ESG & BRSR
CONCEPTUAL FRAMEWORK, SCOPE & OPPORTUNITIES

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ESG
SUSTAINABILITY
SOCIAL
GOVERNANCE
ENVIRONMENTAL

SCOPE, GAMUT AND CONCERNS OF ESG

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Greenhouse Gas (CHG) Emissions	Social Well-Being, Health, Security and Safety	Business Ethics and Ethical Standards
Climate Change	Working Conditions	Composition of Board, Board Process, Diversity and Governance
Water Management	Employee benefits	Structures of Board Committees
Recycling Process	Gender Diversity and Inclusion	Risk Management Systems
Deforestation	Respect of Human Rights	Stakeholder engagement
Emergency Preparedness and Disaster Management	Impact on Local communities	Anti-Corruption and Anti Bribery policies

TRIPLE BOTTOM LINE (TBL) ACCOUNTING

Source: https://blog.chainpoint.com/blog/triple-bottom-line-measuring-social-and-environmental-kpis

TRIPLE BOTTOM LINE (TBL) ACCOUNTING

It consists of three Ps: profit, people and planet

The phrase “the triple bottom line” was first coined in 1994 by John Elkington, the founder of a British consultancy called **SustainAbility**

The triple bottom line (TBL) is **an accounting framework that includes social, environmental and financial results as bottom lines**

TBL v ESG v SUSTAINABILITY

- TBL is an accounting and reporting framework having the 3 P's as its components – PEOPLE, PLANET AND PROFITS

TBL = Profits as per GAAP + Environment (E) & Social (S) benefits

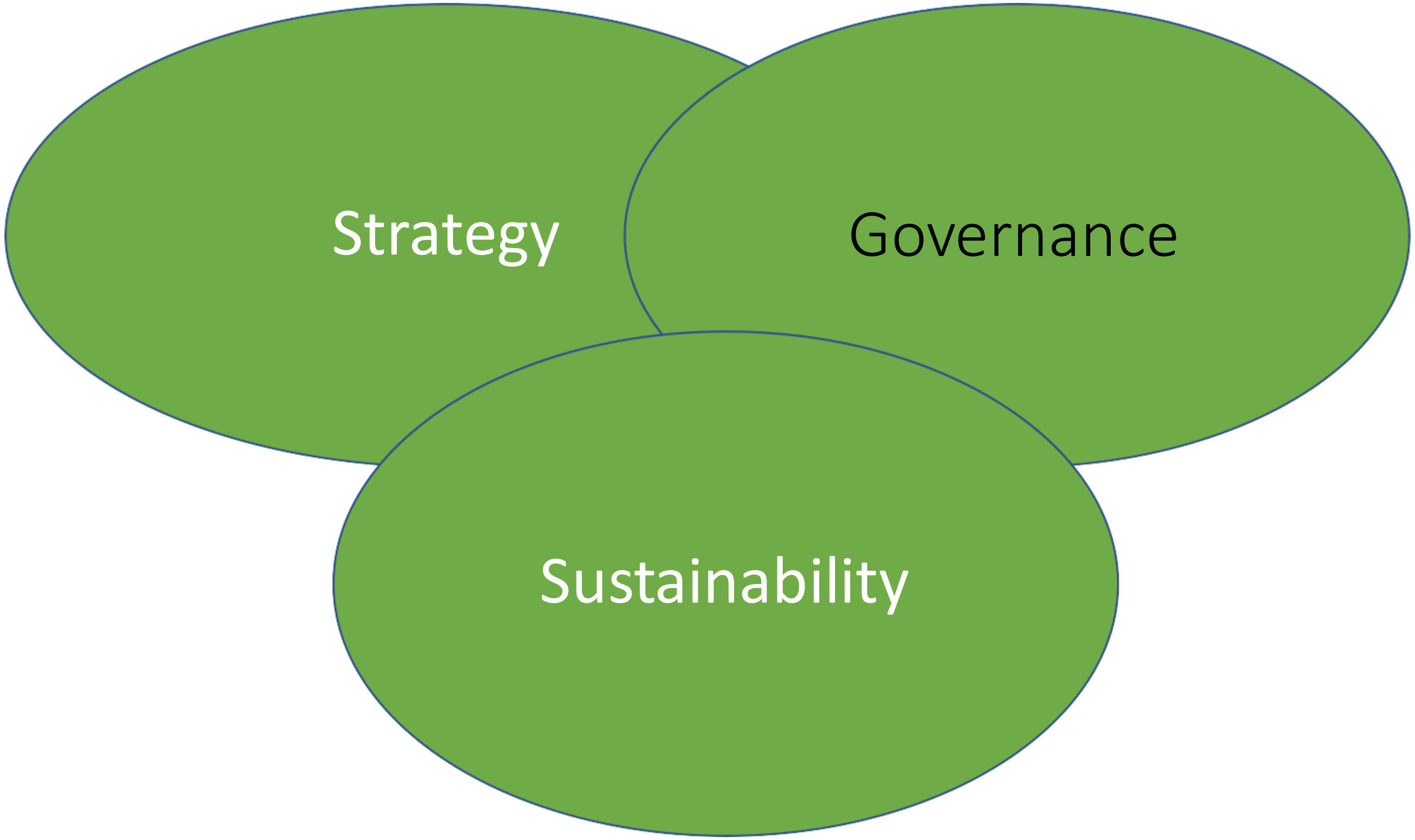
- ESG refers to a framework of responsible investing that considers Environmental (E), Social (S) and Governance (G) in addition to financial factors when making investment decisions.

