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Gearing Up for Responsible Growth

India's Top Companies for Sustainability and CSR 2016

The Economic Times

futurescape

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India's Top Companies for Sustainability and CSR 2016, in its third year, holds up a mirror to corporate India on how the programmes and policies of companies are placed in comparison to each other. This annual activity, a partnership with the Indian Institute of Management Udaipur (IIM Udaipur), Futurescape and The Economic Times (ET), is an unbiased, quantitative and analytical examination of the sustainability reports, annual reports and business responsibility reports of companies in India

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Prof PD Jose, Indian Institute of Management Bangalore
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GEARING UP FOR RESPONSIBLE GROWTH: A SUMMARY

The study looks at top 217 companies to arrive at the ranking based on 2014-15 reports.

Some highlights from the top 10 are:

Rank (2015)	Company	Rank (2014)	Company
1	Tata Steel Ltd.	1	Mahindra & Mahindra Ltd.
2	Tata Power Company Ltd.	2	Tata Power Company Ltd.
3	UltraTech Cement Ltd.	3	Tata Steel Ltd.
4	Mahindra & Mahindra Ltd.	4	Larsen & Toubro Ltd.
5	Tata Motors Ltd.	5	Tata Chemicals Ltd.
6	Tata Chemicals Ltd.	6	Tata Motors Ltd.
7	ITC Ltd.	7	GAIL (India) Ltd.
8	Shree Cement Ltd.	8	Bharat Petroleum Corporation Ltd.
9	Bharat Petroleum Corporation Ltd.	9	Infosys Ltd.
10	Larsen & Toubro Ltd.	10	Jubilant Life Sciences Ltd.

- Tata Steel leads the pack. Compared to the previous study, it has jumped two places.
- Tata Power retains its position.
- There are four Tata group companies in the top 10 list.
- Mahindra & Mahindra the top ranked company in 2014 has dropped 3 ranks to beplaced fourth.
- Ultratech Cement and Shree Cement are a surprise entrant in the top 10.

Interestingly no foreign players made it to the top 10 list - a trend that follows from 2014.

A close look at the composition of the top companies in the last three years reveals that the top performers have largely remain consistent. What makes them stand head and shoulders above all others?

- Business responsibility for top performers is more than compliance. It's a strategy.
- Sustainability and CSR impacts are holistic and cover all stakeholders
- Business Responsibility frameworks for the organisation are created after materiality assessments and stakeholder engagement.

KEY FINDINGS

- The study focuses on four main criteria, Governance, Disclosure, Stakeholders and Sustainability. These four criteria are assigned weights of 20% for Governance,15% for Disclosure, 35% for Sustainability and 30% for Stakeholders respectively and form the basis of the ranking. These weights were based on the outcome of a Delphi study with industry leaders and academics.

1. Only the Top 33% companies believe in taking the long term view on responsible business

For the longest time Indian companies have focused on market access, customer acquisition and compliance. There is now however a shift towards a more responsible form of growth because taking a long term view of sustainability and social responsibility is creating competitive advantages and managing risks. Top companies have a deeper focus on Governance, Disclosure, Sustainability and CSR.

2. Governance for business responsibility sees improvement

Governance was in general good across both manufacturing and service industries, except for policy on biodiversity and participation in global agreements. The average governance score is the highest of the four factors. This year more than 54% companies have scored more than half the marks on governance vs 47% last year.

3. Disclosures are poor as sustainability reporting is inadequate

Disclosures were poor in general because sustainability reporting was weak, especially in manufacturing industries. And the latter being two-thirds of our sample size in this year's study, it weighed down the averages further. Since the reporting was weak, external certification and disclosures of material risks was poor. Lastly, very few companies participated in industry specific sustainability initiatives on an average – 16% in manufacturing and 14% in services. About 60% of companies had sustainability reports up from 58% last year and only 25% of the companies had GRI based sustainability reports.

4. Sustainability is at the heart of high performing companies

Top performing companies have increased their focus on sustainability and also deepened current efforts around reduction of emissions, climate change, waste management, water and energy. 47% companies had higher sustainability scores (YOY), 34% remained the same and 19% witnessed decline.

Notable improvements were seen in waste management and sustainable products/services.

- Renewable energy programs gained traction in the year for reducing emissions from operations, in-line with Government programs. Their footprint is however small.
- Water management remained a highly under-utilised space, especially in service industries where less than half of them disclosed programs.
- Green supply chains still remain a significant gap in the sustainability efforts of India's top companies.

5. Companies look at long term projects and not charity

32% companies spent 2% and more in 2014-15 on CSR activities, higher than 18% in the previous year of study. Further 33% companies spent between 1% and 2% of their average PAT. And remaining 35% companies had a CSR spend of less than 1% of their average PAT.

Companies choose to have unspent amount in the year in the absence of qualifying projects, rather than disbursing the same as donations and various Government funds. Less than 4% of the aggregate committed CSR amount was given as donations and for support during national calamities.

6. Government push makes corporate India step up

The Companies Act of 2013 and several government initiatives have pushed companies to work in relevant areas. Improved compliance on account of spending requirements, CSR committee requirements, reporting requirements etc.

- **Swachh Bharat** - The mission has been taken up by companies across the country with some success. About 39% of the companies surveyed have a focus on Swachh Bharat - primarily focused on construction of toilets.
- **Solar** - The push toward renewables has been another focus area for the government. We find that 59% of the companies surveyed work in the areas of solar energy.

7. Emissions disclosure needs more focus

Only 36% (38% in previous year) of India's top ~200 companies disclosed data on GHG emissions while 54% participated in carbon specific initiatives such as Carbon Disclosure Project (CDP).

The reporting on GHG emissions from operations continued to be below 50%, though manufacturing companies outpaced service companies (40% vs. 30%). Some key carbon specific initiatives that companies participated in were

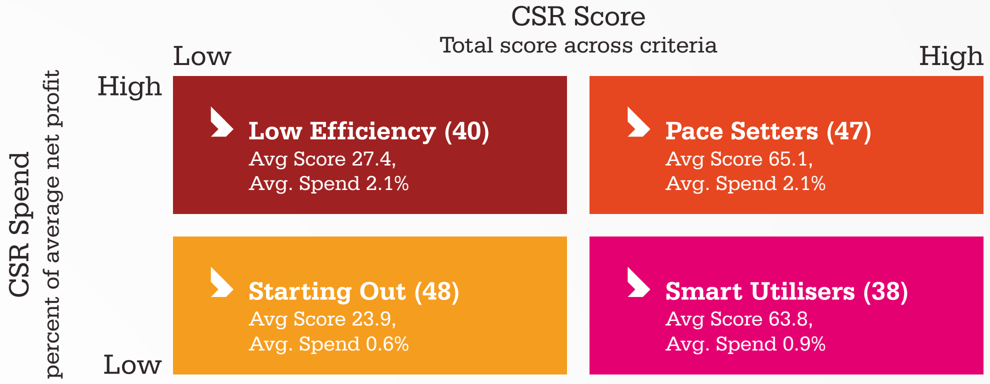
- CDP (70% IT companies),
- GHG accounting & inventory (67% Energy companies),
- Clean Development
- Mechanism - CDM (67% Utilities companies) and carbon specific financial indices (80% Telecom companies)

8. Energy and Materials try to mitigate the impact on the external world through a business responsibility focus

Companies in the energy and materials sector dominate performance across the criteria of governance, disclosure, stakeholders and sustainability. Given the inherent nature of their business — requiring focus on communities and managing adverse environmental impacts - it is no surprise that they put in significant effort.

9. The Responsible Business Matrix

Companies spend money on their business responsibility. The study tracks the money spent against the business responsibility performance. Companies have been categorised across four quadrants - Pace setters, smart utilisers, starting out and low efficiency.



47 companies are Pace setters: These are companies that spend relatively large amounts and have relatively high scores.

38 companies are Smart utilisers: These companies spend relatively lower amounts but have higher scores. Key industries in this category are Consumer discretionary and Financials.

40 companies are Low efficiency: These companies spend a relatively larger amount but have relatively low scores. Possibly they have not yet realised the benefits of their investment.

48 companies are Starting out: These companies spend relatively less and also have lower scores. 48 companies fall in this category.

THAT'S HOW WE DO IT

- **Four criteria for evaluation: Governance, Disclosure, Stakeholders and Sustainability**
- **Delphi study to assign weights for the four criteria**
- **Total sample size of 217 companies; Spend data available for 173 companies**

This study aims to examine Global Reporting Initiative (GRI) based sustainability reports and the Business Responsibility Reports (BRR), among others. It also brings information disclosed publicly, whether online or in annual reports, under the CSR lens.

It is not sufficient for companies to merely invest in CSR projects and meet the 2% norm. One needs to understand whether Sustainability and CSR is being looked at strategically. Do companies have a Sustainability and CSR policy? Is there a board oversight? Is Sustainability and CSR information reported? More importantly, do Sustainability and CSR activities cover all the stakeholders

This study, therefore, examines and ranks companies on the basis of the four criteria mentioned below.

Governance
How well is the governance for CSR structured?

Disclosure
How forthcoming are companies with respect to Sustainability and CSR activities & performance

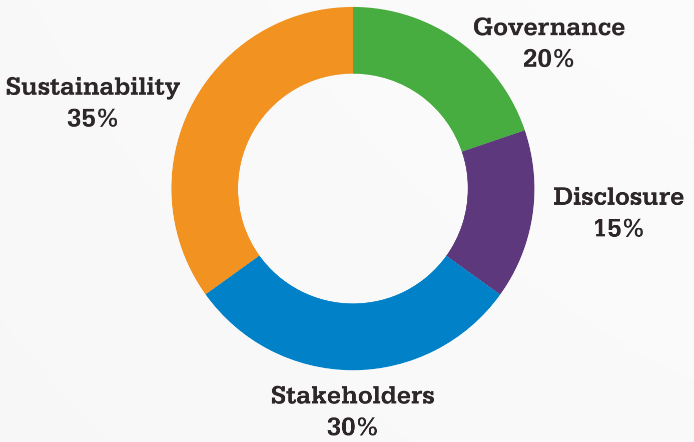
Stakeholders
How well are key stakeholders (employees, community, customers and suppliers) integrated within a company's CSR framework?

Sustainability
How pervasive are sustainability practices (initiatives and targets to manage waste, water, energy, emissions) of companies?

Ranking is based on a weighted average of these four criteria. We assign a 20% weight to Governance, 15% to Disclosure, 30% to Stakeholders and 35% to Sustainability. The highest score that a company can get is 100.

This study, therefore, examines and ranks companies on the basis of the four criteria mentioned below.

Component Weights



METHODOLOGY

We rank companies based on their focus on sustainability and CSR by creating a combined score that weighs each of the four criteria.

The scores have been arrived at by evaluating each company's sustainability/GRI reports, annual report and website by an analyst who scored it based on a number of dimensions under the four criteria. The scoring was kept objective by requiring the analyst to score based on the presence or absence of a dimension. For example, the criterion Disclosure was analysed according to four sub-criteria. Based on a review of the company's sustainability report, the analyst then scored each sub-criterion either 0 or 1 indicating the absence of (0) or presence of (1) of that sub-criterion in its activities. If the sub-criterion was present a score of 1 was awarded on that sub-criterion. If not, it received a 0 score.

Disclosure	Score
Sub criterion 1	1
Sub criterion 2	0
Sub criterion 3	1
Sub criterion 4	1
Total	**3**

Thus, this company scored 3 marks out of 4 for Disclosure. If the total marks assigned for Disclosure are 15, then the score on Disclosure for this company is (3/4*15) or 11.25.

The criteria include:

Governance (20%) – How well is the governance for CSR and sustainability structured?

- Board oversight of CSR and sustainability issues
- Managerial accountability of CSR and sustainability 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.

Disclosure (15%) – How forthcoming are companies with respect to CSR and sustainability 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

Stakeholders (30%) – How well are key stakeholders (employees, community, customers and suppliers) integrated within a company's CSR framework?

- Employee-centric initiatives
- Customer-centric initiatives
- Community-centric initiatives
- Supplier-centric initiatives

Sustainability (35%) – How pervasive are sustainability practices of companies?

- Programmes related to waste, water and energy, and targets to reduce their impact
- Promoting sustainable products and services
- Programmes and targets to build sustainable supply chains
- Programmes and targets to build sustainable logistics

After the analyst reviews a company, another analyst reviews the scores for a quality check. Differences of opinion on a score, if any, are resolved through (i) mutual agreement or (ii) reference to the authors. This process makes the study as rigorous as possible.

The study analyses the top 217 companies to arrive at the ranking. These companies belong to industries as varied as automobiles, banks, diversified, FMCG, infrastructure, IT, metals and mining, oil, power, steel, pharmaceuticals, telecommunications and others.

