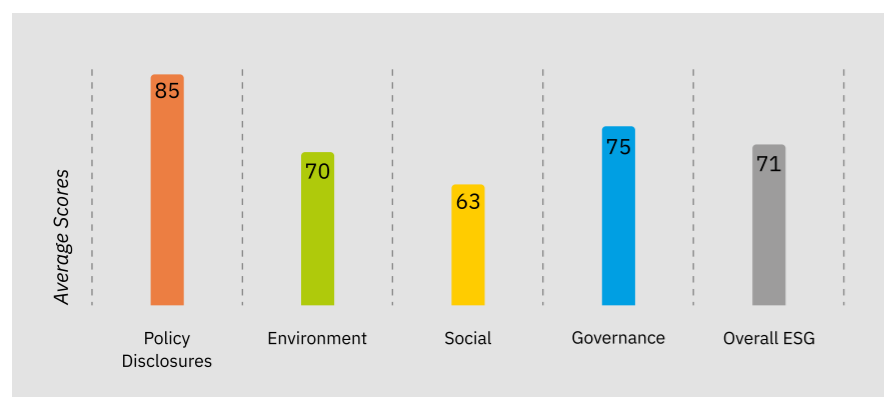
ESG reporting and analysis in a structured manner is rather new in India, although it has existed in fragmented manner for long. While companies have been evaluated by investors for buy or sell recommendations, by credit rating agencies for credit rating purposes, ESG evaluation has been absent.

Realising ESG to be extremely important to evaluate business risks and continuity, NSE felt that it would be appropriate to carry out a comprehensive study of the disclosure and performance of India Inc. on these non-financial ESG parameters. SES was entrusted with the task of conducting this study of ESG practices and performance

of India Inc. The study is based on a proprietary model developed by SES which was vetted by CAM from a legal perspective, and by NSE. Performance on environmental, social, and governance factors was evaluated using the model.

For this first ever study on ESG disclosures and performance, due to limited availability of sustainability reports, the sample was restricted to 50 companies. The companies are those that have disclosed either their sustainability report or integrated report voluntarily and are within the top 10 companies within their sectors and within top 100 companies as per their market capitalisation. These 50 companies belong to 12 industries which SES felt had a direct impact on the environment and stakeholders, due to their business operations. Consciously, companies in the IT and banking sectors were excluded from the present study, due to their indirect impact on environment.

The graph depicts the average score (out of 100) of all sample companies across policy, environment, social, and governance factors.



Executive Summary

Key Highlights from the Study:

Companies have largely scored better on policy disclosures followed by governance factor, compared to environment and social factors. This can be attributed to the fact that governance reforms have transformed into laws by various regulatory agencies within India, in the last two decades. Similarly, many policies have been mandated to be prepared by regulatory authorities. Hence, companies have scored higher on policy disclosure parameters.

Policy disclosures:

- All sample companies had a policy regarding employees, stakeholder, environment, and corporate social responsibility. Very few companies had framed policy on public advocacy, which may be attributed to the fact that in India, advocacy is seen in bad light. Hence, if at all done, is done in a non-transparent manner.

Environment:

- Scoring:** Within the sample companies, SES observed the lowest score of 44 on E factor, which was almost 50% of the top score of 88. The average sample score was 70. The gap between the top and bottom scoring companies was very wide. On one hand, wide divergence is reflective of the lack of mandatory provisions. On the other, it reflects a sense of concern in a few companies to E factor as reflected

in high E score on voluntary basis.

- Wide divergence in scores was also observed with sample companies within the same industry, indicating that although companies are operating within same industry, there is asymmetry in appreciation and concern for environmentally sustainable practices and disclosure on the same.
- All the companies in the sample have disclosed that they have framed an environment policy.
- 42 companies from the sample stated that they have Environment Management Systems and 22 companies stated that they have Energy Management Systems in place.
- Air Emission:** 45 companies disclosed data on Greenhouse Gases (GHG)/carbon emissions. 35 companies disclosed data on GHG emission intensity or specific GHG emissions. Overall, only 6 companies reported decrease in GHG/carbon emission intensity, for the last three years.

- Energy Consumption:** More than 80% of companies in the automobile (5/6) and metal (7/8) industry provided three-year data on energy intensity. Least disclosure relating to energy intensity was observed in the consumer goods and other industries.
- Almost all the companies in the sample disclosed steps or initiatives taken towards

increasing renewable energy usage.

- Water Consumption:** 9 companies within the sample had achieved a 'water positive' status.
- 44 companies from the sample had disclosed data on water consumption or usage.
- 27 companies disclosed data on water intensity or specific water consumption (per unit production or w.r.t. the revenue).
- 48 companies discussed rainwater harvesting. However, 37 of such companies provided details on initiatives taken by them regarding rainwater harvesting.
- Waste Generation:** 49 provided disclosures on waste. However, only 33 companies have provided information about categories or type of waste generated.
- Effluents:** It was observed that 23 companies provided generic information regarding effluents and 4 companies did not make any discussion in this regard.

Social:

- The average score across Social category among the sample companies was 63, with a high of 83 and low of 49.
- Women empowerment:** Out of 12 industry groups, three industries have an average of 10% or more permanent women employees. 10 companies from the sample have more than 10% permanent women employees. The highest

number of women employees was observed in the textile industry – 78.22%.

- **Fatalities:** The highest number of fatalities was observed in the metals and construction industries.
- **Child Labour:** Though none of the sample companies have reported any child labour complaints, the data relates to the workforce of these companies only. No data is provided for child labourers employed by associated suppliers, contractors, or other stakeholders who work in association with the company.
- **Sexual Harassment:** During FY 2018-19, 185 sexual harassment complaints were reported by 30 sample companies. No complaints were reported by 20 companies.
- **Cyber Security:** 37 companies disclosed in the annual report for FY 2018-19 that their Risk Management Committee (RMC) monitors and reviews cyber security risk. Only 6 companies provided data on the number of incidences or complaints regarding data security or privacy breaches. This reflects that either the companies are not centrally tracking all data security/ privacy breach concerns or are hesitant to publish negative information.

Governance:

- **Independent Directors (IDs):** Within the sample companies, there were 276 IDs in total and 70 of them were associated with the company or group companies for more than 10 years.

- **ED Chairperson:** In the sample companies, Board Chairperson of 24 companies were Executive Directors (ED).
- **Women Director:** All sample companies had at least one female director on their Boards. 6 companies within the sample had more than 2 women directors.
- **Age of Directors:** Within the sample, 18 companies have a Non-Executive Director on the Board whose age is above 75 years and 3 companies have an Executive Director above 70 years of age.
- **Board attendance:** Only in 15 companies all directors attended 75% or more Board meetings.
- **Committees:** All the companies complied with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 provisions on composition of committees. Overall, in the sample, SRC & CSRC had less than 50% IDs, as the requirement is to only have at least 1 (33%) ID.

From attendance data and disclosure of risk policy, it appears that the importance of Risk Management Committee (RMC) is yet to sink in. Among all committees, RMC had less than 75% attendance in 50% companies, the lowest amongst all committees.

- **Remuneration:** 85% of the total Board remuneration was paid to EDs and balance 15% paid to NED-NIDs and IDs. Identical remuneration was paid in 2 companies to EDs (including

performance pay) for at least three years, reflecting exactly the same appraisal ratings for different EDs.

- **Statutory Auditors:** No case was found in the sample companies wherein statutory auditors were removed or resigned before the expiry of the term.
- **Pledge:** 8 companies have shares encumbered or pledged by the promoters of the company. This pledge shareholding is valued at ₹ 58,557 crores as of 31 December 2019.
- **Shareholders Resolution:** Overall, for 82 resolutions, public institutional shareholders voted against for more than 10% of their total votes polled, whereas public others voted more than 10% against only for 16 resolutions. On a consolidated basis, the count was for 36 resolutions. However, high against votes from shareholders resulted in 2 resolutions of a company being defeated, i.e., not approved by its shareholders.
- **Ethics, Bribery & Corruption:** Only 20 companies have disclosed specific information regarding its training or programmes to directors/employees for anti-corruption policies/ procedures.
- **Whistle Blower Complaints:** Only 16 companies disclosed whistle blower complaints. 10 companies did not adequately disclose whether they have mechanisms for whistle blowers – direct access to the Chairperson of the audit committee. ■

Introduction to ESG

Climate change, rising temperatures, plastic pollution, forest wildfires, rising disparity, gender inequality, equal opportunity, social responsibility, uneven development, discrimination, corruption, sexual harassment, customer privacy, data security, frauds, corporate governance, audit committee, Board independence - the frequency with which these terms have been spoken about in the last few years reflects the growing attention to these issues from various stakeholders. It is probably also a warning bell and a precursor for imminent change, which companies, investors and all other stakeholders must brace themselves for, if they want to grow in a sustainable manner and avoid risks on account of the changing world.

In recent years, both regulatory as well as voluntary efforts have made ESG a focus area. SES has observed a steady growth in ESG disclosures by companies and an enhanced attention from institutional investors on ESG performance of companies. Once considered a niche thematic approach to investing, ESG evaluation has quickly metamorphosed into a fundamental factor for the most investors, particularly for foreign investors. In developed economies, investors and stakeholders now critically evaluate a company's commitment towards ESG, its targets, plans, and performance, while reviewing

its non-financial performance on a constant basis. Globally, investors are increasingly demanding that businesses must focus on ESG impact and discharge their responsibilities cautiously. Many investors are looking for sustained returns with responsible investment. Short-term profit-making is no longer the only objective for these investors, as many of them wish to integrate the business with environment and society to generate sustainable profits in responsible manner. It is a choice between short-term higher profits vs sustainable profits in the long run.

Inching towards the dawn of a new decade, we are witnessing an accelerated shift in investor stance, in favour of investing based on ESG performance of companies in India and worldwide. With sustainability of the future at stake, this report is a humble and sincere attempt to highlight the ESG reporting trends and practices in India, in an endeavour to initiate a discussion on widespread acceptance of responsible investing based on ESG principles, with an eye on future sustainability.

This study not only focuses on ESG policies but also evaluates a company's performance against its plans, implementation against set targets and compare such plans with achievements.

ESG analysis - Factors analysed:**ENVIRONMENT**

Analyse how a company **uses or abuses natural resources** and, in effect how the business operations of the company **impact the environment both directly as well as indirectly. How sustainable are the operations?**

**SOCIAL**

Analyse how a company **manages relationships with its employees, labourers, suppliers, customers, the local communities** and various other stakeholders, regardless of where it operates. How is it impacting society?

**GOVERNANCE**

Analyse the **company's leadership, board diversity, fairness in board remuneration, independence of statutory auditors, audits, financial reporting, and stakeholder engagement.**

Although the evaluation of ESG practices may be of non-financial nature and appear subjective, the impact of such practices on the business does have a financial outcome.

Why ESG?

Environmental damage and social inequalities are threatening not only corporations but all living species, humans included. Climate change, global warming, resultant increase in sea levels, consequent droughts and floods impact investors frequently, by disrupting business operations and supply chains and adversely impacting human capital. It is a vicious cycle; environmental damage leads to global warming, which in turn leads to further environmental damage. The extent of adverse impact of environmental damage can be easily noticed. It is reported that more than a billion animals have perished in Australian bush fires. Changing weather pattern has been causing floods, drought, and reduction in ground water level. Erratic weather has been playing havoc, impacting crop cycle ultimately impacting food production, thereby threatening survival of all. ESG, therefore, cannot be treated simply as three letters of English alphabet worthy of discussion only in conferences, research papers and in glossy annual reports any longer.

If human race has to survive and prosper, planet Earth must be maintained the way nature created it. For this to happen, ESG must be ingrained in the DNA of corporations and businesses all over the world, especially if the objective is to sustain business in the long run. Businesses should imbibe only such practices that are environment friendly, socially responsible, and follow high standards of governance.

Renewable resources and recharging natural resources should be the core mantra of all our activities, be it small or big.

The importance of sustainable businesses is very well articulated by Mr. Larry Fink (CEO of Blackrock) in his letter:

"We believe that all investors, along with regulators, insurers, and the public, need a clearer picture of how companies are managing sustainability-related questions. This data should extend beyond climate to questions around how each company serves its full set of stakeholders, such as the diversity of its workforce, the sustainability of its supply chain, or how well it protects its customers' data. Each company's prospects for growth are inextricable from its ability to operate sustainably and serve its full set of stakeholders. The importance of serving stakeholders and embracing purpose is becoming increasingly central to the way that companies understand their role in society..."

In order for ESG not to remain a piece of literature or an ornament of décor and a mere lip service, an evaluation of ESG practices at regular intervals is a must. For such an evaluation to be effective, an evaluation framework coupled with benchmarks needs to be fixed for three factors – Environmental, Social and Governance. Evaluation based on set ESG criteria can be done by independent evaluators like SES, regulatory organisations,

investors themselves, or for that matter, companies themselves, to assess ESG performance. Every company must do a gap analysis by comparing target set and achievement with benchmarks and also do peer analysis to achieve better ESG performance. Not only companies, but all entities must carry out such analysis.

Presently, all across the globe, life has been disrupted and businesses have been disrupted due to COVID-19. And the situation is not expected to return back to normal anytime soon, till an effective vaccine is found or rather, all of us will have to live with a new normal. Indian businesses are expected to face a new crisis - shortage of labour, as migrant labourers have deserted big cities and travelled back to their rural hinterlands. While reverse migration and its impact – both on business and migrant labourers – would be a topic for research study, the fact is that many businesses, in the time of crisis, left them alone to fend for themselves, forgetting that labour force is a very important stakeholder in any enterprise. The relationship has been broken and will take time to rebuild. This has put the Social factor in forefront. Businesses have to treat their labour force and society as important stakeholders. Healthcare of workforce and healthcare facilities will take centre stage. We all have learned a lesson at a huge cost.

Significance of ESG practices for investors:

Traditionally, investors provided

weightage mainly to quantitative and easily measurable objective parameters, such as growth, financial positions, profit, dividend pay-out, financial ratios, peer comparison, etc., for investment decisions. This was perfect when analysis was done in isolation. However, with the passage of time, investors and corporations have become aware of the fact that they do not exist in isolation but operate in an ecosystem where long-term, sustainable survival is possible only with a two-way relationship with environment and society. Governance is the operating system to manage the two-way relationship. Companies have to perform their obligation towards environment and society. If they fail in this, it is obvious that they are increasing the risk for business and threatening the future. Due attention and appreciation of ESG in true spirit will lead to positive impacts on non-financial parameters and can aid businesses to prepare themselves for uncertain future and reduce risks, given the damage being caused to environment, which is posing serious challenge for survival. If negative impact of ESG factors are not attended, businesses may be subject to significant external risks which potentially can have a sizeable impact on the future profitability and stability of the business and may pose serious threat to survival itself. Such threats are no longer a paper threat or doomsday prophecy, as one corporate in India has experienced it in real terms.

If corporations are not watchful of their negative impacts on the

environment and other stakeholders, not only would they be left out in the sustainability race and prone to higher risks, but corporations and businesses may also miss out on opportunities of delivering a positive impact by creating long-term value to the investors of the organisation. Corporations of today must prepare for tomorrow, when ESG factors may determine continued existence, as continued degradation of environment will force law makers to ensure that only sustainable operations continue in the future.

ESG strategies and economic performance: Is there any link?



A powerful argument against ESG is that in the long term, we are all dead. So why bother for the long term? A perfectly valid argument for a video game, where time is limited and fixed. Business in the real world is different and unlike bonds, businesses are not fixed period investments. Corporations, by definition, are perpetual in nature. Therefore, by not caring for ESG factor, we are hastening degradation. The price for the same will be paid by stakeholders of corporation only, investors being the biggest loser along with other stakeholders. It can be said with certainty that a business which has an unsustainable operation and is threatened of its survival will lose value. Studies carried out by organisations such as Arabesque Partners, Oxford University, MSCI, and Harvard have concluded that there exists a positive correlation between the company’s economic performance and its strategies and actions towards ESG areas.

Globally, the MSCI All Country World Index (ACWI) ESG Leaders Index rose 52% in the past five years vs. 39% for the MSCI All-country World Index (Source: Article titled “MSCI Says ESG Indexes Will Be Bigger Than Traditional Gauges” dated February 13, 2020 published by Bloomberg).

contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.”

One of the largest institutional investors, Blackrock’s CEO Mr. Larry Fink, has stressed in his letter ‘A sense of purpose’ to the investors that “To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive

Back home, based on data from NSE, ESG index companies on an average have performed better compared to other index companies. The Nifty 100 ESG (TRI) and Nifty 100 Enhanced ESG (TRI) have delivered 11.3% p.a. and 11.5% p.a. since 1 April 2011, which is 70 bp and 90 bp greater than returns of Nifty 100 (10.6% p.a.) respectively. Luckily, investors and analysts have started considering the non-financial parameters, both internal and external, to understand the potential impact of these identified

Period	NIFTY100 ESG TR	NIFTY 100 Enhanced ESG TR	Nifty 100 TR
7 year	13.5%	13.6%	12.6%
5 Year	10.3%	10.4%	9.6%
3 Year	16.4%	16.2%	15.1%
1 year	12.3%	11.5%	11.8%

As on 31st December, 2019 | Source: Presentation on ‘ESG Investing: Virtue in the stock market’ by Mr. Mukesh Agarwal, CEO, NSE Indices Ltd. | TR – Total Return | TRI: Total Return Index

parameters on the company’s performance and risk exposure to their investment. It is now clear that investor interest in responsible investing is gaining momentum, which demands for an objective, quantitative analysis of the effect of ESG for their portfolio’s performance. Increasingly, research analysts and the market regulators are emphasising equally on other non-financial factors that play an equal role in evaluating the company’s market valuation. ■

Prominence of ESG & the Present Study

Prominence being given to ESG in India is reflected in a large number of companies, representing major chunk of market capitalisation that are voluntarily providing integrated and/or sustainability reporting although not mandated. A first by India Inc., as rarely performance of India Inc. on a voluntary basis has been so encouraging. ESG performance becoming a vital criterion for eligible investment and institutional investors demanding ESG compliance has acted as a booster for disclosure.



The present study is an independent and systematic analysis and evaluation of ESG policies, disclosure and performance of selected companies of India Inc. This independent unbiased systematic assessment of ESG practices would help India Inc. to have a broader picture of India Inc.’s ESG footprint, benchmark it. It will further enable gap analysis and drive companies to achieve leadership status within their industry and achieve better performance. Additionally, it will give institutional investors a ready-made tool to benchmark companies. The study may also act as a catalyst and inspire companies that are at present not doing integrated reporting and are lagging in their ESG practices compared to peers, to follow better ESG practices. The end objective is to create an awareness so that appreciation for ESG becomes contagious and becomes ingrained in the organisational DNA.



First attempt for any systematic study of this kind is a challenging and difficult task, as there is nothing to look back. Hence, the first effort goes through many phases, beginning from researching legislative and voluntary guidelines and practices, comparing international practices with national practices, examining applicability of international best practices for Indian environment, framing issues and creating a model, creating benchmarks and finally assessing companies on parameters based on disclosures made.

The job was challenging, not only because of steps and work involved but also due to the fact that there is always a risk that some vital factors may be unintentionally overlooked or there could be disproportionate focus on an area at the cost of losing focus on other. To remove such potential shortcomings,

seeking intellectual inputs of non-interested, non-competitor institutions was the best possible solution. To this effect, SES collaborated with CAM, solely to seek legal inputs on the model developed by SES, and once the model was developed, SES independently carried out this study. ■

ESG Highlights

ESG model and analysis statistics:

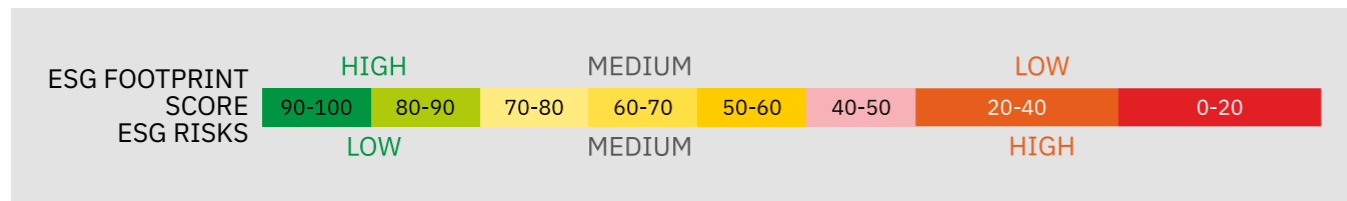
Sample companies were analysed based on a pre-determined set of questions and parameters.

Questions in the Model	Parameters Analysed in each Company	Total Parameters Analysed in Sample
244	1,069	53,450
TOTAL DATA POINTS ANALYSED		1,00,000+

To arrive at ESG score of sample companies, over one lakh data points were analysed. On an average, over 2,000 data points were used for one company.

ESG footprint:

ESG Scores¹ are also categorised into ESG footprint levels. Higher the score, higher the footprint and lower the risk.



