CAG
Citizen consumer and civic Action Group

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ESG EFFORTS IN TAMIL NADU

An in-depth analysis of Environment, Social and Governance disclosure by public sector power companies in Tamil Nadu.

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About CAG

CAG is a 38-year-old non-profit and non-political organisation that works towards protecting citizens' rights in consumer, civic and environmental issues and promoting good governance processes including transparency, accountability and participatory decision-making.

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Executive Summary

In today's global business landscape, listed companies worldwide are shifting their focus from short-term profit maximisation to long-term sustainable Environmental, Social, and Governance (ESG) goals, recognizing that ESG goals can have a substantial influence on a company's long-term financial performance. This report summarises the ESG efforts in the Tamil Nadu power sector industry. For this study, two major public sector companies having operations in Tamil Nadu, namely Neyveli Lignite Corporation (NLCIL) and National Thermal Power Corporation (NTPC) were chosen after careful deliberation. Through detailed content analysis of sustainability reports and Business Responsibility and Sustainability Reports (BRSR) filed by these companies, the study analyses their ESG disclosures concerning 18 narrowed-down parameters. This qualitative analysis sheds light on the reporting practices under these parameters.

The objective of this study is to assess the current state of ESG practices and reporting, identify the most and least disclosed dimensions, and determine whether companies comply with industry standards as per the Business Responsibility and Sustainability Reporting (BRSR) framework. The report also explores the potential economic and social benefits of ESG integration and proposes strategies for leveraging these benefits.

Key Findings

Environmental Dimension: Both companies face significant challenges related to environmental sustainability, particularly concerning heavy reliance on fossil fuels and potential environmental impacts of operations. Transitioning towards cleaner technologies and implementing responsible resource management practices are identified as crucial areas for improvement.

Social Dimension: While both companies demonstrate efforts in certain social aspects such as employee safety and community development, there are lingering concerns regarding labour rights, workforce diversity and the potential social impacts of operations. Enhancing efforts in these areas is essential for bolstering social sustainability practices.
Governance Dimension: The companies exhibit a certain level of corporate governance structures in financial reporting. However, there is room for improvement in terms of transparency, stakeholder engagement and board diversity, which are crucial aspects of effective governance practices.

The study reveals shortcomings across all environmental, social, and governance (ESG) aspects within companies chosen in the Tamil Nadu power sector. While some initiatives exist for employee safety, community welfare seems neglected. The environmental dimension raises particular concerns due to the heavy reliance on fossil fuels and inadequate measures to reduce greenhouse gas emissions. Governance appears to be the weakest link overall, with both companies showing poor performance in stakeholder engagement and board diversity.

These significant gaps in disclosures highlight the need for a more comprehensive approach to ESG reporting. Overall, the findings indicate significant opportunities for improvement across all ESG dimensions, with a particular emphasis on environmental sustainability. By addressing these challenges and implementing strategies to enhance ESG integration, companies in the Tamil Nadu power sector industry can not only improve their long-term financial performance but also contribute positively to environmental and social welfare.

Contents.

Introduction to ESG and BRSR

Introduction to ESG

The concept of ESG is provided within the framework of the United Nations (UN) Sustainable Development Goals (SDGs).[1] Coined by the United Nations in 2005, ESG represents a facet of corporate social responsibility, offering stakeholders metrics to assess organisational performance in three crucial areas: the environment, society, and governance. Environmental, social, and governance (ESG) principles have emerged as a critical framework for evaluating the sustainability and long-term viability of businesses.[2] In the dynamic and evolving power sector, ESG considerations are gaining increasing importance. ESG encompasses a holistic approach to assessing a company's performance beyond financial metrics. It delves into the environmental impact of operations, the social responsibility towards employees and communities, and the governance practices that ensure ethical and transparent business conduct. ESG metrics serve to aid investors and other stakeholders in comprehending a company's environmental impact, its internal strategies for addressing these concerns, and its interactions with stakeholders. Simultaneously, these metrics assist in effectively managing risks and capitalising on opportunities that stem from the company's ESG profile. It is imperative for every business endeavour to adopt ESG policies due to their myriad benefits. The energy industry faces a pressing challenge in managing emissions, particularly given the substantial reliance on greenhouse gas (GHG)-intensive fossil fuels for power generation, resulting in concerning carbon dioxide emissions. However, the incorporation of ESG strategies empowers power companies to significantly reduce emissions by leveraging renewable energy sources and phasing down fossil fuel operations.[3]

Moreover, the expansion of renewable energy not only creates employment opportunities but also contributes to the overall progress of the energy sector. Consequently, investments in low-carbon energy generation align well with socio-political perspectives. Given the tightening regulations on fossil fuels in the recent Conference of Parties (COP 28), the integration of ESG policies enables energy

[1] Chaudhary, Anushree. 2021. "UN SDGs: A Clear Framework for ESG Compliance and Green Business." CXO Today. https://cxotoday.com/story/un-sdgs-a-clear-framework-for-esg-compliance-and-green-business/

[2] OECD. (2024). ESG Investing: Practices, Progress. https://www.oecd.org/finance/ESG-Investing-Practices-Progress-Challenges.pdf

[3] ET EnergyWorld. "OPINION: Why the 'E' of ESG is critical for the PEN sector." 2024 https://energy.economictimes.indiatimes.com/news/renewable/opinion-why-the-e-of-esg-is-critical-for-the-pensector/99527107

companies to fulfil their commitments to reducing emissions. The power sector in Tamil Nadu faces unique challenges, including the need to balance energy security with environmental sustainability.[4] Incorporating ESG principles is crucial to address these concerns and foster a sustainable energy future for the state. Therefore, this study holds considerable relevance in assessing the effectiveness of ESG information disclosure in the power industry in Tamil Nadu.

