

Business Responsibility and Sustainability Reporting (BRSR)

- International Developments & Gaps India Needs to Fill

Agenda

- ▶ Introduction
- ▶ Journey of corporate responsible reporting
- ▶ International guidelines and principles
- ▶ Details of trends in reporting as per international frameworks
- ▶ Brief analysis of BRSR framework
- ▶ Gaps in the framework
- ▶ Additional disclosures and actionables pursuant to BRSR

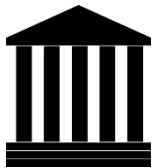
Introduction



Business Responsibility Reporting is a disclosure of adoption of responsible business practices by a company to all its stakeholders. It discloses the manner in which principles of responsible business are inculcated in the business structure and manner in which company has adopted the same.

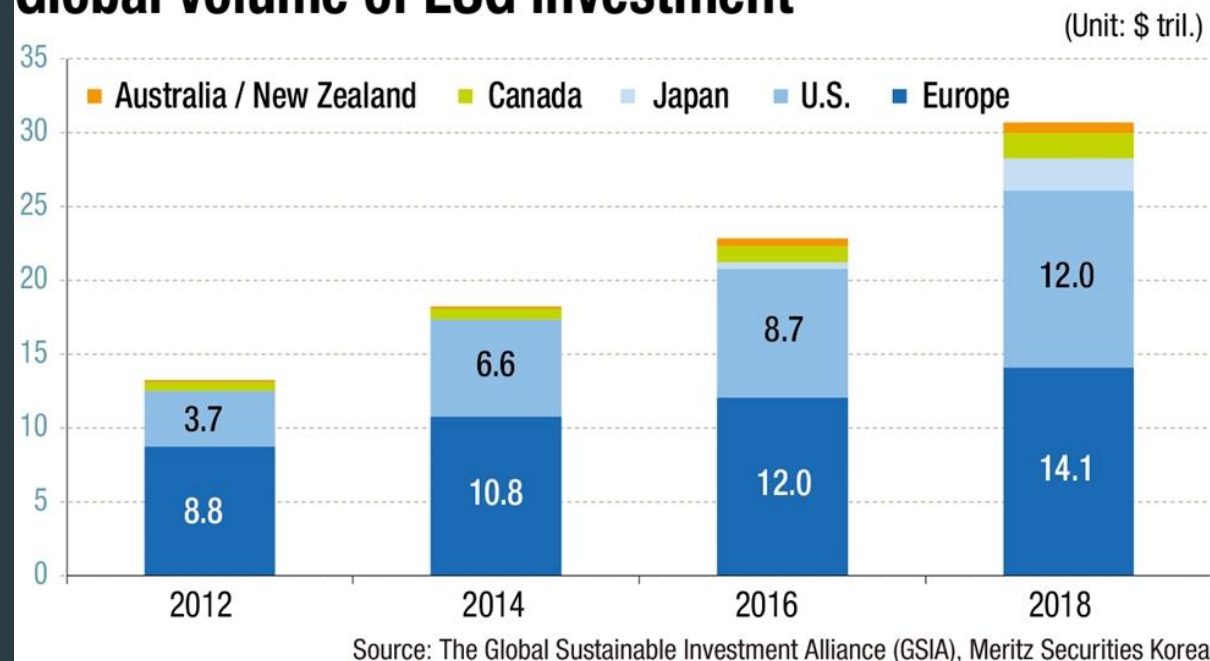


Non-financial, sustainability reporting provides an opportunity to businesses to communicate in an open and transparent way with stakeholders.



MCA formulated Committee for revising BRR formats for listed and unlisted entities proposed BRSR which is structured around disclosures on the 9 principles laid down by the National Guidelines on Responsible Business Conduct (NGRBCs).

