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Executive Summary

Recognizing the need to sensitize the corporates on the need and importance of corporate governance and ethical business practices in India Inc. along the entire value chain, TERI under the aegis of National Foundation for Corporate Governance (NFCG) under the study titled “Developing Ethical Practices and Promoting Sustainability Reporting in Corporate India”. The research study complements the existing efforts of the Indian government in strengthening the process of promoting good corporate governance, transparency and accountability among corporates in India. The study incorporates inputs from 35 companies representing varied sectors from across the country, namely – Cement, Information Technology, Agricultural Services, Automobile, Metals and Mining, Energy, Oil & Gas, Information Technology, Chemicals and Fertilizers, Consumer Goods & Services, Agricultural Services, Finance, Consulting Services, and Infrastructure.

The key findings of the study are enumerated below:

- **Key Drivers Affecting Creation And Adoption Of A Code Of Conduct**
  Irrespective of being an MNC or an Indian company or belonging to any industrial sector, the most common factors that drive the creation and adoption of codes of conduct in organizations are, company reputation and brand image affecting the business bottom line, stakeholder expectations, and government regulations.

- **Guidelines And Standards Guiding The Formulation Of Code Of Conduct**
  All the companies believed that a code of conduct reflects an organization’s value system, its commitment to shareholders, stakeholders, and the society at large. The surveyed companies’ codes of conduct were inspired by a mix of various guidelines, policies, and fundamental international reference standards. In the case of international multi-national companies (MNCs), while the parent company and all its subsidiaries followed a uniform code of conduct, the subsidiary companies followed policies that were formulated taking into account the laws and regulations of the countries/areas where they operate.

- **Stakeholders Involved In Creation And Revision Of Code Of Conduct**
  In the case of Indian companies, the codes are mainly the thoughts and morals contributed by the founder, the Board of Directors, the CEO, the Grants and Governing Council, or a mix of these. Only a few cases provide instances of involvement of other internal and external stakeholder groups in the code formulation process. Whereas in the case of MNCs, it was widely observed that the companies involved its board members and senior management along with active participation of the various departments and divisions in the organization in defining and developing their codes of conduct.

  However, in recent years, with growing awareness more and more companies are reaching out to its other set of important stakeholders, such as consumers, suppliers, NGOs, peer groups, community, regulators, shareholders, employees, vendors, think tanks, academicians, and analysts, consulting extensively for inputs in the code development and review/ updation process.

- **Stakeholders Covered By Code Of Conduct For Applicability**
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The codes of all the surveyed companies mainly apply to their employees, senior executives, and board of directors, guiding their organizational behaviour and conduct. However, realizing their responsibility of ensuring that all partners along their supply chain also adhere to the minimum applicable laws, one of the international MNCs in the FMCG (Beverages) sector developed a comprehensive code of conduct exclusively for its supplier group. The code lays down the general requirements applicable to all its suppliers, mandatory for its complete supply chain. The company also provides need-based training to its suppliers to improve their operations.

- **Awareness Generation On Code Of Conduct**

In order to create awareness on the code among the employees, suppliers, managers, and the board, all companies (both Indian and MNCs) surveyed, have devised and employed a variety of mechanisms, such as mandatory training programmes on understanding and implementation of the code at the time of reading and signing of code of conduct at the time of joining as well as mandatory annual refresher course on the code for all employees. A part of the study undertaken by the students, one of the leading Indian companies observes ‘Ethics Week’ comprising seminars, meetings, lectures, interaction sessions, compositions, and group discussions to mark the founder member’s birth anniversary. Another company has developed the innovative e-learning system featuring modules for ethics-related issues.

- **Effective Implementation Of Code Of Conduct**

To oversee the implementation of the code of conduct and its compliance, most of the companies surveyed have Ethics Compliance Body, such as the Ethics and Compliance Office, Corporate Governance Cell, Responsibility Committee, headed by senior level representatives in the organization. The body reviews the efficacy of the policies and suggests amendments to make them responsive to changing times. Further, the Body is responsible for education, consultation, monitoring, and assessment related to the code and compliance issues. In most of the companies, audits are conducted at regular intervals to gauge the employees’ understanding of the companies’ code of conduct. The designated Local Ethics Officers/Chief Compliance Officers/Counselors not only encourage employees and other stakeholders to abide by the code, but also report on any fraudulent activities or breaches of the same.

- **Mechanisms For Handling Code Of Conduct-Related Grievances And Compliance Issues**

The companies have well-established policies and procedures for handling ethics-related non-compliance issues and grievances, with the larger goal of building and sharing the fundamental value of mutual trust and responsibility among stakeholders. Mechanisms, such as the Ombudsperson procedure, whistle-blowing policy, annual employee opinion survey, and so on are in place for employees to report any grievances and cases of breach of Code of Conduct. One of the leading international MNCs, part of the brewers industry, owing to its very nature of operations, lays down stringent policies and regulations towards ensuring “Responsible Marketing”. The company takes utmost care to ensure that highest standards of ethics are followed while marketing its products. No inappropriate content that targets the youth or has any sexual undertone is presented in the advertisements.
Chapter I: Introduction

The debacle of some of the world’s leading corporations over the past decade and more is raising concerns over the way business is being conducted and its sustainability. The failed corporations reflect a trend of eroding business values that is heavily inclined towards short term gains, unmindful of long term impacts - a trend wherein the concerns of stakeholders (including society and environment) are overlooked to increase the business bottom-line.

Unfortunately, these developments are coming at a time when a high level of corporate social responsibility and ethical behaviour is expected and required of the corporates - when spells of economic slowdown such as the one in 2009 and the recent one in the US in mid-2011, along with the environmental and development issues, pose the biggest challenge for the global society.

As the prime movers of the economy, the role of business corporations is highly critical in creating opportunities for economic renewal and addressing the pressing global issues of climate change, our shrinking natural resource base and widespread poverty. It is important for the corporates to develop a sense of accountability and responsibility towards their stakeholders and the society at large. Businesses need to demonstrate a high level of ethics in their decision-making and actions, thus moving beyond the core objective of profit maximization. This is extremely important in order to ensure continued support and confidence of the stakeholders and consequently, the sustainability of the organization.

Whereas on one hand, there are instances of eroding business values and failing corporations; on the other, there also exist organizations with strong ethics and moral values, which, even in the face of worldwide economic slowdown, have displayed commendable ethical business behaviour, thus thriving and demonstrating that profit maximization and ethical business practices can indeed go hand in hand.

1.1 Corporate Governance

With the pivotal role that companies play in today’s economies, good corporate governance is becoming increasingly important to a broader segment of stakeholders, besides the companies’ shareholders. Good corporate governance is now being recognized as a key risk management tool and a tool for socio-economic development to enhance economic efficiency, growth and stakeholder confidence. To be sustainable, businesses need to recognize and effectively address the complex relationship of good corporate performance, social development and environmental protection, which are intertwined and inseparable.1

The Cadbury Committee (1992) recognizes Corporate Governance as "the system by which companies are directed and controlled". According to the OECD Principles of Corporate Governance, "Corporate governance involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.”

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‘Corporate Governance’ encompasses commitment to values and to ethical business conduct to maximize shareholder values on a sustainable basis, while ensuring fairness to all stakeholders including customers, employees, investors, vendors, Government and society at large. (Note on ‘Corporate Governance and Ethics - Challenges and Imperatives’, Ranjana Kumar, Central Vigilance Commission, GoI; 2007).

Governments, corporations and organizations across the world are taking a numerous measures to promote the concept of good corporate governance, which has led to the increased adoption of the same. A number of principles and guidelines have come up over the past few years towards promoting social responsibility, transparency and accountability in business operations. While most of the standards and guidelines are voluntary in nature; their adoption is increasingly becoming a norm in most parts of the world.

The Cadbury Report (UK, 1992) and the Principles of Corporate Governance (OECD, 1998 and 2004) present general principles around which businesses are expected to operate to assure proper governance. The Sarbanes-Oxley Act (US, 2002) is an attempt by the federal government in the United States to legislate several of the principles recommended in the Cadbury and OECD reports. November 2010 witnessed the launch of Voluntary International Standard - ISO 26000:2010, Guidance for social responsibility - developed in response to a growing recognition that corporates need to be socially responsible.

The ‘Desirable Corporate Governance – A Code’ (Confederation of Indian Industries (CII), 1998) states that there is a diversity of opinion regarding beneficiaries of corporate governance across the world. The Anglo-American system tends to focus on shareholders and creditors; whereas Continental Europe, Japan and South Korea stress on the need for companies to exhibit responsible behavior towards employees, local communities, suppliers, ancillary units, and other stakeholders as well.

1.2 Indian Scenario

Being one of the key emerging economies of the world, India is not left unaffected by the developments world-over. With India getting integrated with the global economy and the paradigm shift in the global business environment, the investor community, both domestic and international, is demanding greater disclosure and transparency on business decisions and increased shareholder value from corporates in India. Corporates can no longer afford to ignore good corporate governance practices.

