

# Regulator push sees 160% increase in ESG disclosures: CareEdge

- The report analysed 1,000 listed Indian companies
- Materials and Utility firms saw an uptick in their ESG scores

**Mumbai, February 23, 2023:** CareEdge Research has come up with a new study which suggests that Environmental, Social, and Governance (ESG) reporting by Indian corporates has improved by 160%. The research is an analysis of reports from top 1,000 listed entities over the past three fiscal years. A stark improvement in the ESG disclosures by companies was noted based on their Integrated Reports, Sustainability Reports, and Business Responsibility and Sustainability Reports (BRSR). This further led to an upgrade in the ESG scores of these companies.

The improvement is a result of SEBI pushing for ESG disclosures, which has witnessed a number of companies putting up ESG data increase from a meagre 127 in fiscal 2020 to 330 in fiscal 2022. SEBI's circular makes it mandatory for target companies to disclose sustainability data for FY23 onwards. In fact, 18% of the target companies voluntarily disclosed the BRSR data in FY22.

The Energy and Utilities sector saw close to 50% companies reporting on ESG parameters. While Service sector entities have traditionally been robust in disclosing ESG data, the rising awareness among financial institutions in adopting ESG practices in their operations has further led to 41% of the companies in the last 3 fiscals reporting ESG data.

Even as the aggregate score for the top 1,000 listed companies still hovers in the "Average" grade category, companies who have been disclosing ESG data have seen their scores improve by almost 15% over the past three fiscal years.

Companies in the Materials sector have shown noteworthy improvement with the average ESG performance improving by ~ 20% in the last three fiscal years. This highlights how heavy emitting industries such as Steel, Cement, and Mining are gradually adopting green initiatives to align with their long-term ESG goals. The Utilities & Energy sector, too, has witnessed notable improvement, signalling the transition of the sector towards long term ESG commitments along with a visible shift towards green energy resources. This also aligns with the government's push on India's own commitment to achieve Net Zero emissions by 2070.

**Mehul Pandya, MD & CEO, CareEdge** said, *"As reflected in CareEdge's latest study, there has been a substantial jump of 160% in ESG reporting from FY20 to FY22 by Indian corporates, which is quite encouraging. Not only does this align with the Indian government's focus on Green Growth emphasised in the latest Union Budget, but it also aids the country's commitment towards achieving Net Zero by 2070. With market regulator SEBI's circular on Business Responsibility and Sustainability Reports making ESG disclosures mandatory from FY23 for the top 1,000 listed entities, I believe there will be a further boost for Indian corporates to transition towards sustainable practices."*

## **About CareEdge**

CareEdge is a knowledge-based analytical group that aims to provide superior insights based on technology, data analytics and detailed research. CARE Ratings Ltd, the parent company in the group, is one of the leading credit rating agencies in India. Established in 1993, it has a credible track record of rating companies across multiple sectors and has played a pivotal role in developing the corporate debt market in India. The wholly-owned subsidiaries of CARE

Ratings are (I) CARE Advisory, Research & Training Ltd, which offers advisory/consulting and customised research services to corporates, policy advisory, infrastructure advisory and ESG advisory (II) CARE Risk Solutions Private Ltd, which offers cutting-edge solutions in the area of risk management in the BFSI segment.

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