



**ESG Risk**  
Assessments & Insights

# Diversity & Inclusion

March 2022

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## About Us

ESG Risk Assessments and Insights (ESGRisk.ai), is a wholly owned subsidiary of Acuité Ratings & Research Limited and is India's first ESG rating company with an India specific assessment framework.

ESGRisk.ai's rating, second party opinions and gap assessment is an objective, independent and unbiased opinion on a company's ability to mitigate future/emerging risks associated with Environment, Social, and Governance issues that have material financial impact based on publicly available data.

To actively contribute to and be aligned with the worldwide ESG movement and policy dialogue, we are signatories of various global frameworks. Being a member of the GRI community, ESGRisk.ai actively contributes to advancing sustainability reporting. Acuité Ratings & Research Ltd together with ESGRisk.ai are also signatories to the UN Principles of Responsible Investment (PRI). Moreover, Acuité is the first credit rating agency from India to become a signatory of PRI's ESG in Credit Risk and Ratings Statement to enhance the systematic and transparent consideration of financial material ESG factors in the assessment of creditworthiness.

Diversity according to ESGRisk.ai extends beyond gender, covering diversity in terms of race, ethnicity, culture, sexual orientation, and age. It is about recognizing the unique needs, perspectives and potential of all team members thus creating an environment of trust and commitment for their employees.

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## Introduction

“Diversity is having a seat at the table; inclusion is having a voice and belonging is having that voice be heard”. Relationship between diversity on executive teams and the likelihood of financial outperformance has strengthened over time. Diversity extends beyond gender to include race, ethnicity, culture, sexual orientation, and age. Companies across the globe are ramping up to build a corporate culture that employs best practices for recruiting, retaining, and advancing people from underrepresented groups, including women, people of color, those with disabilities, and LGBTQ+ people; promoting a culture of inclusion, including leadership accountability; and ensuring a diverse workplace.

ESGRisk.ai recognizes the positive implications of having a diverse workplace and through its taxonomy tries to understand if more diverse companies are more committed to minimize ESG risks. Diverse boards and directors bring a valuable range of outlooks, opinions, and suggestions regarding decision-making and problem-solving.

As per The Companies Act, 2013 there should be at least one female member on the board. SEBI indicates that all listed companies should appoint at least one woman to their boards, which contributed to an increase in the number of women on company boards.

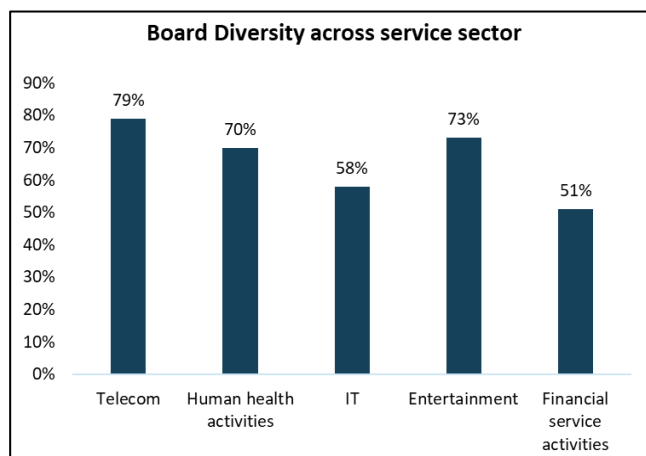
Diversity is “creating a culture and practices that recognize, value and harness what makes every individual unique in the broader sense, by acknowledging and respecting differences including nationality, gender and gender identity, race, religion, ethnicity, age, sexual orientation, disability, and educational background”.

~ World Bank

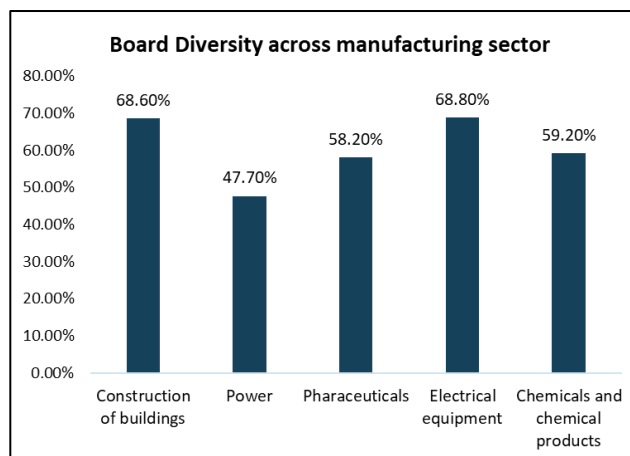
## A take on the Indian scenario

- Diversity and inclusion (D&I) are complex concepts in India, home to many languages and ethnicities. Both the government and private sector have taken conscious steps to promote diversity at work in recent years.
- Social media, global events, policy initiatives, advocacy and consultancy organizations and a range of progressive judgments have all contributed to the discussion of Diversity and Inclusion (D&I) in India in recent years. However, organizations in India are striving hard to create a footprint in the diversity & inclusion bandwagon.
- Based on ESGRisk.ai's analysis, around 88% of the Nifty top 500 companies comply with board gender diversity norms and 33% of which have diversity strategies in place. Additionally, 7% of them have even won diversity & inclusion awards. This shows India's progress towards incorporating diversity & inclusion.

