

Press release

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CRISIL launches ESG scores of 225 companies

CRISIL Ltd today launched its environmental, social and governance (ESG) scores for 225 companies¹ across 18 sectors in India, in line with its mission of making markets function better.

Powered by CRISIL's strong sectoral research capabilities and rich databases, the ESG score factors in the track record of, and trends and disclosure standards followed by, the 225 companies to provide a relative, pan-sectoral assessment on all material ESG parameters relevant in the Indian context. It is based on information available in public domain, including from third-party providers.

The scores are based on CRISIL's proprietary framework and is assigned on a scale of 1-100, with 100 denoting best-in-class ESG performance. The current evaluation analyses three annual reporting cycles through fiscal 2020.

Says Ashu Suyash, MD & CEO, CRISIL, "ESG is already playing a material role in the decisions of governments, regulators, investors, lenders and corporates. This will not only transform the investment management industry, but also redefine corporate India's approach to risk management for sustainable value creation. Our survey shows over 80% of issuers and institutional investors intend to integrate ESG in their decision-making. Our India-focused framework sieves through the challenges of disclosure quality and standardisation by leveraging our deep sectoral expertise and proprietary databases. Our ESG research, data, insights, assessments and solutions will empower customers and stakeholders to make decisions with conviction, and contribute to sustainable progress globally."

The analysis shows companies with the highest ESG score within a sector outperform the sector average by nearly 9 points because of significantly better performance on three fronts – environmental parameters, overall disclosures, and sustainability practices.

On expected lines, information technology (IT) and financial companies have relatively high overall ESG scores, given their inherently lower natural-resource intensity, resulting in lower emissions, waste generation and water usage. These companies are also high employment generators and have relatively better disclosures.

In contrast, oil and gas, chemicals, metals and mining, and cement companies have lower ESG scores, reflecting high natural-resource intensity, and thereby higher emission levels, extractive use of natural resources, potential adverse environmental and community impact, and generally more moderate levels of disclosure.

The proportion of renewable energy in consumption mix – an important environment score assessment parameter, remains low at ~14% on average. Encouragingly, that number for the real estate, fast-moving consumer goods and IT sectors is more than 25%.

That said, gender diversity at the board level and in the workforce of companies assessed remains low at 17% and 13%, respectively. Independent director representation on boards, a tenet of corporate governance crucial for protecting the interests of all stakeholders, is also modest at 47% with nearly 12% of companies having less than one-third independent directors.

Says Amish Mehta, COO, CRISIL, "Our assessment is based on quantitative and qualitative disclosures of companies. As this is an objective evaluation based on publicly available information, the quality of disclosures made is an important determinant of the overall score. Data availability is expected to improve as the Business Responsibility and Sustainability Reporting becomes mandatory for Indian companies. And as disclosures and benchmarks evolve, CRISIL will continue to fine-tune its approach and methodology to provide the most relevant ESG scores."

¹ Largest listed companies by market capitalisation, barring a few

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CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

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