

S&P Global's Corporate Sustainability Assessment - Indian Companies Features in Global ESG Assessments



S&P Global's Sustainability Yearbook 2024 which is the only analysis of its kind based on S&P Global's Corporate Sustainability Assessment or CSA has given berth to Indian corporate houses affiliated to different sectors.

However, before discussing about the criteria under which Indian companies have secured berth in CSA, it is imperative to discuss the methodology embraced for preparation of S&P Global's Sustainability Yearbook 2024.

The Sustainability Yearbook aims to distinguish those companies within their industries that have each demonstrated strengths in corporate sustainability. Yearbook members and distinction levels are selected based on their 2023 Corporate Sustainability Assessment (CSA) Score, which is the S&P Global ESG Score without the inclusion of any modelling approaches. The selection methodology reflects exclusion screening criteria.

As of December 22, 2023, over 9,400 companies assessed for the 2023 CSA were considered for inclusion in the Sustainability Yearbook 2024. Distinctions have been calculated against the top performing company in each Industry, and exclusions applied thereafter. The methodology also encompasses the following categories:

- i) *Top 1%:* Within each industry, companies with a minimum CSA Score of 60, whose score is within 1% of the industry's top-performing company.
- ii) *Top 5%:* Within each industry, companies with a CSA Score of at least 57, whose score is within a range of 1% to 5% of the industry's top-performing company. This distinction is not assigned if no company in the industry achieved a minimum CSA score of 60.

- iii) *Top 10%:* Within each industry, companies with a CSA Score of at least 54, whose score is within a range of 5% to 10% of the industry's top-performing company. This distinction is not assigned if no company in the industry achieved a minimum CSA score of 60.
- iv) *Industry Mover:* In this category, the companies are assessed based on whether the company achieved an improvement in its S&P Global Score of atleast five percent and accomplished the strongest improvement in their industry, on the condition that the company is a Yearbook Member and participated in the CSA this year and last year.
- v) *Member:* Under this category, companies within the top 15% of their industry by number and achieved a minimum CSA Score above 30 and falling within 30% of that industry's top performing company are considered.

It is to be noted that certain companies have been excluded from the assessment such as tobacco, anti-personnel mines, biological and chemical weapons, cluster munitions etc.

As a sample study, three Indian companies covered under the Sustainability Yearbook 2024, i.e., Hindustan Zinc Limited, Tech Mahindra Limited and Dr.Reddy's Laboratories Limited affiliated to Metal & Mining, IT Services and Pharmaceuticals industries respectively have been covered for the first three categories – *Top 1% S&P Global CSA Score, Top 5% S&P Global CSA Score and Top 10% S&P Global CSA Score* is provided below-