Global volume of ESG investment

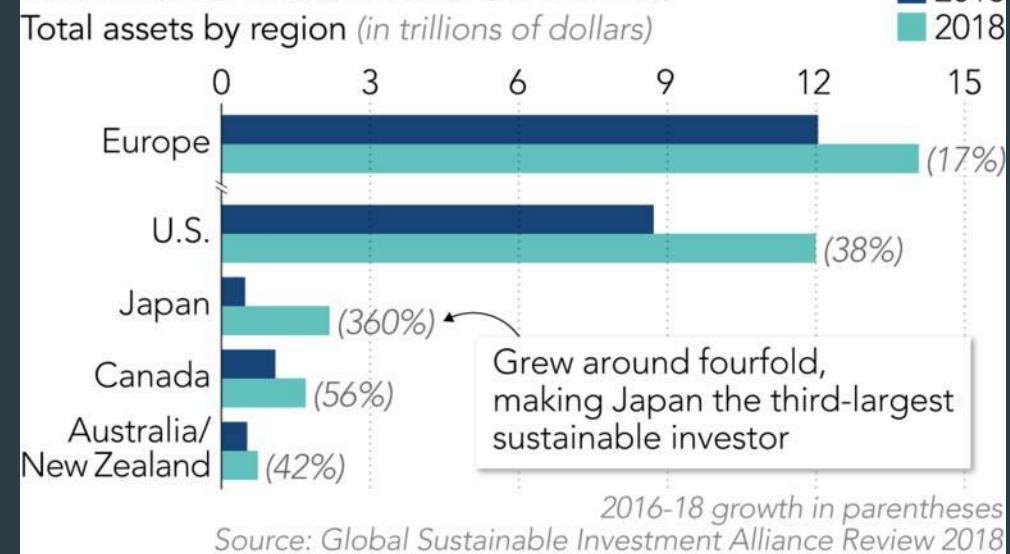


Funds in India contribute only around 0.05% of the global assets in sustainable funds. Out of the 8 ESG themed funds in India, 6 were launched in the calendar year 2020, thereby indicating the increasing focus on and appetite for sustainability investing.

- SEBI memorandum dated April 2021

According to the US SIF Foundation's 2018 biennial report, "sustainable, responsible and impact investing (SRI) assets now account for \$12.0 trillion of the \$46.6 trillion (approximately 25%) in total assets under professional management in the United States.

Sustainable investments on the rise



Journey of Corporate Responsible Reporting - 1/2

2009

- MCA issued the 'Voluntary Guidelines on Corporate Social Responsibility'.
- These guidelines laid down 6 core principles to be covered under the CSR policy.

2011

- MCA issued the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011' (NVGs)
- NVGs were a further refinement of Corporate Social Responsibility Voluntary Guidelines 2009.

2012

- SEBI introduces Business Responsibility Report (BRR)
- Considering the fact that listed entities have accessed funds from the public, have an element of public interest involved, and are obligated to make exhaustive continuous disclosures on a regular basis.

Journey of Corporate Responsible Reporting - 2/2

2015

- SEBI mandates top 500 listed entities to adopt BRR from FY 2015-16.

2019

- SEBI vide the gazette notification expanded the ambit of BRR to top 1000 listed entities from top 500 entities w.e.f. December 26, 2019 from the FY 2019-20 onwards.
- The same view was also endorsed by High Level Committee in their 2018 report which was published in August 2019.
- The process of revision of NVGs which had begun in 2015, resulted into the development of National Guidelines on Responsible Business Conduct (NGRBCs).

2021

- SEBI vide circular dated 10th May, 2021 introduced the format of BRSR and the guidance note to enable the companies to interpret the scope of disclosures.
- SEBI (Listing Obligation and Disclosure Requirements) (Second Amendment) Regulations, 2021, provided that top 1000 listed entities will be required to submit BRSR w.e.f. FY 2022-23 onwards.

International Guidelines and Principles - 1 / 6

1. United Nations Global Compact (UNGC)

- The United Nations Global Compact, established in 2000, is a voluntary initiative based on CEO commitments to implement universal sustainability principles and to support UN goals
- Companies are required to report along the ten principles enunciated in the areas of human rights, labour, environment, and corruption where the minimum standards for each have been defined.
- As a participant of UNGC, a company sets in motion changes to business operations so that the UN Global Compact and its Ten Principles become part of strategy, culture and day-to-day operations.
- The Communication on Progress (CoP) is a visible expression of the commitment to sustainability and stakeholders can view it on the company's profile page. Companies that fail to report or to meet the criteria over time may be removed from the initiative.