Findings:

Top 3 industries		Top 3 companies	
	73.7 - Automobile		80.1 - Automobile
	72.1 - Chemicals		77.9 - Consumer goods
	72.1 - Consumer Goods		77.8 - Automobile

Note: Top 3 Industry: Average industry score; Top 3 Company: Top scoring company (referred as respective Industry)

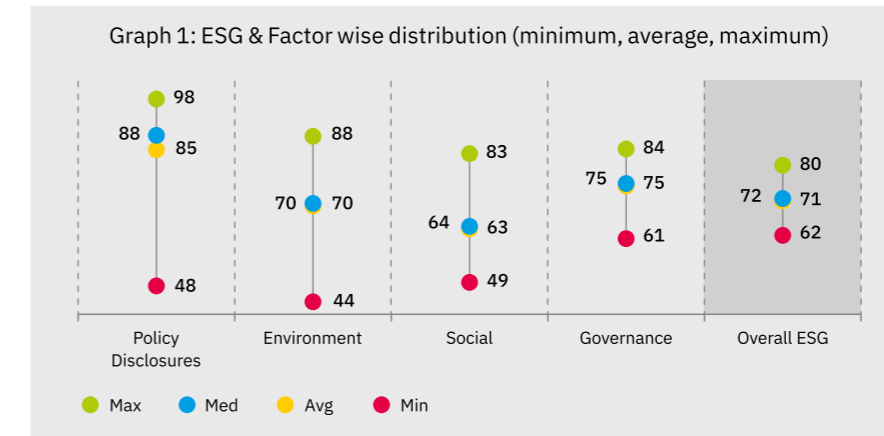
Worst performing industry		Worst performing company	
	69.4 - Metals & Mining		61.6 - Metals & Mining

Note: Worst Performing Industry: Lowest Average Industry Score; Worst Performing Company: Lowest Score of a Company

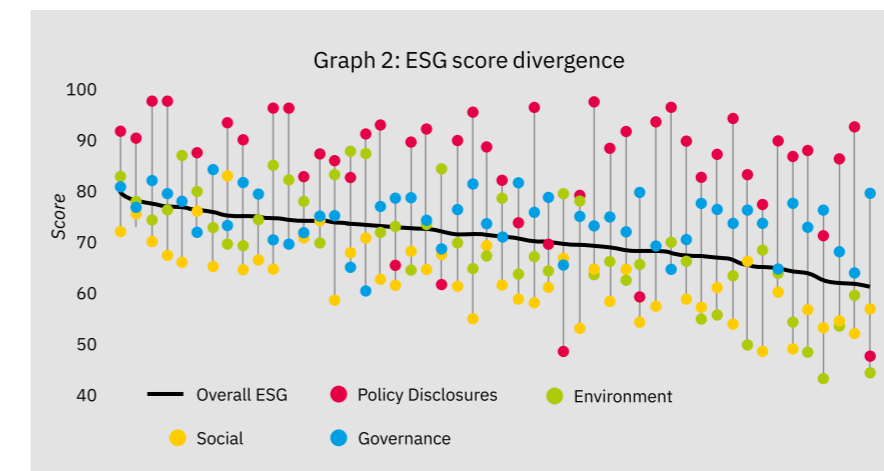
¹ ESG score of a company is out of 100. The scores are sometime also referred in % form. E.g. 75 score/75% score

ESG Highlights

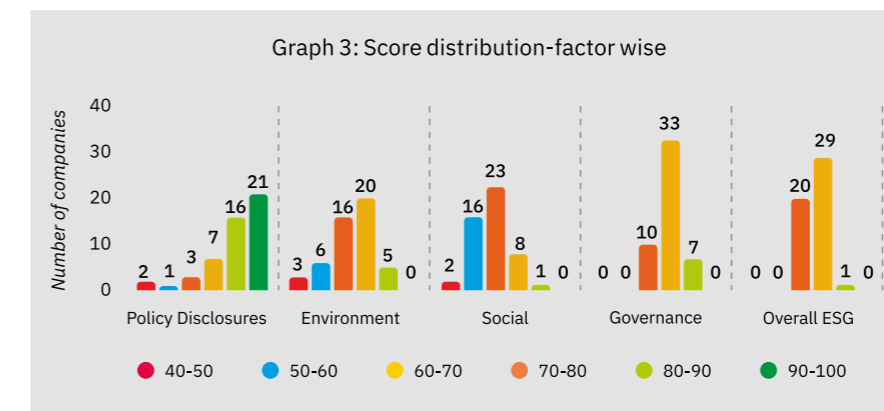
ESG score distribution:



Graph 2 highlights the ESG score of each sample company and divergence of score across policy disclosure, environment, social, and governance for each sample company.



Note: Overall ESG score of companies has been sorted from high to low (Left to Right)



Interpretation/ commentary:

Companies have largely scored better on policy disclosures followed by governance factor, compared to environment and social factors. On policy disclosures, 74% scored 80+, whereas on governance factor 14% scored 80+, with only 1 company having overall ESG score at 80+. Similarly, 36% companies had scored less than 60 on social factor, compared to 18% companies scoring less than 60 on the environment factor. Surprisingly, 3 companies scored less than 60 on policy disclosure, although these companies have better overall ESG score. Even divergence of score follows the same pattern amongst three factors - governance is in a narrow range, whereas E&S scores are comparatively staggered in a broad range. This is on expected lines; higher governance score is result of almost two decades of regulatory efforts, whereas E&S are new areas and mandatory push is missing. Apart from a lack of regulatory push, proper appreciation of E&S is not yet a part of corporate DNA, as much as one would like it to be. Additionally, disclosures differ from company to company and at times are not comparable. At times disclosure practices of a company differs Y-o-Y, which makes data difficult for comparison.

Policy disclosure:

A high average score on policy disclosure compared to all three parameters - E, S, and G - indicates time and effort gap in translating policy into action. This reflects reality; creating a policy is the first step, translating it into reality takes much more time and effort. In a few cases, policy disclosures could be just an academic effort to tick all the mandated check boxes. The lowest gap between policy score and factor (ESG) score is in the case of governance, which once again

explains the impact of regulatory push. The gap between maximum and minimum score in G factor (23), is much higher compared to E (44) and S (34) factors. Most importantly, comparatively low scores on E and S factors can be attributed to the fact that there are no regulations and until now, no scrutiny took place of disclosures and practices. Further, many gaps could be due to the fact that for these disclosures, there is no prescribed format and very little historical data. Hopefully, scores are likely to move up when companies develop a system and imbibe E and

S factors as a part of organisational culture, rather than regulatory or investors' requirement.

The scores reveal that a lot needs to be done for improvement in ESG practices and its disclosures by Indian corporates, especially keeping in mind that sample consists of **Crème de la crème of India Inc.** High scoring companies have made reasonably good disclosures. They still have room to do better and match global disclosure standards and improve their ESG focus to become world leaders. ■

Scoring Model & Factors

In the SES scoring model, companies were assessed broadly on four parameters - Policy, Environment, Social, and Governance. Factors under each category are listed in this section. However, detailed parameter-wise discussion and analysis is presented in the later part of this report.



I – Policy Disclosures

- 1.1. Principle-wise (as per NCGS) BR policy/policies
- 1.2. BRR implementation
- 1.3. General discussions



II – Environment

- 2.1. General disclosures
- 2.2. Products/services
- 2.3. Energy consumption
- 2.4. Renewable energy
- 2.5. Water consumption
- 2.6. Air emissions
- 2.7. Waste management
- 2.8. Environmental incidents



III – Social

- 3.1. Workforce
- 3.2. Health and safety
- 3.3. Relationship with local communities
- 3.4. Data security and customer orientation



IV – Governance

- 4.1. Board composition
- 4.2. Board committees
- 4.3. Director's remuneration
- 4.4. Statutory auditors
- 4.5. Audit and financial reporting
- 4.6. Stakeholder engagement
- 4.7. Others

Sample Selection

The first task for a study is to choose target/sample. For this study, SES has selected the sample based on broad criteria specified by NSE, keeping in mind objectives of the study.

Overarching consideration for inclusion was the availability of structured ESG data both qualitative and quantitative for at least two to three years. ESG analysis would not have been possible based on BRR alone. Some Indian listed companies, going beyond legal requirements, publish integrated or sustainability reports. It was obvious that this study could analyse only such companies.

Criteria for inclusion:

- Company must have disclosed either integrated or sustainability report or related report for FY 2018-19 on or before 15 January 2020 and
- Company is either
 - In top 10 company of the sector/ industry (maximum 10 companies in each sector)²; OR
 - Within list of top 100 companies by market capitalisation³; OR
 - Within list of Nifty 100 companies⁴; and
 - Not from IT/ banking / finance sectors

Why the IT / banking / finance sectors are excluded:

Direct environmental and social impact due to business operations of finance and IT companies are

minimal, compared to companies involved in other industries, especially companies involved in manufacturing activities, which have a high potential for negative impact (on E&S). To focus on such impactful companies, a conscious decision was taken to exclude finance & IT companies. The other reason was that these companies dominate the top 100 companies market cap list, and their inclusion would have made sample a biased one.

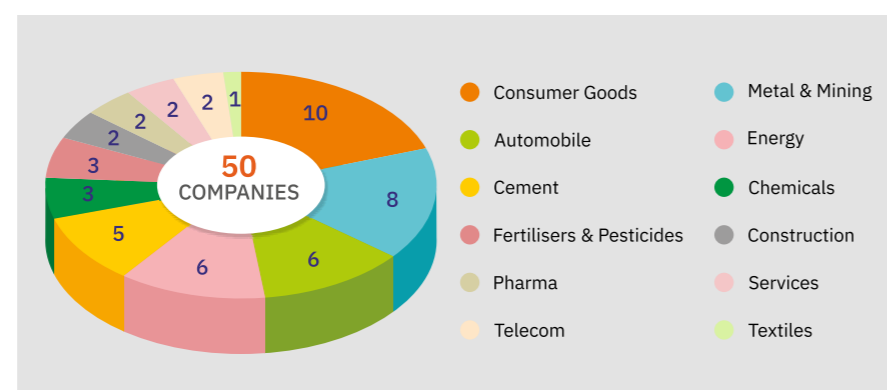
Final sample:

- 50 Companies
- 12 industries (excluding Finance/ IT), for analysis purpose, clubbed into eight industry groups
- Textile, telecom, services, pharmaceutical and construction, with less than three companies in the sample, are clubbed under 'Others'
- Sample has MNC, PSU and Indian promoter companies (as on 15 January 2020)

Indian Promoter	37	PSU	7	MNC	6
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- Market capitalisation: 41% of Nifty 100 companies and 30% of total NSE listed companies (as on 31 December 2019).
- Promoter managed - 48, professionally managed - 2
- In 48 promoter-managed companies, shareholding distribution is as below, with average at 52%:

% Promoter's Shareholding [®]	0 < 25%	25-50%	50%+
Distribution of 48 Companies [®]	1	13	34



Industry classification is based on NSE (Source: NSE website). Sector wise Complete list of companies (Annexure I).

² To ensure diversified coverage across various industries, top company from each industry were included first regardless of market cap ranking.

³ Market Capitalisation as on 3 December 2019

⁴ Nifty 100 as on 3 December 2019

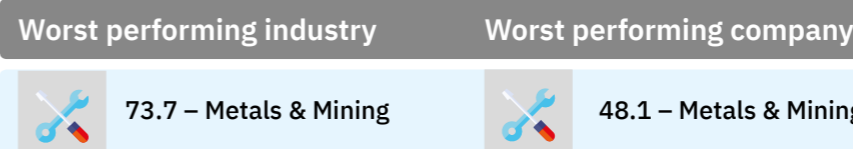
I. Policy Disclosure

Summary of Findings

This section analysed the company's disclosures in its Business Responsibility Report (BRR) which comprises nine principles of business responsibility, and general discussions on the E and S factors. The disclosures are further evaluated in detail in relevant sections, viz., environmental and social.

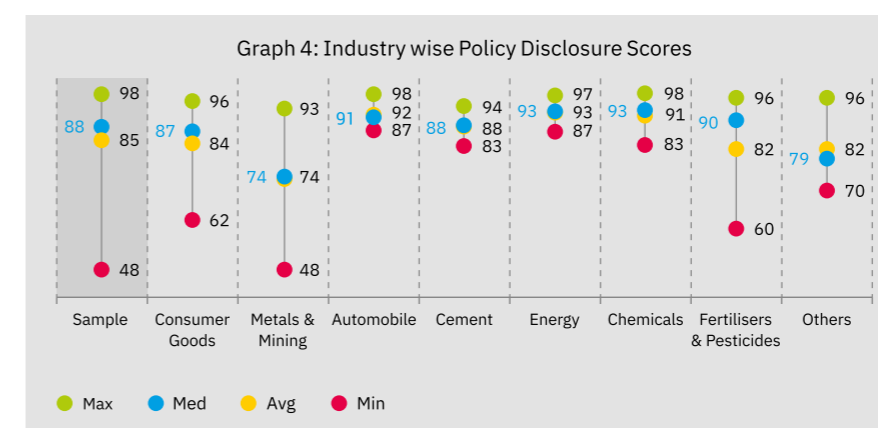


Note: Top 3 industries: Average industry score; Top 3 companies: Top scoring company (referred as the respective Industry)



Note: Worst performing industry: Lowest average industry score; Worst performing company: Lowest score of a company

Scores and distribution:



Interpretation/ commentary:

Overall sample companies have scored well in policy disclosures. This may be because of the fact

that the sample companies are mandated by SEBI to publish their BRR in prescribed formats. BRR requires companies to disclose if they have formulated policies

across nine principles of BR, reflecting that compliance in letter by most companies. Surprisingly, automobiles, chemicals, cement, and energy – the four most polluting industries, have come out better than compared to all other industries in policy disclosure, indicating level of awareness and concerns.

The BRR format requires companies to provide a 'yes/no' response to a set of questions on policy formulation across nine principles of BR. In case a company does not publish its BRR separately, it must provide a mapping of answers to questions under the BR format, with their sustainability report.

Four companies in the sample have provided mapping of BRR but did not specifically provide information in the tabular format for question 2 of BR format as prescribed by SEBI. As a result, information required to be disclosed in tabular format is not easily obtainable. In the absence of structured information, to reflect factual position, a manual search was done to ensure correct score wherever possible. However, from an investor's perspective, information should be readily available without much efforts or hassle. Therefore, as a policy, considering investor convenience, in the next evaluation exercise, such companies shall loose score if disclosures are not provided as per tabular format or in a consolidated manner at one place.



1.1 Principle-Wise (as per NVGS) BR Policy/Policies

Assessment factors:

- Assessment of company's responses to ten questions on nine BR Policies. (Reference: SEBI BRR format - Section D-Question 2)
- Scores of all companies in the sample were analysed for arriving at a policy disclosure score. (Overall 90 responses to 90 questions)

Principle-wise scores (as per NVGS⁵) response

Table 1 reflects minimum, average, median, and maximum percentage scores within the sample companies across each BR principle.

For complete scores of all sample companies across each BR principle and across each question, please refer Annexure II - Disclosure pattern in BRR table.

Table 1: Principles	Min.	Avg.	Med.	Max.
1 Businesses should conduct and govern themselves with ethics, transparency and accountability.	80	91	92	98
2 Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.	76	85	84	98
3 Businesses should promote the well-being of all employees.	80	90	90	100
4 Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.	78	92	93	100
5 Businesses should respect and promote human rights.	74	84	84	94
6 Business should respect, protect, and make efforts to restore the environment.	84	91	91	100
7 Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.	62	69	69	76
8 Businesses should support inclusive growth and equitable development.	80	91	91	100
9 Businesses should engage with and provide value to their customers and consumers in a responsible manner.	74	82	84	90

⁵ NVGs: National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business

- Among the nine principles, the least number of sample companies responded positively for disclosures on principle 7 (i.e., public advocacy). It had the lowest score on all four measures.
- For certain principles, such as P3, P4, P6, and P8, 100% compliance was observed with respect to policy formulation. Except for the question relating to formulation of policies, no other question observed similar highly positive response across the sample.
- One of the recurring reasons for not framing a policy on the principle 7 is that there is no specific/ formal policy on public advocacy. However, companies have stated that they indirectly covered aspects of principle 7 under other policies. This may be attributed to the fact that in India, advocacy, if at all done, is done in a non-transparent manner.
- The obvious reason for low score on this parameter is the general negative perception on advocacy. Culturally, advocacy is seen as an unethical method. Therefore, it is unlikely that this score will improve in the near future.
- The second worst response was with respect to the principles relating to 'respect and promoting human rights' and 'engagement and providing value to customers and consumers'. Once again, probably, these concepts are yet to be assimilated in our system.

1.1 Principle-Wise (as per NVGS) BR Policy/Policies

- Higher positive responses were found across principle 1 (ethics), principle 3 (employees), principle 4 (stakeholder), principle 6 (environment), and principle 8 (growth and equitable development - social responsibility). This can be attributed to the fact that some of these policies flow from various legal mandates in India. Hence, most companies have formal policies to comply with the law on these principles.

Question-wise (as per NVGS) response

Table 2: Questions	Min.	Avg.	Med.	Max.
1 Do you have a policy/policies for principle?	76	95	98	100
2 Has the policy been formulated in consultation with the relevant stakeholders?	70	86	90	90
3 Does the policy conform to any national / international standards? If yes, specify (50 words).	68	82	84	90
4 Has the policy been approved by the board? If yes, has it been signed by the MD/owner/CEO/appropriate board director?	68	85	88	94
5 Does the company have a specified committee of the board/director/official to oversee the implementation of the policy?	74	90	94	98
6 Indicate the link for the policy to be viewed online.	62	82	82	96
7 Has the policy been formally communicated to all relevant internal and external stakeholders?	74	89	94	94
8 Does the company have an in-house structure to implement the policy/ policies?	72	88	90	92
9 Does the company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/ policies?	64	85	86	92
10 Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	66	78	78	88

- Most sample companies responded in the affirmative to the question if they had formulated a policy on the principles of BR, taking the average percentage score to 95. The highest median of 98 was observed for the question related to formulation of BR policies. However, for other questions, such as, if the policy were formulated in consultation with relevant stakeholder, if policy conforms to national or international standards, or if policy was approved by the Board, sample companies on an average basis scored 81, which is 15% lesser than the highest average score of 95 on question 1.
- The lowest average score of 78 was observed for the question related to independent audit evaluation. Probably because it is not mandatory as yet, and on a voluntary basis, it might appear to be an avoidable cost, as its importance is yet to sink in.
- BR report format requires companies to disclose a link to view the policy on the company's website. On an average, there was no link provided for 18% policies in the sample companies, or such policies were not available on the company's website.
- In the absence of such hyperlinks, it is inconvenient for stakeholders to search a company's website to find relevant information, especially, for those stakeholders who are not tech-savvy.



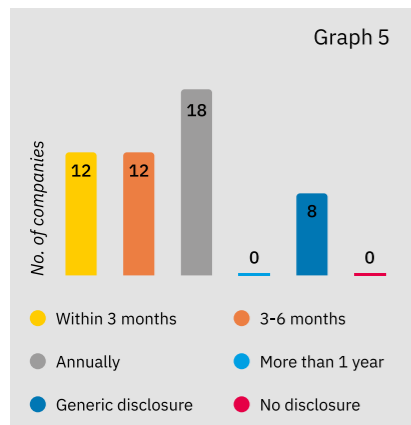
1.2 BRR Implementation

Assessment factors:

- The assessment of BRR performance and frequency of review by sample companies
- The participation of entities connected with the sample companies in BR initiatives

Assessment of BRR performance-frequency of review

- The law mandates that companies disclose frequency at which they evaluate implementation of BR policies. Because in the eyes of lawmakers, planning, execution, review, and corrective action are vital for any project. Regular meetings of audit committees and risk management committee are tools to manage risk and ensure good financial control system and are considered to be of high importance.
- Likewise, meeting of committee or team responsible for BR implementation is equally

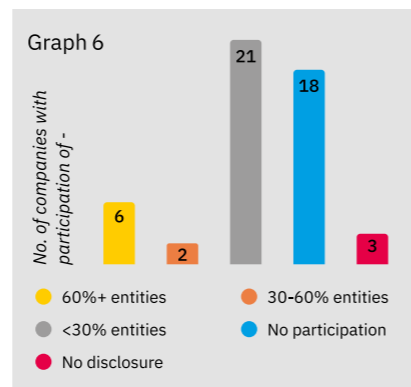


important to review BR initiatives and implementation plans of the company. SES assessed sample companies on this topic as well.

- 42 companies from the sample have specified the period in which they assess the BR performance, whereas the remaining 8 companies have provided generic information (e.g. Periodically).
- Only 12 companies have stated that they assess the performance quarterly.
- 5 (of 10) companies in consumer goods industry and 3 (of 8) companies in metals & mining evaluated the BR performance quarterly.

Business associate participation in BRR

- Environmental and social footprints of the company's products and services do not start or end with the company alone. They extend to raw material providers, suppliers, distributors, and consumers, who are important participants along the product life cycle. Hence, it is imperative that in the efforts of the company to improve its environmental or social impact, its BR initiatives must extend to and be applied by entities the company does business with.
- BRR format requires companies to assess participation of entities, such as suppliers, distributors, etc., in the implementation of BR practices of the company.



