

BRSR : A Broad Overview

SEBI has mandated filing of Comprehensive version of BRSR for the top 1000 listed companies (by market capitalization) with effect from the financial year 2022-2023. However, all the Indian Companies having businesses in Europe or outside India shall have to comply with International ESG reporting requirements. BRSR adopts the United Nations Sustainable Development Goals (UN-SDGs) and is compared to other global ESG reporting frameworks such as Global Reporting Initiative (GRI), Task Force on Climate-Related Financial Disclosures (TCFD), etc.



CS Aditya Mathur, FCS

Independent Director - Listed Company
and Management Consultant, New Delhi
adityamathur21@gmail.com

INTRODUCTION

The importance of Environmental and Social Governance is gaining momentum for the Board leaders in today's business environment. There is a continuous requirement for a shift in focus of businesses from "Profit, Profit, Profit" to "Profit, People & Planet".

Environment (E) deals with Organization's impact on Planet, Social(S) deals with Organization's impact on People and Governance(G) focuses on how well a Company is governed.

Securities and Exchange Board of India (SEBI) created first regulatory disclosure framework, the Business Responsibility Report (BRR) in response to the National Voluntary Guidelines (NVG) on Social, Environmental, and Economic Responsibilities of Business in 2012. However, in 2018 it was found that the BRR Reports lacked quality, making the reporting untrustworthy. Consequently, Business Responsibility and Sustainability Reporting (BRSR) reporting framework came into being in 2019.

APPLICABILITY OF BRSR REPORTING

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Reporting under BRSR comprises of three mandatory sections as under:

1. Section A: General Disclosures- cover the basic set of Company information.
2. Section B: Management and Process Disclosures – focus on Policy and Management processes; Governance, Leadership and Oversight.
3. Section C: Principle-wise Disclosures- comprise of the nine principles covering ESG areas and is aimed at helping businesses demonstrate their performance in integrating the Principles and Core Elements with key processes and decisions. The disclosures in section C are under two categories – Essential Indicators which are mandatory and Leadership Indicators that are voluntary.

OVERVIEW OF PRINCIPLES OF BRSR REPORTING

- **Principle 1(P1)** deals with Ethics and states that the businesses should conduct and govern themselves with integrity and in a manner that is ethical, transparent and accountable in line with Sustainable Development Goal 16 (SDG 16).
- **Principle 2 (P2)** deals with Safe and Sustainable Products and Services and states that businesses should provide goods and services in a manner that is sustainable and safe and recognizes the proposition of SDG 12.
- **Principle 3 (P3)** deals with Wellbeing and states that the businesses should respect and promote the well-being of all employees, including those in their value chains without any discrimination and is aligned to SDG 8.
- **Principle 4 (P4)** deals with Stakeholders and states that the businesses should respect the interests of and be responsive to all its stakeholders.
- **Principle 5 (P5)** deals with Human Rights and states that the businesses should respect and promote human rights.

- **Principle 6 (P6)** deals with Environment and states that the businesses should respect and make efforts to protect and restore the environment and is aligned with SDGs 11, 13, 14 and 15.
- **Principle 7 (P7)** deals with Public Policies and states that the businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.
- **Principle 8 (P8)** deals with Inclusive Growth and states that the businesses should promote inclusive growth and equitable development.
- **Principle 9 (P9)** deals with Consumers and states that the businesses should engage with and provide value to their consumers in a responsible manner.

The applicability of above nine principles to ESG is summarized as under:

Particulars	Applicable Principles
Environment (E)	P2, P6
Social (S)	P3, P5, P8
Governance (G)	P1, P4, P7, P9

Disclosure Requirements in BRSR have been summarized and key disclosure points have been covered in this article for sake of brevity. Relevant references have been extracted from BRSR for FY 2022-23 of HUL, ITC, Wipro, Tata Steel and Asian Paints.

Section A: General Disclosures mandate disclosure on 24 parameters and is divided into seven sections covering information as under:

- Section I: Details of Listed Company (covers 13 parameters like Company Name (*check if there is change in name*), CIN, Year of Incorporation, Paid up Capital, Name and Contact of person for BRSR queries, Reporting Boundary (i.e on Standalone or Consolidated basis) and recently added Name & Type of Assurance(i.e. *whether Limited or Reasonable assurance* etc.)
- Section II: Company's Products/Services requires disclosure on:
 - ♦ Company's business activities that account for over 90% of its Sales which HUL in its BRSR for FY 2022-23 has covered as under:
 - Description of Main activity- *Manufacturing - FMCG.*
 - Description of Business Activity- *say Soaps, Detergents, Cosmetics & Toiletries, Packaged Foods.*
 - Entity Turnover – *say 100%.*
 - ♦ Products/Services sold that account for over 90% of its Sales which HUL has disclosed as under:
 - *Products/Services –Beauty & Personal Care; Home Care; Food & Refreshments*
 - *NIC Codes –say 20231 for soaps, 20236 for shampoos etc.*
 - *Total Turnover contributed (for each Product category)-for Beauty & Personal Care 36.7%; Home Care 35.4%; Food & Refreshment 24.8%*
- Section III covers disclosures on Operations where the information on the Number of locations where plants and/or operations/offices of the entity are situated (National & International) and the Markets served by the entity by Number of Locations (National & International); What is the contribution of exports as a percentage of the total turnover of the entity and a brief on types of customers is to be given.
- Section IV requires disclosure on the Employees and Workers (including differently abled) giving the number and percentage of Male & Female, Permanent and Other than Permanent as at the end of Financial Year. The disclosure further requires information on the Participation/ Inclusion/ Representation of women on the number on the Board of Directors and as Key Managerial Personnel and percentage of such total and also the Turnover rate for Permanent Employees and Workers (Male & Female) for 3 financial years including current year.
- In Section V, the information about Holding, Subsidiary and Associate Companies (including joint ventures) and the percentage of shares held by listed entity and whether any of these entity(s) participate in the business responsibility initiatives of the listed entity needs to be given.
- Section VI requires disclosure on CSR giving details about applicability of section 135 of Companies Act, 2013, Turnover and Net worth (in Rs.).
- Section VII is on Transparency and Disclosures Compliances and requires information to be provided on the Complaints/grievances on any of the principles (one to nine) under the National Guidelines on Responsible Business Conduct for the Current and Previous Financial Year on-
 - Each Stakeholder group from whom complaint is received-(i.e. from Communities, Investors other than shareholders, shareholders, employees and workers, value chain partners and others-to be specified),
 - Grievance Redressal Mechanism in Place (Yes/ No) (If Yes, then provide web-link for grievance redress policy,
 - Number of complaints filed during the year,
 - Number of complaints pending resolution at close of the year &
 - Remarks.