ESG = E & S + Governance (G)

- Sustainable development is development that meets the needs of the present, without compromising the ability of future generations to meet their own needs

Sustainability = TBL + ESG

“Sustainable development refers to a mode of human development in which resource use aims to meet human needs while preserving the environment so that these needs can be met not only in the present, but also for the generations to come.” Dr. A P J Abdul Kalam, Former President of India


Strategy
Governance
Sustainability

SUSTAINABILITY CONCEPTS

ESG – THE PATHWAY TO SDG'S

- The 2015 Paris Climate Agreement - commitment from the 193 signatory countries to achieve reduction in the quantum of carbon emissions by 55 gigatons by 2030 at the COP-21.
- India is one of the 193 countries which has accepted the target to achieve the Sustainable Development Goals (SDG's) by 2030
- In the words of our Hon'ble Prime Minister, Shri Narendra Modi, referring to SDG's "These goals reflect our evolving understanding of the social, economic and environmental linkages that define our lives."

COP 26 – What was agreed

- Countries will meet next year to pledge further cuts to CO2 emissions in an attempt to keep temperature rise to within 1.5C.
- Commitment to reduce use of coal – India and China agreed to Phase Down rather than Phase Out. (Coal responsible for 40% of CO2 emissions)
- Pledge to increase money support to developing countries to switch to clean energy
- Agreement to phase out fossil fuel subsidies
- Agreement to cut 30% of methane emissions by 2030
- Most commitments made at COP-26 have to be self-monitored, barring a few countries which have made legally binding pledges
- COP 27 held in Egypt re-affirmed the commitments
- COP 28 scheduled at Dubai (30.11.2023 to 12.12.2023)

India and COP26

India's commitments:

- cut India's total projected carbon emission by 100 crore tonnes by 2030
- Meeting 50% of India's energy requirements from renewable energy by 2030 & increasing non-fossil fuel power generation capacity to 500 GW by end of this decade
- reduce the carbon intensity of the economy by less than 45% by the end of the decade
- Net zero carbon emissions by 2070

Implications for India arising out of ambitious targets: Opens up exciting investment opportunities across segments like

- renewables,
- the EV ecosystem,
- ethanol blending with petrol
- improvement in energy efficiencies and
- carbon capture technologies

Net Zero (Carbon Neutrality)

- “Net Zero” emissions refers to achieving an overall balance between greenhouse gas emissions produced and greenhouse gas emissions taken out of the atmosphere.
- Getting to net zero means we can still produce some emissions, as long as they are offset by processes that reduce greenhouse gases already in the atmosphere.
- The more emissions that are produced, the more carbon dioxide we need to remove from the atmosphere to reach Net Zero (referred to as “Sequestration”
- “Net Zero” is the first step to get to “Real Zero”
- The end goal is to balance the scales again, and restore the global climate to pre-climate change levels

Ethanol Blending

- Ethanol : a bio-fuel which is naturally produced by fermentation of sugar by yeasts or by petrochemical processes
- Ethanol is a less polluting fuel and equally efficient at a lower cost than Petrol.
- Ethanol is considered to be renewable fuel, made from various plant-based materials collectively known as Bio-Mass.
- India’s oil imports is currently 85% of its requirements
- Ethanol Blending contributes to huge forex savings, contributes to employment creation and reduces greenhouse effect
- The negative aspect is possible spike in food prices (corn the RM is a food product), increased water requirements and consumes a lot of heat in distillation process
- India’s target - 20% ethanol blending by 2025

THE 17 SDG'S

SDG	Environment	Social	Governance	SDG	Environment	Social	Governance
1 No Poverty		*		10 Reduced Inequality		*	
2 Zero Hunger		*		11 Sustainable cities and Community	*		*
3 Good Health / Well Being		*		12Responsible Consumption & Production	*	*	*
4 Quality Education		*		13 Climate Action	*		*
5 Gender Equality		*	*	14 Life Below Water	*		
6Clean Water & Sanitation	*	*		15 Life on Land	*		
7Affordable & Clean Energy	*			16 Peace and Justice Strong Institutions		*	*
8Decent Work & Economic Growth		*	*	17 Partnership to achieve Goals			*
9Industry, Innovation & Infrastructure	*	*	*	Total 1 to 17	8	11	8

GLOBAL ACHIEVEMENT OF SDG'S - 2023

RANK	COUNTRY	SCORE	RANK	COUNTRY	SCORE
1	FINLAND	86.76	7	NORWAY	82.00
2	SWEDEN	85.98	8	CZECHIA	81.87
3	DENMARK	85.68	9	POLAND	81.80
4	GERMANY	83.36	10	ESTONIA	81.68
5	AUSTRIA	82.28	11	UNITED KINGDOM	81.65
6	FRANCE	82.05	12	CROATIA	81.50

U.S.A. ranks 39 with a score of 75.91
India ranks 112 with a score of 63.45
(up 9 places from rank 121 in 2021)

Source: https://dashboards.sdgindex.org/rankings

INDIA'S PROGRESS IN SDG'S – SDG INDIA INDEX 2020-21

TOP SEVEN STATES			BOTTOM SEVEN STATES		
RANK	STATE	SCORE	RANK	STATE	SCORE
1	Kerala	75	BOTTOM	Bihar	52
2	Tamil Nadu	74	BOTTOM+1	Jharkhand	56
3	Himachal Pradesh	74	BOTTOM+2	Assam	57
4	Andhra Pradesh	72	BOTTOM+3	Uttar Pradesh	60
5	Uttarakhand	72	BOTTOM+4	Arunachal Pradesh	60
6	Goa	72	BOTTOM+5	Meghalaya	60
7	Karnataka	72	BOTTOM+6	Rajasthan	60

Top 2 UT's - Chandigarh (79), Puduchery (68)

