

Business and Sustainable Development
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Lecture - 15
Current Status of ESG in Indian Companies

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So, in this session, we will see what is the current status of ESG in Indian company. So, this is published in 2020 that is the responsible business ranking that is that shows the India's top company for sustainability in 2020.

And if you see the list, possibly you will find that yes few of few of the company name should be there in the top 10 sustainability company, but also the interesting fact is that the sustainability is led by a service company that is Infosys, and the manufacturing companies are there in the list, but typically it is being led by a service company.

We will discuss more about the trend of this top 10 sustainability companies, but mostly if you look at, it covers almost all kind of company like it start with a service, then you find the big manufacturing one over there, and also a public sector company that is BPCL that that is also appearing in the list of top 10 sustainable company.

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Highlights

- ESG performance of companies has risen across the board
- The first time a service sector company achieved the top rank.
- Manufacturing companies continue to perform better than service companies
- Information Technology and diversified are the top performing industries, while NBFC's are laggards.
- Sustainability is increasingly becoming part of core corporate strategy
- Integrated reporting is ramping up, 26% of the companies produce integrated reports
- All the top 10 companies mapped their business goals with SDGs

NPTEL Source: <https://www.futureescape.in/responsible-business-rankings/>

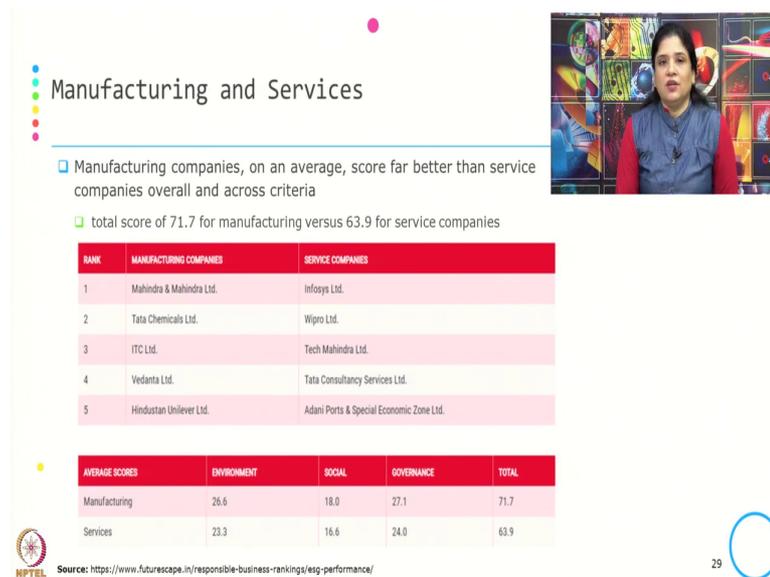
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Now, the highlights of this report this responsible business ranking report is if you look at the ESG performance of the company, it has increased across the board that we will see later when we get into the each component of ESG. First time a service sector company achieved the top rank, manufacturing company continue to perform better than the service company.

Because that is mostly on the basis of the numbers appearing over here. And IT and diversified are the top performing industry, while NBFCs are typically the laggards. And integrated reporting is ramping of 26 percent of the company produce the integrated reports. And all the top 10 company, they map their business goal into the SDG that is Sustainable Development Goals.

So, next after next few session, we will also see what are the sustainable development goals, and how company they have mapped that into their disclosure, and what are the effort they are putting to achieve the sustainable development goals.

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Manufacturing and Services

- Manufacturing companies, on an average, score far better than service companies overall and across criteria
- total score of 71.7 for manufacturing versus 63.9 for service companies

RANK	MANUFACTURING COMPANIES	SERVICE COMPANIES
1	Mahindra & Mahindra Ltd.	Infosys Ltd.
2	Tata Chemicals Ltd.	Wipro Ltd.
3	ITC Ltd.	Tech Mahindra Ltd.
4	Vedanta Ltd.	Tata Consultancy Services Ltd.
5	Hindustan Unilever Ltd.	Adani Ports & Special Economic Zone Ltd.

AVERAGE SCORES	ENVIRONMENT	SOCIAL	GOVERNANCE	TOTAL
Manufacturing	26.6	18.0	27.1	71.7
Services	23.3	16.6	24.0	63.9

Source: <https://www.futureescape.in/responsible-business-rankings/esg-performance/>

Now, getting into the manufacturing and services, so manufacturing company on an average score far better than the service company overall and across the criteria. So, if you look at the top five in manufacturing and top five in service companies, the manufacturing companies led by Mahindra and Mahindra, and service companies led by Infosys.

And the top five manufacturing company Mahindra and Mahindra, Tata Chemical, ITC, Vedanta, HUL. In fact, in 2017 also when this top 10 sustainable company came all those manufacturing companies were there in that that list also. Infosys, Wipro, TCS, they are also there in the list in they are going on publishing the sustainability report. And in fact, Wipro does lot of activity with respect to the sustainability outrage.