What are the key differences from the previous study?

a. Regrouping: Certain sub-criteria were regrouped to create a more logical and reasonable criteria set. This could lead to higher or lower scores compared to the previous year. The difference on this count is marginal.

b. Weight: For the first two studies, we had informally consulted with people as to the weight a given criterion should carry. This year, we add a formal process by conducting a Delphi study to arrive at the weight of each criterion. The participants of the study were both industry practitioners and academics working in the area of CSR and sustainability. Based on the Delphi study, we revised weights (previous year weight in brackets) – Governance 20% (20%), Disclosures 15% (10%), Stakeholders 30% (35%) and Sustainability 35% (35%). This may lead to higher or lower rankings as compared to the previous year. Our analysis suggests that this impact is marginal. See Annexure II for details of the study.

c. Penalty points: Last year, we imposed penalties ranging from 0 to 10 marks on companies whose business activities were intrinsically unsustainable (alcohol, tobacco, etc). This year, we have done away with the penalty as every business has some inherently negative externalities, and it is a complex and practically difficult construct to measure this from an outside-inside perspective.

d. CSR spend redefined: Last year, we calculated CSR spend based on the reported CSR spend and the average of the past three years' reported net profit. This year, we have the advantage of having companies' reported average net profit (after requisite adjustments). Where this information was not available, we use the average of reported net profit.

e. CSR spend breakdown: This year, we have the natural advantage of companies reporting on areas where they have spent money. This provides additional opportunities for analysis.

f. New companies in The Economic Times Top 200 list: A number of companies moved in and out of the list. This has had an impact on companies' ranks.

Hence, the data from the previous study is not strictly comparable with that from the current study. Although we believe that the impact has been marginal, due caution should be exercised in comparing results with the previous year.

DATA SAMPLE

The study is based on data on sustainability and CSR drawn from sustainability reports, business responsibility reports, CSR annual reports, company annual reports and company websites. All the data pertains to financial year ended 2015. For most companies, this implies the 2014-15 financial year.

Study data consists of data from 217 companies. We selected the top 200 companies are from the ET-500, an annual ranking of the largest companies in India based on their revenues. Further, 17 companies responded to and qualified for call for entries, taking the sample size to 217. The sample consists of 167 private companies and 50 public-sector companies. Of the total, 141 companies are from the manufacturing sector and 76 from the services sector.

	Manufacturing	Service	Total
Public	20	30	50
Private	121	46	167
	141	76	217

Industry-wise breakdown is as follows:

	Public	Private	Manufacturing	Service	Total
Energy	10	2	11	1	12
Diversified	2	21	17	6	23
Consumer Discretionary	0	31	29	2	31
Financials	24	11	0	35	35
Materials	7	23	30	0	30
Telecommunication Services	0	5	0	5	5
Capital Goods	2	13	15	0	15
Information Technology	0	10	1	9	10
Utilities	2	10	12	0	12
Other Industrials	1	4	1	4	5
Other Financials	2	12	0	14	14
Consumer Staples	0	16	16	0	16
Healthcare	0	9	9	0	9
All	50	167	141	76	217

Please note that Financials refers to banks and Other Financials refers to non-banking financial companies.

For the study on CSR spend by companies, a subset of the sample size is utilised. As CSR spend data is only available for 173 companies, our spend analysis is based on this sample. This is an increase from 147 companies in the year 2013-14.

THE HONOUR GOES TO...

- **Four Tata companies in Top 10; Ultratech Cement and Shree Cement join the ranks**
- **Disclosure and CSR Stakeholders need more attention from companies**
- **Governance needs more focus on biodiversity; Disclosure needs more external certification; Stakeholders needs more focus on customers; Sustainability needs better corporate reporting on operations' emissions**

Companies undertake many types of CSR and sustainability activities. It is difficult to comprehend easily the breadth and scope of their work. The study uses a measure called the Spread, which is indicative of how broad-based the CSR and sustainability activities of a company are and is a combined score of the four criteria shown below.

For most companies, financial year 2014-15 was the first implementation year with respect to the new Companies Act 2013.

Some highlights from the top 10 list:

- Tata Steel leads the pack. Compared to last year, it has jumped two places.
- Tata Power has retained its position at No 2.
- There are four Tata Group companies.
- Mahindra & Mahindra, the top-ranked company in 2014, has dropped three places to No 4.
- UltraTech Cement (at No 3) and Shree Cement (at No 8) are the surprise entrants.
- Interestingly, no foreign players have made it to the top 10 list yet again!

See **Annexure 1** for the list of top 100 companies.

2015 vs 2014 RANKINGS

Rank (2015)	Company	Rank (2014)	Company
1	Tata Steel Ltd.	1	Mahindra & Mahindra Ltd.
2	Tata Power Company Ltd.	2	Tata Power Company Ltd.
3	UltraTech Cement Ltd.	3	Tata Steel Ltd.
4	Mahindra & Mahindra Ltd.	4	Larsen & Toubro Ltd.
5	Tata Motors Ltd.	5	Tata Chemicals Ltd.
6	Tata Chemicals Ltd.	6	Tata Motors Ltd.
7	ITC Ltd.	7	GAIL (India) Ltd.
8	Shree Cement Ltd.	8	Bharat Petroleum Corporation Ltd.
9	Bharat Petroleum Corporation Ltd.	9	Infosys Ltd.
10	Larsen & Toubro Ltd.	10	Jubilant Life Sciences Ltd.

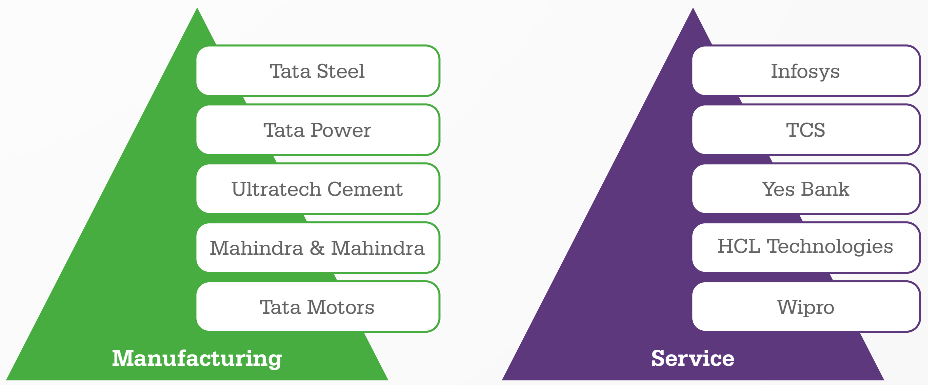
BREAKING THE STACK

The companies are split into three categories/modes:

- **Manufacturing and Service**
- **Public and Private**
- **Sector/industry**

Manufacturing and Service

The top 5 manufacturing and service companies are as follows:



Among the top 5 manufacturing companies, Tata Motors replaces Larsen & Toubro. Among the services companies, HCL Technologies replaces HDFC Bank. For services companies, interestingly, technology companies dominate the top positions. Most players retain their top slots.

	Manufacturing	Service	All companies
Average Score (2014-15)	47.3	33.1	42.4
Average Score (2013-14)	44.0	33.3	40.4

Manufacturing companies, on average, score far better than services companies across criteria. The distribution of scores for services firms is tighter than that of manufacturing firms.

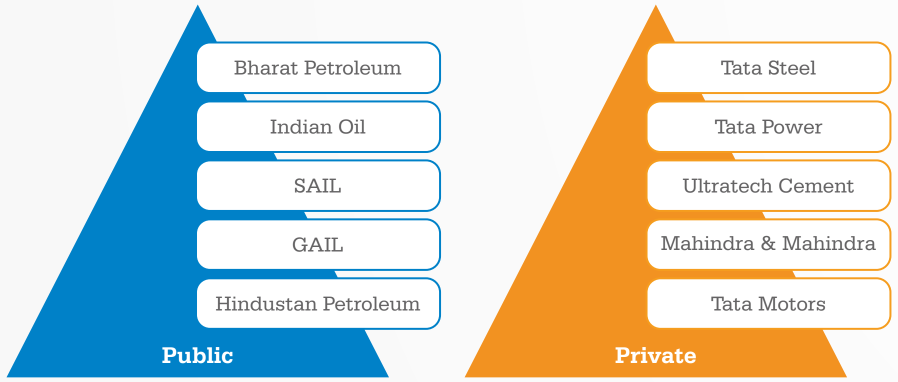
	Average	Standard Deviation
Manufacturing	47.3	22.51
Services	33.1	19.49

This difference is especially marked for Sustainability scores, indicating that these issues are more important for the manufacturing sector. Compared to 2013-14, the gap between manufacturing and service has widened.

	Governance	Disclosure	Stakeholders	Sustainability	Total
Manufacturing	11.9	5.9	12.3	17.3	47.3
Services	9.3	4.0	10.2	9.7	33.1

Public and Private

The top 5 public and private companies are as follows:



Most of the top 5 public-sector companies from last year's study continue to be among the top 5 this year too. Interestingly, no services company is a part of the top 5 list.

	Public	Private	All companies
Average Score (2014-15)	41.2	42.7	42.4
Average Score (2013-14)	39.3	40.8	40.4

Both public and private companies have improved their scores. Private sector companies perform somewhat similar to public companies. Yet public companies' scores are marginally tighter than those of private companies.

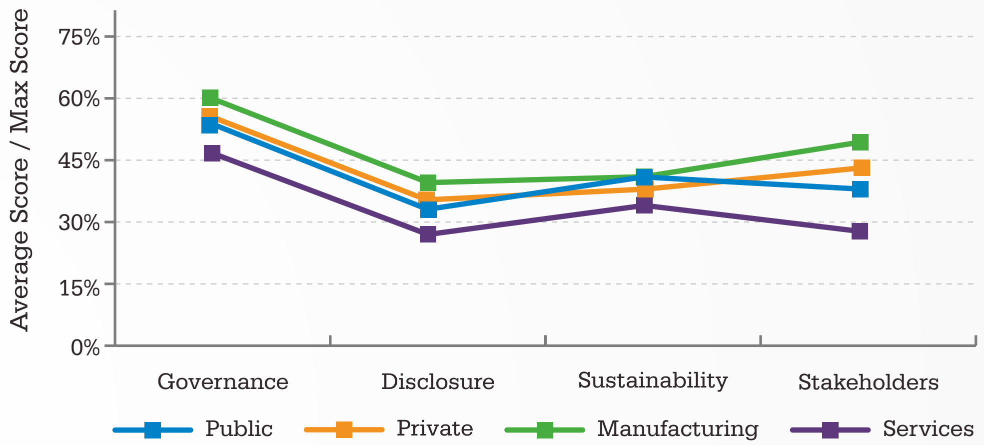
	Average	Standard Deviation
Public	41.2	22.15
Private	42.7	22.67

Public companies perform marginally better on Stakeholders, while private companies perform marginally better on Sustainability.

	Governance	Disclosure	Stakeholders	Sustainability	Total
Public	10.8	4.9	12.3	13.2	41.2
Private	11.1	5.3	11.3	15	42.7

The diagram below compares companies across criteria. As the highest possible scores of Governance, Disclosure, Stakeholders and Sustainability are different (20, 15, 30, 35, respectively), we need to normalise the average scores obtained for them to be comparable. This is achieved by dividing the average score by the highest possible score.

Scoring pattern by type



Sector/Industry

Sector/Industry	Average score	Top performer
Capital Goods	42.9	Larsen & Toubro Ltd.
Consumer Discretionary	37.6	Mahindra & Mahindra Ltd.
Consumer Staples	44.2	Coca-Cola India Pvt. Ltd
Diversified	34.0	ITC Ltd.
Energy	59.1	Bharat Petroleum Corporation Ltd.
Financials	30.7	YES Bank Ltd.
Healthcare	48.7	Jubilant Life Sciences Ltd.
Information Technology	50.1	Infosys Ltd.
Materials	55.2	Tata Steel Ltd.
Other Financials	30.7	Mahindra & Mahindra Financial Services Ltd.
Other Industrials	48.6	Cummins India
Telecommunication Services	53.8	Idea Cellular Ltd.
Utilities	47.6	Tata Power Company Ltd.
All	42.4	

Energy, materials and telecommunication companies are top performers, while diversified and financials are laggards.

KEY SUCCESS FACTORS DIAGNOSED

As outlined on page 10, the overall score is an amalgam of four key criteria - Governance, Disclosure, Stakeholders and Sustainability.

Companies are reasonably strong on Governance, weak in Disclosure, weak in Stakeholders and relatively strong in Sustainability. Almost a third of all companies fail to reach the halfway mark on all fronts.

	Governance	Disclosure	Stakeholders	Sustainability
Average Score	11.0	5.23	11.5	14.6
Max possible score	20	15	30	35
Average score as a percentage of maximum possible score	55%	35%	38%	42%
% companies scoring more than half of max score	54%	35%	26%	40%

Governance: Average Governance score is the highest of the four factors. Also, more companies score more than 10 marks, the halfway mark.

