

# INDIA INC'S PREPAREDNESS FOR BRSR



# INTRODUCTION

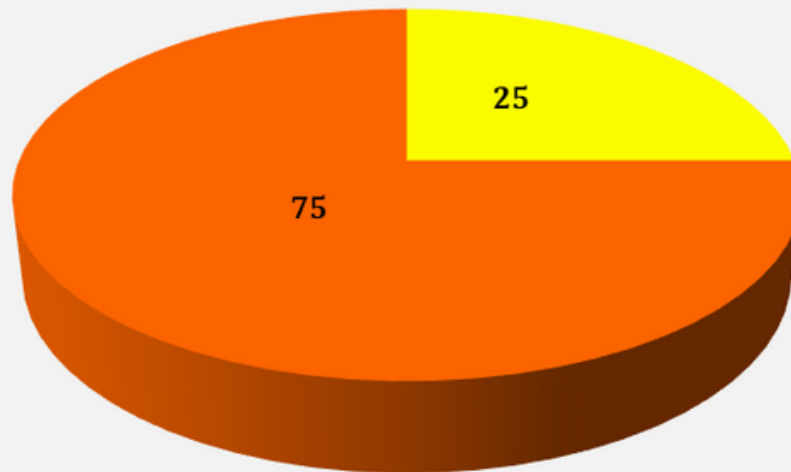
It has often been said that, unlike individuals, companies are for the long term, and have perpetuity as their aspirational goal. It follows that **sustainability should be the watchword of companies**, big or small. The mandate for companies has also moved from protecting the interest of only shareholders, to ensuring that the interests and aspirations of all categories of stakeholders are adequately addressed. This includes society as a stakeholder.

Companies are accountable not only to their investors and shareholders, from a revenue and profitability point of view, but also to society and other stakeholders, such as employees, suppliers, contractors, vendors, customers etc. Thus, **adoption of responsible business practices in the interest of the society and the environment in which companies operate, is as important as the company's financial performance.**

Since we live in an age of information, and claim to be committed to transparency, it is important for corporates to make disclosures that are complete and correct in all respects. These disclosures are both financial and non-financial in nature. **One manifestation of non-financial disclosures is the Business Responsibility Report (BRR), which has now assumed a newer and bigger shape in the form of the BRSR.**

# SUSTAINABILITY REPORTING IS GAINING IMPORTANCE.

Sustainability reporting in top 100 cos in FY21



■ Cos that have published only BRR

■ Along with BRR, cos that have published Sustainability Report/ ESG report/ Integrated report

*2 cos voluntarily published BRSR.*

*Source: Publicly available information.*

Many countries have mandated companies to report on sustainability.

**Ensuring the responsible conduct of business was first addressed in India by the MCA, through the Voluntary Guidelines on CSR in 2009.**

MCA was of the opinion that integrating social, environmental and ethical responsibilities into the governance of businesses ensured their long-term success, competitiveness and sustainability. The CSR policy was expected to provide, *inter alia*, a roadmap for CSR initiatives to be aligned with the corporate's business goals, as a part of overall business policy. The Guidelines provided for 6 core elements

- Care for all Stakeholders
- Ethical functioning
- Respect for Workers' Rights and Welfare
- Respect for Human Rights
- Respect for Environment
- Activities for Social and Inclusive Development

**In a move to introduce a comprehensive set of guidelines that encompassed social, environmental and economic responsibilities of business, the MCA, in 2011, issued the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of India (NVGs) for voluntary adoption by all businesses.**

The guidelines emphasized that the businesses should attempt to undertake responsible business practices so that it would result in sustainable growth and economic development. **These were designed in a manner such that all businesses, irrespective of size, sector or location could adopt them.** The Guidelines contained 9 principles, which it was felt would lead to the ability of businesses to enhance their competitive strengths, while significantly improving their reputation.

