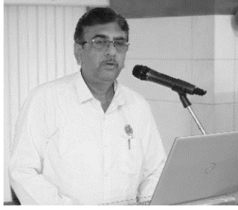


Valuation Ecosystem – Changing Landscapes with Business Responsibility and Sustainability



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An ecosystem is a community of living organisms (plants, animals and microbes) in a particular area. The term 'eco' refers to a part of the world and 'system' refers to the co-ordinating units. An ecosystem is a community of organisms and their physical environment interacting together.

ECO Meaning - ecological or environmental. not harmful to the environment: an eco-resort with no air conditioning.

Ecosystem, habitat, environment, biosphere, and ecology are all scientific terms that can refer to spaces or systems in which plants and animals (including humans) live in relationship with each other and with the surrounding physical conditions. environment is the most general term.

The word ecosystem refers to all of the organisms and physical conditions within a certain space, interacting with each other to form a complex, balanced web of relationships. It can be of any size: more often refers broadly to relationships between organisms and their environments in general, or to the science that studies these relationships.

Valuation is an essential pre-requisite in choosing investments for a portfolio, in deciding on the appropriate price to pay or receive in a takeover and in making investment, financing and dividend choices while running a business. Valuation is required throughout the life cycle of a business entity. From the time a company is incorporated with infusion of funds to the stage of its liquidation, valuation is a critical process at various stages of running of the company. Over the years, valuation has witnessed momentous changes and developments and it continues to evolve.

Technology has played a key role in changing the way businesses and investors approach valuation nowadays. Advanced technologies like machine learning, artificial intelligence and data analytics are increasingly being used to analyse data and identify trends that can impact the valuation of businesses and assets.

Moreover, with the emergence and increased adoption of digital assets nowadays, we are entering a new era of technology. Digital assets are anything that can be stored

electronically and typically that have value such as currency, property titles, securities, and patents. Considering the unique properties of digital assets and the quickly evolving state of technology, it is important to value digital assets in a standardized way. The valuation of digital assets is often done through the use of financial models, estimations, statistical analysis and other metrics. Although valuation of digital assets differs based on the type of asset and use, there are few common methods used to determine the value of a digital asset.

Environmental, Social and Governance (ESG) factors are becoming increasingly important in valuation. In India, ESG factors are gaining acceptance and companies are beginning to recognize their importance.

Valuation methods for mature companies depend mostly on financial factors but still there are several estimates and assumptions involved

VALUATION AND ITS GROWING IMPORTANCE

Ever since, the incorporation of Registered Valuer Organisation by the benign 3 Institutes as section 8 companies, the scope of valuation among the professional fraternity has never stopped mounting. The valuation techniques and objectives were streamlined based upon specialization and banks and other entities started relying on the professional valuers over to the contemporary practices. The scope of valuation expanded beyond boundaries and reached a limit such that it has become indispensable and inseparable part of business. It not only made the lenders to extend the credit, but also the incumbent stakeholders the decision to arrive on the investment and expansion strategies. Valuation also is a self-evaluation tool to the entrepreneur to boost up the existing business clientele and to take different track if it is not in line with the results in the books. It largely depends on the technical skill and experience of the valuer to determine the long run projection. A Valuer with considerable experience with a traditional method will only end up in a wrong conclusion and hence a 360 degree approach and sound knowledge on the area of operations is indispensable to value any kind of Asset.

Valuation, the cornerstone of financial decision-making, transcends national borders, influencing investment decisions, corporate strategies and policy by delving (detailed and careful search) into the regulatory frameworks that govern valuation practices, the prevalent valuation methodologies, the degree to which non-financial metrics like ESG (environmental, social, and governance) scores are integrated into these methodologies, standardisation of valuation practices, the training and accreditation required for

professionals in the valuation industry, adoption of technological tools in valuation practices, implications of the diverse valuation practices for investors, businesses, and policymakers, and the challenges and limitations inherent in the current valuation landscapes.

The increasing integration of non-financial metrics, such as ESG scores, and the adoption of advanced technological tools are notable trends shaping the future of valuation. For investors, businesses, and policymakers, understanding these diverse valuation landscapes is crucial for informed decision-making in a globalized economy.

During valuation, financial experts often rely on the data provided by the target company. As the investigation progresses, there are instances where the numbers appear questionable. It could be the case that the owner's salary appears relatively low, or the expenses seem unusually high. Doubts may also arise regarding the sales figures or benchmarks, especially when considering factors such as the industry, size, or location of the company. In instances where valuation experts observe significant discrepancies in the numbers, they may seek the expertise of a forensic auditor/forensic accountant with specialized skills in unravelling financial and compliance complexities. The support of a forensic auditor can be crucial in identifying concealed assets and revenue sources, as well as uncovering any misconduct by employees. Such revelations can substantially influence the overall valuation of the business.