Business Responsibility And Sustainability Reporting (BRSR)

Following global trends, the Securities and Exchange Board of India (SEBI) is actively working to improve ESG standards disclosures. SEBI has introduced new requirements for sustainability reporting by listed companies. According to the Companies Act, "a listed company means a company that has any of its securities listed on any recognised stock exchange. Provided that such class of companies, which have listed or intend to list such class of securities, as may be prescribed in consultation with the Securities and Exchange Board, shall not be considered as listed companies.
The recently introduced reporting format, known as the Business Responsibility and Sustainability Report (BRSR), is designed to establish connections between a business's financial results and its ESG performance.[5] This aims to simplify the process for regulators, investors, and other stakeholders to assess the overall stability, growth, and sustainability of a business, moving beyond reliance solely on financial disclosures.
SEBI has specified that the BRSR will initially be applicable on a voluntary basis for the top 1,000 listed entities (based on market capitalisation) for the fiscal year 2021–22 and has become mandatory starting from the fiscal year 2022–23. Moreover, in a recent development, SEBI has introduced ESG disclosure and assurance requirements that are set to apply to the top 150 companies from the financial year 2024, with a phased extension to cover the top 1,000 companies by the financial year 2027. This initiative aims to strengthen ESG reporting practices within the corporate landscape. The core of the Business Responsibility and Sustainability Report (BRSR) includes essential indicators that will undergo assurance using accounting principles.

The mandate ensures the inclusion of smaller entities and intermediaries including the micro, small and medium enterprise (MSME) sector in compliance with the disclosure norms. The circular incorporates the BRSR Core, which is a pared-down version of the Business Responsibility and Sustainability Reporting (BRSR) Comprehensive, and comprises limited parameters. The framework predominantly focuses on the fulfilment of limited parameters under the BRSR Core, marginalising the significance of primary BRSR disclosure.[6]

[4] Gopal K. Sarang, Arabinda Mishra, Youngho Chang, Farhad Taghizadeh-Hesary. "Indian electricity sector, energy security and sustainability: An empirical assessment."December 2019. https://www.sciencedirect.com/science/article/pii/S0301421519305518

[5] IBM. "Indian BRSR Reporting Explained." IBM Tech Now. July 2023. https://www.ibm.com/blog/indian-brsr-reporting/

[6] SEBI. "BRSR Core - Framework for Assurance and ESG Disclosures for Value Chain." Circular No.: SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122. July 12, 2023. https://www.sebi.gov.in/legal/circulars/jul-2023/brsr-core-framework-for-assurance-and-esg-disclosures-for-value-chain_73854.html[1]

Methodology

A comprehensive evaluation of existing research concerning ESG practices and reporting within the Tamil Nadu power sector was undertaken. Furthermore, the Corporate Social Responsibility (CSR), sustainability, and annual reports of chosen companies were also analysed.

The study focused on first shortlisting the top 150 companies by market capitalization, specifically isolating those in the power sector. From this initial list as well as companies listed by the Central Electricity Authority (CEA) and the Ministry of Power, power sector companies operating in Tamil Nadu were singled out. Further refinement was done to identify companies that filed Business Responsibility and Sustainability Reporting (BRSR) reports. The final selection consisted of 2 public sector companies for in-depth analysis in this report. The focus was on evaluating their reporting across the three ESG dimensions—environmental, social, and governance. Eighteen parameters were identified for this analysis after deliberation under each dimension. These chosen parameters are a result of careful consideration of local context, regulatory requirements, stakeholder expectations, risk management needs, industry relevance and alignment with global standards, all aimed at fostering sustainable business practices and positive social impact in the region.

The selected environmental parameters are

- Energy use and GHG emissions
- Solid Waste management
- 3R practices (Reduce, Reuse, Recycle)
- Sustainable Sourcing
- Extended Producer Responsibility
- Life cycle assessments

Social parameters include

- Employee Well-Being
- Health and Safety
- Training
- Human Rights
- Social Impact Assessments
- Gender Equality
- CSR activities

Governance factors include

- Anti-corruption and anti-bribery policy
- Conflict Management Process
- Retention Policy
- Remuneration Policy
- Stakeholder Engagement

The findings were then systematically tabulated to provide a comprehensive overview of each company's ESG reporting performance within the Tamil Nadu power sector.

Further, the controversy level and ESG ratings were considered based on the analysis done by Sustainalytics.[7] Companies involved in incidents and events that may poorly impact stakeholders, the environment or the company's operations are identified. Controversies are rated on a scale from one to five with five denoting the most serious controversies with the largest potential impact. The degree to which a company's enterprise business value is at risk, driven by environmental, social and governance issues is assessed. The rating employs a two-dimensional framework that combines an assessment of a company's exposure to ESG issues specific to its industry with an assessment of how well the company is managing those issues. The final ESG Risk Ratings scores are a measure of unmanaged risk on an absolute scale of 0-100, with a lower score signalling less unmanaged ESG Risk.This methodological approach ensured a targeted and thorough examination of the chosen companies' contributions and adherence to ESG principles.

Limitations to the study

As ESG reporting is in its early stages in India, this study seeks to enhance the existing literature on the subject. However, the findings should be interpreted with caution due to certain limitations. Firstly, the scoring is based solely on publicly available data reported by the companies, potentially overlooking undisclosed parzameters. Additionally, it's important to note that although this report focuses on the ESG report of the companies having their operations in Tamil Nadu, the analysis was conducted using the entire company's Sustainability and annual reports. Therefore, the generalisation of findings specifically to the Tamil Nadu context should be done cautiously, considering the broader geographical scope of the data analysed.

[7] Morningstar Sustainalytics. 2023. "ESG Data." https://www.sustainalytics.com/esg-data

Analysis of ESG Reporting in The Public Sector Power Generation Companies in Tamil Nadu

3.1 NTPC Tamil Nadu Energy Company Limited (NTECL)

NTPC Limited, India's leading power producer, plays a crucial role in Tamil Nadu's energy sector. Through its various projects and partnerships, NTPC contributes significantly to the state's power generation, transmission, and distribution infrastructure.

