In Focus

India Inc & Net Zero: Shall The Twain Meet?

The top 100 companies in India are integrating environment friendly strategies in their business decisions. However, achieving net zero is still a distant dream

By **NASRIN SULTANA**

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Between March and May this year, around 60 people lost their lives due to heat-related illnesses in India. With temperatures breaching 50°C in many regions, the country is battling long spells of heatwaves, along with water shortages, damaged crops and food price rise. This, while floods killed 25 people in Assam by mid-June, following heavy rain caused by Cyclone Remal; it has impacted over 4.23 lakh people across 10 districts, and has submerged 459 villages.

Extreme weather conditions that make the world's most populous country vulnerable are increasing by the year. Not only are they wrecking the economy and causing irreversible damage to people, the costs to manage these crises are also mounting. Climate change is one of the key risks that can jeopardise government policies, reforms and investment plans. What is required is a combined effort by all stakeholders, including government regulatory bodies and corporates, to transform into an environment friendly green economy.

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The Indian government has set an ambitious target to reach net zero carbon emissions by 2070, but the journey to that destination is still a long one. Carbon emissions and the consumption of water and power are increasing, although companies are gradually switching to greener options and considering climate risk as a pivotal factor in their R&D (research and development) policies or capex investments.

Emerging trends in the responses of businesses to the government's sustainability measures, such as accountability on environmental practices, social initiatives and governance, are encouraging. A *Forbes India* analysis of India's top listed companies' Business Responsibility and Sustainability Reporting (BRSR) disclosures shows that India Inc is integrating environment-friendly strategies in their business decisions. The analysis is based on FY23 BRSR data provided by Prime Database, and considers only the top 100 (by market capitalisation) listed companies. Data related to water, power and carbon emissions have been considered for this analysis.

RISING WATER CONSUMPTION

Water consumption by the top 100 companies increased by 4.35 percent to 2.64 billion kilolitre (kl) in FY23, from 2.53 billion kl in FY22. Total water consumption is a measure of water used by an organisation which is no longer available for use by the ecosystem or local community. It also includes water that has been stored during the reporting period for use or discharge in a subsequent reporting period, according to market regulator Securities and Exchange Board of India (Sebi).

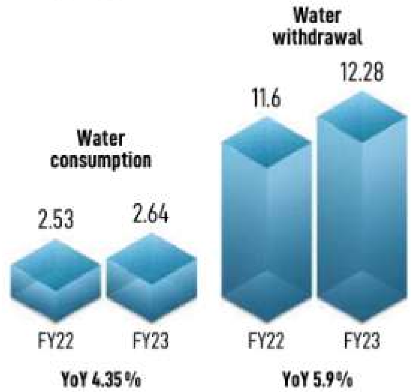
Total water withdrawal by these companies rose by 5.9 percent to 12.28 billion kl in FY23. Withdrawal of sea water increased (by 11 percent), while withdrawal of surface water and ground water has remained steady. The analysis shows that 26 of the 100 companies have reduced their water consumption in FY23.

"Several large organisations are proactively addressing water sustainability challenges by implementing water conservation initiatives, adopting water-efficient technologies, and investing in wastewater treatment to mitigate the impact on water resources," says a PwC report in April.

"India's water situation is highly susceptible to climate change. Most of the water is ground and surface water, which is rain dependent. This impacts India Inc as well, and they have recognised it in their disclosures. Water consumption by corporations operating in water-stressed regions increased from 2022 levels. This not only exacerbates existing water scarcity but also poses a risk to operations," says a report by cKinetics, an advisory firm.

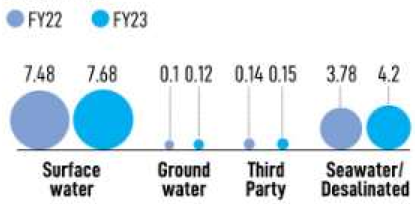
Implementing zero liquid discharge (ZLD) can significantly reduce water consumption and dependence on external sources, promote circularity and ensure long-term sustainability, according to cKinetics. With

Gulping down water



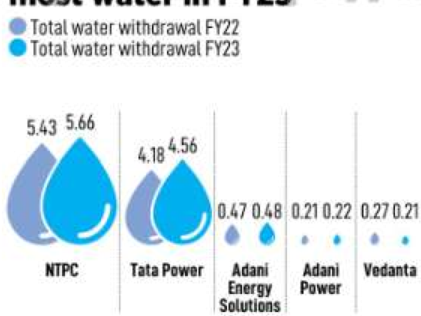
Figures in billion KL
Note: Top 100 companies BRSR data
SOURCE primeinfobase.com

Water withdrawal source



Figures in billion KL

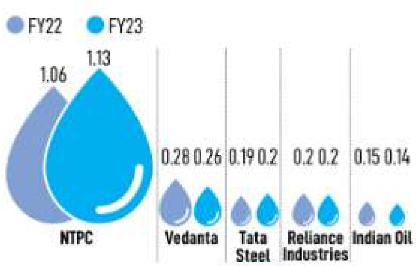
Top companies to withdraw most water in FY23



Figures in billion kl SOURCE primeinfobase.com

Top companies to consume most water in FY23

Total volume of water consumption



Figures in billion kl SOURCE primeinfobase.com

regulatory bodies also becoming increasingly stringent on wastewater discharge, ZLD can help companies comply with regulations and avoid penalties. A ZLD system involves using advanced wastewater treatment technologies to recover, recycle and reuse wastewater to ensure no discharge into the environment.

Sebi made it compulsory for the top 1,000 companies to report BRSR disclosures in their annual reports from FY23 for regulators, investors and stakeholders to assess financial results of a business with their ESG performance.

