ESG ANALYSIS ON 50 LISTED COMPANIES IN INDIA
BABY STEPS BY INDIA INC. TOWARDS SUSTAINABILITY
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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.

<table>
<thead>
<tr>
<th>NSE</th>
<th>SES</th>
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<tbody>
<tr>
<td>Ms. Priya Subbaraman</td>
<td>Mr. J.N. Gupta</td>
</tr>
<tr>
<td>Mr. Avishkar Naik</td>
<td>Ms. Aditi Chandani</td>
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<td>Ms. Yukti Sharma</td>
<td>Mr. Mukesh Solanki</td>
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<td>Mr. Lokesh Bhandari</td>
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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.

### 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.**

### 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
Executive Summary

- **ESG Analysis on 50 listed companies in India**

**Cyber Security:** There were 276 IDs in total and 70 were reported by 20 companies. No complaints were reported by 30 sample companies. The highest number of data security violations occurred in 2019.

**Child Labour:** The number of women employees was 31,000, with 27 companies reporting. 78.22% of these workers were employed by associated suppliers.

**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, all companies had at least one female director on their Boards. 6 companies within the sample had more than 2 women directors.
- **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:** Most directors were between 50-60 years old, with 3 companies having an executive director above 70 years of age.
- **Board attendance:** Only 15 companies all directors attended 75% or more of 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, all directors attended at least 75% or more Board meetings.

**Remuneration:**

- **Board remuneration:** In the sample, 82 resolutions, public institutional shareholders voted against for more than 10% of their total votes polled, whereas public shareholders voted for 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:** Of the 20 companies that disclosed specific information regarding its training or programmes to directors/employees for anti-corruption policies/procures, 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**

- **Statutory Auditors:** No case was found in the sample companies wherein statutory auditors were resigned or removed 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 shareholders voted against for more than 10% of their total votes polled, whereas public shareholders voted against for more than 10% of their total votes polled, whereas public shareholders voted against for more than 10% of their total votes polled, whereas public shareholders voted against for more than 10% of their total votes polled, whereas public shareholders.

**In recent years, both regulatory as well as voluntary efforts have made ESG a focus area.** 

- **ESG policies:** Once considered a precursor for imminent change, 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.

- **Climate change:** Rising temperatures, plastic pollution, forest wildfires, rising disparity, gender inequity, 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 wish to grow in a sustainable manner and avoid risks on account of the changing world.

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.
Introduction to ESG

**ESG analysis - Factors analysed:**

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

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 factors that play an equal role in evaluating the company’s market valuation.

<table>
<thead>
<tr>
<th>Period</th>
<th>NIFTY100 ESG TR</th>
<th>NIFTY 100 Enhanced ESG TR</th>
<th>Nifty 100 TRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 year</td>
<td>13.5%</td>
<td>13.6%</td>
<td>12.6%</td>
</tr>
<tr>
<td>5 Year</td>
<td>10.3%</td>
<td>10.4%</td>
<td>9.6%</td>
</tr>
<tr>
<td>3 Year</td>
<td>16.4%</td>
<td>16.2%</td>
<td>15.1%</td>
</tr>
<tr>
<td>1 year</td>
<td>12.3%</td>
<td>11.5%</td>
<td>11.8%</td>
</tr>
</tbody>
</table>

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

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.

<table>
<thead>
<tr>
<th>Questions in the Model</th>
<th>Parameters Analysed in each Company</th>
<th>Total Parameters Analysed in Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>244</td>
<td>1,069</td>
<td>53,450</td>
</tr>
<tr>
<td>TOTAL DATA POINTS ANALYSED</td>
<td>1,00,000+</td>
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</table>

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 Scores\(^1\) are also categorised into ESG footprint levels. Higher the score, higher the footprint and lower the risk.

<table>
<thead>
<tr>
<th>ESG FOOTPRINT SCORE</th>
<th>HIGH</th>
<th>MEDIUM</th>
<th>LOW</th>
</tr>
</thead>
<tbody>
<tr>
<td>90-100</td>
<td>80-90</td>
<td>70-80</td>
<td>60-70</td>
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<td>70-80</td>
<td>60-70</td>
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<td>0-10</td>
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</tr>
</tbody>
</table>

Findings:

Top 3 industries
- 73.7 - Automobile
- 72.1 - Chemicals
- 72.1 - Consumer Goods

Top 3 companies
- 80.1 - Automobile
- 77.9 - Consumer goods
- 77.8 - Automobile

Worst performing industry
- 69.4 - Metals & Mining

Worst performing company
- 61.6 - Metals & Mining

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

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 score distribution:

Graph 1: ESG & Factor wise distribution (minimum, average, maximum)

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.

Graph 2: ESG score divergence

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

Graph 3: Score distribution-factor wise

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.

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.