INDIA SCORE - 66

Source: https://www.niti.gov.in/reports-sdg

ESG – GLOBAL SCENARIO

- Asset managers globally are expected to increase their ESG-related assets under management (AuM) to US$33.9tn by 2026, from US$18.4tn in 2021. With a projected compound annual growth rate (CAGR) of 12.9%, ESG assets are on pace to constitute 21.5% of total global AuM in less than 5 years.*(Source: https://www.pwc.com/gx/en/news-room/press-releases/2022/awm-revolution-2022-report.html)*
- Some of the lesser known countries such as Japan, Botswana, Norway, Trinidad & Tobago, Jamaica and other Carribean nations have taken significant steps towards implementation of ESG initiatives.
- In U.S.A, the SEC has in March 2022 proposed some new rules as well as carried out certain amendments with enhanced disclosures
- The European Union (EU) has come out with new rules on Corporate Sustainability Reporting entitled "The Corporate Sustainability Reporting Drive (CSRD)" on January 5, 2023. Approximately 50,000 large companies in the EU will be covered by these new rules
- The UK in April 2022 enacted two mandatory ESG disclosure laws namely a) The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 and b) The Limited Liability Partnerships (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 requiring certain companies based on thresholds of no. of employees (500) / Turnover (£ 500 million) to give disclosures

ESG SCENARIO - INDIA

- Growth of ESG assets in India ---→ 22% since their launch in India in 2006
- Nifty 100 ESG Index has outperformed its parent Nifty 100 across multiple timeframes
- Nifty 100 ESG Index also outperformed Nifty 50 generating higher 5 year returns in 2020 (Nifty 100 ESG → 10.80% CAGR v Nifty 50 -> 8.99% CAGR)
- By March 2021, net inflows into six ESG funds including Aditya Birla Sun Life, Axis Mutual Fund and ICICI Prudential were close to Rs. 678 Crores, compared to a mere Rs. 68 Crores in March 2020

(https://www.moneycontrol.com/news/business/personal-finance/esg-mutual-funds-all-set-for-higher-inflows-and-greater-investor-interest-7621861.html)

GLOBAL ESG FRAMEWORK

- **Global Reporting Initiative (GRI)**
- **Value Reporting Foundation (VRF)**
- **SASB-Sustainability and Accounting Standard Boards**
- CDP-Carbon Disclosure Project
- TCFD-Task Force on Climate-related Financial Disclosures
- Climate Disclosure Standards Board
- UN Principles for Responsible Investment(PRI)
- UN Sustainable Development Goals (SDG)
- **International Sustainability Standards Board (ISSB)**

OVERVIEW OF GRI AND VALUE REPORTING FOUNDATION (VRF)

ABOUT GRI AND WHAT IT IS

- GRI stands for “Global Reporting Initiative”
- An international independent standards organization headquartered in Amsterdam, Netherlands

    -helps businesses, governments and other organizations understand and communicate their impacts

    -on issues such as climate change, human rights and corruption.
- About 100 countries use the GRI guidelines.
- The GRI Standards

    - A modular system of interconnected standards.

    - Allows organizations to publicly report the impacts of their activities

    - Global common language to communicate those impacts

STRUCTURE OF GRI STANDARDS

- **Universal Standards**
  - *GRI 1 (Foundation Standards)*: outlines the purpose, clarifies critical concepts and explains how to use the standards. Also specifies the principles – such as accuracy, balance, verifiability
  - *GRI 2 (General Disclosures)*: details about organisation's structure, reporting practices, activities, workers, governance, strategy, policies, practices and stakeholder engagements
  - *GRI 3 (Material Topics)* : Determination of the topics most relevant to its impacts, process for determining its material topics and how these are managed.
- **Sector Standards:** Being developed for about 40 sectors
- **Topic Standards:** 33 topic standards e.g. waste, occupational health, safety – Overview of topic and how an organisation manages its associated impact

VALUE REPORTING FOUNDATION - VRF

- VRF is a global non-profit organization that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value - how it is created, preserved and eroded
- VRF offers 3 different resources as under: -
  - *Integrated Thinking Principles*, which are useful inputs for Board strategy as well as management planning and decision making;
  - *Integrated Reporting Framework* (estimated to be used by 75 countries), which provides valuable guidance based on principles for comprehensive ESG reporting and
  - *Sustainable Accounting Standards Board (SASB),* which has evolved 77 industry-specific standards that help in identifying the subset of ESG issues most relevant to financial performance in each industry so that the integrated reporting can provide valuable insights into various sustainability issues from the point of view of investors.

INTERNATIONAL SUSTAINABILITY STANDARDS BOARD (ISSB)

IFRS S1 AND S2

About ISSB

- The International Sustainability Standards Board (ISSB) is an independent, private-sector body that develops and approves IFRS Sustainability Disclosure Standards (IFRS SDS).
- The ISSB operates under the oversight of the IFRS Foundation.
- The ISSB was formed in 2021 following two consultations on
  - the demand for global sustainability standards and
  - what role the Foundation might play in the development of such standards
- The ISSB released its first two International Sustainability Disclosure Standards (IFRS SDS or the Standards) that become effective for periods beginning on or after 1 January 2024 - IFRS S1 and IFRS S2
- The ISSB brings together the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation (VRF)

IRFS S1

- The main objective of this Standard is to require disclosure of all information about sustainability-related risks and opportunities that could reasonably be expected to affect a company’s prospects.
- S1 provides the basic requirements for sustainability disclosures which should be used with S2 and the future standards to be released.
- S1
  - Requires disclosure of material information about sustainability related risks and opportunities;
  - Requires Industry specific disclosures with reference to industry-based SASB standards
  - Refers to sources to help companies identify sustainability-related risks and opportunities and information (other than those in the scope of S2 – climate related disclosures)
  - Requires disclosures that enable investors to understand the connections between the sustainability-related risks and opportunities and the sustainability-related financial disclosures and financial statements.
  - Is GAAP agnostic

