We present a compilation of Q&A with 24 corporates across sectors on a common set of questions to better understand the way sustainability on ESG is being incorporated in business. Companies highlight early initiatives, achievements and future goals as well as how specific business areas are getting more attention amid rising investor focus on sustainability. We look forward to extending this to more corporates over time to build a repository of information on ESG along with the growing disclosures both voluntary and mandatory.

Strong governance has been a cornerstone of investing and has always been supplemented by focus on managing interests of other stakeholders to ensure sustainability and longevity of business. With environmental damage and its repercussions becoming serious by the day for governments and broader society, we are now witnessing ESG issues taking centre-stage in business operations in terms of both managing the associated risks but also to create a differentiation vs. peers globally.

Along with focus within business, investor focus on sustainability too has seen a marked increase, led by belief about a growing linkage between value creation for shareholders and that for all other stakeholders of a company. This is reflected in the outperformance of ESG-based indices vs. their generic counterparts (2-3% higher cagr since Jan-15 till date). Such linkage has fuelled the growth in global assets under management for ESG-focussed funds which has almost doubled over four years to ~US$40.5trillion in 2020. While such growth has largely been led by Europe, the USA and Asia have also seen a healthy jump in assets under management.
The move is also dictated by the global active fund flow being directed towards strong ESG mandates for not only equity fund flows but also debt funding and cost. The green bonds market has seen swift growth over the past few years, with companies demonstrating strong ESG credentials getting access to funds at cheaper rates. At the same time, large funding institutions have made lending tighter for those with poor credentials.

India too has seen emergence of quite a few ESG-focussed funds and, importantly, healthy fund flows into the same within a short time frame. Retail assets in Indian sustainable funds stood at US$1.6bn at end-1QFY22, up 184% YoY.

Figure 3: Most ESG funds launched recently have outperformed the index

<table>
<thead>
<tr>
<th>Scheme Name</th>
<th>AuM (Rs m)</th>
<th>YTD return (%)</th>
<th>Launch Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSE Sensex</td>
<td></td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>SBI Magnum Equity ESG Fund</td>
<td>40,248</td>
<td>20%</td>
<td>Nov 2006</td>
</tr>
<tr>
<td>Axis ESG Equity Fund</td>
<td>19,630</td>
<td>14%</td>
<td>Feb 2020</td>
</tr>
<tr>
<td>ICICI Prudential ESG Fund</td>
<td>18,614</td>
<td>19%</td>
<td>Oct 2020</td>
</tr>
<tr>
<td>Kotak ESG Opportunities Fund</td>
<td>17,351</td>
<td>17%</td>
<td>Dec 2020</td>
</tr>
<tr>
<td>Aditya Birla Sun Life ESG Fund</td>
<td>10,064</td>
<td>20%</td>
<td>Dec 2020</td>
</tr>
<tr>
<td>Invesco India ESG Equity Fund</td>
<td>6,911</td>
<td>NA</td>
<td>Mar 2021</td>
</tr>
<tr>
<td>Mirae Asset ESG Sector Leaders ETFIndex Funds/ETFs</td>
<td>1,486</td>
<td>16%</td>
<td>Nov 2020</td>
</tr>
<tr>
<td>Quantum India ESG Equity Fund</td>
<td>471</td>
<td>24%</td>
<td>Jul 2019</td>
</tr>
<tr>
<td>Quant ESG Equity Fund</td>
<td>231</td>
<td>44%</td>
<td>Nov 2020</td>
</tr>
</tbody>
</table>

Source: Industry, IIFL Research; Note: AUM and returns data as of 12 Aug 2021

Evidently, environmental factors have been hogging the limelight, with emissions, recycling and water-usage gaining eminence, even more so with national governments and large corporates committing to long-term goals regarding carbon-emission reduction. However, governance has always been front and centre for investors, with social impact & related repercussions coming into play as well.

We have seen healthy recognition of the significance of ESG by most leading corporates in India, with improving disclosures and consistent highlighting of ESG initiatives taken by them. While each company does talk about ESG initiatives and results in their annual reports and other communication, we have attempted to delve deeper through our questionnaire, which we think offers responses that seem most relevant for making a sound investment decision.
corporates across sectors, on their method of incorporating sustainability into operations and how this could differentiate them vs. both, Indian and global peers.

The company responses are sequenced as per their market capitalisation, and we highlight the responses and approach that stand out, through our analyst comments. Over time, we plan to extend the format to more companies across sectors.