Moreover, the corporate debacles that have taken place in India itself, have had immense influence on its business environment; with the government and other organizations augmenting their efforts and taking stringent measures towards promoting transparency and disclosure of information among corporates.

The most important development in the field of corporate governance and investor protection was the establishment of the Securities and Exchange Board of India (SEBI) in 1992. Concerns about corporate governance and integration of the Indian economy with global markets led to various initiatives on fixing the state of corporate governance in India. In 1998, the Confederation of Indian Industries (CII) developed the Code for Desirable Corporate Governance. This was followed by the formulation of the Kumar Mangalam Birla Committee (2000) and the Narayana Murthy Committee (2003) which provided their recommendations to
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improve corporate governance standards in India. The recommendations of the Birla Committee were implemented by SEBI through the enactment of Clause 49 of the Listing Agreements. The Murthy Committee further scrutinized India’s corporate governance framework, making further recommendations, based on which Clause 49 was further revised. The revised Clause 49 came into effect in 2006 and aims at enhancing corporate governance practices among Indian companies by increasing the responsibilities and accountability of the Board and the management.

However, with increased awareness in today’s globalized world, stakeholders are increasingly recognizing that besides governance responsibilities, accountability towards the society and environment are integral to a company’s performance and essential for its long-term sustainability and viability.

Good corporate governance is characterized by a firm commitment and adoption of ethical practices by an organization across its entire value chain and in all of its dealings with a wide group of stakeholders encompassing employees, customers, vendors, regulators and shareholders (including the minority shareholders), in both good and bad times.2

“Business ethics, in some sense, can be thought of as a means of ensuring that individuals working in organizations act in a positive way consistent with rule of law and other principles underpinning market economies and democratic governance.”3 Business ethics call upon a corporate to inform all its stakeholders, of the operating risks and address the issues raised in the process, as their prime duty. Business decisions and actions impacting environment and society should be amenable to disclosure and be visible to relevant stakeholders.

However, corporate governance reforms in India have focused primarily on the company Board, senior-level management and functions and responsibilities of the audit committee. Very limited studies have been undertaken on understanding the state of corporate governance in India, namely – “Corporate Governance in India: Disciplining the Dominant Shareholder”, Jayanth Rama Varm, 1997; “Corporate Governance in India: Current Status & Recommendations”, Advisory Group on Corporate Governance, Reserve Bank of India; Report on Corporate Governance, SEBI Committee, 2003; “Corporate Governance in India – Evolution and Challenges”, Rajesh Chakrabarti; “The state of corporate governance in India”, KPMG, 2008; Firm-level Corporate Governance in Emerging Markets: a Case Study of India, 2008; “Corporate Governance in India”, R. Chakrabarti, W. Megginson, P. Yadav - and these too have concentrated primarily on the roles and responsibilities of the board, company directors, and the top-level management for the protection of investors and shareholders’ rights.

With increased awareness and integration of the Indian economy with the global economy and the need to drive firm commitment and actions by corporates in India on their responsibilities towards their external as well as internal stakeholders, including its employees, customers, supply chain, environment, local community and the society at large, besides investors and shareholders, has led to the Indian government promoting inclusive growth and CSR as a policy among corporates in India.

3 http://www.ifc.org/ifcext/cgf.nsf/AttachmentsByTitle/FOCUS7/$FILE/Focus7_AntiCorruption.pdf; accessed on August 25, 2011
The Ministry of Corporate Affairs (MoCA), GoI, in July 2011, released the ‘National Voluntary Guidelines on the Social, Environmental and Economic Responsibilities of Business’, formulated by the IICA (Indian Institute of Corporate Affairs). The Guidelines are a refinement over the Corporate Social Responsibility Voluntary Guidelines 2009, released by the MoCA in December 2009. TERI-BCSD India, along with the government, industry and civil society representatives, formed a special ‘Guidelines Drafting Committee (GDC)’ that formulated the draft guidelines on CSR. Significant inputs, received from diverse stakeholder groups across the country were duly considered and appropriate changes were made to these draft Guidelines.

“The Department of Public Enterprise, in May 2010, published its CSR Guideline for Central Public Sector Enterprises (CPSEs), making it mandatory for the profit-making PSUs to create a CSR budget by allocating 0.5% to 5% of the net profit of the previous year.”

Further, the Institute of Chartered Accountants of India (ICAI), the statutory body that sets accounting and auditing standards for the corporate sector, is working on a new set of rules on CSR, making it a must for companies to report on social, environmental and economic initiatives.

1.3 Sustainability Reporting and Corporate Governance

One of the key features of good corporate governance practices or ethical business conduct is the disclosure of financial as well as non-financial information with respect to the company’s performance at the right time and in a language and manner which is understood by the investor community as well as other stakeholders at large, in order to enable informed decisions.

Since 1997, an increasing number of companies in India are reporting on their environmental, social and economic performance in the form of sustainability reports, mostly as per the GRI Sustainability Reporting (SR) Guidelines.

According to GRI, Indian companies are producing the highest proportion of complete reports globally on their sustainability performance. As per the GRI Reports List (of 11 May 2011), 78% of GRI sustainability reports from India contain a complete set of information that is relevant to the reporting organization and externally assured, compared to just 24 percent globally.

According to statistics from the GRI Reports List for 1 January to 31 December 2010, 18 out of the 23 reports from India that were declared to GRI reported against all relevant indicators in the GRI Guidelines, and were assured. This shows an increase from 15 out of 21 reports from India being complete and assured in 2009.

The statistics for 2010 also reflect a global upwards trend in sustainability reporting, and suggest an increase in the use and awareness of GRI Guidelines. There was an increase of 22 percent in the number of reports registered on the GRI Reports List in 2010, rising from 1491 in 2009 to 1818 in 2010. In 2011, around 80 companies reported on their financial and non-financial performance.

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6 www.corporateregister.com; accessed on December 10, 2011
1.4 Study Rationale

Globally, India stands second with 478 Social Accountability 8000 (SA8000) certified facilities after Italy (836)\(^7\) and 5th in terms of number of signatories to the UNGC Principles.\(^8\) Up to the end of December 2008, 3281 ISO 14001:2004 certificates and 37,958 ISO 9001:2000/2008 certificates were issued to various facilities in India.\(^9\)

Through its board resolution, passed on 24th November 2011, SEBI has mandated listed companies to report on Environmental, Social and Governance (ESG) initiatives undertaken by them through a Business Responsibility (BR) report which would form part of a company’s annual reports/filings. As per SEBI’s directive, the business responsibility reports should describe measures taken by companies covering the key principles of the ‘National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business’ framed by the Ministry of Corporate Affairs (MCA). This SEBI directive will be immediately applicable to the top 100 companies (by market capitalization) and remaining companies will come under its ambit in a phased manner.\(^10\)

However, a lot more needs to be done in this direction. Still a large number of corporates are struggling with the idea of incorporating good corporate governance practices within their business. Ethics in the business world is not only about global conventions and statements — it is also about meaningful actions and the personal commitment to raise ethical standards.\(^11\)

There is a need to sensitize the corporates on the need and importance of the concept, post gauging the current status of corporate governance and ethical business practices in India Inc. with a focusing on the entire value chain of corporates. Developing governance structures that ensure ethical business conduct at all levels should be a major focus. The concept of sustainability reporting needs to be promoted in order to bring about transparency and accountability in the business conduct, ensuring timely access to information on its decisions to its stakeholders.

The corporate sector is replete with examples of firms that profess strong ethical cultures on paper but become unraveled by corrupt behavior. Having a strong sense of ethics is not a guarantee that a company will always do the right thing. But the opposite is also true: many companies have started from poor reputations and set new benchmarks of corporate ethics. The key component underlying much of what the best ethical companies do is leadership. Leadership — made visible through actions, commitment, and examples — sets the moral tone that emanates from the top of a company and that translates ethical principles into the concrete behavior expected from all persons acting on behalf of a company.\(^12\)

\(^7\) http://www.sa8000.in/sa_8000.html; http://www.saasaccreditation.org/certfacilitieslist.htm; accessed on July 16, 2010
\(^8\) www.globalcompactasiapacific.org/india/.../Mumbai%20Meeting%202nd%20Jul.ppt; accessed on August 5, 2010
\(^10\) “Preparedness of Indian Public Equities for Business Sustainability (Environmental, Social and Governance) Disclosure and Reporting”; accessed online at http://www.ckinetics.com/publications/Preparedness_of_India_inc_for_NVG.pdf on December 10, 2011
\(^11\), 12 “The Moral Compass of Companies: Business Ethics and Corporate Governance as Anti-Corruption Tools”, John D. Sullivan, 2009; accessed online on December 20, 2011
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1.5 TERI-NFCG Partnership

With this background, TERI, dedicated to the goal of sustainable development, collaborated with NFCG to jointly work towards the goal of promoting better corporate governance practices in India for achieving stability and growth. As part of the collaboration, a study was undertaken by TERI through its Business Council for Sustainable Development (BCSD) - a strong coalition of more than 100 member companies from across India, representing diverse business sectors, working towards the goal of sustainable development – to achieve the study objectives stated below.

