Insights on corporate reporting
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About the report
India is one of the few countries that can boast of having 100 per cent\(^1\) of its top 100 listed companies, to include non-financial disclosures in their annual financial reports.

A conscious move from the regulators coupled with the growing maturity of investor community, led to the top Indian companies communicating their non-financial value creation story using a large array of national and international frameworks. The annual reports which were earlier relevant to only a smaller segment of stakeholders are now evolving to address the requirements of the wider gamut of stakeholders including customers, employees, investors, regulators, suppliers, communities, Non-Government Organisation (NGOs), contractors, Media and other value chain partners, etc.

With the evolving nature of businesses as well as the changing dynamics of the global economy, it is important that corporate reporting evolves to articulate its equity story in a holistic manner. This report sheds light on the emerging trends among the top 100 Indian companies relating to their uptake of voluntary frameworks for reporting and the quality of non-financial disclosures.

\(^1\) The Road Ahead, Survey of Corporate Responsibility Reporting, KPMG in India, 2017.
The publication captures the results of the analysis for the top 100 companies by market capitalisation listed on NSE as on 31st March 2018. The focus of the publication is on the reporting practices and trends in the Indian context. KPMG in India professionals reviewed the annual reports, sustainability reports, integrated reports and other non-financial reports of the top 100 companies across different parameters of reporting frameworks. For the purpose of this publication, we have restricted our research to publically available information.

This study could be useful to organisations that wish to learn from the early adopters on what reporting mechanisms are available, what are the current trends in integrated reporting and how the top companies are reporting on their value creation journey. It could also serve as a guide to investors, asset managers and rating agencies in understanding the non-financial reporting scenario in India.

The sector-based composition of the top 100 listed companies considered for the analysis by KPMG in India:

<table>
<thead>
<tr>
<th>Sectoral Analysis</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobiles and parts</td>
<td>12%</td>
</tr>
<tr>
<td>Pharmaceuticals and Biotechnology</td>
<td>9%</td>
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<tr>
<td>Financial Services</td>
<td>9%</td>
</tr>
<tr>
<td>Banks</td>
<td>9%</td>
</tr>
<tr>
<td>Software and Computer Services</td>
<td>6%</td>
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<tr>
<td>Oil and Gas producers</td>
<td>6%</td>
</tr>
<tr>
<td>Construction and Materials</td>
<td>5%</td>
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<tr>
<td>General Industrials</td>
<td>5%</td>
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<tr>
<td>Personal Goods</td>
<td>4%</td>
</tr>
<tr>
<td>Industrial Metals and Mining</td>
<td>4%</td>
</tr>
<tr>
<td>Mining</td>
<td>3%</td>
</tr>
<tr>
<td>Electricity</td>
<td>3%</td>
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<tr>
<td>Life Insurance</td>
<td>3%</td>
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<tr>
<td>Electronic and Electrical Equipment</td>
<td>3%</td>
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<tr>
<td>Mobile Telecommunications</td>
<td>2%</td>
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<tr>
<td>Industrial Transportation</td>
<td>2%</td>
</tr>
<tr>
<td>Food Producers</td>
<td>2%</td>
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<tr>
<td>Media</td>
<td>2%</td>
</tr>
<tr>
<td>General Retailers</td>
<td>2%</td>
</tr>
<tr>
<td>Travel and Leisure</td>
<td>1%</td>
</tr>
<tr>
<td>Equity Investment Instruments</td>
<td>1%</td>
</tr>
<tr>
<td>Leisure Goods</td>
<td>1%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>1%</td>
</tr>
<tr>
<td>Technology Hardware and Equipment</td>
<td>1%</td>
</tr>
<tr>
<td>Non-life Insurance</td>
<td>1%</td>
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<tr>
<td>Beverages</td>
<td>1%</td>
</tr>
<tr>
<td>Aerospace and Defense</td>
<td>1%</td>
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<tr>
<td>Healthcare Equipment and Services</td>
<td>1%</td>
</tr>
</tbody>
</table>
Introduction