Disclosure: Companies are weak on this metric. Although about 35% score more than 7.5 marks (the halfway mark), a large number score very poorly, leading to a weak average score.

Stakeholders: This is another area where companies perform relatively poorly - the average score is relatively low and the percentage of companies scoring higher than the halfway mark is the lowest.

Sustainability: Sustainability performance is relatively strong. Average performance is relatively robust and the number of companies scoring higher than the halfway mark is also relatively high.

The analysis also finds that the variation of scores across companies is not uniform. To understand this, the companies are sorted in a descending order of their ranks. They are then split into three equal-sized segments. The group "Top" represents companies that ranked 1-72, the "Middle" group represents companies that ranked 73-144 and the "Bottom" group represents companies that ranked above 144.

		No of companies	Governance	Disclosure	Stakeholders	Sustainability
Top	Mean	72	15.57	11.29	17.13	25.22
	Std Dev		1.43	3.16	2.80	5.30
Middle	Mean	72	11.13	4.21	11.19	13.79
	Std Dev		2.26	3.21	2.94	4.00
Bottom	Mean	73	6.34	0.25	6.34	4.93
	Std Dev		1.98	0.83	3.06	3.79

Governance: High-ranking companies and low-ranking companies are relatively more closely bunched. Mid-ranking companies are more loosely clustered.

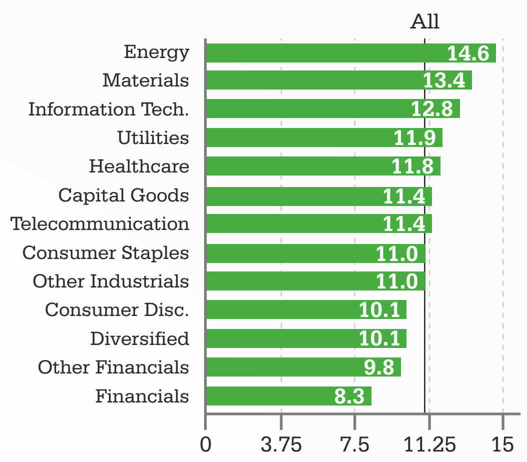
Disclosure: High-ranking and mid-ranking companies are loosely clustered, but the low-ranking companies are tightly bunched. This is primarily because a number of companies have very low and similar scores.

Stakeholders: Scores for this factor are the highest of all factors. Compared to Disclosure and Sustainability, standard deviation is lower.

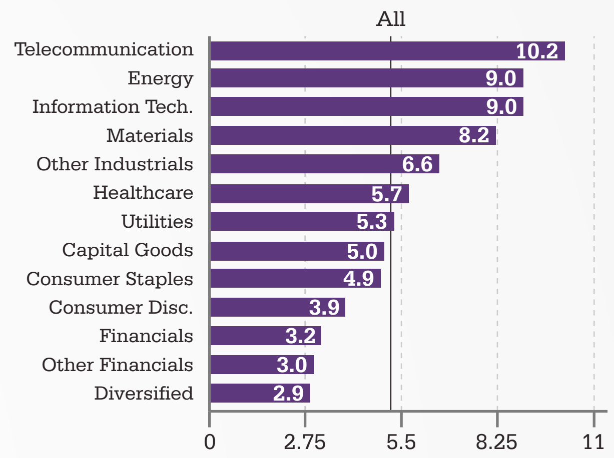
Sustainability: Standard deviation for Sustainability is the highest. This is true across top, mid and bottom rankers.

Another interesting result is performance by industry. The dashed line represents average across all companies.

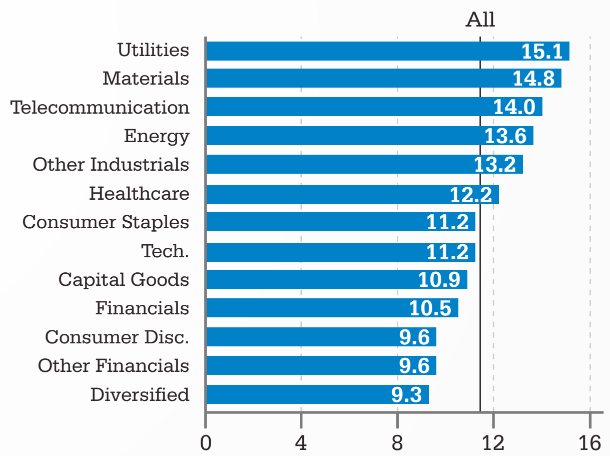
Governance



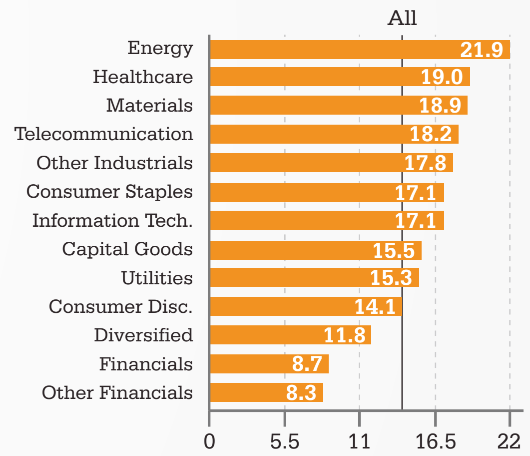
Disclosure



Stakeholders



Sustainability



Governance: Energy and materials perform best on governance, with diversified, financials and other financials trailing behind.

Disclosure: Telecommunication services, energy and IT companies performed the best, with all others a fair distance behind.

Stakeholders: Utilities, materials and telecommunication services are the top performers, while consumer discretionary, other financials and diversified are way behind.

Sustainability: Energy, healthcare and materials lead the pack, while financials and other financials are at the bottom.

COMPARISONS ACROSS TYPES

We compare between industries in manufacturing sector and service sector on key sub-criteria under the four criteria of the study discussed earlier - Governance, Disclosure, Stakeholders and Sustainability.

Governance was, in general, good across both manufacturing and service, except when it comes to the sub-criteria of policy on biodiversity and signatory to global compacts/principles. Although manufacturing companies have a higher participation on both these criteria than services companies, average percentage is still poor at 27% and 35%, respectively, pointing to immense scope for improvement. Further, it is interesting that, in services industry, the maximum percentage of companies that were signatory to Global Compact and others such as the UNGC, was only 60% as against 92% in manufacturing industry.

Disclosure is poor in general because sustainability reporting is weak, especially in manufacturing. As manufacturing constitutes two-thirds of our sample size this year, poor Disclosure performance weighs down the averages further. As reporting is weak, external certification and disclosure of material risks are poor. Very few companies participated in industry-specific sustainability initiatives on average –- 16% in manufacturing and 14% in service.

Sustainability scores are comparable between manufacturing and service for most categories, such as corporate reporting on direct GHG emissions, energy and waste management, sustainable products and supply chain. Nonetheless, there is a huge gap in the average proportion of companies undertaking water management programmes –- 79% for manufacturing compared to 47% for service. Even though services companies are not water intensive, they could still undertake water management in their premises through monitoring and recycling. Some key manufacturing-specific areas for sustainability intervention, such as packaging, supply chain and logistics, also have a very low proportion of companies with relevant programmes –- 37% and below.

Stakeholders, in general, have a low proportion of companies with programmes relative to Governance and Sustainability. Employees being central to services industries, it is surprising that only 55% services companies on average have programmes for employees. Similarly, only a few manufacturing companies (34%) have programmes for supply chain, even though they rely heavily on it. The least set of programmes is for customers across both manufacturing and service.

		Average percentage across industries		Max percentage in any industry	
		Manufacturing	Service	Manufacturing	Service
Governance	Board oversight	99%	90%	100%	100%
	Executive management oversight	96%	91%	100%	100%
	Signatory to Global Compact and others	35%	19%	92%	60%
	Formal CSR policy	100%	95%	100%	100%
	Biodiversity	27%	15%	67%	50%
	Policy on working conditions	84%	82%	100%	100%
	Policy on discrimination/human rights	65%	76%	92%	100%
	Sustainable principles	76%	73%	100%	100%
Disclosure	Sustainability reporting	54%	70%	83%	100%
	External certification	23%	23%	58%	60%
	Disclosure of material risks	37%	51%	67%	100%
	Carbon specific initiatives	54%	55%	78%	100%
	Industry specific initiatives	16%	14%	33%	40%
Sustainability	Corporate reporting on operations' emissions	40%	30%	75%	60%
	Energy management	92%	83%	100%	100%
	Water management	79%	47%	100%	100%
	Waste management	77%	77%	92%	100%
	Packaging	22%	12%	44%	20%
	Products	78%	82%	92%	100%
	Supply chain	34%	30%	46%	55%
	Logistics	37%	20%	67%	60%
	Corporate reporting on logistics' emissions	13%	7%	42%	30%
Stakeholders	Employees	53%	55%	66%	63%
	Customers	10%	9%	25%	24%
	Supply chain	34%	23%	50%	40%
	Community	41%	39%	56%	48%

SUSTAINABILITY- THE EARTH GETS ATTENTION

- **Renewable energy programs gained traction in the year for reducing emissions from operations, in-line with Government programs. Their footprint is however small.**
- **Water management remained a highly under-utilised space, especially in service industries where less than half of them disclosed programs.**
- **Green supply chains still remains a significant gap in the sustainability efforts of India's top companies.**

Top performing companies have increased their focus on sustainability and also deepened current efforts around reduction of emissions, climate change, waste management, water and energy. 47% companies had higher sustainability scores (YOY), 34% remained the same and 19% witnessed decline.

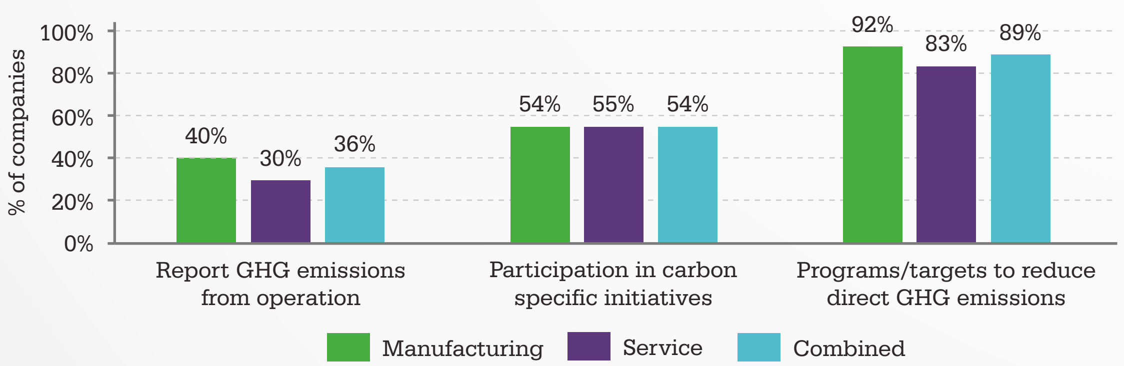
GHG EMISSIONS IN OPERATIONS

As GHG emissions are a significant part of a company's operations, this study analyses its monitoring/reporting in operations and the carbon reduction initiatives companies participate in. Only 36% (38% in the last study) of India's top ~200 companies disclosed data on GHG emissions, while 54% participated in carbon-specific initiatives, such as the Carbon Disclosure Project (CDP).

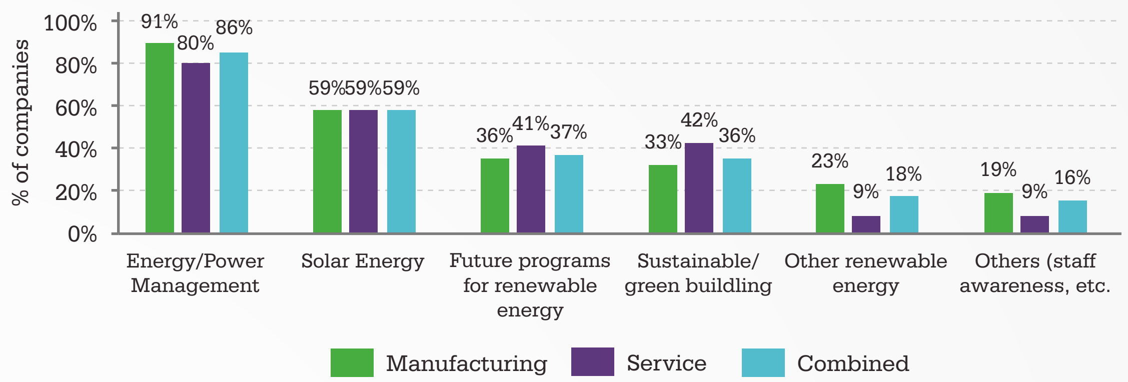
The reporting on GHG emissions from operations continued to be less than 50%, though manufacturing companies outperformed services companies (40% vs. 30%). Emissions disclosure was best in the Energy sector (75% companies). Across industries, the proportion of companies participating in carbon-specific initiatives was in general higher than those disclosing emissions. One can infer that emission disclosures are not adequate. Some key carbon-specific initiatives that companies participated in were the CDP (70% IT companies), GHG accounting and inventory (67% Energy companies), Clean Development Mechanism (67% Utilities companies) and carbon-specific financial indices (80% Telecom companies).