IFRS S2

- IFRS S2 has been developed to capture climate-specific requirements which includes:
  - Strategy disclosures that distinguish between physical and transitional risks
  - Disclosure of their plans to respond to climate-related risks and opportunities,
  - Disclosure of how climate-related targets are set as also any targets it is required to meet under the prevailing law / regulation
  - Details of scenario analysis conducted by the companies to explain how various climate-related events may impact the business in the future
  - Climate-related metrics and target disclosures dealing with
    - ❑ GHG emissions (Scope 1, Scope 2 and Scope 3)
    - ❑ Industry based metrics relevant to the Company
    - ❑ Company specific metrics considered by the board or management when measuring progress towards set targets

BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORTING (BRSR)

Significant Benefits – BRSR & ESG

- Helpful for investors to make better & informed investment decisions
- Helps more meaningful engagement with stakeholders
- Helps to look beyond financials and focus on social and environmental impacts in addition to financial performance
- Helps to develop a much better sustainable long-term strategy
- Helps to create Brand image
- Facilitate larger investments into companies with higher ESG metrics.
- Better employees' retention and engagement through pursuit of ESG initiatives.
- Opportunity to establish or streamline internal systems and processes
- Identifying and assessing sustainability related risks and opportunities
- BRSR - A standardised format to assess one's performance across peers, industries or even complementing sectors
- Reducing the consumption of the resources that are part of the value chain reduces the direct operating costs. However, it might first take an investment in changing the way product or services are produced to achieve this cost reduction.

Implementation of BRSR – Skillsets for Directors

It is necessary for the professionals to impress upon the Board of Directors and the committees thereof that all Board and Committee members should have:

- sustainability skills and knowledge - basic awareness of sustainability and how it affects the organization;
- basic understanding of what is ESG and Corporate Sustainability;
- ability to identify at a high level, the most material sustainability impacts of and on the organization, its value chain, industry and operating context;
- knowledge of key stakeholders and their priorities and issues;
- understanding of how poor ESG / sustainability performance can create reputational and other risks;
- ability to articulate how ESG / sustainability relates to the purpose and strategy of the organization;
- understanding of sustainability trends generally and as they affect the industry and their impact on the economy; and
- knowledge of the company’s business case for sustainability, including how ESG / Sustainability initiatives can contribute to long-term value creation such as the ability to attract and retain talent and stimulate innovation.

Implementation of BRSR – Role of Governance Professional

- Determine and implement amendments to governing documents, processes and structures to incorporate ESG / BRSR oversight roles for the Board and correspondingly ensure that managers, executives and key employees understand the emerging trends in ESG
- Ensure that the Board regularly reviews, updates and monitors compliance with ESG policies
- Include sufficient time for discussions in the agenda of the relevant committees / Board
- Ensure that minutes of the Board / relevant committee documents the discussion on ESG, sustainability and other stakeholder related issues
- Development and communication of the strategy for ESG / sustainability initiatives and recommendations relating to them and link them to the Board processes.
- Initiate activities leading to increased stakeholder awareness about the benefits of ESG strategy.
- Participate in and co-ordinate the process of setting sustainability goals, targets and KPI's including development of the methodology to be followed for measurement of the actual performance on ESG and sustainability initiatives.
- Evaluate ESG & sustainability risks that impact the long term competitiveness of the business.
- Collaborate with the committees of the Board and the divisions / segments of the business on ESG and sustainability initiatives and risks.

BACKGROUND OF BRSR

- Business Responsibility Reporting (BRR), which was prescribed to be effective from the Financial Years Ending on or after 31st December, 2012 for 100 listed entities initially is currently applicable mandatorily to Top 1000 Listed Entities by Market Capitalisation for FY ended 31st March, 2022.
- SEBI vide Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 dated 10th May 2021 replaced the earlier **BRR** with the new Business Responsibility and Sustainability Report ("**BRSR**").
- Applicable to the top 1000 listed companies by market capitalisation and is mandatory for the financial year 2022-23 i.e., from 1st April 2022.
- BRSR pertains to their performance against the nine principles of the "National Guidelines on Responsible Business Conduct".

BACKGROUND – BRR AND BRSR (Continued)

- Reporting under each principle is divided into essential indicators and leadership indicators.
- The essential indicators are required to be reported on a mandatory basis while the reporting of leadership indicators is voluntary
- BRSR format is intended towards having quantitative and standardized disclosures on ESG parameters to enable comparability across companies, sectors and time
- Listed Entities already preparing and disclosing sustainability reports based on internationally accepted reporting frameworks (such as GRI, SASB, TCFD or Integrated Reporting) may cross-reference the disclosures made under such framework to the disclosures sought under the BRSR.
- Significant Benefits of BRSR through structured ESG initiatives

FORMAT OF BRSR REPORT

The BRSR Report is divided into 3 Sections: -

- Section A - General Disclosures
- Section B - Management and Process Disclosures
- Section C – Principles wise Performance Disclosures

In addition to prescribing the format of the BRSR report, SEBI has also prescribed a guidance note to enable the companies to interpret the scope of disclosures

The BRSR reporting framework lays far greater emphasis on sustainability initiatives and their disclosures by the listed entity than any existing reporting framework.

Section A – General Disclosures

Under this section, the detailed disclosures are prescribed for the following: -

- Details of the Listed Entity (AI – 1 to 12)
- Reporting Boundary – Standalone or Consolidated (A1 - 13)
- Name of Assurance Provider & Type of Assurance Provided (A I – 14 & 15)
- Details of Business Activities and Products / Services constituting 90% (AII – 16 & 17)
- Operations (A II – 18) – National and International – No. of plants and Offices
- Markets served (AII – 19) – National (No. of States) & International (No. of Countries), Exports as a % of Total Turnover and a brief write-up on types of customers
- Employees (AII – 20) – Employees/workers, Male/Female, Permanent / Other than Permanent, Differently Abled as a % of total
- Participation of Women (AII – 21) in Board and KMP
- Turnover Rate (AII – 22)
- Holding, Subsidiary and Associate Companies (including Joint Ventures) (AII – 23)
- CSR Details (AII – 24)
- Transparency and Disclosures Compliances ………>

Section A – General Disclosures (Continued)

Transparency and Disclosures Compliances (AII – 25)

Complaints / Grievances on any of the principles from the stakeholders viz.