- The disclosure under this section also requires information on Overview of the entity's material responsible business conduct issues - where 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, are to be provided as per the specified format covering the details as under. Relevant extracts from BRSR of HUL are shared in *italics* against each disclosure:

- ♦ Material issue identified – *Climate Change, Packaging & Waste*
- ♦ Indicate whether risk or opportunity (R/O) - *Risk*
- ♦ Rationale for identifying the risk / opportunity – *“Climate change is a principal risk to us, which has the potential to impact our business in the short, medium and long term. We face potential physical environment risks from the effects of climate change on our business, including extreme weather and water scarcity. Potential regulatory and transition market risks associated with the shift to a low-carbon economy include changing consumer preferences, increase in product cost, future Government policy and regulation. Responsible business practices are critical to generating long term value.”*
- ♦ In case of risk, approach to adapt or mitigate – *“We have set out a clear pathway to tackle climate change, as listed below:*
 - *Zero emissions in our operations by 2030;*
 - *Halve Green House Gas (GHG) impact of our products across the lifecycle by 2030;*
 - *Net Zero emissions for all our products from sourcing to point of sale by 2039;*
 - *Replace fossil-fuel derived carbon with renewable or recycled carbon in all our cleaning and laundry product formulations by 2030.*

Across the portfolio, our brands are working towards reducing the environmental impact, including at the consumer use stage”

- Financial implications of the risk or opportunity (positive or negative implications to be indicated) – *“ Programmes to mitigate risk emanating from climate change can lead to incremental costs in the short-to medium-term, which can be partly compensated by increased efficiency in the long term. Importantly, these programmes would strengthen business resilience and protect long term value.”*

Section B : Management and Process Disclosures are aimed at helping businesses demonstrate the structures, policies and processes put in place towards adopting the National Guidelines on Responsible Business Conduct(NGRBC) Principles and Core Elements. The key disclosure requirements are discussed in two sub-sections as under:

I. Policy & Management Process

- Item1(a,b &c) of BRSR format requires disclosure on whether entity's policy/policies cover each principle and its core elements of the NGRBCs.; Has the policy been approved by the Board and providing weblink of policies if available?
 - ♦ Here the Company is required to put in place policies for each Principle which may cover the following policies as illustrated:
 - P1: Code of Business Conduct and Ethics Policy(COBCE); Anti-Corruption & Anti Bribery Policy; Policy on Prevention of Insider Trading (Share Dealing Code), Corporate Governance Code, Policy on Related Party Transactions, Whistle Blower Policy, Code of Conduct for Board and Members of Senior Management.
 - P2: Suppliers Code of Conduct; Product Responsibility Policy; Quality Policy; Ecological Sustainability Policy.
 - P3: Safety & Health Policy; Equal Opportunity Policy; Prevention of Sexual Harassment Policy (POSH); Disability Accommodation Policy; Remuneration Policy; COBCE.
 - P4: Stakeholders Management Policy; CSR Policy, Corporate Governance Code; Inclusion & Diversity Policy.
 - P5: Prevention of Sexual Harassment Policy (POSH); Policy to Support Survivors of Abuse; Whistle Blower Policy; Board Diversity Policy; COBCE.
 - P6: Environment, Health & Safety Policy; COBCE; Ecological Sustainability Policy.
 - P7: Anti-trust and Fair Competition; COBCE.
 - P8: Supplier Diversity & Inclusion Policy; COBCE; CSR Policy.
 - P9: Cyber Security Policy, Data Privacy Policy, Quality Policy.
- Item no. 6 of BRSR format requires disclosure on the Specific commitments, goals and targets set by the entity with defined timelines, if any.
 - ♦ There are three parts to commitment/goals- short term, medium term or long term. For example, a Company commitment to achieve 25% gender

diversity by 2025 is a short term goal. Similarly, another company has committed that by 2030 they will achieve 20% less carbon emission, is medium term goal and another Company sets target for net zero carbon emission by 2070 which is long term goal. Ideally, Companies should try to set short term goals under ESG since they are visible and positively reflect the Company(s) seriousness.