ESG Highlights

Scoring Model & Factors

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
ESG Analysis on 50 listed companies in India

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 a consolidated manner at one place.
- Within list of top 100 companies in India (as on 15 January 2020)
- Company is either:
  - In top 10 company of the sector/industry (maximum 10 companies in each sector); OR
  - 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 a | 0 < 25% | 25-50% | 50%+
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution of 48 Companies a</td>
<td>1</td>
<td>13</td>
<td>34</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indian Promoter</td>
<td>37</td>
</tr>
<tr>
<td>PSU</td>
<td>7</td>
</tr>
<tr>
<td>MNC</td>
<td>6</td>
</tr>
</tbody>
</table>

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.

Top 3 industries
- 92.6 - Energy
- 91.9 - Automobile
- 91.5 - Chemicals

Top 3 companies
- 97.9 - Chemicals
- 97.9 - Automobile
- 97.4 - Energy

Worst performing industry
- 73.7 – Metals & Mining

Worst performing company
- 48.1 – Metals & Mining

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.

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 loosen score if disclosures are not provided as per tabular format or in a consolidated manner at one place.
ESG Analysis on 50 listed companies in India

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

Assessment factors:
- Assessment of company’s responses to ten questions on nine BR Principles. (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 NVGS)² 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.

- 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.

Table 1: Principles

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

² NVGS: National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business

Question-wise (as per NVGS) response

Table 2: Questions

<table>
<thead>
<tr>
<th>Table 2: Questions</th>
<th>Min.</th>
<th>Avg.</th>
<th>Med.</th>
<th>Max.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Do you have a policy/policies for principle?</td>
<td>76</td>
<td>95</td>
<td>98</td>
<td>100</td>
</tr>
<tr>
<td>2 Has the policy been formulated in consultation with the relevant stakeholders?</td>
<td>72</td>
<td>86</td>
<td>90</td>
<td>100</td>
</tr>
<tr>
<td>3 Does the policy conform to any national / international standards? If yes, specify (50 words).</td>
<td>68</td>
<td>82</td>
<td>84</td>
<td>90</td>
</tr>
<tr>
<td>4 Has the policy been approved by the board? If yes, has it been signed by the MD/owner/CEO/appropriate board director?</td>
<td>68</td>
<td>85</td>
<td>88</td>
<td>94</td>
</tr>
<tr>
<td>5 Indicate the link to the policy to be viewed online.</td>
<td>74</td>
<td>90</td>
<td>94</td>
<td>98</td>
</tr>
<tr>
<td>6 Has the policy been formally communicated to all relevant internal and external stakeholders?</td>
<td>74</td>
<td>89</td>
<td>94</td>
<td>98</td>
</tr>
<tr>
<td>7 Has the policy been formally communicated to all relevant internal and external stakeholders?</td>
<td>72</td>
<td>88</td>
<td>90</td>
<td>94</td>
</tr>
<tr>
<td>8 Does the company have a grievance redressal mechanism related to the policy/policies?</td>
<td>64</td>
<td>85</td>
<td>86</td>
<td>90</td>
</tr>
<tr>
<td>9 Does the company have an in-house structure to implement the policy/ policies?</td>
<td>66</td>
<td>78</td>
<td>78</td>
<td>88</td>
</tr>
<tr>
<td>10 Does the company have carried out independent audit/evaluation of the working of this policy by an internal or external agency?</td>
<td>84</td>
<td>91</td>
<td>91</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Question-wise (as per NVGS) response</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
</tr>
<tr>
<td>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.</td>
</tr>
<tr>
<td>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.</td>
</tr>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

ESG Analysis on 50 listed companies in India
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 BRR 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.

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. More 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.

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, 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 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.

Graph 9: Scoring pattern across different categories in 'Environment'

**Top 3 industries**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cement</td>
<td>75.0</td>
</tr>
<tr>
<td>Automobile</td>
<td>72.7</td>
</tr>
<tr>
<td>Consumer Goods</td>
<td>72.7</td>
</tr>
</tbody>
</table>

**Top 3 companies**

<table>
<thead>
<tr>
<th>Company</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cement</td>
<td>88.0</td>
</tr>
<tr>
<td>Metals &amp; Mining</td>
<td>87.5</td>
</tr>
<tr>
<td>Consumer Goods</td>
<td>87.3</td>
</tr>
</tbody>
</table>

**Worst performing industry**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>64.6</td>
</tr>
</tbody>
</table>

**Worst performing company**

<table>
<thead>
<tr>
<th>Company</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>44.0</td>
</tr>
</tbody>
</table>

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
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

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

Observations
- 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 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)

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 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.”

Maximum - 100
Median - 81
Average - 79
Minimum - 38

Best performing industry: 91.5 - Fertilisers
Best performing company: 100 - 3 Companies

Worst performing industry: 67.5 - Others
Worst performing company: 38.2 - Automobile

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.

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.

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.

Life cycle assessment:
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:
Incidents 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.

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.

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.