## Board Diversity Performance (Industry wise)



Source – ESGRisk.ai Research 2021

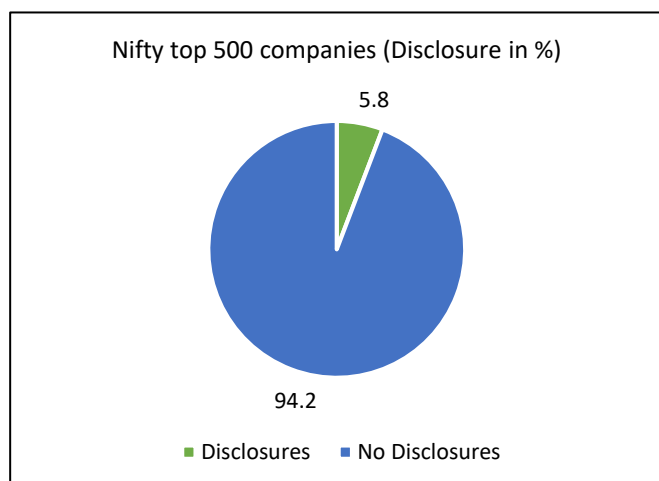


Source – ESGRisk.ai Research 2021

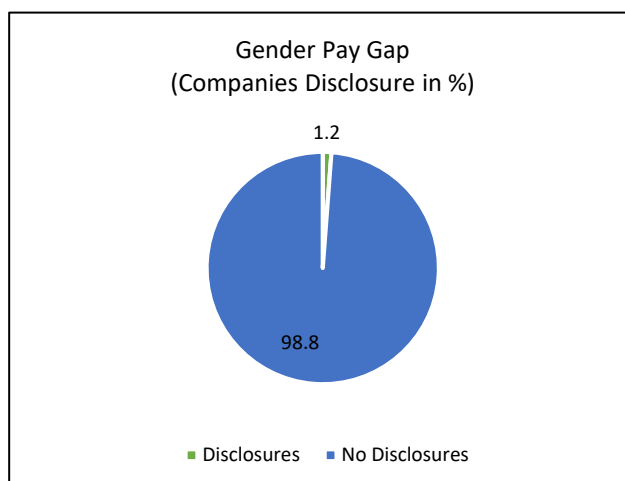
Let us have a look at the diversity & inclusion scenario with respect to the three levels namely, gender, PWD and LGBTQ+ in India.

## Gender

An analysis of Nifty 500 companies state that there is lower gender diversity when it comes to hiring in the manufacturing sector. Most of it is attributed to traditional blue collared jobs. This is because such jobs historically involved safety and security issues on the shop floor and processes in the manufacturing sector were more labor intensive. In addition, labor laws and practices were previously not conducive to female workers.