Here's an overview of NTPC's activities in Tamil Nadu:

Power Generation

- Vallur Thermal Power Station (VTPS): NTPC operates the 1500 MW VTPS in Thiruvallur district, providing a major source of baseload power to Tamil Nadu and other southern states.
- Joint Ventures: NTPC has partnered with the Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) to form joint venture companies like NTPC Tamil Nadu Energy Company Limited (NTECL) and TANGEDCO-NTPC Power Projects Private Limited (TNPPL). These companies operate thermal power plants with a combined capacity of 1950 MW.
- Renewable Energy: NTPC is actively pursuing renewable energy projects in Tamil Nadu, including solar and wind farms with a total capacity of 1000 MW under development. It has commissioned 162.27 MW solar capacity in Tamil Nadu. The plant is the first part capacity of NTPC's 230 MW solar project at Ettayapuram in the Thoothukudi district. The project started commercial operation with effect from December 10, 2022.

Transmission and Distribution

- Southern Region Power System: NTPC plays a key role in the operation and maintenance of the Southern Region Power System, which ensures the reliable and efficient transmission of electricity across Tamil Nadu and other southern states.
- Inter-State Transmission Network: NTPC also contributes to the inter-state transmission network, facilitating the exchange of electricity between Tamil Nadu and other Indian states.

ESG Efforts

The sustainability report[8] of NTPC for the year 2022-2023 was examined for ESG analysis, and the overall findings are as follows:

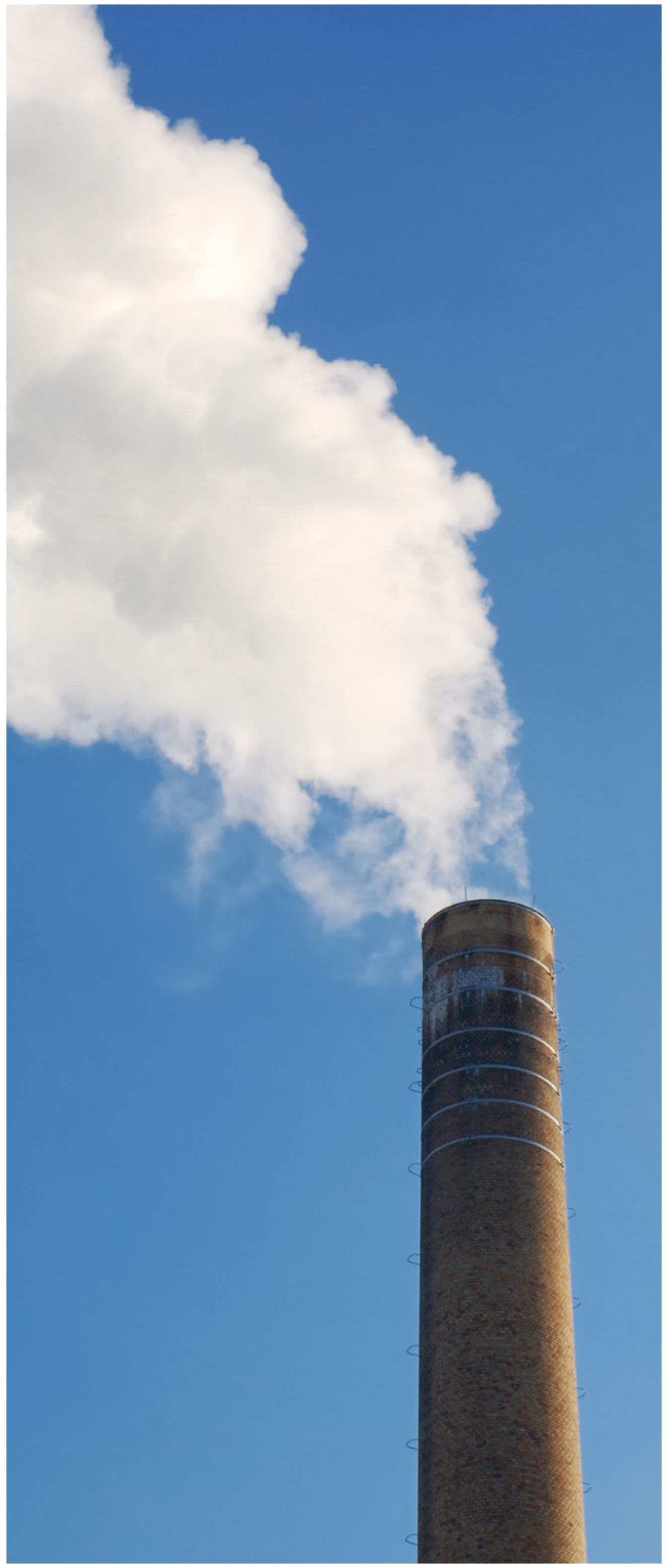
In Tamil Nadu, NTPC prioritises sustainability across Environment, Social, and Governance aspects. They minimise emissions with advanced tech, invest in solar and wind energy, conserve water, and protect local ecosystems. Socially, they engage in community development, empower women, support local businesses, and aid in disaster relief. Governance focuses on transparency, ethical practices, and employee well-being.

ESG Efforts of NTPC LTD under the 18 parameters

A comprehensive analysis of the (2022 -2023) Sustainability report was undertaken, and the findings have been tabulated for each of the 18 refined parameters as outlined below under the 'Disclosure' column. In the "Ground Reality Assessment" Column, information has been obtained through the analysis of previous annual and sustainability reports, secondary data analysis of relevant reports, and suggestions from experts in the field. While we have made every effort to ensure the accuracy and reliability of the information provided, the opinions expressed in this section are solely those of the author based on the data available at the time of writing.

[8] NTPC. "Reports and Publications." October 4, 2023. https://www.ntpc.co.in/sustainability/reports-and-publications

Environmental Factors



01

Energy Use & GHG Emissions

Disclosure

- Energy Use & GHG Emissions
- Achieved an 8% reduction in greenhouse gas emission intensity, an 8% increase in efficiency, and a fuel-saving of approximately 2% per unit of power compared to 2021
- Increased renewable energy (RE) capacity by 10% to 6.7 GW.
- Achieved a renewable power generation share of 12.5%.
- Installation of Flue Gas Desulfurization(FGD)/ Digital Sequencing Information (DSI) system for SOX control completed for 3 GW while execution work for 56+ GW is in process.
- Highly efficient electrostatic precipitators(ESPs), boasting over 99.8% effectiveness in controlling particulate matter emissions

Ground Reality Assesment

- High reliance on fossil fuels as evidenced by low ESG ratings and criticism.10 Lack of a clear roadmap for significant GHG emission reduction.
- RE capacity addition is low
- Contrary to claims, challenges persist in effectively installing FGD systems across NTPC units. Out of 130 units, only 5 have successfully implemented FGD systems, highlighting a significant shortfall in FGD implementation across NTPC facilities.[9]

02

Solid Waste Management

Disclosure

- Ash utilisation percentage increased to 83% as a commitment to sustainable waste management practices.
- Generated over 6 million tonnes of fly ash bricks and blocks.
- Eliminated Polychlorinated Biphenyl (PCBs) from operation in an effort to reduce hazardous waste generation.