- Only 29 companies disclosed that other entity/entities (e.g. Suppliers, distributors, etc.) Participate in the company's BR initiatives.
- Out of such 29 companies, only 6 companies have mentioned that more than 60% other entities participate in their BR initiatives.
- 18 companies have disclosed that there is no participation and 3 companies have not provided any specific information in this regard.
- 2 (of 6) companies each, in automobiles, energy and 1 (of 3) company each in the chemical, fertiliser industries from the sample reported over 60% participation by other entities in BR initiatives of the respective companies.
- 6 (of 8) companies in metals reported no participation of other entities, followed by 60% companies in the cement industry. ■



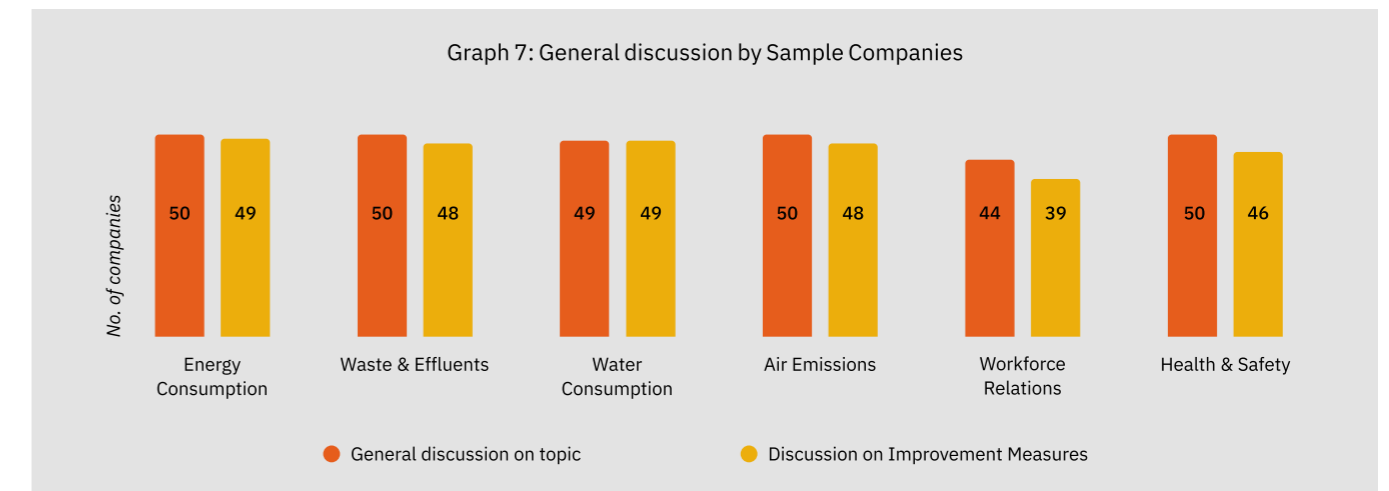
1.3 General Disclosures

Assessment factors:

- General disclosure and discussion on practices related to environmental impacts, such as air emission, water emissions, etc., by the management
- General disclosure and discussion on workforce diversity, workforce relationships, and health and safety-related practices by the management



As shown in Graph 7, E & S factor-wise disclosure was assessed.



- As ESG reporting is rather recent and not structured, SES looked at the Board's Reports, company's annual reports to find out whether companies have made discussions regarding E & S factors.
- It was a pleasant surprise to note that despite not having mandatory push, barring few, almost all the companies in the sample have discussed about various environmental and social

parameters. They have discussed initiatives or steps taken towards reducing their impact on the environment. Detailed, quality-wise discussions/disclosures are analysed separately under the environment and social sections.

- Only 6 companies in the sample have not made any discussion on labour/management relations, and 5 companies have made discussions on relations, but have

not disclosed any information on improvement if any of labour/management relations.

- All the companies in the sample have included discussions on occupational health and safety. However, 4 companies did not provide any detailed information on measures taken to ensure improvements in health and safety practices. ■

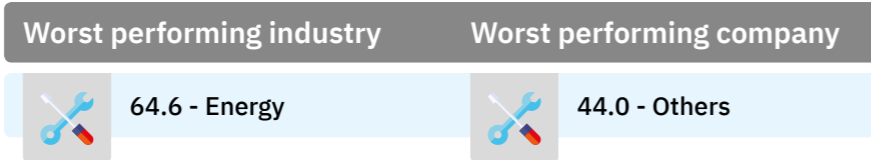
II. Environment

Summary of findings

Scores obtained by sample companies on E factor have been analysed mainly covering the company's disclosure regarding the impact of its operations on the environment and steps being implemented by the company to mitigate its environmental impact. Additionally, it was also analysed whether the company has managed to reduce its impact on environment and was meeting the set targets.



Note: Top 3 industries: Average industry score; Top 3 companies: Top scoring company referred as its respective industry



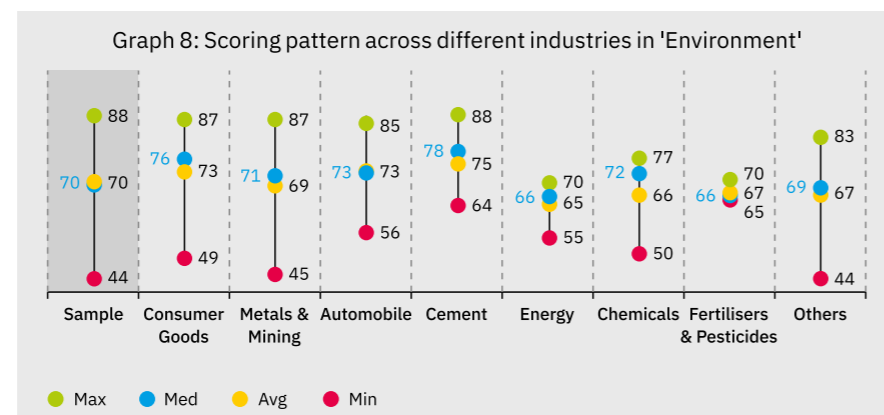
Note: Worst performing industry: Lowest average industry score; Worst performing company: Lowest score of a company

Environment-related risks can have serious ramifications on the company's financial performance, in terms of fines, shutdowns, and disrepute, if risks are not identified and handled appropriately in due time. India has set a series of targets to reduce its impact on the environment. Mere lip service may not suffice, as performance of companies would be not only watched by government agencies but also by the public as well as discerning investors.

due to lack of defined disclosure standards, despite paying attention to these risks and addressing the same, their score may not reflect the real position. Therefore, a more realistic picture would appear from next year onwards, when forward-looking companies standardise and enlarge not only their attention to E&S factors but also pay more attention to disclosures.

Interpretation / commentary:

Lowest score on the E factor of 44 obtained was almost 50% of the top score of 88, with average score being 70. Clearly, this indicates the wide gap between the top and the bottom. Amongst various industries, the highest divergence between lowest and highest score on E factor is observed in metal & mining sector, at 42%. It is ironical that second highest scoring company



These scores are an earnest attempt in identifying the risks that are faced by the company related to environmental factors and assessing the same against an objective measurement standard. It may be possible that the companies have undertaken various initiatives and steps to address their risks on environmental factors. However,

II. Environment

also belongs to the same sector. The lowest score in the metal and mining industry is also near the lowest score among the sample companies. It appears that the metal and mining industry's appreciation/concern for the E factor is not uniform. The highest scoring metal and mining company appears to be an outlier in the sector.

The least divergence (5) in scores across industries was observed within the fertiliser and pesticides industry, among the sample companies.

Wide divergence between high and low scores within an industry group indicates that although business is same, there is no symmetry in environmentally sustainable practices and disclosures on the same. On one hand, wide divergence is reflective of lack of mandatory provisions. On the other hand, it reflects a sense of concern to E factor as reflected in high E score on voluntary basis.

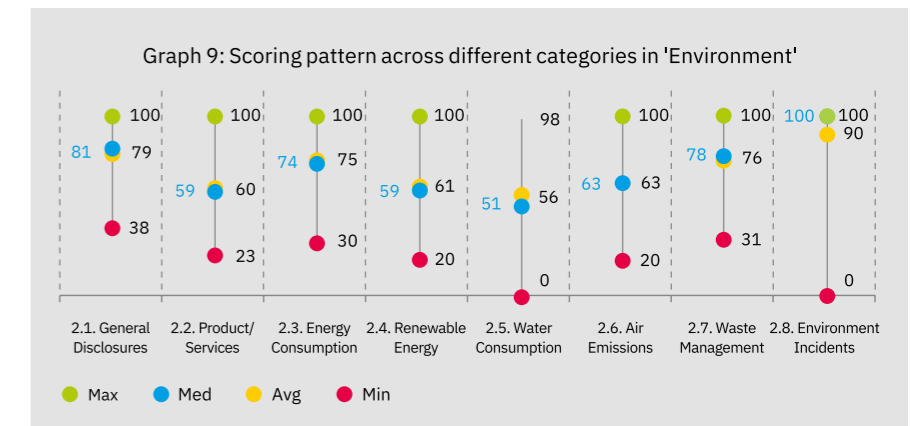
Cement and automobile companies, despite being one of the most polluting industries (in terms of product life cycle), have scored relatively better than all other sectors. Their lowest score on E factor is better than other sectors and their highest scoring companies are either at par or a few notches below the highest scoring company within the sample.

This is probably due to the fact that automobile and cement companies

are highly regulated industries, and because of their nature of business, have been in focus and received closer scrutiny.

Most automobile companies have business operations across multiple countries, which requires them to not only meet Indian standards but also global standards, thus resulting in better disclosure practices.

Category Scores in Environment:



- Across the eight categories analysed, in seven categories the highest score is 100. In water consumption, the highest score is 98. This indicates that there is at least one sample company (not necessarily same company) that has scored perfect 100 on 7 parameters.
- The lowest score across eight categories is 0, again on disclosures related to water, along with environmental incidents.
- Based on average score after general disclosures and environmental incidents,

energy consumption and waste management are the two most focussed areas.

- Water consumption is the most neglected area, based on the average and median scores.
- Once again, lack of disclosures could be the factor behind these low scores. ■



2.1 General Disclosures

Assessment factors:

General disclosure practices related to environment;

- Environmental policy and its applicability to other entities
- Assessment of environmental risks
- Strategies/initiatives to address environmental concerns
- Environment-related management systems and its certification



Maximum - 100

Best performing industry

Best performing company



91.5 - Fertilisers



100 - 3 Companies

Median - 81

Average - 79

Worst performing industry

Worst performing company



67.5 - Others



38.2 - Automobile

Minimum - 38

Selected initiatives

Three companies (from energy, metal and others) in the sample met all the parameters set for evaluation. These companies made the following key disclosures:

- Environment policy on website
- Environment programmes / initiatives
- Strategies / initiatives to address global environmental issues, such as climate change, global warming, etc.
- Information on environment risk assessment
- Projects on clean development mechanism

- Bio-Diversity

These companies were also certified with

- ISO 9001 – Quality Management
- ISO 14001 - Environment Management System
- ISO 50001 – Energy Management

Observations

General

- All the companies in the sample have disclosed that they have an environment policy.
- 34 companies have disclosed that their environment policy

is extended to group / joint ventures / suppliers/contractors / NGOs / others.

- The highest ESG scoring company disclosed that its environment policy extends to other entities and other entities' participation was more than 60%.

In view of the same, the company may have a relatively high impact on reducing negative environmental impact in cases where responsibility is not limited to the company, but is extended to various other entities or external stakeholders

2.1 General Disclosures

associated with the company as well.

- 48 companies have identified environment risk and have disclosed strategies or initiatives to address environmental issues caused by them.
- 30 (60%) companies do not have any projects under clean development mechanism.

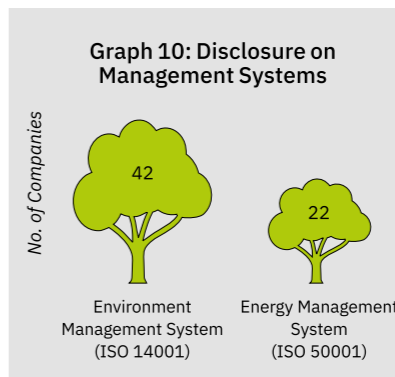
Clean Development Mechanism (CDM): CDM allows emission-reduction projects in developing countries to earn Certified Emission Reduction (CER) credits, each equivalent to one tonne of CO₂. These CERs can be traded and sold and used by industrialized countries to meet a part of their emission reduction targets under the Kyoto Protocol. (Source: The United Nations Framework Convention on Climate Change – UNFCCC)

- 11 companies had no disclosure regarding bio-diversity, planting of trees or increase of green cover.

Management Systems:

“Businesses should develop Environment Management Systems (EMS) and contingency plans and processes that help them in preventing, mitigating and controlling environmental damages and disasters, which may be caused due to their operations or that of a member of its value chain.” – SEBI BRR Circular

International Organisation for Standardization (ISO) states that “14001:2015 sets out the criteria for an environmental management system and can be certified to. It maps out a framework that a company or organization can follow to set up an effective environmental management system. It can be used by any organization regardless of its activity or sector.”



- Among the sample companies, 42 companies disclosed the existence of **Environment Management Systems**. The remaining companies have not provided information in this regard. All the companies in the energy and chemical sectors disclosed that they have an environment management system.
- Further, only 22 companies disclosed information about their **Energy Management System** and provided information on ISO 50001 certification. The highest disclosure was observed in automobile sector companies from the sample as 67% (4 of 6) companies provided information on energy management system. ■

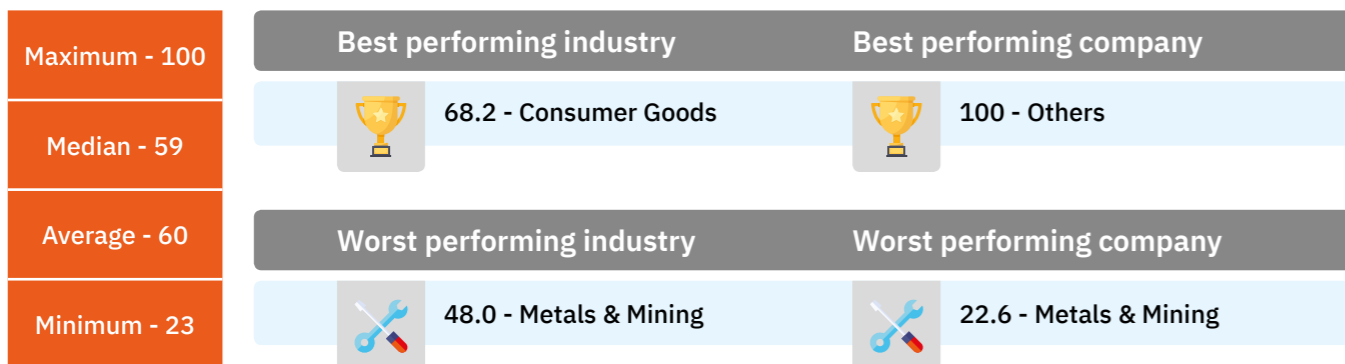
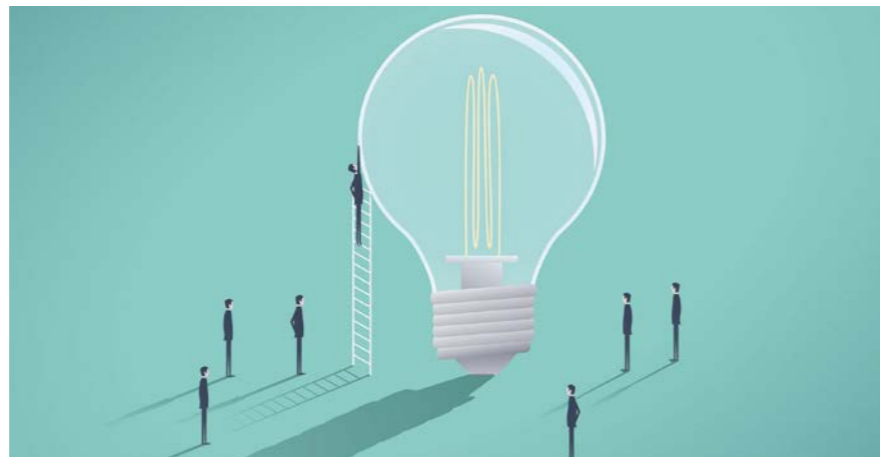


2.2 Products / Services

Assessment factors:

The company's disclosures and practices related to products or services impacting environment due to

- Sourcing of materials - sustainability issue
- Product life cycle assessment
- Product packaging



Selected initiatives:

Sustainable sourcing:

- Creation of a sustainable supply chain roadmap.
- Supplier assessment: Evaluation of suppliers on being quality centred, ethically driven, green inspired, and socially focused.
- Conducting responsible sourcing audit.
- Creation of 'Code of Conduct' for sustainable sourcing.

Life cycle assessment:

- Conducted LCA based on ISO 14040 and ISO 14044.
- Targets set to conduct LCA for all major/key products.

- Target to use LCA to undertake Environmental Product Declaration (EPD) for major/key products.
- Conducted LCA studies for evaluation of the opportunities for improvement in the value chain of products and implementation of appropriate interventions.

Product packaging:

- Collection of consumer packaging waste.
- Setting up 'buy-back' collection centres to collect plastic packaging for recycle and reuse.
- For single product, combining double (inner and outer) packaging to single packaging.

Observations:

Sustainable sourcing:

Companies do not exist in isolation; their supply chains are an integral part of their operations and are of utmost importance. Sustainability initiatives of the company in isolation would leave the company unprepared and open to risks from possible unsustainable operations of its business partners. Extending business responsibility initiatives of the company across its supply chain, including its suppliers, associates, and distributors, can have a lasting impact on the company's performance and preparedness in the long run.

2.2 Products / Services



SEBI BRR Principle 2 requires that businesses should assure safety and optimal resource use over the life cycle of the product – from design to disposal – and ensure that everyone connected with it: designers, producers, value chain members, customers and recyclers are aware of their responsibilities.

- ✔ Of 50 companies in sample, 48 have disclosed that they have procedures in place for sustainable sourcing.

- ✔ 39 companies disclosed steps or initiatives taken for sustainable sourcing.

- ✘ Only 14 companies provided statistical data on sustainable sourcing, though the level and type of disclosure differed from company to company.

- ✘ No uniformity was noticed in disclosures made under this category. While some companies provided data in absolute numbers, others provided in relative terms. In a few cases, data was provided only for a particular plant or location, rather than for company as whole.

- ✔ Almost all the companies have provided information about key activities or products/services.

- ✔ 44 companies provided information on products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

- ✘ Remaining 6 companies provided either very generic information or no information.

Product ban or product recall:



Incidences regarding banning products were observed mainly in pharmaceutical companies. Probably because of the fact that the industry supplies globally and is subject to stricter norms at a global level.



Product recall was observed the most in automobile industry (3 companies), followed by the pharmaceutical industry (1 company). Generally, products were recalled due to safety standards of the products.

Life cycle assessment:

SEBI BR Principle 2 states that "Businesses should assure safety and optimal resource use over the life cycle of the product. Product Life Cycle Assessment indicates cradle to grave impact on the environment by the product, which can be quantified and compared."

- 25 companies disclosed having performed life cycle assessments ('LCA') of their product.
- Out of these 25, only 9 companies disclosed that their assessment was based on national or international standards.



- ✔ The most comprehensive disclosure regarding life cycle assessments was observed in consumer goods industry, where 90% (9/10) companies have made that disclosure.

Product packaging:



- ✘ Only 21 companies provided information regarding packaging materials.

- ✔ 80% (8/10) companies in the consumer goods industry provided information regarding packaging. The industry is the largest user of packaging, as it produces goods for end use by consumers and requires use of packaging materials. ■

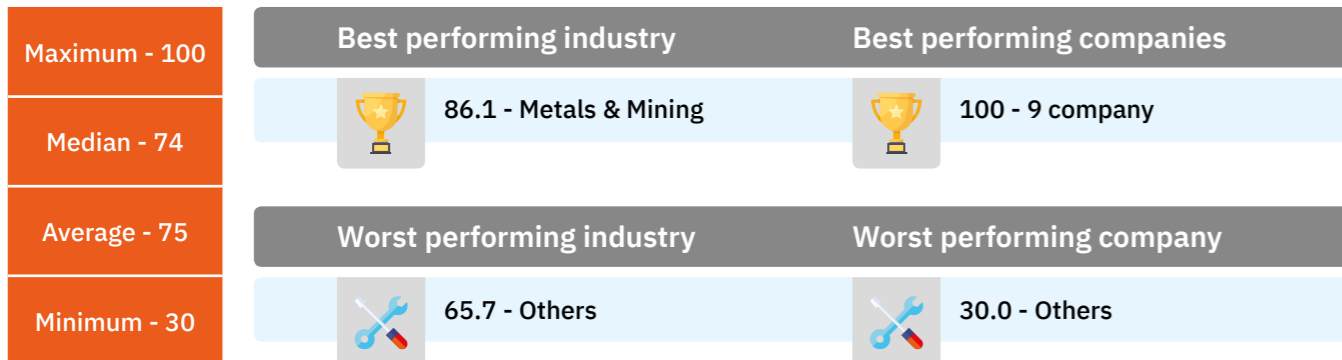


2.3 Energy Consumption

Assessment factors:

The company's disclosures and practices related to energy consumption:

- Disclosure of data on total energy consumption / energy intensity
- Reduction in total energy consumption / energy intensity
- Steps taken to conserve energy or reduce energy consumption
- Targets set and its achievements



Common initiatives:

- Use of energy efficiency products
- Change in business process for energy efficiency.

Selected initiatives:

- Conducting energy efficiency audits.
- Organising awareness and training sessions on 'energy audits' and energy management systems for sensitising and

upgrading the knowledge base of personnel across different plants.

- Monitoring energy efficiency of major suppliers and conducting energy audit at suppliers.
- Formation of energy cell / committee / team to identify and implement new and innovative measures for energy conservation.
- Energy Management System – ISO 50001 certification
- Encouraging employees to

undertake qualifications of an energy manager and energy auditor.