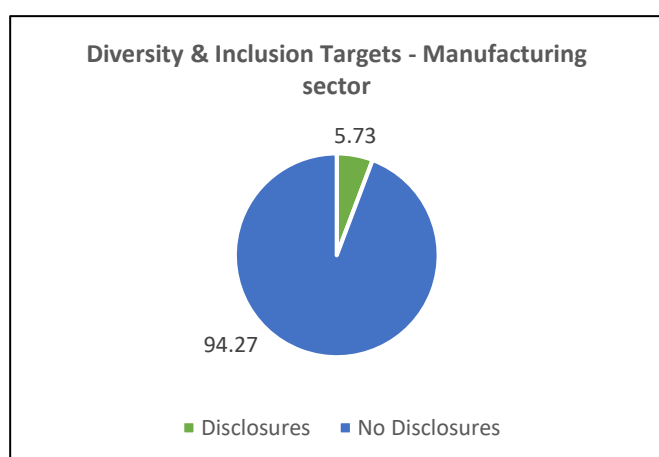


Source – ESGRisk.ai Research 2021

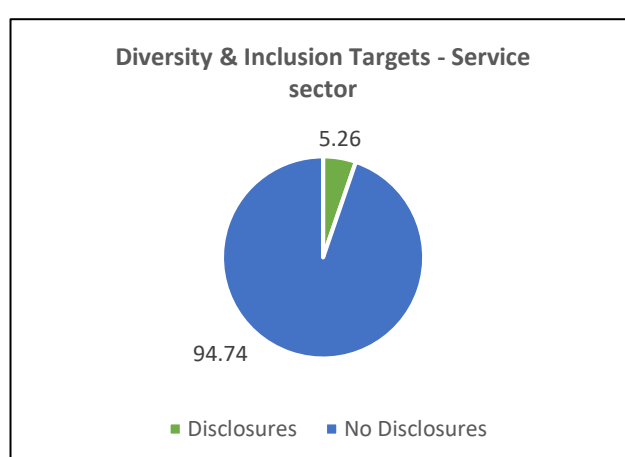


Source – ESGRisk.ai Research 2021

While organizations are in different stages in their D&I growth journey, some of the key challenges which arise during this journey seems to be ubiquitous. Organizations face challenges due to the lack of adequate infrastructure, leadership support, and cultural biases to hire certain types of diversity. An analysis of Nifty top 500 companies shows that only 5.8% of the total companies have target disclosures towards diversity and inclusion.



Source – ESGRisk.ai Research 2021

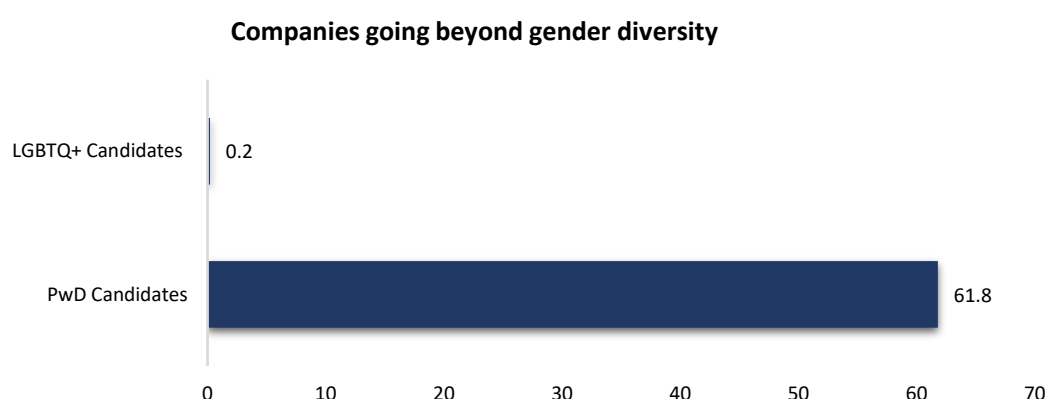


Source – ESGRisk.ai Research 2021

However, in terms of manufacturing and service sector, the disclosures pertaining to diversity & inclusion targets are on similar lines.

It may now be prudent to consider taking steps to train women and employ them in the shop floor considering rapid automation of many processes, changes in regulations and increased social responsibility on the part of most Indian corporations.

As part of efforts to improve gender diversity in manufacturing businesses organizations should ensure safe transportation, additional safety measures, sensitivity training for managers and co-workers, as well as strict implementation of all labor laws.



## Persons with Disabilities (PWD)

There has been a considerable shift in paradigms regarding their employment opportunities at the same time. However, there are several backlogs and barriers that must be addressed such as proper use of existing vocational services, guidance and training, placement in employment and related services for workers if one is to achieve optimum benefits. Out of 500 companies, around 62% companies, hire people with disabilities and have various programs and initiatives to support them.

### Initiatives by some Indian corporate in this area

Lemon Tree Hotels started recruiting people with Down Syndrome and hearing & speech impediments in 2007. The hotel chain trains differently abled employees for 10 days in a program that it calls 'See, Smile, Greet'. It provides the speech and hearing impaired with sign language interpreters and videos, to show and teach them how to go about their jobs. Employees with Down Syndrome receive one hour of training in a workday, so that they experience no information overload.

Capgemini started recruiting the differently abled in 2012. It has more than 200 employees with hearing, speech and visual impairment, cerebral palsy, epilepsy, and mental illnesses such as schizophrenia. The company provides hearing-impaired trainees with sign language interpreters for the first 15 days, to help them integrate with their teams, while their seniors and peers and sensitized and given sign-language training to overcome communication barriers.

It seems like this area is neglected as it requires some upgrading of the physical facilities such as ramps and lifts for the employees, safe and adequate transportation, specific training programs, and so on, for people with disabilities. Further, the Boards should establish a PWD committee to focus on identifying, skilling, and integrating PWD candidates into the work force on a permanent basis. Work-from-home (WFH) options are also an option for non-shop floor jobs.