Ground Reality Assesment

- Despite the improvement, there is room for further enhancement to ensure more efficient utilisation of ash generated, aligning with the mandated 100 per cent fly ash utilisation by thermal power plants as notified by MoEFCC.
- Waste generated has increased by more than 40%. While the waste generated in 2021 - 22 was 67,529.80 metric tonnes, it has increased to 1,09,378.60 metric tonnes in 2022 - 2023 which is not indicative of its commitment to sustainability

03

Extended Producer Responsibility

Disclosure

- It claims EPR does not apply to NTPC as its product “Electricity” is exhausted once consumed

Ground Reality Assesment

- EPR extends beyond physical products to encompass an organisation’s overall environmental impact. NTPC’s operations involve waste streams and emissions that fall under environmental responsibility. Hence not embracing EPR principles can be seen as a non-commitment to environmental sustainability

[9] LokSabha Secretariat (2022) Committee on Public Undertakings Constitution. Available at: https://loksabhadocs.nic.in/LSSCOMMITTEE/Public%20Undertakings/Introduction/Introduction-2019.pdf

04

Sustainable Sourcing

Disclosure

- It claims that 100% of the inputs were sourced sustainably without further break up.

Ground Reality Assesment

- Inadequate disclosure regarding sustainable sourcing questioning its credibility

05

3R Practices

Disclosure

- Implemented zero-liquid discharge systems at all operational units

Ground Reality Assesment

- Limited details on the specific actions or effectiveness of these practices. Questions remain about actual implementation.

06

Life Cycle Assessments (LCA)

Disclosure

- It claims to be in the process of undertaking the LCA of its product

Ground Reality Assessment

- Failure to conduct LCAs suggests a limited commitment to understanding and mitigating the social and environmental risks associated with its operations, potentially undermining its long-term sustainability goals and reputation.

Social Factors

07

Employee Well-Being

Disclosure

- Implements various health and wellness programs.
- Provides benefits from paid childcare leave to comprehensive medical care, education, housing, and social security to post-retirement medical benefits.
- Provision for sabbatical periods of a maximum of 5 years without fear of job loss.
- Employee satisfaction index is 78%

Ground Reality Assesment

- There seems to be a positive effort with regard to maintaining employee well-being however considering that the satisfaction index is only 78%, there is still room for improvement

08

Health & Safety

Disclosure

- Has developed an Safety Assessment Program(SAP) Integrated NTPC Safety Framework
- Maintained a zero fatality record for three consecutive years.
- Mandatory Periodic Occupational Health Check-ups for all employees and contract labour
- 2.6 Million Man-Hours of Safety Training was provided

Ground Reality Assesment

- Average man hour per employee with respect to safety training has gone down from 6.05 in 2021-2022 to 4.11 in
- 2022-2023 indicating a reduction in the depth or quality of safety training provided to employees. This could pose risks in terms of employee safety and compliance with safety regulations.

09

Training

Disclosure

- Provided 2.81 million manhours of safety training to regular employees including contract workers.
- 42.82 crore rupees spent on training and development

Ground Reality Assesment

- While 109.55 crore rupees was spent on skill development in 2021-2022, the amount has been drastically reduced to 26.76 crore rupees in 2022 -2023 which may have consequences for employee growth, retention, and overall organisational capability.

10

Human Rights

Disclosure

- Dedicated Human Rights Policy in place to promote and safeguard all kinds of human rights, including organisational rights
- 4,728 man hours spent on human rights training.

Ground Reality Assessment

- Limited transparency on potential issues related to human rights a the context of land acquisition or community displacement.

11

Social Impact Assess-ments (SIA)

Disclosure

- NTPC employs a centralised Shared Services Centre (SSC) that ensures better control and compliance with policies and guidelines, including rigorous screening of vendors for social impact
- External agencies conduct Social Impact Evaluations to gauge the impact of CSR and Sustainability initiatives.
- However, it has been disclosed that no SIA was done during the 2022-2023 , as the land acquisition was undertaken for the NTPC project by the district administration.

Ground Reality Assessment

- The decision not to conduct an SIA due to land acquisition raises significant concerns regarding stakeholder impacts, compliance with regulations, risk mitigation, and community engagement.

12

Gender Equity

Disclosure

- Female workforce participation is 8.5%.
- Implemented gender-sensitive HR policies and practices.
- Launched programs to empower women entrepreneurs.
- Has in place a policy on Prevention, Prohibition & Redressal of Sexual Harassment of Women at the Workplace

Ground Reality Assessment

- This low representation of women in the workforce indicates a significant gender gap that needs urgent attention despite NTPC's initiatives to empower women and narrow this gap. Enhancing female workforce participation is crucial not only for promoting gender equality but also for leveraging diverse perspectives, improving organisational performance, and fostering a more inclusive work environment.

13

CSR Activities

Disclosure

- Invested over 2% of net profit in CSR activities. That is around 352.79 crore rupees were spent on CSR activities
- Focused on education, healthcare, skill development, and environmental initiatives.
- NTPC's CSR initiatives have benefitted about 450 villages and more than 400 schools at different locations.
- Regular monitoring, evaluation and third-party assessments ensure effectiveness of initiatives.
- Established a local community grievance process for prompt concern resolution and fostering trust.

Ground Reality Assesment

- While 352.79 crores were spent in 2022 - 2023, it is a good 68 crore rupees less than the amount spent in 2021-22.
- The controversies surrounding environmental impact, relocation issues, and inadequate compensation to affected communities as per a recent report findings read differently from the claims made by the disclosure.