While valuation primarily revolves around estimating the worth of an asset or company, a forensic audit is dedicated to investigating financial fraud or misconduct. Nevertheless, in instances of financial complexities, forensic auditors and valuers may collaborate on cases. The incorporation of forensic audit can enhance the accuracy and dependability of valuation methodologies, which are crucial instruments for assessing a company's value.

Environmental, Social and Governance (ESG are three key factors used to measure a company's sustainability and social responsibility performance. ESG is more than good intentions. It's about creating a tangible, practical plan that achieves real results. Success is not about climate change, diversity and disclosures alone. It's about embedding these principles - and more across your business - from investment to sustainable innovation.

Bringing together your best people and smartest technology so you can see more, go deeper and act swiftly. Enabling you to tackle the biggest challenges of today – and capture the best opportunities of tomorrow. Investing responsibly, or considering environmental, social and corporate governance (ESG) criteria in investment valuations and assessment, can generate long-term competitive financial returns and positive societal impact. Hence, organizations worldwide are developing and embedding environmental, social and governance strategies to build sustainable businesses.

Both global and Indian business operations have been undergoing significant changes amidst externalities such as climate change, finite resource availability, deteriorating ecosystems and evolving stakeholder expectations. The Covid-19 pandemic and associated business disruptions have only heightened and reinforced the need for action, making ESG a critical agenda for companies as they are focusing on long-term sustainable growth. In 2013, India became the first country to mandate corporate social responsibility with the Companies Act of 2013. This tenet was previously suggested in the National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business released in 2011 before being included in the Companies Act 2013. Additionally, the top 500 listed firms in India by market cap were instructed by SEBI to disclose indicators of business responsibility and sustainability through Business Responsibility Reporting (BRR). SEBI in India plays the role of market regulator, regulating securities, and protecting the interests of the stakeholders in the market. SEBI is also responsible for the implementation of an efficient ESG policy mechanism. In 2021, SEBI issued a circular containing details of new sustainability related reporting requirements called the Business Responsibility and Sustainability Report (BRSR), which brings India's sustainability reporting to global reporting standards. The new Environment, Social, and Governance (ESG) reporting format outlines mandatory ESG policies and requirements for the top 1000 listed companies by market capitalization. The format is based on the nine principles stipulated in the "National Guidelines on Responsible Business Conduct" (RBC Guidelines). The RBC Guidelines addresses key sustainability matters, such as business ethics and transparency, human rights, environmental safety, and fair labour practices. The reporting format is mandatory from FY 2022- 23 but is voluntary for FY 2021-22. This is to provide companies with sufficient time to adapt to the new reporting compliance. The BRSR is aimed at securing transparent and standardized disclosures by companies on their ESG parameters and sustainability-related risks. This approach is expected to help companies better demonstrate their sustainability objectives, position, and

performance to the market, resulting in long-term value creation and increasing the ability of investors to make informed ESG-related decisions

The current developments underline the imperatives for countries to make this planet a better place to live. The harsh truth for all countries, whether rich or poor, is that as long as society is economically unbalanced as well as unstable, fuelling sustainable economic and social growth addressing all sections of the society and the environmental concerns is a pipe dream. The requirement is a sincere, open and inclusive mind set as well as gigantic effort, calling for a new model of development that will simultaneously give a push to positive economic advancement, provide a framework for sustainability in decent living for all in an inclusive manner and reverse the damage already caused to the environment at the least, failing which any endeavour towards SDG's are bound to be piecemeal and / or exclusive and / or inadequate. In this context, ESG through crystal clear policy measures is suggested as the route to be pursued for marching towards attaining Sustainable Development Goals (SDG's).

THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The SDGs 2030 is a global initiative by 193 Member Nations of the United Nations (UN) calling for bold initiatives towards sustainable development focusing on people, planet, peace and prosperity and they offer a globally accepted framework with uniform metrics for all countries against which to measure and compare progress². The SDGs identify 17 fields across 163 inter-connected indicators and push for alignment and collaborative as well as co-ordinated action among the stakeholders. It can be seen that the SDGs are ambitious goals targeting elimination, rather than reduction of malnutrition, poverty and the like. From an Indian perspective, there is a need to review and re-work the its development narrative so that no one is left behind as the country seeks to truly grow into a leadership

INDIA'S ESG FRAMEWORK

Starting with the earliest visible initiative in 2009, India has travelled quite a distance with respect to ESG, though a lot more needs to be done in supersonic speed to meet the SDG's by 2030.