- ◆ Further, for a Company in IT or service industry, manpower is of utmost importance and therefore they may set goals around Social. Similarly, for a Manufacturing company Environmental goals will be of importance and Banking Industry will focus on Governance.
- ◆ Let us now understand the specific requirements of disclosure under this point with Illustration as under

(*2): Environmental Goals as extracted from BRSR of Tata Steel are:

- ◆ *Climate Change a) 2045: Net Zero emissions for the Tata Steel Group.*
- ◆ *Product Sustainability a) 2025: Cover 100% of steelmaking and downstream sites under Life Cycle Assessment in India,*
b) 2030: Disclose environment performance of 100% of products.
- ◆ *Water a) 2025: Achieve specific freshwater consumption of 2.0 m³ per tonne of crude steel across all steelmaking sites in India,*
b) 2030: Achieve specific freshwater consumption of < 1.5m³ per tonne of crude steel across all sites in India.

Social Goals as set by Wipro for Principle 3 on Wellbeing are under:

- ◆ *Adopt a holistic lifecycle approach that emphasizes employee safety, physical health and mental well-being.*
- ◆ *Attract and retain talent by building “a great place to belong” ecosystem.*
- ◆ *Increase gender representation at an overall and leadership level.*
- ◆ *Achieve 38% gender diversity at an overall level in FY'24.*
- ◆ *Achieve 21% gender diversity and leadership level in FY'24.*

Governance Goals

- ◆ *Extract from BRSR of Tata Steel- “Responsible Steel TM Certification a) 2025: Achieve ‘Certified Site’ certification for all existing steelmaking sites in India,*

Environmental and Social Governance and BRSR is gaining momentum for the board leaders in today's business environment.

b) 2030: Achieve ‘Certified Steel’ certification for all sites in India”.

- ◆ *Extract from Wipro's BRSR-*

100% of employees to complete training on Wipro's Code of Business Conduct every year; 100% of all suppliers adhere to Wipro's code of supplier conduct.

II. Governance, Leadership & Oversight:

- The disclosure requirements under Item 8 requires the details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies) and under Item 9 on whether the entity have a specified Committee of the Board/ Director responsible for decision making on sustainability related issues and if yes, provide details.
- The designated senior management person or committee responsible for ESG is responsible for implementation and oversight of the Business Responsibility policy(ies) and not the entire Board unless there are events of gas emissions like in case of Union Carbide.
- HUL has addressed these well, giving names if their directors/committee members responsible, relevant extract is as under:
 - ◆ *Relevant Extract from HUL's BRSR - “Our CEO & MD is responsible for implementation and oversight of the Business Responsibility & Sustainability policies. The ESG Committee of the Board is responsible for oversight on sustainability-related matters. The ESG Committee of the Board comprises five Directors (four Independent Directors and one Executive Director).”*
- Item 11 requires disclosure on whether the entity carried out independent assessment/ evaluation of the working of its policies by an external agency and if yes, provide name of the agency
 - ◆ *Extract from Wipro's BRSR “There are multiple independent reviews of our policy through certifications, disclosure standards and identified areas. These include ISO certifications like Health and Safety, Environmental Management including Energy, Information security, disclosure standards on GHG emissions reporting and in specific areas like accessibility.*

Section C: Principle-wise Performance Disclosures

This section is aimed at helping entities demonstrate their performance in integrating the Principles and Core Elements with key processes and decisions. The information sought is categorized as “Essential” and “Leadership”. While the essential indicators are expected to be disclosed by every entity that is mandated to file this report, the leadership indicators may be voluntarily disclosed by entities which aspire to progress to a higher level in their quest to be socially, environmentally and ethically responsible.

- A. Principles relating Governance(G): Principles and relevant Essential Indicators(EI) relating Governance are covered by four principles viz. P1 on Ethics, P4 on Stakeholders, P7 on Public Policy and P9 on Consumers.

Governance is the most complex and weakest link among ESG because of the interference of CEO and Management of the Company which is further illustrated by the cases as under:

- ◆ The merger of Zee and Sony was called off because of governance issues although it had eight (8) Independent Directors out of Board of nine (9) directors.
- ◆ Sam Altman case of Open AI has become sham which has shown that an influential CEO's power can overwhelm the Board's Independence. In this case, in a statement Board of Open AI said that Sam was not consistently candid in his communication and they sacked Sam Altman. However, Microsoft Inc. which had major stake in that company came forward and sacked the entire Board.
- ◆ Similarly, in case of Enron had eleven (11) Independent Directors out of the total Board comprising of fourteen (14) Directors and even then the fraud happened.

Now let's discuss disclosures required for each principle and key essential and leadership indicators.

1. Principle 1(P1) (Ethics): Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.
 - P1 EI 1 is on providing ongoing training on ESG issues to Board members, KMPs, Employees other than Board of Directors & KMPs and Workers and their implications on the business. It also requires that Board members are well informed about emerging sustainability trends and the best practices.
 - ◆ The report requires disclosure on Total number of training and awareness programmes held; Topics / principles covered under the training and its impact and percentage of persons in respective category covered by the awareness programmes.

- ◆ ITC in its BRSR for FY 2022-23 has given following disclosures on P1 EI:

For BOD & KMPs – “The Directors of the Company are briefed on the sustainability initiatives of the Company from time to time. The Directors are also updated on changes/ developments in the domestic/global corporate and industry scenario including those pertaining to statutes/legislation & economic environment and on matters affecting the Company, to enable them to take well informed and timely decisions.

During the financial year 2022-23, the Directors and KMP of the Company were briefed/updated on the following: a) Business Plan of the Company for the ensuing years. b) CSR initiatives of the Company. c) Diversity and Inclusion at ITC. d) E-Commerce and New Routes to Market. e) Talent Retention and Engagement at ITC. f) Update on IT Business. g) Field visit to Sehore, Madhya Pradesh, to experience the ITC-MAARS Project and other social investment projects.

