2021

BRSR HANDBOOK

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Sustainability Simplified

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INTRODUCTION

Sustainability is a concept that is gaining popularity in media, policy-related conversations, corporate strategies and communications. In simple words, it means meeting our own needs without compromising the ability of future generations to meet their own needs.

ESG, which stands for Environment, Social and Governance, is essentially a way to quantify sustainability. The reason this becomes necessary is because if you were to ask yourself, your colleague, your neighbour, your best friend what they understand by the word 'sustainability', they would all give very different answers. Honestly, try it. It's a fun exercise.

ESG measures the following:

1. The **environmental impact of a company on its natural environment** like carbon or other greenhouse gas emissions, water utilization and wastage, waste generated, biodiversity impacted etc.
2. The **company's relationship with its stakeholders** like employees, supply chain and business partners, shareholders, media or any other social being that they touch through their operations
3. The **policies and procedures in place to govern the company** in a more ethical and transparent fashion giving equal opportunity and fair treatment to all

Lately, for reasons like climate change and sustainable development, more and more countries are setting their net-zero goals and creating long-term plans to achieve them. This move makes it extremely essential for all the companies across the globe to participate in the movement to have a cleaner and better future for planet Earth and align their business strategies along with national targets.

ESG REPORTING LANDSCAPE

The recent years we have seen the rise of ESG or sustainability disclosures and frameworks, such as:

- Global Reporting Initiative (GRI)
- Integrated Reporting (IR)
- Sustainability Accounting Standards Board (SASB)
- Task Force on Climate-Related Financial Disclosures (TCFD)
- Carbon Disclosure Project (CDP)

These frameworks require businesses to disclose their sustainability performance based on key performance indicators (KPIs) and principles.

In May 2021, SEBI (Securities and Exchange Board of India) put forth a regulation for ESG reporting called Business Responsibility and Sustainability Reporting (BRSR).

The Voluntary Guidelines on Corporate Social Responsibility, issued by the Ministry of Corporate Affairs (MCA) in 2009, were the first step toward mainstreaming the concept of business responsibility in India. The reporting landscape has changed dramatically since the introduction of Business Responsibility Reporting (BRR), Corporate Social Responsibility (CSR), IR, National Guidelines on Responsible Business Conduct (NGRBC), and now Business Responsibility and Sustainability Report (BRSR).

The MCA established a Committee on Business Responsibility Reporting in November 2018 to finalise business responsibility reporting formats for both listed and unlisted companies, based on the NGRBC framework.

The Committee proposed renaming BRR to BRSR, which would include ESG-based disclosures, to encourage enterprises to communicate holistically with stakeholders and go beyond regulatory compliance regarding business measures and reporting.

Previously, India's top 1,000 listed companies were required to submit a Business Responsibility Report (BRR) as part of their annual reports to the stock exchanges. The BRR must emphasis the Environmental, Social, and Governance (ESG) measures taken by listed firms in the format recommended by the Securities and Exchange Board of India (SEBI). Other listed companies may voluntarily provide the BRR.

From FY2022 - FY2023, companies will need to prepare a new report called the Business Responsibility and Sustainability Report (BRSR).

Evolution of ESG in India:

Year	Change	Implication
2009	National Voluntary Guidelines (NVGs)	MCA issued NVGs on corporate social responsibility
2012	Business Responsibility Report (BRR)	SEBI made it mandatory for the top 100 listed businesses to file BRRs based on NVGs
2014	Corporate social responsibility (CSR)	CSR is required, and CSR regulations were implemented
2015	Extension to top 500 listed companies	BRR disclosure got extended to the top 500 listed companies
2017	Integrated Reporting (IR)	SEBI recommended top 500 businesses to adopt Integrated Reporting IR on a voluntary basis from FY 2017–18
2019	National Guidelines on Responsible Business Conduct (NGRBC)	NGRBC was released in March 2019
2019	Extension to the top 1,000 listed companies	From FY 2019–20, SEBI extended the BRR requirement to the top 1,000 listed companies
2021	Business Responsibility and Sustainability Report (BRSR)	Introduction of BRSR in May 2021

