



SGA ESG Team

India Food Industry Benchmarking Report 2022*



Partners



Data Analytics by:
SG Analytics

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ESG Knowledge

*Based on Toolkit developed by the World Benchmarking Alliance (WBA) and used by the Food Foundation (UK) in the context of the UN Food System Summit

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1. Foreword

The first-ever UN Food System Summit was organised in September 2021 to find solutions to the problems of rising hunger, unsafe food, and malnutrition in all its forms that are threatening human health and leading to the degradation of the natural environments in the manner food is produced and consumed. The Summit deliberated on these challenges, gathered ideas and insights from all stakeholders across the world. The Summit came up with several solutions and coalitions to bring about necessary changes in the food systems. It recognised the important role that companies across the food value chain, from food producers to retailers, have in driving change in the food system. In this context, a proposal for food industry benchmarking was mooted. Such benchmarking would support the companies to create a healthy, just and sustainable food system, help consumers make the right choices and inform the investors about investing their money responsibly.

A benchmarking exercise was undertaken by the World Benchmarking Alliance (WBA) at the global level that published the first Food and Agriculture Benchmark in September 2021. This covered 350 companies across the value chain in the agriculture and food space. Furthermore, the WBA in partnership with the Food Foundation developed a toolkit for industry benchmarking at the national level. This toolkit is based on the methodology developed over more than two years of extensive research and in collaboration with a wide range of experts and stakeholders, including other benchmarking and standard setting organisations.

The current Indian benchmarking exercise has been taken up by the Food Future Foundation. It is supported by the Food Foundation (UK), the World Benchmarking Alliance (WBA). E-Cube Investment Advisors is the Knowledge Partner for this project. SG Analytics, a market leader in ESG data and analytics services, was engaged to collect, compile, and analyse the data for the same. The Food Future Foundation is partnering with CII-FACE for building capacity for benchmarking through sensitization programmes and workshops and promoting benchmarking practices, and recognizing role models in India.

2. Objective

The aim of the benchmarking exercise is to collect relevant publicly disclosed environmental, social, governance and nutrition-related data of 53 Indian food sector companies for the latest reported year from FY2020–21, FY2019–20 or FY2018-19. The data should be for 45 pre-defined indicators (12 Environmental, 24 Social, 3 Governance & Strategy and 6 Nutrition) that feeds into a pre-established scoring methodology developed for the WBA's 2021 Food & Agriculture benchmark and used by The Food Foundation for the last four years to benchmark the food industry in the UK.

3. Approach

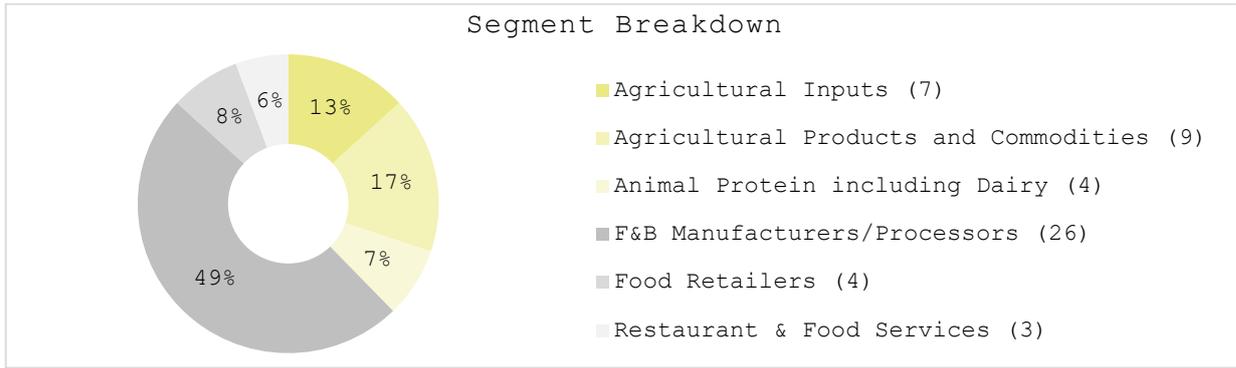
SG Analytics gathered publicly available data/information on companies from their annual reports, integrated reports, sustainability reports, business responsibility reports (BRR), company website, company press releases etc. and scored the companies on a scale of 0-100 based on the scoring framework provided by the Food Industry Benchmarking Toolkit. The present study has been done as an initial landscaping exercise and SG Analytics did not engage with the companies to verify the findings and capture any additional information. Hence the findings would not reflect those initiatives taken by companies which were not reported by the company in its own public disclosures.