- ◆ *In addition to the above, the Directors of the Company attended a ‘Strategy Session’ where the Company’s overall strategy, including ITC Sustainability 2.0 vision and goals, were discussed/reviewed*
- ◆ *For Employees other than BoD and KMPs and for Workers- “Health and Safety,** ITC Code of Conduct, Policy on Prevention of Sexual Harassment at the workplace, and Wellness programmes.”*
- P1 EI 4: requires disclosure on whether the entity have an anti-corruption or anti-bribery policy(ACABP) and if yes, then details in brief and web-link to the policy if available to be provided.
- P1 EI 5: requires disclosure on the number of Directors/KMPs/employees/workers against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption
 - ◆ Many Companies cover this ACAB policy under Business Code of Conduct Policy but for disclosure the same should be carved out and referred to separately here.
 - ◆ Tata Consultancy Services (TCS), India's largest IT services company, in June 2023, came under heat after a scam involving bribes-for-jobs was uncovered wherein few senior executives at the IT company were taking bribes from staffing firms in exchange for providing jobs to their candidates and same was going on at the company for years.

Fraud cases were detected at TCS even in earlier financial years and they made disclosures under P1 E4 as under:

(*2)“Yes. The Tata-Code-Of-Conduct (TCOC) contains guidelines on anti-bribery and anti-



corruption. TCS is committed to upholding the highest moral and ethical standards, and does not tolerate bribery or corruption in any form. The policy is available on the company website at: <https://on.tcs.com/Tata-Code-Of-Conduct>.

Bribery and corruption (as covered in TCOC) - Our employees and those representing us, including agents and intermediaries, shall not, directly or indirectly, offer or receive any illegal or improper payments or comparable benefits that are intended or perceived to obtain undue favours for the conduct of our business.

Remember-Violation by even a single employee of any law relating to anti-bribery, anti-corruption, anti-competition, data privacy, etc. could result in severe financial penalties and cause irreparable reputational damage to the company."

TCS has made disclosure under P1 E5(relevant extract shared below):

(*2) "Employees: 1 (under fraud) in FY2022-23 and 3(under fraud) in FY2022-23

- P1 EI 6: Disclosure on details of complaints with regard to conflict of interest requires companies to report the number of complaints received relating conflict of interest of Directors and KMPs.
 - ◆ The question that arises is whether the related party transactions even if at arm's length be considered under Conflict of Interest. Although there are divergent views on this issue, however

related party transactions in case of Interglobe Aviation are clear conflict of interest.

"In this case one of the promoter Rakesh Gangwal accused another promoter Rahul Bhatia of indulging in 'questionable' related-party transactions between InterGlobe Aviation and Rahul Bhatia's group entities for services ranging from ticketing to crew accommodation to simulation training. Gangwal had also alleged several irregularities in Inter Globe Aviation's related-party transactions, ranging from lack of competitive bidding to lack of audit committee approval in some cases and backdating of contracts in others."

2. Principle 9 (P9): Consumers-(Complaints, Product Recall etc): Businesses should engage with and provide value to their consumers in a responsible manner.

- P 9 EI 1 requires disclosure on the mechanisms in place to receive and respond to consumer complaints and feedback.
- ◆ The consumer complaints should be addressed at the earliest before consumer thinks of taking a legal course.
- ◆ Asian Paints in their BRSR have covered this point well as under:

"The Company treats customer complaints with utmost importance and believe that it needs to be agile, transparent and solution-oriented to resolve them efficiently and satisfactorily.

The Company ensures to keep the customer informed loop throughout the entire process of complaint resolution and focus on resolving retail customer complaints within five working days, which includes calling the customer within four hours, connecting with the customer within two days, and providing the final resolution to the customer. These timelines are relevant to our décor category's customer/ applicator/trade expectations. The Company also maintains multiple points of communication with the customer, that is through SMS/Email/WhatsApp, to keep the customer informed of all actions taken on the complaint."