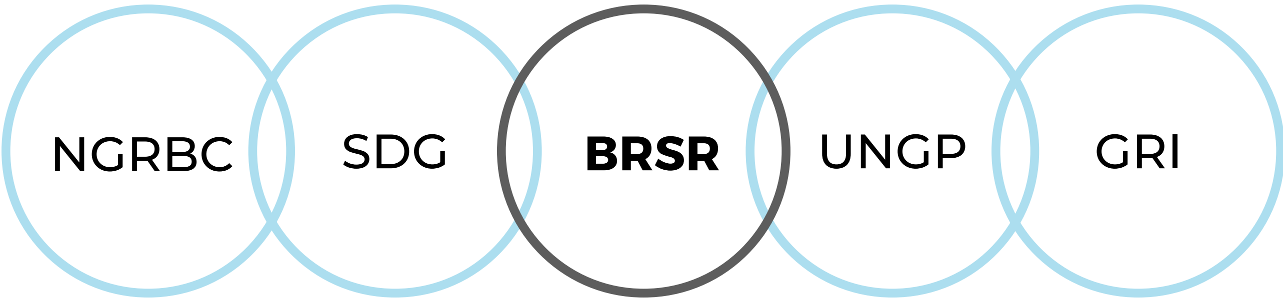
WHAT HAS CHANGED SINCE BRR?

BRSR is different from BRR in multiple ways as the former focuses on both the qualitative and quantitative disclosures with specifying the essential and leadership indicators for each principle.

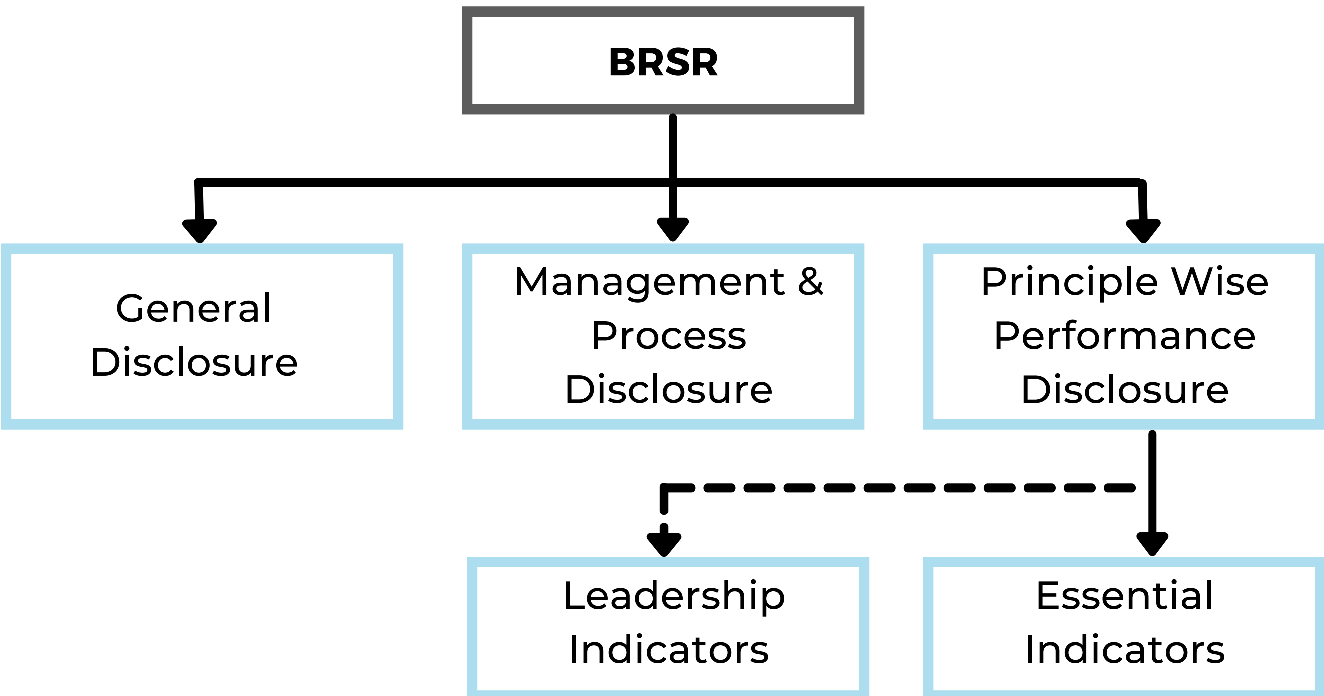
- Few generic terms are replaced by more specific data points (viz. climate change/global warming, energy, water, waste, air emissions, biodiversity
- Obsolete schemes like CDM have been removed
- Addition of disclosure on-product safety, IP, employee well-being, conflict of interest, EPR, Scope (1,2 & 3) emissions, LCA
- Quantitative approach instead of qualitative.
- References (links) provided at appropriate positions for convenience - EPR, NGRBC, income tax, labor laws, aspirational districts etc.