A statement by the Chief Executive expressing continued support for the UN Global Compact and renewing the participant's ongoing commitment to the initiative

A description of practical actions the company has taken or plans to take to implement the Ten Principles

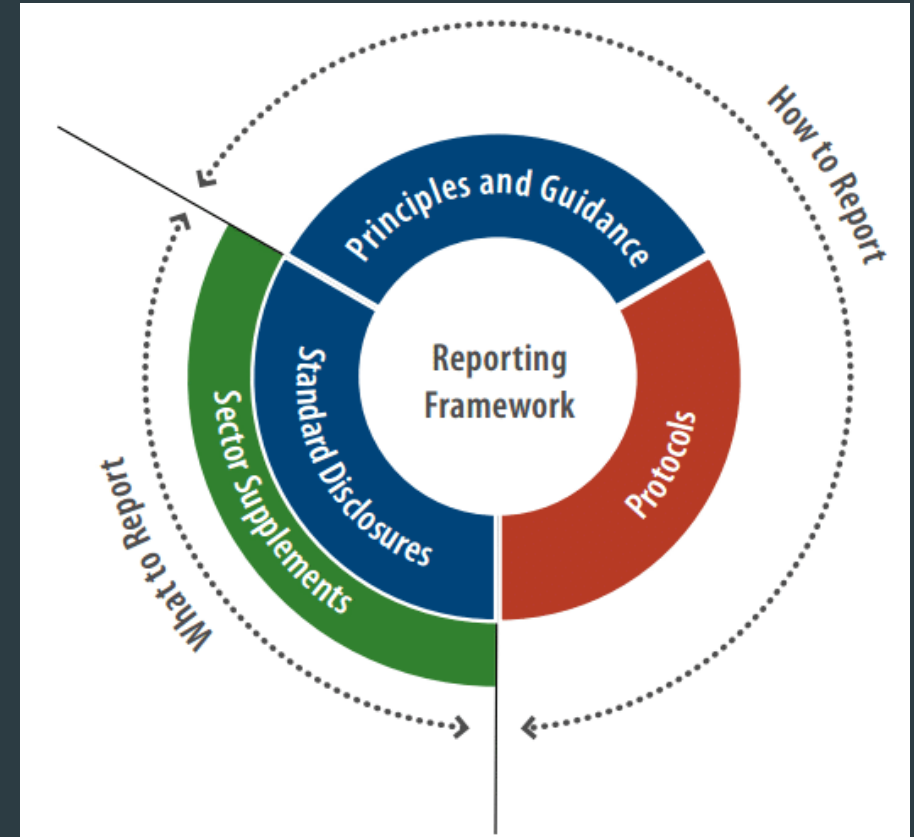
A measurement of outcomes

*Minimum requirements of
CoP*

International Guidelines and Principles - 2/6

2. Global Reporting Initiative (GRI)

- GRI is an independent international organisation whose framework is widely used by businesses and stakeholders to understand and communicate their impact on sustainability issues such as climate change, human rights, governance, and social well-being.
- The standards provide for qualitative and quantitative information disclosures under universal and specific standards. The universal standards seek information on general management parameters and specific standards enable reporting as per relevance to business operations.
- The GRI does not assess companies' conformity with its reporting guidelines.



Source: Sustainable Reporting as Important tool of Responsible Behaviour towards Stakeholders in conditions of Slovak Food Industry

International Guidelines and Principles - 3/6

3. Integrated Reporting (IR)

- The International Integrated Reporting Council (IIRC), established in the UK in 2010, has developed the framework which is a principle-based guidance for preparing an Integrated Report (IR).
- The IR does not prescribe standardised indicators, and companies are to develop their own standards.
- An IR provides insight on the resources and relationships used and affected by an organisation, which are referred to as “the capitals”
- Those responsible for the preparation and presentation of the integrated report therefore need to exercise judgement, given the specific circumstances of the organization, what would constitute material information.
- SEBI vide Circular dated February 6, 2017 had provided for voluntary adoption of IR by listed entities which are required to prepare BRR. It also stated that in case the relevant information has been provided in any other report the same may be referred to in order to avoid duplication.

- Available to an organization for use in the production of goods or the provision of services
- Obtained through financing

Financial



- Physical objects (not natural) used by organisation for production of goods or services
- Includes buildings, equipment, etc

Manufactured



- Patents, copyrights, softwares, etc
- ‘Organizational capital’ like systems, procedures, protocols

Intellectual



- People’s competencies, capabilities, experience, motivation to innovate
- Ability to understand, develop, implement organization’s strategy

Human



- Relationships within communities, groups of stakeholders and other networks
- Key stakeholder relationships, trust and willingness to engage external stakeholders

Social



- All renewable, non-renewable environmental resources
- Processes that provide goods or services that support the past, current and future prosperity of the organization

Natural



The 6 capitals provided under IR

International Guidelines and Principles - 4/6

4. Carbon Disclosure Project (CDP)

- Based in the UK, CDP represents a network of investors and purchasers that runs a disclosure system enabling companies, cities, states, and regions to measure and manage their climate change impacts.
- It collects data on water, climate, and forests, analyses it, ranks the same, and publishes the data online. It is an online dashboard where stakeholders may report and view impacts of entities.
- Scores are used as a means to incentivize companies, depicting their progress on a yearly basis.