So, the total score for manufacturing is 71.7, and for service it is 63.9. And if you go to the specific component also on environment social and governance, so manufacturing in all these cases they are leading that is in environment 26.6, in social it is 18, and in governance it is 27.1.

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Now, next coming to the ESG for all the company over years, it is this graph shows the progress from 2014 to 2020. And if you look at, it is the performance is increasing over years. In few cases, you will find that the increase is not very highly significant, but over a period of time the performance in environment and social, environment, social and governance, it is increasing over years.

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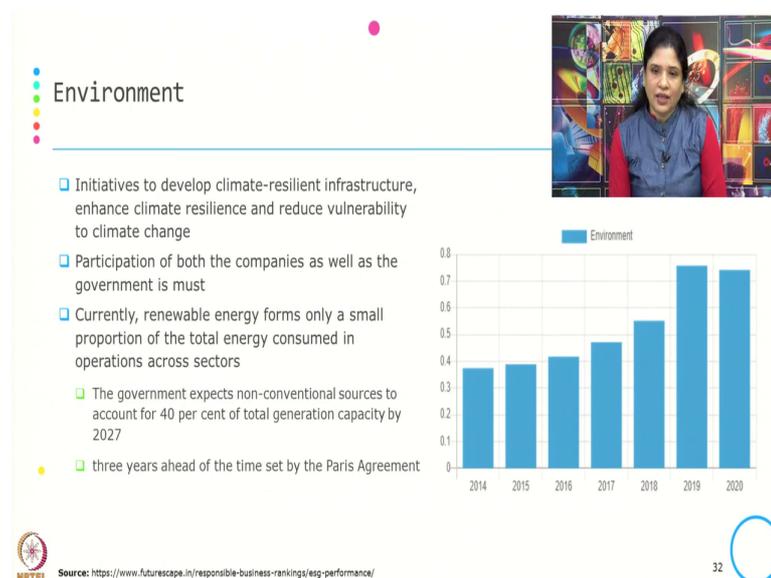


Then coming to the industry, this also we are mentioning in the beginning that information technology and diversified companies they are the top performing industry.

And typically the financials they are yet to pick up their sustainability efforts or the sustainability disclosure. So, in information technology, total information technology the average score is 82.0 that is by Infosys.

In diversified it is ITC that is 77.1, other industrial and this is Adani they have 76.5, healthcare 73.3, energy 73.3. And similarly if you look at the financial is the first time it is HDFC bank that is 66.7. So, this trend shows that information technology and diversified, they are performing better, reporting better as compared to the financial companies.

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This is the chart for the environment based on the composite score. So, over a period of time, this is increasing – the environment performance is increasing. And there is an initiative to develop the climate resilient infrastructure, enhance climate resilience and reduce the vulnerability to climate change.

There is an initiative, and for this whatever the initiative is being planned by the corporate for climate resilient infrastructure, or increasing climate resilience or reduce the vulnerability, this requires the critical participation from both the companies as well as the government.

And specific with respect to renewable energy, we will see the renewable energy also coverage in next few slides, but renewable energy forms only a small proportion of the

total energy consumed in operations across sector. And the government, if you look at whatever the NDC commitment we have given that is what we have to achieve by 2030. The government expect that non-conventional sources to account for almost 40 percent of the total generation capacity by 2027 because that is what based on the goal what we have given as a part of our NDC in Paris Summit.

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The slide is titled "Renewable Energy (SDG 7)" and features a vertical list of bullet points. The first bullet point is a blue square followed by the text "The disclosure of the share of renewable energy in total electricity consumed, continues to be limited". The second bullet point is a blue square followed by "Tata Motors", which is followed by two green square bullet points: "aspires to operate on 100% renewable energy in the coming future" and "It is a signatory to the RE100 initiative and so is Dalmia Bharat.". The third bullet point is a blue square followed by "Maruti Suzuki", which is followed by two green square bullet points: "has been using solar power for lighting its manufacturing plants and office areas" and "now has also started using solar energy in the manufacturing of cars". The slide includes the HPTEL logo in the bottom left corner, a source URL "https://www.futureescape.in/responsible-business-rankings/renewable-energy/" in the bottom center, and the number "33" in the bottom right corner. There are also decorative elements: a pink dot at the top center, a dashed green circle on the right side, and a blue circle at the bottom right.