STRUCTURE OF BRSR

The BRSR format specified by SEBI contains nine principles that cover a company's ESG (Environment, Social and Governance) performance. It is developed on the basis of National Guidelines on Responsible Business Conduct (NGRBC) principles and in conjunction with United Nations SDGs, GRI and United Nations Guiding Principles.



There are two versions of BRSR i.e BRSR comprehensive and BRSR Lite. For companies whereas reporting essential indicators is mandatory, addressing leadership indicators is voluntary.



Section A: General disclosures

This section includes general information about the company, such as its size, location, products, employee count, and CSR efforts, among other things. In contrast to BRR, the disclosures in this section have included, among other things, the following information:

Topic	**Additional disclosures**
Details of the listed entity	• If there are any questions about the BRSR report, include the name and contact information for the person who will be contacted (phone number and email address). • Declare the reporting border of the entity, that is, whether the report is standalone or consolidated (i.e., for the entity and all the entities which form a part of its consolidated financial statements, taken together). Throughout the report, companies must maintain a consistent reporting boundary.
Products/ services	• Details about the entity's business operations and the products and services it sells, which account for 90% of its revenue. Individual contributions to total revenue generated by such products/services must also be disclosed.
Markets served by the entity	• A brief description of the company's consumer types, as well as the number of markets (national and international).
Employees	• The total number of employees and workers is revealed at the end of the reporting period. Any significant change in the number of employees/workers between the beginning and end of the reporting period must be explained. • The number of women on the Board of Directors (BoD) and in key managerial roles is publicly disclosed (KMP) • Over the last three years, describe the trends in permanent employee and permanent worker turnover.

CSR	• CSR disclosures must be made under the BRR's section on "financial facts of the company." CSR disclosures are now included in the BRSR's "general disclosures" section.
	• Furthermore, under the new format, the following disclosures are no longer required:
	  ◦ Total spending on CSR as % of profit after tax
	  ◦ Activities where CSR expenditure has been incurred.

Topic	Additional disclosures
Transparency and disclosure compliances	• Any complaints or concerns about any component of the National Guidelines on Responsible Business Conduct must be disclosed during the current and preceding fiscal years. • Stakeholders who may file grievances include communities, investors, stockholders, employees and workers, customers, value chain partners, and others.
Overview of the entity's material responsible business conduct issues	• Specific disclosures on material responsible business behaviour' and sustainability concerns relevant to ESG matters that pose a risk or opportunity to an entity's company, justification for identifying the same, approach to adapting or mitigating the risk, and financial ramifications • Companies are required to make qualitative disclosures in this regard, and no forward-looking quantitative information should be included unless the impact can be quantified in previous years.