1.6 Study Objectives

1. Understand the current status of Corporate Governance and Sustainability Reporting initiatives in India
2. Assess the needs, challenges and opportunities to adopt good governance practices and uptake of sustainability reporting
3. Identify Best practices undertaken in the industry, if any

1.7 The Study

The research study complements the existing efforts of the Indian government in strengthening the process of promoting good corporate governance, transparency and accountability among corporates in India. The study aimed to bring about – a better understanding and appreciation of the concept of business ethics and sustainability reporting among corporates in India; inculcating latest thinking / global practices on governance & sustainability suited to the Indian context; and provide practical examples of how adoption of business ethics can improve a company’s overall competitiveness.

‘Corporate Governance’ encompasses commitment to values and to ethical business conduct to maximize shareholder values on a sustainable basis, while ensuring fairness to all stakeholders including customers, employees, and investors, vendors, Government and society at large.

With this background, the study seeks to understand the management practices of the corporates towards ensuring enforcement of ethical business practices within the organizations. It explores the ways and means adopted by corporates in meeting fair and just treatment to its employees and customers, the process for identifying training and development needs of its employees, protection and conservation of the environment and development of the local community where they operate.

The study seeks to understand the processes adopted by the corporates for communicating with their investors, shareholders and other stakeholders, on their economic and social performance, with a special focus on sustainability reporting – in order to understand its current status, the corporates’ understanding of the rationale for reporting on sustainability performance and the challenges therein.

It aims to understand the issues and challenges in adoption and implementation of ethical business practices by corporates in India; and identify some good corporate governance practices the corporates through the survey.
Chapter II: Study Approach

2.1 Overall Approach and Methodology

- In order to achieve the objectives of the study, a qualitative survey was conducted among select corporates in India by TERI-BCSD. TERI-BCSD, the regional network partner of the World Business Council for Sustainable Development (WBCSD), at present, is a strong coalition of more than 100 member companies from diverse sectors, including PSUs (Public Sector Undertakings), multinational corporations and private companies from all across India, committed to promoting sustainable business solutions.

Sample Size: TERI reached out to

1) TERI-BCSD Member Companies
2) Other Indian, Multinational and Indian Multinational Companies

Study area: Across sectors

Analysis plan: Secondary as well as primary data was collated for the purpose of analysis.

Tools of Data Collection and Way Forward: Interview schedule, primary and secondary sources. In order to reach out to a larger number of target audiences and get good participation, TERI conducted:

1) Internet Survey
2) Personal mailers to all ~ 160 corporates
3) Telephonic Interview

- In order to undertake the qualitative survey, the study tool – a comprehensive Questionnaire developing through extensive literature review. This was on the premise of the growing importance that corporate governance is gaining within India, especially in line with international and national level initiatives towards promoting ethical practices and sustainability reporting among corporates.

- The universe for the study and their sectoral spread was identified as below:
  - TERI - BCSD Member Companies – Each member company has a turnover of more than 100 crores. In addition, they reach out to about half of India’s population every day with a product or a service.
  - Other Indian, Multinational and Indian Multinational Companies who have a large focus in India – this included the list of companies that have been / have come out with sustainability report(s) since 1997 and include around 1/4th of TERI-BCSD member companies. Additionally, based on internet survey, a few other companies with a turnover of more than INR 100 crores, and that have been involved in environmentally and socially responsible practices were included.

- A total of 160 corporates identified as part of the universe, were invited to participate in the survey through personalized e-mailers. Additionally, an e-version of the
questionnaire was also developed for conducting online survey. The companies in the study universe represent leading industrial sectors contributing to the Indian economy.

- Expressions of interest to participate in the survey were received from around 35 corporates. Out of these, 60% responded with filled in questionnaires. These companies represent varied sectors from across the country, namely – Cement, Information Technology, Agricultural Services, Automobile, Metals and Mining, Energy, Oil & Gas, Information Technology, Chemicals and Fertilizers, Consumer Goods & Services, Agricultural Services, Finance, Consulting Services, and Infrastructure.

2.1 Sectoral Representation of Respondent Companies

2.2 Study Limitations

Confidentiality Issue: During the follow-ups with corporates inviting them to participate in the survey, few corporates had expressed their inability to participate in the survey citing their company policy being such that it did not allow them to share information sought in the questionnaire.
Chapter III: Study Findings

In the light of recently concluded Rio +20 Summit has strongly stressed this in its outcome document. In the part where the common vision of the future is addressed, the document states:

“We acknowledge that the implementation of sustainable development will depend on the active engagement of both the public and the private sectors. We recognize that the active participation of the private sector can contribute to the achievement of sustainable development including through the important tool of public-private partnerships. We support national regulatory and policy frameworks that enable businesses and industry to advance sustainable development initiatives, taking into account the importance of corporate social responsibility. We call on the private sector to engage in responsible business practices…

We acknowledge the importance of corporate sustainability reporting and encourage companies, … especially publicly listed and large companies, to consider integrating sustainability information into their reporting cycle.”

It was clear that while governments are undertaking extensive developmental initiatives through a series of sectoral programmes, the business sector must come forward and take responsibility. The study survey focused on five key areas of corporate policy directly impacting ethical practices as listed below along with its indicator:

- Management Practices
  - Harnessing human resources efficiently and effectively
- Stakeholder Management
  - Transparency and access to grievance readdress
- Communication & Training
  - Use of ICT in implementing ethical practices
- Sustainability Reporting
  - Existing ecosystem of reporting on sustainability parameters
- Leadership & Awards
  - Accolades and appreciation to corporates for their innovative style of addressing ethical issues in the society

3.1 Management Practices

1. Does your company have a written code of ethics/conduct guiding its activities and operations?

![Figure 3.1 Presence of written code of ethics/conduct](image-url)

Figure 3.1 Presence of written code of ethics/conduct
2. Have different national/international standard or guideline on Business Ethics facilitated your organization in formulating its Code of Conduct/Ethics?

All responding companies have a written code of ethics/conduct guiding their activities and operations, out of which 57% of the companies’ codes have been influenced by various national and international guidelines on business ethics and other such standards.

In case of public limited companies’ the codes have been formulated as a result of the requirement under the Indian Companies Act of 1956 for a code of conduct. Certain companies’ codes have been developed as a result of adherence to Clause 49 of the Securities and Exchange Board of India (SEBI) Guidelines.

Some of the codes have been developed with inputs from global resources and the companies’ internal stakeholders from across the world. Other companies have been guided by the codes of their peers and counterparts in the industry in developing their organization codes. Few other codes have been influenced by OHSAS 18001 (2007), EMS 14001 (2004) and ISO 9001 (2008).

Some of the companies’ codes of conduct are formulated as per the requirement of the law of land, which are also in line with the companies’ regional offices’ codes across the globe. Few companies’ codes are quite comprehensive going beyond the requirement per the law of land where the companies operate, covering issues of national interest to those dealing with government agencies and so on.

On the other hand, 38% of the codes have been formulated by the companies and their Board themselves without being influenced by any national/international standards and guidelines.

![Figure 3.2 Have different national/international standard or guideline on Business Ethics facilitated your organization in formulating its Code of Conduct](image)

3. How is the code disclosed to the company’s stakeholders?

Among the various mediums used by the companies to communicate their codes of conduct to their stakeholders, the usage of company website is the most prominent. Annual Reports are the next widely used medium by the companies, followed by various other mediums such as company sustainability reports, intranet, employee handbook, and training and communication modules.
In a few cases, the code is a part of the Terms and Conditions that are agreed upon by the vendors and suppliers while entering into a contract with the companies. Before joining the company, each employee is made to read and sign a copy of the code and is under strict obligation to adhere to the same.

4. What is the frequency of reviewing the code of conduct/ethics?

Majority of companies review their codes every 2 years, while an equal number of companies (14% each) review their codes every one year or every 5 years. Only 10% of the companies review their codes every 3 years.

On the other hand, 5% of the companies do not have any specific mechanism in place to review their codes, whereas 33% of the corporates stated that they reviewed their codes as and when the need is felt.

5. Who is the assigned authority for enforcing ethics programmes/initiatives across the company?
Majority of the companies have assigned designated officers such as compliance officers, ethics officers/counselors, an ethics committee, ombudsman or others such as HR Department, Board of Directors’ sub-committee, Audit/Risk & Compliance Committee, Company Secretary, Management Committee and Group Head of Corporate Governance Division responsible for enforcing ethics programmes/initiatives across the company. Besides these, every business leader, functional head, and the project implementation team is responsible for ensuring ethical behavior within the organization at all times.