## LGBTQ+

In India, LGBTQ+ community members face a much more challenging journey, as most corporations do not consider it to be a valuable segment of society, despite various court decisions, that can contribute to an organization. Additionally, several members of the LGBTQ community are wary of revealing their identities due to our current social fabric. Hence, as per ESGRisk.ai's analysis out of 500 companies, only 0.2% of them have disclosures relating to LGBTQ+ employment. The situation is different for transgenders, as they are identifiable and can be trained and placed in a variety of jobs. Through corporate social responsibility initiatives, companies can begin training this group and gradually integrate them in the workplace.

Infosys Limited, being a signatory to the UN Standard of Conduct for Businesses on Tracking Discriminations against LGBTQIA+ people, encourages and maintains an inclusive workplace for members of the LGBTQIA+ community. They have launched an enhanced Health Insurance Plan for their employees based in India, which covers partners (same-sex, domestic, civil) as dependents, gender conformation surgeries, among others.

Tech Mahindra Limited announced initiatives towards inclusion of LGBTQ+ community such as same-sex couples will also be able to take 12 weeks paid adoption leave, bereavement leave of three days will also be granted to same-sex partners. Additionally, LGBT committees called Kaleidoscope have been formed across geographies which share stories of community members to the larger audience to create cultural assimilation and sensitize people.

## Companies creating a positive example of inclusivity

### ITC Hotels

The hotel chain ITC employs many persons with disabilities in its hotels around India. Depending on the kind and severity of their disability, individuals are provided with roles that suit them.

### Axis Bank

Axis Bank announced 'ComeAsYouAre' – a charter of policies and practices for employees and customers from the LGBTQIA+ community.

### Wipro Limited

The company's framework is comprehensive and provides assistive technology, transport facility and physical infrastructure to its differently abled employees.

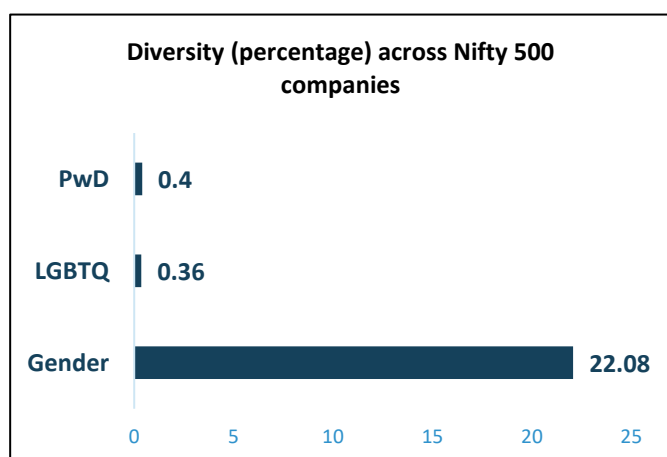


## ESGRisk.ai's Analysis

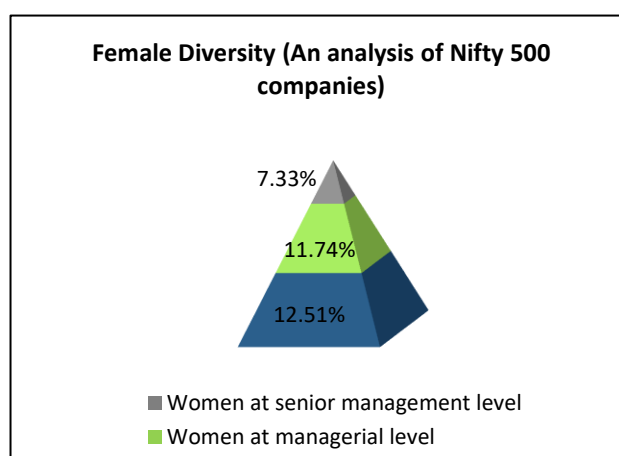
### Key points considered to denote workplace diversity



India has an average of 22% females in the workplace (based on Nifty 500 companies listed data). However, India ranks third globally at 39% in terms of female diversity at senior management roles as against the global average of 31%.