What we draw from the responses is that ESG monitoring and performance is being incorporated across operations and is being integrated with leadership KPIs to drive gains. Key focus areas include

- Efficient utilisation of available resources both from the perspective of cost competitiveness and improving environmental sustainability.
- Going beyond regulatory compliance in terms of emissions, water usage and conservation, managing waste and incorporating 3Rs (Reduce, Reuse, Recycle) in most aspects of business.
- Optimising employee productivity, wellbeing, safety while also focusing on growth and development.
- Maintaining social license to operate through various community development initiatives.
- Digital transformation in various aspects of business and supply chain to drive sustainability as well as improve delivery and reduce costs.

Strong and consistent disclosures are central to better assessment and comparison, and we see more companies improving on this aspect led by investor demands as well as the regulatory push. SEBI recently published the guidelines for Business Responsibility and Sustainability Reporting (BRSR), which are voluntary in FY22 but mandatory from FY23 onwards, for the top-1000 listed companies. Consistent and disclosures on similar parameters will make comparison and rating much more meaningful land help differentiate the corporates taking a lead on ESG in their business.

**Figure 5: List of 24 corporates who participated in the Q&A on ESG**

<table>
<thead>
<tr>
<th>Corporates</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI Bank</td>
</tr>
<tr>
<td>Larsen &amp; Toubro</td>
</tr>
<tr>
<td>Axis Bank</td>
</tr>
<tr>
<td>Hindustan Zinc</td>
</tr>
<tr>
<td>Vedanta</td>
</tr>
<tr>
<td>Dr. Reddy’s Labs</td>
</tr>
<tr>
<td>Hindalco</td>
</tr>
<tr>
<td>Tata Consumer Products</td>
</tr>
<tr>
<td>Marico</td>
</tr>
<tr>
<td>Biocon</td>
</tr>
<tr>
<td>UPL</td>
</tr>
<tr>
<td>Mindtree</td>
</tr>
<tr>
<td>Bank of Baroda</td>
</tr>
<tr>
<td>Tata Power</td>
</tr>
<tr>
<td>Voltas</td>
</tr>
<tr>
<td>Kansai Nerolac Paints</td>
</tr>
<tr>
<td>Varun Beverages</td>
</tr>
<tr>
<td>APL Apollo Tube</td>
</tr>
<tr>
<td>Godrej Agrovet</td>
</tr>
<tr>
<td>PNB Housing Finance</td>
</tr>
<tr>
<td>CreditAccess Grameen</td>
</tr>
<tr>
<td>PVR</td>
</tr>
<tr>
<td>EPL</td>
</tr>
<tr>
<td>Agro Tech Foods</td>
</tr>
</tbody>
</table>
Mindtree

Mindtree innovative measures towards the Environment have resulted in a steady dip in its per capita resource consumption over the last eight years. In FY21, 75% of its energy consumption was from renewable sources, its Bengaluru locations have stopped external sourcing of water while its Pune office is now a zero water discharge location and 95% of its waste was recycled in FY21. Diversity & Inclusion, Mindtree Foundation-led CSR initiatives, volunteering initiatives led by Mindtree Minds and initiatives towards pandemic relief activities have been the focus under the Social aspect. Highest governance standards are driven through diverse and inclusive board, strong ethics and risk management and focus on data privacy. Strong recognition for these efforts from various bodies lends credibility to the ESG focus of the company. Initiatives across People, Planet and Profit were integral to its recently announced 4x4x4 strategy and the company tracks and measures its dedicated focus on these initiatives by the way of outcome KPIs, which are reported as part of its sustainability report. The company continues to build upon its ESG framework and KRAs with a long-term view of the future.

1. While investor focus on ESG has increased over the past few years, how would you describe your journey so far, in terms of managing and optimising ESG-related factors in operations, beyond what is mandatory by regulation?  

ESG has always been a key consideration for Mindtree’s leadership and is an important part of our executive discussions. Some of our key ESG initiatives and recognitions include:

- **Environment**: Thanks to innovative measures, we have seen a steady dip in our per capita resource consumption over the last eight years. The renewable component of our total energy consumption in FY 2020-21 was an all-time high of 74.84%. We also achieved the ISO 14001:15 certification.
**Social:** We won the Golden Peacock National Award 2020 in recognition of our Corporate Social Responsibility (CSR) initiatives.