89% companies (86% in the last study) participated in programmes to reduce GHG emissions from operations in the year. These programmes related to energy/power management, use of renewable energy and sustainable/green buildings, among others.

GHG Emissions in Operations



Programs/targets to reduce direct GHG emissions

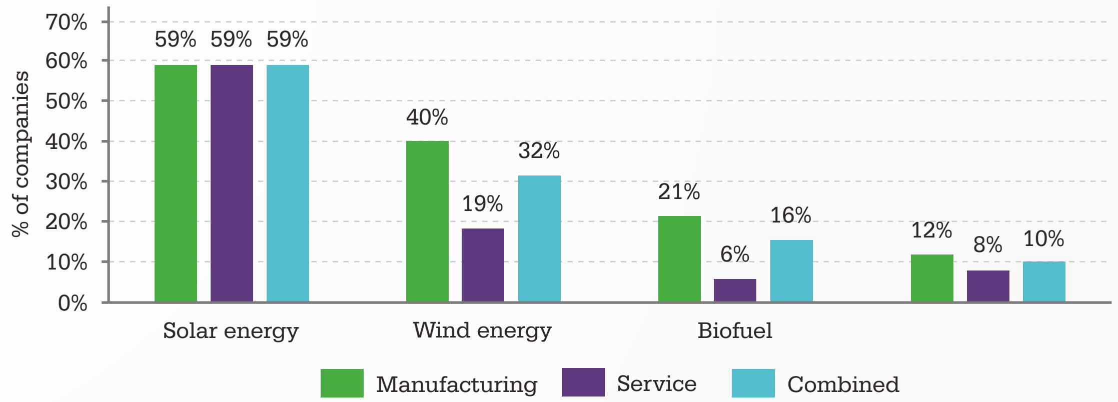


THE MARCH TOWARDS RENEWABLES

Renewable energy was the second most widely used initiative by companies for managing direct GHG emissions. It has gained greater significance in the current context of the Intended Nationally Determined Commitment (INDC) to cut emissions by 33-35%. It involves energy generation from natural resources that are replenished as a part of the normal life cycle, such as solar energy, wind energy, hydroelectric power, biomass, tidal power and geo-thermal.

A. Solar is the most popular energy source, followed by wind. Biofuel is used mostly in consumer staples companies, in line with the nature of the industry.

Solar is the most popular renewable energy



B. Telecom leads overall; sectors vary on key renewable energy source used in operations

The Telecommunication services sector has the highest proportion of companies with programs for renewable energy — all employ solar energy, though the scale is small. Unlike all other industries, energy companies have more wind energy projects (75%) than solar energy projects (67%). GAIL has successfully set up wind power projects of 118 MW across various states out of the targeted wind power capacity of 500 MW by 2020. Over 80% utilities companies have solar energy programmes, but the industry leads in hydro-energy projects.

	Leading sector	Companies with programmes (%)
Solar energy	Telecom	100%
Wind energy	Energy	75%
Biofuel	Consumer Staples	63%
Hydro energy	Utilities	42%

C. Overall, renewable energy has a small footprint

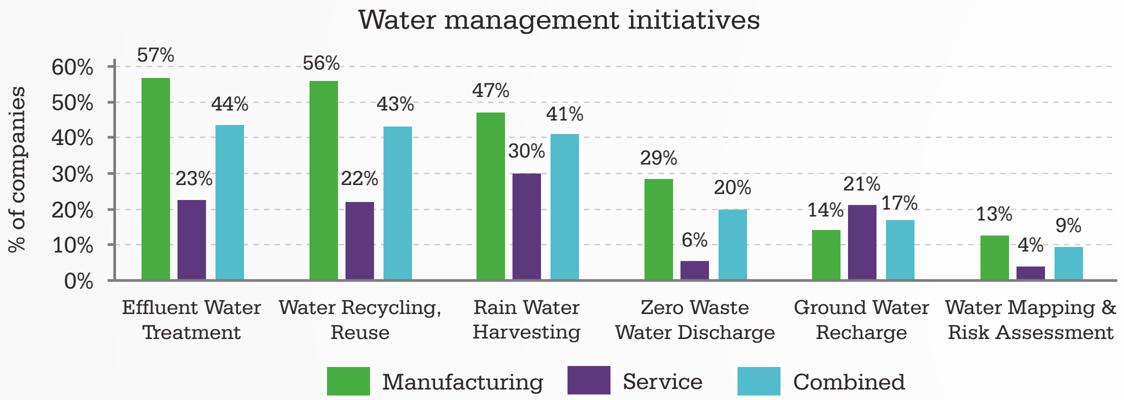
Renewable energy forms a small proportion of total energy requirement in most companies. The exceptions are some companies, like L'Oréal and Coca-Cola, that have stated that more than 40% of their primary energy needs in India are met by renewable energy.

D. Services leads manufacturing in future renewable energy programmes/targets

Interestingly, services leads the disclosure on future renewable energy plans (mostly solar) – 80% Telecom companies and 60% IT companies. These are followed by energy companies (68%) disclosing plans for wind and solar energy, in that order.

WATER MANAGEMENT INITIATIVES NEED MORE PUSH

As most manufacturing companies have a large water footprint, water is an area of significant concern. 79% manufacturing companies have programmes and targets to reduce water consumption as compared to 47% services companies.

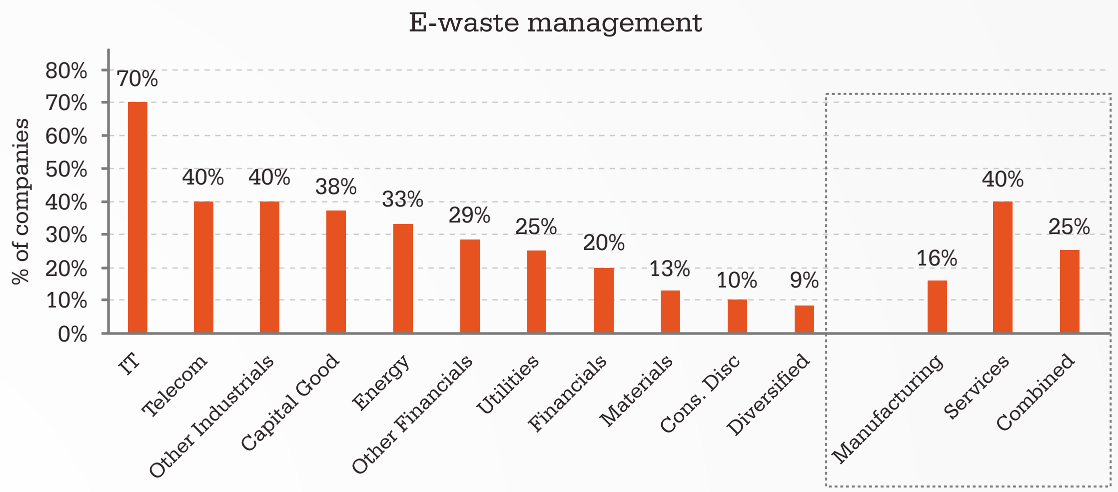


Water mapping and risk assessment remain an untapped area for most manufacturing firms. The focus of most companies is on managing water used during manufacturing operations. Hence, they invest in effluent treatment, and recycling and reuse of water.

In Services industries, IT and other industrials are relatively more active in water management programmes. For instance, Wipro is building citizen awareness through well-coordinated visits to lakes and sewage treatment plants (STPs), and participation in community lake events, including in campus programmes.

E-WASTE MANAGEMENT

Services firms outpace manufacturing firms in e-waste management initiatives. As expected, IT leads the pack. Some IT companies, such as Cisco, Wipro and HCL Infosystems, extend their e-waste management programmes to customers and spread awareness about the same. Interestingly, though many banks have taken to digitization, we see that e-waste management is pursued by only a fifth of them; similar is the case for other financials (such as NBFCs).



GREEN PACKAGING

Packaging is an essential component in a manufacturing company's value chain analysis. It has become more critical with the advent of packaged goods, the rise in online business, and growing awareness and measures around waste management.

Consumer staples lead green packaging initiatives, followed by capital goods and energy. Overall, only a few companies disclosed green packaging initiatives.

Different sectors approached packaging in different ways that were more suited to their operations. Consumer discretionary companies focus on returnable packaging, pharma companies opt for bulk packaging and some energy companies used a more sustainable packaging material (replaced HDPE bottle with recyclable PET bottle).

	Leading Sector(s)	Companies (%)
Choice of packaging material	Capital goods Energy	19% 17%
Reduce size of the package	Consumer staples	31%
Redesigning product to reduce packaging	Energy	8%
Reuse of packaging (e.g. refills)	Energy Consumer Discretionary Capital goods	17% 13% 13%
Recycling	Consumer staples	19%

SUSTAINABLE PRODUCTS AND SERVICES

Sustainable/green products and services comprise those that have an environmental or social benefit (health and safety, energy consumption, financial literacy, etc.). Around 80% companies (both manufacturing and service) offered or have programmes for sustainable products and services.

Green products in manufacturing sectors (led by utilities at 92%) comprised those that were low on emissions, were energy/fuel efficient, used less raw materials, deployed renewable energy, used hybrid materials, were safe (lead-free, eco-friendly dyes, etc.), enhanced consumer health (fortified packaged food, sulphur-free sugar), and had sustainable manufacturing processes. Some consumer discretionary, diversified and staples companies undertake life cycle assessment (LCA) studies of their products to identify, assess and reduce their environmental footprint.

Service companies (consultancy, IT, etc.) offer sustainable solutions to their customers to help the latter reduce their environmental footprint. Banks (80%) and other financial services companies (64%) offered sustainable finance services by according preference to projects that accrue environmental/social benefit, extending loans at lower rates, and assessing loan applications on environmental and social parameters.

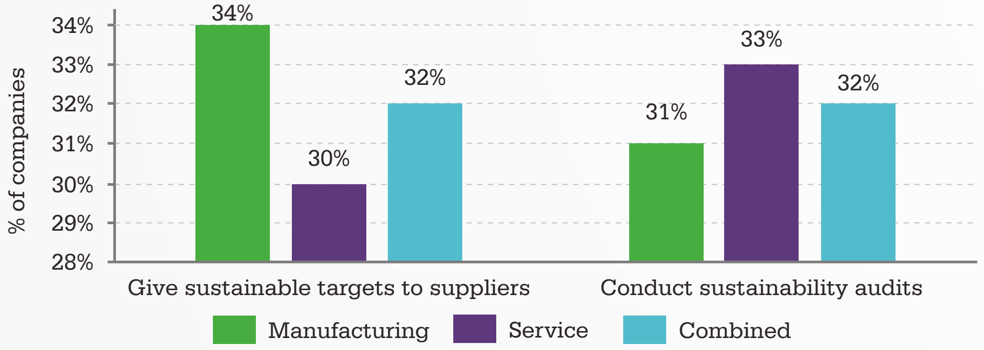
GREEN SUPPLY CHAIN

Though supply chain is critical to manufacturing operations, only a third of manufacturing companies have programmes for sustainability in supply chain. Interestingly, the average proportion of companies with supply chain programmes is comparable between manufacturing and service.

Sustainable sourcing is a key focus for many companies, and the consumer staples industry has various industry-specific initiatives for this, such as Trustea and Roundtable on Sustainable Palm Oil (RSPO).

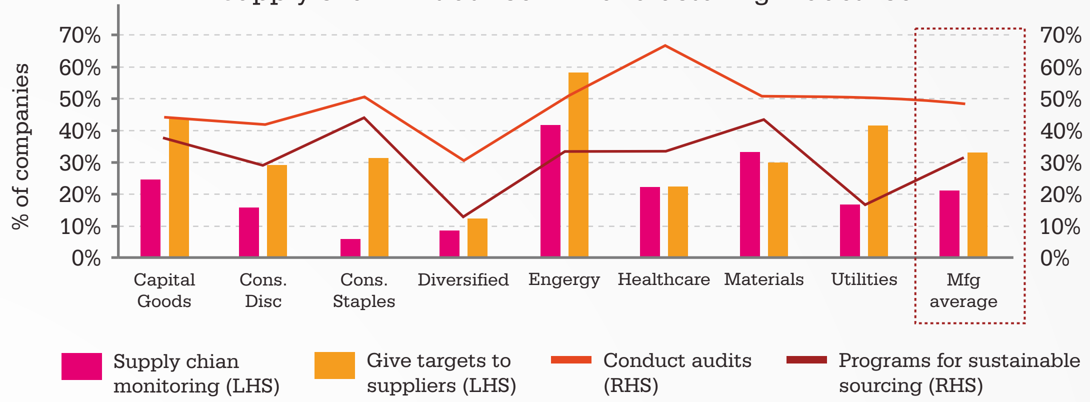
Our study finds that 32% (23% in previous year) of the companies studied give specific targets to their suppliers to reduce their carbon footprint and conduct environmental audits of new suppliers before they are brought on board or conduct ongoing periodic audits of existing suppliers on their environmental impact.