Governance Factors

14

Anti-Corruption & Anti-Bribery

Disclosure

- 100% compliance with laws and regulations ensuring a transparent and corruption-free work environment
- Conducted regular anti-corruption training for employees.
- Established a whistleblower mechanism for reporting misconduct.

Ground Reality Assesment

- 36 cases related to bribery and corruption were reported with respect to employees; however there is no information on disciplinary action taken.
- Employees who received anticorruption policy training increased from 764 in 2021-22 to 2581 in 2022 -23. This implies that there is a need for robust mechanisms in place to investigate reported cases, to take appropriate disciplinary action when misconduct is identified, and to foster a culture of transparency, accountability, and ethical conduct among employees at all levels of the organisation

15

Conflict Management Process

Disclosure

- Developed a grievance redressal system for stakeholder concerns.
- Established a conflict management policy for dispute resolution.
- Resettlement and Rehabilitation (R&R) policy includes measures taken in this regard and prioritises the needs of Project Affected Persons

Ground Reality Assesment

- It claims that no cases of conflict of interest were registered in the past two years, raising doubts about its transparency and accountability, particularly regarding community conflicts.

16

Retention Policy

Disclosure

- Implemented competitive compensation and benefits packages.
- Improved employee retention and lowest attrition rate
- Systematic job rotation and career development scheme to aid employees in their horizontal and vertical growth
- Created a positive work environment to foster employee engagement.

Ground Reality Assesment

- Limited details on the actual impact of these strategies on employee morale or turnover.

17

Remuneration Policy

Disclosure

- Linked executive compensation to sustainability performance.
- Promoted transparency in remuneration policies.
- Implemented clawback provisions for executive compensation.
- Provides equal remuneration irrespective of individual's background, promoting diversity

Ground Reality Assesment

- Limited information on the alignment of remuneration policies with ESG performance.

18

Stakeholder Engagement

Disclosure

- Provides periodical reports, press releases, meetings, and briefings to keep stakeholders informed.
- Community and sustainability inputs are provided through dedicated advisory committees
- Public hearings, consultations and grievance redressal mechanisms are conducted for prompt and effective resolution of concerns.
- Maintain continuous interaction with neighbouring communities through Stakeholder Engagement Policy

Ground Reality Assesment

- Limited transparency on the outcomes of stakeholder engagement efforts and how community concerns are addressed.
- Unresolved concerns regarding land acquisition, relocation, and compensation and limited community participation in decision-making processes call for a low rating with regard to stakeholder engagement.

Based on the above analysis and the literature review of a comparative case study of Indian power companies by Stockholm University done in 2022[10], the Environmental, Social, and Governance (ESG) performance of NTPC indicates several shortcomings and challenges:

Low Moral Action Rating

NTPC received a low rating on moral action, indicating a lack of prioritisation of ethical practices and societal contributions.

Below Average ESG Performance

NTPC's ESG performance is below average, as reflected in its ratings across multiple rating agencies, such as Morgan Stanley Capital International (MSCI) and Sustainalytics. This suggests deficiencies in environmental sustainability, social responsibility, and governance practices.

Environmental Concerns

NTPC's reliance on fossil fuels, particularly coal, contributes to environmental concerns such as high carbon emissions and temperature rise. Despite regulatory oversight and reporting, there are significant challenges in implementing measures like Flue Gas Desulfurization (FGD) systems across NTPC units.

Limited Social Engagement

There are indications of limited social engagement and community impact mitigation efforts by NTPC. This is evident from the controversies surrounding environmental impact, relocation issues, and inadequate compensation to affected communities.

Governance Issues

NTPC's governance practices may also face challenges, as indicated by its low ratings in governance-related aspects. This includes issues such as anti-corruption measures, conflict management, and stakeholder engagement.

Controversy Rating

NTPC has a High Controversy Level according to Sustainalytics, based on data as of October 8, 2023. The controversy rating is 4 and it indicates that the company is exposed to a significant level of controversy risk, which can have a poor impact on its reputation, financial performance, and stakeholder relationships. Here are some of the key controversies associated with NTPC:

- It has faced criticism for its coal-based power generation, environmental impact on local communities, and relocation issues.

[10] Shwet Sampat (2022) Financial Performance, moral action & ESG. http://www.diva-portal.org/smash/get/diva2:1666463/FULLTEXT01.pdf

- The company has also been accused of land acquisition disputes and inadequate compensation to affected communities hence the high rating. [11]

ESG Risk rating

NTPC's reliance on fossil fuels, especially coal and natural gas, is still high. Therefore, the overall ESG risk rating is 39 which is considered a high risk.

The breakdown of these ratings is as follows:

Environmental Score: 16.9

Social Score: 14.2

Governance Score: 8.3

While the sustainability report provided by NTPC may present a favourable view of its ESG (Environmental, Social, and Governance) disclosure, an in-depth analysis of secondary data reveals a contrasting reality. NTPC's ESG performance, as evaluated by major rating agencies like MSCI, Sustainalytics, and S&P, consistently falls below average, indicating substantial room for improvement across environmental, social, and governance domains.

3.2 Neyveli Lignite Corporation

NLC India Limited (NLCIL), formerly known as Neyveli Lignite Corporation Limited, is a public sector undertaking under the Ministry of Coal, Government of India. Established in 1956 as a Navratna Public Sector Undertaking (PSU) under the Ministry of Coal, NLCIL has played a vital role in the development of Tamil Nadu's industrial landscape by mining and utilising lignite, a low-rank coal, for power generation and other industrial applications.

Key Activities in Tamil Nadu

- Lignite Mining: NLCIL operates several opencast lignite mines in Neyveli and its surrounding areas, accounting for a significant portion of India's total lignite production.
- Power Generation: NLCIL operates thermal power plants fueled by lignite, contributing to Tamil Nadu's electricity needs. The company's installed capacity in Neyveli alone is 3390 MW by (Thermal Power Station) TPS-I Expansion, TPS-II, TPS-II expansion and (Neyveli New Thermal Power Project) NNTPS, making it one of India's largest thermal power generators.
- Other Ventures: NLCIL has diversified into other sectors, including renewable energy, coal block development, and mining equipment manufacturing.