Corporate Social Responsibility (CSR)

CSR is already an existing framework under the provisions of Companies Act, 2013 applicable to both listed companies as well as unlisted companies. CSR provisions are mandatorily applicable to a company based on thresholds of Profits, Turnover and Net Worth. Every company which fulfils any one of the following three criteria namely

- Net profits of Rs. 5 Crores or more in the preceding financial year or
- Turnover in the preceding financial year of Rs. 100 Crores or more or
- Net worth as at the end of the preceding financial year of Rs.500 Crores or more

is mandatorily required to have in place a CSR policy outlining the areas in which the company will spend for CSR related activities. The mandatory required quantum of CSR spend is 2 per cent of average net profits made in the preceding three financial years or for if it has not completed three years since its incorporation, then since incorporation. There are detailed provisions in the Companies Act, 2013 and the rules prescribed thereunder namely Companies (Corporate Social Responsibility Policy) Rules, 2014 to regulate the CSR spends by the companies.

Social Stock Exchange (SSE)

In the case of SSE, the Technical Group constituted by SEBI has issued a consultation paper in May 2021 inviting comments from stakeholders. The regulatory provisions for setting up of SSE and other related matters including Social Audit and reporting are yet to be prescribed. SSE is expected to create a major impact on the ESG scenario in India.

Business Responsibility Report (BRR) converging to Business Responsibility and Sustainable Report (BRSR)

BRR, which was prescribed to be effective from the financial years ending on or after 31st December, 2012 for 100 listed entities initially is currently applicable mandatorily to the top 1000 listed entities by market capitalisation. SEBI has extended the scope of this report by including the concepts of “Sustainability” under the framework of “Business Responsibility and Sustainability Reporting”. For the FY 2021-22, the reporting under the BRSR framework for the top 1000 listed entities and other entities is voluntary, but from FY 2022-23 onwards, BRSR reporting is mandatorily applicable to top 1000 listed entities and reporting under BRR framework will be discontinued from FY 2022-23,

ROLE OF STAKEHOLDERS IN ESG

ESG has now become an important indicator for most investment decisions and involves almost every component of the economy from the Regulator to the civil society. All these acts as stakeholders have some specific contributions to make in the fulfilment of the cause. The category wise roles of such stakeholders may be summarised as follows to understand how important they are in ensuring the success of this concept of “Green Governance”.

Companies: Companies are at the core of the ESG movement as they create the significant wealth for any economy. However, their participation in ESG has to be made part of their business principles and governance policies. They are also required to present their reports on ESG related performance in a standard format and to provide information and reports on related performance in a more consistent and standardised format in the annual report or any communication with investors.

Investors: At the institutional level, asset managers could integrate research on ESG aspects while taking investment decisions.

Regulators: They shape the legal frameworks mandating the minimum degree of disclosure on ESG so that it could facilitate financial analysis by investors. The standards of the disclosure have also taken into consideration the existing initiatives in this direction like the Global Reporting Initiative or Standards set by Sustainability Accounting Standards Board. Further Stock exchanges can also be going forward by including ESG criteria for listing.

Analysts: They are expected to evaluate ESG factors and create tools and models based on existing know-how to include new industry sectors and asset classes. Academia and other research organisations also need to support the efforts of ESG analysts by providing high-level research and thought leadership.

Civil society: Non-Governmental organisations have been a very powerful driver of social reforms and could play an immense role in the enforcement of ESG standards. Many such agencies have been fighting for survivors of Industrial disasters across the

world and could become instrumental in sharing their experience with both companies and regulators for strengthening the ESG regime.

The ever-increasing social and environmental challenges in this highly complicated and interconnected world are redefining the way businesses operate, investors think, Governments function and banking institutions mobilize capital. These countless challenges have intensified the focus of corporate stakeholders on the environmental, social, and governance (ESG) performance of an organization. ESG helps in gauging an organization's environmental and social impact, governance practices, and overall sustainability. It mainly reflects the way business interacts or connects with the stakeholders and the community at large. However, ESG not only relates to socially responsible business but captures a much broader concept as to how enterprises embrace sustainable practices as part of their core business process. Moreover, it helps in explaining an organization's contribution and added value in these three domains namely environmental, social and governance. Each ESG element, i.e. 'E', 'S', and 'G' is considered as distinct pillar that further comprises sub parameters (outlined in Figure -1 below) that helps us to measure the non-financial performance of an organization in these three broad areas. The environmental factor (E) captures how enterprises use energy and resources and manage and control their environmental effects as stewards of the mother earth. This mainly involves a company's contribution and efforts towards curbing adverse environmental impacts. The social factor (S) covers the way enterprises foster their people and culture and how that has ripple effects on the society at large. It involves how companies treat and value their people and the impact they have on their employees, customers, suppliers, and the broader community. The governance factor (G) captures the internal policies and principles that enterprises adopt to govern themselves, comply with the law to avoid infringement, make effective decisions and serve the needs of stakeholders. It helps to ensure industry best practices and transparency and also to be in dialogue with regulators. In recent times, world economies are facing numerous social and environmental challenges, ranging from global warming, climate change and pollution to poverty and unemployment, which demand immediate attention. Now, the time has come when the conventional economic growth models are at a crossroads and require a new perspective where economic growth can be reconciled with the overall well-being of society. Such paradigm shift in the economic process can only be brought into fruition with the collective and cooperative action of all stakeholders so that every

aspect of the decision-making process and investment analysis can better integrate with ESG factors. Moreover, during the past few years, ESG parameters have cut through from the periphery and have made inroads into the crux of the investment decision-making process throughout the world. Therefore, the interest of investors and other stakeholders in ESG issues has surged over the last few years. Consequently, the ESG landscape has evolved considerably in recent times.