**Governance:** Governance forms a key pillar of our sustainability framework and has earned us multiple awards. We plan to lead the way in Diversity & Inclusion and are closely collaborating with industry bodies such as CII, NASSCOM, FICCI, and ASSOCHAM on corporate governance programmes.

### Mindtree’s sustainability framework

![Mindtree’s sustainability framework](image)

Source: Company reports, IIFL Research

### Mindtree’s key ESG initiatives

#### Environment
- Energy efficiency and Scope 1,2,3 emissions reductions
- Optimal water and wastewater management
- Green Tech Innovation

#### Social
- Supporting education and growing digital talent
- Community empowerment (Disability, livelihood)
- Work ethics and culture

#### Governance
- Diverse and inclusive (employees and Board)
- Strong corporate ethics and risk management policies
- Data privacy and security

Source: Company reports, IIFL Research

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2. **How have you integrated the focus on environmental footprint, social impact and corporate governance (ESG) into your overall long-term plans as well as strategy, and how have you aligned/incentivised such interest within the organisation?**

- The triple bottom line of People, Planet and Profit has been integral to our 4*4*4 strategy. We track and measure our dedicated focus on these initiatives by way of outcome KPIs, which are reported as part of our sustainability report.
- We continue to build upon our ESG framework and KRAs with a long-term view of the future.

3. **What are the top-five ESG-related strains on your company's existing operations?**

- We are pleased with our ESG performance to date and continue to broaden and deepen our ESG framework and KRAs with a long-term perspective. An important part of our strategy is to streamline, optimise and broad-base our various ESG initiatives, expanding the sphere of their influence and impact.
- Regrouping of the initiatives under various umbrellas with a larger community to enable certification is now integrated with our strategy.

4. **Please elaborate on the related measures you have taken within company operations. Do you believe material investments are required for meeting and/or exceeding benchmarks, and have you already taken steps in this regard?**

- Leading ESG certifications: CDP climate change, ISO 27701, ISO 14001 & ISAE 3000
- Key systems and processes: Environment Management Systems, Enterprise Risk Management Systems
- D&I council to encourage and nurture diversity within the organisation
- Transparent disclosures in line with leading standards – UNGC, GRI, IIRC, etc.

5. **Apart from owned operations, how do you monitor the performance on ESG across your supply chain (vendors, suppliers, partners, distributors, etc.); and what are the biggest impediments you have encountered while driving the change?**

- We have established a strong supplier/partner code of conduct and integrated ESG clauses into supplier contracts.
Nearly 93% of our suppliers and 94% of our spend are local.

- We have digitised our supplier processes via iProcure to enhance our visibility and go green across the supply chain.
- We regularly assess our suppliers on their environmental and social practices by way of surveys and onsite audits.
- We report our scope-3 GHG emissions every year and are committed to taking measures to reduce them.

6. Do you perceive the focus on ESG to be a key driver for creating long-term value for various stakeholders? In what ways can this provide your company an advantage over peers or differentiation from competitors?

Our ESG efforts are aligned with our mission to “engineer meaningful technology solutions to help businesses and societies flourish”. Giving back to society has always been integral to our strategy and execution. This is underscored by recognitions, some of which are listed below.

- **Golden Peacock Awards (GPACSR):** Corporate Social Responsibility
- **Carbon Disclosure Project:** A-leadership league
- **Diversity & Inclusion Excellence Awards:** Best Employer for Women, EcoVadis Silver rating
- **Workforce Planning and Staffing Solutions Organisation Design**
- **Employee Welfare Initiatives**

Mindtree’s endeavour is to achieve relevant ESG certifications and enhance disclosures.

7. How are you engaging with the government and regulators to shape the industry discussion on ESG aspects going forward, for ensuring high standards and a stronger sustainable future for the company?

- Advocacy with industry bodies, e.g. CII, NASSCOM, FICCI, ASSOCHAM

8. How do you benchmark your operations versus domestic & global peers, and where do you think there is scope for significant improvement? What would enable you to close the gap with leading peers, to safeguard long-term sustainability?

Our aim is to continue to be a trusted partner to our customers, while being a socially and environmentally responsible business. We are convinced that this combined focus on growth as well as sustainability is the way to build long-term value for all stakeholders. We are very pleased with our consistently strong ESG performance. As stated, we are broadening and deepening our ESG framework and KRAs for the longer term. The following recognitions give us the confidence that we are moving in the right direction.