Green supply chain



However, some top-scoring companies ensure that suppliers meet the same environmental and social standards—including disclosure of goals and performance metrics—as those companies have set for their internal operations. Some have also taken the initiative of creating sustainability awareness and training for the employees of suppliers/vendors. There are also initiatives to help suppliers start their sustainability journey.

Supply chain initiatives in Manufacturing industries

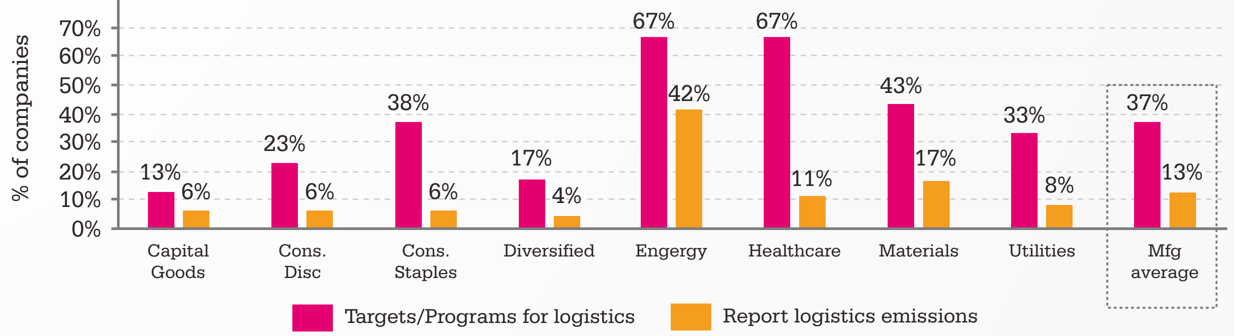


GREEN LOGISTICS

Greening a companies' transportation systems provides one of the best opportunities to reduce GHG emissions. A sustainable transportation and logistics strategy includes an analysis and monitoring of both owned and third-party operated fleet and logistics, as well as the type of fuel used. 31% (25% in previous year) of India's top companies have these sub-criteria as a part of their sustainability reporting, though only 11% (6% earlier) of the companies studied disclose information related to emissions from logistics.

It is interesting how different industries approach green logistics. The energy sector looks at expanding pipelines, auto companies emphasise on vendor hubs and consumer staples firms try to optimally utilize the space in existing transport to reduce number of trips and shift load from road to rail. Some metals and mining companies use conveyor system to ferry metals from mines to plants. ONGC operates its 1,157 km long cross-country crude oil pipeline in an environmental-friendly manner.

Green Logistics in Manufacturing Industries



MONEY, MONEY, MONEY...

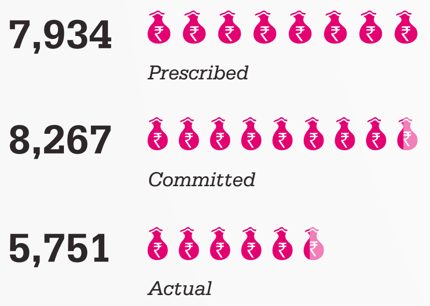
HOW THEY SPEND IT

- **Companies overestimate and underspend; only 69% of committed spend is realized, with diversified companies spending the highest; only 32% of companies hit the mandated 2% mark**
- **Health and wellness, and education are primary spend areas**
- **Manufacturing spends more than services; private companies spend more than public companies**

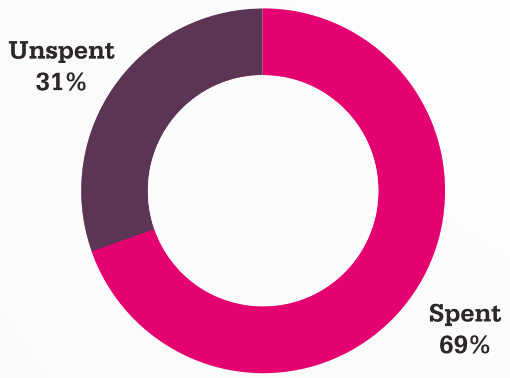
We studied 217 companies, of which CSR spend data is available for 173 companies. Data is not available for 21 companies and we exclude another 23 companies that had a net loss in the previous three years. Separately, there are four companies that have not spent anything in the year despite having average net profit. We exclude them as well from the study.

The prescribed CSR spend for 173 companies, computed as 2% of aggregate average net profit, is Rs 7,934 crores (cr). However, we find that the aggregate funds committed by these companies in their reports is approximately 5% higher at Rs 8,267 cr.

Spend Analysis **Rs Crores**



Breakdown of aggregate committed CSR amount

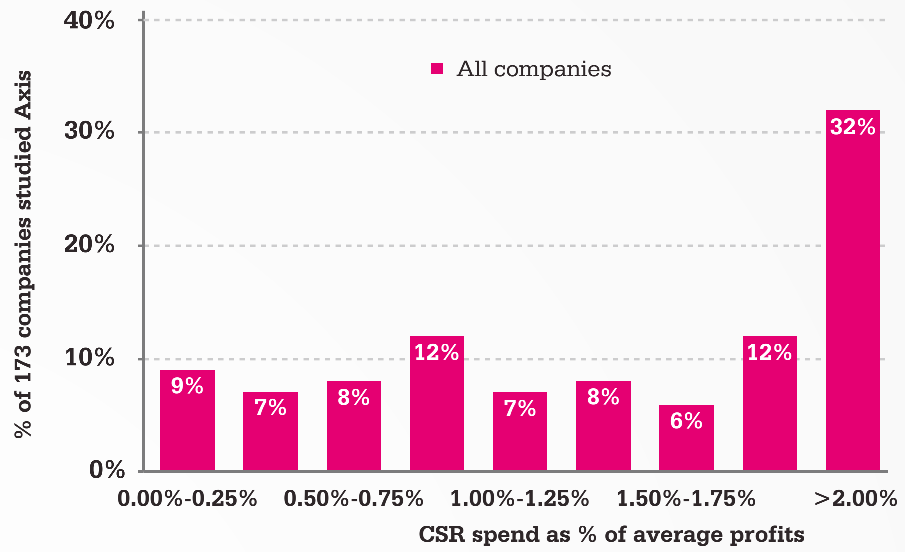


Of the committed funds, 69% is spent on CSR activities in the year and the balance 31% is carried forward into 2015-16 as the unspent amount of 2014-15. The commonly cited reasons for the unspent amount are that (i) as it was the first year, they were still in the process of deciding the areas to invest and (ii) they have invested in multi-year projects for which partial disbursement happened in 2014-15. A key point to note is that in the absence of qualifying projects, companies choose to have unspent amount left at the end of the year, rather than disbursing the funds as donations to various government funds. Less than 4% of the aggregate committed CSR amount was given as donations and for support during national calamities.

Aggregate CSR spend for 173 companies in 2014-15 is Rs 5,751.8 cr (69% of Rs 8,267 cr), with an average spend of about Rs 33 cr per company. This translates to an average CSR spend as a percentage of average PAT of 1.42%, which is lower than the government's mandate of at least 2%.

32% companies spend 2% and more in 2014-15 on CSR activities, higher than 18% in the last study. Further 33% companies spend between 1% and 2% of their average PAT. The remaining 35% companies have a CSR spend of less than 1% of their average PAT.

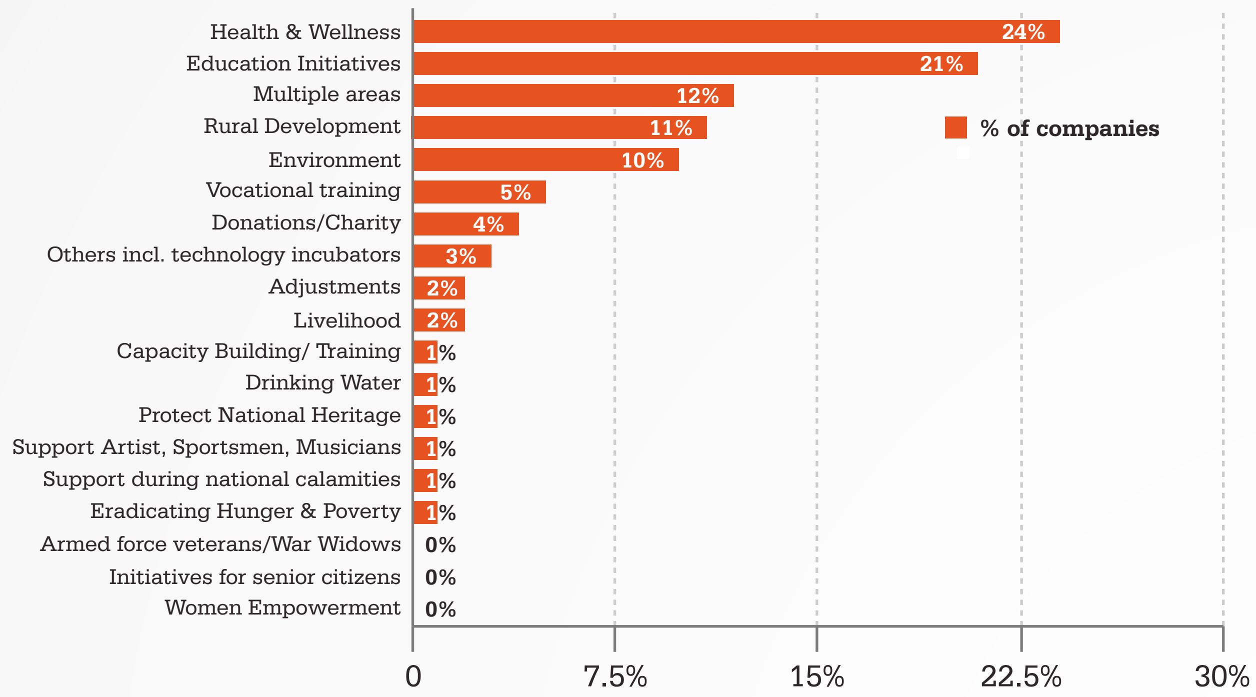
All companies distribution



The top five companies in terms of absolute spend and CSR spend as a percentage of average previous three years' PAT are listed below.

Rank	Companies	CSR spend (INR cr)	Companies	CSR spend/ Average PAT(%)
1	Reliance Industries	760.6	Bombay Burmah Trading Corporation Ltd	5.5%
2	Oil & Natural Gas Corporation Ltd	495.2	Tech Mahindra Ltd.	3.3%
3	Infosys Ltd	239.5	Bharat Forge Ltd.	3.2%
4	Tata Consultancy Services Ltd	218.4	UPL Ltd.	3.1%
5	ITC Ltd	214.1	Reliance Industries Ltd.	2.9%

If we look at the breakdown of the CSR amount spent on the various areas listed in Schedule VII of the Companies Act 2013, we note that **healthcare and education** receive a significantly higher proportion of spending — together they account for 45% of total spend. In contrast, other areas, such as eradicating hunger and poverty, support during national calamities, etc., receive 1% and less of the total spent amount in the year. Aggregate overheads are 2.3% of the aggregate spend.