BRSR - Business Responsibility Report (BRR) converging to Business Responsibility and Sustainable Report (BRSR)

A. Climate Change and Sustainability

- ESG compliance, Benchmarking and Capacity Building
- Net Zero Roadmaps for Business and Government
- Carbon Sequestration, Carbon footprint and Climate Bond Advisory
- Climate Risk Assessment and Management
- Carbon credits/ Carbon Financing/Climate Transparency
- Sustainability Performance and Disclosures
- GHG Emission Inventory and Energy Analysis
- Green Technology Initiatives
- Transport GHG Mitigation Actions
- Renewable Energy & Corporate Energy Strategy
- Perform Achieve Trade (PAT) Advisory
- Water Balancing/Water Neutrality/Water Footprint/Water Pollution
- Inclusive Economic Growth (IEG)
- National Clean Air Programme (NCAP)/Pollution Abatement

B. Solid Waste Management

Wet Waste / Compost / Bio-mechanisation / Dry Waste / MRF/Recycling / Legacy Waste Remediation / C&D Waste / Plastic and E-Waste / Hazardous Waste

C. Wastewater Management

Sanitation (Septic Tank, Soak pit etc.), Off-Site centralized network (Treatment Technology, Nature waste etc.), Municipal Sludge, Recycle & Reuse in Liquid Waste/promoting Circular Economy

D. Lake Rejuvenation

Preparation of technical reports (preliminary & feasibility), DPR for lake development, lake rejuvenation, and waterfront development.

ESG related Acts

Environment Protection Act, 1986

Air (Prevention and Control of Pollution), Act, 1981

Water (Prevention and Control of Pollution), Act, 1974

Hazardous Waste (Management Handling and Transboundary Movement) Rules, 2016

Factories Act, 1948

Industrial Relations Code

Occupational Safety

Health and Working Conditions Code

Companies Act, 2013

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015

Prevention of Money Laundering Act, 2002

Prevention of Corruption Act, 1988

Challenges faced by MSME in India

Lack of Knowledge

1. Not understanding the benefits
2. Hiring costly third parties
3. Investing in staff expertise
4. Acquiring scientific and technical knowledge

Lack of Resources

1. Limited amount of staff
2. Restricted amount of time
3. Lack of stakeholder engagement
4. Limited budget/capital

Implementation

1. Changing management structure
2. Lack of suitable reporting tools
3. Dependence of managers

Future ESG trends

Compulsory BRSR ESG Reporting

Supply Chain Due Diligence

Data Privacy & Effective Management of IA

Transition to a Circular Plastic Economy

Greenwashing Scrutiny, regulation, and litigation will increase

Individual Responsibilities

- Reduce Energy Consumption
- Sustainable Transportation
- Conserve Water
- Waste Reduction
- Recycle and Compost
- Mindful Consumption
- Energy-Efficient Home
- Plant-Based Diet
- Educate

Reality Check on Sustainability – Environment Aspects

- ❖ The year 2003 marked the warmest temperature on Earth
- ❖ April 2024 marked the warmest April on record for the globe in 175 years
- ❖ Scientists have given a 1.5-degree Celsius threshold of global warming above pre-industrial level, after which there will be various adverse reactions.
- ❖ Effects include rise in sea level, climate change, will impact agriculture and resulting food storage, cause draught, natural disasters like storms, floods and wildfires, spreads of infectious diseases etc.
- ❖ We are already at 1.36 degree Celsius in the year 2023.

Application of AI for Sustainability

- ❖ Possibility of direct application of AI to all 17 SDG's.
- ❖ Core applicability of AI, like measuring, predicting and optimizing complex system are pivotal in addressing environmental challenges compared to traditional analytical method.
- ❖ Possibility of novel solution to climate change.
- ❖ Scalability of AI solution

BRSR - Business Responsibility Report (BRR) converging to Business Responsibility and Sustainable Report (BRSR)

The Securities and Exchange Board in India (SEBI) developed the Business Responsibility and Sustainability Reporting (BRSR) to mandate Indian companies to provide quantifiable metrics on sustainability-related factors, such as respect for human rights or environmental protection.

India's Business Responsibility and Sustainability Reporting (BRSR)

The Securities and Exchange Board in India (SEBI) developed the Business Responsibility and Sustainability Reporting (BRSR) to mandate Indian companies to provide quantifiable metrics on sustainability-related factors, such as respect for human rights or environmental protection.