**Environment**

- Rated A- on CDP for **Climate change** (Top 6% companies globally, Top 15 in India)

**Social**

- Multiple awards as an employer of choice (e.g. ‘Excellence in employee welfare’ 2021 by BW Businessworld, Association for Talent Development BEST Award, 2021; **Learning & Development**)
- **Awarded** National Golden Peacock award for CSR 2020 (Top 20 Indian companies)

**Governance**

- First Position’ towards ‘Excellence in Cost Management’ in the ‘Information Technology and Telecommunication’ sector from The Institute of Cost Accountants of India
- **Awarded** for best compliance framework by UBS

9. Measuring the social impact of operations and repercussions is not smooth sailing. How do you gauge your company’s performance on this parameter, across employees and other social stakeholders? Also, please highlight the specific measures taken to enhance sustainability on these aspects.

Social responsibility is ingrained in our DNA and manifests through a wide range of Mindtree Foundation-led CSR initiatives and volunteering initiatives led by Mindtree Minds

**Pandemic responsiveness**

- 99.5% of the workforce rapidly shifted to the Work-From-Home model
• 100% virtual learning; uptake of learning went up during WFH, with 100+ hours per employee
• Mental health support initiatives as part of COVID-19 care
• Dedicated platforms, apps and chat bots for employee engagement
• All locations are OHSAS certified; all key health metrics (such as absenteeism, sick leave, injury, etc.) are tracked and reported
• **Community** - Reorientation of our CSR charter to focus on pandemic relief for the economically weaker sections of the society. Differential needs assessment for five states in India for relief determination.

**Diversity & inclusion**
• Women in the workforce have grown from 16% in 2004 to 32% in 2020
• Employ more than 40 people with disabilities
• 86 nationalities are represented in our overall talent pool
• Multiple ongoing diversity programmes – leadership development (managerial and technical roles), D&I council for governance, etc.

**Other Community initiative**
• 9 CSR projects with 8 NGO partners
• Well over 18,000 beneficiaries of CSR projects

**Multiple awards for Mindtree’s CSR initiatives and as an employer of choice**
• Awarded National Golden Peacock award for CSR 2020
• Winner of the first NHRDN People First Ace Awards 2020 in the “Workforce Planning & Staffing Solutions” category
• First runner-up in the first NHRDN People First Ace Awards 2020 in the “Organization Design” category
• Winner of the ATD Best Award for 2021 in “Learning & Development”
• Winner of the Businessworld People HR Excellence Award 2021 for employee welfare initiatives
• Winner of the SHRM HR Excellence Award for 2020 for excellence in HR analytics

• Second runner-up in ASSOCHAM’s Diversity & Inclusion Excellence Awards & Conclave 2020 in the “Best Employer for Women” category

10. **In terms of disclosures made by you as well as the industry on ESG, do you expect further refinement and standardisation specific to your industry? Kindly elaborate. Also, would you be willing to share the progress on internal benchmarking and performance, for highlighting the gains?**

Mindtree’s sustainability commitments include:
• UNGC (Signatory)
• GRI Standards
• Board responsibility reporting
• SDGs
• CDP (A- rating)

11. **Do we think that our Board has a) adequate number of independent directors from the IT services/technology industry and b) adequate representation of female directors or do we intend to increase that in the near future?**
• 50% of Mindtree’s Board of Directors consists of Independent Directors, two of whom are female directors.
12. What are the targets of the company to reduce overall carbon footprint and where are we in the journey towards achieving those targets? Please elaborate through some of the key initiatives undertaken by the company.

**Reducing carbon footprint**

<table>
<thead>
<tr>
<th>Category</th>
<th>2020-21 Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG EMISSIONS</td>
<td>10,487</td>
</tr>
<tr>
<td>ENERGY</td>
<td>1,88,98,504</td>
</tr>
<tr>
<td>RENEWABLE ENERGY</td>
<td>74.8%</td>
</tr>
<tr>
<td>WATER</td>
<td>38,881</td>
</tr>
<tr>
<td>WASTE RECYCLED</td>
<td>94.8%</td>
</tr>
</tbody>
</table>

Source: Company reports, IIFL Research

- We have established an environmental management system to make sure we adhere to environmental norms. All our India locations are ISO 14001:2015 certified.
- 2021 being a pandemic year, our energy consumption was negligible due to zero occupancies and zero travel. But in the preceding years, our per capita energy consumption consistently went down from 200.04 kWh/employee/month in 2014-15 to 134.6 kWh/employee/month in 2019-20.
- Our UPS optimisation initiative started in 2015 has yielded an average annualised saving of 0.991 million watts till 2019-20, reducing our CO₂ emission by 902 tonnes per year, while also reducing battery purchase and thereby hazardous battery waste.
- The 550kW solar power plant installed at Mindtree Kalinga has met 50% of its campus power requirement in 2020-21.