**Figure 3.5 Who is the assigned authority for enforcing ethics programmes/initiatives across the company?**

Companies

6. Whom do the committee/concerned persons report to?

Majority of the committee representatives and designated officers report directly to the company CEO, CMD or the Board of Directors. Few others report to the company CFO or the Head of Internal Audit Committee, whereas some report to the Chief Ethics Counselor, Chief Ethics Officer or to the Ethics Committee of the company Board.

**Figure 3.6 Whom do the committee/concerned persons report to?**
7. How often do the committee/concerned person communicate with the board of directors?

48% of the companies stated that their ethics committee or designated officers report to the company Board of Directors on a quarterly basis. 19% of the companies’ ethics committees or officers reports to the Board of Directors annually, followed by 9% reporting every six months.

Others report as and when required as per exigency of the case, whereas no response was received to the question from 14% of the respondents.

8. Is there a written policy or procedure on disciplinary actions for dealing with any ethical misconduct or deviations in compliance to the code of ethics?

62% of the responding companies have a written policy or procedure on disciplinary actions for dealing with any ethical misconduct or deviations in compliance to the code of conduct / ethics. On the other hand, 29% of the respondents did not have any such written policy or procedures. No response was received from 9% of the companies.
9. What is the periodicity for conducting assessments within the organization to determine compliance and ethics related risks?

52% of the companies conducted annual assessments within the organization to determine compliance and ethics related risks, followed by 10% conducting the assessments every six months. 14% of the companies conducted assessments every month, whereas only 5% conducted assessments on a quarterly basis. However, 10% of the companies did not conduct any such assessments, whereas 9% of the companies provided no response.

![Figure 3.9](image)

**Figure 3.9** What is the periodicity for conducting assessments within the organization to determine compliance and ethics related risks?

10. Does the company have written policies governing the following?

Almost all the companies have written policies on various issues affecting the organization and its stakeholders, with workplace health and safety featuring in 95% of the responding companies’ policy lists.

However, the number of companies with policies on fair dealing and antitrust/competition was observed to be the lowest from the responses received.

![Figure 3.10](image)

**Figure 3.10** Does the company have written policies governing the
11. With respect to the company Board of Directors, please specify:
   a. Total strength of Board (No.s)

   Majority (52%) of the companies’ Board has strength of 11 to 15 members, followed by 33% having strength of 5-10 members.

   10% of the companies did not respond to the question and another 5% stated that the information cannot be disclosed.

   b. Board Composition (No.s):

   ![Figure 3.11 Total strength of Board of Directors (No.s)]

   ![Figure 3.12 No. of Independent Directors in Board]

   ![Figure 3.13 No. of Non-Executive Directors in Board]
Male-Female Ratio

Interestingly, 36% of the companies’ do not have any female representation on their Boards. Only 21% of the companies have a female representation percentage of 11:1; whereas a huge 43% of the companies did not respond to the question.

![Figure 3.14 Male-Female Ratio in Board](image)

12. What is the frequency of the following in a year:

   a. **Company Board Meetings**

   Majority of the companies organize board meetings at least on a quarterly basis. 33% organize board meetings at least 4-5 times a year and another 11% have their meets 6-8 times in a year. 6% of the companies stated that the meets are organized as and when required such as to meet the requirements as specified in the Companies Act of 1956.

   ![Figure 3.15 Frequency of Company Board](image)

   A very small percentage (5%) organizes these meets on a monthly basis. On the other hand, a good 17% of the companies did not respond to the question.
b. Audit Committee Meetings

24% of the companies’ audit committee meetings are organized two to four times in a year and an equal percentage of companies’ meets are organized every quarter at least. 28% of the companies organize audit committee meetings 5-10 times in a year.

19% of the companies did not respond to the question; whereas 5% of the companies stated that they are subsidiaries, and the meets are held at the parent company level.

![Figure 3.16 Frequency of Audit Committee](image)

Figure 3.16 Frequency of Audit Committee

c. Investor Grievance Committee Meetings

![Figure 3.17 Frequency of Investor Grievance Committee](image)

Figure 3.17 Frequency of Investor Grievance Committee
13. What is the function of the Internal Audit Committee?

86% of the responding companies were of the view that the key function of internal audit committee is to facilitate the function of external auditors and verify and safeguard the integrity of company’s financial reporting. The next key function of the committee was to oversee the independence of external auditors. 14% of the companies did not respond to the question.

![Figure 3.18 Functions of Internal Audit Committee](image)

3.2 Stakeholder Management

3.2.1 Employees

1. How does your company recognize exceptional ethical conduct demonstrated by its employees?

62% of the companies recognized exceptional ethical conduct of their employees through awards and recognitions or during their performance appraisals. 43% of the companies recognized exceptional ethical employee conduct demonstrated by the employees by means of promotions, whereas 19% did not have any specific systems in place for the same citing ethical conduct by each employee being intrinsic to the organization and its culture. There was no response to the question from 14% of the participating organizations.
2. What types of mechanisms are prevalent in the company for reporting of misconduct or breach of conduct (actual/potential)?

Emails (95%) and open-door (71%) were the most prevalent mechanisms in the companies for reporting of any actual/potential misconduct or breach of conduct in the organization, followed by dial-in number (52%) and website (48%) being the next most prevalent mediums. In one case, a special hotline has been set-up with an external law firm.

Other mechanisms used by 33% of the participating companies include Ombudsman/SMS, Intranet portal, any form of communication – written or in any other form with the Chief Ethics Officer or Ethics Committee, Legal & Compliance Head, MD & CEO, Chairman or the Audit Committee.
3. Is there a mechanism in place to safeguard the whistleblowers against potential threats/reprisal?

Only 86% of the companies have a mechanism to safeguard the whistleblowers against any potential threats/reprisal.

![Figure 3.21 Is there a mechanism in place to safeguard the whistleblowers against potential threats/reprisal?](image)

4. Does your organization take up activities and initiatives towards employee welfare and workforce sustainability?

All companies take up some or the other activities and initiatives for the welfare of its employees and sustainability of its workforce.

![Figure 3.22 Does your organization take up activities and initiatives towards employee welfare and workforce sustainability?](image)

5. Does the company have regular interaction with the employees to gauge their needs and requirements prior to taking up employee welfare programmes?

Though all responding companies take up activities and initiatives towards employee welfare and workforce sustainability, only 95% of them have regular interaction with the employees to gauge their needs and requirements prior to taking up employee welfare programmes.
6. How often does the company organize programmes to create awareness on work-related hazards and provide appropriate training to its employees on occupational health and safety issues?

28% of the respondent companies organize programmes on a quarterly basis to create awareness on work-related hazards and train their employees on issues related to occupational health and safety. Another 19% organize the required training and awareness programmes as and when the need is felt. Only 5% of the companies conduct such programmes on a half-yearly basis. Interestingly, there was no response to the question by 29% of the responding companies. In the remaining 19% organizations, safety being a primary concern and key focus area, the employees are made aware on the issue on a daily / weekly basis or at regular intervals, depending on the requirement and situation through induction training, internal mailers, web-based trainings, posters, Audio-visuals, floor-walks/classroom training, and safety drills. In one company, a safety portal is in place, wherein employees are encouraged to report actual/potential safety hazards, based on which the safety team initiates necessary action.
3.2.2 Consumers

7. Does the company ensure ethical marketing by providing clear information about the constituents and the environmental, health, financial, and other risks of its products and services?

![Figure 3.25 Does the company ensure ethical marketing by providing clear information about the constituents and the environmental, health, financial, and other risks of its products and services?](image)

8. Does the company have well-established rules and procedures to protect its consumer/business partner/stakeholder privacy and confidentiality?

All responding companies have well-established rules and procedures to protect the privacy and maintain confidentiality of consumers, business partners, and other stakeholders.

All the companies provide clear information about the constituents and the environmental, health, financial, and other risks associated with their products and services to ensure and maintain ethics in the marketing process.

![Figure 3.26 Does the company have well-established rules and procedures to protect its consumer/business partner/stakeholder privacy and confidentiality?](image)

9. What is the mechanism for redressal of consumer complaints?

All companies employ a host of mechanisms for redressal of consumer complaints, with the maximum number of companies having a designated customer care cell. The next most widely used mechanism is the online redressal system, followed by a dedicated Dial-in Phone Number. Other systems followed by the companies include
- Special customer relations programs. Fair trade practices policies are made available in the public domain through company website. In few companies, if any complaints - verbal or written - are received from trade partners and other stakeholder, then based on the nature and extent of complaints, time schedule and hierarchical responsibilities are defined to address the complaints.

**Figure 3.27 What is the mechanism for redressal of consumer complaints?**

In case of an IT business firms, there are regular and deeper engagements with the customers at multiple levels. Customer satisfaction surveys are administered on multiple dimensions - which are then integrated into customer relationship / engagement strategies.