Renewable Energy (SDG 7)

- The disclosure of the share of renewable energy in total electricity consumed, continues to be limited
- Tata Motors
 - aspires to operate on 100% renewable energy in the coming future
 - It is a signatory to the RE100 initiative and so is Dalmia Bharat.
- Maruti Suzuki
 - has been using solar power for lighting its manufacturing plants and office areas
 - now has also started using solar energy in the manufacturing of cars

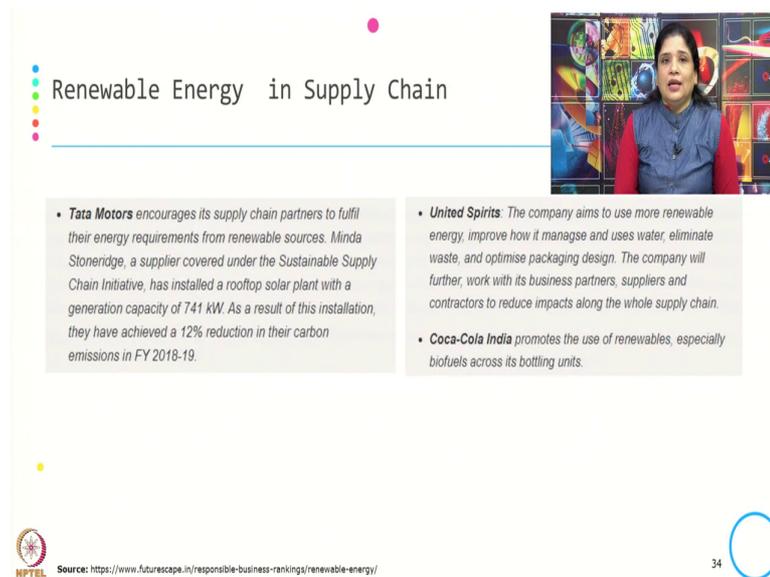
HPTEL Source: <https://www.futureescape.in/responsible-business-rankings/renewable-energy/> 33

This is renewable energy performance. This is linked to sustainable development goal 7. And the disclosure of the share of renewable energy in total electricity consume continued to be limited, not showing very significantly high or significantly it is increasing.

Tata motors, few of the examples in the initiative in the direction of the renewable energy is Tata motors aspire to operate on 100 percent renewable energy in coming future, and their signatory to the RE100 initiative and so is also Dalmia Bharat.

Then Maruti Suzuki, they are using solar power for lighting its manufacturing plants and office area. And now they have also started using solar energy in the manufacturing of the car. So, initially they were using the solar power only for lighting, but they have used the solar energy in the manufacturing of their cars or their production process.

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Renewable Energy in Supply Chain

- **Tata Motors** encourages its supply chain partners to fulfill their energy requirements from renewable sources. Minda Stoneridge, a supplier covered under the Sustainable Supply Chain Initiative, has installed a rooftop solar plant with a generation capacity of 741 kW. As a result of this installation, they have achieved a 12% reduction in their carbon emissions in FY 2018-19.
- **United Spirits** The company aims to use more renewable energy, improve how it manage and uses water, eliminate waste, and optimise packaging design. The company will further, work with its business partners, suppliers and contractors to reduce impacts along the whole supply chain.
- **Coca-Cola India** promotes the use of renewables, especially biofuels across its bottling units.

NPTEL Source: <https://www.futureescape.in/responsible-business-rankings/renewable-energy/>

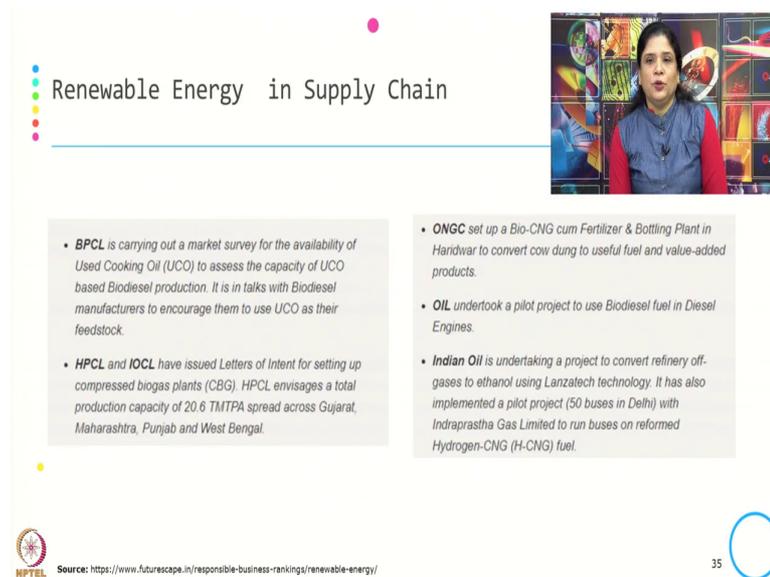
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Similarly, there are few examples in the renewable and are use of renewable energy in the supply chain. So, Tata Motors encourage its supply chain partners to fulfill their energy requirements from renewable sources. And mostly there are few initiative with respect to rooftop solar plants.

And also because of this rooftop solar plant installation, they have achieved a 12 percent reduction in their carbon emission in 2018-19. This is, this is the Minda Stoneridge which is the one of the supplier for the Tata Motor.