The 9 principles were

1. Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
2. Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
3. Businesses should promote the wellbeing of all employees
4. Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
5. Businesses should respect and promote human rights
6. Business should respect, protect, and make efforts to restore the environment
7. Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
8. Businesses should support inclusive growth and equitable development
9. Businesses should engage with and provide value to their customers and consumers in a responsible manner

**In 2018, the need was felt to review the NVGs, to align them with emerging global concerns, the Sustainable Development Goals (SDGs), and the United Nations Guiding Principles on Business and Human Rights (UNGPs).**

The NVGs provided a separate chapter on reporting, known as Business Responsibility Reporting Framework, based on which companies shall be able to show their stakeholders the adoption of the guidelines. **The business responsibility reporting framework was designed on the 'Apply-or-Explain' principle.** The reporting framework was designed such that necessary information and disclosures shall be provided to the stakeholders so that they could have meaningful engagement with the business company and take informed decision. The Guidelines were applicable to all businesses irrespective of size, sector or location.



**For reporting under Apply or Explain, the guidelines divided the businesses into three categories:**

1. Business entities already preparing responsibility and sustainability reports based on internationally accepted reporting frameworks – Such companies did not have to publish a separate BRR, and could furnish the existing sustainability or responsibility report.
2. Business entities that have chosen to adopt the Guidelines completely or in part, but are not yet fully capacitated to prepare a comprehensive BR report – Such companies had to provide basis details of activities undertaken in pursuance of the Guidelines
3. Business entities that would like to prepare comprehensive reports after adopting these Guidelines – For such companies, a format was suggested. This was divided into 3 parts. Part A consisted of basic information about the operations of the business entity. Part B consisted of performance indicators for different Principles and Core Elements. Part C was divided into two important aspects on BR reporting, report on any material/significant negative consequences of the operations of the business entity, and a brief on Goals and Targets in the area of social, environmental and economic responsibilities that the business entity has set for itself for the next Reporting Period.

SEBI, in 2012, had mandated, through its circulars, that the top 100 companies by market capitalisation (extended with effect from 2016 to the top 500 companies) would include BRR as a part of the Annual Report. An **exception** was made for companies which had been submitting reports related to sustainability using any format prescribed by an overseas regulators. In 2019, SEBI extended the scope of BRR to the top 1000 listed entities, based on market capitalisation.

**The format of BRR was based on 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' MCA, Government of India.**

The format was divided into five sections:

1. Section A: General information about the Company
2. Section B: Financial details of the Company
3. Section C: Other Details
4. Section D: BR Information
5. Section E: Principle-wise Performance

In 2018, there was a need felt to review the NVGs to align them with global developments and domestic changes. **The NVGs were updated as the National Guidelines for Responsible Business Conduct (NGRBC) in March 2019.** These were designed to assist businesses to embrace the principle of responsible conduct going beyond the requirements of regulatory compliance. The NGRBC contained 9 thematic pillars of business responsibility which were called Principles. The principles were similar to the ones stated by NVGs, but were slightly modified. These guidelines urged companies to actualize the principles in letter and spirit.

These principles were:

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.

**With changes from NVG to NGRBC, there was a need to modify disclosures under BRR too. Based on the recommendations of the Committee on Business Responsibility, which submitted its report in August, 2020, it was decided that the BRSR framework would be introduced**, containing 3 sections, and each section would be divided into 2 categories, namely those that are mandatory for all companies, Essential indicators, and those that are voluntary, and categorised as Leadership indicators. The Essential performance disclosures are mandatory for companies that have adopted the BRSR, while the Leadership indicators are “good to have” for companies that wish to grow in a responsible manner.

**There is also a BRSR Lite version, which has been developed for unlisted companies, and is voluntary.** The aim of the BRSR Lite version is to encourage greater compliance and reporting by all Indian companies.