- P9 EI 2 requires disclosure on the Turnover of products and/ services as a percentage of turnover from all products/service that carry information about - Environmental and social parameters relevant to the product, Safe and responsible usage and Recycling and/or safe disposal.
 - ♦ Giving 100% disclosure is the safest instead of mentioning Nil or Not Applicable here, since product passes through ESG cycles.
 - P9 EI 3 requires disclosure on number of consumer complaints in respect of a) Advertising, b) Cyber-security, c) Delivery of essential services, d) Restrictive Trade Practices, e) Unfair Trade Practices, f) Others.
 - ♦ Disclosure on Delivery of essential services is more relevant for milk and dairy products company or companies like Blinkit, Zepto etc.
 - ♦ Restrictive Trade Practices (now covered under Competition Commission of India-CCI) covers disclosures on consumer complaints relating to difference in quantity or weight in packs or of duplicate packs.
 - ♦ *Refer a complaint against ITC on Sunfeast Marie Light Biscuits case wherein the quantity and weight were found to be less than as stated on pack, and as a result the Company had to pay compensation of Rs 1 lakh to the Consumer by court's order for packing one biscuit less in a pack.*
 - P9 EI 4 requires disclosure on instances of Product Recall on account of safety issues – both voluntary as well as forced and reasons thereof.
 - ♦ The process to recall Products must be established.
 - ♦ Forced recall is generally by Regulatory agencies while voluntary recall is by Company itself.
 - ♦ *There can be instances of part recall of product wherein the product is recalled, the issues therein are addressed and then product is sent back, like in case of Maruti's Grand Vitara wherein there was a defect in rear seat belt bracket.*
 - ♦ *Similarly, cases relating recall of cars due to faulty air bags or faulty clutch or electric scooter due to fire etc. or other consumer durable goods require disclosure.*
 - ♦ *There are instances of full Product recall like a case of Maggi Noodles which had to be recalled fully due to presence of lead content higher than permitted.*
 - P9 EI 5 (Cyber Security) requires disclosure by the entity if there exists a framework/ policy on cyber security and risks related to data privacy and to provide a web-link of the policy if available.
 - ♦ There are threats of hacking of customer data, cyber frauds etc. for which Company needs to establish a robust system to detect IT related issues. The policy and processes put in place by the company need to be disclosed along with weblink to same.
3. Principle 7 (P7) Public Policies: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.
- P7 EI 1 (a & b): Disclosure here requires an entity to disclose the number of affiliations it has with trade and industry chambers/ associations and the top 10 trade and industry chambers/ associations, the entity is a member of/ affiliated to.
 - ♦ It is better for an entity to be a part of one or more trade bodies where they can represent.
 - P7 EI 2: Disclosure under this requires an entity to 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.
4. Principle 4 (Stakeholders): Businesses should respect interests of and be responsive to all its stakeholders.
- P4 EI 1 requires disclosure relating description of the processes for identifying key stakeholder groups of the entity and listing stakeholder groups identified as key for the entity and the frequency of engagement with each stakeholder group giving information about channels of communication; frequency; purpose and scope of engagement.
 - HUL in its BRSR for FY2022-23 have disclosed as under:
 - ♦ *"At Hindustan Unilever, we take pride in our business being a force for larger good. We believe in creating long-term value by caring for all our stakeholders comprising of our consumers, customers, employees, shareholders, business partners, and above all, the planet and society."*

- ♦ *“For Planet & Society group of stakeholders, the channels of communication which is ongoing includes Field visits, CSR projects and engagements, brand activations and campaign, community needs assessment, and website. Further its purpose & scope covers- Climate actions; environmental protection and regeneration; a waste-free world; positive nutrition; health and well-being; equity, diversity, and inclusion; the future of work; and water stewardship”*

B. Principles relating Social(S): Principles and relevant Essential Indicators(EI) relating Social are covered in three principles viz. Principle 3 (P3) on Wellbeing; Principle 5 (P5) on Human Rights and Principle 8 (P8) on Inclusive Growth and CSR.

5. P3 Well-being: Businesses should respect and promote the well-being of all employees, including those in their value chains. It covers internal people issues.

- P3 EI 1 and the disclosure requires the Company to report on the measures taken by it in providing Health Insurance, Accident Insurance, Maternity Benefits, Paternity Benefits, Day Care facilities to Permanent as well as non-permanent Employees and Workers (both Male & Female). The number and percentage are to be given for each benefit.
 - ♦ It has been observed that the Companies take insurance cover on its Employees only but not on the workers since workers are covered under ESI. However, as a good practice the insurance coverage even on the workers despite them being covered under ESI is recommended so as to ensure that they are insured even when they are outside office.
- P3 EI 2 requires disclosure on percentage of Employees and Workers covered under Retirement Benefits covering PF, ESI, Gratuity & Other for current and previous years.
- P3 EI 3 requires disclosure if the premises / offices of the entity are accessible to differently abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016 and if not, whether any steps are being taken by the entity in this regard.
 - ♦ Some companies like ITC have *“Elevators enabled with Braille signages for persons with visual difficulty, • Ramps, tactile pavers and handrails to facilitate movement of persons with motor disability, • Accessible parking places, • Accessible washroom”*.
 - ♦ *“HUL has also implemented various measures to provide accessible infrastructure, including ramps, tactile flooring, induction loop system for hearing impaired, lowered*

reception desk for wheelchair access, elevator voice annunciator, evacuation chair, braille signages, all gender accessible toilets, accessible parking, fire alarm flasher, automated sliding doors, and accessible guest room in several factories and offices.

- ♦ *Additionally, they are preparing the remaining factories and offices for accessibility infrastructure and aim to achieve certification for 100% of their sites with the Minimum Mandatory Standards required under the Persons with Disabilities Act.”*
- P3 EI 4 requires disclosure as to whether the entity has an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016 and if so, a web-link to the policy to be provided.
 - ♦ This has been adequately disclosed by most of the Companies.
 - ♦ As per global index at least one physically handicapped person should be employed out of 100 – i.e 1%.
 - ♦ Diversion, Inclusion & Equity(DIE) covers gender related issues where in case of service industry 20% to 33% women should be employed while in case of manufacturing industry no such percentage is recommended considering its heavy duty nature.
- P3 EI 6 requires disclosure on the mechanism available to receive and redress grievances for the permanent and non-permanent employees and workers and the details of the mechanism to be given in brief.
- P3 EI 10 requires disclosures on Health and safety management system in place and the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity and also whether there exist processes for workers to report the work related hazards and to remove themselves from such risks. The disclosure further requires an entity to disclose whether the employees/ worker of the entity have access to non-occupational medical and healthcare services.
 - ♦ This is a very important disclosure and therefore requires an entity to put in place Environment Health and Safety (EHS) guidelines for workers and employees.
- P3 EI 11 requires disclosure on the details of safety related incidents for employees and workers for current and previous financial years, in a specified format that requires information of the Safety Incident/Number Category relating to the Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked); Total

recordable work-related injuries; No. of fatalities; High consequence work-related injury or ill-health (excluding fatalities).