Reporting mechanisms have always been a valuable tool for companies to showcase their business propositions to investors and shareholders. Financial reporting in India has been predominantly shaped by regulatory disclosures requirements for listed companies. However this landscape is changing with globalisation and digitisation of information. The metrics for evaluation of a company have moved from simple financial parameters to complex non-financial parameters.
Drivers for non-financial disclosure requirements

Historically, industrial development came at the risk of Environment, Social and Governance (ESG) aspects taking a backstage with the prime objective being to maximise profits. The Global Risk Report indicated the significant risks with high likelihood and impact were non-financial in nature.¹ The companies that are proactive in managing and incorporating these risks into their strategy enjoy a competitive edge in the market as well gain better access to capital.

Over a period, Indian economy also saw a transition from primarily being an agriculture and manufacturing based GDP to service based economy whose primary assets were intellectual and human capital rather than fixed assets or manufactured capital. For these companies the balance sheet was not a complete representation of their value. Factors such as patents, copy rights, the reputation of the company, brand value, customer base, and management of risks began to attract investors’ interest. Evaluation of any company was based on the composition of these intangible factors in addition to the financial parameters. Corporates with larger impact and growing footprint came under the rising expectations for non-financial disclosures from government, investors and the community.

Present reporting landscape:

The Indian reporting landscape has adopted various regulatory and voluntary frameworks to communicate their performance on financial and non-financial parameters to the interested stakeholders.

Mandatory disclosure requirements:

The capital markets regulator, Securities and Exchange Board of India (SEBI) and Ministry of Corporate Affairs (MCA) prescribe certain disclosures to be followed by companies. These disclosures include significant communication of information to stakeholders through company websites, annual reports, financial statements, etc. Time and again these disclosures are being enhanced to ensure transparency as we saw in the last year through amendments in the SEBI Listing Obligations and Disclosure Requirements, 2015 (LODR), basis Kotak Committee recommendations. The Companies Act, 2013 too aims to ensure compliance and gives more focus on risk and related disclosures. Directors Report, Management Discussion and Analysis and Corporate Governance Report disclosures play a key role in helping the investor take an informed decision. Through SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018; the regulator also controls the disclosures applicable to companies who wish to access public markets to raise capital.

Apart from these, mandates specific to non-financial disclosures were:

Business Responsibility Report (BRR): In 2012, SEBI mandated the top 100 companies by market capitalisation listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) to publish Business Responsibility Report (BRR) as a part of their annual disclosures.² The BRR was a prescriptive reporting requirement with the format based on the National Voluntary Guidelines on Social, Environmental and Economic responsibilities of business (NVG-SEE) released by the Ministry of Corporate Affairs, Government of India in July 2011. In 2015, the mandate was extended to top 500 listed companies based on market capitalisation as on 31st March of every year.³

Corporate Social Responsibility (CSR) Reporting Requirement: On 1st April 2014, the provisions of Section 135 and schedule VII of Companies Act 2013⁴ came into effect. This provisions of the Act outline the corporate social responsibilities rules for the companies which meet the threshold of applicability (a) net worth of the company to be INR 500 crore or more (b) turnover of the company to be INR 1000 crore or more (c) net profit of the company to be INR 5 crore or more. The reporting requirements of the CSR provisions have to be included as an annexure to the statutory Director’s Report present in annual disclosures to the shareholders of a company. This requirement furthered the momentum towards inclusion of key social performance indicators of the organisation into the mainstream annual reporting.

Voluntary Disclosures:

Integrated Reporting <IR>: On 6th February 2017, SEBI released a notification asking the top 500 listed companies to voluntarily adopt Integrated Reporting framework developed by the International Integrated Reporting Council (IIRC).<sup>5</sup> <IR> is a principle-based, non-prescriptive framework for companies that wish to narrate their value creation story. The framework categorises the value created by the organisation across the six capitals of financial, manufactured, social and relationship, intellectual, natural and human in the short, medium and long term.