The foundation for India's ESG regulatory framework was laid with the introduction of Business Responsibility Reporting (BRR) guidelines in 2009. The new BRSR, in effect since 2023, is more closely aligned with globally accepted reporting frameworks like the GRI and TCFD. It requires the top 1,000 listed companies in India to respond to 140 questions, divided into 98 essential indicators (mandatory) and 42 leadership indicators (voluntary).

The disclosure requirements are grouped into nine core categories, based on the principles of the National Guidelines for Responsible Business Conduct introduced by SEBI:

1. **Environmental protection:** Key performance indicators cover electricity consumption, water usage and air emissions.
2. **Human rights:** Focus on human rights violations and minimum and fair wages.
3. **Integrity:** Performance indicators include anti-corruption, anti-bribery and conflicts of interest policies.
4. **Employee well-being:** Metrics focused on parental benefits, employee accessibility and the percentage of unionized workers.
5. **Inclusive growth:** Policies favoring vulnerable and marginalized groups.
6. **Sustainable goods and services:** Information on investments in social and environmental impacts.
7. **Responsible consumer engagement:** KPIs encompass handling consumer complaints and feedback, product recall procedures and cybersecurity and data privacy policies.

8. **Stakeholder responsiveness:** Describing engagement with vulnerable and marginalized groups.
9. **Responsible public policy engagement:** Listing trade and industry affiliations and detailing issues relating to anticompetitive conduct. The BRSR report should be published as an integral part of a company's annual report, allowing for transparent disclosure of non-financial performance alongside the financial parameters.

Business Responsibility and Sustainability Reporting (BRSR) is a reporting framework under which the top 1000 listed companies (by market capitalisation) are mandated to disclose their ESG performance in a quantitative and standardised format from FY 2022–23 onwards.

The BRSR framework is a mandatory disclosure mechanism for top 1000 listed companies or businesses to report their performance on environmental, social and governance (ESG) aspects and demonstrate their commitment to responsible business practices.

BENEFITS

BRSR reporting can help companies create long-term value by promoting sustainable business practices. By considering the environmental and social impact of their operations, companies can identify opportunities to reduce costs, improve efficiency, and develop innovative products and services.

BRSR Principle 7: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent. BRSR Principle 8: Businesses should promote inclusive growth and equitable development.

India's Business Responsibility and Sustainability Report (BRSR)—a framework for environmental, social, and governance (ESG) reporting—comes into effect in 2023. These new reporting standards represent an evolution from the voluntary guidelines that are first issued in 2009 by India's Ministry of Corporate Affairs, which were further refined in the Business Responsibility Report (BRR) of 2012.

The Securities Exchange Board of India (SEBI)—the regulatory body for securities markets in India—has now designed the new BRSR to be interoperable with other internationally accepted reporting frameworks. Such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-Related Financial Disclosures (TCFD).

The BRSR is the first framework in India that requires Indian companies to provide quantitative metrics on sustainability-related factors, as of fiscal year 2023—for eligible companies, April 2022 to March 2023.

What are the three main disclosure areas under the BRSR?

SEBI's guidance document provides details on three kinds of disclosures—general, management and process, and “principle wise” (principle-based).

- **General disclosures encompass basic company information.** This includes addresses of offices and plants, details of products and services (these should account for 90% of total business turnover), exchanges where the company is listed, and reporting boundary, that is, whether disclosures refer to a stand-alone entity or part of a consolidated portfolio of companies. Employee counts and representation by gender, diversity, and inclusion and differently abled status are also required, along with data on employee turnover and number of complaints and grievances filed against the company.

- **Management and process disclosures provide evidence that companies are adhering to the structures, policies, and processes specified in the National Guidelines on Responsible Business Conduct (NGRBC).** Disclosures that are provided in this section are not about adherence to specific principles outlined in the NGRBC. But about higher-level policy and management processes, including statements by directors and boards regarding governance, leadership and oversight. Companies need to show that policies not only exist, but they have been approved and enacted in the context of time-bound company goals.

- **Principle wise performance disclosures are focused on more quantitative data relating to 9 basic principles of the National Guidelines on Responsible Business Conduct (NGRBC).** This set of disclosures within the BRSR is aimed at helping organizations demonstrate how their operations impact environmental and social metrics. Businesses need to demonstrate with clear data and examples on how they are integrating fundamental principles in their key processes and measuring these decisions through KPIs. To this end, companies need to disclose the percentage of R&D and capital expenditure investment as well.

Defining and quantifying adherence to principles

As mentioned earlier, the BRSR is based on nine principles that are defined in the BRR. But clarifies and adds detail regarding which companies must report (the top 1,000

NSE listed companies by market capitalization) and what they must report (various kinds of disclosures).

Each principle of wise disclosure has two components, essential indicators and leadership indicators. Essential indicators are mandatory and include data on environmental factors such as energy, emissions, water, and waste. As well as social impact of the company's operations, along with details of employee training around these principles.