Source – ESGRisk.ai Research 2021

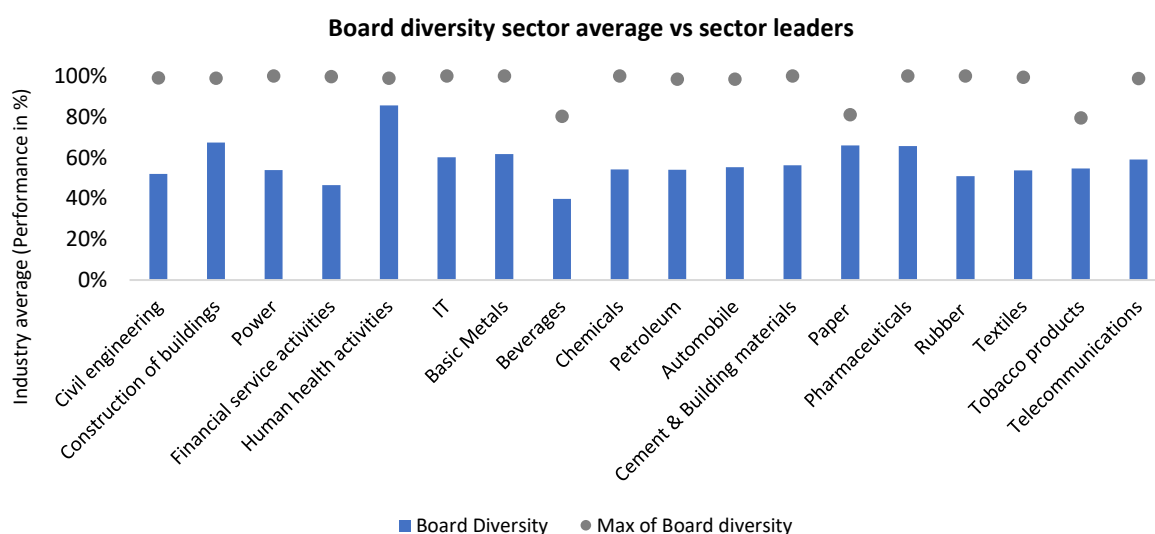


Source – ESGRisk.ai Research 2021

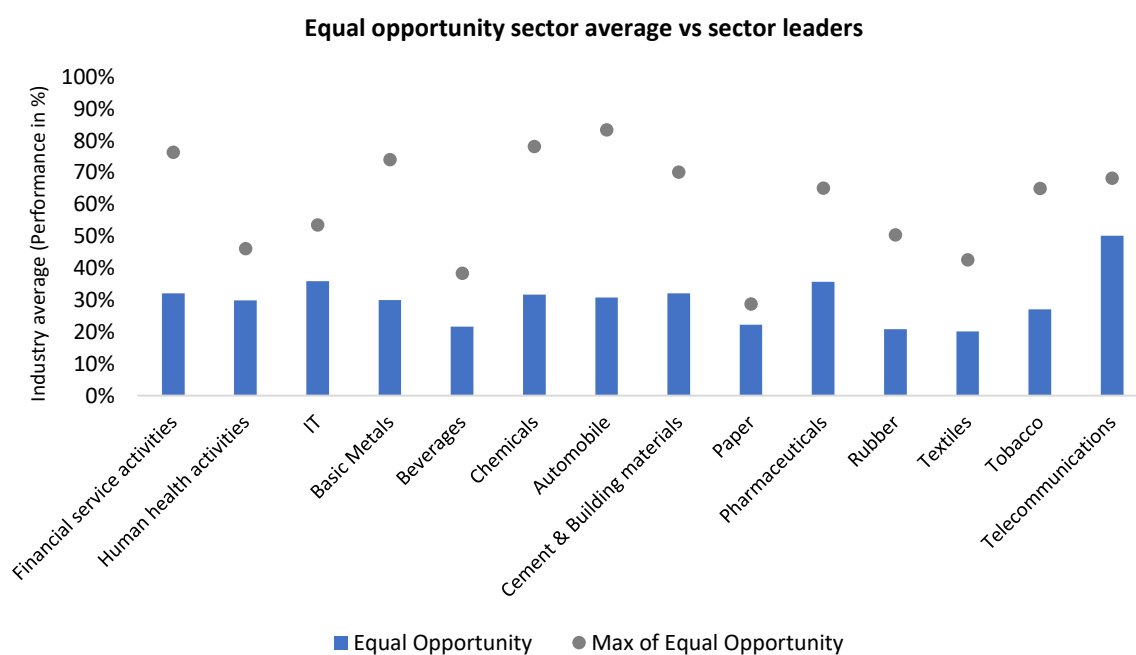
As per our analysis, only 46% of the companies adhere to board gender diversity as per national mandates. Even though, 71% of the companies have policies on diversity & inclusion, only 36% of them have programs and initiatives towards them. Out of the total 500 companies, only 5% of them have integration for LGBTQ community and 0.36% of them have disclosures employing LGBTQ employees. Companies like Axis Bank Limited and Tata Steel Limited have incorporated policies and initiatives towards encouraging LGBTQ community. Around 56% of these companies have disclosures relating to PWD candidates, however only 0.40% of them employ the PWD candidates. Additionally, companies like ITC hotels and Lemon Tree hotels are the leading employers for PWD candidates. Out of the companies analyzed, only 3% of them have employee resource group. For example, Infyability is an Employee Resource Group (ERG) for Infosys employees with disability whereas Wipro Pride is an Employee Resource Group for LGBTQ+ and allies.