Similarly, United Spirit, they aim to use more renewable energy and improves how it manages to use water, eliminate waste, and optimize the packaging design. Although numbers have not given, but they have given that what is their goals or what are mostly with respect to use of renewable energy in their across supply chain. Similarly, Coca-Cola India, they promotes the use of renewables, especially biofuel across in their boiling units.

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Renewable Energy in Supply Chain

- **BPCL** is carrying out a market survey for the availability of Used Cooking Oil (UCO) to assess the capacity of UCO based Biodiesel production. It is in talks with Biodiesel manufacturers to encourage them to use UCO as their feedstock.
- **HPCL and IOCL** have issued Letters of Intent for setting up compressed biogas plants (CBG). HPCL envisages a total production capacity of 20.6 TMTA spread across Gujarat, Maharashtra, Punjab and West Bengal.
- **ONGC** set up a Bio-CNG cum Fertilizer & Bottling Plant in Haridwar to convert cow dung to useful fuel and value-added products.
- **OIL** undertook a pilot project to use Biodiesel fuel in Diesel Engines.
- **Indian Oil** is undertaking a project to convert refinery off-gases to ethanol using Lanzatech technology. It has also implemented a pilot project (50 buses in Delhi) with Indraprastha Gas Limited to run buses on reformed Hydrogen-CNG (H-CNG) fuel.

NPTEL Source: <https://www.futureescape.in/responsible-business-rankings/renewable-energy/>

Few more example of BPCL, they are mostly looking into the biodiesel, and they are encouraging the biodiesel manufacturing to the use UCO as their feedstock that is used cooking oil. Then HPCL and IOCL, they have issued a Letter of Intent for setting up the compressed biogas plant and that is the capacity of 20.6 TMTA spread across Gujarat, Maharashtra, Punjab and West Bengal.

Then ONGC has set up a Bio-CNG cum fertilizer and Bottling Plant in Haridwar to convert the cow dung to useful fuel and value-added product. Similarly, Indian Oil, they have undertake a project to convert refinery of gases to ethanol using the using the Lanzatech technology. And also they have implemented a pilot project 50 buses in Delhi with Indraprastha Gas Limited to run buses on the reform Hydrogen-CNG that is H-CNG fuel.

So, one of the interesting highlight of this slide, if you look at look at the profile of the company those who are integrating this huge of renewable energy in their supply chain, and typically these are all public sector. And this is good to see that even the public sector company also there is been taking specific initiative for integration of renewable energy in supply chain.

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Renewable Energy: E-Mobility

- Poor adoption of EV's by Corporate India
- Only around 8% of companies report the use of electric vehicle for their logistics
- Utilize EVs for internal transport, employee commute and also for outbound logistics
- Wipro and SBI are members of EV100
 - a global initiative by The Climate Group
 - it brings together companies that are committed to accelerating the transition to electric vehicles (EVs) by 2030

COMPANY	EV IN LOGISTICS
GMR Infrastructure	DIAL has also implemented electric bus services from PTC to Terminal
Hero MotoCorp	CNG vehicles in inbound logistics in Dharuhera
Tata Power	Electric Vehicles for internal transport within plant premises
PowerGrid	Uses e-vehicles for its day to day official transportation.
Wipro	In the current year (since July 2018), 2.0 Million Kms across 33,000 trips have been covered in Hyderabad through EVs. Hyderabad is the first location where Wipro has started the EV program.
HPCL	Launched HP Gas 'PRADYUT', a green initiative to deliver LPG cylinders to consumers using a customised first-of-its-kind electric three-wheeler

Source: <https://www.futureescape.in/responsible-business-rankings/renewable-energy/>

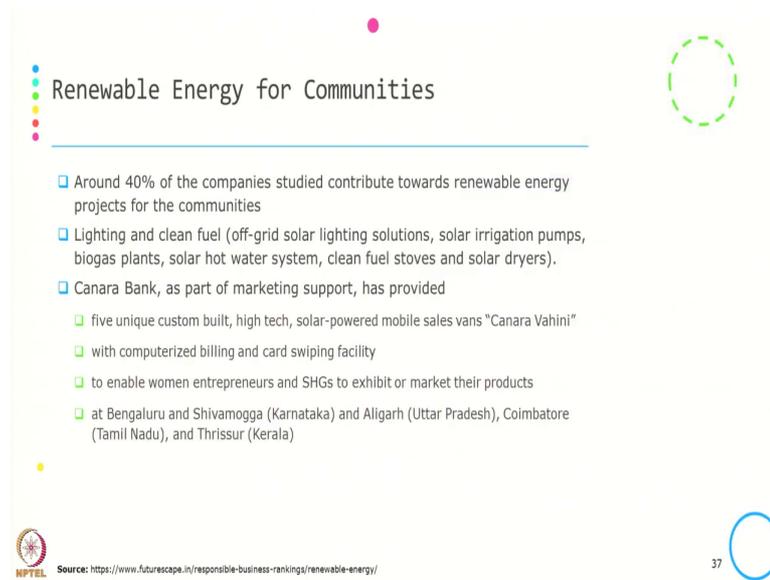
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Then also few of the organization, they have used the renewable energy in their e-mobility. But over a if you look at the trend or if you look at the numbers what is being reported in this responsible business ranking, there is poor adoption of EV by Corporate India, it is yet to be like taken largely by the organization.