- P3 EI 12 requires disclosure on the measures taken by the entity to ensure a safe and healthy work place.

- ♦ Wipro in its BRSR for FY 2022-23 have disclosed this point as under:

“We conduct periodic and annual assessments of our campuses/offices, employees, stakeholders and service providers as a part of this process.

- *A Food Safety Standards Authority of India (“FSSAI”) license is mandatory for vendors operating within Wipro owned locations in India.*
- *Environment, Occupational Health & Safety (“EHS”) management systems in our campuses conform to international standards such as 14001& 45001 and are certified by accredited third party agencies.*
- *As an ISO 45001:2018 certified organization, we conduct a Hazard Analysis and Risk Assessment annually or anytime there is a change in process, new equipment, or service, and build risk mitigation plans as an ISO 45001:2018-certified firm.”*

6. Principle 5 (Human Rights): Businesses should respect and promote human rights.

- These are External People Issues and include Child labour, Forced labour, discrimination, Right of person with disability etc.

- HUL in its BRSR for FY2022-23 have disclosed as under:

“We strongly uphold the principle of human rights and fair treatment within our organisation as well as while engaging with our business partners and stakeholders outside our organisation. We stay committed to help build a more inclusive world where everyone matters”.

- P 5 EI 4 requires the Company to disclose a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business.
- In certain Companies, Chief Human Resource Officer(CHRO) is designated for this, who is responsible. However, at times Companies mention that Committee is responsible despite the fact that they have a CHRO for the job. In such situation the Company is spreading the risk and responsibility on the committee of directors which is not recommended.

- P5 EI 5 requires disclosure on the internal mechanisms in place to redress grievances related to human rights issues.

- *Tata Steel in its BRSR for FY2022-23 has very well disclosed as under:*

“The Company complies with SA8000 standards and has put in place a robust corporate governance model with defined roles and responsibilities at the Board, Management Level Committees as well as at the Employee level.

The Apex Business & Human Rights Committee has been formed to oversee human rights commitments of the Company. Tata Steel has put systems in place to encourage the reporting of concerns related to Human Rights.

In addition to Tata Steel’s own internal processes, employees and suppliers are encouraged to use Tata Steel’s Confidential Reporting System to report any concerns. This is an independently run service which enables concerns about any aspect of Tata Steel’s operations to be reported on a confidential (and/or anonymous) basis. The service, called “Speak Up”, is available on Tata Steel’s website and a Telephone helpline is also available (<https://www.tatasteel.com/corporate/our-organisation/ethics/>).

On receipt of any concern through email, letter, web helpline or orally, it is registered by the Ethics Department of Tata Steel. The investigation team conducts investigation by gathering, validating, analysing the data and provides their observations and recommendations. The investigation report is further reviewed by the Chief Ethics Counsellor or other appropriate authority and the recommendations are acted upon. The Ethics Counsellor regularly provides an update to the Tata Steel Board’s Audit Committee on the status of various grievance redressal mechanisms.

Tata Steel also obtains declarations from all the value chain partners regarding SA8000 and other ISO requirements. Moreover, all of Tata Steel’s value chain partners have to affirm compliance with the Tata Code of Conduct.

- P5 EI 7 requires disclosure on the mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.

- ♦ *Tata Steel has disclosed this as under (relevant extract only):*

“As part of Whistle-blower Policy and Prevention of Sexual Harassment Policy, Tata Steel is committed to the protection of identity of the complainant and all such matters are dealt in strict confidence, with appropriate measures taken to maintain such confidentiality.

As part of its Code of Conduct, the Company does not tolerate any form of retaliation against anyone reporting legitimate concerns. Anyone involved in targeting such a person is subject to disciplinary action.”

- P5 EI 8 requires disclosure on whether human rights requirements form part of your business agreements and contracts.
 - ♦ The Company should conduct need based or annual due diligence on human rights before entering into any contract or agreement with third party (especially in case of manufacturing companies). This will enable the Company to take informed decisions and negate the possibilities of any lapses.
 - ♦ For ex, if a canteen contractor hires workers/ employees below 18 years then it will be violation of human rights and the contract terms.
 - ♦ *Tata Steel in Leadership Indicator 2 (LI 2) of their BRSR have very well covered details of scope and coverage of human rights due diligence as under:*

“Tata Steel has formed an internal committee for Human Rights due-diligence and the process is under planning. In FY2023-24, Tata Steel plans to conduct a 3rd party Human Rights due diligence of the value chain to identify vulnerable areas, potential human rights issues, and their remediation along with global benchmarking for best practices. Tata Steel has, in any case, implemented the guidelines under SA8000 at all its key location.”
 - P 5 EI 10 , LI 4 requires disclosure of Company and its value chain partners on various human rights parameters.
 - ♦ This involves conducting in-house or external assessment on various parameters like child labour, sexual harassment, wages discrimination etc. Such assessment will ensure compliance with various labour regulations and shall facilitate gap assessment.
7. P8 (Inclusive Growth) : Businesses should promote inclusive growth and equitable development.
- P8 EI 1 requires disclosure on the details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.
 - ♦ Social Impact assessment relates to the Infrastructure Projects and should not be confused with CSR projects which are covered under Impact assessment. Many companies are wrongly reporting on this point in their BRSR.
 - P8 EI 2 requires disclosure on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by the entity.
 - ♦ It involves resettlement and rehabilitation of communities that are economically, socially and environmentally impacted by the Company’s operations.
- C. **Principles relating Environment (E)** : Principles and relevant Essential Indicators(EI) relating Environment are covered in two principles viz. Principle 2 (Safe & Sustainable Products) and Principle 6 (Environment).
- The concept Environment is covered by five elements (panch-butas) which are Fire, Water, Energy, Emission and Biodiversity.
 - Important things to be kept in mind relating Environment are as follows:
 - i. Green House Gas(GHG) Emissions
 - ii. Air Quality
 - iii. Energy Management
 - iv. Water Management
 - v. Waste Water Management
 - vi. Waste Material Management
 - vii. Hazardous material management
 - viii. Ecological Impacts
8. Principle 6: Businesses should respect and make efforts to protect and restore the environment.
- Company’s environment practices need to be defined, complied with and monitored to ensure compliance with environmental regulations and to minimize its ecological footprints.
 - HUL in its BRSR for FY 2022-23 have disclosed as under:

“Driven by our passion to care for our planet, we have set out on a mission to grow our business whilst reducing our environmental footprint. We are doing this by reducing GHG emissions in our factory operations, maintaining zero non-hazardous waste to landfill, conserving water in our own operations and incorporating sustainable packaging for our products. These initiatives, including sustainable sourcing of raw materials extend into our value chain creating a win for all in the ecosystem.”
 - P 6 EI 5 requires disclosure about the air emissions (other than GHG emissions) by the entity in a specified format.



- P 6 EI 10 requires disclosure by the entity if it has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals / clearances are required and whether the conditions specified in approvals have been complied with.
 - ♦ Tata Steel has gone a step ahead and disclosed even about its operating sites/ facilities situated in Netherlands and UK that are around ecologically sensitive areas.
- P6 LI 5 further requires voluntary disclosure with respect to the ecologically sensitive areas reported at EI 10 above, details of significant direct & indirect impact of the entity on biodiversity in such areas along-with prevention and remediation activities.
 - ♦ The Company needs to disclose the pollution if any in water disposal from manufacturing operations in ecological sensitive areas and preventive steps undertaken by it.
- P6 EI 6 requires disclosure of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity, in the specified format- i.e. emissions are from entity's owned or controlled assets.
 - ♦ Here the focus is on Climate change & sustainability to enable the Company in setting up sustainability goals, reduction in GHG emissions and better environmental performance.
- P6 EI 7 requires to disclosure if the entity has any project related to reducing Green House Gas emission and if Yes, then details to be provided.
 - ♦ HUL in its BRSR for FY 2022-23 have very well disclosed as under:

"In alignment with the Paris Agreement - 2015, we embraced the most important aspect of 'Care for Environment and Planet' and thus embarked on a journey to halve greenhouse gas impact of our products across the lifecycle by 2030 and net zero emissions for all our products from sourcing to point of sale by 2039.

As on March 2023, the renewable energy percentage (for both Electrical and Thermal combined) is 93% for our own manufacturing sites.

100% of our electricity is from renewable sources with a combination of solar/wind and IREC green certification. We have started buying renewable energy through solar power plants and invested in windmills to reduce the real time requirement of grid power.

We have also embarked on a journey to substitute the fossil fuel requirement by green fuels and already eliminated coal from our operations.

We have introduced Biomass instead of Coal, Bio fuel in place of Furnace Oil and High Speed Diesel (HSD).

We have also adopted the usage of various energy saving projects, such as heat pumps, energy efficient motors, Variable Voltage and Frequency Drive (VVFD) usage etc. to reduce the overall requirement of energy in the factories.

We have significantly reduced our per tonne GHG emission by 97% and energy consumption by 44% in our own manufacturing operations in FY 2022-23 compared to 2008 baseline."

- P6 EI 8 requires disclosure related to waste management by the entity, in the specified format covering the following:
 - ♦ Total Waste generated – i.e Wastes- from plastic, e-waste, biomedical, construction/ demolition, battery, radio active, other hazardous and non-hazardous wastes.

- ♦ For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes).
 - ♦ For each category of waste generated, total waste disposed by incineration, landfilling and other disposal methods.
 - P6 EI 9 requires disclosure on the waste management practices adopted by the entity, strategy adopted to reduce usage of hazardous and toxic chemicals in products and processes and the practices adopted to manage such wastes.
 - ♦ While normal wastes can be used in any appropriate way but hazardous wastes require lot of care.
 - ♦ *HUL has disclosed that their factories have identified innovative ways to reuse various non-hazardous waste streams and maintain the status of zero non-hazardous waste to landfills across their operations. They have achieved this by maximising the reuse and recycling of all non-hazardous waste in environmentally friendly ways, such as reusing jumbo bags, carbon cartons, and process waste, such as soap; reusing sludge waste as boiler fuel; upcycling plastic; and using food waste for animal feed.*

Additionally, their R&D teams are improving materials selection and product design to reduce waste at the source.
 - P 6 EI 12 requires Company to disclose the compliance with applicable environmental regulations in India; such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment protection act and rules thereunder and if it is not compliant then the details of all such non-compliances are to be provided in a specified format.
 - ♦ The show-cause notices received by the Company need to be looked into for disclosure under this point.
 - ♦ It is to be noted that Pollution Control Board in India is now online and keeps track of compliances by the Companies.
9. Principle 2: Businesses should provide goods and services in a manner that is sustainable and safe.
- ♦ *HUL has very well disclosed this in their BRSR as under:*

“Being pioneers and the largest player in Research & Development in the Indian FMCG industry, our global technologies’ led innovations continue to break barriers to create next-generation products, processes, and packaging that address environmental challenges and delight our ever-evolving consumers.”
 - P2 EI 1 requires disclosure on the percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.
 - ♦ This requires disclosure on R&D and capex only for environment or social impact related projects. For example, if a Company is undertaking an initiative to identify alternate solar as source of energy as their power consumption is high. So any expenditure incurred on research conducted for this and capex incurred on developing alternate source of energy will be disclosed here.
 - ♦ HUL has made following disclosure in their BRSR:

R&D related: During the year, we have undertaken various sustainability projects to increase energy efficiency, water conservation, plastic reduction, social responsibility under PwD, reduction in salt and sugar in products and sustainable sourcing of raw materials.