## Board Diversity Performance

ESGRisk.ai considers several key points while analyzing companies on the board diversity parameter such as total female members on board, board member's ethnicity, nationality, gender, culture, etc.



## Equal Opportunity Performance



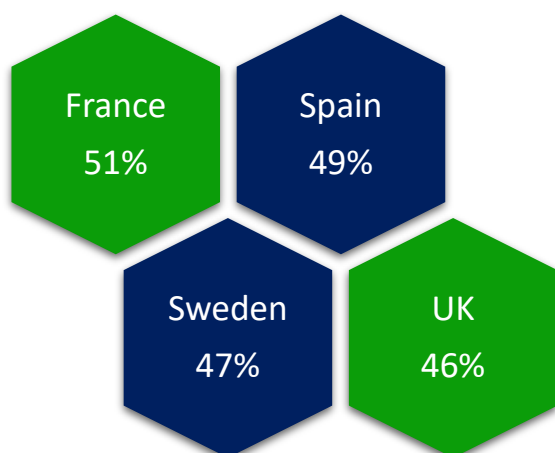
Source – ESGRisk.ai Research 2021

ESGRisk.ai considers several key points while analyzing companies on the equal opportunity parameter such as gender pay gap, LGBTQ integration, Employee Resource group, percentage of women and senior women managers, etc.

## Global perspective

In recent years, the concept of gender diversity has gained considerable attention in the corporate world. The composition of a board of directors' impacts policies of a company and sets its image in the eyes of its stakeholders.

Based on the findings of Equileap,<sup>1</sup> the top four countries in terms of workplace gender diversity are:



Companies in countries with strong legislation on gender equality issues tend to perform better than those with little national regulation.

The three countries that lead the way for gender pay gap reporting practices are Spain, followed by the UK and Italy.

## Sustainable Development Goals in D&I

UN SDG 5 aims to achieve gender equality and empower all women and girls.



UltraTech Cement creates an inclusive culture by supporting women to take charge at their manufacturing facilities and leadership roles in sales & marketing

Focuses on reducing inequality in income, age, sex, disability, race, ethnicity, origin, religion or economic or other status within a country.

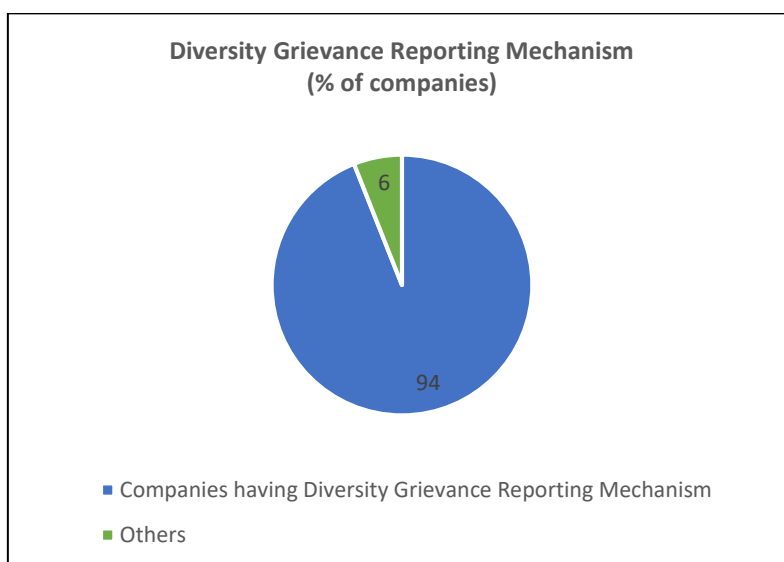


Wipro has developed a framework called 'Pride' that guides their initiatives and programs right from promoting an equitable workplace, driving change through awareness sessions, and engaging with the community to build a strong network.