Only around 8 percent of the company report the use of electric vehicle in their logistic. They utilize EV for their internal transport, employee commute and also outbound logistic. And Wipro and SBI, they are member of EV100. This is a global initiative by the climate group. And it brings together company that are committed to accelerate the transition of electric vehicle by 2030.

These are few of the example in the right hand side of the slide if you see few of the example of electric vehicle in logistic, and the company those who have used this GMR, Hero Motocorp, Tata Power, Tata Power, Power Grid, Wipro and HPCL.

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Renewable Energy for Communities

- Around 40% of the companies studied contribute towards renewable energy projects for the communities
- Lighting and clean fuel (off-grid solar lighting solutions, solar irrigation pumps, biogas plants, solar hot water system, clean fuel stoves and solar dryers).
- Canara Bank, as part of marketing support, has provided
 - five unique custom built, high tech, solar-powered mobile sales vans "Canara Vahini"
 - with computerized billing and card swiping facility
 - to enable women entrepreneurs and SHGs to exhibit or market their products
 - at Bengaluru and Shivamogga (Karnataka) and Aligarh (Uttar Pradesh), Coimbatore (Tamil Nadu), and Thrissur (Kerala)

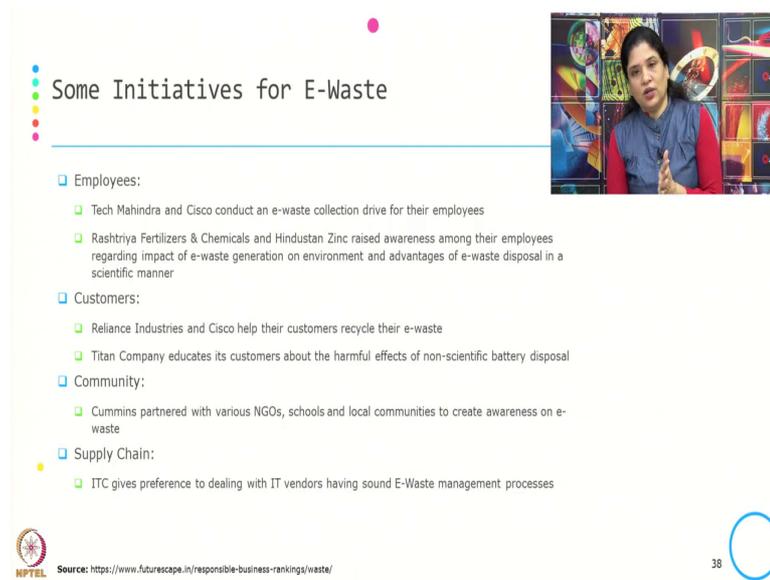
NPTEL Source: <https://www.futureescape.in/responsible-business-rankings/renewable-energy/>

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Then also there are a few of the organization they have taken the initiative of use of renewable energy renewable energy resources for the community. Around 40 percent of the company they studied from this entire universe those who have given their disclosure; they contribute towards the renewable energy project for community.

And this renewable energy project for community consists of lighting and clean fuel that is off-grid solar lighting solution, solar irrigation pumps, biogas plant, solar hot water system, clean fuel stove and solar dryer. And Canara bank as a part of marketing support, they have given the Canara Vahini to enable the women entrepreneur and SHG to exhibit and market their product in Bengaluru and other places in Karnataka, Uttar Pradesh, Coimbatore and Tamilnadu, and Kerala.

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Some Initiatives for E-Waste

- **Employees:**
 - Tech Mahindra and Cisco conduct an e-waste collection drive for their employees
 - Rashtriya Fertilizers & Chemicals and Hindustan Zinc raised awareness among their employees regarding impact of e-waste generation on environment and advantages of e-waste disposal in a scientific manner
- **Customers:**
 - Reliance Industries and Cisco help their customers recycle their e-waste
 - Titan Company educates its customers about the harmful effects of non-scientific battery disposal
- **Community:**
 - Cummins partnered with various NGOs, schools and local communities to create awareness on e-waste
- **Supply Chain:**
 - ITC gives preference to dealing with IT vendors having sound E-Waste management processes