Leadership indicators, on the other hand, are voluntary and aimed at companies "which aspire to progress to a higher level in their quest to be socially, environmentally and ethically responsible," as stated in the reporting framework. These include ethics awareness programs for value chain partners, product and service life-cycle assessments, employee protections such as insurance and transition programs. Leadership indicators also comprise advanced reporting on biodiversity, energy consumption, scope 3 greenhouse gas emissions and supply chain disclosures.

As of June 2023, the BRSR framework is composed of 140 questions—98 on essential indicators and 42 on leadership indicators.

The nine principles and their disclosures that are required in the BRSR are:

1. **Businesses should conduct and govern themselves with integrity, and in a manner that is ethical, transparent, and accountable.** Performance indicators include having anti-corruption and anti-bribery policies in place, details of regulatory actions against the organization, and details of conflict-of-interest complaints.
2. **Businesses should provide goods and services in a manner that is sustainable and safe.** Performance indicators include investments to improve environmental and social impacts, details of reclamation, reuse, recycling and disposal procedures, and details of extended producer responsibility plans and life-cycle assessments.
3. **Businesses should respect and promote the well-being of all employees, including those in their value chains.** Performance indicators include the percentage of employees that are covered by health and accident insurance, paternity benefits, day care benefits and retirement benefits; amount of accessibility for differently abled workers and percentage of unionized workers.
4. **Businesses should respect the interests of and be responsive to all their stakeholders.** Performance indicators include having stakeholder groups that include vulnerable and marginalized people, number of communication channels used and frequency of engagement, and details of consultation processes.
5. **Businesses should respect and promote human rights.** Performance indicators include the percentage of employees who have received training on human rights

issues, percentage of workers paid minimum wage, and board and management remuneration in comparison to industry medians.

6. **Businesses should respect and make efforts to protect and restore the environment.** Performance indicators include year-over-year electricity and fuel consumption, water withdrawal by source (such as surface water, groundwater, and seawater), air emissions (such as NOx, SOx and VOCs) and environmental impact assessments.

7. **Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.** Performance indicators include number of affiliations with trade and industry associations, details of issues related to anticompetitive conduct and details of public policy positions advocated by the organization.

8. **Businesses should promote inclusive growth and equitable development.** Performance indicators include details of social impact assessments, information on projects involving rehabilitation and resettlement and details of procurement policies that favor marginalized or vulnerable groups.

9. **Businesses should engage with and provide value to their consumers in a responsible manner.** Performance indicators include consumer complaint and feedback mechanisms, details of safety-related product recalls and the existence of cybersecurity and data privacy policies.

As India moves to mandatory ESG reporting, the BRSR is aimed at improving compliance, consistency, and communication around nonfinancial disclosures.

IBM Envizi product suite can help organizations report to multiple ESG frameworks. With IBM® Envizi™, organizations can streamline the way that they collect, manage, and report their ESG data, allowing them to more efficiently comply with the requirements of different ESG reporting frameworks.

Envizi can help organizations to:

GUIDANCE NOTE FOR BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORTING FORMAT

I. GENERAL GUIDANCE

II. SECTION A: GENERAL DISCLOSURES

III. SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

IV. SECTION C: PRINCIPLE WISE PERFORMANCE DISCLOSURE

- PRINCIPLE 1 Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.

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

I. GENERAL GUIDANCE

1. **Inter-operability of reporting framework-** Those listed entities which prepare and disclose sustainability reports (as part of annual report) based on internationally accepted reporting frameworks such as GRI, SASB, TCFD, Integrated Reporting, can cross-reference the disclosures made under such framework to the disclosures sought under the BRSR. Further, in case the data sought in the reporting format is already disclosed in the annual report, the listed entity can provide a cross-reference to the same.

Thus, an entity need not disclose the same information twice in the annual report. However, the entity should specifically mention the page number of the annual report or sustainability report where the information sought under the BRSR format is disclosed as part of the report prepared based on an internationally accepted reporting framework.

2. **Consistency in reporting boundary-** The BRSR seeks disclosure of the reporting boundary i.e. whether the reporting is done for the entity on a stand-alone or consolidated basis (Reference: Question 13, Section A). Listed entities shall ensure consistency in reporting boundaries across the report.

3. **Applicability-** Some of the disclosures sought under the BRSR may not be applicable to certain industries, say the service industry. In such cases, the entity can state that such disclosure is not applicable along with reasons for the same.

4. The term “reporting period” refers to the financial year for which BRSR is being prepared.
5. The listed entity should endeavour to provide clear, complete and concise responses. The web-links to the relevant document may be provided, if available.
6. The information sought on complaints in the format is accompanied by a column of “Remarks” where entities can explain reasons for pending complaints (if any) or can give a brief on the nature of the complaints, wherever required
7. Concerning disclosures relating to gender, the format specifies male and female, however, in case the entity has employed persons who have not disclosed gender or belong to any other gender, a separate column of “Other” may be added for such disclosures.
8. The term “Principles” refers to the Principles 1 to 9 as laid down in the National Guidelines for Responsible Business Conduct.
9. In addition to the disclosures sought under the format, the entity may disclose any other relevant sustainability related information at appropriate places.