### 3.2.3 Community/Government

10. What are the activities / initiatives that your company takes towards the socio-economic development of the local community/(ies) where it operates?

Almost all companies take up initiatives for the socio-economic development of the communities where it operates. The initiatives taken up by most of the organizations include education programmes, health and welfare activities, and programmes for women empowerment, livelihood generation. Other initiatives improving the availability of education & healthcare services to the base of the pyramid in India through innovative, sustainable models and supporting local NGOs through financial support and volunteering, natural resource management, environment conservation, child care, rehabilitation of persons with disabilities, disaster resource network, HIV/AIDS awareness, and climate change and mitigation of carbon footprint.
The most common forms of community involvement while designing and developing programmes for their socio-economic development include focused group discussions and community meetings. The companies also involve the local communities through local self governments and other ways and means such as the local NGOs. The companies, in order to involve and engage the local community work on Public Private Partnership (PPP) model.

11. How does your company involve the local community while designing and developing programmes for their socio-economic development?

12. How does your company take measures towards the protection and conservation of the environment and the society at large?

Initiatives such as environmental awareness programmes for employees and local communities, and improvements and adoption of environment-friendly production processes, followed by product innovations are taken up by maximum number of companies and conservation of the environment and the society at large.
The companies take measures such as adoption of sustainable building and campus designs, resource/energy conservation, recycling, waste to wealth programs, species conservation programs, adoption of environment-friendly technologies at factories, natural resource conservation by use of waste generated from other industries, waste heat recovery systems, responsible disposal of e-waste. New projects undergo stringent screening process by the environmental risk management departments that undertake independent environmental and social due diligence of the projects.

13. Does your company interact and collaborate regularly with the government, industry associations and institutions towards the adoption and implementation of ethical business practices?

81% of the companies interact and collaborate regularly with the government, industry associations and institutions towards the adoption and implementation of ethical business practices. Only 5% of the companies do not undertake such collaborations. Interestingly, a large number of respondents (14%) of the companies did not respond to the question.
3.2.4 Supply Chain

14. How does your organization promote ethical business practices within its supply chain?

Towards promoting ethical business practices within its supply chain, majority of the companies have established a written code of ethics/conduct for their suppliers and undertake due diligence while selecting suppliers. Most of the companies also require their suppliers to acknowledge compliance to supplier code of ethics/conduct as a pre-condition to engaging in business with the companies, and undertake periodic supplier audits. Many companies also support or provide training to suppliers on ethics and compliance. Few companies even encourage/require suppliers to obtain third party verification for ethics and compliance.

![Graph showing different practices and their frequencies.]

Figure 3.32 How does your organization promote ethical business practices within its supply chain

3.3 Communication and Training

1. How does your company ensure timely access to information about its performance to all its investors and shareholders?

95% of the respondents report on the company’s performance in their annual reports in order to ensure timely access to the information to all their investors and shareholders. 81% of the responding companies publish such information on their website. Another 52% of the companies publish information about their performance in investor reports, whereas 24% of the respondents use other mediums such as press releases, sustainability reports and at announcement of results to share information on their performance in order to enable informed decisions by investors and shareholders.
2. What all disclosures are made by the company in its Annual Report?

a. Financial Disclosures

Organization’s financial and operating results

81% of the responding companies disclose information about the organization’s financial and operating results in their Annual Reports. 5% of the companies have mentioned that it is not applicable in their case since being part of a larger group of companies, the company’s results are considered while calculating the group’s aggregate performance; whereas there was no response from 14% of the participating companies.

Figure 3.34 Are disclosures on Organization’s financial and operating results presented in its Annual Report?

Board’s responsibilities regarding financial communications

With regard to the board’s responsibilities on financial communications, only 67% of the companies disclose such information, whereas 14% of the respondents do not
disclose such information. On the other hand, there was no response from 14% of the companies.

<table>
<thead>
<tr>
<th>No Response</th>
<th>Not Applicable</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>14%</td>
<td>5%</td>
<td>14%</td>
<td>67%</td>
</tr>
</tbody>
</table>

Figure 3.35 Are disclosures on Board’s responsibilities regarding financial communications presented in its Annual Report?

b. Non-Financial Disclosures Figures

Figure 3.36 Are Non-Financial Disclosures presented in its Annual Report?

% of the companies disclose information on all the non-financial disclosures as mentioned in the graph. Remuneration policy and procedures for board members, information on insider training, and role and work done by the Nomination Committee are the least disclosed (14% each).
3. The awareness levels of the employees on your company’s code of ethics is?

57% of the companies feel that the awareness level of their employees on the company’s code of ethics/conduct is high, whereas 33% were of the view that the awareness levels of their employees was exceptionally good. 10% of the companies felt their employees’ awareness level was only moderate.

![Figure 3.37 What is the level of awareness of the employees on your company’s code of ethics](image)

Does the company offer training to the board of directors and employees on its code of ethics/conduct? If yes, how?

With regard to training of the board of directors and employees on the company’s code of ethics/conduct, 66% of the companies provided training to both the board members and the employees, whereas 24% provided training only to their employees. Only 5% of the companies provided training only to its board members and there was no response from another 5% of the companies.

Maximum number of companies use company intranet as a medium to provide such training to their Board members and employees, followed company website and awareness sessions as the next most preferred mediums for providing such trainings on the company code of conduct, values & principles. Few of the companies also send out regular mailers / communiques to employees emphasizing the companies’ core values.

![Figure 3.38 Does the company offer training to the board of directors and employees on its code of ethics/conduct?](image)
Developing Ethical Practices and Promoting Sustainability Reporting in Corporate India

4. Is the training on code of ethics/conduct mandatory?

71% of the companies stated that the training on the company’s code of ethics/conduct is mandatory for all employees. The training is not mandatory in 19% of the companies. In 10% of the companies, the training is mandatory only for some employees.

5. What percentage of the company’s workforce has received training on the Code in the past 1 year?

52% of the companies stated that more than 3/4th of their workforce has received training on the code in the past one year. 50-75% of the workforce in 24% of the companies received the training. Less than 1/4th of the workforce received the training in 14% of the companies.

Only 5% of the companies have covered all their employees in training them on the companies’ code in the past one year; whereas no response was received from 5% of the companies.
Developing Ethical Practices and Promoting Sustainability Reporting in Corporate India

6. Do the company’s senior executives / mid-level managers communicate with the employees on ethics and compliance related issues?

In 90% of the companies, senior executives / mid-level managers have regular interactions with the employees on ethics and compliance related issues. In remaining 10% of the companies, there are interactions, but not very often.

7. How often does the company to evaluate the effectiveness of its training programmes?

In majority (51%) of the companies, the effectiveness of the training programmes is evaluated annually. Around 24% of the companies undertake such evaluations at the end of each training programme, and periodic awareness assessment surveys. A good 14% of the companies are yet to initiate any process for the evaluation of their training programmes.
3.4 Sustainability Reporting

1. Does your organization publish Sustainability report?

81% of the companies communicate on their environmental and social performance by means of sustainability reports.

![Figure 3.44 Does your organization publish Sustainability report]

2. Is the report ‘stand-alone’ i.e. separate from the company Annual Report?

All reports are stand-alone, separate from the companies’ annual reports. None of the companies have introduced the concept of integrated reporting – a concept which is fast picking pace at the global level in their sustainability reporting process.

![Figure 3.45 Is the Sustainability report ‘stand-alone’ i.e. separate from the company Annual]

3. What is the periodicity of publishing the report?

76% of the companies publish reports on an annual basis, whereas 18% publish information on their sustainability performance every two years. 6% of the companies did not specify the periodicity.

![Figure 3.46 What is the periodicity of publishing the Sustainability report]
4. Have there been any gaps/breaks in your sustainability reporting cycle since the time your company started reporting on its sustainability performance?

76% of the companies have maintained the periodicity in publishing their sustainability reports since the time of publication of their first report. 18% of the companies reported that they have had breaks in their reporting cycle. Whereas, the question was not applicable to 6% of the companies since they did not publish a sustainability report; and in other cases the companies, were publishing their report for the first time.

![Figure 3.47](image_url)

Figure 3.47 Have there been any gaps/breaks in your sustainability reporting cycle since the time your company started reporting on its sustainability performance

5. The concept of sustainability reporting was introduced in the company by?

In 79% of the companies, it was a top-down approach with the Board or Senior Management introducing the concept of sustainability reporting among the companies. In 16% of the companies, the middle management had introduced the concept. In 5% of the companies, the concept was introduced by research and development organizations such as TERI and IFC.

![Figure 3.48](image_url)

Figure 3.48 Who introduced the concept of sustainability reporting in the company
6. Which guidelines do you follow to report on the company’s environmental & social performance?