Since the aim of the project is to understand the maturity of disclosures made by the Indian food and agriculture companies, data must be specifically disclosed for an indicator in the Indian context to receive a score. In the case of global food companies with Indian subsidiaries and quantitative and qualitative indicators, data must be specifically disclosed for the Indian subsidiary at the entity level, to be assigned a positive score.

4. Selection of Companies

53 companies (38 publicly listed and 15 private) were selected based on the recommendations made by a panel consisting of Indian food industry experts under the guidance of Food Future Foundation. These companies were selected considering their impact across various sectors in the Indian food and agriculture industry and the requirement of the project to capture the maturity of the relevant sustainability disclosures in the Indian food industry. The companies were categorised into six different segments as per the WBA classification (See Figure 1). 26 of the 53 companies selected in this project were representatives of the F&B Manufacturers/Processors segment, since this segment features some of the largest, most reputable, and influential organisations. A positive screening for publicly available disclosure documents was performed before the final selection of the companies.

Figure 1: Classification of 53 Indian Food Companies

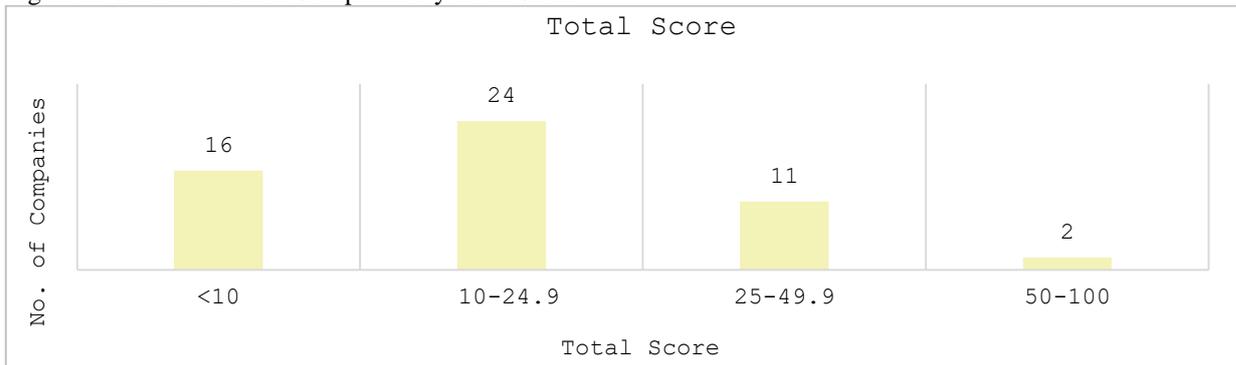


Source: SGA Research

5. Findings

- The overall performance of the companies based on the secondary researched data was low.
- Companies ranking in the top scored well across the board, showing their maturity with respect to ESG and nutrition disclosures in the context of the methodology of the WBA Toolkit. However, many companies showed that there are still major gaps in making impactful and relevant disclosures. This is also indicative of the fact that the ecosystem for disclosures on ESG parameters in India is relatively nascent. This is demonstrated in the overall scoring with more than three-fourths of the companies failing to achieve a quarter of the total score (<25 of total score). Only 13 of the 53 companies scored more than 25.
- The Food & Beverage (F&B) Manufacturers/Processors segment showed a wide range in scores. However, the best scoring companies showing the most robust disclosures, came from the F&B Manufacturers/Processors segment. 8 of the top 10 (including the top 6 scores) scores in the overall benchmark were from this segment. The average score of this segment is 21.8.
- The Agricultural Inputs segment fared well also, with 5 of the 7 companies ranking in the top 20 of the benchmarking exercise. The average score of this segment was 21.9.
- The Agricultural Products & Commodities segment featured 3 companies in the top 20. Of the 9 companies from this segment, 3 companies got a total score of less than 10. The average score of this segment is 14.2.
- 3 of the 4 companies in the Animal Protein segment are dairy companies. 3 companies from the Animal Protein segment ranked in the bottom half of the exercise. The average score of this segment is 12.7.
- The Food Retailers segment and the Restaurant & Food Services segment showed opportunities for improvement with 6 of the 7 companies from these segments providing little evidence for higher scores. The average score of the companies in these segments is 9.8 and 9.2, respectively.