II. SECTION A: GENERAL DISCLOSURES

1. Details of business activities - The details of business activities shall be in line those given in Form MGT-7 prescribed by MCA.
2. Products sold /services offered by the entity - the top products manufactured or services provided by the listed entity that account for 90% of its turnover
3. Details of employees and workers - disclose the total number of employees and workers, along-with the associated break-up by gender (male / female) and into permanent / other than permanent. Various Acts and Definitions.
4. Participation/inclusion / representation of women (including differently abled) – Define BOD and KMP.
5. Turnover rate for permanent employees and workers – Turnover rate , Average rate of employee.
6. Holding /subsidiary/associate / companies /joint ventures – Definitions under Companies Act, 2013.
7. Grievance redressal mechanism for stakeholders – Define stakeholders / Grievance redressal mechanism / An organization’s value chain.
Overview of the entity’s material responsible business conduct and sustainability issues - Sustainability as per National Guidelines on Responsible Business Conduct
/

Classify the risk/opportunity as environment or social and provide its description. For instance, risks arising from climate change can include impact on operations, worker health, demand for products or services etc. Climate change opportunities can include cost savings through resource efficiency, development of new products and services, access to new markets etc.

- The rationale for identifying the risk, which may include a description of the impact associated with the risk or opportunity.
- In case of identified risks, approach to mitigate or adapt to the risk.
- Indicate the positive and negative impact of such risk or opportunity on the financials of the company. The company shall make qualitative disclosures in this regard and should not include any forward-looking quantitative information. However, in the case of previous years, impact can be disclosed in quantitative terms. The entity may consider impact on parameters such as demand for products & services/ capital or operational costs/, investment opportunities etc.

III. SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

1. Specific commitments, goals and targets set by the entity along-with performance, if any - entity may disclose if it has any specific commitment, goal or target against any of the principles. for goals and targets /Expected result or outcome, in quantitative or qualitative terms / Expected timeline/performance achieved.
2. Statement by the director responsible for the report to highlight ESG issues - overall vision and strategy / Strategic priorities and key topics etc.
3. Highest authority responsible for implementation and oversight of the Business Responsibility policy (ies) –
4. Does the entity have a specified Committee of the Board/ Director responsible for decision-making on sustainability-related issues? (Yes / No) –

IV. SECTION C: PRINCIPLE WISE PERFORMANCE DISCLOSURE

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

Essential Indicators

1. Details of fines/penalties/punishment/ award/compounding fees/ settlement amount - n the basis of materiality SEBI guidelines.

2. Details of anti-corruption or anti-bribery policy - procedures and internal Controls/mechanisms to deal / training on anti-corruption issues.

Leadership Indicators

Processes to avoid/ manage conflict of interests involving members of the Board/ KMPs

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

Essential Indicators

1. Sustainable sourcing - refers to the integration of social, ethical and environmental performance factors into the process of selecting suppliers.
2. Processes in place to reclaim products for reuse, recycling and safe disposal of products at the end of life - collecting products and their packaging materials at the end of their useful lives, for reusing, or recycling or safe disposal.
3. Extended Producer Responsibility (EPR) plan - the responsibility of a producer for the environmentally sound management of the product until the end of its life. establish a system for collecting back the plastic waste generated.
4. Life cycle assessment - all the stages of a product from extraction or acquisition of raw materials through manufacturing and processing, distribution and transportation, use and reuse, recycling and disposal.
5. Recycled or reused input material as a percentage of total input material -Formula use
6. Reclaimed products and their packaging materials (as percentage of products sold) for each product category. –

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

Essential Indicators

1. Measures for the well-being of employees and workers –
2. Accessibility of workplaces - wheelchair ramps, braille signage accessible restrooms, and digital accessibility

3. Return to work and Retention rates of permanent employees/workers that took parental leave – Parental leave refers to maternity and paternity leave.
4. Details of Training imparted to the employees and workers on health & safety measures and skill upgradation.
5. Details of performance and career development review imparted to employees and workers – Health and safety management system - Occupational health and safety risk hazardous situation or exposure, and the severity of injury or ill health.
6. Details of safety-related incidents - calculate the Lost Time Injury Frequency Rate (LTIFR) as follows: (No. of lost time injuries in FY x 1,000,000) / (Total hours worked by all staff in same FY) indicator of the loss of productivity for an organization.
7. Measures taken by the entity to ensure a safe and healthy work place – report the measures taken to prevent or mitigate significant negative health and safety impacts that are directly linked to its operations, products or services.

Leadership Indicators

Rehabilitation and suitable employment of employees / workers - workers having suffered

high consequence injuries / ill-health, include family members of the affected employees / workers, who have been placed in suitable employment.