- Training and engagement with relevant stakeholders in building responsible behaviours in usage of energy and facilitating installation of energy efficient plant & equipment.
- Formation of energy management centre.

2.3 Energy Consumption

Observations:

Section 134 of the Companies Act, 2013 mandates disclosure of information relating to energy consumption and conservation.

- 'Conservation of energy' was a universally discussed issue.
- Few companies have made only generic disclosures related to impact on conservation of energy.
- Generic disclosure on energy consumption/usage data does not facilitate any meaningful analysis.
- As a best practice, steps or initiatives taken and their impact on conservation of energy in terms of specific disclosure on energy consumed figures should be disclosed.
- Energy reduction Y-o-Y in absolute terms may not reflect conservation or efficiency due to a variety of factors. Ideally, disclosure of energy intensity is a better benchmark.



Energy consumption 45
45 companies disclosed data on energy consumption.



Energy intensity 39
39 companies disclosed data on energy intensity or specific energy consumption.

- ✔ More than 80% of companies in the automobile (5/6) and metal (7/8) industries provided three-year data on energy intensity.
- ❌ The least disclosures are observed in the consumer goods and other industries.
- ❌ 11 companies did not disclose energy intensity. Therefore, they were analysed on the basis of total energy consumption.
- ✔ 38% (3/8) metal companies reported a decrease in energy intensity for last three years.
- ✔ All the companies in the automobile and chemical industries reported a decrease in energy intensity for at least one year (out of last three years).
- ❌ 40% (2/5) companies in cements and 30% (3/10) companies in consumer goods reported an increase in energy intensity for the last three years.



Energy consumption 3
3 companies reported a decrease in total energy consumption for the last three years (among the 11 companies which did not disclose data on energy intensity).



Energy intensity 3
8 companies reported a decrease in energy intensity for the last three years.

Energy is an essential factor of production. However, the negative impact of energy usage on the environment must be reduced by increasing the usage of renewable and clean sources of energy and improving energy efficiency through energy-saving equipment. ■

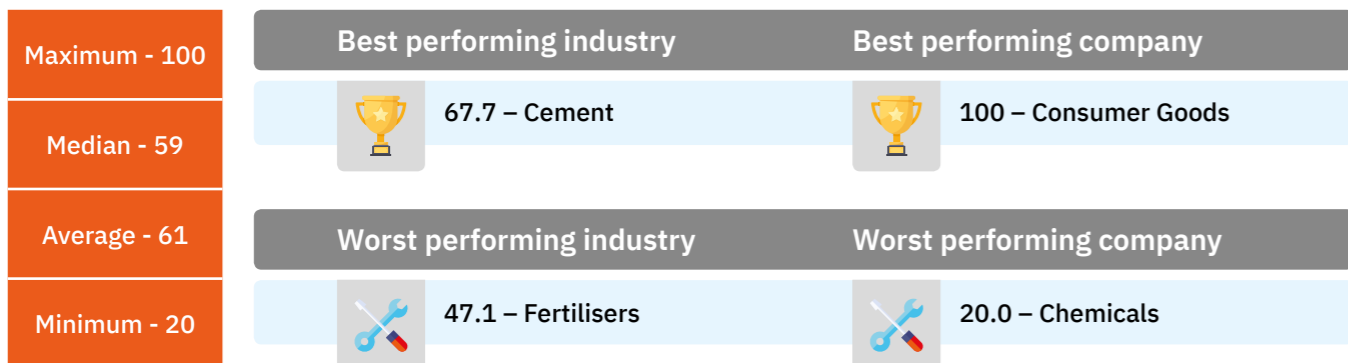


2.4 Renewable Energy

Assessment factors:

The company's disclosures and practices on the usage of renewable energy in its total energy mix.

- Renewable energy usage data
- Steps or initiatives taken to increase renewable energy usage
- Investment on energy conservation equipment
- Targets set vs. Achievements



Common initiatives:

- Capital investments were made to set up solar plants, rooftop solar panels, windmill plants, biomass energy projects, etc.

- Installation of solar energy equipment for suppliers.

Observations:



In Paris Accord on Climate Change, India made a pledge that by 2030, 40%⁶ of installed power generation capacity shall be based on clean sources, it was determined that 175 GW of renewable energy capacity will be installed by 2022. This includes 100 GW from solar, 60 GW from wind, 10 GW from bio-power and 5 GW from small hydro power.



Data Disclosure 35

35 companies provided statistical data on the amount of renewable energy used.



Steps / Initiatives 48

48 companies have disclosed steps taken or initiatives to increase usage of energy from renewable sources.

2.4 Renewable Energy

- 70% (7/10) companies in the consumer goods industry disclosed data on renewable energy usage. 67% companies from the automobile (6/8) and chemical industries (2/3) have disclosed the data.
- The least disclosures were observed in companies from the metals and other industries.
- Almost all the companies in the sample disclosed steps or initiatives taken towards progressively increasing renewable energy usage.
- 2 companies from the automobiles and chemicals industries did not make any specific disclosure regarding steps or initiatives taken by them.

- The consumer goods industry disclosed targets and an increase in usage of renewable energy, both in absolute numbers and relative terms.
- 5* companies in consumer goods have reported renewable energy consumption of 30%+ from total energy consumption (*among companies 7 companies that have disclosed renewable energy % consumption data)
- Highest % renewable consumption among consumer goods stood at 73%.
- 2 companies each in automobiles and fertilisers & pesticides reported renewable energy consumption of more than 15% from total energy consumption.

- Out of the remaining companies reporting decrease in investments, 13% companies reported decrease in investments for last two year, yet reported an increase in renewable energy usage, probably as a result of earlier investments. ■



Renewable usage ↑ 15

15 companies reported an increase in renewable energy usage either in absolute terms or an increase in contribution in total energy consumption, for last 3 years.

Investment in renewable energy:



- 38 companies disclosed the amount of investment made by them on energy conservation equipment. 2 companies disclosed about investments but did not provide the amount of investment. Rest 10 companies did not provide any information in this regard.



Targets 17

17 companies disclosed targets or goals to increase renewable energy usage. However, only 7 companies have been able to achieve the set target.

- 12 companies reported increase in investments for last two years. 9 companies reported increase for 1 year.



2.5 Water Consumption

Assessment factors:

The company's disclosures and practices on water usage or consumption:

- Disclosure of data on total water consumption/water intensity
- Steps or initiatives taken to reduce/recycle/reuse water
- Rain water harvesting system
- Targets set vs. Achievements



Maximum - 98

Best performing industry

Best performing company



85.3 – Cement



98.3 – Consumer Goods

Median - 51

Average - 56

Worst performing industry

Worst performing company



39.1 – Energy



0.0 – Others

Minimum - 0

Common initiatives:

- Use of water from rainwater harvesting systems – roof top collection, creation of retention ponds, storage tanks, etc., and treatment of wastewater – recycle and reuse.

- Conducting third-party 'water audit'.
- Creation of bunds, gully pugs, contours and terraces, and rainwater harvesting ponds.
- Installation of water efficient fixtures, sensors, and various other gears.

Selected initiatives:

- 9 companies were 'water positive'
- Plants running without dependency on external water sources – An achievement through rainwater harvesting systems, recycle, and reuse of wastewater.

- Training and awareness sessions on statutory and technical aspects of rainwater harvesting.
- Enhanced awareness at sites through displays on water conservation.

Observations:



'Ministry of Water Resources, River Development, and Ganga Rejuvenation'⁷ data reveals that,

- The average annual per capita water availability in the year 2011 was assessed at 1,545 cubic meters, which is expected to reduce further to 1,340 and 1,140 in the years 2025 and 2050 respectively.
- The annual per capita water availability of less than 1,700 cubic meters is considered as water stressed condition, water availability below 1,000 cubic meters is considered as a water scarcity condition.

⁷ Annual Report of Ministry of Water Resources, River Development and Ganga Rejuvenation for 2018-19 (Weblink)

2.5 Water Consumption

Signs of war over water and water-related risks are visible. Issues of pollution of groundwater, river, pollutants discharge and depletion of groundwater have disrupted operations of few companies in past. The risk is no more a theory or a distant possibility.

As India in the water-stressed category, optimum use of water and minimal negative impact on water resources are two major risk mitigation measures to ensure sustainable business operations.



Water consumption 44

44 companies disclosed data on water consumption or usage.



Water intensity 27

27 companies disclosed data on water intensity or specific water consumption.

- In case of water intensity disclosure, the highest disclosure of data was observed in the automobile industry, followed by the metal and chemical industries.
- 23 companies provided information on water consumption. However, they did not disclose data on water intensity. They were analysed on the basis of water consumption data.



Consumption reduction 3

3 companies reported a decrease in total water consumption or usage for the last three years (among 23 companies which did not disclose water intensity).



Intensity reduction 7

Overall, only 7 companies reported a decrease in water intensity for the last three years. 13 companies reported a decrease for two out of the last three years.



Rain Water harvesting 48

48 companies discussed rainwater harvesting. However, 37 such companies provided details on initiatives taken by them regarding rainwater harvesting.



Targets 19

19 companies disclosed the targets or goals to decrease freshwater consumption. However, only 13 such companies have been able to achieve the set target.

- Among companies that disclosed water intensity, 2 companies in cement industry which disclosed data reported decrease in water intensity for the last three years.



2.6 Air Emissions

Assessment factors:

The company's disclosures and practices on air/GHG emissions:

- Disclosure of data on total GHG /carbon emissions or GHG / carbon intensity
- Steps or initiatives taken to reduce GHG/carbon emissions
- Emissions within limits of CPCB/SPCB⁸
- Targets set and its achievements



Maximum - 100

Best performing industry

Best performing company



71.2 – Automobile



100 – Consumer goods

Median - 63

Average - 63

Worst performing industry

Worst performing company



47.3 – Chemicals



20.0 – Chemicals

Minimum - 20

Common initiatives:

- Increase in use of energy from renewable sources, clean energy, energy efficient equipment.

Selected initiatives:

- 10 companies have signed for Science Based Targets initiative (SBTI).
- Few companies have the status of being 'carbon positive'.
- Plants certified for Carbon Neutral - Achievement through energy efficiency, use of renewable energy and planting trees to absorb residual carbon.

- At the consumer end, reducing CO₂ emissions in new products/ models compared to previous products/ models.
- Use of carbon price as a tool to assess projects before implementing them.
- Some companies engaged in oil business, reduced transportation by installation of pipeline networks.
- Afforestation programmes and planting trees/plants/saplings within factories or surrounding communities.
- Decrease in transportation

- frequency - Efficiency of processes and reduction in the count of trucks by using bigger truck types.
- Reducing employee travel frequency – Meetings conducted through video communication platforms.

⁸ CPCB: Central Pollution Control Board | SPCB: State Pollution Control Board

2.6 Air Emissions

Observations:



As per Paris Agreement, India's Nationally Determined Contributions (NDCs)⁹ has three numeric targets for 2030: reduce emissions intensity by 33% to 35% from 2005 levels, achieve an installed power capacity of 40% from non-fossil fuel sources and create an additional carbon sink of 2.5–3.0 gtcO₂e from forest and tree cover.

The government has put in place laws and taken steps towards reducing carbon emissions. Air emissions in excess of prescribed norms pose additional risk for business, thus target setting, monitoring, evaluation and disclosures of emissions is vital for all companies. Accordingly, companies were analysed on the steps or initiatives taken by them to reduce emissions, effectiveness of the steps taken and their ambitions to reduce emission in the near future.

- 100% of sample companies provided disclosures on initiatives regarding reducing GHG/carbon emissions generated through their business operations.

⁹ Source: Emissions Gap Report 2019 - United Nations Environment Programme



GHG emissions **45**

45 companies disclosed data on GHG / Carbon emissions.



GHG intensity **35**

35 companies disclosed data on GHG emission intensity or specific GHG emissions.

- All the companies in the automobile, cement, and energy industries provided data on GHG/carbon emissions in absolute terms, followed by 83% (6/8) companies in the metal industry and 80% (8/10) companies in consumer goods.

- GHG intensity disclosure was observed the least in the consumer goods and cement industries. Though cement companies provided data on emissions, they lagged in disclosing emission intensity data.



GHG emissions reduction **6**

6 companies reported a decrease in total GHG/carbon emissions for the last three years (among 15 companies which did not disclose GHG/carbon emission intensity).



GHG intensity reduction **6**

Overall, only 6 companies reported a decrease in GHG/carbon emission intensity for the last three years. 15 companies reported a decrease for two out of the last three years.

- 50% plus companies from metals and automobiles reduced intensity for at least two out of the last three years.

- Approximately 70% companies in consumer goods reduced either their energy consumption or energy intensity in the last three years.



GHG emissions targets **21**

21 companies disclosed their targets or goals to decrease emissions. However, only 6 companies have been able to achieve the set targets.



Notices / observations **19**

19 companies received show-cause notices/observations from CPCB/ SPCB regarding emissions, in the last three years. ■



2.7 Waste Management

Assessment factors:

The company's disclosures and practices on waste generation and waste management:

- Types of waste: Effluents and solid waste (hazardous/non-hazardous)
- Steps or initiatives taken to reduce / recycle / reuse
- Discharge of Effluents
- Waste generation within limits of CPCB / SPCB



Maximum - 100	Best performing industry		Best performing company	
	84.5 – Automobile	100 – 4 Companies		
Median - 78				
Average - 76	Worst performing industry		Worst performing company	
Minimum - 31	64.9 – Chemicals	31.0 – Metals & mining		

Common initiatives:

- Installing effluent treatment equipment, recycling solid waste through in-house treatment facilities or sending waste to waste recyclers, or to other companies for co-processing.

- Treated effluents used for plantation, gardening, horticulture, washing, toilet flushing, etc.
- Pet water bottles replaced with glass bottles/steel bottles in the conference rooms and meetings rooms.

in 2016. These rules have created stricter norms and risks, as well a window of opportunity for companies.

- 49 companies have provided information about their waste generation.
- Out of these, 33 companies have provided information with respect to categories or type of waste generated.
- 16 companies provided generic information regarding categories or types of waste generated, whereas one company did not provide any information in this regard.

Selected initiatives:

- Zero wastewater discharge status, i.e., wastewater is treated and reused within premises and no wastewater is discharged outside – recycle and reuse of treated wastewater.
- Zero waste to landfill – recycle of waste or forward as 'circular economy' viz., waste used as raw materials by other industries.

Observations:



The Indian government has notified various rules with respect to solid, plastic, e-waste, bio-medical, hazardous & construction waste management,

2.7 Waste Management

As per BRR disclosure requirements, companies are required to disclose whether they have any mechanism to recycle products and waste.

90%

Companies disclosed that they have mechanisms to recycle products or waste. They have also provided information regarding the steps or initiatives taken.



8%

Only disclosed the fact about having mechanisms in place to recycle. However, they did not provide information regarding steps taken or initiatives taken.



2%

Have provided no specific information about having any mechanism to recycle.



Recycling targets

29

21 companies disclosed data on or % of waste recycled or reused through their initiatives.



Notices / observations

17

17 companies received show-cause notices/ observations from CPCB/ SPCB regarding emissions in the last three years.

The fact that 34% companies have received show-cause notices indicates a lack of concern and reveals that the issue has not received serious attention it deserves. If this is the state of top companies, can one hope that rest of the companies would be in better shape? There would hardly be any buyer for this argument.

Effluents Emission:



GRI defines effluents as treated or untreated wastewater that is discharged. Untreated wastewater harms the environment. Poorly treated wastewater has a cascading negative impact on the usable water sources and limits usability, thus ultimately impacting all stakeholders, mostly various living creatures in this world.

Among the sample companies, it was observed that 23 companies provided generic information regarding effluents and 4 companies did not make any discussion in this regard. ■



2.8. Environmental Incidents

Assessment factors:

- Environmental incidents that may pose a risk for the company or its reputation

Occurrence of any environment incident was researched and scored.

Data on environmental incident was sourced from disclosures by company concerned in their annual or sustainability reports or disclosure on stock exchange or news articles.

Environment incidents are defined as incidents affecting the environment caused by business operations of company through its products, processes, inputs used, etc.

Impact on the company's business operations due to change in regulatory requirements related to environment standards was also analysed.

6 companies in the sample had some environmental incidents. 2 each are engaged in the energy, metal, and cement industries.

- Air pollution and/or water pollution were the general causes of concern.



CHANGE OF LAW:

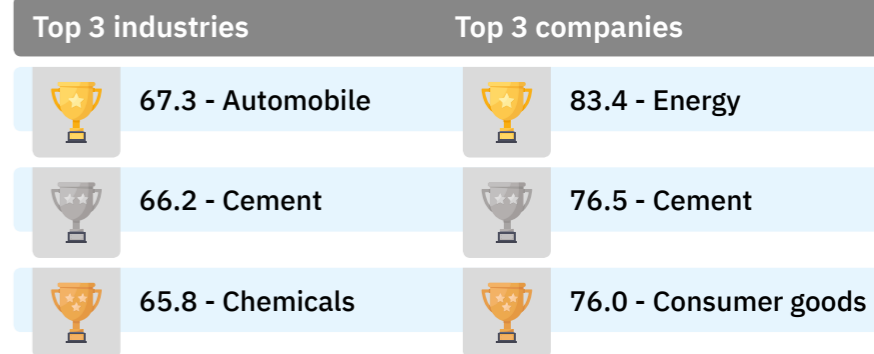
Transition from Bharat Stage (BS) IV to BS VI emission standards w.e.f. 1 April 2020* has directly impacted the automobile industry, necessitating industry to invest more to upgrade their systems to comply with BS-VI. Failure to do so may have an adverse impact on business.

*Union Ministry of Road Transport and Highways has advised NIC to facilitate the States /uts in limited registration of BS-IV vehicles all over India except Delhi/NCR in compliance with Supreme Court directions contained in its order dated 27.3.2020. The Supreme Court has allowed limited and conditional sale and registration of not more than 10 per cent pending BS-4 stock (as conveyed to the Apex Court) with vehicle dealers (except in Delhi, NCR), within 10 days of lifting of the lockdown in a city following outbreak of Covid-19 in the country. The Apex Court has however maintained the stay on sale and registration of such vehicles in Delhi NCR. [\(Weblink\)](#)

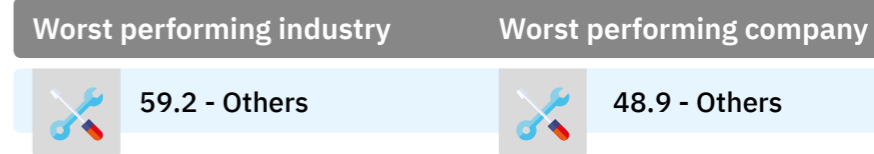
III. Social

Summary of Findings

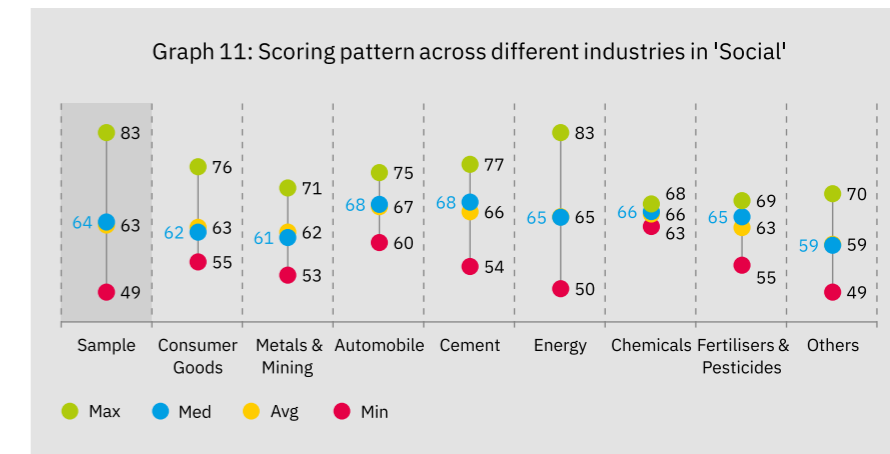
Scores obtained by the sample companies on S factor have been analysed under this head, mainly covering the company's disclosure regarding its relationship with its human capital and relationship with its stakeholders. Analysis included evaluation of practices and policies adopted by the company for fair and equitable treatment of all stakeholders.



Note: Top 3 industries: Average industry score; Top 3 company: Top scoring company (referred to as the respective industry)



Note: Worst performing industry: Lowest average industry score; Worst performing company: Lowest score of a company



The average score of four social factors, across the sample companies was 63, with a high of 83 and low of 49. Median score was 64.

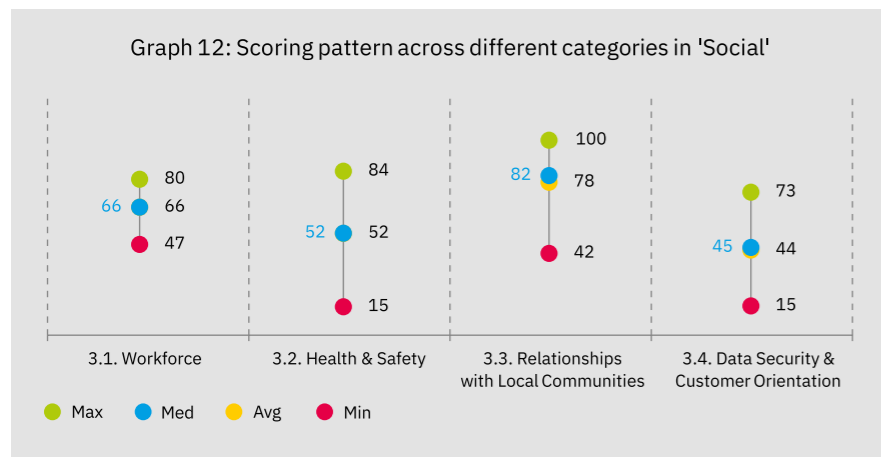
Low scores explained:

Sample companies missed out mainly due to inadequate disclosures on the number of workforce, employee relation practices, training of employees, health and safety, fatalities,

stakeholders' relationships, data security, and the impact of the company's business operations on local community.