Indian companies in highlight this year:	
Hindustan Zinc	A
Indusind Bank	A
Mahindra & Mahindra	A
Tech Mahindra	A
Godrej Consumer Products Limited	A-
Infosys Ltd.	A-
JSW Steel Ltd.	A-
Marico	A-
Mindtree Ltd.	A-
Tata Communications	A-
Tata Consultancy Services	A-
Tata Consumer Products	A-
Tata Motors	A-
Tata Steel	A-
Wipro	A-
YES BANK Limited	A

Source: CDP India Report 2020

International Guidelines and Principles - 5/6

5. ISO 26000

- It offers voluntary guidance, and not certification or standards, on social responsibility. It is based on seven principles and provides 37 issues that companies may choose to report on as per materiality.
- The standard suggests that the report should include, information about objectives and performance on the core subjects and relevant issues of social responsibility and achievements and shortfalls in performance of the organization and the way in which shortfalls will be addressed.
- Guidance on social responsibility urges that, at appropriate intervals, users should report on their performance on social responsibility to the stakeholders affected. The standard suggests that the report should include:
 - a. Information about objectives and performance on the core subjects and relevant issues of social responsibility
 - b. How and when stakeholders have been involved in the reporting
 - c. A fair and complete picture of performance, including achievements and shortfalls, and the way in which shortfalls will be addressed