MORE GHG EMISSIONS

The reduction of greenhouse gas (GHG) emissions is a key strategic priority for countries to combat climate change. GHGs like carbon dioxide, methane, nitrous oxide, hydrofluorocarbons and nitrogen trifluoride can remain in the atmosphere for a few to thousands of years. Reducing GHGs increases energy efficiency, reduces healthcare costs and creates green jobs.

The analysis of data from the top 100 companies shows there was a rise of nearly 6 percent in scope 1 GHG emission in FY23: Total scope 1 GHG was 864 million tonne of carbon dioxide equivalent (CO2e), compared to 815.9 million tonne CO2e in FY22.

Scope 1 emissions are direct GHGs from sources—a physical unit or process—that are owned or controlled by the entity. Emissions that are not physically controlled but result in intentional or unintentional release of GHGs, such as from equipment leakages or methane emissions from coal mines, fall under scope 1 emissions.

Scope 2 emissions result from the generation of purchased or acquired electricity, heating, cooling and steam consumed by an entity. Scope 3 emissions occur outside of the organisation, including upstream and downstream emissions; upstream categories include purchased

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goods and services, capital goods, transportation and distribution, business travel, etc, while downstream categories include transportation and distribution, processing of sold products, end-of-life treatment, etc.

A significant proportion of global GHG emissions come from industrial activities, with about 79 percent coming from the energy, industry, transport, and construction sectors. Data shows that 34 of the 100 companies have cut their scope 1 emissions, and 29 have reduced their scope 2 emissions. "The key initiatives that led to reduction in emissions include transitioning to energy-efficient technologies such as LEDs, adopting efficient air conditioning, ventilation, and heating systems, shifting to renewable sources for securing energy needs, purchasing carbon offsets, and entering into off-site power purchase agreements," says PwC.

According to PwC, the worst effects of climate change can be mitigated by reducing scope 3 emissions, and integrating them with net zero commitments. Companies may get a better understanding of their carbon footprints, and minimise risks in their value chains, thereby improving their BRSR disclosures, it says. As of FY23, of the top 100 companies, only 51 have disclosed their non-mandatory scope 3 emission data.

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IS INDIA INC PREPARED FOR BRSR?

Even as regulatory authorities push for environment friendly business practices, companies have found the switch daunting. Regulators are wary of greenwashing and are on the lookout for inclusive performance frameworks, says Deloitte, in a May 2023 report.

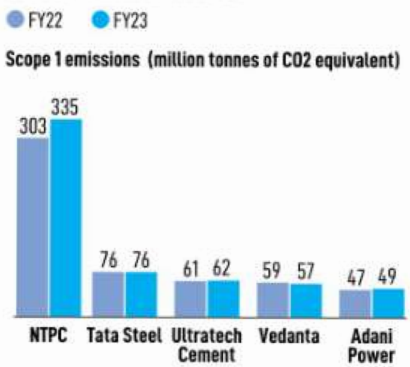
"A key concern for Indian regulators is that of unregulated ESG Ratings Providers [ERPs], and the risk of greenwashing and mis-selling associated with the increasing umbrella of ESG/ sustainability-themed and linked financial instruments," says Deloitte.

Greenhouse emission

Total Scope 1 emissions in FY23 (million tonnes of CO2e)

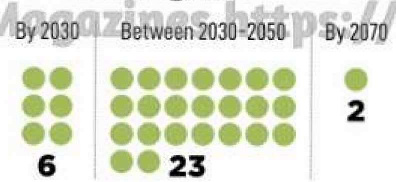
SOURCE primeinfobase.com

Who emits most



SOURCE primeinfobase.com

When will companies hit net zero targets?



31% companies disclosed net zero targets

Note: As per BRSR data in FY23

SOURCE PwC

According to Anu Chaudhary, partner, global head, ESG Consulting, Uniqus Consultech, Indian companies have taken significant strides, especially since reporting on ESG performance became mandatory in 2023. "However, there is still a journey ahead," she adds.

While some companies are making progress, there needs to be a more deeply ingrained culture of embedding ESG considerations into operational decision-making and compliance. "This is partly due to the relative novelty of these requirements. Furthermore, despite having dedicated sustainability, ESG, or investor relations teams, many large corporations find themselves stretched thin, needing more bandwidth and gravitas to fully integrate and leverage ESG strategies across their operations. Thus, while there is momentum, the road to comprehensive ESG readiness remains work in progress," she explains.

A May 2023 Deloitte survey of 150 companies in India found only 27 percent to be well-prepared to meet ESG requirements. One of the primary issues is the lack of standardised processes and policies to track and collate sustainability-related information. "This challenge was particularly evident during the assurance processes for FY2023-24," Chaudhary adds.

For smaller companies, the task of value chain disclosure is particularly daunting, as it requires extending reporting boundaries to include significant customers and suppliers. "The reliability of this information is often questionable since management needs to have direct control over it, making accurate and comprehensive ESG reporting a complex endeavour," Chaudhary further says.

Just as companies were figuring out ways to meet the Sebi mandate, the regulator expanded the scope of disclosures in 2023. The additional disclosures include a subset of 20 key performance indicator (KPIs), known as BRSR core, and are compulsory for the top 150 (by market capitalisation) listed companies from FY24 onwards.

Pranav Haldea, MD, Prime Database, feels there are major inconsistencies in the BRSR data being reported by companies: "This can be due companies not having complete and correct data, errors while filling, data being reported in different and incomparable units, issues in reporting format design, limitations in the data capturing software, etc." However, he adds that FY23 was the first year of reporting and these issues should get ironed out soon. F