Section B: Management and process disclosures

The disclosures in this section would allow companies to demonstrate that they have structures, policies, and processes in place to implement the NGRBC principles and basic elements. Some of the major disclosures that must be made are as follows:

Topic	Additional disclosures
Policy and Management processes	• Confirmation that an entity's policies cover all of the NGRBCs' principles and key aspects. • Each concept is aligned with the organization's national and international codes, certifications, labels, and standards. • Determine the entity's exact commitments, goals, and aims, as well as any deadlines. Entities have the option of disclosing whether or not their goals and objectives are mandatory. If necessary, the organization should also provide a list of the relevant laws. • Performance in relation to specific commitments, goals, and targets, as well as the reasons for failure to meet them

Topic	Additional disclosures
Governance, leadership and oversight	• Include a statement from the director in charge of the corporate responsibility report. The statement should include ESG related issues, goals, and accomplishments. • Along with the statement, certain elements must be included, such as the organization's overall vision and strategy for managing significant environmental and social impacts caused/contributed to by the organization or directly related to its activities, products, or services in the short, medium, and long term. • The highest authority in charge of implementing and overseeing the entity's corporate responsibility policies. A director of the board, a board committee, senior management, or an employee committee could all have such authority. If a committee is the highest authority, the committee's composition should be made public. • Indicate whether an external organization conducted an independent audit/evaluation of the operation of its policies. While an internal agency is not permitted to conduct this evaluation while subject to BRR, such an evaluation could be conducted.

Section C: Principle wise performance disclosure

Using the disclosures in this section, listed companies would be able to demonstrate their performance in integrating the principles and core elements with important processes and decisions.

Each principle is divided into:

1. **Essential indicators**: To be reported on a mandatory basis.
2. **Leadership indicators**: To be reported voluntarily by companies that strive for greater social, environmental, and ethical responsibility.

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

- This Principle emphasises that ethical behaviour in all operations, activities, and processes guides enterprises' governance of economic, social, and environmental duties.
- The Principle emphasises that disclosures on business decisions and activities that affect stakeholders are an essential component of operationalizing responsible business conduct and should be made available to all relevant stakeholders.

- It recognises that businesses play an important role in society and that they will be held accountable for proper adoption, implementation, and disclosure of their performance in relation to the Core Elements of these Guidelines.
- In line with SDG 16, the Principle also emphasises that the governance structure of the business should achieve this.

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

- This Principle recognizes SDG 12's assertion that sustainable production and consumption are inextricably linked, contributing to improved quality of life as well as the protection and preservation of the earth's natural resources.
- According to the Principle, businesses should focus on safety and resource efficiency when designing and manufacturing their products, and use them in a way that creates value while minimizing and mitigating their negative impacts on the environment and society at all stages of their life cycle, from design to final disposal. Businesses should incorporate the circularity concept into all of their operations over time.
- In order to do so, the Principle encourages firms to understand all material sustainability challenges across their product life cycle and value chain.

Principle 3: Businesses should respect and promote the well being of all employees, including those in their value chain

- This Principle encompasses all policies and practises relating to the justice, dignity, and well-being of all employees involved in a business or its value chain, as well as the provision of decent employment (as defined in SDG 8), without discrimination and in an inclusive manner. The principle recognises that an employee's well-being includes her or his family's well-being.

Principle 4: Businesses should respect the interests and be responsive to all its stakeholders

- This Principle acknowledges that businesses operate in a multi-stakeholder ecosystem that includes more than just shareholders and investors, and that their actions affect natural resources, ecosystems, communities, and the environment.
- The Principle acknowledges that enterprises have a responsibility to protect the interests of all stakeholders, particularly the vulnerable and marginalized.
- The Principle also acknowledges that businesses have a responsibility to maximize the positive effects of their products, operations, and practices while minimizing and mitigating the negative impacts on all of their stakeholders.