13. Can you highlight key achievements of the company in respect of certain industrial best practices such as recycle/reuse/reduce wastage, water conservation, emission reduction, etc. over the past few years?

**Improvements on various environmental aspects**

<table>
<thead>
<tr>
<th>Renewable energy</th>
<th>FY21</th>
<th>FY20</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>74.8%</td>
<td>56.2%</td>
<td>67.1%</td>
</tr>
</tbody>
</table>

**Water performance**

<table>
<thead>
<tr>
<th>Source</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ground water extraction</td>
<td>6,393</td>
<td>4,141</td>
<td>9,316</td>
</tr>
<tr>
<td>Municipal corporation</td>
<td>52,371</td>
<td>50,003</td>
<td>13,716</td>
</tr>
<tr>
<td>Private suppliers</td>
<td>97,522</td>
<td>122,234</td>
<td>12,072</td>
</tr>
<tr>
<td>Packaged water</td>
<td>4,702</td>
<td>4,821</td>
<td>426</td>
</tr>
<tr>
<td>Rainwater</td>
<td>3,058</td>
<td>4,120</td>
<td>2,551</td>
</tr>
<tr>
<td>Total</td>
<td>163,836</td>
<td>184,219</td>
<td>38,881</td>
</tr>
</tbody>
</table>

**Waste footprint**

<table>
<thead>
<tr>
<th>Source</th>
<th>Total Quantity (kg)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic</td>
<td>667</td>
<td>0.6</td>
</tr>
<tr>
<td>Hazardous</td>
<td>37,419</td>
<td>31.1</td>
</tr>
<tr>
<td>Inorganic</td>
<td>3,993</td>
<td>3.3</td>
</tr>
<tr>
<td>Organic</td>
<td>51,804</td>
<td>43.1</td>
</tr>
<tr>
<td>Packaging</td>
<td>5,615</td>
<td>4.7</td>
</tr>
<tr>
<td>Other</td>
<td>20,644</td>
<td>17.2</td>
</tr>
<tr>
<td>Total</td>
<td>120,082</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Company reports, IIFL Research
Thanks to innovative measures, our *per capita resource consumption* has steadily dipped over the last eight years. The pandemic has significantly brought down our resource consumption, owing to near-zero occupancies.

75% of the *energy we consume* is from renewable sources.

**Gladius Connected Buildings**, which is Mindtree’s fully fledged building IoT solution, integrates all aspects of building management systems with IT systems and *reduces our energy consumption*.

**Water conservation** - Reduce-Recycle-Reuse has been Mindtree’s mantra for water conservation. 100% of the outlet water from our facilities is treated either using Sewage Treatment Plants (STPs) available at our campuses or through common STPs. Our facilities in Bengaluru have stopped external sourcing of water, and Pune is now a zero-discharge location.

95% of *waste* was recycled in 2020-21, up from 80% in 2014-15.

14. Please give your inputs on any other aspect you would like to highlight which has not been covered above.

Key ESG themes Mindtree plans to focus on in the mid to long-term are:

**Environment**
- Achieve carbon neutrality
- Develop green technology solutions to enable clients to achieve sustainability goals

**Social**
- Implement an ambitious digital skilling programme
- Increase percentage of women in management
- Expand to diverse talent pools including LGBTQ, people with disabilities

**Governance**
- Enhance reporting of non-financial disclosures (for example, supplier GHG emissions)
- Establish ESG-linked executive compensation
- Cover 100% employees, suppliers and partners under our ethics and compliance training
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**BUY** - Stock expected to give a return 10%+ more than average return on a debt instrument over a 1-year horizon.

**SELL** - Stock expected to give a return 10%+ below the average return on a debt instrument over a 1-year horizon.

**Add** - Stock expected to give a return 0-10% over the average return on a debt instrument over a 1-year horizon.

**Reduce** - Stock expected to give a return 0-10% below the average return on a debt instrument over a 1-year horizon.

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