- Communities
- Investors (other than shareholders)
- Shareholders
- Employees and Workers
- Customers
- Value Chain Partners
- Others (Pls Specify)

Stating whether Redressal mechanism is in place and if so, give web-link and

Data relating to complaints for CY and PY in terms of:

- No. of complaints received from each stakeholder category
- No. of complaints pending resolution with respect to each stakeholder category

Section A – General Disclosures (Continued)

- **Overview of the entity's material responsible business conduct issues (A – II 26)**

Material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity to your business, rationale for identifying the same, approach to adapt or mitigate the risk along-with its financial implications giving following details: -

- Material Issue Identified
- Rationale for identifying the risk / opportunity arising out of each such identified issue
- In case of risk approach to adapt or mitigate with respect to each such identified issue
- Financial implications of the risk or opportunity (Indicate positive or negative implications)

SECTION B – MANAGEMENT AND PROCESS DISCLOSURES

- This section deals with the management approach towards NGRBC (National Guidelines for Responsible Business Conduct 2018), which can be regarded as the foundation of the BRSR reporting.
- Management's Role to ensure:
  - Preparation of policies for each of the nine principles
  - Policies should be aligned to the business processes
  - Setting concrete goals within specific timelines
  - Review of the Performance against the Principles
- Addressing ESG matters affecting business conduct along the following lines:

Challenges →	ESG issues arising out of the operations & activities of the entity
Targets →	Steps required to be taken to overcome the hurdles and challenges
Achievements →	Quantification of the positive impacts of the entity's activities on ESG matters

SECTION B – MANAGEMENT AND PROCESS DISCLOSURES (CONTD.)

Policy and Management Process

- Aimed at helping businesses demonstrate the structures, policies and processes put in place towards adopting the NGRBC principles (9 Principles) and core elements – Answer Yes / No
- Policy and Management processes
  - Translation of policies into procedures (Yes/No)
  - Extension of policies to value chain partners (Yes/No)
- Details of national & international codes / certifications / labels / standards adopted by the entity and mapped to each principle
- Specific commitments, goals and targets set by the entity, if any along-with performance against the goals & targets along with reasons if not achieved
- Statement by director responsible for the report to highlight ESG issues

SECTION B – MANAGEMENT AND PROCESS DISCLOSURES (CONTD.)

Governance, Leadership and Oversight

- Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies)
- Does the entity have a specified Committee of the Board/ Director responsible for decision making on sustainability related issues? (Yes / No)
- Details of review of performance against laid down policies, follow-up action, frequency with respect to each of the NGRBC principles and also rectification of non compliances vis a vis statutory requirements relevant to the principles
- Any independent assessment / evaluation of the working of its policies carried out by an external agency? If so give name of the agency

THE NINE BRSR PRINCIPLES AND MAPPING WITH THE SDGs

THE NINE PRINCIPLES

1. Businesses should conduct and govern themselves with integrity in a manner that is ethical, transparent and accountable.
2. Businesses should provide goods and services in a manner that is sustainable and safe
3. Businesses should respect and promote the well-being of all employees, including those in their value chains.
4. Businesses should respect the interests of and be responsive to all their stakeholders
5. Businesses should respect and promote human rights.
6. Businesses should respect and make efforts to protect and restore the environment.
7. Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.
8. Businesses should promote inclusive growth and equitable development.
9. Businesses should engage with and provide value to their consumers in a responsible manner

Mapping of SDGs with Principles

SDG No.										
1	No poverty									
2	Zero Hunger									
3	Good Health & Well being									
4	Quality Education									
5	Gender Equality									
6	Clean Water/ Sanitation									

Mapping of SDGs with Principles (Continued)

SDG No.										
7	Affordable & Clean Energy									
8	Decent Work & Economic growth									
9	Industry, Innovation & Infrastructure									
10	Reduced Inequalities									
11	Sustainable Cities & Communities									

Mapping of SDGs with Principles (Continued)

SDG No.										
12	Responsible Cons. & Production									
13	Climate Action									
14	Life below water									
15	Life on Land									
16	Peace, Justice and Strong Institutions									
17	Partnership for the goals									

PRINCIPLE-WISE PERFORMANCE DISCLOSURES

Businesses should conduct and govern themselves with integrity in a manner that is ethical, transparent and accountable. (Principle 1)

Essential Indicators	Leadership Indicators
• Details of training programmes for Directors, KMP's, Employees other than directors and workers • Details of fines /penalties /punishment /award /compounding/settlement paid by the entity or KMP's on the basis of Materiality disclosures (Regulation 30 of LODR) and as per entity's website and appeals against the same, if any • Anti-Corruption/ Anti Bribery Policies. If yes, details in brief and web-link to the policy • No. of directors/employees/KMP's against whom disciplinary action is taken • No. of Complaints against Directors / KMP w.r.t conflict of interest • Details of corrective action taken or underway taken w.r.t above	• Details of awareness programmes conducted for value chain partners mapping the same with principles along with % of value chain partners covered in terms of business done with them • Processes in place to avoid / manage conflicts of interests involving members of the Board. If yes, give details

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

Essential Indicators	Leadership Indicators
• % of R&D and Capex in specific technologies to improve E&S impacts of products and processes • Whether procedures are in place for sustainable sourcing and if yes, % of inputs sourced sustainably • Describe the processes in place to safely reclaim your products for reusing, recycling and disposing at the end of life • Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.	• Details of Life Cycle Perspective / Assessments (LCA) for any of its products (for manufacturing industry) or for its services (for service industry), if conducted • Brief description of any significant social or environmental concerns and/or risks arising from production or disposal of your products / services, as identified in the Life Cycle Perspective / LCA or through any other means • % of recycled / reused input material to total material (by value) used in production or providing services. • Qty in M.T. of reused, recycled, and safely disposed materials at the end of life of the products classified as Plastics, E-Waste, Hazardous Waste and other waste • Reclaimed products and their packaging materials (as %of products sold) for each product category.