[11] Kundan Pandey. Mongabay India. "NTPC should acquire stranded coal power plants rather than build new ones, recommends report." Mongabay India. June 2023. Accessed February 3, 2024. URL: https://india.mongabay.com/2023/06/ntpc-should-acquire-stranded-coal-power-plants-rather-than-build-new-ones-recommends-report/?amp=1[1]

ESG Efforts

NLC India Limited (NLCIL) reports being actively pursuing initiatives to address environmental, social, and governance (ESG) concerns in its operations. As per their website, NLCIL prioritises sustainability by minimising environmental impact with land restoration, green initiatives, water conservation, and clean energy. They foster employee well-being and support communities via education, healthcare, skills development, and disaster relief. Upholding strong corporate governance, transparency, and ethics, they strive for a sustainable future balancing environmental responsibility with social commitment and ethical business practices.[12]

ESG Efforts of NLCIL under the 18 parameters

A comprehensive analysis of their (2021 -2022) Sustainability report was undertaken, and the findings have been tabulated for each of the 18 refined parameters as outlined below under the 'Disclosure' column. In the "Ground Reality Assessment" Column, information has been obtained through the analysis of previous annual and sustainability reports, secondary data analysis of relevant reports, and suggestions from experts in the field. While we have made every effort to ensure the accuracy and reliability of the information provided, the opinions expressed in this section are solely those of the author based on the data available at the time of writing[13]

[12] NLC India Limited. August, 2023. Environment, Social and Governance (ESG) Policy. https://www.nlcindia.in/sustain/ESG_policy_28082023.pdf

[13] NLC India Limited. NLC India Limited Business Responsibility & Sustainability Report 2022. https://www.nlcindia.in/investor/Letter%20dt.%2007.09.2022%20-%20Business%20Responsibilty%20&%20Sustainabilty%20Report.pdf

Environmental Factors

01
Energy Use & GHG Emissions

Disclosure

- Deployed energy-efficient equipment, conducted audits for thermal power stations, installed LED bulbs, reduced idle running hours in crushers, added timer processor units for outdoor lights, and incorporated capacitor banks in induction motors, saving 50.77 MU.
- Increased renewable energy usage to 8.2% of the total energy mix.
- Plans to expand its renewable capacity to 6 gigawatts by 2030 from the current capacity of 1.4 gigawatts

Ground Reality Assesment

- Although energy efficiency measures have been implemented, the reduction in power consumption itself is relatively low suggesting a need for more aggressive efforts to mitigate energy usage.
- The target for renewable energy usage falls short of industry benchmarks and international standards.
- The set targets for renewable energy use may not be ambitious enough considering the urgency of climate action. Further, there is an absence of a clear roadmap to achieve the set renewable energy targets

02
Solid Waste Management

Disclosure

- Implemented zero-liquid discharge systems at all operational units.
- Diverted 98% of waste from landfills through recycling and reuse.
- Developed waste minimisation and resource recovery programs.

Ground Reality Assesment

- No data on wastewater: While mentioning zero-liquid discharge systems, NLC fails to disclose the volume of wastewater treated and its final disposal method.
- Limited breakdown of waste diversion: Lack of information on the composition of diverted waste (recyclables, compostables, etc.) hinders understanding of waste management hierarchy implementation.

03

3R Practices

Disclosure

- Information from the provided documents regarding specific 3R practices (Reduce, Reuse, Recycle) was limited.

Ground Reality Assesment

- Information on specific 3R practices is limited, indicating a lack of transparency and clarity regarding the company's waste management efforts.
- The channelling of mine seepage water to power plants without reuse/recycling practices contributes to groundwater depletion, highlighting a significant gap in sustainable resource management.

04

Sustainable Sourcing

Disclosure

- Increased local sourcing of materials to 70%.
- Collaborated with suppliers on energy-efficient practices.
- Conducts supplier sustainability assessments, but details are limited

Ground Reality Assesment

- Transparency concerns: The absence of a documented supplier sustainability assessment process raises doubts about responsible sourcing practices.
- Limited information on supplier collaboration: Details on the scope and effectiveness of collaboration with suppliers on energy efficiency are missing.

05

Extended Producer Responsibility

Disclosure

- Established take-back programs for used oil and batteries.
- Partnering with authorised dismantlers for responsible end-of-life management.
- Conducts awareness campaigns on electronic waste recycling.

Ground Reality Assesment

- Data on take-back program performance: No information on the volume of used oil and batteries collected through the take-back programs, making it difficult to assess their success.
- Unclear on authorised e-waste management agencies: The lack of information on where to take e-waste for proper recycling creates confusion and undermines the program's effectiveness.

06

Life Cycle Assess-ments (LCA)

Disclosure

- Conducting pilot LCA studies for key products and processes.
- Developing internal expertise in LCA implementation.

Ground Reality Assesment

- Scope of pilot studies unclear: No details on the products or processes included in the pilot LCA studies, limiting understanding of their overall impact.
- Limited disclosure on LCA implementation: Absence of information on how LCA findings are being used to improve product design, manufacturing processes, or resource efficiency.

Social Factors

07
Employee Well-Being

Disclosure

- Implements various health and wellness programs.
- Provides employee assistance programs and counselling services.
- Achieved a 96% employee satisfaction rating.

Ground Reality Assesment

- Missing details on well-being programs: No mention of initiatives promoting employee mental health, stress management, or work-life balance.
- Limited information on training: Lack of details on training programs offered, their effectiveness in developing employee skills, and addressing safety concerns.

08
Health & Safety

Disclosure

- Achieved OHSAS 18001 certification for all operational units.
- Maintained a zero fatality record for three consecutive years.

Ground Reality Assesment

- Pollution from NLC's operations is adversely affecting the health of local communities and cattle. This indicates a failure to ensure health and safety standards, both for employees and surrounding communities.

09
Training

Disclosure

- Provides over 1 million training hours to employees annually.
- Offers a variety of training programs for different skill levels.

Ground Reality Assessment

- Considering the number of man-hours invested in training, their efforts seem satisfactory

10
Human Rights

Disclosure

- Developed and implemented a Human Rights Policy.
- Conducts initial human rights due diligence assessments for suppliers.