A large majority (82%) of the companies follow the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines while preparing their sustainability reports, while 6% of the companies use guidelines developed in-house, which are guided by standards and principles such as the UNGC principles and the Dow Jones Sustainability Index. However, 12% of the respondents did not specify the guidelines used by them.

7. Your latest report is:

57% of the companies’ reports are A+ level or A level. Whereas 4.8% of the reports comply to B+ level in reporting as per the GRI Guidelines. 9.5% of the reports have not specified the application level; and an equal number did not respond to the question.

8. Who in the company takes lead in preparing the sustainability report?

In majority (53%) of the companies, the CSR/EHS Department is responsible or takes lead in preparation of the companies’ sustainability reports, whereas in 18% of the companies (6% each), either the Communications Department or the CSR/EHS Department along with the Communications Department or the EHS & Sustainability
Developing Ethical Practices and Promoting Sustainability Reporting in Corporate India

Department takes lead in developing the sustainability report. In 17% of the companies, other departments or individuals are responsible for developing the reports. 12% of companies did not respond to the question.

![Pie chart showing departmental lead in sustainability reporting]

**Figure 3.51 Who in the company takes lead in preparing the sustainability report**

9. Does your sustainability report provide balanced information on your company’s performance, including information on failures as well?

94% of the companies’ sustainability reports provide balanced information on their company’s performance, including that on failures as well, whereas for 6% of the companies, the question was not applicable since the companies do come out with sustainability reports.

![Pie chart showing balanced information in sustainability reports]

**Figure 3.52 Does your sustainability report provide balanced information on your company’s performance, including information on failures**

10. Your sustainability report includes information on:

Majority (62%) of the companies report on all issues and aspects such as their social/community development programmes, human rights, stakeholder engagement, governance, OHS, and economic performance.

Information on sustainability strategies, labor/management relations, and environmental initiatives, is reported by least number of companies.

More number of companies report on social aspects and stakeholder engagement aspects.
Of the environmental initiatives, maximum number of reports provides information on energy and emissions, effluents and waste. The next most reported issues under the environmental initiatives are water and product and service innovation.

11. Does your company engage an external review committee / stakeholder panel, which is independent of the assurance provider, for guidance while preparing its sustainability report?

Only 18% of the companies engage an external review committee / stakeholder panel, independent of the assurance provider, for guidance while preparing their sustainability reports; whereas no response was received from 12% of the companies.
12. Does the report include stakeholders’ feedback on the company’s past performance?

59% companies’ reports include stakeholders’ feedback on their past performance; whereas the question was not applicable to 6% of the companies, owing to the non-publication of sustainability reports.

![Figure 3.56 Does the report include stakeholders’ feedback on the company’s past performance](image)

13. In case if detailed information is not provided on any specific topic in the sustainability report, elaborate information is provided with appropriate links/references in:

In majority (48%) of the companies, if elaborate information is not provided on any specific topic in the sustainability report, the same is covered in detail on the company website, followed by companies’ annual reports (14%). However, 38% of the companies responded that their sustainability reports are comprehensive covering all information in detail.

![Figure 3.57 Are elaborate information is provided with appropriate links/references](image)
14. What is information distribution strategy of your enterprise for its sustainability report?

For internal stakeholders:

The most common strategies for dissemination of information on the company’s sustainability report, among its internal stakeholders include internal bulletins and newsletters, followed closely by internal online forum and memorandum or e-mailers. Posting advertisements within office was the least used medium for the purpose.

![Figure 3.58 What is information distribution strategy of your enterprise for its sustainability report for internal stakeholders](image)

For external stakeholders:

For the external stakeholders, the most common medium used by a company for providing information on its sustainability report is the company’s website, followed by printed reports and emailers. Articles in publications were the least used/preferred for providing information on the companies’ sustainability reports.

![Figure 3.59 What is information distribution strategy of your enterprise for its sustainability report for internal stakeholders](image)
sustainability report stresses:

94% of the reporting companies stated that their sustainability reports stress equally on environmental and social performance, whereas only 6% companies’ reports stress more on environmental performance.

![Figure 3.60 Your sustainability report stresses](image)

16. What are the issues & challenges faced by your company in preparation of its sustainability report?

In-depth theoretical and practical knowledge on the concept and development of a sustainability report was cited as the biggest issue/challenge in the report preparation process. Another major challenge cited by the respondents was that the process is very time-consuming. Other challenges include compilation and integration of information and data from various locations and business units into Multi location units into one report, besides the frequent changes in the GRI sustainability reporting guidelines.

![Figure 3.61 What are the issues & challenges faced by your company in preparation of its sustainability report](image)
Interestingly, only one company cited the lack of awareness among the companies’ leaders as an issue/challenge.

17. What has been and / or would be the driving force for adoption of sustainability reporting practice in your company / other organizations in future?

Current

Corporate image, leadership, reputation & brand and enterprise innovation were cited as the primary forces that drive the adoption of sustainability reporting in the present day world.

Future

Whereas in future, support to government policies, increased public awareness, pressure from investor group and stakeholders, buyer requirement have been cited as the additional forces that would drive the increased adoption of sustainability reporting among corporates in future.
18. Is your organization staff adequately trained for preparing a sustainability report?

50% of the companies stated that their staff is adequately trained for preparing sustainability reports. 30% of the companies are of the view that their staff is trained but only to some extent. Whereas, 10% responded that their staff lacks adequate training, no response was received to the question from another 10%.

19. What according to you are the functions of reporting on sustainability performance?

Strengthening of communication on the companies’ sustainability performance, stimulation of CSR implementation, enhancement of organization profile and raising management performance were cited as some of the key functions of a sustainability report by the responding companies.
20. The target audience for the sustainability report is?

A majority of the responding companies have stated that all stakeholders (internal and external to the companies) are the target audience for the sustainability reports.

![Figure 3.65 Who is the target audience for the sustainability report](image)

21. Who do you think are the most interested stakeholders in a company sustainability report?

31% of the companies have stated that all – news media, local community, customers, employees, suppliers creditors, and other stakeholders are the most interested in the companies stakeholders. An equal percentage (16%) feel that employees as well as the customers are the most interested stakeholders, followed by 9% identifying suppliers as the stakeholders most interested in the companies’ sustainability reports.
22. What is the benefit of report assurance as perceived by your organization?

Most of the companies are of the opinion that report assurance improves a report’s credibility & builds trust among the leaders. The companies also opined that report assurance ensures completeness and comparability in the report.

23. What according to you should form part of a sustainability report?

A large majority of the companies were of the opinion that the report should include information about all aspects of its performance covering all its stakeholders, directly or indirectly.
3.5 Leadership and Awards

3.5.1 Challenges

1. What are the challenges and issues faced by your company in promoting ethicality in its supply chain?

Lack of awareness among suppliers & vendors on ethics and compliance in business operations was cited as a major issue faced by the companies in promoting ethicality in their supply chains; followed by lack of adequate legal and regulatory frameworks promoting good governance practices and ethicality in operations in the supplier / vendor country as the next major challenge.

![Figure 3.69 What are the challenges and issues faced by your company in promoting ethicality in its supply chain](image)

2. What are the challenges that hamper effective corporate governance / ethical business practices in India?

A majority of the companies (39%) cited the lack of appropriate monitoring mechanisms to oversee effective implementation of corporate governance regulations as a major challenge hampering effective corporate governance / ethical business practices in India. 7% of the companies cited inadequate independence of Directors was a key challenge; followed by lack of financial discipline as the key challenge as cited by 14% of the companies.

Interestingly, 11% of the responding companies felt there was no challenge hampering effective corporate governance / ethical business practices in India.
Developing Ethical Practices and Promoting Sustainability Reporting in Corporate India

3.5.2 Way forward

1. In your opinion, what are the benefits of ethical business practices?

Majority of the companies cited enabling of risk management & mitigation, attracting, Motivating & help in retention of talent, and protection and enhancement of company’s reputation as the leading benefits of ethical business practices.

2. Who should monitor the effectiveness of measures promoting ethical business practices in companies?

A majority of the responding companies were of the view that the company Board itself, through self-assessment tools, should monitor the effectiveness of measures promoting ethical business practices within the companies. The companies also opined that there should be audits through select corporate governance specialists to monitor the effectiveness of the measures.
3. How do you rate the importance of the following factors in improving business ethics in India? (Rank in order of importance)

<table>
<thead>
<tr>
<th>Factors in Improving Business Ethics in India</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective Communication of code of conduct and policies</td>
<td>1</td>
</tr>
<tr>
<td>Significantly enhancing powers of independent directors</td>
<td>4</td>
</tr>
<tr>
<td>Strengthening rights of minority shareholders through statute</td>
<td>6</td>
</tr>
<tr>
<td>Considerable improvement in financial disclosure and financial discussion and analysis</td>
<td>2</td>
</tr>
<tr>
<td>Drastically improving risk management and oversight process</td>
<td>3</td>
</tr>
<tr>
<td>Separation of position of Chairman and CEO</td>
<td>5</td>
</tr>
</tbody>
</table>

Figure 3.72 Who should monitor the effectiveness of measures promoting ethical business practices in companies
Chapter IV: Key Recommendations

The foundation of the comprehensive revision in the Companies Act, 1956 was laid in 2004 when the government constituted the Irani Committee\(^\text{13}\) to conduct a comprehensive review of the Act. The Government of India has placed before the Parliament a new Companies Bill, 2011 that incorporates several significant provisions for improving corporate governance in Indian companies which, have gone through an extensive consultation process, is expected to be approved in 2012.