Life cycle assessment:
SEBI BRR 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.
### 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

**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.

**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.

**Table:**

<table>
<thead>
<tr>
<th>Best performing industry</th>
<th>Best performing companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy intensity</td>
<td>86.1 - Metals &amp; Mining</td>
</tr>
<tr>
<td>Average</td>
<td>100 - 9 company</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Worst performing industry</th>
<th>Worst performing company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy consumption</td>
<td>65.7 - Others</td>
</tr>
<tr>
<td>Average</td>
<td>30.0 - Others</td>
</tr>
</tbody>
</table>

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

## Policy Disclosures

### Environment

- **Maximum** - 100
- **Median** - 59
- **Average** - 61
- **Minimum** - 20

### Social

### Governance

### Evaluation Framework

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

## Selected initiatives:
- 2 companies are signatory to RE100 – a collaborative, global initiative of influential businesses committed to 100% renewable electricity.

## Observations:

### Data Disclosure

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

### Steps / Initiatives

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

## Best performing industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cement</td>
<td>67.7</td>
</tr>
</tbody>
</table>

## Best performing company

100 – Consumer Goods

## Worst performing industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fertilisers</td>
<td>47.1</td>
</tr>
</tbody>
</table>

## Worst performing company

20.0 – Chemicals

## Investment in renewable energy:

### Renewable usage

- **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.

### Targets

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

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

## 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.

## Almost all the companies in the sample disclosed steps or initiatives taken towards progressively increasing renewable energy usage.

## Two companies from the automobiles and chemicals industries did not make any specific disclosure regarding steps or initiatives taken by them.

## The least disclosures were observed in companies from the metals and other industries.

## Highest % renewable consumption among consumer goods stood at 73%.

## The consumer goods industry disclosed targets and an increase in usage of renewable energy, both in absolute numbers and relative terms.

## Five companies in consumer goods have reported renewable energy consumption of 30%+ from total energy consumption (among companies that have disclosed renewable energy % consumption data).

## 2 companies each in automobiles and fertilisers & pesticides reported renewable energy consumption of more than 15% from total energy consumption.

## Source:

- Press Information Bureau | Government of India | Ministry of New and Renewable Energy (WebLink)
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
- Rainwater harvesting system
- Targets set vs. achievements

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

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.
- 23 companies provided information on water consumption.

Observations:
- 44 companies disclosed data on water consumption or usage.
- 27 companies disclosed data on water intensity or specific water consumption.
- 19 companies disclosed the targets or goals to decrease freshwater consumption.

7 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.

<table>
<thead>
<tr>
<th>Best performing industry</th>
<th>Best performing company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum - 98</td>
<td>Cement</td>
</tr>
<tr>
<td>Median - 51</td>
<td>Consumer Goods</td>
</tr>
<tr>
<td>Average - 56</td>
<td>85.3 – Cement</td>
</tr>
<tr>
<td>Minimum - 0</td>
<td>98.3 – Consumer Goods</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Worst performing industry</th>
<th>Worst performing company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum - 0</td>
<td>Others</td>
</tr>
<tr>
<td>Average - 56</td>
<td>39.1 – Energy</td>
</tr>
<tr>
<td>Median - 51</td>
<td>0.0 – Others</td>
</tr>
</tbody>
</table>

44 companies disclosed data on water consumption or usage.

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

19 companies disclosed the targets or goals to decrease freshwater consumption. However, only 13 such companies have been able to achieve the set target.
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/SPCB
- Targets set and its achievements

<table>
<thead>
<tr>
<th>Maximum - 100</th>
<th>Median - 63</th>
<th>Average - 63</th>
<th>Minimum - 20</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="Best performing industry" /></td>
<td><img src="image2" alt="Best performing company" /></td>
<td>71.2 – Automobile</td>
<td>100 – Consumer goods</td>
</tr>
<tr>
<td><img src="image3" alt="Worst performing industry" /></td>
<td><img src="image4" alt="Worst performing company" /></td>
<td>47.3 – Chemicals</td>
<td>20.0 – Chemicals</td>
</tr>
</tbody>
</table>

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.

Observations:
As per Paris Agreement, India’s Nationally Determined Contributions (NDCs) 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 gigaton of carbon dioxide (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 taken and their effectiveness. The steps taken and their effectiveness 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.


GHG emissions reduction: 45 companies disclosed data on GHG/carbon emissions.
- 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.
- Approximately 70% companies in consumer goods reduced their energy consumption or energy intensity in the last three years.

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

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

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

GHG emissions intensity disclosure was observed three companies in the metal industry and 80% (8/10) companies in consumer goods.

GHG emissions intensity for at least two out of the last three years.

GHG intensity for at least two out of 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

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.

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, 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.

Best performing industry: Automobile
Best performing company: 100 – 4 Companies

Worst performing industry: Chemicals
Worst performing company: Metals & mining

Maximum - 100
Median - 78
Average - 76
Minimum - 31

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.

90%
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.