Category 1: Top 1% S&P Global CSA Score

Company: Hindustan Zinc Limited

Industry: Metals & Mining

| Highlighted Criteria & Dimension Weights | Companies performance on Highlighted Criteria (Based on Annual Reports 2022-2023) |
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| <p><i>Environmental Dimensions- 34%</i></p> <ul style="list-style-type: none"> • Biodiversity • Climate Strategy • Waste • Water | <p>The performance of the company under Environmental, Social and Governance & Economic Dimensions have been broadly explored based on the company's Sustainability Goals 2025.</p> <p><u>Environmental Dimension</u></p> <p>i) <i>Climate Change-</i></p> <p>a) 0.5 mn tCO₂e Greenhouse gas (GHG) emission savings in company's operations from base year 2017. As part of its net-zero journey, the company strives to address the climate change.</p> <p>b) The company has revised its emission targets to make them more stringent.</p> <p>c) These target revisions will assist the Company in achieving net-zero emission by 2050 or sooner in the long-term, and in the short-term will serve to reduce Scope 1 and Scope 2 emissions by 50% and Scope 3 emissions by 25% by 2030, in line with the business ambition for 1.5°C campaign led by the SBTi in partnership with the UN Global Compact and the 'We Mean Business' coalition.</p> |
| <p><i>Social Dimension- 33%</i></p> <ul style="list-style-type: none"> • Occupational Health & Safety • Social Impacts on Communities | <p>ii) <i>Water Stewardship-</i> Become 5x water positive company and achieve 25% reduction in freshwater consumption. The company is working to achieve water stewardship goals through a strategic approach that identifies the following elements:</p> <p>a) Minimising freshwater consumption.</p> <p>b) Exploring alternative water solutions.</p> <p>c) Increased use of recycled water.</p> <p>d) Replenishing groundwater.</p> <p>e) Monitoring and auditing of water consumption at end user, withdrawal from source, water balance, quality of water including waste water and efficiency of waste water treatment facility</p> |
| <p><i>Governance & Economic Dimensions-33%</i></p> <ul style="list-style-type: none"> • Business Ethics • Corporate Governance • Risk & Crisis Management | <p>iii) <i>Circular Economy-</i></p> <p>a) 3x Increase in gainful utilisation of smelting process waste. In this regard, company's Waste to Wealth Community is continually working on this objective to identify ways for recycling and gainful utilisation of the waste we generate during the manufacturing process.</p> <p>b) The company is working on a pilot trial with a Calgary-based technology company which has developed the capability to use mine waste to produce cement like materials that serve to save resources, lower environmental impact and potentially reduce GHG emissions.</p> <p>c) Value-added product from smelter waste residue.</p> <p>iv) <i>Biodiversity Conservation-</i></p> <p>a) Protect and enhance biodiversity throughout the life cycle. The company have prepared exclusive biodiversity management plans (BMPs) for each of its operational sites.</p> <p>b) Biodiversity management initiatives include biodiversity risk assessment, afforestation programme, restoration of exhausted waste dumps, conservation of schedule-1 fauna species, awareness, and partnership, etc.</p> <p>c) The company has engaged with the International Union for Conservation of Nature (IUCN) for revisiting its BMP and to align its actions towards no net loss.</p> |

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| | <p><u>Social Dimension</u></p> <p>i) <i>Social Impact</i>- Positively impact one million lives through social, economic and environmental initiatives.</p> <p>ii) <i>Diversity in Workforce</i>- Inclusive and diverse workplace with 30% diversity.</p> <p>iii) <i>Ensuring Zero Harm</i>- Zero work-related fatalities and 50% reduction in total recordable injury frequency rate (TRIFR).</p> <p>iv) Five CSR Programmes of the company – Zinc Kaushal, 4000+ youth benefitted since FY 2019-20; Unchi Udaan, 7 batches since FY 2017-18 comprising 226 students; Zinc Football Academy, 4000+ youth benefitted since FY 2017-18; Sakhi Microenterprise, 27,000+ women benefitted since FY 2019-20 and Drinking water, 100,000 villagers benefitted since FY 2018-19.</p> <p><u>Governance & Economic Dimensions</u></p> <p>i) <i>Responsible Sourcing</i>- 100% responsible sourcing in the supply chain.</p> <p>ii) Implementation of responsible sourcing guidelines of London Metal Exchange (LME) and Organisation for Economic Cooperation and Development (OECD) framework.</p> <p>iii) Supplier sustainability assessment.</p> <p>iv) Human rights training and awareness.</p> <p>v) Ensuring local procurement</p> |
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Category 2: Top 5% S&P Global CSA Score