The new Companies Bill, 2011 proposes structural and fundamental changes in the way companies would be governed in India and incorporates various lessons that have been learnt from the corporate scams of the recent years that highlighted the role and importance of good governance in organizations.

Whereas on one hand, there are instances of eroding business values and failing corporations; on the other, there also exist organizations with strong ethics and moral values, which, even in the face of worldwide economic slowdown, have displayed commendable ethical business behaviour. Thus thriving and demonstrating that profit maximization and ethical business practices can indeed go hand in hand.

An effective code of conduct and its successful implementation is increasingly being recognized as key to building an ethical business regime. The companies surveyed are among the number of leading Indian and multinational companies that have been built on strong ethics and moral values, conducting their operations in an ethical and responsible manner, thus maximizing profits for their shareholders together with achieving the best of their stakeholders and society in which they operate. These companies set examples for others to emulate, demonstrating that profit maximization and ethical business practices go hand in hand, thus, contributing to the overall sustainability of the organization.

The key recommendations of the study are enumerated below:

- **Key Drivers Affecting Creation And Adoption Of A Code Of Conduct**

Irrespective of being an MNC or an Indian company or belonging to any industrial sector, the most common factors that drive the creation and adoption of codes of conduct in organizations are, company reputation and brand image affecting the business bottom line, stakeholder expectations, and government regulations.

- **Guidelines And Standards Guiding The Formulation Of Code Of Conduct**

All the companies believed that a code of conduct reflects an organization’s value system, its commitment to shareholders, stakeholders, and the society at large. The surveyed companies’ codes of conduct were inspired by a mix of various guidelines, policies, and fundamental international reference standards, such as the OECD Guidelines for Multinational Enterprises, Global Human Rights Policy, The Climate Group Principles, Corporate Citizenship in the World Economy, UN Global Compact, The Copenhagen Communiqué on Climate Change, and United Nations’ Universal Declaration of Human Rights. Recent instruments that inspire the contents of a code of conduct include the ILO Declaration on Fundamental Principles and

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Developing Ethical Practices and Promoting Sustainability Reporting in Corporate India

Rights at Work, the Rio Declaration on Environment and Development and Agenda 21, the Copenhagen Declaration for Social Development, SA 8000 of Social Accountability International, Foreign Corrupt Practices Act (FCPA), and so on.

In the case of international multi-national companies (MNCs), while the parent company and all its subsidiaries followed a uniform code of conduct, the subsidiary companies followed policies that were formulated taking into account the laws and regulations of the countries/areas where they operate.

- **Stakeholders Involved In Creation And Revision Of Code Of Conduct**

In the case of Indian companies, the codes are mainly the thoughts and morals contributed by the founder, the Board of Directors, the CEO, the Grants and Governing Council, or a mix of these. Only a few cases provide instances of involvement of other internal and external stakeholder groups in the code formulation process. Whereas in the case of MNCs, it was widely observed that the companies involved its board members and senior management along with active participation of the various departments and divisions in the organization in defining and developing their codes of conduct.

However, in recent years, with growing awareness within the organization itself and among the larger stakeholder group on the increasingly important role of various stakeholders, more and more companies, including companies in India, are reaching out to its other set of important stakeholders, such as consumers, suppliers, NGOs, peer groups, community, regulators, shareholders, employees, vendors, think tanks, academicians, and analysts, consulting extensively for inputs in the code development and review/ updation process.

- **Stakeholders Covered By Code Of Conduct For Applicability**

The codes of all the surveyed companies mainly apply to their employees, senior executives, and board of directors, guiding their organizational behaviour and conduct. However, realizing their responsibility of ensuring that all partners along their supply chain also adhere to the minimum applicable laws, one of the international MNCs in the FMCG (Beverages) sector developed a comprehensive code of conduct exclusively for its supplier group. The code lays down the general requirements applicable to all its suppliers, mandatory for its complete supply chain. The company also provides need-based training to its suppliers to improve their operations.

- **Awareness Generation On Code Of Conduct**

In order to create awareness on the code among the employees, suppliers, managers, and the board, all companies (both Indian and MNCs) surveyed, have devised and employed a variety of mechanisms, such as mandatory training programmes on understanding and implementation of the code at the time of reading and signing of code of conduct at the time of joining as well as mandatory annual refresher course on the code for all employees. Codes of conduct are illustrated with typical examples of what the employee should do, when faced with day-to-day ethical dilemmas. A part of the study undertaken by the students, one of the leading Indian companies observes ‘Ethics Week’ comprising seminars, meetings, lectures, interaction sessions, compositions, and group discussions to mark the founder member’s birth anniversary. Another company has developed the innovative e-learning system featuring modules for ethics-related issues.
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- **Effective Implementation Of Code Of Conduct**

To oversee the implementation of the code of conduct and its compliance, most of the companies surveyed have Ethics Compliance Body, such as the Ethics and Compliance Office, Corporate Governance Cell, Responsibility Committee, and so on, headed by senior level representatives in the organization. The body reviews the efficacy of the policies and suggests amendments to make them responsive to changing times. Further, the Body is responsible for education, consultation, monitoring, and assessment related to the code and compliance issues. In most of the companies, audits are conducted at regular intervals to gauge the employees’ understanding of the companies’ code of conduct. The designated Local Ethics Officers/Chief Compliance Officers/Counselors not only encourage employees and other stakeholders to abide by the code, but also report on any fraudulent activities or breaches of the same.

- **Mechanisms For Handling Code Of Conduct-Related Grievances And Compliance Issues**

The companies have well-established policies and procedures for handling ethics-related non-compliance issues and grievances, with the larger goal of building and sharing the fundamental value of mutual trust and responsibility among stakeholders. Mechanisms, such as the Ombudsperson procedure, whistle-blowing policy, annual employee opinion survey, and so on, are in place for employees to report any grievances and cases of breach of Code of Conduct. Suggestion boxes are placed in offices for employees to drop their suggestions and concerns, thus, maintaining their anonymity. Elaborate customer complaint handling processes are established for ethics-related customer issues. Different bodies such as compliance body, vigilance team, legal department, and HR department deal with the violations of code of conduct inside and outside of the organization. Penalties as per rules are imposed in case of non-compliance/breach. The compliance bodies maintain personal contact with all employees reporting any activities, such as conflict of interest, risk, conduct of employees, corruption, sales issues, sexual matters, policy, non-compliance, and so on. In case of behavioural issues, the issues are resolved through counselling sessions.

One of the leading international MNCs, part of the breweries industry, owing to its very nature of operations, lays down stringent policies and regulations towards ensuring “Responsible Marketing”. The company takes utmost care to ensure that highest standards of ethics are followed while marketing its products. No inappropriate content that targets the youth or has any sexual undertone is presented in the advertisements.
ANNEXURE