Ground Reality Assessment

- Local communities are suffering from myriad problems caused by land acquisition without proper compensation and rehabilitation. This suggests a violation of human rights, particularly the right to adequate housing and livelihood.

11
Social Impact Assessments

Disclosure

- Conducts social impact assessments for major projects.
- Funds and participates in community development programs.

Ground Reality Assesment

- Despite ongoing pollution and related issues for over 50-60 years, there hasn't been a proper response to mitigate these impacts. This indicates a failure to conduct comprehensive social impact assessments and address resulting issues.

12

Gender Equity

Disclosure

- Women represent 8.% of the total workforce.
- Set a target of 15% female workforce by 2030.
- Implemented various diversity and inclusion initiatives. Diversity percentage at 25%

Ground Reality Assesment

- The current representation of women at 8% suggests a significant underrepresentation compared to their proportion in the population, indicating existing barriers to entry or advancement for women within the organisation.

13

CSR Activities

Disclosure

- Provides skill development training in trades like Light Motor Vehicles Driving, Heavy Transport Vehicles Driving, Conventional Mining / Earth Moving, and other relevant areas.
- Supports various community development programs, including providing drinking water supply facilities, link roads/access for rural development, and promoting sports in rural areas.
- Supports local initiatives in areas like education, healthcare, and infrastructure.
- Promotes environmental sustainability through tree planting, renewable energy initiatives, water conservation programs, and cleanliness campaigns.

Ground Reality Assesment

- CSR efforts are not enough as they fail to adequately address the significant impact of NLC's operations on the community.
- Despite persistent pollution and related issues, there's no evidence of specific actions or initiatives benefiting the affected community.
- This neglect of community welfare indicates a lack of tangible benefits or improvements resulting from CSR efforts.

Governance Factors

14

Anti-Corruption & Anti-Bribery

Disclosure

- Has a zero-tolerance policy for corruption and bribery.
- Provides anti-corruption training for employees.

Ground Reality Assesment

- NLC appears to lack adequate measures against corruption and bribery due to the absence of independent audits and investigations of allegations.

15

Conflict Management Process

Disclosure

- Has a conflict of interest policy and procedures in place.
- Provides conflict management training for employees.

Ground Reality Assesment

- The absence of any details regarding conflict of interest raises concerns about NLC's commitment to ethical business practices and managing conflicts of interest.

16

Retention Policy

Disclosure

- Achieved a 96% employee retention rate in 2021-22.
- Implements various employee engagement initiatives.

Ground Reality Assesment

- The retention policy appears satisfactory

17

Remuneration Policy

Disclosure

- Being a government company, the remuneration of board-level Directors is fixed by the government, the appointing authority.
- In respect of executives and supervisors, the same is fixed as per the guidelines issued by the Department of Public Enterprises
- In respect of workmen as per the settlement reached with the recognized unions under the Industrial Disputes Act.

Ground Reality Assesment

- Lacks transparency on executive compensation details and ESG performance links.

18

Stakeholder Engagement

Disclosure

- Glancing mention of stakeholder engagement and feedback incorporation. Further details to substantiate this are not given

Ground Reality Assessment

- NLC's stakeholder engagement is poor as they have not adequately addressed the needs of the communities. This is evident from the lack of meaningful action or response to mitigate pollution and related issues despite persistent complaints and concerns raised by affected communities as reported by Poovulagin Nanbargal

Further to substantiate the above findings, a recent report by Poovulagin Nanbargal[14] highlights the potential negative impacts of NLC's operations on the surrounding communities and environment. This raises concerns about NLC's adherence to ESG principles and their disclosure practices.

Environmental Issues

The above study also indicates severe pollution from NLC's mines and thermal power stations (TPS) impacting air, water, and agricultural land. This contradicts the expectation of responsible management of environmental impacts under ESG.
Lack of transparency regarding the pollution levels and their mitigation strategies suggests NLC might not be adequately disclosing environmental risks and performance.

Social Issues

The study reveals negative health impacts on residents and cattle, potentially due to pollution. This raises concerns about NLC's commitment to the health and safety of the communities around its operations, an aspect of social responsibility in ESG.
The ongoing land acquisition issues and lack of proper compensation suggest NLC might not be following best practices in community engagement and social impact assessments.

Governance Issues

The disregard for recommendations by various agencies, including the National Green Tribunal (NGT), indicates a potential lack of responsiveness to regulatory requirements and accountability, a key aspect of ESG governance.

Controversy rating

NLC India Limited (NLCIL) has a High Controversy Level[15] according to Sustainalytics, based on data as of October 8, 2023. This rating indicates that the company is exposed to a significant level of controversy risk, which can have a Poor impact on its reputation, financial performance, and stakeholder relationships. Here are some of the key controversies associated with NLCIL:

- Environmental concerns: NLCIL's reliance on opencast lignite mining for its thermal power plants raises environmental concerns, including land degradation, deforestation, air pollution, and water pollution.[16]
- Land acquisition practices: The company has faced criticism for its land acquisition practices, which have allegedly displaced local communities and disrupted their livelihoods without adequate compensation or rehabilitation.[17]

ESG Risk ratings

NLC India Ltd. has an ESG risk rating of 44.4, which is considered severe. This indicates that the company has a high exposure to ESG risks and is not managing those risks effectively.