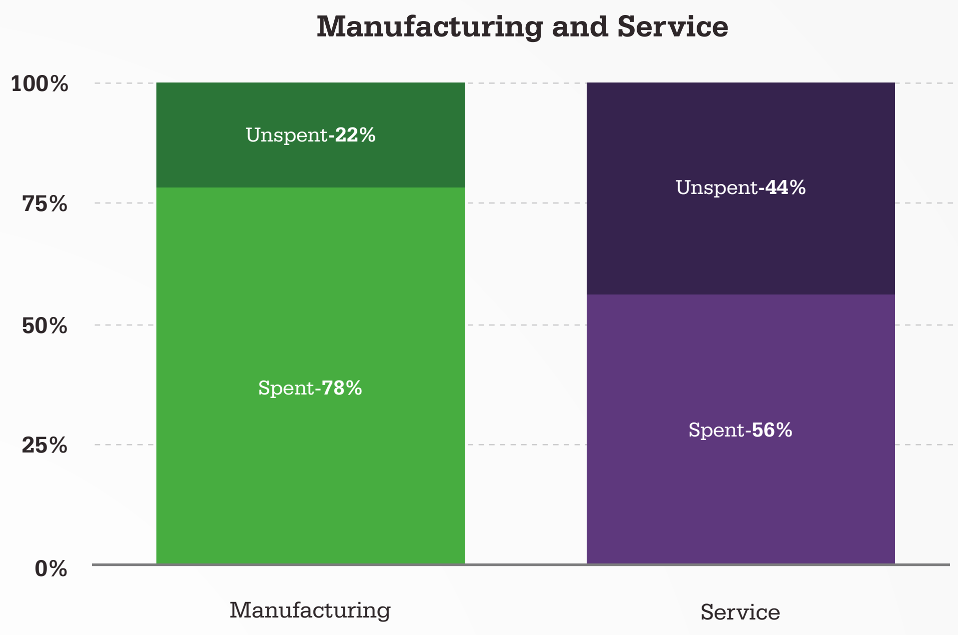
Manufacturing vs. Service

The top five manufacturing and service companies in terms of CSR spend as a percentage of average previous three years' PAT are as follows:

Rank	Manufacturing	CSR spend/ Average PAT(%)	Service	CSR spend/ Average PAT(%)
1	Bombay Burmah Trading Corporation	5.5%	Tech Mahindra Ltd.	3.3%
2	Bharat Forge Ltd.	3.2%	Adani Enterprises Ltd.	2.4%
3	UPL Ltd.	3.1%	Ushdev International Ltd.	2.1%
4	Reliance Industries Ltd.	2.9%	Wipro Ltd.	2.1%
5	Ambuja Cements Ltd.	2.8%	Adani Ports & Special Economic Zone Ltd.	2.0%

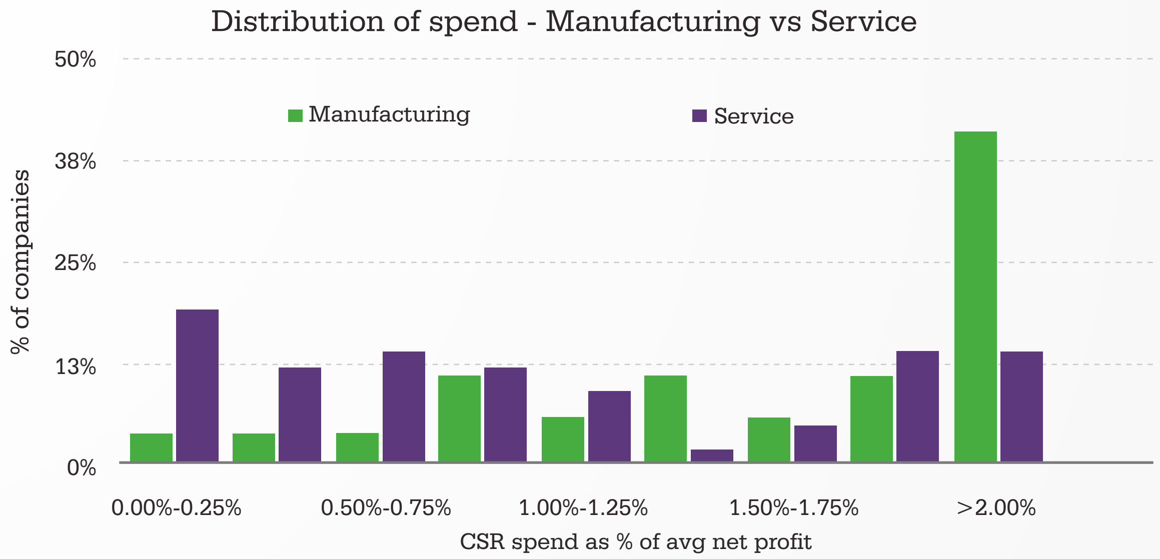
As expected, the average spend percentage of manufacturing companies is higher at 1.6% as compared to 1.0% for service companies. However, there is not much difference between average absolute spend per company – Rs 35 cr for manufacturing and Rs 30 cr for services.

Manufacturing companies spend around 80% of their committed CSR spend in 2014-15. In contrast, services companies spend only 56%. This leaves a large unspent amount, especially for services companies, which gets carried forward to 2015-16.



The distribution of CSR spends for manufacturing companies are very different from those of services companies. On a scale where spends range from 0 to 2% and more, one sees more manufacturing companies on the right side (1% and more) as compared to service firms.

42% manufacturing companies lean towards spends that are greater than 2% as compared to services where only 14% fall in this category. Only a fourth of the manufacturing companies spend up to 1% of average PAT on CSR as compared to approximately 60% services companies



Both manufacturing and service companies disburse over 70% of their CSR spend in five community areas. While four out of the top five community areas for CSR spend are common between manufacturing and service companies, the proportion of spend varies significantly, highlighting the companies' focus areas. Also, it is interesting to note that while services companies spend 10% of their funds on donations, manufacturing companies spend only 1%.

Rank	Manufacturing	% of total spend	Service	% of total spend
1	Health & Wellness	29%	Education Initiatives	28%
2	Education Initiatives	18%	Rural Development	14%
3	Environment	12%	Health & Wellness	14%
4	Rural Development	10%	Donations/Charity	10%
5	Vocational training	6%	Environment	5%

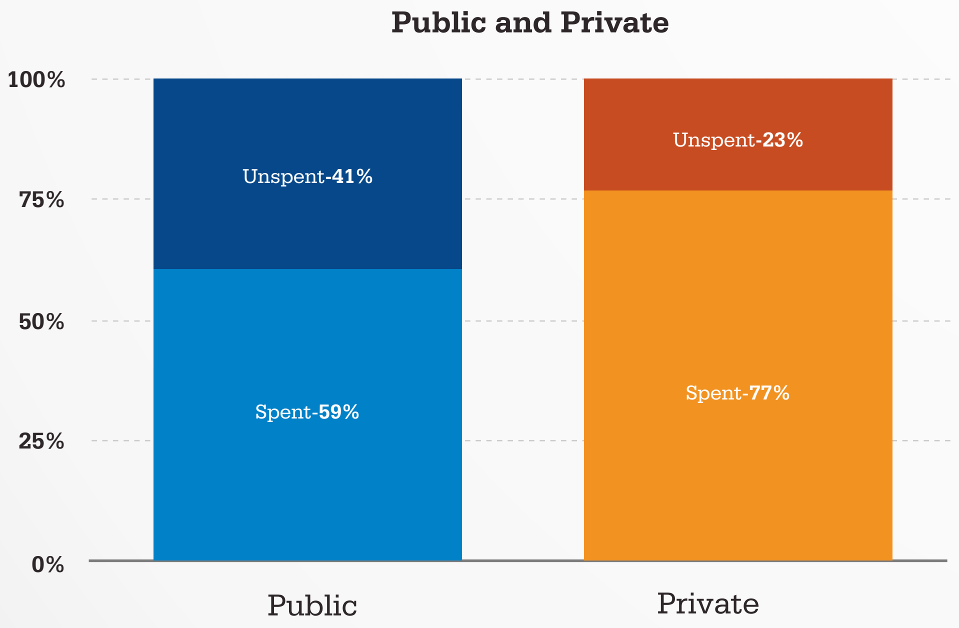
Public vs. Private

The top 5 public and private spenders in percentage terms are listed below

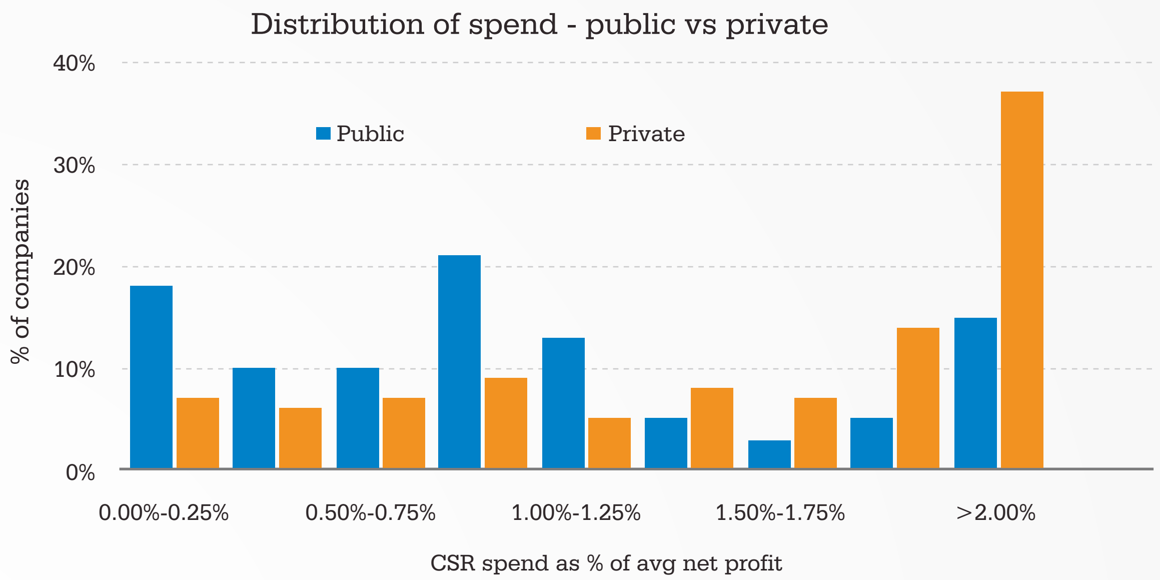
Rank	Public	CSR spend/ Average PAT(%)	Private	CSR spend/ Average PAT(%)
1	Oil India Ltd.	2.7%	Bombay Burmah Trading Corporation	5.5%
2	Neyveli Lignite Corporation	2.3%	Tech Mahindra Ltd.	3.3%
3	Rashtriya Chemicals & Fertilizers Ltd.	2.1%	Bharat Forge Ltd.	3.2%
4	Coal India Ltd.	2.0%	UPL Ltd.	3.1%
5	Indian Oil Corporation Ltd.	2.0%	Reliance Industries Ltd.	2.9%

While public companies spend a lower percentage of average PAT (1%) on CSR at the aggregate level than private companies (1.5%), the average CSR spend per company in rupee terms is much higher for public companies (Rs 51 cr) than it is for private companies (Rs 28 cr). The lower average percentage spend for public companies could partially be because this category includes many public banks, for whom the spend of 2% and more is not mandatory.

Similar to manufacturing, private companies spend 77% of their committed funds in 2014-15. However, a large portion of committed funds remains unspent at public companies and is carried forward into 2015-16.



44% public companies spend between 0.5% and 1.25% of their average PAT on CSR activities in 2014-15. This is in contrast to private companies, where 51% spend over 1.75% of their average PAT on CSR.



Public sector companies spend a higher proportion for environment initiatives as compared to private companies. The reverse is true for rural development.

Rank	Private	% of total spend	Public	% of total spend
1	Health & Wellness	27%	Health & Wellness	19%
2	Education Initiatives	22%	Education Initiatives	19%
3	Rural Development	13%	Environment	19%
4	Environment	6%	Rural Development	7%
5	Vocational training	5%	Vocational training	7%

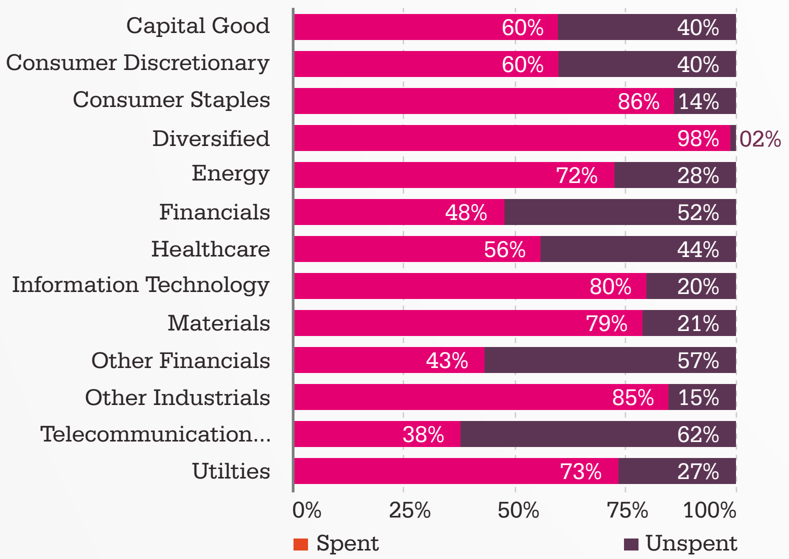
By industry

Diversified leads the pack with the highest average spend as a percentage of net profit at 2.1%. Four other industries – consumer staples, materials, other industrials and utilities – follow at 1.8%. Financial companies continue to be laggards, spending the least.