GRI Reporting Framework: Global Reporting Initiative is a global not-for-profit organisation that has released guidelines and sector disclosures for sustainability reporting on the triple bottom line of economic, social and environmental indicators.<sup>6</sup> In 2000, GRI launched the first version of the guidelines for sustainability reporting. Since then, the guidelines have evolved to the present framework of GRI Standards.

Sustainable Development Goals (SDGs): SDGs are 17 global goals set by United Nations General Assembly built on the foundation of Millennium Development Goals. The SDGs came into effect on January 2016 and continue to be the guiding goals for universal collaboration to end poverty, protect the planet and ensuring world peace and prosperity till 2030.<sup>7</sup>

Apart from the above reporting mechanism, companies are subscribing to the 10 principles of UN Global Compact, Carbon disclosure Project (CDP) requirements, Dow Jones Sustainability Index (DJSI), Recommendations of Task Force on Climate-related Financial Disclosures (TCFD) to name a few.

The future: integration of non-financial and financial impacts to depict complete value creation

For long term sustenance, companies need to be ready to accept the changes in the regulations, adapt to the ever changing market needs and at the same time be conscious and responsible to stakeholder demands. Corporate Governance is cognisant and playing an important role in addressing the global challenges of the environmental and social impacts. As a part of the strategy and long term vision, companies today want to go beyond the financial returns and co-create value for their other stakeholders. It is hence important for business to hold a long-term perspective of sustainability. Looking at the global trends, such as corporate governance reforms, becoming more transparent and accountable, responsible investments, environmental and social impacts, disclosure on non-financial information is gaining momentum across industries.

As a result over the last decade, India Inc. has seen a vast difference in its approach to ESG challenges. Corporates wanting to disclose its corporate responsibility efforts and performance in public domain are realising the value of integrating sustainability into their mainstream strategy rather than a standalone function. It is evident that this integrated thinking led to an evolution for better reporting disclosures that provide linkage between the financial and non-financial impacts of the business.

Communicating these non-financial dimensions of the value story alongside the financial growth has become the new mantra for companies who wants to gain the trust of their stakeholders and be transparent in business transactions.

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<sup>5</sup> https://www.sebi.gov.in/sebi_data/attachdocs/148637666926.pdf
<sup>6</sup> https://www.globalreporting.org/information/sustainability-reporting/Pages/default.aspx
<sup>7</sup> https://www.un.org/sustainabledevelopment/sustainable-development-goals/
Key findings of the analysis

1. Regulatory push to enhance the corporate reporting on non-financial disclosures has led to **99 per cent** of the top 100 listed companies to develop a Business Responsibility Report and **20 per cent companies** have embarked on the journey of Integrated Reporting.

2. With increase in non-financial disclosures, validating the information by an independent third party has also increased. **43 per cent** of the companies undertake external assurance to ensure the credibility of information.

3. **50 per cent** companies acknowledge climate as a risk in the financial disclosures and communicate the actions towards its mitigation.

4. The global commitment towards Sustainable Development Agenda 2030 is reflected in the corporate disclosures where **40 per cent** of the companies have mapped SDG goals with business, of which **22 per cent** of the companies have further prioritized SDGs most relevant to their sector.

5. Only **60 per cent** companies have acknowledged human rights as a CR/sustainability issue for business however due to human rights policy mandate by regulatory bodies in BRR report **89 per cent** of the companies have a human rights policy.
1. CR Reporting

Transparency in disclosures on non-financial parameters has been a proven tool which attracts more investors’ attention and brings the businesses closer to the growing expectations of the stakeholders. The scope of corporate reporting has evolved over the years and covers more forward looking financial approaches, acknowledgement of environmental and social impacts of operations and value creation for its stakeholders.

Today one of the most prominent challenges which companies are facing is ‘reporting overdose’ due to multiple frameworks available for reporting on their non-financial performance.

The above graph indicates the frameworks adopted by different companies for corporate reporting. One of the emerging trends observed, is companies develop reports based on one framework and also provide cross references to other reporting standards.