Top 3 industries
- Automobile
- Cement
- Chemicals

Top 3 companies
- Automobile
- Energy
- Consumer goods

Worst performing industry
- Others

Worst performing company
- Others

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.
III. Social

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

Assessment factors:
Disclosure on workforce and various workforce-related practices:
- Workforce details and workforce diversity
- Equal opportunity
- Training on skill development
- Industrial relations

<table>
<thead>
<tr>
<th>Total employees</th>
<th>Industry topper (average number of employees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>8,84,909</td>
<td>55,155 Metals</td>
</tr>
<tr>
<td></td>
<td>15,800 Energy</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Women employees</th>
<th>Industry topper (average employees in number &amp; as % of total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>73,007</td>
<td>3,365 Metals</td>
</tr>
<tr>
<td>%</td>
<td>20.83% Others</td>
</tr>
<tr>
<td></td>
<td>9.09% Consumer goods</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employees with disabilities</th>
<th>Industry topper (average number of employees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,804</td>
<td>214 Energy</td>
</tr>
<tr>
<td></td>
<td>211 Metals</td>
</tr>
</tbody>
</table>

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

Employee Statistics

<table>
<thead>
<tr>
<th>Total employees</th>
<th>Best &amp; worst company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2,85,479</td>
</tr>
<tr>
<td>Metals</td>
<td>380</td>
</tr>
<tr>
<td>Consumer goods</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Women employees ( # &amp; %)</th>
<th>Best &amp; worst company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>19,779</td>
</tr>
<tr>
<td>Metals</td>
<td>8</td>
</tr>
<tr>
<td>%</td>
<td>78.22%</td>
</tr>
<tr>
<td>Services</td>
<td>0.65%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employees with disabilities</th>
<th>Best &amp; worst company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>782</td>
</tr>
<tr>
<td>Metals</td>
<td>7</td>
</tr>
<tr>
<td>Companies with 'Zero'</td>
<td></td>
</tr>
</tbody>
</table>

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.

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.

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

<table>
<thead>
<tr>
<th>Disclosure</th>
<th>Complaints Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child/ forced / Involuntary labour</td>
<td>48</td>
</tr>
<tr>
<td>Discriminatory Employment</td>
<td>44</td>
</tr>
</tbody>
</table>

*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

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 relationship:

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).  

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

<table>
<thead>
<tr>
<th>Graph 14: Disclosures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Management System and Health &amp; Safety Policy</td>
</tr>
<tr>
<td>Detailed information on safety trainings</td>
</tr>
<tr>
<td>Promoting Workers Health</td>
</tr>
<tr>
<td>Detailed information on maternity related benefits</td>
</tr>
</tbody>
</table>

Best performing industry

- Maximum - 84
- Median - 52
- Average - 52
- Minimum - 15

- 67.9 - Automobile
- 84.1 – Consumer goods
- 43.4 – Others
- 14.6 – Others

Worst performing industry

- 43.4 – Others
- 14.6 – Others

Fatalities / 10,000 employees*

- Construction 5.0
- Chemicals 3.8
- Fertilisers & pesticides 3.7
- Cement 2.7
- Energy 1.9

*Based On Permanent Employees

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

12 ‘Children in India 2018’ by ‘Ministry of Statistics and Programme Implementation’ (Website)
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.

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.

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

Maximum - 100
Median - 82
Average - 78
Minimum - 42

Best performing industry
86.5 - Automobile
100 - 2 Companies

Worst performing industry
66.8 - Others
41.9 - Others

Average CSR Spend (Rs. In crores)

<table>
<thead>
<tr>
<th>FY</th>
<th>Average Net Profit</th>
<th>Average prescribed CSR expenditure</th>
<th>Actual average CSR spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>3,757</td>
<td>75</td>
<td>86</td>
</tr>
<tr>
<td>2018</td>
<td>3,329</td>
<td>67</td>
<td>72</td>
</tr>
</tbody>
</table>

Note: Above CSR data is average of sample companies

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

Companies Compliance (CSR Spend)

<table>
<thead>
<tr>
<th>FY</th>
<th>More than Prescribed amount</th>
<th>Only up to Prescribed amount</th>
<th>Less than prescribed amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>35</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>2018</td>
<td>35</td>
<td>4</td>
<td>11</td>
</tr>
</tbody>
</table>

Note: Above CSR data is average of sample companies

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

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.

- 38 companies disclosed the total 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

<table>
<thead>
<tr>
<th>Industry*</th>
<th>Company</th>
<th>Highest</th>
<th>Lowest</th>
<th>Highest</th>
<th>Lowest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>Consumer goods</td>
<td>4,65,026</td>
<td>12</td>
<td>Automobile</td>
<td>590</td>
</tr>
<tr>
<td></td>
<td>Fertilisers</td>
<td>5</td>
<td>5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

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.

Cyber / data security

<table>
<thead>
<tr>
<th>Assessment factors:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosures on:</td>
</tr>
<tr>
<td>- Cyber / data security of the company</td>
</tr>
<tr>
<td>- Company’s practices for improving customer relations, their complaints/grievances</td>
</tr>
</tbody>
</table>

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.”
### 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.

