



Confederation of Indian Industry



CII-ITC Centre of Excellence  
for Sustainable Development

# ESG Intelligence & Analytics

Concept Note

## Context

Climate change crisis, ongoing pandemic and other macro factors have highlighted the interdependence of financial returns, environmental constraints, social trends and human behaviour. As a result, more and more investors are integrating ESG factors in their decision making.

This has also catalysed the corporates to act more sustainably. The intent, action and result of this is further being reflected in the public reporting by corporates. However, the vast proliferation of the ESG frameworks and standards, has resulted in hundreds of metrics floating into the ESG ecosystem. Companies must make a careful selection of ESG metrics by understanding their overall ambition on ESG, both short-term and long-term. This can range from doing a hygiene check to understand the status quo, to improving ESG ratings, to identifying key ESG risks and charting out short-term and long-term strategies. Understanding companies own intent on ESG matters to decide on the choice of ESG metrics.

Building on this context CII-ITC Centre of Excellence for Sustainable Development (CESD) aims to support companies in integrating ESG in their corporate strategies.

A study of the company's operations and their current ESG processes and initiatives is expected to bring about this integration. The areas that need to be improved will be highlighted alongside the strengths of the company. This will also set direction for the missing processes, procedures, and initiatives.

## About ESG Intelligence & Analytics

In order to support companies in their ESG journey, CESD offers ESG Intelligence & Analytics services. The objective is to help companies identify key ESG gaps in line with key ESG material issues for the sector to which the company belongs to. The identified gaps can be around Leadership, processes, key resource deployment, engagements with stakeholders and or results of a company. This help companies take strategic actions to close the gaps. Two services which are offered under portfolio include:

### 1. ESG Assessment:

It is a detailed evaluation of the company's ESG processes, parameters, and performances. Under these assessments, secondary data is collected from the company website on the selected indicators. For all the indicators, where satisfactory information is not available in the public domain, information request is sent to the company to provide the data along with supporting internal documents. Post the

collection of information on all indicators, the data is sanitised, verified, analysed and evaluated before being converted into relevant scores. These scores are summed up/averaged, using weights of respective aspects, to arrive at a final company score.

There are around 175-200 indicators which are divided into 14 themes, 13 of which are applicable to all industries while 1 is applicable to the particular industry that the company is registered under. The 13 general themes have been listed under Annexure A.

## **1.1 ESG Assessment Methodology**

### **Step 1: Public info scan**

The CESD analyst collects data, relevant for the indicators, from public domain. This includes all data available on company's website like Annual Report, Sustainability Report, Integrated Report, Notice of AGM etc.

Based on the public info scan, the analyst attempts the questions where relevant info was found. All the questions, where sufficient information was not available in the public domain, are sorted and marked for Information Request (IR).

### **Step 2: Information request**

All the questions marked for IR are sent in the form of a questionnaire to the company. The company can choose to fill in data for questions & support the response with documents, or mark question not applicable wherever required, or mark no information available.

After attempting all questions, the company can submit their response.

### **Step 3: Data verification & evaluation**

The data received through IR is then sanitised, verified and evaluated by the analyst to mark suitable validations and convert the performance on an indicator into score.

### **Step 4: Score calculations**

The score of an aspect is calculated using average of the scores of all the indicators/questions under that aspect.

The total score of the company is calculated using weighted average of the aspects. The weights of the aspects are defined as per the industry.

## 1.2 ESG Assessment output:

1. Scorecard: The overall score as well as the aspect level score is given out to the company in form of a scorecard. This will give company a clearer picture of their strengths and weaknesses.
2. Detailed Gap analysis: The company can further apply for a detailed gap analysis report which will highlight the key areas of improvement and key strengths of the company based on the assessment. The report is structured to include:
  - a. Score analysis at aspect and dimension level.
  - b. Summary analysis of all the aspects, highlighting high impact areas.
  - c. Sector insight on ESG issues.
  - d. Gaps related to industry wide material issues
  - e. Gaps related to other aspects.
3. Focussed Gap analysis: The company can also apply for a customised and shorter version of the report, wherein they can select the 5 aspects that they need gap analysis for. This report will include:
  - a. Score analysis at aspect and dimension level.
  - b. Summary analysis of all the aspects, highlighting high impact areas.
  - c. Gaps related to industry wide material issues, or the 5 aspects chosen by the company.

## 2. ESG Diagnostics

Our ESG assessment services are much advanced and comprehensive in nature and developing the required maturity level for such detailed analysis, is an ongoing process. Keeping this in mind, CESD also offers ESG Diagnostic services, which are better suited for the fledgling organisations, to set them on a path to integrate ESG risks & opportunities into their operations. It is a concise version of the detailed ESG assessment, mostly aimed at helping companies create the basic framework on all aspects of ESG.

It covers all 13 general aspects, same as in the ESG Assessment tool, but with a smaller number of questions, i.e., 85.

### 2.1 ESG Diagnostics Methodology

#### Step 1: Information request

The companies seeking the service are required to provide information on the selected indicators which are part of the questionnaire. The company can choose to fill in data

for questions & support the response with internal or public documents, or mark question not applicable wherever required, or mark no information available.