Our analysis revealed that GRI is the most prominent reporting framework, used for voluntary reporting of non-
financial disclosures. The GRI Sustainability Reporting Standards (GRI Standards) feature a modular, interrelated structure, and represent the best practice for reporting on a range of economic, environmental and social impacts. Large number of companies (40 per cent) are either developing standalone SDG reports or linking their performance to the broader SDG goals. There are also some early adopters of TCFD and IIRC frameworks in India.

**Companies disclosing non-financial information**

- Yes 99%
- No 1%

*The only company not reporting got listed recently*

Source: KPMG in India analysis 2019: top 100 Companies based on market capitalisation as on 31st March 2018

**Voluntary frameworks adopted for disclosures**

- 50% GRI standards/ G4
- 20% IIRC
- 40% SDG
- 6% TCFD

Source: KPMG in India analysis 2019: top 100 Companies based on market capitalisation as on 31st March 2018

Multiple companies are using more than one framework for reporting.

2. **Trends in Integrated Reporting**

An integrated report focuses on economic, environmental and social factors, the positive and negative externalities and value creation to get the estimate of the actual impact that has been created.

**Evolution of Integrated Reporting -**

- The Prince’s Accounting for Sustainability Project
- Constitution of the International Integrated Reporting Council (IIRC)
- Publication of the draft for discussion on the framework of <IR> and launch of the pilot program
- Publication of the international framework of <IR>
- SEBI released a circular suggesting the top 500 listed companies to adopt integrated reporting

In February 2017, SEBI had released a circular which stated that integrated reporting may be adopted on a voluntary basis from the Financial Year (FY) 2017-18 by the top 500 listed companies. The content and information is to be presented as per integrated reporting framework. This report could form a part of the annual report or be published separately.
a. Future outlook

Message from the leadership on value creation story

The message from the leadership should articulate how an organisation is creating value for its stakeholders and communicating its long term vision. The leadership team should ensure the integrity of the integrated report and also describe their role in preparation and presentation of the same. The communication of such a vision from the top management along with the performance of the company across the six capitals is important for all interested stakeholders.

Integration of timelines

The companies’ value creation story can only be complete with robust goals and targets which support the company’s vision. It is hence important for companies to transparently communicate its plans to fulfil its goals along with a specific timeframe. This helps company’s in tracking and managing their own performance while also providing a fair picture to the stakeholders about their progress.

The sectors that disclose value creation model along with timelines and detailed comprehensive description are Beverages, Aerospace and Defense, Mobile Telecommunications, Industrial Metals and Mining, Construction and Materials and Pharmaceuticals and Biotechnology. On the other hand, Automobiles and parts, Banks and General Industrials provided a limited level of description of their value creation story.

Sectors disclosing value creation story with explanations and timelines

Source: KPMG In India analysis 2019: 20 companies who prepared integrated reports based on <IR> framework
b. Value Creation model

Value creation models/business models help companies to depict their value creation story. They provide an understanding of how the company utilizes its inputs across the business activities and transforms them into outputs and outcomes that aim to fulfil the strategic priorities.

Companies that include a section on value creation process in their reports

<table>
<thead>
<tr>
<th>Yes</th>
<th>95%</th>
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<tr>
<td>No</td>
<td>5%</td>
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</table>

Source: KPMG in India analysis 2019: 20 companies who prepared integrated reports based on the <IR> framework

Some companies have developed their own approach for describing the value creation process whereas a large number of companies adopt the value creation process diagram as stated in the IIRC Framework. 89 per cent of companies describe value creation process in their integrated reports that signifies adherence to the ‘Octopus Model’ in the <IR> Framework. The depiction of this model that establishes a relationship between governance and the 6 capitals has been effectively taken up by companies. This type of a representation that gives an overall picture of an integrated report is useful for gaining investor trust and serves as a competitive advantage.