Principle 5: Businesses should respect and promote human rights

- Human rights are inherent in all humans, and everyone, individually or collectively, has the right to them without discrimination. Human rights are also acknowledged to be inherent, unalienable, interconnected, interdependent, and indivisible.
- The Principle is inspired, informed, and guided by the Indian Constitution and the International Bill of Rights, which recognize the priority of the state's duty to defend and fulfill human rights.
- The Principle is further informed and governed by the UN Guiding Principles on Business and Human Rights in articulating corporations' obligation to respect human rights. It states that corporations have a responsibility to protect human rights by avoiding or contributing to harmful human rights consequences and responding to such consequences when they occur. The Principle encourages businesses to pay special attention to individuals or groups of people who are most vulnerable to or at risk of negative human rights consequences.

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

- This Principle emphasizes the importance of environmental stewardship in ensuring long-term economic prosperity and societal well-being.
- The Principle emphasizes the interconnections of environmental issues at the local, regional, and global levels, making it critical for businesses to address pollution, biodiversity conservation, sustainable natural resource management, and climate change (mitigation, adaptation, and resilience) in a fair, comprehensive, and systematic manner. These objectives correspond to the SDGs 11, 13, 14, and 15.
- The Principle encourages businesses to assess the environmental consequences of their products and operations and to take steps to reduce and mitigate those consequences where they cannot be avoided.
- The Principle encourages businesses to adopt environmental practises and methods that reduce or eliminate the negative impacts of their operations and supply chain.
- Enterprises are encouraged to apply the Precautionary Principle in all of their actions.

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

- This Principle recognizes that businesses operate within specific national and international regulatory and policy frameworks that both drive and limit their growth.

- The Principle recognizes corporations' right to engage with governments in order to seek redress of a grievance or to influence public policy.
- The Principle emphasizes the significance of public policy advocacy in advancing the public good.

Principle 8: Businesses should promote inclusive growth and equitable development

- This Principle recognizes India's social and economic development challenges and builds on the national and local development agenda laid out in government policies and priorities. This is especially true in areas with high levels of social unrest and human development.
- According to Section 135 of the Companies Act of 2013, the Principle recognizes the importance of businesses' energy and initiative and encourages them to innovate and contribute to the country's overall development, with a particular emphasis on disadvantaged, vulnerable, and marginalized groups.
- The Principle also emphasizes the importance of collaboration among businesses, government agencies, and civil society in achieving SDG 17's development goal.
- The interdependence of commercial success, inclusive growth, and equitable development is emphasized in the Principle.

Principle 9: Businesses should engage with and provide value to their customers in a responsible manner

- This Principle is based on the fact that the primary goal of a business entity is to provide goods and services to its customers that are safe to use and add value to both.
- The Principle recognizes that consumers have the freedom of choice in the selection and use of goods and services, and that enterprises will strive to make available products that are safe, competitively priced, easy to use, and safe to dispose of, for the benefit of their consumers.
- The Principle also recognizes that businesses, in collaboration with other relevant stakeholders, should play a key role in mitigating the negative effects that excessive consumption of its products may have on the overall well-being of individuals, society, and our planet, in accordance with SDG 12.

NEXUS BETWEEN BRSR & SDGS

SDGs are an excellent resource for understanding about the NGRBC Principles and their fundamental components, as well as clarifying key BRSR disclosures.

The figure below shows a possible link between the SDGs and the NRBC's core Principles.

SDG	Principles
1 NO POVERTY	P3, P4, P8
2 ZERO HUNGER	P2, P6, P7, P8, P9
3 GOOD HEALTH AND WELL-BEING	P3, P6, P8
4 QUALITY EDUCATION	P3, P8, P9
5 GENDER EQUALITY	P3, P4, P5, P8
6 CLEAN WATER AND SANITATION	P2, P6, P8
7 AFFORDABLE AND CLEAN ENERGY	P2, P6, P7
8 DECENT WORK AND ECONOMIC GROWTH	P2, P3, P5, P8
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	P3, P4, P8
10 REDUCED INEQUALITIES	P2, P6, P7
11 SUSTAINABLE CITIES AND COMMUNITIES	P3, P4, P7, P8
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	P2, P6, P9
13 CLIMATE ACTION	P2, P6, P7, P8
14 LIFE BELOW WATER	P2, P6, P7, P8, P9
15 LIFE ON LAND	P2, P6, P7, P8, P9
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	P1, P3, P4, P5, P8
17 PARTNERSHIPS FOR THE GOALS	P1, P7, P8

BRSR JOURNEY MAP

This is the process, we at Oren, undertake with our customers to help them get started and keep going on their sustainability journey.