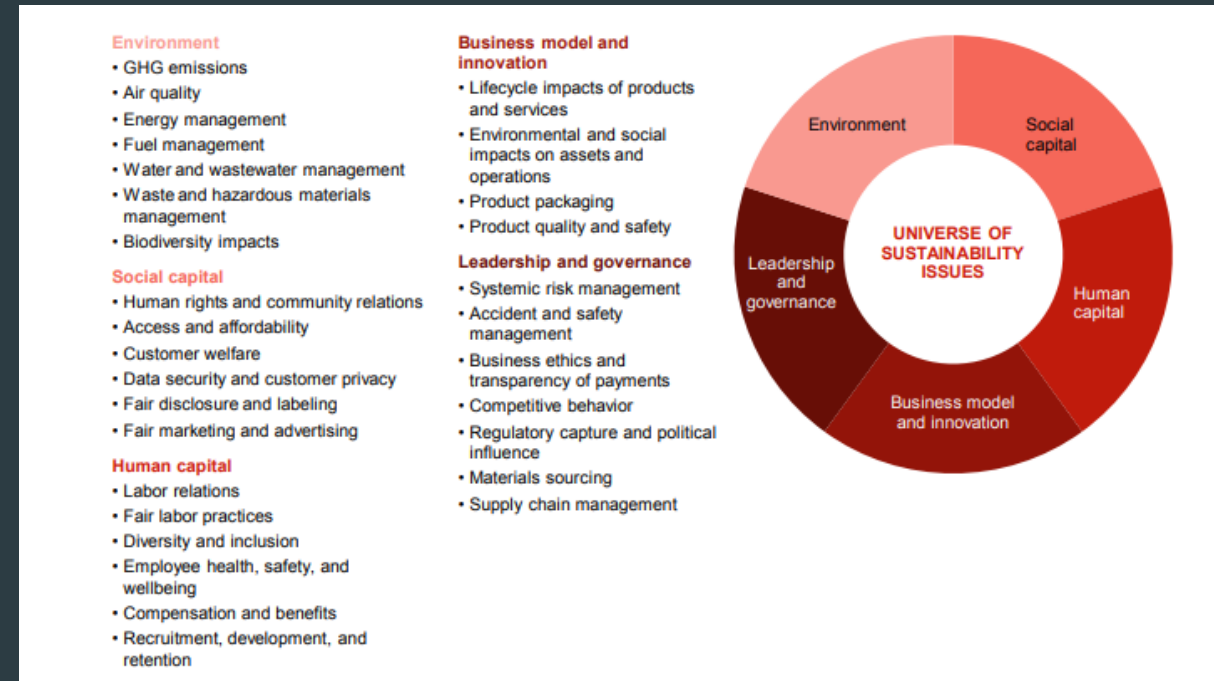


*The 7 core principles of ISO
26000*

International Guidelines and Principles - 6/6

6. Sustainability Accounting Standards Board (SASB)

- SASB is an independent non-profit organisation which provides 77 industry-specific standards. It assists public corporations in disclosing material, decision-useful information to investors.
- They are designed for voluntary use in disclosures required by existing US regulations in filings with the Securities and Exchange Commission (SEC).
- Because they focus on only those sustainability issues that are reasonably likely to have material impacts, SASB standards identify the minimum set of topics for consideration in each industry, the majority of which are already addressed in SEC filings by many public companies in some fashion.
- The SASB harmonizes its standards with existing metrics, definitions, frameworks, and management disclosure formats, both industry-specific and general, thereby minimizing the corporate reporting burden.



Source: SASB Conceptual Framework

Details of trends in reporting as per international frameworks

Sr. No.	Name of Company	Sector	Global Reporting Principles followed as per Sustainability Report
1	Reliance Industries Limited	Conglomerate	IR, UNGPs, UNGC, SDGs and GRI Standards
2	Larsen & Toubro	Conglomerate	IR, UNGC, SDGs and GRI Standards
3	Infosys Limited	Computers	UNGC, SDGs, CDP and GRI Standards
4	TCS	Computers	UNGC, CDP and GRI Standards
5	Ultratech Cement	Construction	UNGC, SDGs, CDP and GRI Standards
6	HCC	Construction	UNGC and GRI Standards
7	Tata Motors Limited	Automotive	UNGC, SDGs, CDP and GRI Standards
8	Maruti-Suzuki	Automotive	GRI Standards
9	Tata Steel	Metal products	IR, SDGs, CDP and GRI Standards
10	JSW Steel	Metal products	UNGC, SDGs and GRI Standards

Brief analysis of BRSR Framework

Section A: General Disclosures

- Basic information about the company - size, location, products, number of employees, CSR activities, etc.
- Additional disclosures on complaints received on any of the principles, overview of the entity's material business conduct issues.

Section B: Management & Process

- Information on policies and processes relating to the NGRBC Principles concerning leadership, governance, and stakeholder engagement
- Provide links to websites of the Company where these policies are available.

Section C: Principle-wise Performance

- The questions in this section have been divided into two categories:
- Essential (*Mandatory*)
- Leadership (*Voluntary responses*)

Principle 1 (P1): Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable

Essential Indicators



- ☐ Details of training/awareness programmes conducted during the year on any principles
- ☐ Details of fines/penalties/punishment paid to regulators/law enforcement agencies and details of directors
- ☐ Details and web-link of anti-bribery policy and details of any disciplinary action taken on directors/KMPs/employees/workers for charges of bribery
- ☐ Details of complaints regarding conflict of interest and corrective action taken in cases of corruption or conflict of interest

Leadership Indicators



- ☐ Details of awareness programmes conducted for value chain partners
- ☐ Details of policies in place to avoid or manage conflict of interest


GRI Standards

- Total number and percentage of operations assessed for risks related to corruption.
- Significant risks related to corruption identified through the risk assessment.


Principle 2 (P2): Businesses should provide goods and services in a manner that is sustainable and safe

Essential Indicators



 Details of to improve social & environmental impact of products and processes

 Details of sustainable sourcing


 Details of processes to safely reclaim products for reusing, recycling and disposing at the end of product life cycle


 Whether waste collection plan is in line with Extended Producer Responsibility (EPR)


Leadership Indicators



 Details of Life Cycle Assessment (LCA) conducted

 Details of significant social or environmental concerns or risks and actions taken

 Ratio of recycled material in the total material used

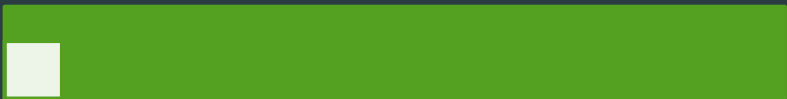
 Details of packaging used in reclaimed products and amount reused, reduced, recycled

GRI Standards

- How the data relating to reclaimed products and packaging material has been collected
- Organisation's significant actual and potential waste impact

Principle 3 (P3): Businesses should respect and promote the well-being of all employees, including those in their value chains