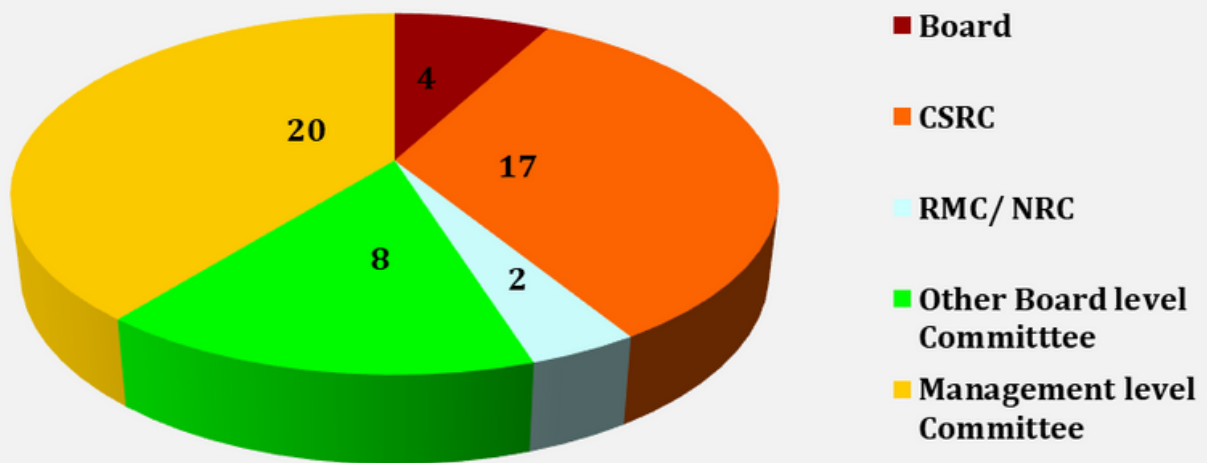
**BRSR** will now form the principal document, on the basis of which it will be possible to assess the performance and track record of companies in discharging their responsibilities towards ensuring sustainability. With more quantifiable matrices, a clearer picture is expected to emerge in the years ahead. This framework will also enable a better understanding of where the corporates are in regard to the 3 pillars E, S, and G in the ESG framework.

Responsible corporate citizenship will ensure that the interests of all stakeholders are adequately addressed.

In order to give time to companies to adapt to the new requirements relating to BRSR, SEBI has made reporting voluntary for FY 2021-22 and mandatory from 2022-23. Some companies have already adopted the BRSR format from FY 2021.



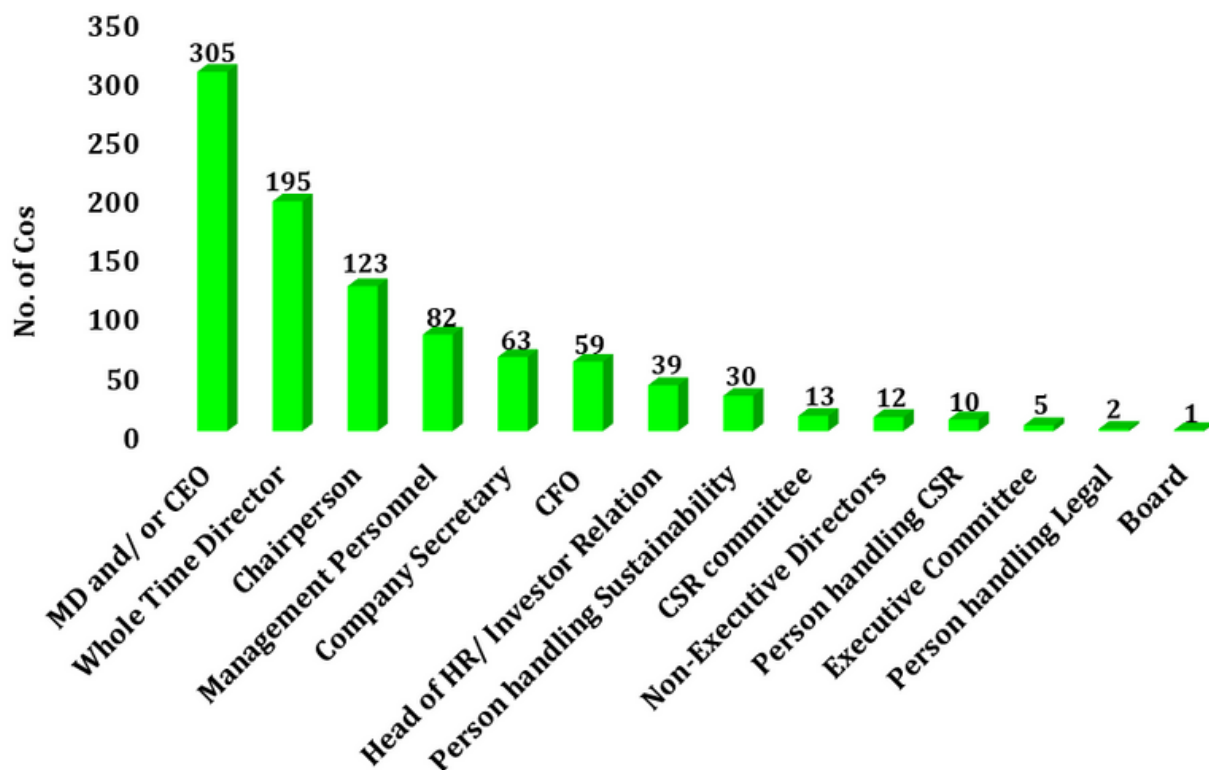
## Responsibility related to ESG in top 100 cos in FY21