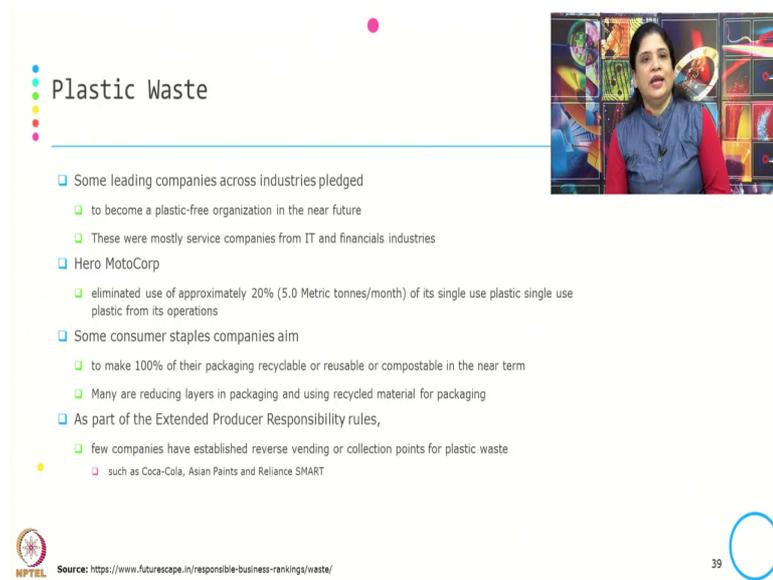
NPTEL Source: <https://www.futureescape.in/responsible-business-rankings/waste/>

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Now, few initiative for e-waste, what the information is given by the company in this responsible business reporting. So, for the employee, this Tech Mahindra and Cisco, they conduct an e-waste collection drive for their employee. Similarly, RFC – Rashtriya Fertilizer and Chemical, and Hindustan Zinc, they raise the awareness among employee regarding the e-waste generation on environment and advantage of e-waste disposal in a scientific manner.

Similarly, for customer, Reliance Industry and Cisco help their customer to recycle their e-waste. Similarly, for community, Cummins they partnered with various NGOs, school, and local community to create awareness on e-waste. And ITC, they give preference to dealing with IT vendor having a sound e-waste management process. And this is typically the e-initiative for the e-waste in the supply chain also across the supply chain.

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Slide 39: Plastic Waste

- Some leading companies across industries pledged
 - to become a plastic-free organization in the near future
 - These were mostly service companies from IT and financials industries
- Hero MotoCorp
 - eliminated use of approximately 20% (5.0 Metric tonnes/month) of its single use plastic single use plastic from its operations
- Some consumer staples companies aim
 - to make 100% of their packaging recyclable or reusable or compostable in the near term
 - Many are reducing layers in packaging and using recycled material for packaging
- As part of the Extended Producer Responsibility rules,
 - few companies have established reverse vending or collection points for plastic waste
 - such as Coca-Cola, Asian Paints and Reliance SMART

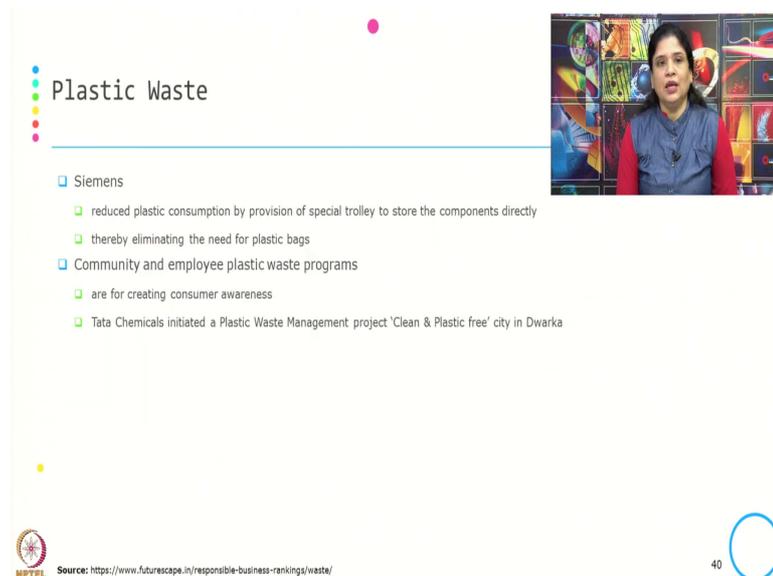
NPTEL Source: <https://www.futureescape.in/responsible-business-rankings/waste/>

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Similarly, for plastic waste, some leading company across industry they have placed for plastic free organization in near future. And few of the example for Hero Motocorp on single use plastic in its operation, then they also looking at 100 percent of their packaging recyclable, reusable and compostable in near term.

And few of them also making this as a part of their extended producer responsibility rule or EPR rules to establish the reverse vending or the collection point for the plastic weight and those organizations are Coca Cola, Asian Paints and Reliance SMART.