The metal industry, while leading in terms of the number of employees in the sample companies, had the second lowest average score of 62, marginally ahead of the 'other' category which scored 59.

Category Scores in Social:



- **Least focused area** - Data security, health, and safety, across the sector as well as the individual company.
- **Most focussed area** - Relationship with local community - probably due to the impact of CSR.
- **Maximum divergence** - Health and safety ■



3.1 Workforce

Assessment factors:

Disclosure on workforce and various workforce-related practices:

- Workforce details and workforce diversity
- Equal opportunity
- Training on skill development
- Industrial relations



<p>Maximum - 80</p> <p>Median - 66</p> <p>Average - 66</p> <p>Minimum - 47</p>	Best performing industry		Best performing company	
		69.5 - Cement		80.0 - Cement
	Worst performing industry		Worst performing company	
		63.1 - Automobile		46.5 - Automobile

Employee Statistics¹⁰

Total employees					
Total		Industry topper (average number of employees)			
	8,84,909		55,155 Metals		15,800 Energy




Women employees					
Total		Industry topper (average employees in number & as % of total)			
	73,007		3,365 Metals		3,111 Others
%	8.25%		20.83% Others		9.09% Consumer goods






Employees with disabilities					
Total		Industry topper (average number of employees)			
	3,804		214 Energy		211 Metals




¹⁰ Based on disclosures made by the company with respect to permanent employee.

3.1 Workforce

Employee Statistics¹¹

Total employees				
Total	Best & worst company			
		2,85,479 Metals		380 Consumer goods

Women employees (# & %)				
Total	Best & worst company			
		19,779 Metals		8 Services
%		78.22% Textiles		0.65% Services

Employees with disabilities				
Total	Best & worst company			
		782 Metals		7 Companies with 'Zero'

Note: 6 companies have provided no information on 'Employees with Disabilities' | Textiles & Services belongs to 'Other Category'

It was observed that the metals industry, on average, has the largest workforce. As a result, the metals industry has the largest number of female employees. However, female employees account for just 6% of the total permanent employees.

On the other hand, one company from the textile industry under the 'Others' category has outperformed all other sample companies employing 78% female employees.

This ratio is also an exception and an outlier, as the next best company from the Consumer goods industry has 26.22% female employees.

Women Employees % (Top 5)			
Industry (Average)		Companies (Industry)	
Textiles	78.22%	Textiles	78.22%
Pharma	16.92%	Consumer goods	26.22%
Services	10.00%	Consumer goods	21.32%
Consumer goods	9.09%	Pharma	18.11%
Telecom	8.91%	Pharma	15.78%

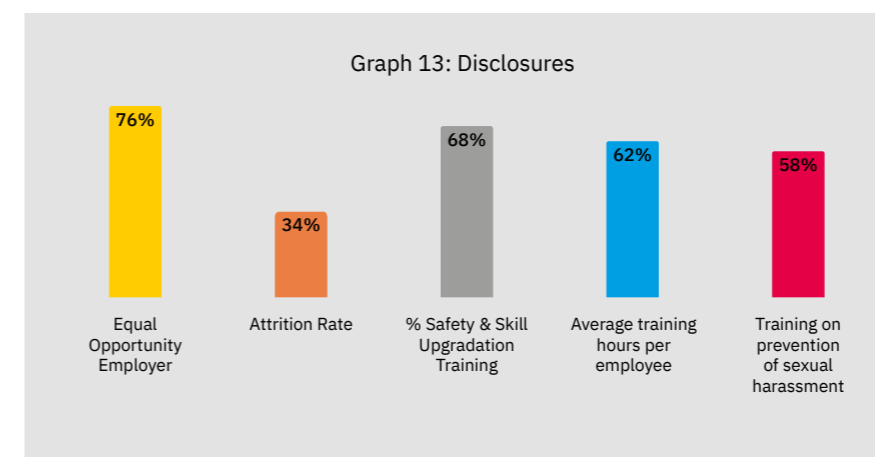
*Permanent employees

Within the industries, in 'Others' category the average ratio of male to female employees in pharmaceutical companies appears to be second best at 16.92%.



- 3** Industries have an average of 10% or more permanent women employees
- 10** Companies have more than 10% permanent women employees

¹¹ Based on disclosures made by the company with respect to permanent employees.



3.1 Workforce





Equal opportunity employer:

-  76% companies disclosed that they are an equal opportunity employer.
-  Only 3 Industries had 10% or more women employees in the total workforce.

Training:

-  Only 68% sample companies provided data on safety training and skill upgradation, although the BRR format includes a direct question on the same.
-  Companies have generally provided man hours of training. Only 3 companies have not provided any data regarding training.

Complaints Reporting	Disclosure*	Complaints Received
 Child/ forced / Involuntary labour	48	0
 Discriminatory Employment	44	1

*No. of companies reporting complaints

- 2 companies did not make disclosures on the number of complaints related to child/ forced/involuntary labour. However, they provided data on various initiatives for betterment of children.
- During FY 2018-19, among the sample companies, only one complaint was reported regarding discriminatory employment.
- 6 companies did not disclose the number of complaints on discriminatory employment. However, they had discussed about being equal opportunity employer.

3.1. Workforce



According to publication of 'Ministry of Statistics and Programme Implementation', namely 'Children in India - 2018'¹², there were 1.01 crore working children as per census 2011.

As against the above data it appears that as far as this sample is concerned, problem of child labour seems to have been fully eradicated. Are these companies' outliers or child labour does exist and not properly reported?

Though sample companies have not reported any child labour complaints, the data relates to the company only, and no data is provided for child labourers employed by stakeholders associated with the company. There may be instances in a certain industry wherein contractors,

sub-contractors, suppliers, etc., may have employed children. However, this does not form a part of the company's disclosure practices.

This issue can be handled if the company's BR principles are extended to the stakeholders and companies implement and penalize the laggards. Further, companies should endeavour to make such disclosure a part of their sustainability reports, so that investors are aware when companies go the extra mile to be sustainable in its true sense.



Employees relationships:

42% disclosed information although disclosures largely had generic information.

Based on the news articles or information available in public domain, it was observed that 10% companies reported some sort of disputes with the employees which resulted in strikes/stoppage in normal business operations (even though for a short period in some cases). ■



¹² 'Children in India 2018' by 'Ministry of Statistics and Programme Implementation' ([Weblink](#))

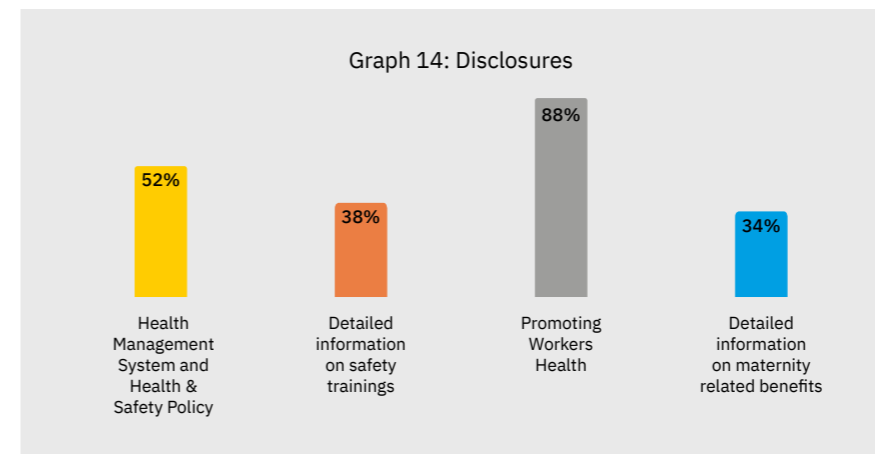
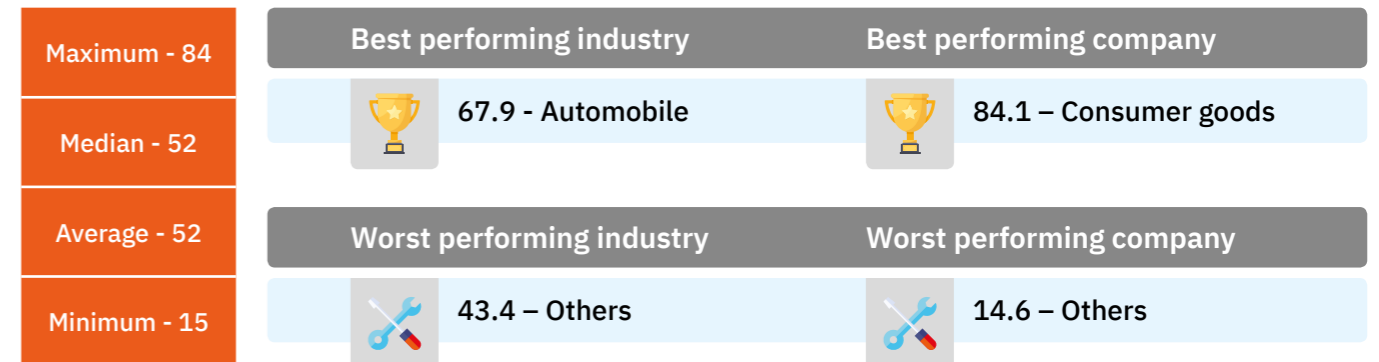


3.2 Health & Safety

Assessment factors:

Disclosure & practices on health & safety of the Company:

- Health & safety practices
- Training on safety
- Workers' health
- Sexual harassment practices



Fatalities reported	93
Highest fatalities	
Metals & mining	28
Construction	23
Energy	18
Cement	11
Automobile	7
Fatalities / 10,000 employees*	
Construction	5.0
Chemicals	3.8
Fertilisers & pesticides	3.7
Cement	2.7
Energy	1.9

*Based On Permanent Employees

3.2 Health & Safety

Fatalities:

Maximum (28/93) fatalities were reported in metals, followed by the construction, energy, cement, and automobile industries.

The fatalities in these industries are generally brushed aside as “owing to the nature of business”. Can one say that these industries would always

remain so risky? Are these high-risk sectors? Certainly not! H&S factor in these industries can certainly improve.

High fatalities in these industries indicate that the companies have a major scope for improvement on their health & safety practices.

Injuries:

No consolidated injuries data could be highlighted, as there was no symmetry in the disclosure practices of the company. Some companies report injury lost time in hours, injury lost time in days, injury loss rate, etc.

Anti-sexual harassment policy		Internal complaints committee	
Disclosed presence	40	Disclosed presence	50
Disclosed policy	22	Disclosed composition	3

Sexual harassment complaints reported - 185

It was observed that 10 companies in the sample did not disclose specifically about having framed the anti-sexual harassment policy, though they have disclosed that they have a mechanism in place for the prevention for sexual harassment.

During FY 2018-19, a total of 185 sexual harassment complaints were reported by 30 sample companies. No complaints were reported by 20 companies.

Out of total complaints, 24 complaints were pending at the end of financial year.

Complaints / 10,000 Employees*	
Services	21.4
Telecom	15.6
Pharma	6.3
Chemicals	5.7
Consumer goods	3.5

*Based On Permanent Employees

In absolute terms, 46 complaints were reported in the metal industry (average of 5.75 per company, which is the highest among industries with more than 3 companies in

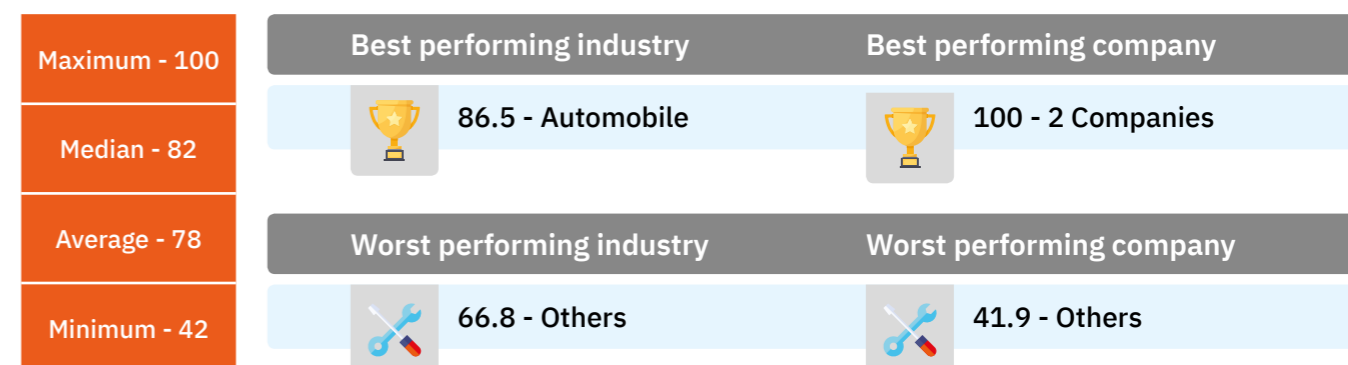
the sample). However, based on complaints / 10,000 permanent employees, the highest number of complaints was reported in the services industry. ■



3.3 Relationship with Local Communities

Assessment factors:

- The company's Corporate Social Responsibility (CSR) expenditure
- Disclosures related to initiatives taken by the company to improve local communities



Average CSR Spend (Rs. In crores)

Fy	Average Net Profit	Average prescribed CSR expenditure	Actual average CSR spend
2019	3,757	75	86
2018	3,329	67	72

Note: Above CSR data is average of sample companies

Companies Compliance (CSR Spend)

FY	More than Prescribed amount	Only up to Prescribed amount	Less than prescribed amount
2019	35	6	9
2018	35	4	11

All the 9 companies which failed to spend the prescribed amount on CSR activities for FY 2018-19 have provided reasons for not spending the same, as required by the provisions of Companies Act, 2013.

Highest CSR spending industry*	
Fertilisers & pesticides	181%
Metals	165%
Cement & cement products	138%
Chemicals	122%
Automobile	107%

*Based on CSR Amount spent / prescribed CSR amount

100%	CSR Policy
100%	Programmes/ initiatives/ projects relating to CSR
96%	Impact assessment of CSR initiatives
90%	Steps taken to ensure that community development initiatives are successfully adopted
42%	Adequately disclosed mitigation of adverse effects on the local communities
70%	Memberships with various associations
88%	Companies with no political donations

Only 21 companies adequately disclosed information on initiatives or measures taken to mitigate adverse effects on the local communities due to their operations. 29 companies have made no disclosure.



3.4 Data Security and Customer Orientation

Assessment factors:

Disclosures on:

- Cyber / data security of the company
- Company's practices for improving customer relations, their complaints/grievances



Maximum - 73

Best performing industry

Best performing company



50.6 – Fertilisers



73.3 – Consumer goods

Median - 45

Average - 44

Worst performing industry

Worst performing company



33.7 – Cement



15.0 – Cement

Minimum - 15

Cyber / data security

	Risk committee function includes cyber security	74%
	Formulated data security / privacy policy	38%
	Information on data security / privacy breach	10%

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 had mandated the risk management committee of the Top 100 companies (Now

500 companies w.e.f. 1 April 2019) to monitor and review the risk management plan and such other functions which also shall specifically cover cyber security.

"21(4) The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit such function shall specifically cover cyber security."

In accordance with the regulations, 37 companies disclosed in their annual reports for FY 2018-19 that the Risk Management Committee (RMC) monitors and reviews cyber security risk.

However, only 19 companies have mentioned about and/or disclosed their data security/privacy policies.

Only 6 companies provided data on the number of incidences or complaints regarding data security

or privacy breaches. This reflects that either the companies are not centrally tracking all data security/ privacy breach concerns or are hesitant to publish negative information. ■

3.4 Data Security and Customer Orientation

Customer orientation:

customer complaints / grievances:

As per BRR format, companies are required to disclose the percentage of customer complaints cases that are pending as on the end of financial year.

The analysis is based on disclosure on the number of complaints received and number of complaints pending.



No. of companies disclosing data on consumer complaints

Received during year 26

Pending at year end 38

No. of customer complaints / grievances

Received during year 24,19,507

Pending at year end 6,134

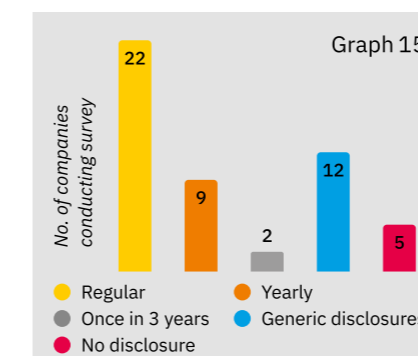
- 38 companies the disclosed number of complaints pending at the end of FY 2018-19 in absolute terms, as per the requirement.
- Only 26 companies disclosed the total customer complaints received during FY 2018-19.
- Approximately 96% of the total customer complaints were reported by 3 psus in the energy industry, and 3.31% of the total customer complaints were reported by one company in automobiles.
- Remaining 0.67% complaints belong to the other 22 companies.
- No uniformity in reporting - few disclosures made in absolute numbers and others in percentage.

Customer complaints / grievances

	Industry*		Company				
	Highest	Lowest	Highest	Lowest			
Energy	4,65,026	Consumer goods [~]	12	Automobile	590	Fertilisers	5

Note: Excludes companies which did not disclose data on customer complaints/grievances / *Average | ~only 2 companies disclosed data

Consumer survey / consumer satisfaction trends



Graph 15 indicates the frequency with which **consumer survey/ consumer satisfaction trends** were carried out by companies.

31 companies conduct consumer surveys or consumer satisfaction trends every financial year.

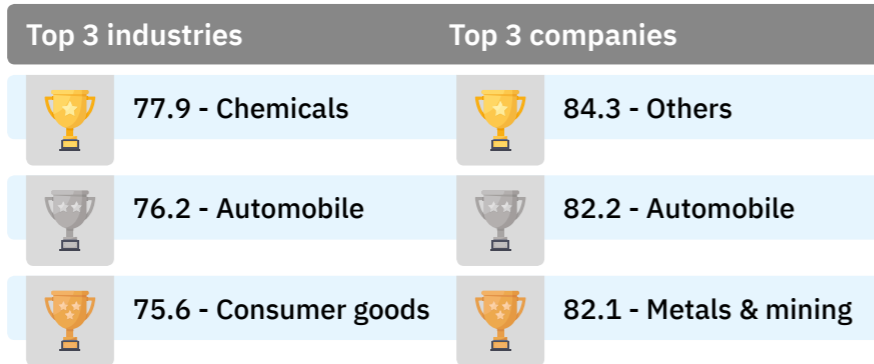
12 companies did not specify the period of survey. However, they disclosed the fact they conduct consumer survey/consumer satisfaction trends.

5 companies did not provide any specific information in this regard. ■

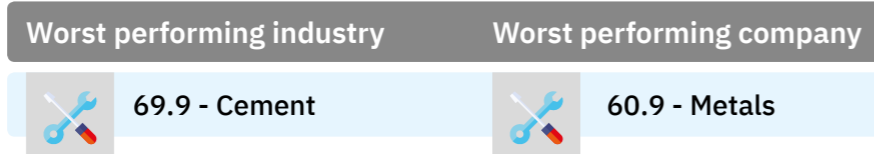
IV. Governance

Summary of Findings

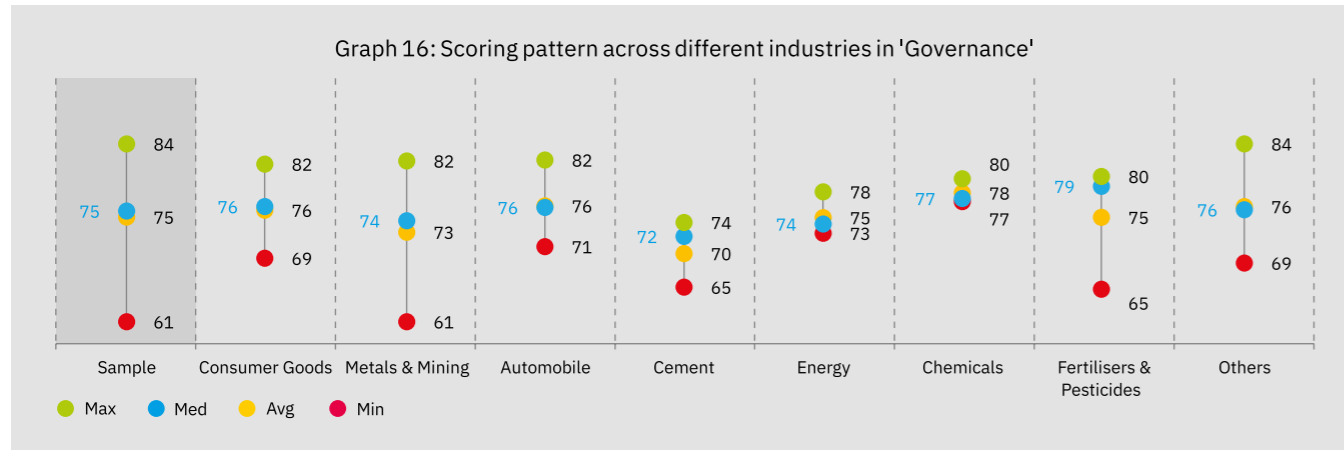
Scores obtained by the sample companies on G factor have been analysed in this section, mainly covering the company's Board-related practices, such as Board Composition, remuneration, committee composition, and performance. Further, the section also analyses statutory auditors, audits, financial reporting, and stakeholder engagement functions.