#### Top 3 industries

<table>
<thead>
<tr>
<th>Industry</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemicals</td>
<td>77.9</td>
</tr>
<tr>
<td>Automobile</td>
<td>76.2</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>75.6</td>
</tr>
</tbody>
</table>

#### Top 3 companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>84.3</td>
</tr>
<tr>
<td>Automobile</td>
<td>82.2</td>
</tr>
<tr>
<td>Metals &amp; Mining</td>
<td>82.1</td>
</tr>
</tbody>
</table>

#### Worst performing industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cement</td>
<td>69.9</td>
</tr>
</tbody>
</table>

#### Worst performing company

<table>
<thead>
<tr>
<th>Company</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metals</td>
<td>60.9</td>
</tr>
</tbody>
</table>

#### Category scores in governance:

- 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.

#### 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 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.
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

<table>
<thead>
<tr>
<th>Maximum - 75</th>
<th>Median - 55</th>
<th>Average - 55</th>
<th>Minimum - 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Best performing industry</td>
<td>Best performing company</td>
<td>60.7 – Automobile</td>
<td>75.3 – Metals &amp; mining</td>
</tr>
<tr>
<td>Worst performing industry</td>
<td>Worst performing company</td>
<td>41.7 – Cement</td>
<td>30.2 – Metals &amp; mining</td>
</tr>
</tbody>
</table>

Sample companies (Directors as on 30 September 2019)

- Total Board Positions
  - 557

- Unique Directors on The Board
  - 496

- Within sample companies, Directors with Single Board Position
  - 446

- Within sample companies, Directors with multiple Board Positions
  - 50

- Promoter Directors (P) (Board Positions)
  - 138

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

- Executive Directors (ED)
  - 141

- Independent Directors (ID)
  - 276

- Non-Promoter Non-Independent Directors
  - 140

- Promoter
  - 31

- NED
  - 17

- ED
  - 14

- NED-NID
  - 19

- ID
  - 7

- ED 25% NED-NID 25% ID 50%

- 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

- 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

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).
4.1 Board Composition

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 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)
- Youngest: 30 years (NEDP)

<table>
<thead>
<tr>
<th>Director's education: Graduate directors</th>
<th>Companies with lead Independent Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>96%</td>
<td>SES Criteria for Lead Independent Director:</td>
</tr>
<tr>
<td></td>
<td>- Chairman is an ID (as per SES) or;</td>
</tr>
<tr>
<td></td>
<td>- Name of the Chairman of ID meeting or;</td>
</tr>
<tr>
<td></td>
<td>- Name of the ID. Only 6 companies met the criteria.</td>
</tr>
<tr>
<td>75% &amp; + attendance at Board meetings</td>
<td>Companies with lead Independent Director</td>
</tr>
<tr>
<td>30%</td>
<td>SES Criteria for Lead Independent Director:</td>
</tr>
<tr>
<td></td>
<td>- Chairman is an ID (as per SES) or;</td>
</tr>
<tr>
<td></td>
<td>- Name of the Chairman of ID meeting or;</td>
</tr>
<tr>
<td></td>
<td>- Name of the ID. Only 6 companies met the criteria.</td>
</tr>
<tr>
<td>2/3 directors liable to retire by rotation</td>
<td>Reasonable time commitments (listed directorships &lt; 6)</td>
</tr>
<tr>
<td>98%</td>
<td>Only 22 directors (3%) held Directorships in more than 5 listed companies.</td>
</tr>
<tr>
<td></td>
<td>Only 22 directors (3%) held Directorships in more than 5 listed companies.</td>
</tr>
<tr>
<td></td>
<td>97%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Independence of Board committees</th>
</tr>
</thead>
<tbody>
<tr>
<td>85% Audit committee</td>
</tr>
<tr>
<td>78% Nomination &amp; remuneration committee</td>
</tr>
<tr>
<td>47% Stakeholders relationship committee</td>
</tr>
<tr>
<td>45% CSR committee</td>
</tr>
<tr>
<td>37% Risk management committee</td>
</tr>
</tbody>
</table>

- All the companies complied with SEBI LODR provisions on the composition of committees.
- All the companies have an Independent Chairman for Audit Committee (AC) and Nomination & Remuneration Committee (NRC).
- All the companies have at least one Independent Director as a member of Stakeholders Committee.
- 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.

Policy disclosures:
- 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.
- Only 31 companies have an Independent Director as a member of Risk Management Committee (RMC).
- All MNCs 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.

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

<table>
<thead>
<tr>
<th>Maximum</th>
<th>Median</th>
<th>Average</th>
<th>Minimum</th>
</tr>
</thead>
<tbody>
<tr>
<td>90.0</td>
<td>72.0</td>
<td>67.0</td>
<td>29.0</td>
</tr>
</tbody>
</table>

Best performing industry: Consumer goods
Best performing company: Cement

Worst performing industry: Metals & mining
Worst performing company: 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 their ED remuneration, almost similar to the other three companies paid to IDs.

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.

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

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 had 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.