Essential Indicators



- ☐ Details of measures of well-being of employees and workers, retirement benefits
- ☐ Details of accessibility of workplaces and details of equal opportunity policy as per Rights of Persons with Disabilities Act, 2016
- ☐ Details of return to work and retention ratio of employees who have taken parental leave
- ☐ Mechanism to receive and redress grievances of employees
- ☐ Membership of employees or workers in associations/unions
- ☐ Details of training given, performance and career development of employees and workers
- ☐ Details of health and safety management systems, safety related incidents, measures taken

Leadership Indicators




- ☐ Whether life insurance/compensatory package given in the event of death
- ☐ Details of measures undertaken to ensure statutory dues have been deducted and deposited by value chain partners and details of assessment of value chain partners
- ☐ Details of employees who have suffered high consequence of work related injury/ill-health/fatalities
- ☐ Details of transition assistance to facilitate continued employment
- ☐ Details of corrective action undertaken to address risks/concerns arising from assessment of value chain partners


GRI Standards
<ul style="list-style-type: none">• Total new employee hires during the year• Details of employees that were entitled to parental leave• Details of notice to employees in case of operational changes that could affect them• Details of applicable legal requirements relating to occupational health and safety• Description of processes to investigate work-related incidents• Details of employees who received a regular career development review

Principle 4 (P4): Businesses should respect the interests of and be responsive to all its stakeholders

Essential Indicators





 Details of processes for identifying key stakeholders


 Frequency of engagement with each stakeholder group

Leadership Indicators



 Details of processes for consultation of stakeholders with the Board on economic, social and environmental topics and feedback provided to Board in case of delegation

 Details of instances where inputs received from stakeholders were incorporated into policies

 Details of instances of engagement with and actions taken to address concerns of marginalized stakeholder groups

GRI Standards

- Details of any incident of violation of rights of indigenous groups or local communities
- Percentage of operations implemented with local community engagement, impact assessment and/or development programmes

Principle 5 (P5): Businesses should respect and promote human rights

Essential Indicators



- ☐ Details of employees/workers who have been provided training on human rights issues and policies of the entity
- ☐ Details of minimum wages paid
- ☐ Details of median remuneration/salary/wages of the Board/KMP/employees/workers
- ☐ Mechanism to receive and redress grievances relating to human rights issues and details of number of complaints received
- ☐ Mechanism to prevent adverse consequences to the complainant
- ☐ Whether human rights form part of business agreements/contracts
- ☐ Details of assessments and corrective measures taken

Leadership Indicators



- ☐ Details of business processes being modified as a result of addressing complaints
- ☐ Details of scope and coverage of any human rights due-diligence conducted
- ☐ Whether the premise of the entity is accessible to differently abled persons as per Rights of Persons with Disabilities Act, 2016








GRI Standards

- Details of operations that are subject to human rights review
- Details of diversity in the workforce and the governance bodies
- Ratio of basic salary and remuneration of women to men for each employee category by significant location of operations
- Disclosures relating to freedom of association and collective bargaining

Principle 6 (P6): Businesses should respect and make efforts to protect and restore the environment








Essential Indicators



-  Details of total energy consumption and energy intensity
-  Details of any sites/facilities identified as designated consumers (DCs) under Performance Achieve and Trade (PAT) Scheme of GOI
-  Disclosure relating to withdrawal of water by source and details of Zero Liquid Discharge
-  Details of air emissions, greenhouse gas emissions, any project relating to reducing greenhouse gas emissions
-  Details relating to waste management practices
-  Details relating to approvals obtained in case operations/offices are around ecologically sensitive areas
-  Details of environment impact assessments and compliance with environment laws

Leadership Indicators



-  Details of breakup of energy consumed from renewable and non-renewable sources
-  Details relating to destination wise water discharge and treatment
-  Details of withdrawal, consumption, discharge in areas of water stress
-  Details of Scope 3 emissions
-  Details of significant direct or indirect impact on ecologically sensitive areas
-  Details of specific initiatives or innovative technology used to reduce environmental impact
-  Whether the entity has a business continuity and disaster management plan

GRI Standards


- Details of standards, methodologies used for calculation of energy consumption
- Details of reduction in energy requirements of products sold and services achieved
- Explanation of setting up of water-related goals and how it relates to public policy and local context
- Details of minimum standards set for quality of effluent discharge

Principle 7 (P7): Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent

Essential Indicators




 Details of affiliations with trade and industry chambers/associations

 Details of corrective action on any anti-competitive conduct by the entity based on adverse orders by regulatory authorities