Note: Top 3 industries: Average industry score; Top 3 companies: Top scoring company (referred to as the respective industry)



Note: Worst performing industry: Lowest average industry score; Worst performing company: Lowest score of a company



Interpretation / commentary:

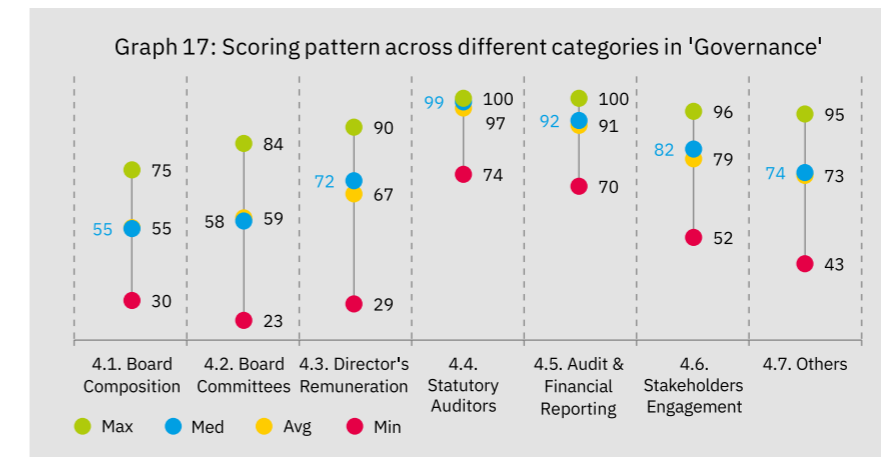
The divergence in scores across the G factor is the least compared to other two factors E & S, primarily owing to existing statutory requirements in force in India for at least for a decade. And on account of the fact that biggest scams to hit the financial markets were associated with various governance

issues. These twin factors have impacted the way investors look at governance and attracted focus on importance of good governance. Further, the existence and regulatory enforcements of standard governance practices and laws have matured and certainly helped in improving the G factor, compared to evolving statutory requirements in E & S areas.

High-scoring companies in governance are the ones which apart from mandatory requirement, have aspired to meet non-mandatory good governance practices. They have taken a step beyond tick box approach and mere legal compliance, venturing into policies that protect and defend interest of stakeholders. ■

IV. Governance

Category scores in governance:



Note: Directors' remuneration factor analysis excludes data from psus

- Overall governance factors score better than E & S factors
- Statutory auditors-related reporting is the most matured, with the best reporting practices
- Board composition is the worst overall, Board committees being the second worst
- Company-wise Board committee and Board remuneration are also the worst

Low scores explained:

Sample companies have scored low in categories such as Board composition and committees, majorly due to most companies complying with minimum requirement of requisite number of ids on the Board, Independent Women Directors, and failing to do better than the minimum, governance concerns, viz., low

attendance at Board- or committee-level meetings, time commitment of directors measured against benchmarks. Good governance is much beyond minimum.

In case of the director's remuneration practices, the lowest scoring company had skewed remuneration practices or excessive remuneration to certain class of director(s) and non-disclosures of rationale for skewed remuneration. ■



4.1 Board Composition

Assessment factors:

The company's Board structure, including

- Combination of Independent & Non-Independent Directors
- Male and female directors
- Age profile of directors



Maximum - 75

Best performing industry

Best performing company



60.7 – Automobile



75.3 – Metals & mining

Median - 55

Average - 55

Worst performing industry

Worst performing company



41.7 – Cement



30.2 – Metals & mining

Minimum - 30

Sample companies (Directors as on 30 September 2019)

557 Total Board Positions

496 Unique Directors on The Board

446 Within sample companies, Directors with Single Board Position

50 Within sample companies, Directors with multiple Board Positions

138 Promoter Directors (P) (Board Positions)

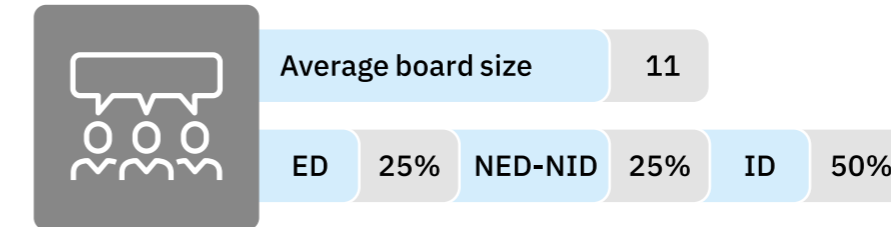
419 Non-Promoter Directors (NP) (Board Positions)

141 Executive Directors (ED)

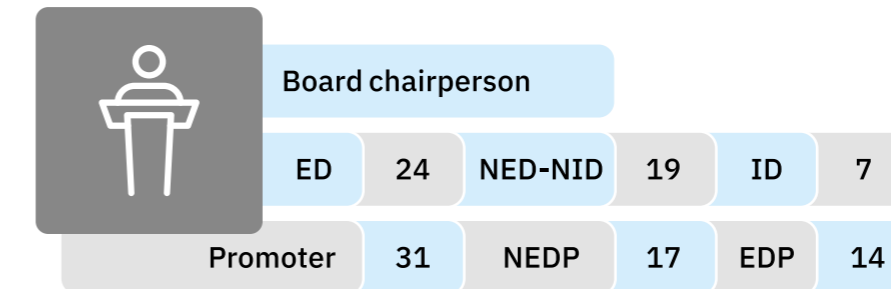
276 Independent Directors (ID)

140 Non-Promoter Non-Independent Directors

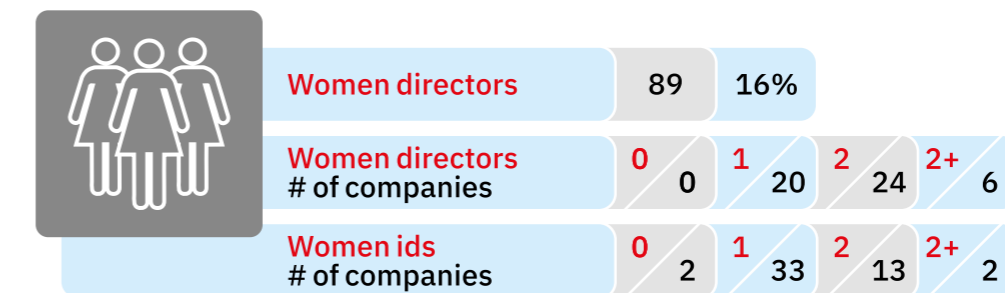
4.1 Board Composition



- Average board size at 11 directors is much higher compared to the minimum 6 mandated by law (PSU: 14.3 Directors | Others: 10.6 Directors)
- Largest board size: 21 | Smallest board size - 6
- 46 companies complied with the law, with 50% or 33% ids (including 3 companies wherein ids resigned and the company had three months' time to comply with the law).
- 4 companies were short of requisite number of ids on the Board (PSU: 3 | Others: 1).
- 19 companies had more than mandated ids (%). (MNC: 3 | PSU: 2 | Others: 14).
- Of 276 ids, 70 were associated with the company or group companies for more than 10 years.



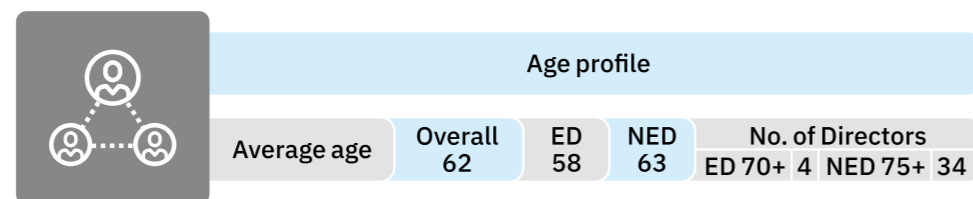
Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandates that the Chairperson for top 500 Listed Entities (other than professionally managed entities) shall be a Non-Executive director (effective 1 April 2022).



- 89 Board positions held by 71 unique Women Directors (16% of the total Board positions)
- 57 Women Directors hold only one Board position in sample companies
- 14 Women Directors hold multiple Board positions in sample companies
- 15 companies have more than 1 women ids
- 6 companies had more than 2 Women Directors, displaying beyond mandatory steps on gender diversity at Board level
- 2 companies had 3 Independent Women Directors

4.1 Board Composition

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015 mandates shareholders' approval for continuance or appointment of Non-executive Directors who have attained 75 years of age. (Effective 1 April 2019)



- No. of companies with NED 75+: 18
- Oldest: 91 years (ID)
- No. of companies with ED 70+: 3
- Youngest: 30 years (NEDP)

96% **Director's education:**
Graduate directors
45 companies had all the directors having graduation qualifications or more.

12% **Companies with lead Independent Director**
SES Criteria for Lead Independent Director:

- Chairman is an ID (as per SES) or;
- Name of the Chairman of ID meeting or;
- Name of the LID.

Only 6 companies met the criteria.

30% **75% & + attendance at Board meetings**
Only in 15 companies all Directors attended 75% or more Board meetings.

20% **100% Directors attended AGMs**
Only in 10 companies all Directors attended the Annual General Meeting.

98% **2/3rd Directors liable to retire by rotation**
Only 1 company did not disclose retiring status for Non-Independent Directors.

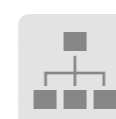
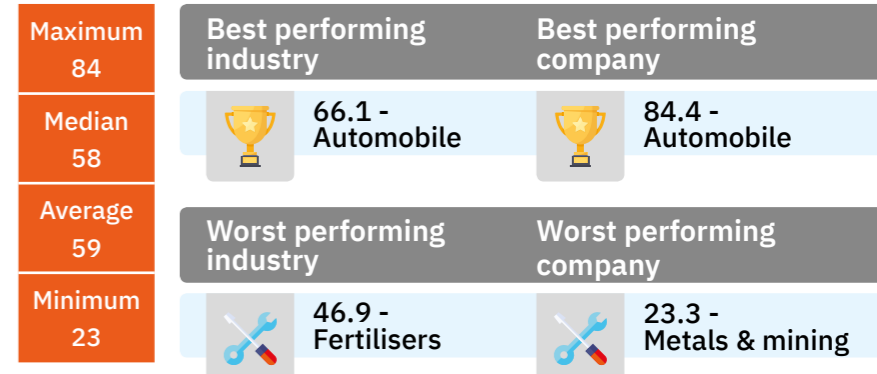
97% **Reasonable time commitments (listed directorships < 6)**
Only 22 directors (3%) held Directorships in more than 5 listed companies.



4.2 Board Committees

Assessment factors:

- Disclosure on composition of various committees: Audit, nomination and remuneration, stakeholders relationship, Corporate Social Responsibility (CSR), and risk management
- Directors' attendance in those committee meetings



Independence of Board committees



- All the companies complied with SEBI LODR provisions on the composition of committees.
- All the companies have an Independent Chairman for Audit

- All the companies have at least one Independent Director as a member of Stakeholders Committee (AC) and Nomination & Remuneration Committee (NRC).

Relationship Committee (SRC) and Corporate Social Responsibility Committee (CSRC).

- Only 31 companies have an Independent Director as a member of Risk Management Committee (RMC).
- All ACs and NRCs had more than the stipulated number of Independent Directors (2/3rd in case of AC and 50% in case of NRC).
- Overall, in the sample, SRC and CSRC had less than 50% IDs, as the requirement is to only have at least 1 (33%) ID.

Companies with 75% committee attendance	
Audit committee	41
Nomination & remuneration committee	38
Stakeholders relationship committee	34
CSR committee	30
Risk management committee	25

It is observed that the number of companies where all directors attended more than 75% committee meetings was highest for Audit Committee meetings, which kept on reducing for other committees.

Policy disclosures:

- All the companies have disclosed their CSR policies in their annual reports or websites.
- Only 11 companies disclosed their risk management policies,

though the other companies have disclosed about risk management frameworks. From attendance data and disclosure of risk policy, it appears that the importance of RMC is yet to sink in. Among all committees, RMC had less than 75% attendance in 50% companies – the lowest amongst all committees.



4.3 Director's Remuneration

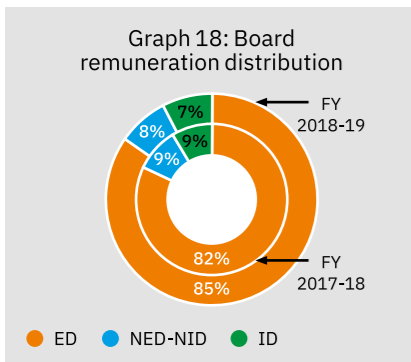
Assessment factors:

Remuneration practice fairness based on remuneration data for FY 2018-19 and 2017-18 (excludes 7 psus)

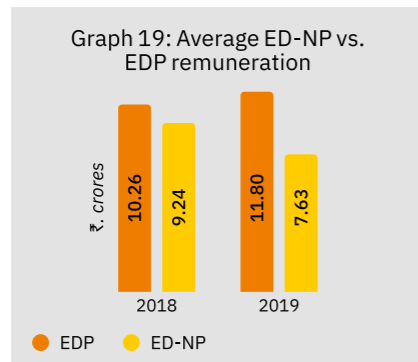
- Executive and Non-Executive Directors
- Promoter and Non-Promoter
- Independent Directors



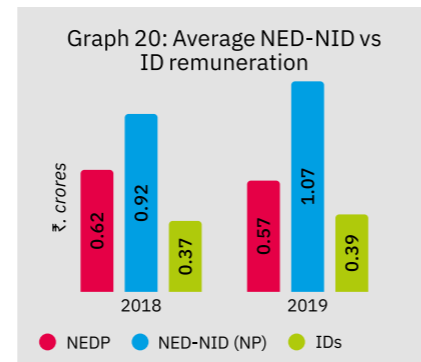
Maximum - 90	Best performing industry		Best performing company	
	72.0 – Consumer goods	90.0 – Cement		
Median - 72				
Average - 67	Worst performing industry		Worst performing company	
Minimum - 29	54.7 – Metals & mining	29.1 – Cement		



- 85% of the total Board remuneration was paid to EDs and balance 15% paid to NED-NIDs and IDs.
- While Promoter EDs' average remuneration grew in 2019 over 2018, Non-Promoter EDs average remuneration declined, probably due to few highly paid ED-NPS moving from their executive roles to non-executive roles.
- 2 companies in the sample had skewed remuneration practices, i.e., significant difference



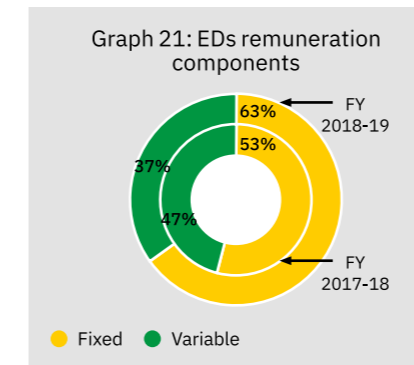
- between EDPs & ED-NPs remuneration.
- On average, EDPs receive higher remuneration compared to ED-NP. One may conclude that EDPs take ownership or risk premium in the form of remuneration.
- On face of its Non-Executives, IDs were paid the lowest on an average basis. The remuneration data got skewed due to the fact that some EDs switched to NED-NID (NP) role, yet continued to draw relatively higher remuneration, almost similar to



- their ED remuneration. In some cases, the remuneration paid to such NEDs is identical to EDs or even higher.
- Nine companies had a single NED (including ID) being paid 50% or more of the total remuneration paid to NEDs. Out of nine, two NEDs had recently moved from an executive role to a non-executive role. Four companies paid a high remuneration to promoter or founder directors, and the other three companies paid to IDs.

4.3 Director's Remuneration

Variable pay:

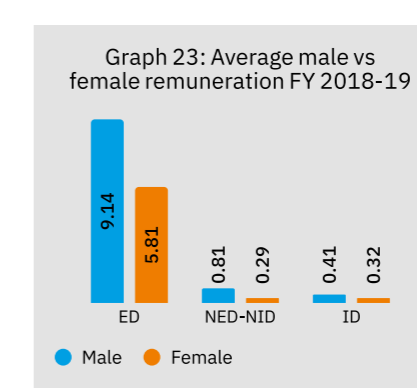
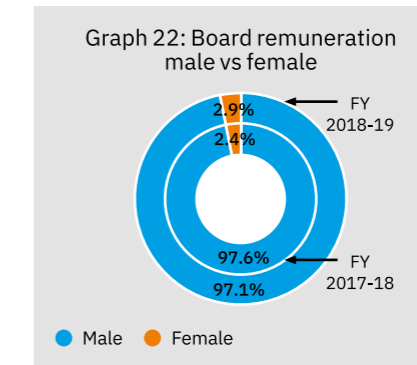


- In 22 companies, the remuneration of EDs comprised less than 50% variable performance-based payment, including two companies with no performance-based payments.

27% EDs were not paid any variable compensation. Among these EDs, 71% were non-promoter directors.

- Only 37% of the total EDs' remuneration consisted of variable performance-based remuneration.
- Down in 2018-19 from 47% in FY 2017-18, once again due to some high-paid EDs resigning.
- Identical remuneration was paid in two companies to EDs (including performance pay) for at least three years, reflecting exactly the same appraisal ratings for different EDs.

Remuneration: Gender bias



Among the sample companies, remuneration paid to women directors who constituted 16% of total directors was only 2.9% of the total board remuneration for FY 2018-19.

Although on average women IDs drew lesser remuneration compared to their male counterparts, the difference was moderate compared to women EDs and NED NIDs.

Though share of remuneration of Women Directors is significantly less in the sample companies, no disparity was observed in individual companies regarding remuneration payment to male and female directors.

Board evaluation process:

Except one, all the companies made disclosure on Board evaluation. Only one company did not make specific disclosures regarding Board evaluation in its annual report for FY 2018-19. All other companies provided information on the Board evaluation, though some companies provided generic information.



4.4 Statutory Auditors

Assessment factors:

Disclosure on:

- Appointment and term of statutory auditor
- Association of audit partner
- Exit of auditors

Maximum 100	Best performing industry	Best performing company
Median 99	99.6 - Chemicals	N.A. - Multiple companies
Average 97	Worst performing industry	Worst performing company
Minimum 74	93.4 - Metals & mining	73.8 - Metals & mining

Statutory auditors' appointment is made as per the provisions of Companies Act, 2013. Accordingly, it was analysed whether the Statutory auditors' appointment is made as per the law or not.

Further, in the recent past, many statutory auditors have resigned before completion of their term, mostly just before the event of

signing the company's financials. Therefore, statutory auditors' resignation and reasons for the same (if any) were also analysed. No such case of resignation was noticed among sample companies.

In view of auditors' resignation-related issues, SEBI vide circular dated 18 October 2019 ([Weblink](#)), put on conditions to be complied

with upon resignation of the statutory auditor of a listed entity/material subsidiary w.r.t. Limited review/audit report as per SEBI Listing Regulations. Though various general conditions were analysed, it would be possible to analyse specific conditions in detail from next year only, as only by then would there be sufficient disclosures available.



All the companies were found to be complying with tenure of appointment of statutory auditors, as prescribed under the Act.

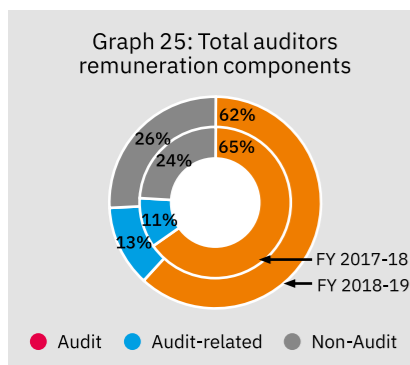


MCA, in its Corporate Governance Voluntary Guidelines issued in 2009 ([Weblink](#)), had recommended that an audit partner has to be rotated every three years.

Three companies had an audit partner associated with them for more than three years.



No case was found among the sample companies, wherein statutory auditors were removed or resigned before the expiry of the term.



Statutory auditors' remuneration in sample companies increased by 3% in FY 2018-19 compared to FY 2017-18.

Audit fees was less than 75% of total auditor's remuneration in 33 companies and less than 50% in 9 companies. Further, non-audit fee was more than 50% in 2 companies.

ICAI guidelines states that statutory auditors should not accept assignments, if fee earned from these non-audit assignments is more than the total statutory audit fee. SES is of the opinion that a high non-audit fee may impact the auditors' independence and should be avoided. ■



4.5 Audit & Financial Reporting

Assessment factors:

- Audit qualifications
- Related party transactions
- Contingent liabilities
- Fraud reporting



Maximum - 100	Best performing industry	Best performing company
Median - 92	92.7 - Chemicals	100 - Others
Average - 91	Worst performing industry	Worst performing company
Minimum - 70	87.7 - Metals & mining	69.6 - Metals & mining

Audit qualifications:

- ✔ No audit qualifications were observed in the sample companies' financial statements for FY 2018-19. Further, no material financial restatement was observed for the said financial year.
- ✘ One company reported weakness in internal financial controls of its foreign subsidiary.
- ✘ 14% companies had qualifications/observations in Secretarial Audit Report for FY 2018-19, though all the companies have provided their response on the same in their annual reports.