Companies that showcase their business models depicting their value creation story

<table>
<thead>
<tr>
<th>Yes</th>
<th>89%</th>
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<tbody>
<tr>
<td>No</td>
<td>11%</td>
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</table>

Source: KPMG in India analysis 2019: 19 companies including a section on value creation
It is important that companies report on the 6 capitals – natural, manufacturing, human, intellectual, financial and social and relationship for measuring how their activities have created value. Disclosing on all 6 capitals can provide the reader a section wise indication depicting their value creation over the inputs, outputs and outcomes. 85 per cent companies have disclosed their business model with relationship to the 6 capitals which can provide the reader an understanding of the external parameters that influence the business. A majority of companies provide quantitative information on the capitals which gives a comprehensive explanation that enhances the presentation of the business model diagram.

Companies including 6 Capitals of <IR> Framework in the value creation diagram

Quantitative information on the 6 capitals of the <IR> Framework in the value creation diagram

Source: KPMG In India analysis 2019: 20 companies who prepared integrated reports based on the <IR> framework
c. Materiality

Materiality is a process to identify and understand the triple bottom line impacts (economic, environment and social). It assists the company and managing bodies to plan and develop sustainability strategies that will align with their fundamental business.

In the context of integrated reporting, there seems to exist a gap in understanding the type of materiality to be disclosed. A topic in the integrated reporting becomes material when it can affect the ability of the organisation to create value in the short, medium and long term. A thorough materiality analysis, provides the reader with the matters important not only for the organisation but also its external environment.

Companies identifying material issues

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
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</thead>
<tbody>
<tr>
<td>49%</td>
<td>51%</td>
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</tbody>
</table>

Source: KPMG in India analysis 2019: top 100 Companies based on market capitalisation as on 31st March 2018

Stakeholders involved in materiality process

<table>
<thead>
<tr>
<th>Internal</th>
<th>Internal and external</th>
</tr>
</thead>
<tbody>
<tr>
<td>4%</td>
<td>96%</td>
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</tbody>
</table>

Source: KPMG in India analysis 2019: 49 per cent companies which identify material issues of the importance of engaging with internal as well as external stakeholders essential to their business. 90 per cent of companies publishing an integrated report disclose materiality and their targets in their reports based on the inputs from both the internal and external stakeholders.
d. Risks and opportunities

The report may include the company’s strategy towards addressing major risks that could have far reaching effects even if their probability of occurrence is low. The risks and opportunities section must assess the magnitude of the effect of the risk or opportunity that can affect a company’s ability to create value in the short, medium and long term. The report should also provide a classification of risks and opportunities as internal, external or a mix of both and the manner in which they can influence the business objectives.

The analysis indicates that companies have moved ahead from the traditional ways of looking at risk as a hindrance, to value creator by adopting long term visions and strategies.

The above chart suggests that a majority (66 per cent) of the companies are identifying and recognizing risks and opportunities. However while evaluating the integrated reports, it was observed that all the companies which prepare an IR provide a detailed explanation of either the risks or opportunities which affect the organisation’s ability to create value.

Source: KPMG in India analysis 2019: top 100 Companies based on market capitalisation as on 31st March 2018

3. Alignment of Sustainable Development Goals and Business

The Sustainable Development Goals (SDGs), took over the baton from Millennium Development Goals (MDGs) in 2015. The SDGs are set of 17 goals focusing on climate change, economic inequality, innovation, sustainable consumption, peace and justice, among other priorities. Each SDG addresses a risk area that is already presenting challenges to businesses and the society at large, and these risks are likely to continue and grow if not addressed collaboratively. These goals are interconnected – often the key to success on one will involve tackling issues more commonly associated with another.

India being the second most populous country and one of the fastest growing economies in the world will play a leading role in the success of SDGs. India, in its statement during the sustainable development summit in New York – 2015, assured them of its commitment to SDG and global Agenda 2030.

Source: KPMG in India analysis 2019: top 100 Companies based on market capitalisation for both years

Source: KPMG in India analysis 2019: top 100 Companies based on market capitalisation for both years
In just a couple of years, the percentage of companies linking their performance to SDGs in their disclosures has doubled. As per the analysis, it is observed that there is an increasing shift in companies prioritizing SDGs which are most relevant to their business.