100% Statutory auditor’s tenure (Compliance with law)

94% Audit partner’s association (With three or less than three years)

0% Exit of statutory auditor (Due to removal / resignation)

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.

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.

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.

Audit qualifications:

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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.

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.

4.5 Audit & Financial Reporting

Audit qualifications:

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

#### Best performing industry

![88.3 – Chemicals](image)

#### Worst performing industry

![71.8 – Cement](image)

#### Shareholders statistics

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Promoter shareholders</th>
<th>Public shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holding*</td>
<td># Shareholders</td>
<td>Category</td>
</tr>
<tr>
<td>Promoter</td>
<td>48.50%</td>
<td>Institutional</td>
</tr>
<tr>
<td>Public</td>
<td>590</td>
<td></td>
</tr>
<tr>
<td>Promoter</td>
<td>75.00%</td>
<td>Individuals</td>
</tr>
<tr>
<td>Public</td>
<td>73.24%</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>53.24%</td>
<td>Others</td>
</tr>
<tr>
<td>Minimum</td>
<td>18.90%</td>
<td></td>
</tr>
<tr>
<td>Maximum</td>
<td>25.00%</td>
<td></td>
</tr>
</tbody>
</table>

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 82 lakhs, though in total they hold only 0.89% of the total share capital in sample companies.

#### 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, 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 ₹8,557 crores as of 31 December 2019.

#### Worst performing industry

![52.0 – Cement](image)

#### Best performing company

![95.5 – Metals & mining](image)

### 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.

#### 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.

#### 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.

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.

#### 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.

#### Promoter holding

<table>
<thead>
<tr>
<th>No. of Resolutions</th>
<th>Promoter institutional</th>
<th>Public institutional</th>
<th>Public others</th>
<th>All shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resolutions defeated</td>
<td>4.94%</td>
<td>1.34%</td>
<td>2.11%</td>
<td></td>
</tr>
<tr>
<td>10% Against votes (No. of Resolutions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public institutional</td>
<td>82</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public others</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All shareholders</td>
<td>36</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.
4.7 Other Governance Factors

Assessment factors:
Disclosures on:
- Code of conduct
- Insider trading
- Whistle blower / vigil mechanism
- Ethics, bribery, or corruption

<table>
<thead>
<tr>
<th>Maximum</th>
<th>Median</th>
<th>Average</th>
<th>Minimum</th>
</tr>
</thead>
<tbody>
<tr>
<td>95</td>
<td>74</td>
<td>73</td>
<td>43</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Best performing industry</th>
<th>Best performing company</th>
</tr>
</thead>
<tbody>
<tr>
<td>79.6 – Fertilisers</td>
<td>94.6 – Others</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Worst performing industry</th>
<th>Worst performing company</th>
</tr>
</thead>
<tbody>
<tr>
<td>95.4 – Cement</td>
<td>42.9 – Cement</td>
</tr>
</tbody>
</table>

4.7 Other Governance Factors

Insider trading:

Code of practices and procedures for fair disclosures of UPSI:

100% All the companies have disclosed code of practices and procedures for fair disclosures of unpublished price sensitivity information.

Conviction/penalty due to insider trading violation:

0% No such cases were observed for sample companies in the last one year.

Code of conduct disclosure:

100% All the companies have disclosed code of conduct of board of directors and senior management personnel. Further, all companies disclosed affirmation or adherence to code of conduct.

62% All employees 31 companies disclosed code of conduct, which is applicable to all the employees. Ideally, code of conduct shall be applicable to all the employees of the company.

Others:

Disclosure on Directors’ & officers’ insurance:

100% Only 9 companies disclosed that they have Directors’ and officers’ insurance.

18% Only 9 companies disclosed that they have Directors’ and officers’ insurance.

Ethics, bribery, and corruption:

Policy disclosures

68% All the companies have disclosed that they have an ethics policy. However, 34 companies disclosed information on their websites, either through policy or code of conduct.

Communication / trainings to directors & employees

40% Only 20 companies have disclosed specific information regarding its training or programmes to directors / employees for anti-corruption policies / procedures.

Most disclosures in an industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile</td>
<td>83%</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>80%</td>
</tr>
<tr>
<td>Cement &amp; cement products</td>
<td>80%</td>
</tr>
<tr>
<td>Others</td>
<td>78%</td>
</tr>
<tr>
<td>Fertilisers &amp; pesticides</td>
<td>67%</td>
</tr>
</tbody>
</table>

Whistle blower / vigil mechanism:

100% All the companies have disclosed whistle blower policies on their website.

Policy disclosure

34% Only 16 companies made disclosures regarding whistle blower complaints.

Complaint disclosure

90% 5 companies did not disclose the fact that no person was denied access to the Audit Committee.

Direct access to the chairperson of audit committee

80% 10 companies did not adequately disclose whether they have a mechanism for whistle blowers - direct access to the Chairperson of the Audit Committee.
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.

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.

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

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)
- 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, 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.