Figure 2: Classification of Companies by Total Score



Source: SGA Research

Table 1: Best Performing Companies by Total Score

Highest Rank	Name
1	ITC Ltd.
2	Hindustan Unilever
3	PepsiCo India
4	Britannia Industries Limited
5	Nestle India

Source: SGA Research

Table 2: Best-Performing Companies per Scoring Category

Rank	Environmental	Social	Governance	Nutrition
1	ITC Ltd.	PepsiCo India	ITC Ltd. Hindustan Unilever*	ITC Ltd.
2	Hindustan Unilever	Bayer India	Marico Ltd.	Hindustan Unilever Britannia Industries Nestle India [#]
3	Britannia Industries	Hershey India	Britannia Industries Tata Consumer Products [^]	LT Foods

*ITC Ltd. and Hindustan Unilever achieved a maximum score of 10, making them the top joint performers for Governance

[#]Hindustan Unilever, Britannia Industries and Nestle India all achieved a score of 15, putting them in the joint second place for Nutrition[^]Britannia Industries and Tata Consumer Products both scored 8.3, putting them in joint third place

Source: SGA Research

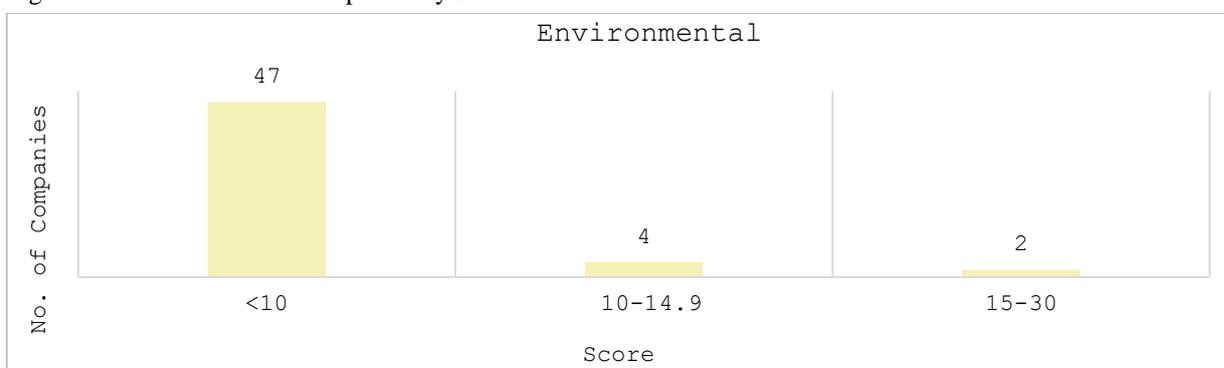
Table 3: Best-Performing Companies by Segment

Rank	Agricultural Inputs	Agricultural Products & Commodities	Animal Protein incl. Dairy	F&B Manufacturers/ Processors	Food Retailers	Restaurant & Food Services
1	UPL	LT Foods	Parag Milk Foods	ITC Ltd.	Future Retail	Jubilant Food Works
2	Bayer India	KRBL Ltd.	Hatsun Agro Product Ltd.	Hindustan Unilever	Avenue Supermart (D-mart)	Zomato
3	Coromandel International	Jain Irrigation Systems	Prabhat Dairy	PepsiCo India	Mahindra Retail	Swiggy