Related party transactions:

- ✔ All the companies have provided related party policies on their websites. In their RPT policy,

76% companies have also defined the term ordinary business.

- ✘ 6% companies have provided inadequate disclosures regarding their related party transactions. These companies have provided the amount of transaction along with type of companies (e.g. Subsidiary, joint venture, etc.) And not disclosed the name of the related entities with whom the transactions were entered into. Without such information, the transactions details could not be known.

- ✔ No case was observed of any Board member having any related party transactions with companies, other than in the normal course.

Contingent liabilities:

- ✔ All companies made adequate

disclosures regarding various heads of contingent liabilities. 64% companies reported contingent liabilities less than 20% of their net worth on a standalone basis.

- ✘ 50% companies reported tax-related disputes, which account for more than half of the total contingent liabilities.
- 74% companies reported tax-related disputes, accounting for less than 20% of their net worth on a standalone basis.

Fraud reporting:

- ✔ No material/major fraud incident was reported in the sample companies.
- ✘ Minor, employee-related frauds have been reported by one of the companies in its annual report. ■



4.6 Stakeholders Engagement

Assessment factors:

The companies' stakeholder engagement practices including:

- Shareholder complaints
- Pledging of shares
- Voting in shareholder meetings
- Dividend distribution



Maximum - 96

Best performing industry

Best performing company



88.3 – Chemicals



95.5 – Metals & mining

Median - 82

Average - 79

Worst performing industry

Worst performing company



71.8 – Cement



52.0 – Cement

Minimum - 52

Shareholders statistics

Promoter shareholders		Public shareholders		
Holding*	# Shareholders	Category	Holding	Total # shareholders
48.50%	590	Institutional	34.86%	31,630
Holdings* →	Promoters	Public		
Maximum	75.00%	73.24%	Individuals	6.29%
Median	53.24%	46.76%		1,59,45,556
Minimum	18.90%	25.00%	Others	9.97%
				5,93,344

Note: Shareholding as on 31 December 2019 | *Excluding professionally managed companies | # arithmetic total including duplicates

- In terms of the number of shareholders, 96% are individual holdings, share capital up to ₹2 lakhs, though in total they hold only 0.89% of the total share capital in sample companies.

an increase of approximately 34%. Despite the substantial increase in the number of complaints, there were 22 companies in which number of complaints decreased in FY 2018-19, compared to FY 2017-18.

Pledged shares:

8 companies have shares encumbered or pledged by their promoters. This pledge shareholding is valued at ₹58,557 crores as of 31 December 2019.

	FY 2017-18	FY 2018-19
Received	7,675	10,292
Pending*	0.91%	0.52%

*Pending at the end of respective financial year

8	54,301
No. of Companies with promoter pledge	Value Pledged (₹. in crores)

Shareholders complaints:

The total number of shareholders' complaints or grievances received increased from 7,675 during FY 2017-18 to 10,292 in FY 2018-19,

4.6 Stakeholders Engagement

(Data: No. of companies)	0-25%	25-50%	50%+
Promoter holding	1	3	4
Total shareholding pledge	6	2	0
Promoter shareholding pledge	5	2	1

Out of eight such companies, three have promoters' share pledges with more than 50% of their shareholding or more than 20% of the total shareholding of the company.

All these companies have provided reasons for pledging shares in line with SEBI Circular dated 8 August 2019 ([Weblink](#)). No specific reasons were disclosed by other companies, as the same is not required by law.

Shareholders voting trend:

Shareholders' voting pattern was analysed for resolutions taken in

general meetings for shareholders' meeting during FY 2018-19.

	Average Against Votes %		
	2	4.94%	1.34%
Resolutions defeated		Public institutional	Public others
10% + Against votes (No. of Resolutions)	82	16	36
	Public institutional	Public others	All shareholders

Overall, for 82 resolutions, public institutional shareholders voted against more than 10% of the total votes polled, whereas public others voted more than 10% against only for 16 resolutions. On a consolidated basis, the count was for 36 resolutions. However, high against votes from shareholders resulted in two resolutions of a company being defeated, i.e., not approved by its shareholders.

Despite high against votes for many resolutions in sample companies, there were no proper communication or engagement with shareholders (disclosed by the company) to ascertain the reasons for such a high percentage of against votes.

Financials results:

100% companies in the sample have disclosed financial results within the stipulated period of time. In this regard, all the companies have disclosed presentations/press releases on their websites.

64% companies provided information about future prospects or their outlook, in such presentations or press releases.

Dividend distribution policy:

SEBI Listing Regulations require Top 500 listed companies to formulate a dividend distribution policy, which shall be disclosed in their annual reports and on their websites.

It was observed that **100%** companies in the sample have formulated dividend distribution policies and disclosed the same on their websites.

However, only **50%** companies provided dividend distribution policies, which can be called investor-friendly, as they enable the investor to assess the quantum of likely dividend. Other DDP are only technically compliant with the SEBI directive, without in any way helping the investor. Such policies state the theory and parameters that are used for deciding payment of dividend without ascribing any value to threshold for payment or non-payment of dividend. In its present form, the investor can neither estimate the dividend nor question. Any decision of the Board will comply with the policy.

Regulatory actions:

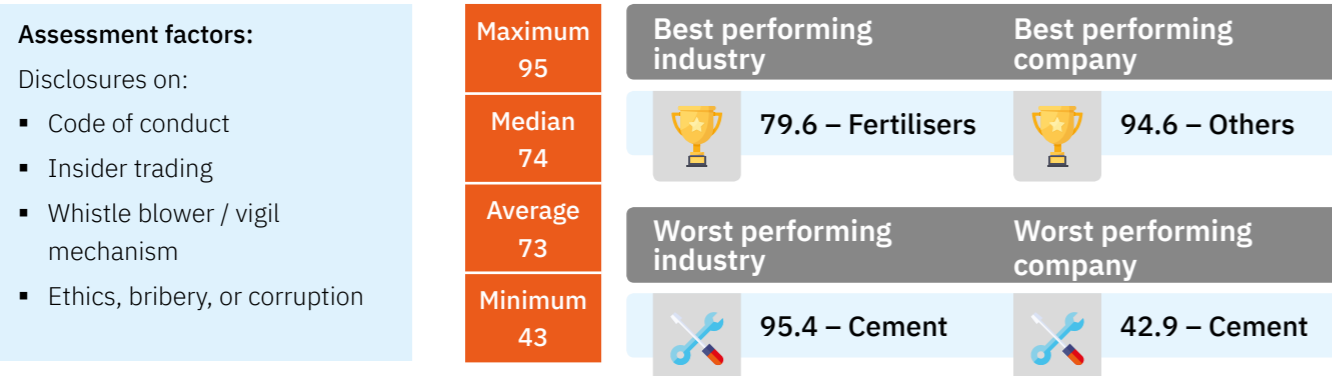
88% companies reported that no strictures or penalties have been imposed by the Stock Exchanges or by the SEBI or by any statutory authority on any matters related to capital markets during the last three years, and various other regulatory bodies. **8%** companies have also reported actions or penalties from the Competition Commission of India.

Others:

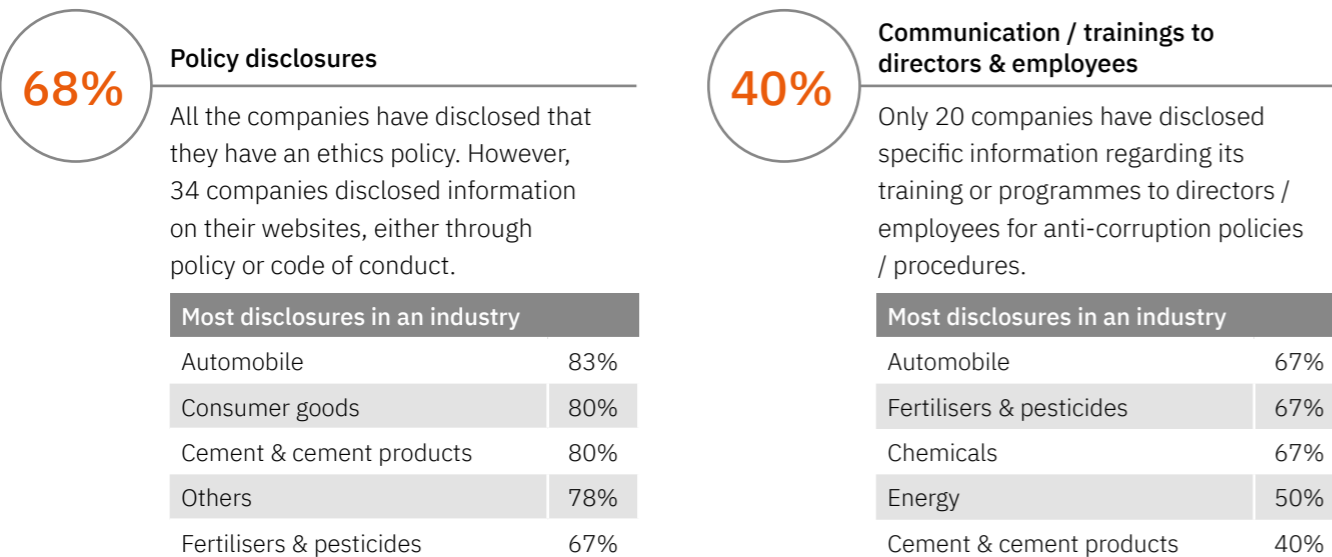
94% companies have disclosed that they have mapped their internal and external stakeholders. **92%** companies disclosed that they have identified the disadvantage, vulnerable, and marginalised stakeholders. ■



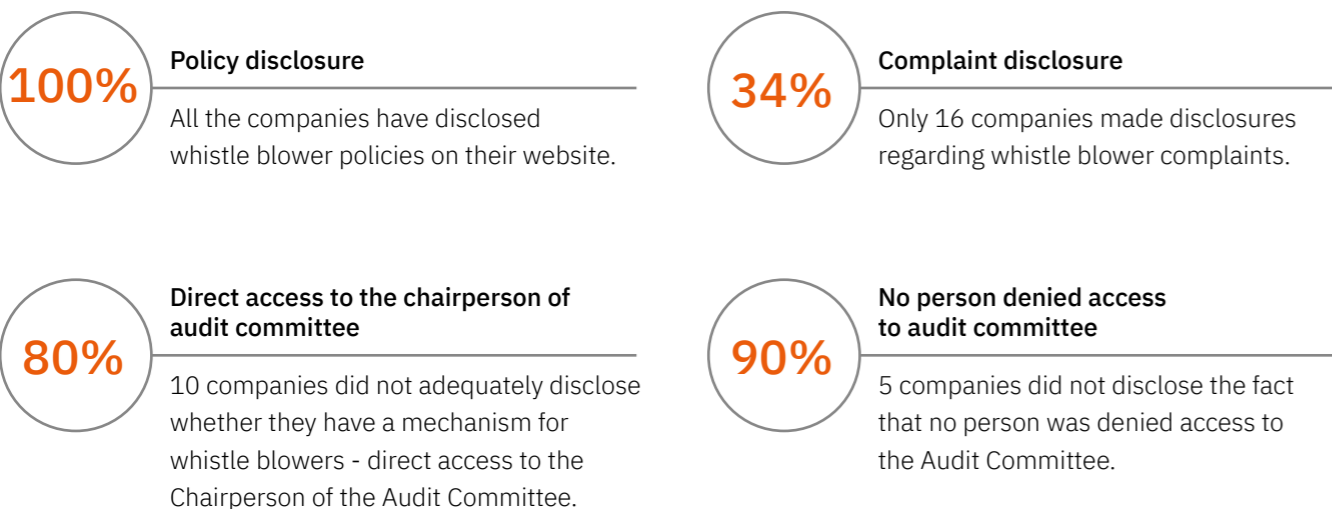
4.7 Other Governance Factors



Ethics, bribery, and corruption:

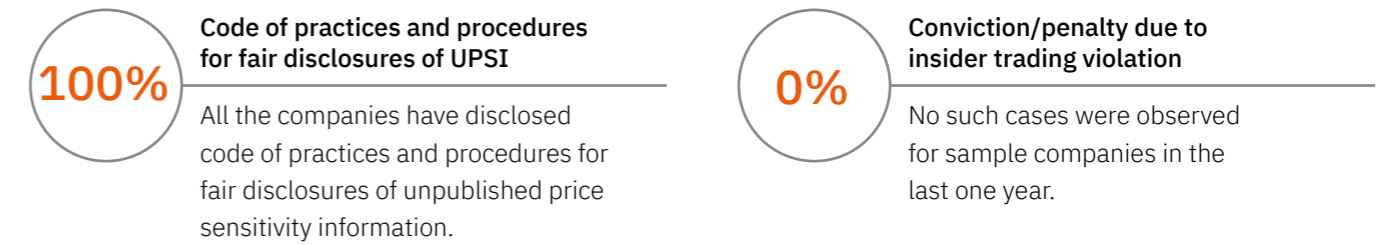


Whistle blower / vigil mechanism:

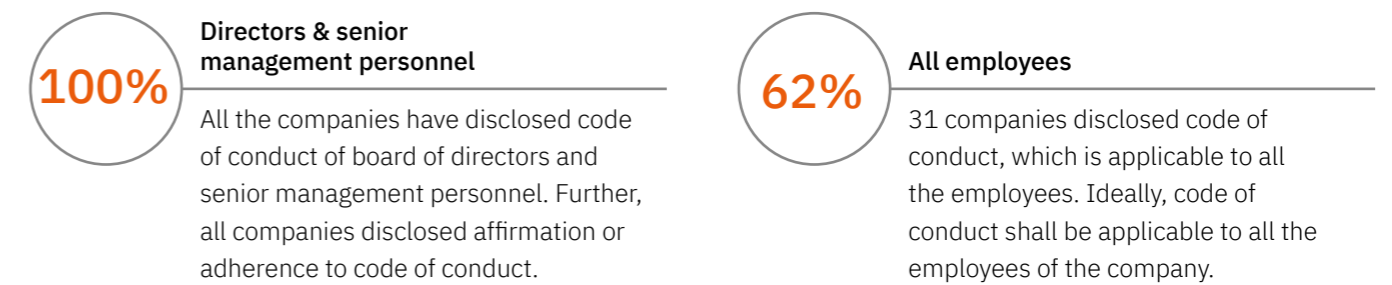


4.7 Other Governance Factors

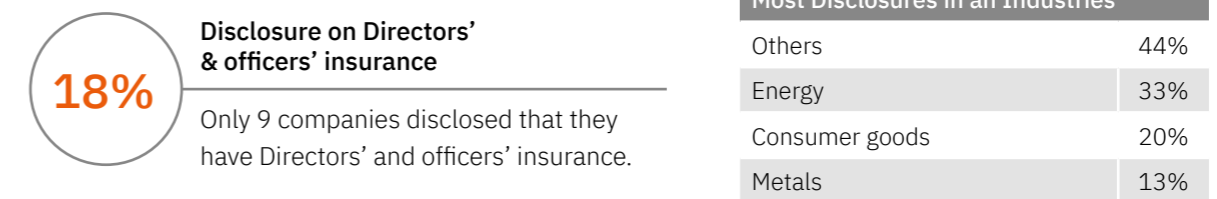
Insider trading:



Code of conduct disclosure:



Others:



V. Evaluation Framework

In order to undertake a study on the ESG disclosure practices and trends in India, SES, under the guidance of NSE, has designed an ESG Model (Model) to arrive at an ESG score and grade, and the model has been vetted by CAM from a legal perspective. This report has been solely prepared by SES.

Foundation for ESG analysis:

The ESG model has been designed to objectively evaluate the company's disclosure and performance on ESG front. Proper evaluation with a view to bring

differentiation and create aspiration to do better, must necessarily have benchmarks beyond legal compliance parameters. As a result, evaluation parameters in the model under three factors – Environment, Social and Governance – are not only based on mandatory legal requirements to be followed by listed Indian companies. They must also incorporate best practices followed around the world and a few SES created benchmarks.

For example, disclosures under environmental and social parameters are evaluated

not only based on Business Responsibility Reports, but also on key disclosure requirement of Sustainability Reports and/or Integrated Reports (GRI/ IIRC). Similarly, for governance factor, parameters are set as required under Companies Act, 2013, SEBI (LODR) Regulations, 2015 and other applicable laws as well as the best practices followed around the world (such as ICGN governance principles), along with SES' own benchmarks. ■

the weightage of each of the sub-heads under the 'Standards set by the Sustainable Accounting Standards Board' (SASB) were considered.

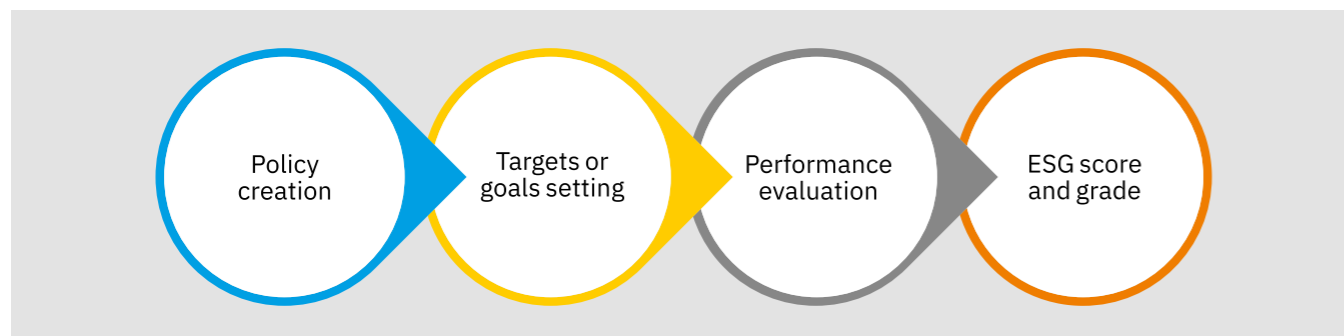
ESG reporting – International frameworks and trends:

ESG factors, having become key areas of interest for investors, framework and guidelines for disclosure and assessment of key ESG factors have assumed critical importance. Investors are incorporating ESG parameters for evaluating their portfolios, look for metrics to assess ESG performance

of their investee companies and all potential investee companies. A standardised set of guidelines which could help corporations in their assessment of ESG is a perfect answer to understand disclosure and performance of companies on most ESG parameters, most of which are directly non-financial in nature.

Various voluntary independent organisations have emerged in the last two decades, which have provided globally accepted standards for reporting on ESG factors.

ESG model - Scoring and evaluation criteria



The model is designed based on the framework of the **United Nations Principles for Responsible Investing (UN PRI)**. PRI has laid down steps to embed responsible investment into organisational structure and processes.

Policy	Targets	Training	Esg teams and committees	Investment consultants	Monitoring and reporting	Review
The purpose of a policy and its key components	Turning policy commitments into concrete goals	Identifying skills gap and staying abreast of the latest developments	Standalone ESG and investment teams vs. Integrated teams	How to align external help with policy	Monitoring progress towards targets and reporting that information to stakeholders	Evaluating successes and failures

The Model developed by SES has taken into account processes outlined by UN PRI.

Simply stated, the Model evaluates if the company has formulated a policy, established targets, provided disclosure on steps and initiatives taken to meet the targets, and if the initiatives are restricted to the company or include its subsidiaries,

suppliers, and associates in the scope. Further, the model also objectively evaluates the company's performance across the initiatives taken and if the company has succeeded in its initiatives to meet the targets.

The model has also considered many other voluntary disclosure frameworks and guidelines, such as

- Task Force on Climate-Related Financial Disclosures (TCFD) and
- UN Sustainable Development Goals (UN SDG)

Weightage:

A common question is: "How can you have the same parameter for evaluating a mining company and a service company or a consumer product company?" Conscious of the fact that one size does not fit all, care was taken to ensure that proper rationale and logic are applied while assigning weightage between ESG factors in an objective manner. The weightage of Environment, Social and Governance factors in Model vary based on industry classification. While arriving at the weightage of each of the heads and sub-heads,

Sustainability reporting:

Sustainability reporting is designed to facilitate organisations to set goals, measure performance, manage change in order to make their operations more sustainable and enable investors and other stakeholders to compare performance. A sustainability report conveys disclosures on an

organisation's impacts positive or negative – on the environment, society, and other stakeholders. In doing so, sustainability reporting converts abstract issues to tangible and concrete measurable parameters, thereby assisting in understanding and managing the effects of sustainability developments on the organisation's activities and strategies.

Internationally agreed disclosures and metrics enable information contained within sustainability reports to be made accessible and comparable, thus providing stakeholders with enhanced information to inform their decisions.¹³ Two of the most prominent sustainability reporting formats are GRI & IIRC.

Global Reporting Initiative (GRI):



The Global Reporting Initiative's sustainability reporting standards (GRI Standards <https://www.globalreporting.org/standards>) were the first and as per their disclosure, these are the most widely adopted global standards for sustainability reporting.