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

Essential Indicators

1	**Details of measures for well being of employees and workers separately giving details for Permanent & Other than Permanent employees w.r.t. Health Insurance, Accident Insurance, Maternity Benefits and Day Care facilities for Male and Female employees**
2	Details of retirement benefits for employees and workers – PF, ESIC, Gratuity and Others
3	Are the premises / offices of the entity accessible to differently abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard
4	Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy.

Leadership Indicators

1	Does the entity extend any life insurance or any compensatory package in the event of death of (A) Employees (Y/N) (B) Workers (Y/N).
2	Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners
4	Does the entity provide transition assistance programs to facilitate continued employability and the management of career endings resulting from retirement or termination of employment? ***(Yes/ No)***

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

Essential Indicators

5	Return to work and Retention rates of permanent employees and workers that took parental leave – No. & % - Male and Female
6	Is there mechanism available to receive and redress grievances for the following categories of employees and worker? If yes, give details of the mechanism in brief w.r.t. Permanent Workers, Other than Permanent Workers, Permanent Employees and Other than Permanent employees
7	Membership of employees and workers in association(s) or Unions recognised by the listed entity – Permanent / Others ; Male and Female - CY and PY
8	Details of training given to employees and workers (separately for male & female) - On Health & Safety measures - On Skill upgradation

Leadership Indicators

5	Details on assessment of value chain partners on Health & Safety Practices and Working Conditions
6	Provide details of any corrective actions taken or underway to address significant risks / concerns arising from assessments of health and safety practices and working conditions of value chain partners.

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

Essential Indicators

9	Details of performance and career development reviews of employees and worker (% to Total also Male and Female – CY and PY)
10	Health and Safety Management system – Whether implemented by the entity ? If so details of the coverage of the system • Processes used to identify work-related hazards & assess risks on a routine & non-routine basis • processes for workers to report the work related hazards and to remove themselves from such risks • Access to non-occupational medical and healthcare services ? (Yes /No)
11	Details of Safety related incidents and their analysis for workers and employees - Lost time Injury Frequency Rate (LIFR) - Total Recordable work-related injuries - No. of fatalities - Other High consequence injuries or ill health

Leadership Indicators

3	Provide the number of employees / workers having suffered high consequence work-related injury / ill-health / fatalities who have been are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment – giving details of total affected employees / workers and total rehabilitated employees / workers (connected to Q 11)

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

Essential Indicators

12	**Describe the measures taken by the entity to ensure a safe and healthy work place.**
13	No. of complaints filed by the employees and workers w.r.t. working conditions and Health & Safety and no. pending as the end of the year (CY and PY)
14	Details of plants and offices that were assessed during the year w.r.t. Health & Safety Practices and Working conditions by entity or statutory authorities or third parties
15	Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of health & safety practices and working conditions.

Businesses should respect the interests of and be responsive to all their stakeholders. **(Principle 4)**

Essential Indicators	Leadership Indicators
• Describe the processes for identifying key stakeholder groups of the entity • List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group. • For each group indicate whether marginalised or vulnerable; channels of communication and the purpose of engagement including key topics and concerns raised during such engagement.	• Provide the processes for consultation between stakeholders and the Board on economic, environmental, and social topics or if consultation is delegated, how is feedback from such consultations provided to the Board. • Whether stakeholder consultation is used to support the identification and management of environmental, and social topics (Yes / No). If so, provide details of instances as to how the inputs received from stakeholders on these topics were incorporated into policies and activities of the entity. • Provide details of instances of engagement with, and actions taken to, address the concerns of vulnerable/ marginalized stakeholder groups.

Businesses should respect and promote human rights. **(Principle 5)**

Essential Indicators

1. Details of employees and workers who have been provided training on human rights issues and policies of the entity – Permanent and Others – CY and PY
2. Details of wages paid to employees – Male and Female – Equal to & More than Minimum Wage – CY and PY
3. Details of Median remuneration – Board of Directors, KMP, Employees other than Directors/KMP and Workers – Male & Female separately
4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? **(Yes/No)**
5. Describe the internal mechanisms in place to redress grievances related to human rights issues.

Leadership Indicators

1. Details of a business process being modified / introduced as a result of addressing human rights grievances/complaints.
2. Details of the scope and coverage of any Human rights due-diligence conducted.
3. Is the premise/office of the entity accessible to differently abled visitors, as per the requirements of the Rights of Persons with Disabilities Act, 2016?

Businesses should respect and promote human rights. **(Principle 5) - Continued**

Essential Indicators

6.No. of Complaints made by employees and workers and pending as at the end of the year (CY and PY)

- Sexual Harassment
- Discrimination at work place
- Child Labour
- Forced Labour / Involuntary Labour
- Wages
- Other human rights related issues

7.Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.

8.Do human rights requirements form part of your business agreements and contracts? **(Yes/No)**

9.Assessments made for the year with respect to items listed in 6) above as % of plants and offices of the entity by the entity itself or statutory authorities or third parties.