Source: SGA Research

6. Environmental Indicators

Figure 3: Classification of Companies by Environmental Score



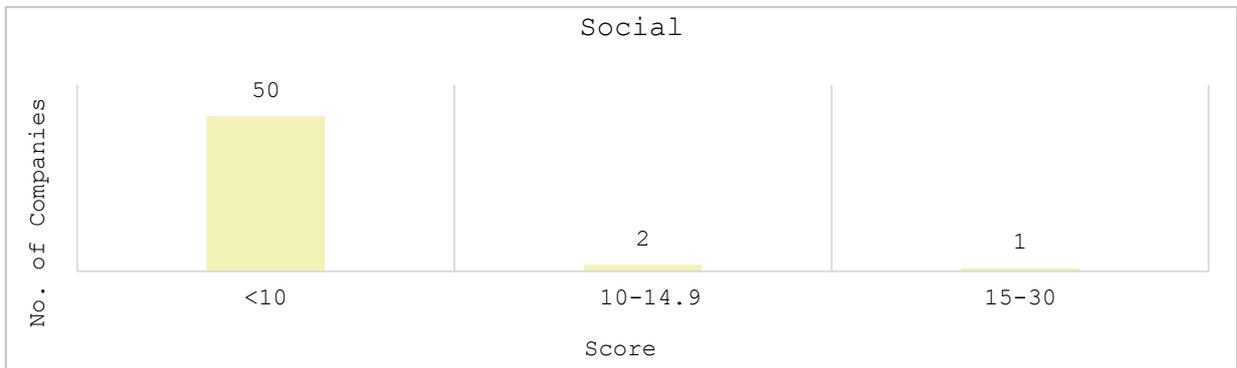
Source: SGA Research

- As per the scoring for environmental indicators, companies need to do a better job at disclosing data for relevant and impactful environmental indicators as per the WBA Benchmarking methodology
- Hindustan Unilever, Tata Consumer Products, Marico, ITC and Parag Foods have set a target to reduce Scope 1 and 2 GHG emissions and are reporting progress against the target.

- 30 of the 53 companies provided at least qualitative evidence of efforts to reduce their Scope 3 emissions or demonstrated that they are measuring such emissions by disclosing segments of their Scope 3 emissions.
- 30 of the 53 companies also provided some evidence of reducing the use of plastic and transitioning to more sustainable forms of packaging.
- 31 of the 53 companies showed some evidence of optimising the use of pesticides and fertilisers.
- 32 of the 53 companies provided evidence of adopting sustainable production practices that improve soil health and increase agrobiodiversity.
- Only 11 companies provided qualitative evidence of reducing food loss and waste across their operations or demonstrated that they are measuring food loss and waste across their operations.
- Only 12 companies provided evidence of reducing its water withdrawal across its operations and supply chain.
- 6 companies did not score any point in the Environmental Indicators category as there was no data reported as per the WBA benchmarking requirements and scoring framework.

7. Social Indicators

Figure 4: Classification of Companies by Social Score

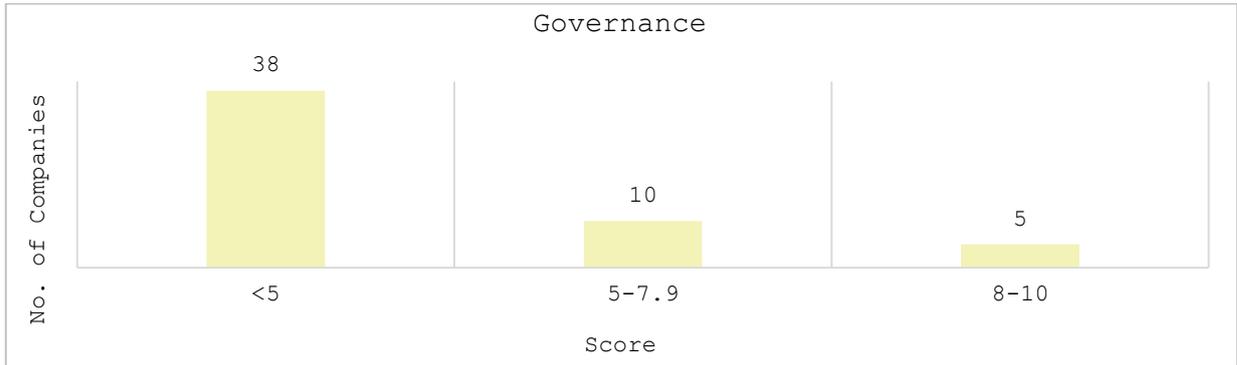


Source: SGA Research

- Scoring for the social pillar showed that there is a major room for improvement in the disclosures made.
- 39 companies have a publicly available policy statement, which states their commitment to respect human rights across their activities.
- 15 of the 53 companies have a publicly available statement of policy committing it to respect the human rights of workers in its business relationships.
- 37 of the 53 companies publicly committed to respecting the health and safety of workers and disclose relevant data.
- 20 of the 53 companies have disclosed the percentage of employees for each employee category by indicators of diversity such as age, gender, disability, etc.
- 32 companies had a channel or mechanism through which workers can raise complaints or concerns, including in relation to human rights issues, while only 6 companies had a grievance mechanism for external individuals and communities.
- 36 of the 53 companies publicly committed to protecting personal data.
- 28 of the 53 companies publicly prohibit bribery and corruption and take steps to identify and address bribery and corruption risks and incidents
- 29 companies have publicly disclosed a commitment to support the resilience, productivity and/or access to markets for farmers, fishers and/or small-scale producers.
- 6 of the 53 companies having identified its human rights risks and impacts, assesses them and then prioritises them and 4 companies integrates the findings into relevant internal functions.
- No companies reported on the payment of living wages in their operations and supply chain.
- No companies reported having an approach to lobbying and political engagement and about related controls in place.