Industry	Average CSR spend as % of net profit	Top spender (% terms)
Diversified	2.1%	Bombay Burmah Trading Corporation Ltd.
Consumer Staples	1.8%	Godrej Consumer Products Ltd.
Materials	1.8%	Bharat Forge Ltd.
Other Industrials	1.8%	Adani Enterprises Ltd.
Utilities	1.8%	NHPC Ltd.
Information Technology	1.5%	Tech Mahindra Ltd.
Capital Goods	1.4%	GMR Infrastructure Ltd.
Healthcare	1.4%	Jubilant Life Sciences Ltd.
Energy	1.3%	Oil India Ltd.
Consumer Discretionary	1.3%	Jaiprakash Associates Ltd.
Telecommunication Services	1.2%	Bharti Infratel Ltd.
Other Financials	1.1%	Mahindra & Mahindra Financial Services Ltd.
Financials	0.7%	Axis Bank Ltd.
All companies	1.4%	

The breakdown of the spent and unspent CSR amounts across industries reveals interesting results. Diversified-sector companies spend almost all of the committed funds in the year, unlike telecom services, other financials and financials, where over 50% remains unspent at the end of the year. None of the industries completely spent all the committed funds in the year.

Spent and unspent by industry



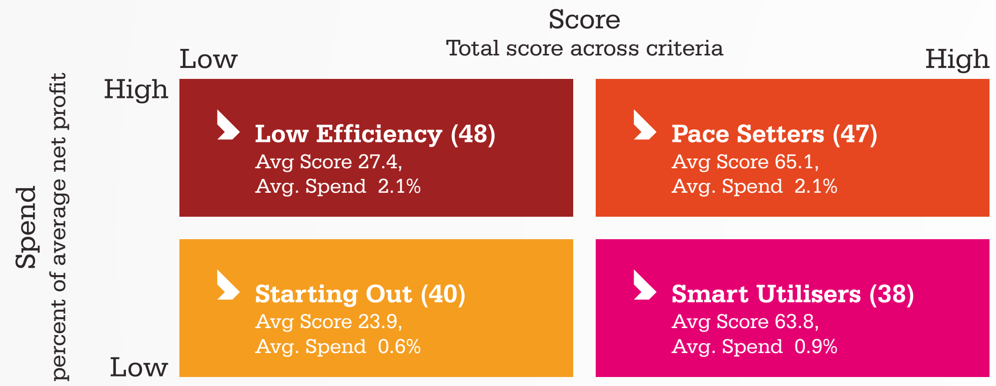
We analyse the breakdown of an industry's CSR spend across community areas and list below the top two areas in terms of percentage spend. In almost all cases, except utilities, the top two areas together account for more than 50% of the industry's spend allocation. IT companies contribute 24% of their aggregate spend as donations and consumer staples companies spend 35% in livelihood projects. For Diversified and Telecommunications one area accounts for more than 50% and is hence only one area is shown.

Industry	Education	Health & Wellness	Livelihood	Environment	Donations	Rural Development	Vocational Training
Capital Goods	36%						20%
Consumer Discretionary	37%	15%					
Consumer Staples			35%	24%			
Diversified		61%					
Energy		18%		35%			
Financials	22%					30%	
Healthcare	21%	26%					
IT	37%				24%		
Materials	33%					19%	
Other financials		36%					15%
Other industrials	24%					28%	
Telecom	61%						
Utilities		24%				5%	

BANG FOR THE BUCK

- **Four quadrants: pace setters, smart utilisers, starting out and low efficiency**
- **Across quadrants, companies perform best on Governance and worst on Disclosure**
- **Pace setter firms spend on health and education, smart utilizer firms on environment and education, starting out firms on health and vocational training, and low efficiency firms on rural development and health**

Companies spend money on sustainability and CSR. This results in measurable performance. For this report, we track the money spent against performance. We categorise companies in four quadrants –- pace setters, smart utilisers, low efficiency and starting out. We divide the scores (representing performance) as high and low by using the median score as a cut-off. Similarly, we divide the CSR spend as high and low by using the median spend percentage as a cut-off. This yields the 2X2 matrix depicted below.



- **47 companies are pace setters:** These companies spend relatively large amounts and have relatively high scores.

  Average scores as well as a percentage of PAT for this quadrant are consistently above the overall average across all key criteria. This trend is evident in all the key industries in the quadrant. The average score for this quadrant is the highest in Governance.

- **38 companies are smart utilisers:** These companies spend relatively less, but have higher scores.

  Average scores for the quadrant are high in Governance compared to the overall average, but average spend as a percentage of PAT is low at 0.93%.

- **40 companies are low efficiency:** These companies spend relatively larger amounts, but have relatively low scores.

  Perhaps they have not yet realised the benefits of their investments. An alternative explanation could be that these companies are inefficient. While their average spend as a percentage of PAT is 2.1% (similar to pace setters), their average score is less than 50% in all the four criteria.

- **48 companies are starting out:** These companies spend relatively less and also have relatively low scores.

  Average scores for the quadrant were the least across all key criteria and spend too was low at 0.57%. Nonetheless, it is encouraging that the percentage spend has improved to 0.57% from just 0.34% last year.

Average scores and spend in the four quadrants are:

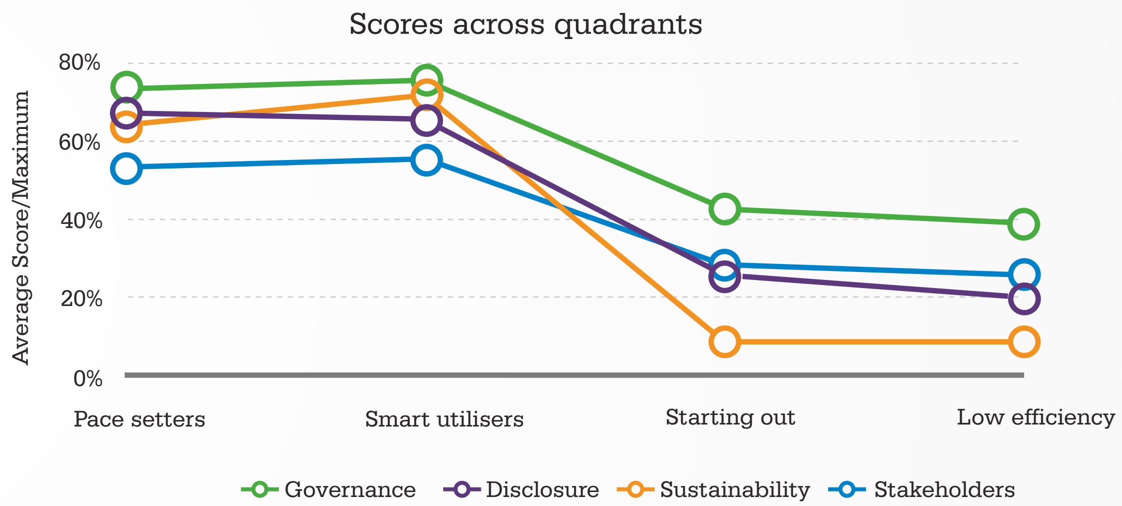
	Pace setters	Smart utilizers	Starting out	Low efficiency
Average Score	65.1	63.5	23.9	27.4
Average Spend	2.09%	0.93%	0.57%	2.14%

The proportion of companies on the right side of the matrix, which houses the high-scoring companies with varying spend patterns (pace setters and smart utilizers), has improved slightly to 49% from 47% last year.

The average score of the companies on the right side of the matrix is more than two and a half times that of those on the left side. These quadrants (that house pace setters and smart utilizers) comprise the whole of the top tier (top 72 companies and a few more).

A similar trend can be seen with regard to spend between the top half and the bottom half of the matrix. The top two quadrants (low efficiency and pace setters) spend on average 2% and more on CSR as against less than 1% by the companies in the bottom half (starting out and smart utilizers).

Across quadrants, we find that companies perform the best on Governance and relatively weakly on either Disclosure (low efficiency and starting out) or Sustainability (smart utilizers and pace setters). Pace setters score more on all the factors, except Sustainability. Scores are not bunched for low efficiency as well as starting out firms, implying their weak attempts at CSR and sustainability. These firms have scored below par on all the criteria. Their disclosures are the biggest cause for concern. Smart utilisers, in contrast, tend to perform fairly well on all counts.



Industries that dominate each of these quadrants are:

Quadrant	Key Industries
Pace setters	Materials and Consumer Staples
Smart utilisers	Consumer discretionary and Financials
Low efficiency	Diversified and Consumer Discretionary
Starting out	Financials, Consumer discretionary and Other Financials

Some of the interesting moves across quadrants from the previous year are the following:

A majority of energy companies have moved from being pace setters to smart utilisers, while a majority of IT companies have moved from being smart utilisers to pace setters. Some consumer discretionary companies entered low efficiency, unlike none last year. Some financial firms moved from pace setters to smart utilisers in the year. A majority of material companies remain pace setters.

The distribution of industries across the four quadrants is as below:

	Smart utilizers	Pace setters	Low efficiency	Starting out
Energy	5	3	0	2
Diversified	1	4	9	1
Consumer Discretionary	6	4	8	8
Financials	6	1	2	18
Materials	4	15	4	3
Telecommunication Services	2	1	0	0
Capital Goods	5	1	6	2
Information Technology	1	4	0	1
Utilities	2	3	4	1
Other Industrials	1	3	0	0
Other Financials	2	1	3	8
Consumer Staples	1	5	3	1
Healthcare	2	2	1	3
	38	47	40	48

Companies within an industry pan across the quadrants. Relative concentrations are also marked. Most energy companies, for instance, are dominant in smart utilisers and pace setters, whereas material companies are dominant in pace setters. Financials dominate the starting out space.

A look at the actual money spent across the four quadrants reveals that health remains the most popular area attracting a majority of the CSR money, followed by education.

Quadrant	Key Community spend areas
Pace setters	Health and Education
Smart utilisers	Environment and Education
Low efficiency	Rural development and Health
Starting out	Health and Vocational Training

THE PATH BEFORE US... FIVE KEY TRENDS TO WATCH

The environmental impacts of business –- air pollution, biodiversity loss, ecosystem degradation and water scarcity –- are threatening India's potential to deliver sustainable growth. These impact not just the end consumers, but they also impact companies, thereby adding significantly to the business risk.

In this context, the key trends to watch in the coming years are:

I. ZERO IMPACT MOVES TO NET POSITIVE

Most companies are moving towards creating sustainable growth models in different ways. As manufacturing companies explore the interlinkages of supply chains, it is evident that waste, water, energy and materials are closely linked to business continuity. There is a growing realisation that growth without impacting the environment adversely is now an expected goal. They are not only talking of zero impact on the environment but forward-looking companies are taking of a positive impact on the world.

- Ambuja Cements is already four time water positive and has an ambition to be five times water positive by 2020.
- Godrej Consumer Products targets to achieve a positive water balance by 2020.
- Mahindra Group achieved a water positive status in 2014-15
- ITC has been carbon positive for 10 consecutive years, water positive for 13 years and solid-waste-recycling positive for 8 years.

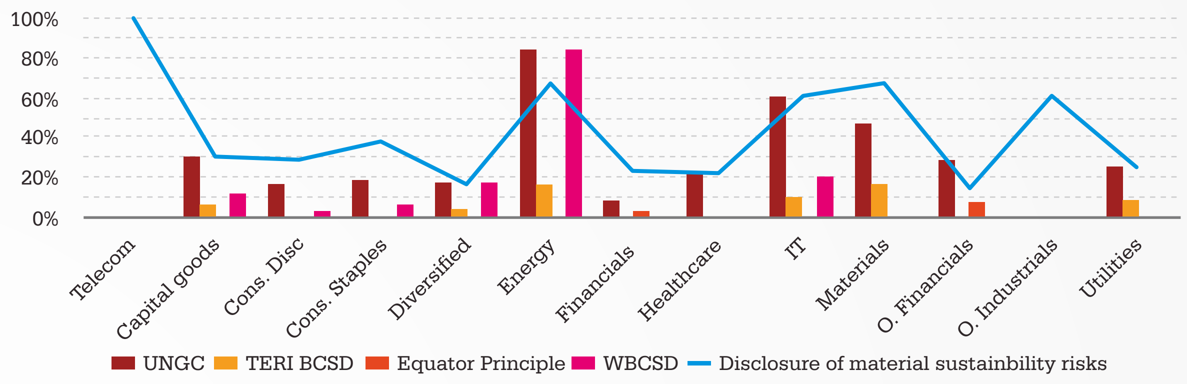
II. WORKING TOGETHER TO BUILD RESILIENCE

In todays world technology, climate change and connectedness are creating significant disruptions in most industries. The changes are everywhere. Supply chains are getting impacted due to shortage of resources, human rights issues are cropping up with continued frequency and customers are getting together to take on large companies.

Perhaps this is the main reason why investors, consumers and governments are asking for greater transparency from the private sector and businesses are speeding up efforts to de-risk themselves. Inter governmental initiatives like COP21 and Sustainable Development Goals (SDGs) are platforms that are helping companies in finding common ground and aligning together for greater impact on specific targets.