The sectors which have taken the lead in prioritising SDGs are Industrial Metals and Mining, Construction and Materials, Banks, Automobiles and Parts, Electricity and General Industrials. These companies linked themselves to the following focus areas which are associated to specific SDGs such as:

- Poverty and Urbanisation
- Health, Water, and Sanitation
- Education and Employability
- Nutrition and Food Security
- Climate Change, Clean Energy and Disaster Resilience
- Skilling, Entrepreneurship, and Job Creation
- Gender Equality and Youth Development.
4. Climate Risk

Climate change is posing to be an imminent threat globally and is disrupting national economies. Changing weather patterns, rising sea levels and extreme disaster incidents are causing a mass migration of people and stress on the available resources.

**Over one third of Indian companies acknowledge climate change as a risk to their business operations**

Our quest to analyse how the leading Indian companies interpret the risks of climate change to their business revealed that almost half of the companies are currently acknowledging climate change as a risk in their annual reports. The rising level (16 per cent) of disclosures related to climate risk can be attributed to the environmental disasters occurring globally along with increasing awareness and demands from the leading financial institutions and markets. Various disclosures such as GRI, CDP, DJSI, and TCFD seek information from the companies about financial implication of climate change. TCFD also provides a foundation to assess and valuate the climate-related risk and opportunities.

Companies have started taking conscious efforts towards climate change risk and continue to take meaningful steps to address the risks. To strengthen their acknowledgment, companies report on their action plans and mitigation strategies while few are also making attempts to quantify the climate risk and opportunities. According to KPMG analysis, almost one third of the companies who acknowledge climate changes as a risk also provide a detailed report on the above mentioned parameters.

The sectors that have the lowest rate of acknowledgement to climate change risks in annual financial reports are Aerospace and Defence, Electronics and Electrical Equipment, Equity Investment Instruments, Healthcare Equipment and Services, Media and Non-Life Insurance whereas the highest rate of acknowledgement of climate risks in annual reports were made by sectors such as Automobiles and parts, Banks, General Industrials, Industrials Metals and Mining, Oil and Gas producers Software and Computer Services.

Companies identifying climate change as a risk

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-17</td>
<td>34%</td>
</tr>
<tr>
<td>2017-18</td>
<td>50%</td>
</tr>
</tbody>
</table>

Narrative description in financial reports

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-17</td>
<td>16%</td>
</tr>
<tr>
<td>2017-18</td>
<td>31%</td>
</tr>
</tbody>
</table>

Source: KPMG in India analysis 2019: top 100 Companies based on market capitalisation for both years
GHG targets

**Carbon reduction targets:** Companies are responsible for a significant share of global greenhouse gas emissions and hence play an important role in keeping global warming to the internationally-recognized target of well below 2°Celsius. So for both humanitarian and business reasons, it is imperative that companies of all sizes and sectors take action.

In the Indian context, 42 per cent of the top 100 companies have taken carbon reduction targets indicating their inclination towards climate action and environment protection.

The top sectors that have taken up these targets are: Software and Computer Science, Automobile and parts, Oil and Gas producers and General Industrials.

The Industrial Transportation, General Retailers, Financial Services and Pharmaceutical and Biotechnology sectors are a few who did not take up any carbon reduction targets.

**Science-based Targets:** The targets that are taken to reduce the emissions to further keep the increase in global temperature below 2°C in comparison to pre-industrial temperatures are considered “science based” as described in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC).

11 per cent of the top 100 companies are committed towards the Science based targets initiative. This shift in past couple of years towards companies taking up science based targets clearly indicates the efforts of Indian companies in aligning their climate strategies with Paris goals. The sectors taking the lead are Personal Goods, Software and Computer Services, Food Producers, Beverages, Mining, Banks, Automobiles and parts, Construction and Materials and Electronic and Electrical Equipment.