8. Governance Indicators

Figure 5: Classification of Companies by Governance Score

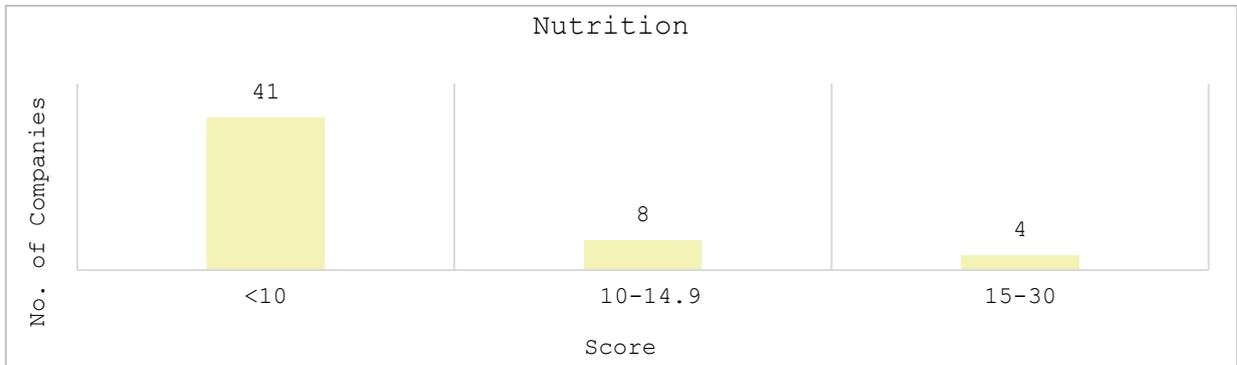


Source: SGA Research

- The top-ranking companies showed strong disclosures under the Governance Indicators category. 2 companies (ITC Ltd. and Hindustan Unilever) scored the maximum of 10, whilst Tata Consumer Products, Marico Ltd. and Britannia scored above 8 out of 10. This once again displayed that the disclosures amongst the top-ranking F&B Manufacturer/Processors segment are the best in the industry.
- 38 of the 53 companies disclosed information regarding a sustainability strategy, objectives, and targets.
- 23 of the 53 companies disclosed that it undertakes stakeholder engagement activities and provided an overview of the issues raised.
- Only 11 companies disclosed information regarding governance and accountability structures linked to sustainability topics, such as having persons, teams, or committees responsible for the implementation of the sustainability strategy.
- However, 14 companies failed to make any relevant disclosures with respect to governance, and, thus, were unable to score any points in this category.

9. Nutrition Indicators

Figure 6: Classification of Companies by Nutrition Score



Source: SGA Research

- 4 companies from the F&B Manufacturers/Processors segment (ITC Ltd., Hindustan Unilever, Britannia Industries and Nestle India) scored the highest in the Nutrition Indicators category.
- 40 of the 53 companies publicly disclosed their commitment to supporting the production of healthy and nutritious foods.
- 33 of the 53 companies provided evidence of addressing food insecurity by improving accessibility and affordability of healthy foods.
- 5 of the 53 companies (ITC Ltd., Britannia Industries, Hindustan Unilever, Nestle India, and Godrej Agrovet) disclosed workforce nutrition programs, such as healthy food at work, nutrition education and nutrition-focused health checks through company-wide policies.
- 24 of the 47 companies to whom food safety was applicable, provided evidence of ensuring safe food for consumers.
- 15 of the 41 companies to whom responsible marketing was applicable, provides evidence of marketing strategies that prioritise healthy foods.

10. Conclusion

The exercise of gathering publicly disclosed data/information based on the indicators developed by WBA and used by the Food Foundation shows that the disclosures of companies in the Indian food industry are still in the process of maturing. There should be a significant push for making relevant disclosures.

The lack of adoption of a standardised framework and relevant indicators make it difficult to perform a level assessment of the companies in respect to disclosures. The WBA and the Food Foundation methodology provide such a standard set of indicators and a scoring methodology that food companies could universally adopt to identify relevant ESG and nutrition topics of global, national and industry significance. By adopting this methodology, they would be in a better position to assess themselves and compare themselves to the best industry practises. This gives them a roadmap to work towards improving their ESG performance and enhancing the maturity of their current disclosures.



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