Source: Publicly available information.

48 cos have been considered. Details relating to 49 cos were not available, and 3 cos stated that they would constitute a Sustainability/ ESG committee in the next FY.

## Persons handling BRR in top 1000 cos



61 cos have been excluded. 51 did not give the details and 10 cos stated that it was not applicable to them.

Source: Annual Reports for FY21

# METHODOLOGY

As part of our exercise to understand the preparedness of the top 1000 companies to usher in BRSR, we reached out to them with a short questionnaire, on the email ids that were given in their BRR reports. Regrettably, despite several reminders, the number of responses was abysmally low.

Reproduced in this report are the responses received from the companies, in their own words.



# DCM SHRIRAM LIMITED

**How prepared are you for a transition from BRR to BRSR?**

**Putting systems and procedures for BRSR data – Being developed and are in process.**

**Does your company publish a sustainability report or an ESG report?**

**Yes, as per GRI reporting standard.**

**Does your company have a dedicated team that looks at sustainability?**

**Yes, there are dedicated EHS and CSR team at respective manufacturing sites headed by EHS and CSR functional heads at Corporate level to drive various Sustainability initiatives of the company.**

**Do you think there is a business case for ESG?**

**Yes, ESG is a business imperative for achieving sustainable business growth.**

# DCM SHRIRAM LIMITED

Does your Board or any Board committee monitor the ESG efforts of the company? If so, with what frequency and how?

Yes, Board regularly monitors ESG efforts of the company through various committees: BRR committee, CSR Committee, Risk management Committee (Reviews twice in a year).

Does the Board or management actively consider ESG issues while taking business decisions?

Yes

Are your investors concerned about your company's efforts in the ESG space?

Yes



# HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

**How prepared are you for a transition from BRR to BRSR?**

HDFC has published the BRSR for FY21 itself. We understand we were the first company to do so under this framework. Link for reference [https://www.hdfc.com/sites/default/files/2021-08/final-brsr-report-2020-21-md\\_1.pdf](https://www.hdfc.com/sites/default/files/2021-08/final-brsr-report-2020-21-md_1.pdf)

**Does your company publish a sustainability report or an ESG report?**

Various reports under ESG heads are on our website - pl refer to : <https://www.hdfc.com/investor-relations#environmental-social-and-governance>

**Does your company have a dedicated team that looks at sustainability?**

No. It is an inter-disciplinary function -- each department across the organisation gets represented with ESG parameters.

**Do you think there is a business case for ESG?**

My personal view is that the jury is still out of this. There most certainly is a need for increased non-financial disclosures which the BRSR framework facilitates. The greater worry is on ESG Rating Providers and their methodologies adopted. The big question is can culture in an organisation be ascribed a score? There is a correlation of performance and companies with good ESG disclosures but it is not a causation effect. Happy to discuss further.

# HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

**Does your Board or any Board committee monitor the ESG efforts of the company? If so, with what frequency and how?**

**Various components of ESG do get discussed with the entire board. There is no separate board committee for ESG. Happy to discuss further.**

**Does the Board or management actively consider ESG issues while taking business decisions?**

**Yes some components provided it aligns with our overall business strategy.**

**Are your investors concerned about your company's efforts in the ESG space?**

**Yes. Always found better outcomes when engaging one-on-one with investors.**

# JSW STEEL LIMITED

**How prepared are you for a transition from BRR to BRSR?**

We are prepared to migrate, and will be preparing BRSR in the coming FY. Some information may not be ready, but voluntarily preparing BRSR will help us fill in those gaps before it becomes mandatory.

**Does your company publish a sustainability report or an ESG report?**

The company has been publishing an integrated report for the last 4 years, and has been publishing a sustainability report since 2006.

**Does your company have a dedicated team that looks at sustainability?**

Yes. There is a Corporate Sustainability department/team at the corporate level. There are sustainability champions at each of the site too.

**Do you think there is a business case for ESG?**

Yes. It is very important, and there is merit for a business case since there are returns, including monetary returns. ESG should not be limited to climate change alone, but to all aspects of ESG. JSW would like to recommend it to all the companies.

# JSW STEEL LIMITED

Does your Board or any Board committee monitor the ESG efforts of the company? If so, with what frequency and how?

Yes. There is a Sustainability and BR committee at the Board level, headed by an ID. It meets once every 6 months.

Does the Board or management actively consider ESG issues while taking business decisions?

Yes. Sustainability is at the core of all our operations, strategy, and business decisions. Also, for every project/ expansion plans, we consider ESG aspects.

Are your investors concerned about your company's efforts in the ESG space?

Yes. Investors and credit ratings track our efforts in the ESG space. Investors also come back with questions, if any. The company has sustainability linked bonds, with 30-50 investors. The company reaches out to them, with ESG presentations, and they do come back with questions, if any.

# KIRLOSKAR INDUSTRIES LIMITED

How prepared are you for a transition from BRR to BRSR?

We are currently at 25%.

Does your company publish a sustainability report or an ESG report?

Yes

Does your company have a dedicated team that looks at sustainability?

Yes

Do you think there is a business case for ESG?

Yes



# KIRLOSKAR INDUSTRIES LIMITED

Does your Board or any Board committee monitor the ESG efforts of the company? If so, with what frequency and how?

Yes, 6 monthly review set in motion. ESG Steering Committee appointed, reports to the Risk Committee and an Independent Director made responsible for the ESG rollout, adherence and investments.

Does the Board or management actively consider ESG issues while taking business decisions?

Yes

Are your investors concerned about your company's efforts in the ESG space?

Yes

# SAGAR CEMENTS LIMITED

How prepared are you for a transition from BRR to BRSR?

Yes

Does your company publish a sustainability report or an ESG report?

Yes

Does your company have a dedicated team that looks at sustainability?

Yes

Do you think there is a business case for ESG?

Yes

# SAGAR CEMENTS LIMITED

Does your Board or any Board committee monitor the ESG efforts of the company? If so, with what frequency and how?

Yes. Quarterly.

Does the Board or management actively consider ESG issues while taking business decisions?

Yes



# THE SUPREME INDUSTRIES LIMITED

## How prepared are you for a transition from BRR to BRSR?

We, The Supreme Industries limited, whole heartedly support Government of India in so far as implementing transparent Corporate Governance Practice is concerned. Albeit Voluntarily, we have taken required steps and actions to comply with the requirements for reporting in the Annual Report for the Financial Year 2021-22 onwards under the enhanced requirements of BRSR. Company is gearing up itself for the transition from BRR to BRSR. It has a Business Responsibility Committee, which is now going to be renamed as Business Responsibility and Sustainability Reporting Committee to take on the responsibility of the disclosures. The Committee Chaired by Managing Director and KMPs. The Committee will be enhanced and more members will be included. We have internal centralized team comprising of Senior Officers of the Company to implement and monitor the principles of the BRSR. Various training sessions are being undertaken by the Company to apprise / train the officers of the Company regarding principles of BRSR, implementation of the process, data collection and also the strategies / actions required to comply with the requirements of the principles of BRSR.