Leadership Indicators



 Details of public positions advocated by the entity





GRI Standards

- Total monetary value of financial/non-financial political contributions made by the entity and details of how monetary value of in-kind contributions was calculated

Principle 8 (P8): Businesses should promote inclusive growth and equitable development






Essential Indicators



-  Details of Social Impact Assessment (SIA) of projects undertaken by the entity
-  Details of projects for which Rehabilitation and Resettlement (R&R) is being undertaken by the entity
-  Details of mechanisms to receive and redress grievances of the community
-  Percentage of input materials sourced from MSME/small producers and directly from within the district and neighbouring districts

Leadership Indicators



-  Further details of SIA of projects undertaken
-  Details of state, district, amount spent on CSR projects undertaken by the entity
-  Details of preferential procurement policy giving preference to suppliers from marginalized groups
-  Details of benefits derived from intellectual property based on traditional knowledge and details of corrective actions undertaken
-  Details of beneficiaries of CSR projects

GRI Standards

- Details of gender impact assessment
- Details of stakeholder engagement and stakeholder mapping
- Broad-based local community consultation committees and processes that include vulnerable groups
- Operations with adverse impact on local communities and formal local community grievance processes

Principle 9 (P9): Businesses should engage with and provide value to their consumers in a responsible manner

Essential Indicators



- ☐ Details of mechanisms for receiving and responding to consumer complaints and feedback
- ☐ Turnover of products that carry information about environmental and social parameters relevant to the product in relation to turnover of all products
- ☐ Number of consumer complaints received relating to data privacy, advertising, cyber-security, etc
- ☐ Details on product recalls on account of safety issues
- ☐ Details on framework on cyber security and risks related to data privacy and web link thereof
- ☐ Details of corrective actions on issues relating to cyber security and data privacy, re-occurrence of product recall, penalty levied if any

Leadership Indicators



- ☐ Details of channels/platforms where information of products can be accessed
- ☐ Steps taken to inform and educate consumers about safe and responsible usage of products
- ☐ Mechanisms to inform consumers of any risk of disruption/discontinuation of essential services
- ☐ Whether the entity display any product information over and above what is mandated by law
- ☐ Details of instances of data breaches along-with impact and percentage of data breaches involving personally identifiable information of customers

GRI Standards

- Percentage of product category for which health and safety impacts are assessed for improvement
- Details of instances of identified leaks, thefts, or losses of customer data

Gaps in the framework

Scoring

- Development of Business Responsibility-Sustainability Index
- May be used for benchmarking companies on each of the principles
- Accordingly scores may be assigned to the companies

Enhance guidelines

- Difficulty in verifying descriptive responses
- Detailed guidance on transparency and accuracy of disclosure is necessary
- Responses may be supported with case studies

Focus on material information

- Framework has a plethora of questions
- materiality of disclosures may get diluted information which is materially significant should be prominent

Benchmarking

- Based on the qualitative data submitted
- Data collected may be analysed and ratios may be developed
- Benchmarks enable better comparability.

Risk analysis

- Assessment of risk factors are required to be disclosed under certain principles
- However, the framework does not provide for disclosures pertaining to risk analysis of significant areas

External assurance

- Presently there is no such requirement
- The data disclosed by the company on the ESG principles is not verifiable
- certification by a third party evaluator enhances the reliability and transparency of disclosures

Additional disclosures and actionables pursuant to BRSR - 1/6

Section A - General Disclosures

<u>Quantitative Disclosures</u>	<u>Qualitative Disclosures</u>	<u>Actionables</u>
1. Details of business activity and contribution to turnover	1. Brief of types of consumers	1. Collation of additional quantitative data from various divisions
2. Details of products/services accounting for 90% of the entity's turnover	2. Details of a grievance redressal mechanism for various stakeholders including communities, investors other than shareholders, employees, value chain partners, etc.	2. Establishment of <i>stakeholder-wise</i> grievance redressal mechanism
3. Details of national and international locations and markets served	3. Details of material responsible business conduct issues as risk or opportunity to the entity and financial implications thereof	3. Identification of and rationale of segregating material responsible business conduct issues as risk or opportunity
4. Export contribution to turnover		
5. Category-wise details of employees and workmen including gender, ability/disability, female representation on the board and management		