Capex related: During the year, we have undertaken capital expenditure on various sustainability projects to increase energy efficiency, eliminate coal usage in our operations, installation of solar plant & windmills, water conservation & harvesting, and occupational health & safety improvement programmes.
 - P2 EI 3 requires disclosure on the processes in place to safely reclaim your products for reusing, recycling and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) other waste.
 - ♦ *ITC achieved Plastic Neutrality in FY 2021-22 by implementing an integrated solid waste management programme that incorporates unique and multi-dimensional initiatives including the Company’s flagship waste management initiative ‘ITC WOW – Well Being Out of Waste’. In FY 2022-23.*

ITC has been recycling more than 99% of the solid waste generated through its operations including plastic waste for more than a decade.
 - P2 EI 4 requires disclosure on whether Extended Producer Responsibility (EPR) is applicable to the entity’s activities- if yes, whether the waste collection plan is in line with the EPR plan submitted to Pollution Control Boards and if not, provide steps taken to address the same.

- ♦ This is for plastic related issues. If the Company uses Plastic then it must register itself under EPR.
- ♦ The Company using plastic need to either recycle equivalent plastic used or buy plastic credit from certain approved agencies. The plastic credit note so issued can be then given to the Pollution Control Board.
- P2LI 1 requires voluntary disclosure if the entity conducted Life Cycle Perspective / Assessments (LCA) for any of its products (for manufacturing industry) or for its services (for service industry) and if yes, details in the specified format to be provided.
- P2LI2 requires voluntary disclosure on 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 / Assessments (LCA) or through any other means, along-with action taken to mitigate the same.
 - ♦ This disclosure covers significant concern relating the Company's products. For example in case of Stovekraft if the hotplate is not disposable then that concern needs to be mentioned at the bottom/back of product itself.
- P2LI3 requires voluntary disclosure on the percentage of recycled or reused input material to total material (by value) used in production (for manufacturing industry) or providing services (for service industry).
 - ♦ A Company namely Stovekraft into kitchen appliances / durables offers discount to customers on buy-back of its own kettles wherein they recycle and reuse the plastic, aluminium & other parts of the used kettle to make a new one.
 - ♦ United Breweries reused its own used glass bottles containing its registered trademark.
- P2LI 5 requires voluntary disclosure on the reclaimed products and their packaging materials (as percentage of products sold) for each product category.
 - ♦ United Breweries recycled > 95% of Beer Glass bottles out of which 60% were reclaimed by the Company and balance 35% recycled in market for making glass. The Company also recycled > 95% Beer cans.

BOARD'S RESPONSIBILITIES

With increasing buzz on ESG, the Boards are changing focus to "Doing the Right Thing(s)".

The chief board responsibilities include strategy formulation, policymaking, monitoring and supervising, and accountability.

Environmental, safety, and social issues such as stakeholder engagement, risk assessment and management, community development, and emergency

preparedness and response are all part of strategy formulation.

Policymaking is a critical management task, with the Board responsible for ensuring policy adequacy and appropriateness.

Compliance with external and internal policies requires monitoring and supervision.

Company Directors must be aware of various statutory, administrative, and other legally binding requirements when carrying out their duties which calls for accountability when a code is violated.

The Directors are often faced with the question, should they strive to achieve carbon neutrality at the cost of detriment to the financial profits? Or they should adopt measures that enhance the firm profits as well as achieving total carbon neutrality? The latter definitely sounds challenging since it involves decision and balancing act between Ideology and Economics.

It is becoming a norm in the boardroom to employ a director who is well versed with the environmental and social causes.

CONCLUSION

E stand for Extinction. Globally it is said that if the Companies do not follow ESG guidelines by 2030 then they are likely to face extinction.

S in ESG also stands for Survival. If by 2027-28 the Company doesn't fall in line with ESG, then Board room discussions will centre around Survival.

G in ESG also means Going Concern and if the Company doesn't adhere to governance, then by 2025 it can get into going concern problem as it may not get further business.

The Paris Agreement is a legally binding international treaty on climate change, adopted by 196 Parties at the UN Climate Change Conference (COP21) in Paris on 12 December 2015. Its overarching goal is to hold "the increase in the global average temperature to well below 2°C above pre-industrial levels" and pursue efforts "to limit the temperature increase to 1.5°C above pre-industrial levels." To limit global warming to 1.5°C, greenhouse gas emissions must peak before 2025 at the latest and decline 43% by 2030.

Thus, the time is limited for the ESG issues to be addressed and therefore the Corporates need to be highly conscious about sustainability and focus from mere profit orientation to Profit, People and Planet. The Sustainable business creates values for investors, customers, host communities and environment by operating at the intersection of Profit, People and Planet.

REFERENCES:

***References have been drawn from BRSR reports for FY2022-23 of Hindustan Unilever Ltd(HUL), ITC Ltd, Wipro Ltd, Asian Paints Ltd, Tata Steel Ltd, TCS Ltd and also from the learnings out of ESG course.* 