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):

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

Financial
Manufactured
Intellectual
Human
Social and Relationship
Natural

6 types of capital under IR framework

Guiding principles of IR framework

Strategic focus and future orientation
Connectivity of information
Stakeholder relationships
Materiality
Conciseness
Consistency and comparability

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 2016, 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

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14 G4 Sustainability Reporting Guidelines
15 Global Reporting Initiative: https://www.globalreporting.org/Information/about-gri/Pages/default.aspx
16 GRI Standards: Consolidated set of GRI Sustainability Reporting Standards 2018

15 https://www.sasb.org/standards-overview/
ESG reporting: Analysing disclosure practices in India:

**Reporting framework**

This was India’s first pilot regarding ESG. MCA introduced the NVG Guidelines. Companies were required to adopt the principles of Business Responsibility and Report on their initiatives on a voluntary basis.

**Business Responsibility Reporting**

After MCA, SEBI mandated top 100 companies to report on their initiatives on Business Responsibility in the annual report, in 2012. SEBI also advised on the adoption of Integrated Reporting by top 500 companies on a voluntary basis. SEBI has given an option to companies for ESG-related disclosures to be published in BRR or to provide a sustainability report as per globally accepted frameworks and map it with the BRR.

**Extension of BRR to top 1,000 companies**

SEBI extended the mandate to provide BRR to top 1,000 companies. It also advised on the adoption of Integrated Reporting by top 500 companies on a voluntary basis. SEBI has given an option to companies for ESG-related disclosures to be published in BRR or to provide a sustainability report as per globally accepted frameworks and map it with the BRR.

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**Model - Legal and voluntary frameworks**

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

**Compliance framework**

**Environment**

Manufacturing companies are known to face the most environmental risk and exposure.

- 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

**Social**

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

- 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
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/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.

The SES Model scores policy disclosures provided by the company on policy, Environment, Social and Governance practices based on their disclosure practices. Further, the model also provides positive scores to companies based on their disclosure practices. The model awards positive scores to companies based on their disclosure practices. The policy section analyses only the BRR disclosures and other policy disclosures provided by the company pertaining to ESG factors.

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. The model also provides positive scores to companies based on implementation of sustainable practices.

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 definitive 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