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Slide 40: Plastic Waste

- Siemens
 - reduced plastic consumption by provision of special trolley to store the components directly
 - thereby eliminating the need for plastic bags
- Community and employee plastic waste programs
 - are for creating consumer awareness
 - Tata Chemicals initiated a Plastic Waste Management project 'Clean & Plastic free' city in Dwarka

NPTEL Source: <https://www.futureescape.in/responsible-business-rankings/waste/>

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Social Disclosure Practices

- How well are key stakeholders (employees, community, customers and suppliers) integrated within a company's responsible business framework?
 - Employee-centric initiatives
 - Customer-centric initiatives
 - Community-centric initiatives
 - Supplier-centric Initiatives
- One of the key components of Social parameter is the expenditure by companies on CSR
 - Companies have steadily improved their performance on this count
 - However, they still do not have adequate programmes in the social space

Source: <https://www.futureescape.in/responsible-business-rankings/waste/>

Year	Social Score
2014	0.38
2015	0.39
2016	0.39
2017	0.42
2018	0.45
2019	0.58
2020	0.60

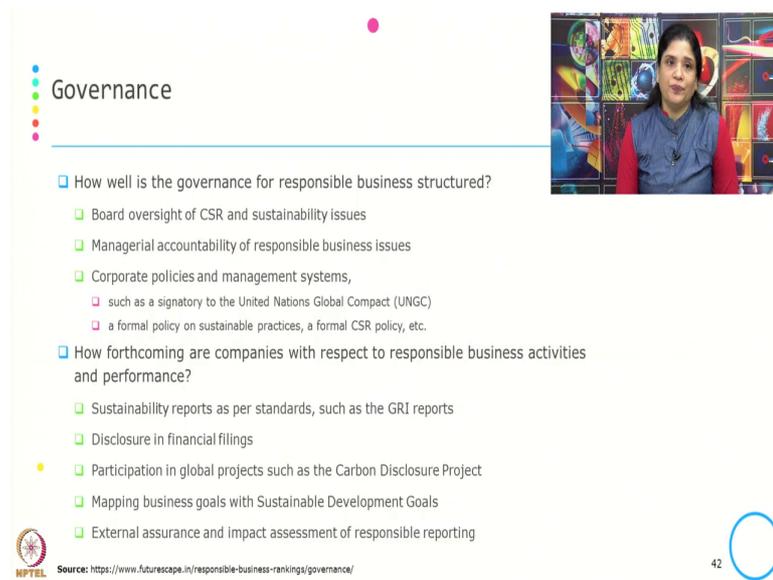
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Similarly, few more initiative in the category of the plastic waste. Now, coming to the S-part of our ESG performance that is social disclosure practices. So, mostly the social disclosure practices and based on two question. How well are the key stakeholders that is employee, community, customer, and supplier integrated with a company responsible business framework?

So, the initiative what the organization they are doing whether it comes under employee-centric initiative, customer-centric initiative, community-centric initiative, or supplier-centric initiative. And also one of the key component of social parameter is expenditure by company on CSR, how much they are spending on CSR.

So, this again will see when we get into the CSR performance of the company, but company have steadily improved their performance on this count. However, still they do not have the adequate program on the social space.

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Governance

- How well is the governance for responsible business structured?
 - Board oversight of CSR and sustainability issues
 - Managerial accountability of responsible business issues
 - Corporate policies and management systems,
 - such as a signatory to the United Nations Global Compact (UNGC)
 - a formal policy on sustainable practices, a formal CSR policy, etc.
- How forthcoming are companies with respect to responsible business activities and performance?
 - Sustainability reports as per standards, such as the GRI reports
 - Disclosure in financial filings
 - Participation in global projects such as the Carbon Disclosure Project
 - Mapping business goals with Sustainable Development Goals
 - External assurance and impact assessment of responsible reporting

NPTEL Source: <https://www.futureescape.in/responsible-business-rankings/governance/>

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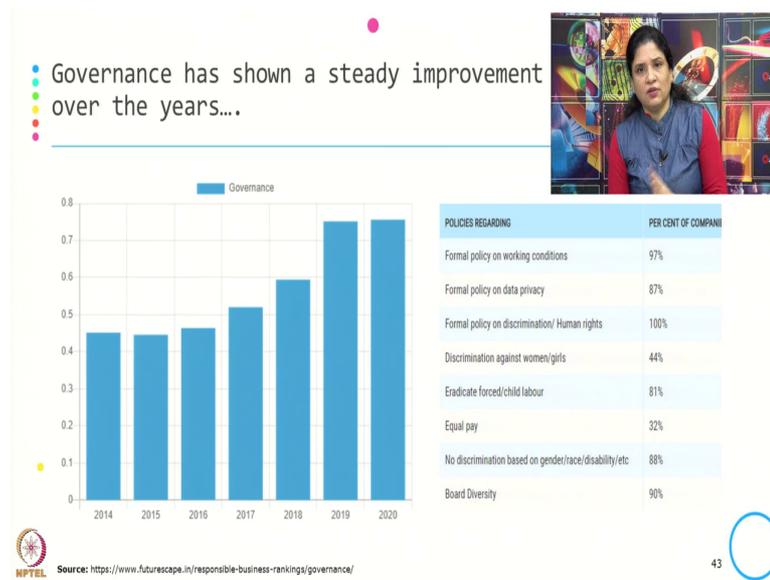
Similarly, when it comes to governance, how will the governance for responsible business structure the this is one base question on which the governance score is governance disclosure or the governance performance is measured, and how forthcoming companies are with respect to responsible business activity and performance.