Company: Tech Mahindra Limited

Industry: IT Services

| Highlighted Criteria & Dimension Weights | Companies performance on Highlighted Criteria (Based on Annual Reports 2022-2023) |
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| <p><i>Environmental Dimensions- 23%</i></p> <ul style="list-style-type: none"> • Climate Strategy • Environmental Policy & Management Systems <p><i>Social Dimension- 35%</i></p> <ul style="list-style-type: none"> • Customer Relationship Management • Human Capital Development • Privacy Protection • Talent Attraction & Retention <p><i>Governance & Economic Dimensions- 42%</i></p> <ul style="list-style-type: none"> • Business Ethics • Information Security/ Cybersecurity & System Availability • Innovation Management | <p><u>Environmental Dimension</u></p> <p><i>Climate Change:</i></p> <p>i) During FY23, the company's emissions have reduced 40.62% from the base year of FY16 while Scope 1+2 emissions have risen minimally on account of our people resuming work from office.</p> <p>ii) The company's management approach is underscored by its commitment to transition towards being a net zero organisation. It tracks and monitor our performance as per the rules set by the Board, governed by our Climate Policy, aligned with TCFD recommendations</p> <p>iii) The company have signed the SBT initiative of Business Ambition of 1.5°C and committed to become carbon neutral by 2030 and achieve Net Zero by 2035.</p> <p>iv) Additionally, the company have joined the 1.5° Supply Chain Leaders by the Exponential Roadmap Initiative (ERI) to reduce GHG emissions across the value chain.</p> <p>v) The company's GHG emissions scope includes Scope 1,2 and 3 emissions for global operations.</p> <p>vi) The company is working to minimize environment impact of its operations by making its facilities more energy efficient as well as taking steps to conform to green building norms through the presence of recycling equipment, air and water purification systems, etc.</p> <p>vii) Tech Mahindra is undertaking carbon pricing to drive carbon offsets. Total Environmental Protection Expenditure Funds from the Internal Carbon Pricing mechanism help the company to invest in low-emission technologies.</p> <p>viii) The company is supporting efforts pertaining to carbon sequestration at its locations. It is collaborating with NGOs to enable its Green Marshals in planting trees in and around its campus to realise its carbon sequestration aim of offsetting 5% of its emissions in the long run.</p> |

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| | <p><u>Social Dimension</u></p> <ul style="list-style-type: none"> i) The company has an employee engagement framework that track progress across five critical dimensions of associate experiences- Career Alignment, Recognition, Empowerment and Strive. Tech Mahindra's CARES survey is conducted annually to provide an insight into its Associates experiences at the organisation. ii) As a global sustainability leader, the company is 'intentionally diverse and globally inclusive organisation'. It has adopted specific policies to encourage and support women as well as members from the LGBTQ+ community. iii) Conducting of Meet & Greet events across locations to welcome new joiners to the Tech Mahindra family. iv) Involving Associates in CSR activities through two platforms- Individual Social Responsibility (ISR) and Making Sustainability Personal (MSP). v) 61,995 lives directly benefited from CSR programs of which 53% were women. vi) Upskilling of 22,596 youths, including 1,303 with disabilities. vii) For enabling education, 4,379 teachers trained and 4,829 children with disabilities were supported with special education. <p><u>Governance & Economic Dimensions</u></p> <ul style="list-style-type: none"> i) At TechM, Board composition reflects the values of independence, diversity, expertise and experience. ii) Conducting of quarterly sessions to enhance collective knowledge. MD&CEO as well as the senior leadership of the company conduct knowledge sharing sessions with the board on quarterly basis. These sessions serve to apprise the members of the key areas of focus of the company's diverse businesses, understanding their respective operating external environment in depth, and implementing plans for various business strategies being adopted across the organisation. iii) TechM has taken the following three main steps towards sustainable development- Supplier audits (Questionnaire-based complemented by on-site inspections), Capacity-building measures, i.e., trainings workshops and other collaborations and Continuous improvement, i.e., conducting programmes on climate risk evaluation. iv) Incentivising suppliers for adopting sustainability practices by felicitating the top supplier with the 'TechM Supplier Sustainability Award'. |
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Category 3: Top 10% S&P Global CSA Score
Company: Dr. Reddy's Laboratories Limited
Industry: Pharmaceuticals