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the company</th>
<th>Market cap.</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Maruti Suzuki India Ltd.</td>
<td>2,22,591</td>
<td>Automobile</td>
</tr>
<tr>
<td>2</td>
<td>Mahindra &amp; Mahindra Ltd.</td>
<td>66,082</td>
<td>Automobile</td>
</tr>
<tr>
<td>3</td>
<td>Eicher Motors Ltd.</td>
<td>61,475</td>
<td>Automobile</td>
</tr>
<tr>
<td>4</td>
<td>Tata Motors Ltd.</td>
<td>53,459</td>
<td>Automobile</td>
</tr>
<tr>
<td>5</td>
<td>Hero MotoCorp Ltd.</td>
<td>48,797</td>
<td>Automobile</td>
</tr>
<tr>
<td>6</td>
<td>Ashok Leyland Ltd.</td>
<td>23,925</td>
<td>Automobile</td>
</tr>
<tr>
<td>7</td>
<td>Ultratech Cement Ltd.</td>
<td>1,16,776</td>
<td>Cement &amp; Cement Products</td>
</tr>
<tr>
<td>8</td>
<td>Ambuja Cements Ltd.</td>
<td>38,968</td>
<td>Cement &amp; Cement Products</td>
</tr>
<tr>
<td>9</td>
<td>ACC Ltd.</td>
<td>27,547</td>
<td>Cement &amp; Cement Products</td>
</tr>
<tr>
<td>10</td>
<td>Dalmia Bharat Ltd.</td>
<td>15,442</td>
<td>Cement &amp; Cement Products</td>
</tr>
<tr>
<td>11</td>
<td>J. K. Cement Ltd.</td>
<td>9,031</td>
<td>Cement &amp; Cement Products</td>
</tr>
<tr>
<td>12</td>
<td>Tata Chemicals</td>
<td>16,995</td>
<td>Chemicals</td>
</tr>
<tr>
<td>13</td>
<td>Sodar Industries India Ltd.</td>
<td>9,955</td>
<td>Chemicals</td>
</tr>
<tr>
<td>14</td>
<td>Galaxi Surtfactants Ltd.</td>
<td>5,318</td>
<td>Chemicals</td>
</tr>
<tr>
<td>15</td>
<td>Larsen &amp; Toubro Ltd.</td>
<td>1,82,213</td>
<td>Construction</td>
</tr>
<tr>
<td>16</td>
<td>DLF Ltd.</td>
<td>57,155</td>
<td>Construction</td>
</tr>
<tr>
<td>17</td>
<td>Hindustan Unilever Ltd.</td>
<td>4,16,293</td>
<td>Consumer Goods</td>
</tr>
<tr>
<td>18</td>
<td>ITI Ltd.</td>
<td>2,92,117</td>
<td>Consumer Goods</td>
</tr>
<tr>
<td>19</td>
<td>Asian Paints Ltd.</td>
<td>1,71,212</td>
<td>Consumer Goods</td>
</tr>
<tr>
<td>20</td>
<td>Titan Company Ltd.</td>
<td>1,05,466</td>
<td>Consumer Goods</td>
</tr>
<tr>
<td>21</td>
<td>Dabur India Ltd.</td>
<td>81,002</td>
<td>Consumer Goods</td>
</tr>
<tr>
<td>22</td>
<td>Godrej Consumer Products Ltd.</td>
<td>69,982</td>
<td>Consumer Goods</td>
</tr>
<tr>
<td>23</td>
<td>Marico Ltd.</td>
<td>44,099</td>
<td>Consumer Goods</td>
</tr>
<tr>
<td>24</td>
<td>Havelis India Ltd.</td>
<td>40,499</td>
<td>Consumer Goods</td>
</tr>
<tr>
<td>25</td>
<td>Proctor &amp; Gamble Hygiene &amp; Health Care Ltd.</td>
<td>37,158</td>
<td>Consumer Goods</td>
</tr>
<tr>
<td>26</td>
<td>Kansai Nerolac Paints Ltd.</td>
<td>28,113</td>
<td>Consumer Goods</td>
</tr>
<tr>
<td>27</td>
<td>Reliance Industries Ltd.</td>
<td>9,59,787</td>
<td>Energy → Oil &amp; Gas**</td>
</tr>
<tr>
<td>28</td>
<td>Indian Oil Corporation Ltd.</td>
<td>1,18,195</td>
<td>Energy → Oil &amp; Gas**</td>
</tr>
<tr>
<td>29</td>
<td>Bharat Petroleum Corporation Ltd.</td>
<td>1,06,630</td>
<td>Energy → Oil &amp; Gas**</td>
</tr>
<tr>
<td>30</td>
<td>GAIL (India) Ltd.</td>
<td>54,595</td>
<td>Energy → Oil &amp; Gas**</td>
</tr>
<tr>
<td>31</td>
<td>Hindustan Petroleum Corporation Ltd.</td>
<td>40,305</td>
<td>Energy → Oil &amp; Gas**</td>
</tr>
<tr>
<td>32</td>
<td>Adani Transmission Ltd.</td>
<td>36,448</td>
<td>Energy → Power**</td>
</tr>
<tr>
<td>33</td>
<td>UPL Ltd.</td>
<td>46,657</td>
<td>Fertilisers &amp; Pesticides</td>
</tr>
<tr>
<td>34</td>
<td>PT Industries Ltd.</td>
<td>19,969</td>
<td>Fertilisers &amp; Pesticides</td>
</tr>
<tr>
<td>35</td>
<td>Rallis India Ltd.</td>
<td>3,271</td>
<td>Fertilisers &amp; Pesticides</td>
</tr>
<tr>
<td>36</td>
<td>Coal India Ltd.</td>
<td>1,30,249</td>
<td>Metals</td>
</tr>
<tr>
<td>37</td>
<td>Hindustan Zinc Ltd.</td>
<td>88,258</td>
<td>Metals</td>
</tr>
<tr>
<td>38</td>
<td>JSW Steel Ltd.</td>
<td>65,277</td>
<td>Metals</td>
</tr>
<tr>
<td>39</td>
<td>Vedanta Ltd.</td>
<td>56,669</td>
<td>Metals</td>
</tr>
<tr>
<td>40</td>
<td>Tata Steel Ltd.</td>
<td>53,176</td>
<td>Metals</td>
</tr>
<tr>
<td>41</td>
<td>Hindcaco Industries Ltd.</td>
<td>48,548</td>
<td>Metals</td>
</tr>
<tr>
<td>42</td>
<td>NMDC Ltd.</td>
<td>39,467</td>
<td>Metals</td>
</tr>
<tr>
<td>43</td>
<td>Steel Authority of India Ltd.</td>
<td>17,720</td>
<td>Metals</td>
</tr>
<tr>
<td>44</td>
<td>Dr. Reddy’s Laboratories Ltd.</td>
<td>47,199</td>
<td>Pharma</td>
</tr>
<tr>
<td>45</td>
<td>Cipla Ltd.</td>
<td>38,554</td>
<td>Pharma</td>
</tr>
<tr>
<td>46</td>
<td>Aditya Ports and Special Economic Zone Ltd.</td>
<td>74,362</td>
<td>Services</td>
</tr>
<tr>
<td>47</td>
<td>Indian Hotels Co. Ltd.</td>
<td>17,213</td>
<td>Services</td>
</tr>
<tr>
<td>48</td>
<td>Bharti Airiel Ltd.</td>
<td>2,33,915</td>
<td>Telecom</td>
</tr>
<tr>
<td>49</td>
<td>Bharti Infratel Ltd.</td>
<td>46,703</td>
<td>Telecom</td>
</tr>
<tr>
<td>50</td>
<td>Page Industries Ltd.</td>
<td>26,092</td>
<td>Textiles</td>
</tr>
</tbody>
</table>

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