10.Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 9 above

Leadership Indicators

4. Details on assessment of Value Chain Partners by % of value chain partners that were assessed (value of business done)

- Sexual Harassment
- Discrimination at work place
- Child Labour
- Forced Labour / Involuntary Labour
- Wages
- Others

5. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 4 above

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Businesses should respect and make efforts to protect and restore the environment. **(Principle 6)**

Essential Indicators

1. Details of energy consumption (in Joules) and energy intensity per rupee of turnover (CY and PY)
2. Sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the GOI. Targets set under PAT scheme if not achieved, remedial action.
3. Details relating to water withdrawal and water intensity per rupee turnover
4. Has entity implemented a mechanism for Zero discharge? If yes provide details of its coverage and implementation
5. Details of air emissions (other than GHG emissions) by the entity – basically air pollutants

For 1,3 and 5 above, indicate if any independent assessment has been carried out by an external agency. If yes, name of the external agency

Leadership Indicators

1. Break-Up of Energy Consumption from renewable and non-renewable sources
2. Details relating to water discharges to –
   - Surface water
   - Ground water
   - Sea water
   - Third parties
   - Others

   (with treatment and without treatment & if with treatment, give details)
3. Water withdrawal, consumption and discharge in areas of water stress

   (give details for each facility / plant located in areas of water stress - name of the area and nature of operations – details as in 2 above)

For 1,2 and 3 above, indicate if any independent assessment has been carried out by an external agency. If yes, name of the external agency

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

Essential Indicators

- Number of affiliations with trade and industry chambers/ associations.
- List the top 10 trade and industry chambers/ associations (determined based on the total members of such body) the entity is a member of/ affiliated to and the reach of the said chamber / association – National / State Level.
- Provide details of corrective action taken or underway on any issues related to anti-competitive conduct by the entity, based on adverse orders from regulatory authorities
  - ❑ Name of the Authority
  - ❑ Brief of the Case
  - ❑ Corrective Action taken

Leadership Indicators

Details of Public Policy positions advocated by the entity:

- Public Policy advocated
- Method resorted for such advocacy
- Whether information available in public domain (Yes / No)
- Frequency of review by Board (Annually / Half Yearly/Quarterly / Others – Please specify
- Weblink, if available

Businesses should promote inclusive growth and equitable development. **(Principle 8)**

Essential Indicators

- Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year and whether communicated in public domain / weblink.
- Information on projects for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken, giving details district-wise, no. of families affected and % of families covered in R&R
- Describe the mechanisms to receive and redress grievances of the community
- % of input materials
  - Directly sourced from MSME/ Small Producers
  - Directly sourced from within the districts and neighbouring districts

Leadership Indicators

- Details of action taken to mitigate any negative social impact identified by SIA.
- Information on CSR projects undertaken by the entity in designated aspirational districts as identified by government bodies - details of aspirational district & amount spent.
- Existence of preferential procurement policy giving preference to suppliers from marginalised / vulnerable groups, if any & % of procurement from them
- Details of the benefits derived and shared from the intellectual properties owned or acquired by your entity based on traditional knowledge and basis of sharing benefits.
- Details of corrective actions taken or underway, based on any adverse order in intellectual property related disputes wherein usage of traditional knowledge is involved
- Details of beneficiaries of CSR Projects – Project-wise no. of persons & % from vulnerable /marginalised groups

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

Essential Indicators

- Description of mechanisms in place to receive and respond to consumer complaints and feedback.
- Turnover of Products / Services that carry information about:
  - ❑ E&S parameters relevant to product / service
  - ❑ Safe & responsible usage
  - ❑ Recycling &/or safe disposal
- Analysis of complaints and pending resolution
- Details of voluntary and forced product recalls on account of safety issues
- Framework/policy on cyber security and risks related to data privacy – Y/N – Weblink
- Details of corrective action taken or underway on issues relating to advertising and delivery of essential services; cyber security and privacy of customer.

Leadership Indicators

- Channels / platforms where information on products and services of the entity can be accessed (provide web link, if available).
- Steps taken to inform and educate consumers about safe and responsible usage of products and/or services.
- Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.
- Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/NA) If yes, provide details in brief
- Did the entity carry out any survey with regard to consumer satisfaction relating to the major products / services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/No)
- Provide the following information relating to data breaches:
  - a. Number of instances of data breaches along-with impact
  - b. Percentage of data breaches involving personally identifiable information of customers

EMERGING COMPLIANCE FRAMEWORK

Regulation 34 of SEBI LODR

- Annual report to include the BRSR report, if applicable
- Annual Report to be uploaded on the website and sent to Stock Exchange – not later than the date of commencement of despatch of AGM notice with the Annual Report to the shareholders
- If there are any changes in the annual report, revised copy along with details of and explanation for the changes shall be sent within 48 hours after the AGM
- Assurance Report on the BRSR Core shall be obtained in such manner as may be prescribed by SEBI
- BRSR Core shall contain such KPIs as may be specified by SEBI from time to time
- Assurance Report shall also extend to the value chain partners in such manner as may be prescribed by SEBI

Implementation of new framework

- BRSR Core proposed to be implemented for top 150 listed entities from FY 2023-24 (including Reasonable Assurance) with a glided path to cover top 1000 listed entities by FY 2026-27 to improve credibility of disclosures
- Annexure I contains the format of BRSR Core and Annexure II contains the revised BRSR format (SEBI Circular dated July 12, 2023)
- BRSR Core (Annexure 1)specifies the data and approach for reporting and assurance.
- Approach specified is a base methodology and any changes or industry specific adjustments / estimations shall be disclosed.
- Framework to be gradually extended to remaining listed entities in a phased manner.
- Initially expected to be on "Comply or explain" basis and based on experience gathered to be converted to "Comply or be Penalised" basis
- Expected that going forward even unlisted entities may be covered by MCA.