Step 01: **Leadership Onboarding**

We've learnt that the best way to achieve any sustainability goal is to have a clear purpose and vision to it. And this can only be achieved if it is at the leadership level i.e. at the board of directors and the C-suite.

Step 02: **ESG Committee**

Set up a dedicated team with a deep understanding of the subject matter. The team's first task is to help the company set the goal. This team's KPIs and performance metrics are mapped to the goals that need to be achieved.

Step 03: **Boundary Setting**

The team then does stakeholder mapping. Seek feedback at every stage. Do multiple conversations to get their inputs and insights. Secondly containerize the disclosure boundaries for the respective financial year.

Step 04: **Materiality assessment**

Materiality assessment is the process of defining the environmental, social and governance risks and opportunities that are most relevant to the company and its operations.

Step 05: **Communication strategy**

Setup a communication strategy for both internal and external stakeholders where, internal communication is typically top-down.

NEXT STEPS

10 Point ESG action item for boards:

- Identify, discuss and adopt a strategy for how your company thinks about ESG.
- Come up with no more than five specific things that are measurable and that relate to your business. Spread these five things across the categories of ESG, don't just focus on one area, like environmental.
- The quantitative things are the Environmental and the Governance topics. Track these over time with clear reporting so your constituents can see your progress.
- Qualitative topics will measure a range of social, employee well-being and engagement. These may include training, diversity inclusion, anti-harassment, organizational development, and employee wellness. Determine a rubric that allows you to measure your progress on these qualitative areas.
- Understand that diversity is a business imperative. Create programs to ensure that you have a workforce that is representative, at every level, of the diversity of your customers, your investors and your partners.
- Consider whether or not issuing a green bond is right for your company. These issuances have tripled in the last year as energy, automotive and even consumer goods and technology companies have looked to green bonds as a way to finance important sustainability investments. Green bonds are another way to access the huge pools of ESG capital.
- Ensure that your ESG program specifically addresses which of the United Nations 17 Sustainable Development Goals (SDGs), as these are the parameters that many money managers and institutional investors are using to determine if you meet their ESG investment qualifications.
- Pick an external ESG measuring firm like Sustainalytics and MSCI so you have an outside barometer to measure your progress and a third party to give your program credibility.
- Assign your ESG program to one person, General Counsel, Head of Investor Relations or CFO.
- Define an outreach program to access the major pools of capital that are investing in ESG friendly companies and are expected to grow in the coming few years.

FUTURE ACTION

A solid, functioning ESG management system is made up of interrelated parts. Take a look at the nine elements of an effective ESG management system. Each of these elements is important, because they help you to assess, control and continually improve your environmental and social performance, as part of the Plan-Do-Check-Act cycle. The following section presents step-by-step instructions on how to develop and implement a system using these elements.

Many companies already have management systems for quality. If your company has one, you may already have certain elements of the ESG in place, and you can build on your existing systems. Access this self assessment checklist to evaluate your company's maturity and resilience towards ESG risks. The self-assessment will allow you to measure your current level of system development and implementation. You will answer a series of questions and get your score for each element on a scale of 0 to 5 (5 is highest). The score measures the maturity of your system. Once you understand the maturity of your system, it is easier to target specific steps you can take to improve it.

The System Maturity Levels	
Level 5	Mature system implemented internally and with key supply chain partners – continual improvement embedded in operations
Level 4	Systems well developed and implemented internally – routine improvement projects
Level 3	A brief description of the company's consumer types, as well as the number of markets (national and international).
Level 2	Limited system development with sporadic implementation – primarily reactive
Level 1	Little systems awareness or repeatable processes
Level 0	No systems awareness or repeatable processes

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