GRI is a voluntary initiative established in 1997 to develop a framework for companies to report across non-financial parameters. The GRI Sustainability Reporting Standards are developed with true multi-stakeholder contributions and rooted in public interest.¹⁴

“Developed by the Global Sustainability Standards Board (GSSB), the GRI Standards enable all organizations to report publicly on their economic, environmental and social impacts – and show how they contribute towards sustainable development.” Source: GRI website

In a period of almost two decades, GRI reporting format has undergone many changes, starting from the first version of global standards G1 launched in year 2000, GRI G4 was launched in May 2014. Further, in October 2016, GRI launched the most recent guidelines on sustainability reporting, which are known as the GRI Standard and this has now been upgraded from the GRI-G4 guidelines.

The GRI has also incorporated principles enunciated and has harmonized guidelines with United Nations' Global Compact's Ten Principles, 2000; the OECD's Guidelines for Multinational Enterprises, 2011; and the UN's Guiding Principles on Business and Human Rights, 2011.

Organisations that report on sustainability initiatives as per the GRI framework can prepare a report in accordance with two options under the GRI Standards: Core and Comprehensive.

Core. This option indicates that a report contains the minimum information needed to understand the nature of the organisation, its material topics and related impacts, and how these are managed.

Comprehensive. This builds on the Core option, by requiring additional disclosures on the organisation's strategy, ethics and integrity, and governance. In addition, the organisation is required to report more extensively on its impacts, by reporting all the topic-specific disclosures for each material topic covered by the GRI Standards.

These options do not relate to the quality of the information in the report or the magnitude of the organization's impacts. Instead, they reflect the degree to which the GRI Standards have been applied. An organisation is not required to progress from Core to Comprehensive; it can choose the option that best meets its reporting needs and the information needs of its stakeholders.¹⁵

International Integrated Reporting Council (IIRC):

INTEGRATED REPORTING <IR>

IIRC is a global coalition of regulators, investors, companies, standard setters, accounting

professionals, academia, and NGOs. The coalition promotes communication about value creation

as the next step in the evolution of corporate reporting.¹⁶



All guiding principles, when combined, describe the organisation's strategy and show a holistic picture of interrelatedness and dependencies of various capital on each other, to create a value of an organisation in the short, medium, and long term. Integration of all vital information related to the company leads to a more self-explanatory integrated report.

Sustainability Accounting Standards Board (SASB):

SASB is a not for profit organisation which has worked on providing

standards for different industries based on which companies can report on financially material sustainability issues impacting a corporation.

SASB has developed a complete set of 77 industry standards. In November 2018, SASB published these standards, providing a complete set of globally applicable, industry-specific standards that identify the minimal set of financially material sustainability topics and their associated metrics for the typical company in an industry.¹⁷

Sustainable Development Goals (SDG):

SDGs, also known as the Global Goals, were adopted by all United Nations Member States in 2015, as a universal call to action on ending poverty, protecting the planet, and ensuring that all people enjoy peace and prosperity by 2030.

The 17 SDGs are integrated, i.e., they recognise that action in one area will affect outcomes in others, and that development must balance social, economic, and environmental sustainability.¹⁸ ■

¹³ G4 Sustainability Reporting Guidelines

¹⁴ Global Reporting Initiative: <https://www.globalreporting.org/Information/about-gri/Pages/default.aspx>

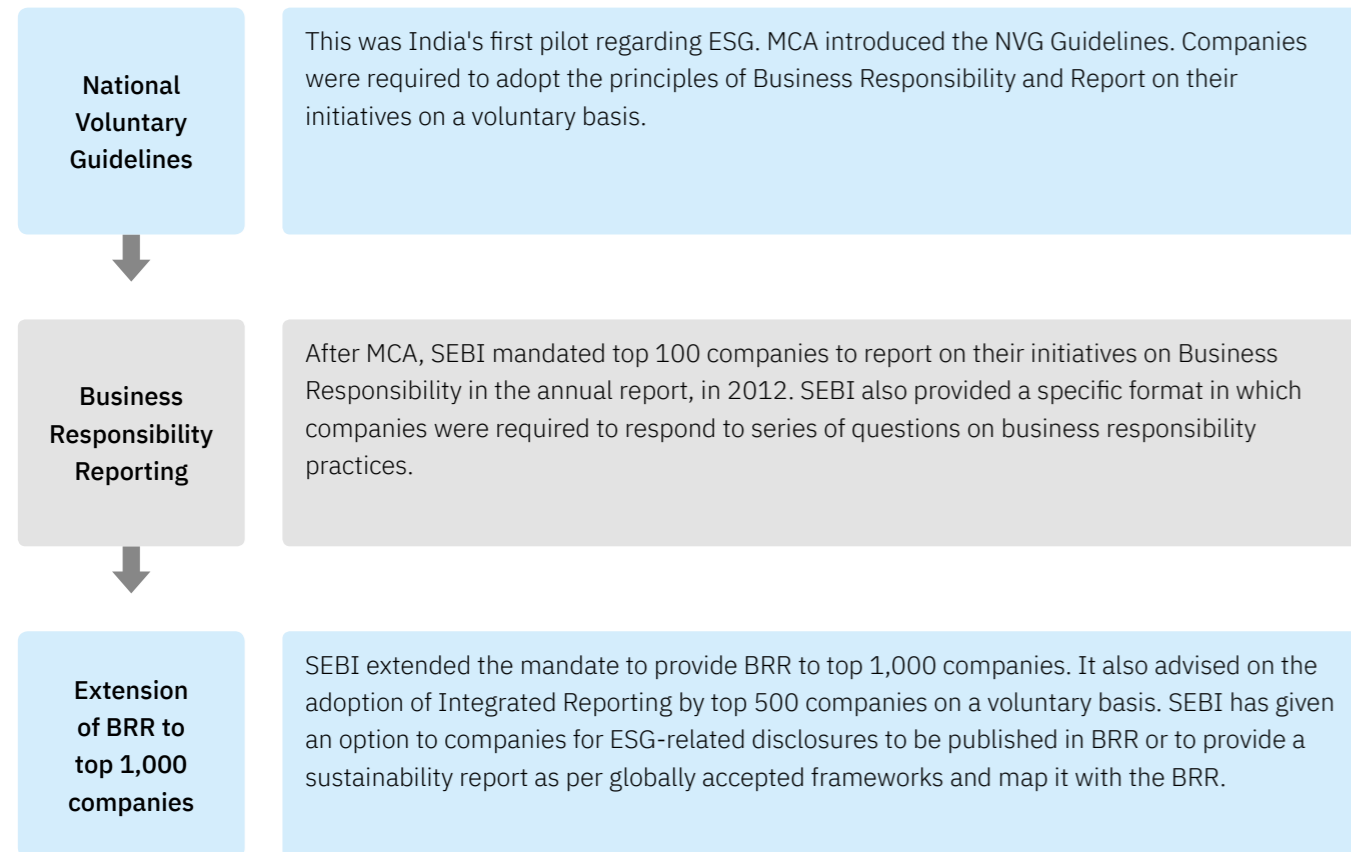
¹⁵ GRI Standards- Consolidated set of GRI Sustainability Reporting Standards 2018

¹⁶ The International <IR> Framework, Page 1- About the IIRC, <https://integratedreporting.org/wp-content/uploads/2013/12/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf>

¹⁷ <https://www.sasb.org/standards-overview/>

¹⁸ <https://www.undp.org/content/undp/en/home/sustainable-development-goals.html>

ESG reporting: Analysing disclosure practices in India: Reporting framework



Model - Legal and voluntary frameworks

The questions in the model are designed to extract the factual position of a company, on its ESG performance.

The questions are based on the disclosure requirements under various regulatory and voluntary frameworks, as elaborated in the brief below.

India's ESG regulatory framework can be broadly categorised into two parts, viz., the compliance framework and the reporting framework. ■

Compliance framework

Environment

Manufacturing companies are known to face the most environmental risk and exposure. The following Acts and regulations relate to Environment in India:

- Factories Act, 1948
- Environment Protection Act, 1986
- The Air (Prevention and Control of Pollution) Act, 1981
- The Water (Prevention and Control of Pollution) Act, 1974
- Hazardous Waste (Management, Handling and Transboundary Movement) Rules, 2016

Social

The social responsibilities of the company emanate from its relations with various stakeholders, such as employees, customers, vendors, service providers, shareholders, etc. The social responsibilities of the company are governed by various Acts and Regulations.

- Companies Act, 2013 and applicable SEBI Regulations
- Factories Act, 1948
- Other laws with respect to the payment of salaries / wages, bonus, gratuity, minimum wages, welfare activities, Health and Safety, etc

Governance

The governance indicators are related to the company's compliance practices with respect to statutory norms as laid down under the **Companies Act, 2013 and SEBI Regulations**, which includes adequate Board structure, Board Remuneration, Independence of the Director, Board Committees and its functionality, Corporate policies, Auditors of the Company, Stakeholders engagement, etc.

- Companies Act, 2013
- SEBI LODR 2015

Policy Disclosures

Environment

Social

Governance

Evaluation Framework

ESG Scoring

The SES ESG model is divided into four sections – Policy, Environment, Social, and Governance. Policy has been included as separate section, as it is the seed which eventually results into a full-fledged fruit bearing tree and acts as catalyst. The policy section analyses only the BRR disclosures and other policy disclosures provided by the company pertaining to ESG factors.

What is being scored?



The SES Model scores policy disclosures, targets set, performance, and adequacy of disclosure for three factors – E, S, and G, through 244 well-researched questions. These questions are aimed at getting binary answers

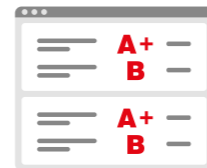
based on disclosures made by the company. These binary answers are used to give section-wise numerical scores and then finally give the company a grading. In order for the model to work and reflect the true picture, the absolute precondition is that the relevant **information or data** on key ESG factors is disclosed properly.

SES ESG Model score does not look only into the company's disclosures practices but also takes into account its actual position and future targets (based on disclosures) on ESG factors.



The Model also evaluates the **performance** of the Company for a given policy or target. For

instance, under Health & Safety Policy, not only the existence of policy is examined but also whether the company follows health and safety policy, any standards applied for health and safety, number of fatalities/injuries Y-o-Y, steps taken to reduce such fatalities/injuries, etc.



Overall, **ESG grading/score** is an outcome of the analysis of the company's disclosure practices, policies, present/actual position, and future prospects. The model awards positive scores to companies based on their disclosure practices. Further, the model also provides positive scores based on implementation of sustainable practices.

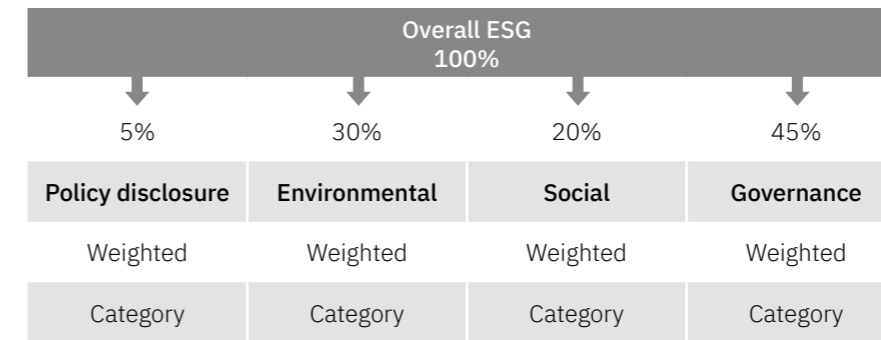
Model - Parameters evaluated:

ESG Model			
Policy	Environment	Social	Governance
<p>Analysis of BRR and other policy disclosures to analyse core ESG factors.</p> <ul style="list-style-type: none"> Disclosure on principle-wise BR policy/policies Business responsibility implementation 	<p>Analysis of the company's disclosures on targets, performance, and policies related to the environment, the impact of the company's operations on the environment, and steps being taken by the company to mitigate adverse environmental impacts.</p> <ul style="list-style-type: none"> General disclosures Product/service impact Air emissions (CO₂/GHG) Energy consumption Water consumption Waste management Environmental incidents 	<p>Analysis of the company's relationship with its stakeholders and various social issues, based on disclosures provided by the company.</p> <ul style="list-style-type: none"> Health and safety Workforce Local community relationship CSR Privacy/data security Customer orientation 	<p>Analysis of compliance and governance practices based on legal requirements and evaluation of good governance practices generally followed over the world and based on SES benchmarks.</p> <ul style="list-style-type: none"> Board composition Board committees Directors' remuneration Statutory auditors Audit and financial reporting Stakeholder engagement

Questionnaire and section weightage:

Divided into four sections
The overall score of ESG is arrived based on weightage assigned to

each of the factors, which is adjusted between three factors depending on the sector to which assessed company belongs. A typical weight allocation is as depicted below.



The first section of the model analyses the company's policy disclosure, which forms the base of the scoring Model.

Under E, S, and G heads, set parameters or indicators that reflect the company's performance towards their ESG factors are evaluated. Under each parameter, various sub-parameters are analysed and scored. The weightage of each sub-parameter also varies, based on the type of industry. It is based on the materiality of each sub-parameter for that type of industry, based on the SASB Materiality Map for that industry. The materiality of each parameter is either high, medium, or low, based on SASB materiality map within the ESG Model. The weightage within the same industry group is fixed and applied uniformly to all companies in same industry. No individual, company-wise weightage adjustment is done.

The weightage of each question in the model is assigned based on the

assumption that all the questions under each sub-category are applicable to the company being evaluated. If any question is not applicable for a particular industry/company, the weightages of scores are automatically redistributed on the remaining applicable questions. Each ESG parameter is analysed not only based on the mandatory legal requirements but also on the best practices followed around the globe.

Disclosures made by companies are evaluated for their adequacy of information. Higher score is awarded for disclosures which are informative, meaningful, considered adequate, and serve the objective behind disclosure. Thus, the Model is designed to value 'disclosure in spirit' higher than 'disclosure in letter'. The Model evaluates the quality of disclosure practices and quantifies them in the form of sectional/sub-sectional scores, which are collectively viewed by applying appropriate weights. Each question has the highest score of 5 and lowest score of 0. SES has

set criteria; information disclosed is mapped against the criteria. Verified information forms the basis of score for each question.

The final score is a culmination of section-wise scores obtained by the company on policy, Environment, Social and Governance scores, based on weightage of each of these heads. The ESG score objectively depicts the company's awareness of ESG issues, steps and initiatives taken by the company to imbibe sustainable and good governance practices, and lastly, the effectiveness in incorporating these practices.

Information source:

SES has used following sources of information: Annual reports, sustainability reports, Business Responsibility Reports, information disclosed to stock exchanges, information available on the companies' website, Watchout investors, Capitaline database, and any other authentic publicly available information relating to the companies.

The scores are worked out only based on published information available in the public domain and no forensic work has been done. As a result, any information which has not been disclosed in the public domain has not been taken into consideration. SES believes that disclosure must be adequate and in public domain. Therefore, as a matter of principle and to maintain absolute independence and fairness, all extracted information by SES is available in public domain only and no interaction was done with the companies. ■

Limitations of the model

The scoring Model has been developed with utmost care, objectivity, and diligence. Our intention is to bring to focus the importance of good ESG practices. SES understands that stakeholders take decisions based on multiple factors, among which ESG is an important factor. SES' ESG scores alone cannot be used for investment decisions and are used as a supplement/an additional tool to help stakeholders to take a considered and holistic view about the company. SES' ESG score in isolation cannot be a predictor of the company's future performance.

The scores are calculated from publicly available data and are dependent on information made available by the company and taken as true in good faith. For instance, BRRs, sustainability reports, reports by auditors, certificate of compliance of mandatory requirements,

and directors' statements and information in annual reports is used as is, without any further cross-verification for the scoring purpose. Independent analysts like SES do not know the internal happenings of a company, nor do we have an inside view of the company's practices. It may be possible that on paper, based on available information, everything might appear to be in order. But in reality, there could be concerns plaguing the company or vice versa. It is beyond the scope of our work, nor do we possess such expertise to verify public documents and/or visit the company to check its internal controls, checks, and practices. Users may take a note of same and read our scores accordingly.

As disclosures are not standardised, there is a distinct possibility that a particular company may have done better, yet due to lack of a

mandated format and mandatory requirements, its disclosures may fall short, resulting in a score which may not reflect true position. While these scores are indicative, one score alone cannot be used to draw any definite conclusion whether a company is good or bad. However, SES is confident that in the coming years, disclosure will improve, reflecting the true picture. Further, an analysis of three-year scores will give a lot of information – both market-wise and company-wise. Static ESG scores for any company/ industry or entire sample would indicate a lack of concern/focus for ESG. SES' ESG scores should only be seen as the current assessment and an indicator of the potential for improvement, rather than a standalone assessment of the company. ■

Annexure I – List of companies

Sr. No.	Name of the company	Market cap.*	Industry
1	Maruti Suzuki India Ltd.	2,22,591	Automobile
2	Mahindra & Mahindra Ltd.	66,082	Automobile
3	Eicher Motors Ltd.	61,475	Automobile
4	Tata Motors Ltd.	53,459	Automobile
5	Hero Motocorp Ltd.	48,797	Automobile
6	Ashok Leyland Ltd.	23,925	Automobile
7	Ultratech Cement Ltd.	1,16,776	Cement & Cement Products
8	Ambuja Cements Ltd.	38,968	Cement & Cement Products
9	ACC Ltd.	27,147	Cement & Cement Products
10	Dalmia Bharat Ltd.	15,442	Cement & Cement Products
11	J. K. Cement Ltd.	9,031	Cement & Cement Products
12	Tata Chemicals	16,995	Chemicals
13	Solar Industries India Ltd.	9,595	Chemicals
14	Galaxy Surfactants Ltd.	5,318	Chemicals
15	Larsen & Toubro Ltd.	1,82,213	Construction
16	DLF Ltd.	57,155	Construction
17	Hindustan Unilever Ltd.	4,16,293	Consumer Goods
18	ITC Ltd.	2,92,117	Consumer Goods
19	Asian Paints Ltd.	1,71,212	Consumer Goods
20	Titan Company Ltd.	1,05,465	Consumer Goods
21	Dabur India Ltd.	81,002	Consumer Goods
22	Godrej Consumer Products Ltd.	69,982	Consumer Goods
23	Marico Ltd.	44,099	Consumer Goods
24	Havells India Ltd.	40,499	Consumer Goods
25	Procter & Gamble Hygiene & Health Care Ltd.	37,158	Consumer Goods
26	Kansai Nerolac Paints Ltd.	28,113	Consumer Goods
27	Reliance Industries Ltd.	9,59,787	Energy → Oil & Gas**
28	Indian Oil Corporation Ltd.	1,18,195	Energy → Oil & Gas**
29	Bharat Petroleum Corporation Ltd.	1,06,630	Energy → Oil & Gas**
30	GAIL (India) Ltd.	54,595	Energy → Oil & Gas**
31	Hindustan Petroleum Corporation Ltd.	40,305	Energy → Oil & Gas**
32	Adani Transmission Ltd.	36,448	Energy → Power**
33	UPL Ltd.	44,657	Fertilisers & Pesticides
34	PI Industries Ltd.	19,969	Fertilisers & Pesticides
35	Rallis India Ltd.	3,271	Fertilisers & Pesticides
36	Coal India Ltd.	1,30,249	Metals
37	Hindustan Zinc Ltd.	88,584	Metals
38	JSW Steel Ltd.	65,277	Metals
39	Vedanta Ltd.	56,669	Metals
40	Tata Steel Ltd.	53,176	Metals
41	Hindalco Industries Ltd.	48,548	Metals
42	NMDC Ltd.	39,467	Metals
43	Steel Authority of India Ltd.	17,720	Metals
44	Dr. Reddy's Laboratories Ltd.	47,759	Pharma
45	Cipla Ltd.	38,554	Pharma
46	Adani Ports and Special Economic Zone Ltd.	74,362	Services
47	Indian Hotels Co. Ltd.	17,213	Services
48	Bharti Airtel Ltd.	2,33,915	Telecom
49	Bharti Infratel Ltd.	46,703	Telecom
50	Page Industries Ltd.	26,092	Textiles

*Market cap. (in ₹. crores) as on 31 December 2019 | **Respective companies were classified under 'Energy' as on 31 December 2019, however, they are now reclassified either as 'Power' or 'Oil & Gas', as shown in the table above.

Annexure II – Disclosure pattern in BRR table

The following table (based on BRR form under Section D – Question 2) reflects disclosures by the companies for a set of ten questions on nine BR policies.

Table 3:		Principles (% disclosure by companies)								
Questions		1	2	3	4	5	6	7	8	9
1	Do you have a policy/policies for principle?	98	98	100	100	94	100	76	100	90
2	Has the policy been formulated in consultation with the relevant stakeholders?	90	84	90	90	84	90	70	90	82
3	Does the policy conform to any national/ international standards? If yes, specify (50 words).	86	82	90	84	80	90	68	86	76
4	Has the policy been approved by the Board? If yes, has it been signed by the MD/owner/CEO/ appropriate Board director?	94	80	88	94	82	92	68	90	78
5	Does the company have a specified committee of the Board/director/official to oversee the implementation of the policy?	94	88	94	98	88	94	74	98	86
6	Indicate the link for the policy to be viewed online.	90	76	82	96	80	84	62	92	74
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	94	88	94	94	86	94	74	94	86
8	Does the company have an in-house structure to implement the policy/policies?	92	88	90	92	84	92	72	92	86
9	Does the company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	92	84	90	90	86	86	64	84	86
10	Has the company carried out an independent audit/ evaluation of the working of this policy, by an internal or external agency?	80	78	80	78	74	88	66	80	78

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