ESG Disclosures for Value Chain

- Disclosures for value chain shall be made by the listed entity as per BRSR Core, as part of its Annual Report.
- For this purpose, value chain shall encompass the top upstream and downstream partners of a listed entity, cumulatively comprising 75% of its purchases / sales (by value) respectively
- Listed entities shall report the KPIs in the BRSR Core for their value chain to the extent it is attributable to their business with that value chain partner.
- Such reporting may be segregated for upstream and downstream partners or can be reported on an aggregate basis.
- ESG disclosures for the value chain shall be applicable to the top 250 listed entities (by market capitalization), on a comply-or-explain basis from FY 2024-25.
- The limited assurance of the above shall be applicable on a comply-or-explain basis from FY 2025 - 26

ESG Assurance

- Assurance Provider should have the necessary expertise for undertaking reasonable assurance
- Limited Assurance v Reasonable Assurance
- Limited Assurance in the case of ESG disclosures for Value Chain Partners
- Reasonable Assurance in the case of BRSR Core reporting
- No conflict of interest – with the listed entity or its group entities
- Assurance: A multi-disciplinary assignment

Format of BRSR Core – ESG Attributes

Serial No.	Attribute	Principle No.	Parameter
1	GHG footprint	6 (Q 7) – Essential	Scope 1 and scope 2 emissions; GHG emission intensity
2	Water footprint	6 (Q 3 & 4)- Essential	Water consumption from various sources; Water consumption intensity and Water discharge by level of treatment
3	Energy footprint	6 (Q 1) – Essential	Energy Consumption in Joules or equivalent - Non renewable, renewable, purchased electricity & self generated energy; Energy Intensity
4	Embracing Circularity & Waste Management	6 (Q 9) - Essential	Data relating to Total Waste classified into Plastic Waste, E Waste, Bio Medical Waste etc.; Waste Intensity; Waste disposal and recycling
5	Enhancing employee well- being and safety	3 (Q 1c & 11) - Essential	Expenditure incurred on well-being co-related to total revenue of the Company and details of safety related incidents

Format of BRSR Core –ESG Attributes (Contd.)

Serial No.	Attribute	Principle No.	Parameter
6	Enabling gender diversity	5 (Q 3(b) & 7) - Essential	Gross wages paid to females % to total wages & POSH complaints data co-related to complaints upheld & total female employees
7	Enabling inclusive development	8 (Q 4 & 5) - Essential	Input material sourcing from MSME & aspirational districts co-related to total sourcing; job creation in smaller towns co-related to total wages
8	Fairness in engaging with customers & suppliers	9 (Q 7) & 1 (Q 8) - Essential	% of loss / breach of customer data ; No. of days accounts payable
9	Openness of business	1 (Q 9) - Essential	Concentration of Purchases & Sales done with trading houses, dealers and related parties; Share of RPT in % to total Sales / Purchases /Loans & Advances / Investments

ESG RATING PROVIDERS (ERP)

Regulatory Framework for ERP

- SEBI Master Circular Ref **SEBI/HO/DDHS/POD2/P/CIR/2023/ 121** dated July 12, 2023
- The cited Master Circular prescribes the procedural / disclosure requirements and obligations of the CRAs which is intended to enable the industry and other users to have access to all the applicable directions to ERPs at one place
- Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999 (“CRA Regulations” as amended with effect from July 4, 2023) prescribes
  - guidelines for registration of ERPs,
  - general obligations of ERP,
  - Manner of inspection of ERP and
  - Code of Conduct applicable to ERP

Types of Ratings

An ERP shall offer at least the following ESG Rating Products:

- ESG Rating
- Transition or *Parivartan* Score
- Combined Score
- Core ESG Rating
- Core Transition or *Parivartan* Score
- Core Combined Score

Manner of conducting Internal Audit of ERP

- It shall be conducted on a yearly basis.
- It shall be conducted by CA, CS or CMA's who are in practice
- Internal Audit not to have any conflict of interest with the ERP.
- It shall cover all aspects of ERP operations and procedures, including investor grievance redressal mechanism, compliance with the requirements stipulated in the SEBI Act, Rules and Regulations made thereunder, and guidelines issued by SEBI from time to time.
- The report shall state the methodology adopted, deficiencies observed, and consideration of response of the management on the deficiencies.
- The report shall include a summary of operations and of the audit, covering the size of operations, number of transactions audited and the number of instances where violations / deviations were observed while making observations on the compliance of any regulatory requirement.
- The report shall comment on the adequacy of systems adopted by the ERP for compliance with the requirements of regulations and guidelines issued by SEBI and investor grievance redressal.

Eligibility for conducting Internal Audit

- The audit firm shall have a minimum experience of 3 years in the financial sector.
- The internal auditor of an ERP shall declare that:
  - The firm has not been employed by other ERPs for any other services (such as statutory audit, taxation, consultancy/ retainership etc.) in the past two years, and
  - The partners/ firm do not have any association with any other ERP.
- The audit team must be composed of, at least, a CA (ACA/ FCA) and a Certified Information Systems Auditor/ Diploma in Information Systems Auditor (CISA/ DISA).

Scope of Internal Audit

The internal audit shall examine compliance of the ERP with CRA Regulations and this circular. Such examination shall include but not be limited to following checks:

- Whether the ERP maintains the minimum net worth requirement under CRA Regulations.
- Status of targets / projections submitted by the ERP to SEBI during its application for registration.
- ERP and its employees, who are associated directly or indirectly with the rating business, have complied with the regulations and code of conduct.
- ERP has defined processes for operations that have been followed during the rating exercise.
- Policy in respect of non-cooperation by the issuer, if applicable, including procedures to be followed for the same, have been complied with.
- Review of ratings has been carried out as per the review policy of the ERP.
- Verify the rating disclosures made by the ERPs on their website.
- Comment on the conflict of interest, if any.
- The audit shall also cover adherence to the prescribed methodology for calculation of transition rates.
- Compliance by ERP with the provisions of all the Circulars shall be verified during yearly Internal Audit.

THANK YOU