- Reliance Power and JSW Energy both have projects registered as carbon credit projects by the United Nations Framework Convention on Climate Change (UNFCCC) under the Clean Development Mechanism of the Kyoto Protocol.

% companies across industries with participation in global sustainability frameworks and disclosure of sustainability risks

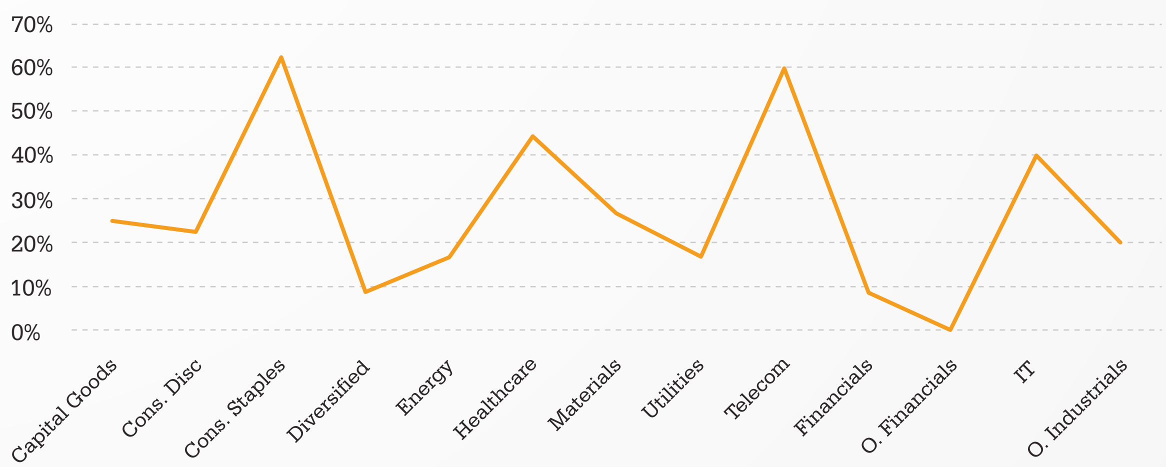


III. SUSTAINABLE SUPPLY CHAINS

The challenge for a sustainable business is to identify growth models that result in reduced environmental impact. More resilient supply chains, greater diversity and higher flexibility are perhaps now no longer long-term goals, but urgent requirements that need immediate investments.

- Coca-Cola India works with its bottlers and direct suppliers to understand and mitigate human rights risks across supply chain.
- Bosch India identifies and eliminates waste across the suppliers' value streams by using project-specific tools.
- Dr. Reddy's Laboratories' supply chain initiatives include reworking packaging design to reduce carbon footprint and inculcating a culture of resource conservation among local and small producers.
- Cisco India launched the Supply Chain Emissions Reduction Program in financial year 2015 with a mission to refine and accelerate its supply chain emissions reporting, prioritisation and reduction activities.

% companies across industries with supplier sustainability inititatives

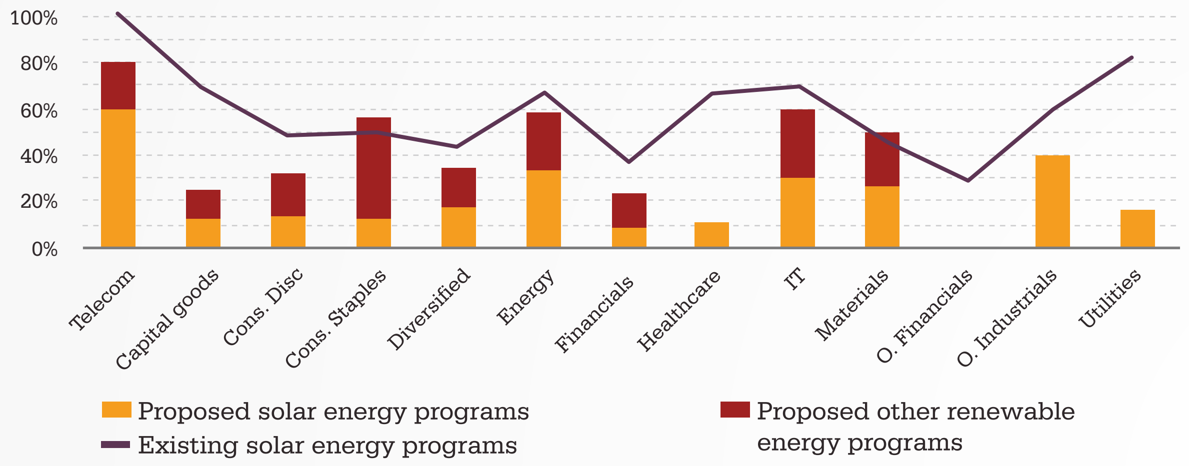


IV. RENEWABLES GATHER MOMENTUM

With the Paris Accord in play, companies will need to pitch in a significant manner for India to achieve the national target of emission cuts by 33-35%. Hence, it is expected that companies will focus more and more on renewables, with a strong focus on solar.

- Coal India has signed a memorandum of understanding with Solar Energy Corporation of India for generation of 1000 MW solar power by 2019.
- Aditya Birla Nuvo will install 50 KW roof-top solar-power plants in financial year 2016.

% companies with solar energy programs



V. WATER: EACH DROP COUNTS

India's water problems seem to be increasing. Drought and floods seem to be significantly impacting business continuity. Not long ago, addressing water issues upstream in a supply chain seemed out of companies' influence and control. Today, it's becoming the norm.

- Tata Motors has identified supply chain as a focus area for water sustainability and has extended the Water Footprint exercise to selected suppliers.
- As a part of the Green Vendor Development Programme at Hero MotoCorp, water consumption has reduced significantly in 2014-15 (20,000 lakh litres).
- EID Parry (India) recorded significant water savings in the command area under each of its mills by promoting sustainable sugarcane production practices like drip-irrigation, trash shredding, trash multching and inter-cropping.
- Ludhiana Beverages (Coca-Cola India) uses laser levelling for tackling fields that are not levelled and helps farmers conserve water used for irrigation.

ANNEXURES

I-RANK 2015

1	Tata Steel Ltd.
2	Tata Power Company Ltd.
3	UltraTech Cement Ltd.
4	Mahindra & Mahindra Ltd.
5	Tata Motors Ltd.
6	Tata Chemicals Ltd.
7	ITC Ltd.
8	Shree Cement Ltd.
9	Bharat Petroleum Corporation Ltd.
10	Larsen & Toubro Ltd.
11	Infosys Ltd.
12	ACC Ltd.
13	Indian Oil Corporation Ltd.
14	Ambuja Cements Ltd.
15	Steel Authority of India (SAIL) Ltd.
16	Jubilant Life Sciences Ltd.
17	Coca-Cola India Pvt. Ltd
18	GAIL (India) Ltd.
19	Tata Consultancy Services Ltd.
20	Hindustan Unilever Ltd.
21	Cisco Systems India Pvt. Ltd.
22	JSW Steel Ltd.
23	Hindustan Petroleum Corporation Ltd.
24	Maruti Suzuki India Ltd.
25	YES Bank Ltd.
26	Cummins India
27	HCL Technologies Ltd.
28	Reliance Industries Ltd.
29	Essar Oil Ltd.
30	Hindustan Construction Company Ltd.
31	Nestle India Ltd.
32	Oil And Natural Gas Corporation Ltd.
33	Jindal Steel & Power Ltd.
34	Vedanta Ltd.
35	Dr. Reddy's Laboratories Ltd.
36	Dabur India Ltd.
37	Apollo Tyres Ltd.
38	Bajaj Auto Ltd.
39	Chambal Fertilisers & Chemicals Ltd.
40	Bharat Heavy Electricals Ltd.
41	NTPC Ltd.
42	Wipro Ltd.
43	Oil India Ltd.
44	HDFC Bank Ltd.
45	Hindalco Industries Ltd.
46	Bharat Electronics Ltd.
47	Godrej Consumer Products Ltd.
48	Power Grid Corporation of India Ltd.
49	Bosch Ltd.
50	Hindustan Zinc Ltd.
51	Reliance Infrastructure Ltd.
52	Idea Cellular Ltd.
53	Havells India Ltd.
54	Siemens Ltd.
55	Rashtriya Chemicals & Fertilizers Ltd.
56	Titan Company Ltd.
57	Axis Bank Ltd.
58	IndusInd Bank Ltd.
59	Aditya Birla Nuvo Ltd.
60	Cairn India Ltd.
61	Asian Paints Ltd.
62	Welspun Corp Ltd.
63	Jaiprakash Associates Ltd.
64	Lupin Ltd.
65	Tata Global Beverages Ltd.
66	Mahindra & Mahindra Financial Services Ltd.
67	Tata Communications Ltd.
68	Hero MotoCorp Ltd.
69	Union Bank of India
70	IDFC Ltd.
71	National Aluminium Company Ltd.
72	Neyveli Lignite Corporation Ltd.
73	NMDC Ltd.
74	Adani Power Ltd.
75	Bharti Airtel Ltd.
76	ABB India Ltd.
77	Exide Industries Ltd.
78	Godrej Industries Ltd.
79	NHPC Ltd.
80	Tech Mahindra Ltd.
81	Grasim Industries Ltd.
82	Coal India Ltd.
83	Adani Ports & Special Economic Zone Ltd.
84	Eicher Motors Ltd.
85	Kotak Mahindra Bank Ltd.
86	Rural Electrification Corporation Ltd.
87	Container Corporation of India Ltd.
88	Cipla Ltd.
89	Sun Pharmaceutical Industries Ltd.
90	Bharti Infratel Ltd.
91	Mangalore Refinery And Petrochemicals Ltd.
92	Reliance Communications Ltd.
93	State Bank of India
94	Marico Ltd.
95	DLF Ltd.
96	Adani Enterprises Ltd.
97	P & G
98	SABMiller India
99	Jain Irrigation Systems Ltd.
100	GMR Infrastructure Ltd.

Note: For the financial year ending in 2015.

II-THE DELPHI STUDY

- **The problem**
  For the research study, India's top companies for Sustainability and CSR, the weights applied to the four criteria - Governance, Disclosure, Stakeholders and Sustainability have been subjective. This subjectivity has made the study open to questions/criticism around the robustness of the process.

- **The approach**
  In order to build robustness around the weights applicable to the four criteria it was proposed to use the Delphi method to elicit expert opinion as to what the weights ought to be.

  The Delphi method is a structured communication technique or method, originally developed as a systematic, interactive forecasting method which relies on a panel of experts. The experts answer questionnaires in two or more rounds.

- **The respondents**
  The respondents consisted of members from the academic community as well senior executives from the industry.

  We had ten respondents to the study of which four were industry representatives and six were from the industry. The respondents were chosen on the basis of recommendations received from the advisory board and people that the authors knew.

- **The study**
  The study was carried out in two rounds. First round consisted of gauging the weights for each of the four measures.

  The second round was a feedback round where the participants either changed their responses based on the summary of the first round responses or they agreed to stay with their original choice. Seven respondents felt that their original scores were reasonable while three respondents revised their scores.

- **The results**
  The results were tabulated and minor adjustments were made based on the researchers judgement. The final weights were 20% for governance, 15% for disclosure, 30% for stakeholders and 35% for sustainability.

III-MATERIALITY ISSUES

Sustainability reporting is a growing trend amongst India's top companies. Some reports follow international standards for sustainability and CSR reporting such as the Global Reporting Initiative (GRI), many others don't really adhere to any set norm. Either way, our ongoing research has revealed that most talk about a company's success in implementing responsible business activities. Some though also talk about things that may have no context to CSR or sustainability.

GRI mandates a disclosure of material topics for a reporting organization. It should include those topics that have a direct or indirect impact on an organization's ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large.

The key elements of materiality are the ones that

- impact the organisation
- preserve or erode the company's economic or social value
- and are measurable

Materiality issues are mostly context and industry specific. We take a close look at materiality issues each year and the tables below indicate the key issues by industry. A coloured cell indicates the presence of a theme. Text in a cell indicates that a particular activity is prominent and this is not exhaustive.

	Capital Goods	Consumer Discretionary	Consumer Staples	Diversified	Energy
Waste					
Water					
Energy					
Safety	Employee/ Customer safety	Customer/Product safety/Road safety	Customer safety		Employee/ Customer safety/ Oil spill management
Biodiversity					
Responsible marketing					
Packaging & Labeling	Packaging				
Sustainable sourcing					
Sustainable products					
Supply chain & Logistics			Logistics		

	Healthcare	Materials	Utilities	Financials	IT	Telecom
Waste						
Water						
Energy						
Safety	Customer safety	Employee safety				Customer safety
Land						
Digital Inclusion						
Biodiversity						
Responsible marketing						
Packaging & Labeling		Labeling				
Sustainable sourcing						
Sustainable products						
Supply chain & Logistics	Logistics				Logistics	
Financial inclusion						
Data security & privacy						

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