So, with respect to first question, how typically is being addressed or how typically the initiatives are being taken is about board oversight of CSR and sustainability issues. Managerial accountability of responsible business issues, then corporate policies and management system, then a formal policy on sustainable practices a formal CSR policy.

Similarly, with respect to the second question, that how forthcoming company of how forthcoming are companies with respect to responsible business activity and performance? These are typically major through how whether they are publishing the sustainability report as per standard such as GRI reports.

How they are filling the financial filing with respect to disclosure, how they are participating in global projects such as carbon disclosure project, how their business goal is mapped with sustainable development goals, and also the external assurance and impact assessment of the responsible reporting. So, based on this performance, typically their governance score is decided.

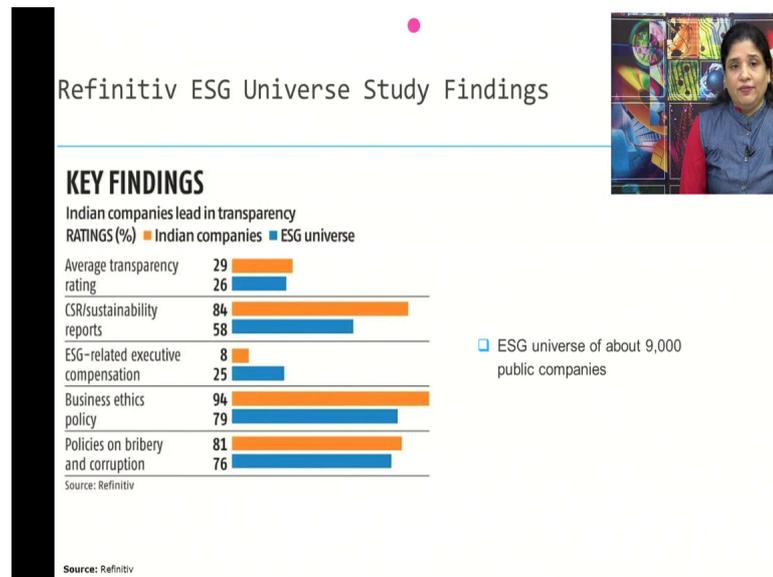
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So, this is what the governance it has shown the steady improvement over years from 2014 to 2020. And the percentage of company those who have adopted policies regarding which is which is adding up to our governance is like formal policy on working condition 97 percent those who have disclosure, they have said yes.

Similarly, the formal policy on discrimination and human right if it exists for the company whether equal pays, they are not no discrimination based on gender, race, disability, whether that is there in the exist in the company or not, and the board diversity that also part of the governance. So, based on that, the governance score is decided and there is a steady improvement over years with respect to the governance core for the company.

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This is the refinitiv ESG universe study finding. And typically how Indian company they are doing with respect to the entire ESG universe. So, entire ESG universe is about 9000 public company. And the rating if you look at for the Indian company over here, the Indian company typically they are leading with respect to average transparency rating, CSR and sustainability reports, ESG-related executive compensation where the score is lower than the ESG universe. Then business ethics policy, then policy and bribery and corruption, so these are few of the performance of the Indian company with respect to transparency, sustainability report, ethics policy, bribery and corruption.

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So, to summarize the how Indian companies they are doing with respect to sustainability or with respect to the business responsibility, these are few of the key trends which have been identified by this responsible business ranking in futurescape that this is the year also we have seen the importance because pandemic has taught us many thing.

And one of the important thing what has taught us taught for the business is that it has highlighted the importance for responsible environmentally friendly growth, increased demand for green recovery world over, then the informed customer are actively looking for the sustainable product and company, and they treat their stakeholder well.

So, if mostly if the customers accepting the product accepting the company, then the company performance is better than the other company, and how the customer they are accepting the company that is with respect to the product if it is a sustainable product how the company they are treating with their stakeholder, based on that the acceptance from the customer is coming for the product and coming for the company.

Then investors are increasingly investing in ESG fund, and volume of this fund in fact it has increased like anything on the ESG fund. And company that rank high on ESG provide the higher return and tend to have a lower cost of capital. And this is what in fact summarize the entire what to say the perception or entire the question what the businesses they keep on asking when they take a sustainability initiative.

What it gives us back, whether it is only the improving the brand, improving the perception of the company as a green company, sustainable company? But if you look at based on this trend, the sustainability, if you take the sustainability initiative of you are performing better in your ESG that also gives a higher return and tend to have a lower cost of capital which is crux for the business to sustain financially in the short run and in the long run.

Thank you.