<table>
<thead>
<tr>
<th>Year</th>
<th>Companies disclosing carbon reduction targets</th>
<th>Companies taking science-based targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-17</td>
<td>31%</td>
<td>0%</td>
</tr>
<tr>
<td>2017-18</td>
<td>42%</td>
<td>11%</td>
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</tbody>
</table>

Source: KPMG in India analysis 2019: top 100 Companies based on market capitalisation for both years
**Task Force on Climate Related Financial Disclosures (TCFD)** –

Climate Change constitutes a significant share of concerns for investors. For a transition to a lower carbon economy, long term investors would need sufficient information on the company strategy. In order to identify the information required by financial institutions and to provide an appropriate pricing for the climate risks, the FSB established a task force that was led by the industry. This Task Force develops climate related financial disclosures that would enable investors to understand the important financial risks for companies as a result of climate change.

One of the challenges in incorporating the TCFD recommendations for Indian companies is the scenario analysis. Companies find it difficult to apply scenario analysis across multiple assets while also quantifying risks and opportunities in terms of financial numbers. Knowing that climate-related financial reporting is still evolving, leading Indian companies have started reporting on TCFD recommendations. The percentage of companies reporting on financial evaluation of climate risk impacts has doubled since FY 2016-17.

**Companies using TCFD Framework**

![Pie chart showing 6% Yes and 94% No](source: KPMG in India analysis 2019: top 100 Companies based on market capitalisation as on 31st March 2018)

**Increase in adopting TCFD framework**

![Bar chart showing increase from 3% in 2016-17 to 6% in 2017-18](source: KPMG in India analysis 2019: top 100 Companies based on market capitalisation for both years)
5. Human Rights

An increased number of Indian Companies are placing higher importance on upholding Human Rights within their organisation and throughout their value chain. The Principle 5 of the National Voluntary Guidelines issued by The Securities Exchange Board of India require Companies to disclose information on human rights along with developing a human rights policy which is applicable not only to the company but also to its value chain partners.

The Automobile and parts, Banks, Oil and Gas Producers, Software and Computers, General Industrials sectors are more likely to acknowledge human rights as a business issue compared to few sectors like Media, Industrial Transportation and Food Producers. These top sectors understand that people are centric to their growth for delivering high performance and enhancing brand value. The high rate can also be expected given that these companies have a global presence and hence adhere to strict policies on managing their human and social capital.

Companies identifying Human Rights as a sustainability focus area

<table>
<thead>
<tr>
<th>Yes</th>
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<tbody>
<tr>
<td>60%</td>
<td>40%</td>
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Companies having policy on Human Rights

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
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<tbody>
<tr>
<td>89%</td>
<td>11%</td>
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</tbody>
</table>

Source: KPMG in India analysis 2019: top 100 Companies based on market capitalisation as on 31st March 2018
**Assurance**

Having an assurance statement for the data and information presented in CR reports, makes it easier to communicate the authenticity of the disclosures in the reports and also builds confidence among the relevant stakeholders.

There is increasing evidence which suggests that investors, as part of their evaluation matrix seek information from companies on their non-financial data. Independent verification would certainly act as a catalyst in further enhancing the confidence of the relevant stakeholder. This can be substantiated with the increase in number of companies opting for external assurance compared to FY 2016-17.

Depending upon the confidence in reporting process and data, corporates have started moving towards reasonable and limited/moderate level assurance.

**Companies opting for external assurance**

- **Yes**: 43%
- **No**: 57%

Source: KPMG in India analysis 2019: top 100 Companies based on market capitalisation as on 31st March 2018

**Types of assurance**

- **Reasonable**: 12%
- **Limited/moderate**: 88%

Source: KPMG in India analysis 2019: 43 per cent of companies of top 100 Companies opting for external assurance
Acknowledgements

Leadership team:
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Karan Marwah
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Gargi Dhongde
Meenakshi Sharma

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Dhirajkumar Mishra
Advait Iyer
Anshul Valecha
Apoorv Bablani

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Shveta Pednekar
IN OUR ABILITY TO TRIUMPH OVER ANYTHING IN OUR SPIRIT OF UNDYING ENTHUSIASM OUR DRIVE TO ACHIEVE THE EXTRAORDINARY UNMOVED BY FEAR OR CONSTRAINT WE’RE DRIVEN BY JOSH AND IT SHOWS
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