<sup>1</sup> [https://equileap.com/wp-content/uploads/2021/07/Equileap\\_Global\\_Report\\_2021.pdf](https://equileap.com/wp-content/uploads/2021/07/Equileap_Global_Report_2021.pdf)

## Controversies

Controversies are defined as any kind of adverse information that affects the reputation of the company in a negative manner. Several controversies related to diversity have been found across various industries in India. They impact the rating of the company in any negative way. Even though the service sector is more diverse and inclusive than the manufacturing sector, ESGRisk.ai found that the number of complaints filed in the service sector was much higher. Industries such as banking and financial services saw a high number of complaints whereas on the manufacturing side motor vehicles segment recorded lowest number of complaints.



Source – ESGRisk.ai Research 2021

Despite 94% of the Nifty top 500 companies having a Diversity Grievance Reporting Mechanism in place, the number of controversies impacting the companies in a negative manner have been increasing.

## Examples of Controversies



An IT based tech giant faced lawsuit for gender-based discrimination as it allowed less qualified men and Indian employees to repeatedly take credit for claimants' hard work and accomplishments



An IT company was slapped with a lawsuit on the grounds of gender discrimination for unequal pay and victimisation.



A company from the entertainment industry was accused of gender discrimination with respect to compensation and promotion.



A lawsuit was filed against an e-commerce giant for discrimination based on racism, gender and harassment



Apart from this, a popular bank was charged with a lawsuit for humiliating and embarrassing a woman who tried to open a joint savings account as a same sex couple.



## Financial Impact of Diversity

- As per the research conducted over the time, companies in the top quartile for gender or racial and ethnic diversity are more likely to have financial returns above their national industry medians.
- Companies in the bottom quartile in these dimensions are statistically less likely to achieve above-average returns. The diverse companies are more likely to win top talent and improve their customer orientation, employee satisfaction, and decision making that leads to a virtuous cycle of increasing returns.
- Diversity significantly improves financial performance on measures such as profitable investments at the individual portfolio-company level and overall fund returns. Firms that increased the proportion of female partner hires by 10% saw, on an average of 1.5% spike in overall fund returns and had 9.7% more profitable exits.<sup>2</sup>
- Additionally, higher diversity numbers translate into higher stock prices. If a company's diversity numbers beat those of the industry leader, the bump in stock price is even stronger<sup>3</sup>.
- A range of business benefits associated with gender diversity on boards include improved financial performance and shareholder value - average profitability of companies with diverse boards was higher by 43%<sup>3</sup>.

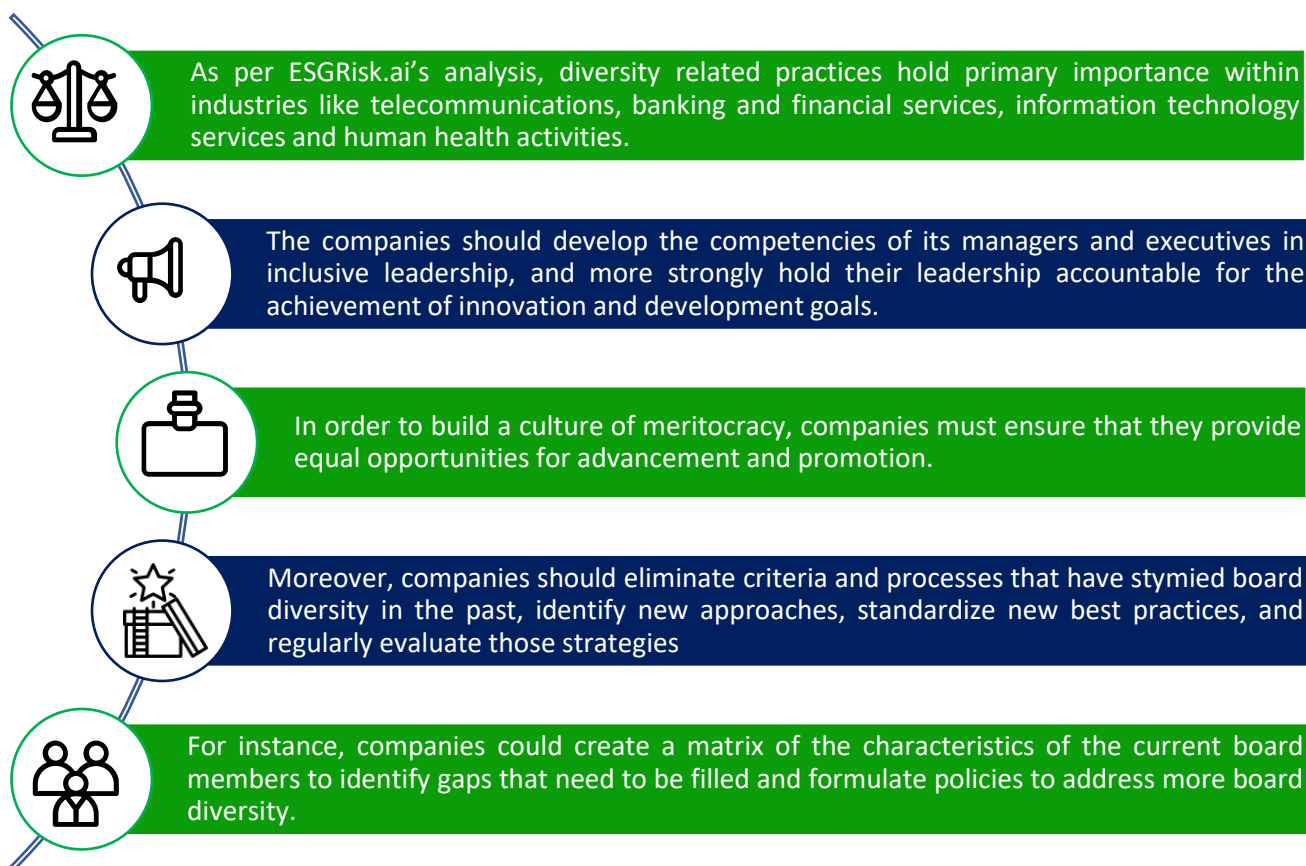
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<sup>2</sup> Harvard Business Review – 2018.