## Does your company publish a sustainability report or an ESG report?

The Sustainability Report will form part of the Annual Report for 2021/22 onwards

## Does your company have a dedicated team that looks at sustainability?

As already covered under 1) above, in addition to Business Responsibility Committee (to be renamed as Business Responsibility and Sustainability Reporting Committee), we have in place an internal centralized team comprising of Senior Officers of the Company overseeing the implementation and monitoring the principles of the principles of the BRSR.

# THE SUPREME INDUSTRIES LIMITED

## Do you think there is a business case for ESG?

We are of the opinion that Corporates besides delivering the financial performance and growth also needs to be responsible towards environment, social and governance issues. Ø

Corporates are an important conduit whose objectives needs to be expanded beyond shareholder's wealth maximization to all the stakeholders benefit maximization. This has to considered in an inclusive manner, encompassing the avowed objective of environment to be cleaner. The Society at large must benefit due to Corporates ESG investments. Hence there is good business case for ESG for all good corporates.

## Does your Board or any Board committee monitor the ESG efforts of the company? If so, with what frequency and how?

The Business Responsibility Committee as explained above monitors the ESG efforts of the Company who plans to meet and review twice a year . Ø In addition to the Board Committee, Company has an internal centralized team comprising of Senior Officers of the Company to implement and monitor the principles of the BRSR under the guidance of the Board Committee who meets and monitors the progress on monthly basis.

## Does the Board or management actively consider ESG issues while taking business decisions?

Yes. Board and Management consider as its primary responsibility to consider ESG issues while taking business decisions. Board and Company consider every aspect of ESG issues at the time of putting new units, introduction of new products, utilization of raw material etc. Usage of green energy and renewable energy to run plants and reduction in the emission of the carbon in the environment remains one of the focus area for the Company.



# THE SUPREME INDUSTRIES LIMITED

Are your investors concerned about your company's efforts in the ESG space?

Various investors are now considering the ESG as key performance indicators of the Company. Investors are increasingly applying these non-financial factors as part of their analysis process to identify material risks and growth opportunities. During the investor meets and Conference call, investors make an enquiry about the Company's approach and reporting on ESG issues. Management regularly updates investors on its commitment and progress on ESG related matters.



# ANNEXURE - MAIL SENT BY US

Dear Proponents of Corporate Governance,

We trust that you and your family are safe and staying healthy in these challenging times.

**Excellence Enablers is a niche Corporate Governance advisory firm, founded by Mr M Damodaran, former Chairman, SEBI.** We are reaching out to Heads of BRR of top 1000 companies to understand their company's efforts in BRR.

We have prepared a short questionnaire comprising 7 questions, the responses to which we intend to publish on our social media page. We also intend to prepare a compendium of all the responses received, and share with a larger audience. We would be very grateful if you could take out a few minutes to respond to these questions. In case you so desire, we will be happy to take down your responses over a telephonic call.

The questions may please be accessed by **clicking here**.

We look forward to receiving your response at your earliest convenience.

In case of any assistance, please feel free to contact me.

Warm regards,

Divyani Garg

Senior Vice President | Excellence Enablers Private Limited

# About Excellence Enablers

We are a niche Corporate Governance advisory firm. We do not attempt to be all things to all persons. Improving Corporate Governance policies and practices is our *raison d'être*. Our mission is to demystify Corporate Governance and to persuade corporates that it is nothing more than doing the right things at the right time in the right manner for the right reasons.

We do not tick boxes. We help you think out of the box.



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