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

Essential Indicators

1. Process for identification of key stakeholders –
2. Key stakeholder groups - Vulnerable and Marginalized Groups refers to group of individuals who are unable to realize their rights or enjoy opportunities due to adverse physical, mental, social, economic, cultural, political, geographic or health circumstances.

Leadership Indicators

1. Using stakeholder consultation to support the identification and management of environmental, and social topics-

2. Details of instances of engagement with and actions taken to address the concerns of vulnerable/marginalized groups.

Principle 5 : Businesses should respect and promote human rights

Essential Indicators

1. Training on human rights issues and policies –
2. Details of remuneration/ salary/ wages (including differently abled) – Define salary, wages etc.
3. Disclosure of complaints made by employees and workers on sexual harassment, discrimination at workplace, Child Labour, Forced Labour/Involuntary Labour, Wages or other human rights related issues –

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

Essential Indicators

01. Details of total energy consumption and energy intensity –
02. PAT scheme of the Government of India - Perform Achieve and Trade (PAT) scheme (“Scheme”) has been launched by Bureau of Energy Efficiency under the National Mission for Enhanced Energy Efficiency (NMEEE)
03. Details of total water withdrawn, consumed and water intensity ratio - Surface water / Ground water / Third party water / Sea-water / desalinated water / Other sources. Zero Liquid Discharge policy - A zero liquid discharge system involves using advanced
04. waste-water treatment technologies to recycle, recover and then re-use the treated waste-water; towards ensuring that there is not discharge of the waste-water to the environment.
05. Disclosure of air emissions –
06. Details of Scope 1 and Scope 2 greenhouse gas (GHG) emissions and GHG intensity –
07. Details of waste generated, recycled & re-used and disposed off -
08. Description of waste management practices -# Improving materials selection and product design

- Using recycled, re-used or renewable materials
- Substituting inputs that have hazardous characteristics with inputs that are non-hazardous

Details of Environmental Impact Assessments (EIA) –

Leadership Indicators

- ❖ Break-up of the total energy consumed from renewable and non-renewable sources –
- ❖ Details of water discharged –
- ❖ Details of water withdrawn, consumed and discharged in areas of water stress –
- ❖ Scope 3 emissions - indirect GHG emissions (not included in energy indirect (Scope 2) GHG emissions) that occur outside of the organization, including both upstream and downstream emissions.
- ❖ Impact on biodiversity - ecologically sensitive areas reported by the entity –

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

Leadership Indicators

Details of public policy positions advocated by the entity –

Principle 8 : Businesses should promote inclusive growth and equitable development Essential Indicators

- A. Details of Social Impact Assessments (SIA) - SIA in compliance with laws such as the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.
- B. Describe the mechanisms to receive grievances of the local community - defined as persons or groups of persons living and/or working in any areas that are economically, socially or environmentally impacted (positively or negatively) by an organization's operations.
- C. Percentage of inputs directly sourced from MSMEs / small producers - Micro: Investment in Plant and Machinery or Equipment not more than Rs.1 crore and Annual Turnover not more than Rs. 5 crore

D. Small: Investment in Plant and Machinery or Equipment not more than Rs.10 crore and Annual Turnover not more than Rs. 50 crore

E. Medium: Investment in Plant and Machinery or Equipment not more than Rs.50 crore and Annual Turnover not more than Rs. 250 crore

Leadership Indicators

- a) CSR projects undertaken in aspirational districts –
- b) Details of the benefits derived and shared from the intellectual properties owned or acquired by your company based on traditional knowledge shared –
- ✓ **Intellectual Properties:** Intellectual property refers to creations of the mind: such as inventions, literary, musical and artistic works, and symbols, names, images and designs used in commerce, for which the IP owners are granted certain exclusive rights under the corresponding national IP laws. Common types of IP include patents (inventions), copyrights, trademarks, industrial designs, software, geographic indications and trade secrets, etc.
- ✓ **Traditional Knowledge:** refers to any indigenous, technical, ecological, scientific, medical or cultural knowledge which is not necessarily documented but is in use by or generally known to communities. Typical examples include antiseptic properties of neem, turmeric, etc.
- ✓ Details of beneficiaries of CSR Projects - For each CSR Project undertaken by the company, enter:
 - (a) total number of beneficiaries,
 - (b) percentage of such beneficiaries belonging to vulnerable and marginalised groups.

Principle9: Businesses should engage with and provide value to their consumers in a responsible manner

Essential Indicators

Details of instances of product recall on account of safety issues - A product recall is a process of retrieving defective and/or potentially unsafe goods from consumers.

Leadership Indicators

Channels/platforms where information on goods and services of the business can be Accessed - Describe the Channels/platforms where information on goods and services

of the business can be accessed. For Example, websites of the company, Mobile Apps, Help Desks, Call Centres, etc. Also, provide the link of the document containing such information if available in the public domain.