Additional disclosures and actionables pursuant to BRSR - 2/6

Section C: Principle-wise quantitative data

P1	P2	P3	P5
<ul style="list-style-type: none">• Complaints on bribery/corruption• Disclosure of interest by directors• Details of training/awareness programs on principles• Meeting on responsible business conduct and sustainability with shareholders	<ul style="list-style-type: none">• Percentage of R&D and capital expenditure investments in specific technologies to improve the environmental and social impact of products and processes to total R&D and capex investments• Details of sourcing and input material including adhering with national and international standards, sourcing from MSME/small producers, etc• Proportion and quantity of recycled or reused input material to total raw material	<ul style="list-style-type: none">• Details of employees and workmen given equal to or more than minimum wages• Number of safety related incidents• Details of training to employees and workmen• Details of measures of well-being undertaken for employees and workmen• Percentage of association/union membership of employees and workmen• Details of assessment of plants/locations for child labour, sexual harassment, forced labour, etc	<ul style="list-style-type: none">• Details of training imparted to employees and workmen on human rights• Gender and other category wise details of remuneration/salary/wages to the board, KMPs, employees, workmen• Number of human rights complaints

Actionables:

P1: Designing of training programmes and selection of principles to be covered under the training programmes

P2: Formation of a sustainable sourcing policy

P2: Identifying and obtaining disclosures from suppliers compliant with principles identified by the entity

P5: Formulation of a documented policy or process for human rights review

Additional disclosures and actionables pursuant to BRSR - 3/6

Section C: Principle-wise quantitative data

Principle 6

- Unit-wise details of air and liquid emission
- Details of waste generation and management including quantity of hazardous waste, recyclable waste, non-biodegradable waste
- Carbon emission details for major products
- Ratio of renewable energy consumed to total energy
- Details of energy and water consumption

Principle 7

- Details of top 10 affiliation with associations
- Details of corrective action taken or underway on any issues based on adverse orders of regulatory authorities

Principle 8

- Percentage of beneficiaries from vulnerable and marginalised groups

Principle 9

- Percentage of products carrying information on environmental and social parameters, safe and responsible usage, recycling and safe disposal
- Number of consumer complaints in respect of data privacy, advertising, delivery of essential services, etc

Actionables:

P6: Implementation of an adaptive environment management system to review, prevent, mitigate adverse environmental effects

P6: Increase in use of renewable sourcing and identification of different methods of sourcing

P7: Identifying significant issues that would form focus of the entity's public policy development and lobbying

Additional disclosures and actionables pursuant to BRSR - 4/6

Section C: Principle-wise qualitative data

Principle 1

- Details of non-disputed fines/penalties available on public domain

Principle 2

- Processes to safely reclaim products for reusing, recycling and disposing
- Details of action taken to mitigate adverse environmental and social impacts in production and disposal

Principle 3

- Steps taken for making premises/offices more accessible to differently abled employees/workmen
- Details of grievance mechanism for specified category of employees and workmen
- Measures taken for safe and healthy work place
- Corrective action taken for children/adolescents/forced or involuntary labour

Principle 4

- Details of engagement with vulnerable and marginalized stakeholder groups

Principle 5

- Details of internal mechanism for addressing human rights
- Scope and coverage of human rights due diligence conducted including value chain

Additional disclosures and actionables pursuant to BRSR - 5/6

Section C: Principle-wise qualitative data

Principle 6

- Strategies w.r.t. resource scarcity, health pandemics, natural disasters
- Environmental risks identified and measures taken against it including solid waste management practices adopted, strategy for reducing usage of hazardous/toxic chemicals

Principle 7

- Details of adverse judicial or regulatory orders for anti-competitive conduct and corrective action taken against it

Principle 8

- Mechanism for receiving and redressing grievances of community and actions taken to mitigate negative social impact and cases of intellectual property

Principle 9

- Mechanisms in place to receive and respond to consumer complaints and feedback
- Channels where information on products and services of the company can be accessed
- Steps taken to educate consumers
- Corrective action taken in respect of complaints received on data privacy, advertising, etc

Additional disclosures and actionables pursuant to BRSR - 6/6

For companies already submitting the report

Provision of additional information under the BRSR framework

In case of reporting done as per any global reporting framework, appropriate mapping of data

For companies on whom BRR was previously not applicable

Adoption of Business Responsibility Policy or mapping of the principles with existing policies of the company

Imbibing the principles into the business structure

Designating a director responsible for implementation and oversight of the policy

Regular monitoring and oversight