<sup>3</sup> Economic Times  
Diversity & Inclusion

## General practices in the industry

The definition of diversity & inclusion in workplace is evolving to address the changing realities of the 21st-century business landscape.



Looking at the current Indian scenario on diversity & inclusion, just creating policies and strategies won't be enough. Organizations need to set up their game by including employees in their decision making, involving them into multiple projects and thus setting a culture for inclusion. Additionally, organizations can emphasize on diversity & inclusion focused hiring, having employee diversity training and bias-free performance management.





# togetherness



**Diversity & Inclusion creating a mark**



## Success stories:

Lori Lightfoot made history in 2019 by being elected as the first openly lesbian mayor of Chicago. She is not only the first lesbian to hold this post, but also the first African-American woman to do so. Lightfoot says that she grew up without any LGBTQ role models, so she knows the impact seeing people like herself in leadership positions has on people of the community. “It’s important for people to be able to live their authentic life; it’s critically important, no matter what it is. Whether you’re a member of this community or some other, we must be able to respect our diversity and support that diversity,” Lightfoot said in an interview. She aspires to make Chicago a city, “Where it doesn’t matter who you love - just as long as you love with all your heart.”

Indian hospitality tycoon Keshav Suri, Executive Director of the Lalit Hospitality Group, and Founder of the Keshav Suri Foundation has contributed immensely towards the upliftment of the LGBTQ+ community in India. The Foundation continues to support the community, especially the transgender community in these challenging times by not only addressing their issues of poverty and hunger but has also taken steps to provide mental health support for the LGBTQ+ community through helplines as well as an online series of conversations and workshops called Queering Quarantine. Suri ensures to replicate these efforts for LGBTQ employees at the Lalit hotels as well through policies that provide cover for same-sex couples in family policies and extending financial aid by covering a part of the cost of sexual reassignment surgeries, should an employee choose to undergo one.

Undeterred and with little support, Kiran Mazumdar Shaw decided to start her own venture and began building her own business from scratch. She understood that entrepreneurship was traditionally a male bastion, and that the country wasn’t kind to women in business, but she chose to persevere anyway. Today, Biocon is one of India’s largest biotech companies, with a market capitalization of nearly \$7bn on the Bombay Stock Exchange. And Kiran Mazumdar-Shaw is India’s first self-made Indian female billionaire, and an inspiration to hundreds of male and female entrepreneurs.

## Conclusion

Creating a workplace that supports a diverse workforce is a great example of exemplifying best practices for employee engagement and a positive culture. Employees know their voice will be heard and that they are valued members of the company. Three Indian companies, Tech Mahindra, Wipro and Dr. Reddy's Laboratories were included in the Bloomberg Equality Index in the year 2020 which highlights the fact that Indian corporates constantly working towards improving inclusivity and diversity at all levels.

Currently, 71% of the Nifty top 500 companies have policies for diversity & inclusion. However only 36% of them have initiatives and programs towards them. Additionally, 46% of these companies comply with Companies Act, 2013 requirement on board gender diversity. Although, the board level gender diversity issue is being taken care of, the issue is persisting at the leadership level.

Hence as we see the graph of diverse representation in companies is on the rise, a little regulatory push like aligning the reporting to GRI standards and SDG goals along with the concrete steps from investors and stakeholders can pave the way for improved diversity and inclusion in Indian companies.



# ESG Risk Assessments & Insights Limited

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