- Sectoral Representation of Study Universe
- Respondents’ List
Annexure I

Sectoral Representation of Study Universe
### Annexure II

### Respondents’ List

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Name of Company</th>
<th>Sector</th>
<th>About the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Akzo Nobel Group Companies in India</strong></td>
<td>Consumer Goods &amp; Services</td>
<td>AkzoNobel is the largest global paints and coatings company and a major producer of specialty chemicals. Headquartered in Amsterdam, the Netherlands, it is a Global Fortune 500 company. With operations in more than 80 countries, the company is consistently ranked as one of the leaders on the Dow Jones Sustainability Indexes.</td>
</tr>
<tr>
<td>2</td>
<td><strong>BASF India Ltd</strong></td>
<td>Chemicals and Fertilizers</td>
<td>BASF in India is engaged in the business of manufacturing &amp; marketing of Styropor®, tanning agents, leather chemicals and auxiliaries, crop protection chemicals, textile chemicals, dispersions and specialty chemicals, plastics, automotive and coil coatings, catalysts, construction chemicals, polystyrene and polyurethane systems. With a strong manufacturing and R&amp;D base, the BASF Group in India is represented by more than 1800 employees having multi-location production sites and an R&amp;D centre, which is part of the BASF Global Technology Platform. The company has a market capitalization of Rs 2,600 crores in India.</td>
</tr>
<tr>
<td>3</td>
<td><strong>DCM Shriram Consolidated Ltd</strong></td>
<td>Chemicals and Fertilizers</td>
<td>DCM Shriram Consolidated Limited (DSCL), a company with turnover of Rs. 4152 crores and primary business interests in Agri Business, Energy Intensive Businesses, Textiles and Value Added Businesses such as Fenesta™ Building Systems, and PVC Compounds. With a market capitalization of Rs 800 crores, the company has operations in Vietnam, Philippines and Thailand, besides India.</td>
</tr>
<tr>
<td>4</td>
<td><strong>Eaton Corporation</strong></td>
<td>Energy</td>
<td>Eaton Corporation is a diversified power management company. It is a global technology leader in electrical components and systems for power quality, distribution and control; hydraulics components, systems and services for industrial and mobile equipment; aerospace fuel, hydraulics and pneumatic systems for commercial and military use; and truck and automotive drivetrain and powertrain systems for performance, fuel economy and safety. The company has approximately 73,000 employees and sells products to customers in more than 150 countries.</td>
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<td>S. No.</td>
<td>Name of Company</td>
<td>Sector</td>
<td>About the Company</td>
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<tr>
<td>5</td>
<td>Hindustan Construction Co. Ltd</td>
<td>Infrastructure</td>
<td>HCC, as an industry leader in engineering construction, currently nurtures projects that span across such diverse segments as transportation, power, marine projects, oil and gas pipeline constructions, irrigation and water supply, utilities and urban infrastructure, all of which impact the nation of India, and the progress of its people. The company has a market capitalization of approx. Rs 2,000 crores.</td>
</tr>
<tr>
<td>6</td>
<td>Hindustan Petroleum Corporation Ltd</td>
<td>Oil &amp; Gas</td>
<td>HPCL is an Indian state-owned oil company headquartered at Mumbai, India and is a Fortune 500 company of India, with a market capitalization of approx. Rs 12,000 crores. It operates 2 major refineries producing a wide variety of petroleum fuels &amp; specialties, one in Mumbai (West Coast) and the other in Vishakapatnam. The company holds an equity stake of 16.95% in Mangalore Refinery &amp; Petrochemicals Limited (MRPL). HPCL also owns and operates the largest Lube Refinery in India producing Lube Base Oils and accounting for over 40% of the India’s total Lube Base Oil production. It produces over 300+ grades of Lubes, Specialities and Greases. The marketing network of HPCL consists of 13 Zonal offices in major cities and 101 Regional offices facilitated by a strong Supply &amp; Distribution infrastructure.</td>
</tr>
<tr>
<td>7</td>
<td>Hindustan Zinc Ltd</td>
<td>Metal and Mining</td>
<td>Hindustan Zinc Ltd is a subsidiary of the NYSE listed - Sterlite Industries (India) Limited (NYSE: SLT) and London listed FTSE 100 diversified metals and mining major - Vedanta Resources plc. It is India’s largest and world’s second largest integrated producer of zinc &amp; lead, with a global share of approximately 6.0% in zinc. The company is one of the lowest cost producers in the world and is well placed to serve the growing demand of Asian countries, with a market capitalization of around Rs 52,000 crores.</td>
</tr>
<tr>
<td>8</td>
<td>Infosys Technologies Limited</td>
<td>Information Technology</td>
<td>Infosys Limited is a global leader in the “next generation” of IT and consulting. The company defines, designs and delivers technology-enabled business solutions for Global 2000 companies. Infosys also provides a complete range of services by leveraging its domain and business expertise and strategic alliances with leading technology providers. The company has a market capitalization of Rs 163,000 crores.</td>
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<td>S. No.</td>
<td>Name of Company</td>
<td>Sector</td>
<td>About the Company</td>
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<tr>
<td>9</td>
<td>Infrastructure Development Finance Co. Ltd (IDFC)</td>
<td>Finance</td>
<td>The Infrastructure Development Finance Company Limited (IDFC) is India’s leading integrated infrastructure finance player providing end to end infrastructure financing and project implementation services. The company has a market capitalization of around Rs 20,000 crores.</td>
</tr>
<tr>
<td>10</td>
<td>Jain Irrigation Systems Ltd</td>
<td>Agricultural Services</td>
<td>Jain Irrigation Systems is a multinational organization with global presence in 120 countries based in India. With a market capitalization of Rs 600 crores, the company has 24 plants, manufacturing irrigation systems and components.</td>
</tr>
<tr>
<td>11</td>
<td>Johnson Controls India Pvt. Ltd</td>
<td>Consumer Goods &amp; Services</td>
<td>Johnson Controls is a global diversified company in the building and automotive industries, and is an industrial leader serving customers in over 150 countries.</td>
</tr>
<tr>
<td>19</td>
<td>Jubilant Life Sciences Ltd</td>
<td>Consumer Goods &amp; Services</td>
<td>Jubilant Life Sciences Limited, is an integrated Pharmaceutical &amp; Life Sciences company serving its customers in over 60 countries across the globe. With a market capitalization of more than Rs 3,000 crores, it is India's largest Custom Research and Manufacturing Services (CRAMS) player and a leading Drug Discovery and Development Solutions provider out of India.</td>
</tr>
<tr>
<td>12</td>
<td>Rallis India Ltd</td>
<td>Chemicals and Fertilizers</td>
<td>Rallis India Limited is one of India’s leading agrochemical companies servicing rural markets and a comprehensive portfolio of pesticides for Indian farmers. The company has a market capitalization of more than Rs 3,000 crores.</td>
</tr>
<tr>
<td>13</td>
<td>Shree Cement Limited</td>
<td>Cement</td>
<td>Shree Cement, engaged in the cement and power sector, is ranked among the top five cement manufacturing groups in India and is the largest cement manufacturer in North India. The company has a market capitalization of more than Rs 6,000 crores.</td>
</tr>
<tr>
<td>14</td>
<td>Tata Chemicals Ltd</td>
<td>Chemicals and Fertilizers</td>
<td>Tata Chemicals Limited is a global company with interests in businesses that focus on Living, Industry and Farm Essentials. A market-leading international business, with operations across four continents, the company has a market capitalization of approx. Rs 8,000 crores.</td>
</tr>
<tr>
<td>20</td>
<td>Tata Consultancy Services Limited</td>
<td>Consulting Services</td>
<td>Tata Consultancy Services is a software giant providing IT services, business solutions and outsourcing to organizations. The company became India’s third most valued company in</td>
</tr>
<tr>
<td>S. No.</td>
<td>Name of Company</td>
<td>Sector</td>
<td>About the Company</td>
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<tr>
<td>15</td>
<td><strong>Tata Quality Management Services</strong></td>
<td>Consulting Services</td>
<td>Tata Quality Management Services (TQMS) is a division of Tata Sons. Its mission is to provide value to Tata companies for exponentially enhancing their performance excellence and global competitiveness. It has also been given the mandate of facilitating the corporate governance, innovation and climate change initiatives within the Tata group.</td>
</tr>
<tr>
<td>16</td>
<td><strong>Tata Teleservices Ltd</strong></td>
<td>Information Technology</td>
<td>With a market capitalization of more than Rs 3,000 crores, Tata Teleservices Limited spearheads the Tata Group’s presence in the telecom sector. Incorporated in 1996, Tata Teleservices is the pioneer of the CDMA 1x technology platform in India. It launched mobile operations in January 2005 and today enjoys a pan-India presence through existing operations. The company is also the market leader in the fixed wireless telephony market. The company is also the first Indian private telecom operator to launch 3G services in India.</td>
</tr>
<tr>
<td>17</td>
<td><strong>The Hongkong and Shanghai Banking Corporation Ltd (HSBC Ltd)</strong></td>
<td>Finance</td>
<td>HSBC’s origins in India date back to 1853, when the Mercantile Bank of India was established in Mumbai. In India, the Bank offers a comprehensive suite of world-class products and services to its corporate and commercial banking clients as well as to a fast growing personal banking customer base.</td>
</tr>
<tr>
<td>18</td>
<td><strong>Toyota Kirloskar Motor Pvt. Ltd</strong></td>
<td>Automobile</td>
<td>Established in 1997 as a joint venture between the Kirloskar Group and the Toyota Motor Corporation (TMC), and a fortune 500 company, Toyota Kirloskar Motor Private Limited (TKM) is a significant player in India’s passenger car and MUV market segments.</td>
</tr>
<tr>
<td>21</td>
<td><strong>Wipro Limited</strong></td>
<td>Information Technology</td>
<td>Wipro Limited is a global information technology (IT) services company headquartered in Bangalore, India. As of 2011, with a market capitalization of more than Rs 90,000 crores, Wipro is the second largest IT services company by turnover in India. The company provides outsourced research and development, infrastructure outsourcing, business process outsourcing (BPO) and business consulting services. The company operates in three segments: IT Services, IT Products, Consumer Care and Lighting. It is the 9th most valuable brand in India according to an annual survey conducted by Brand Finance and The Economic Times in 2010.</td>
</tr>
</tbody>
</table>