[14] Pooulagin Nanbargal. "POWERing Pollution." August 2023. https://www.manthan-india.org/wp-content/uploads/2023/08/TN-Report-FINAL-Digital-8-Aug-2023.pdf

[15] Company ESG Risk Ratings and scores - Sustainalytics https://www.sustainalytics.com/esg-ratings

[16] Lakshmanan, S. (2021) PSU operates Neyveli Coal Mine without revalidating environmental clearance, The Wire Science. Available at: https://science.thewire.in/politics/government/psu-operates-neyveli-coal-mine-without-revalidating-environmental-clearance/

[17] "Explained: The Controversy over Land Acquisition by the Neyveli Lignite Corporation in Tamil Nadu." inkl, July 27, 2023. https://www.inkl.com/news/explained-the-controversy-over-land-acquisition-by-the-neyveli-lignite-corporation-in-tamil-nadu

Recommendation

Recommendations for Improving ESG Disclosure Practices in Public Sector Power Companies in Tamil Nadu

- Adopt standardised reporting frameworks: Encourage companies to adopt recognised frameworks like Global Reporting Initiative (GRI) Standards for enhanced comparability and transparency in ESG reporting.
- Increase data granularity and specificity: Go beyond generic statements and provide quantifiable data with disaggregation across different departments, locations, and fuel sources. This allows for deeper analysis and tracking of progress.
- Enrich narratives with context and challenges: Provide context behind data, explain challenges faced in achieving specific goals, and outline future improvement plans. This enhances transparency and builds trust with stakeholders.
- Strengthen stakeholder engagement: Actively engage with diverse stakeholders (investors, communities, employees) through various channels like surveys, focus groups, and public meetings. Understand their concerns and incorporate their feedback into ESG strategies.
- Focus on materiality assessments: Conduct regular materiality assessments to identify the most relevant ESG issues for specific companies and their stakeholders. This ensures reports focus on the most material impacts and concerns.
- Address public accountability: Recognise the unique public accountability of state-owned companies and tailor disclosure practices to address public concerns over transparency and environmental impact.
- Focus on renewable energy initiatives: Highlight progress and future plans for transitioning towards renewable energy sources, emphasising environmental benefits and contribution to state energy goals.
- Enhance community engagement: Companies should actively engage with local communities, address their concerns regarding air quality, water usage, and noise pollution, and demonstrate positive social impact through development projects or community outreach programs.
- Demonstrate responsible sourcing: Disclose sourcing practices for fuels and materials, prioritising sustainability criteria and responsible supplier engagement. This addresses concerns about environmental and social impacts throughout the supply chain.
- Highlight innovation and technological advancements: Showcase investments in clean technologies and energy efficiency improvements. This positions companies as leaders in sustainable energy generation.
- Focus on employee well-being and diversity: Provide data on employee safety, training programs, and diversity initiatives. This demonstrates a commitment to a positive work environment and attracts talent.

Potential Economic and Social Benefits of ESG Integration for Power Companies in Tamil Nadu:

Integrating ESG principles into their operations can offer significant economic and social benefits for power companies in Tamil Nadu. Here's a breakdown of the potential advantages and strategies for leveraging them:

Economic Benefits

- Enhanced operational efficiency: Implementing resource-saving practices, cleaner technologies, and efficient logistics can reduce operational costs, energy consumption, and waste generation.
- Attracting and retaining investors: Strong ESG performance makes companies more attractive to investors seeking sustainable investments. This can lead to better access to capital and lower financing costs.
- Increased access to markets: Consumers are increasingly prioritising sustainability when choosing products and services. Companies with strong ESG profiles can tap into this growing market demand.
- Strengthened brand reputation and customer loyalty: Transparent and responsible business practices foster trust and goodwill, leading to a stronger brand reputation and customer loyalty, ultimately driving revenue growth.
- Reduced legal and regulatory risks: Proactive compliance with environmental and social regulations minimises the risk of fines, penalties, and legal disputes, saving companies money and avoiding reputational damage.

Social Benefits

- Improved employee well-being and productivity: Investing in employee safety, training, and diversity initiatives creates a more engaged and productive workforce, leading to improved employee retention and talent acquisition.
- Enhanced community relations: Active engagement with local communities, addressing their concerns, and investing in social development projects fosters positive relationships, builds trust, and contributes to social licence to operate.
- Reduced environmental impact: Transitioning to renewable energy sources, adopting cleaner technologies, and minimising emissions contribute to improved air quality, water conservation, and overall environmental sustainability, benefitting public health and well-being.
- Improved energy security and affordability: Investments in renewable energy and grid modernisation can contribute to long-term energy security and potentially lead to lower energy costs for consumers, benefiting both citizens and industries.
- Promoting sustainable development: Aligning energy generation with Tamil Nadu's sustainable development goals creates a win-win situation for the environment, economy, and society.

Strategies for Leveraging these Benefits

- Conduct a comprehensive ESG materiality assessment: This involves identifying and prioritising the most significant ESG issues relevant to the company and its stakeholders. By understanding which issues are most material, the company can allocate resources effectively, focus reporting efforts on key areas, and address concerns that are most important to stakeholders.
- Set ambitious but achievable ESG targets: Establishing quantifiable goals related to energy efficiency, emissions reduction, community engagement, and other relevant areas allows the company to track progress over time and demonstrate commitment to sustainability. These targets should be challenging yet realistic to drive continuous improvement.
- Integrate ESG considerations into decision-making processes: By evaluating every business decision through an ESG lens, companies can ensure that their actions align with sustainability goals. This includes assessing environmental and social impacts, considering long-term sustainability implications, and making decisions that contribute to positive outcomes for both the company and society.
- Invest in clean technologies and renewable energy: Transitioning away from fossil fuels towards cleaner energy sources such as renewable energy and investing in technologies can help minimise environmental impact, reduce greenhouse gas emissions, and improve energy efficiency. These investments also position the company for long-term success in a changing energy landscape.
- Build strong relationships with stakeholders: Engaging with employees, communities, investors, and regulators through transparent communication, dialogue, and collaborative initiatives helps build trust and credibility. By actively involving stakeholders in decision-making processes and addressing their concerns, companies can foster positive relationships and enhance their social license to operate.
- Report ESG performance proactively and transparently: Adopting recognised ESG reporting frameworks, disclosing data with granularity, and providing context and narratives to showcase progress and challenges demonstrates transparency and accountability. This allows stakeholders to assess the company's performance, understand its impacts, and make informed decisions.
- Partner with other stakeholders: Collaborating with government agencies, research institutions, NGOs, and other businesses enables companies to leverage collective expertise and resources to address complex sustainability challenges. By working together towards common goals, companies can drive meaningful change and contribute to a more sustainable energy future in Tamil Nadu.

Implementing these strategies can help power companies in Tamil Nadu not only mitigate risks associated with ESG issues but also capitalise on opportunities to create value, enhance reputation, and contribute to sustainable development in the region.

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