After attempting all questions, the company can submit their response.

### Step 2: Data verification & evaluation

The data received through IR is then sanitised, verified and evaluated by the analyst to mark suitable validations and convert the performance on an indicator into score.

### Step 3: Score calculations

The scores of all the indicators/questions under an aspect are averaged to arrive at the aspect score.

The total score of the company is calculated using weighted average of the aspects. The weights of the aspects are defined as per the industry.

## 2.2 ESG Diagnostics Output

1. Scorecard: The overall score as well as the aspect level score is given out to the company in form of a scorecard. This will give company a clearer picture of their strengths and weaknesses.
2. Gap analysis: The company will also get a gap analysis report which will highlight the key areas of improvement and key strengths of the company based on the assessment. This report will include:
  - a. Score analysis at aspect and dimension level.
  - b. Summary analysis of all the aspects, highlighting high impact areas.
  - c. Gaps related to industry wide material issues.

## ESG Assessment Vs ESG Diagnostic

Particulars	ESG Assessment	ESG Diagnostics
Data collection	Public scan+ Information Request	Information Request
Sector specific	Includes an aspect on sector specific indicators	Includes only general aspects applicable to all industries
Assessment output	Scorecard+ GAP analysis on all aspects	Scorecard + Gap analysis on material aspects
Number of Indicators	200	85
ESG maturity*	Maturity Level 3&4	Maturity Level 1&2

Ambition	Improve overall ESG ranking in various ratings, Branding, improve operational efficiency, cost savings, etc.	Set up suitable ESG framework
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*\*ESG Maturity: Maturity level is defined by the level of ESG information available with the organisation applying for the service.*

*1. Maturity Level 1: Policy Documents + limited information on ESG indicators*

*2. Maturity Level 2: Policy Documents + BRSR*

*3. Maturity Level 3: Policy Documents + BRSR + SR*

*4. Maturity Level 4: Policy Documents + BRSR + IR*

*BRSR: Business Responsibility and Sustainability Report*

*SR: Sustainability Report*

*IR: Integrated Report*

## **Expected Benefits**

1. Provide companies an organised approach to integrate ESG into processes and procedures, as well as track performance using the global/local standards.
2. An improved ESG performance converts into easy access to capital.
3. Improve the brand image on ESG.
4. Hedge ESG Risks across business operations, especially that are emerging in nature.
5. Enable companies towards fulfilling net zero commitments.
6. Prepare for evolving global regulatory landscape.

## Annexure 1: Focus Areas

ESG Pillars	Aspects
Governance	Corporate Governance
	Risk Management
	Business Ethics
	Transparency & Disclosure
	Tax Strategy
Social	Human Rights
	Human Capital
	Health & Safety
	Corporate Social responsibility
	Supply Chain
Environmental	Product Responsibility
	Environmental Management
	Biodiversity

## Annexure 2: Our ESG Expertise

### 1. Sustainability Awards

Instituted in 2006, the CII-ITC Sustainability Awards recognize and reward excellence in businesses that are seeking ways to be more sustainable and inclusive in their activities, to support the most significant contributions and encourage the leaders of this revolution. Winners of this Award are those that demonstrate Excellence in Sustainable Business – role models that inspire all business to follow suit. The Award categories include Corporate Excellence, Environment Management, Biodiversity, and Corporate Social Responsibility. While, the desk and site assessments of the applicants are carried out by Sustainability Assessors, the awards are guided by the Jury.

### 2. Climate Action Programme (CAP 2.00)

CAP 2.00 is a recognition and capability enhancement programme for businesses to become climate resilient. It is the first award in India to recognise Climate Action and has been developed keeping in mind, maturity level of different industries to tackle climate change risks and opportunities. The programme aims to raise the bar on climate action via a rigorous assessment process and recognise proactive efforts of Indian businesses in the abatement of risks associated with climate change. In the last

two years, more than 50 companies from different sectors including MSMEs have applied, and 11 companies have been recognised.

### **3. Sustainable Value Chain**

Sustainable Value Chain (SVC) initiative is a certification-based program where companies which have taken the sustainability agenda beyond their factory gates, to their upstream and downstream business relations and their value chain partners get certified for their sustainability performance in their operations in key focus areas.

Objective of the program is to integrate sustainability in the value chains of companies and improve their sustainability performance. The certificate aims to push companies to move beyond their operations and involve more value chain partners in their sustainability journey.

### **4. Sustainable Plus**

The product was active from 2013-2017 and was the India's first and only corporate sustainability label at that time. The participating companies were thoroughly analysed for their ESG performance through an organised set of carefully selected questions. Based on the absolute as well as relative performance in the industry, companies were awarded Sustainable Plus Labels: Platinum, Gold, and Bronze. Companies used it as a brand identity to communicate to various stakeholders that they are sustainable, responsible, and well governed. Further, the sharp feedback based on the analysis enabled companies to improve their ESG performance.

#### **NOTE**

Please reach out at the following email addresses in case of any further query:

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