| Highlighted Criteria & Dimension Weights | Companies performance on Highlighted Criteria (Based on Annual Reports 2022-2023) | | | | | | | | | | | | | | | |
|--|--|---|--------|--------------------|-------------------------------|--|--|------------------------------|---|------------------------|------------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|--|---|
| <p><i>Environmental Dimensions- 13%</i></p> <p>•<i>Environmental Policy & Management Systems</i></p> | <p><u>Environmental Dimension</u></p> <p>The goals and target of the company under environmental dimension is as under:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Goal</th> <th style="width: 25%;">Target</th> <th style="width: 50%;">Progress this year</th> </tr> </thead> <tbody> <tr> <td>Leading the energy transition</td> <td>By 2030, transition to 100% renewable power.</td> <td>42% electricity through renewable sources.</td> </tr> <tr> <td>Pathway to carbon neutrality</td> <td>By 2030, carbon neutrality in our operations (Scope 1 & 2 emissions).</td> <td>30% carbon neutrality.</td> </tr> <tr> <td>Addressing the global water crisis</td> <td>By 2025, be a water-positive Company.</td> <td>Water-positivity target achieved.</td> </tr> <tr> <td>Building a resilient value chain.</td> <td>By 2030, reduce 12.5% indirect carbon emissions across our supply chain (Scope 3 emissions).</td> <td>Revised Scope 3 emissions inventory complete, emissions reduction plan in progress.</td> </tr> </tbody> </table> | Goal | Target | Progress this year | Leading the energy transition | By 2030, transition to 100% renewable power. | 42% electricity through renewable sources. | Pathway to carbon neutrality | By 2030, carbon neutrality in our operations (Scope 1 & 2 emissions). | 30% carbon neutrality. | Addressing the global water crisis | By 2025, be a water-positive Company. | Water-positivity target achieved. | Building a resilient value chain. | By 2030, reduce 12.5% indirect carbon emissions across our supply chain (Scope 3 emissions). | Revised Scope 3 emissions inventory complete, emissions reduction plan in progress. |
| Goal | Target | Progress this year | | | | | | | | | | | | | | |
| Leading the energy transition | By 2030, transition to 100% renewable power. | 42% electricity through renewable sources. | | | | | | | | | | | | | | |
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| <p><i>Social Dimension – 42%</i></p> <ul style="list-style-type: none"> • Access to Healthcare • Health Outcome Contribution • Human Capital Development • Marketing Practices • Talent Attraction & Retention <p><i>Governance & Economic Dimensions- 45%</i></p> <ul style="list-style-type: none"> • Business Ethics • Innovation Management • Product Quality & Recall Management | <u>Social Dimension</u> | | |
| | Goal | Target | Progress this year |
| | Advancing access to medicines. | By 2030, serve 1.5 billion patients. | 689 million+ patients reached. |
| | Enhancing affordability of medicines. | By 2027, 25% new launches to be first to market. | 39% first to market new launches. |
| | Innovating for better health. | From 2027, launch 3 innovative solutions every year to improve the standard of treatment. | Key innovative set of solutions chosen for further development. |
| | Gender diversity. | By 2030, at least 35% women in senior leadership positions | 16% representation of women in leadership. |
| | Gender equity. | By 2035, gender parity across the organisation. | 18% gender diversity globally. |
| | 18% gender diversity globally. | By 2030, include at least 3% Persons with Disabilities (PwDs) in our workforce. | 0.4% Persons with Disabilities in our workforce. |
| | Equity and fairness for all. | By 2025, ensure living wages for the extended workforce on our premises. | Strategic partner and action plan identified to close the living-wage gap |
| | <u>Governance & Economic Dimension</u> | | |
| | Goal | Target | Progress this year |
| | Excellence in compliance, ethics and corporate governance. | Robust corporate governance with the highest standards on compliance and ethics. | Strong corporate governance structure in place, no material deviations |
| | Greater transparency and improved reporting. | By 2025, enhance ESG disclosures to reach top quartile. | Comprehensive BRSR, integrated reporting, independent assurance and enhanced ESG disclosures. |
| | Engaging our suppliers. | By 2030, ensure 100% strategic suppliers are compliant with our chosen ESG framework. | Capability building complete, supplier audits in progress |

REFERENCES:

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- <https://www.spglobal.com/esg/csa/yearbook/methodology/index>
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