The Current State of BRSR at Corporate India

Sustainability Disclosures Improving, but Data Quality Issues Persist

OCTOBER 2024

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Executive Summary

The Securities and Exchange Board of India (SEBI), the regulator for India's capital markets, has proactively enhanced sustainability disclosures among listed companies through the mandatory Business Responsibility and Sustainability Report (BRSR). Introduced in May 2021 and revised in July 2023, the BRSR encompasses disclosures aligned with nine principles of the National Guidelines on Responsible Business Conduct (NGRBCs). These principles cover key areas such as gender participation, emissions, water, energy footprint and employee well-being.

As mandated by SEBI, the fiscal year FY23 (2022-23) marked the inaugural full reporting period for mandatory BRSR disclosures by the top 1,000 companies based on market capitalization. To assess the current state of sustainability disclosures and the quality of reporting among corporate India, the National Stock Exchange of India (NSE), CFA Institute, and CFA Society India collaborated to analyze the BRSRs submitted by listed companies for the year FY23.

Our sample comprises 300 companies, including the top 200 by market capitalization, that collectively account for over 70% of India’s market capitalization as of March 2023. The data reveals that, despite certain challenges, corporate India has made significant strides in Environmental, Social, and Governance (ESG) reporting. Notably, the number of reported data sets has increased annually, the quality of reporting has improved, and there is enhanced attention to detail. Although issues regarding the quality and consistency of reported data remain, the overall progression of disclosure norms is moving in a positive direction.

Recommendations

1. BRSR FORMAT

Based on our comprehensive research, we recommend the following enhancements to the BRSR format:

a) Standardization of reporting units: To enhance uniformity and comparability, we recommend the standardization of reporting units across all companies. For example, using a consistent unit such as megajoules (MJ) for energy consumption would simplify comparisons.

b) Derived information should specify underlying data unambiguously: The underlying information used to arrive at some derived parameters should be standardized to avoid interpretations and ambiguity. For example, variations in intensity calculations for energy and emissions arise because companies interpret revenues differently. Establishing a fixed definition, such as "revenue from operations" would enhance standardization and efficiency.

c) Customize materiality requirements by sectors and industries: The relevance of BRSR parameters should be aligned with the specific characteristics of each sector and industry. Certain parameters may not be universally applicable across all sectors. For instance, metrics such as R&D investments and capital expenditure aimed at improving environmental and social impacts as well as data related to product recalls may not necessarily be applicable to companies in the services sector such as Information Technology. The classification for such reporting should be based on industry/sector.

d) Simplify BRSR data without compromising clarity: BRSR data should be presented in a more simplified manner for better interpretation yet remain comprehensive. For instance, to enhance clarity, it is advisable to provide separate reporting for executive, non-executive, and independent directors.

2. ENHANCED REPORTING:

We also recommend several reporting enhancements for companies to improve the comparability and analysis of BRSR data.

a) Granularity of data: While providing data with greater granularity than required by the BRSR is beneficial, it is crucial that this does not replace the mandatory information specified by the BRSR format.

b) Consistency in reporting: Information must be reported consistently, with strict adherence to the specified format. For example, several companies have incorrectly reported employee turnover by aggregating the turnover rates of male and female employees.

c) Clarity in units of measurement: Units of measurement should be specified clearly and unambiguously to prevent confusion and ensure accurate data reporting. For example, some companies fail to clearly indicate the units while reporting energy consumption. Companies should ensure that the units are clearly defined.

d) Report annual figures and not monthly data: There are companies reporting remuneration monthly rather than annually, which poses a problem and needs to be addressed.

e) Complete data reporting in BRSR format: Several companies refer to multiple pages of their annual reports for BRSR information, which complicates data capture. Furthermore, the reporting format in these instances is often inconsistent. Reporting complete data within the BRSR format itself will facilitate easier data capture and ensure consistency in reporting.

Key Insights

1. Differently-abled workforce representation: Less than 0.5% of employees and workers are differently-abled compared to the official data indicating 2.2% of India's total population is differently-abled.

2. Employee turnover trends: Employee turnover has increased post COVID, from 16% in FY21 to over 22% in FY23. Contrary to expectations, worker turnover has not witnessed a significant increase and remains lower than the turnover rate for employees. The distinction between a worker and an employee is as defined by law under the Government regulation in India.

3. Energy consumption: Over 96% of companies reported their energy consumption data for FY23, a slight increase from FY22. The energy intensity data indicates that companies used 13% less energy to generate the same unit revenue in FY23 compared to FY22.

The energy intensity data indicates that companies used **13% less energy** to generate the same unit revenue in FY23 compared to FY22.

4. Scope 1 and 2 emissions: In our sample, 94% of companies reported their Scope 1 and Scope 2 emissions data for FY23, nearly unchanged from FY22. Emission intensity data shows that companies emitted 14% less CO2 per unit of revenue in FY23 compared to FY22.

5. Scope 3 emissions: Nearly 40% of companies (110 out of 300) reported Scope 3 emissions for FY23, representing an increase from the previous year (93 companies). Scope 3 emission intensity data indicates that companies emitted 25% less CO2 per unit of revenue in FY23 compared to FY22.

6. External assurance and value chain assessment: Although reporting on the external assurance of environment data was not mandatory for FY23, 99 out of 300 companies reported it. Additionally, approximately 25% (74 out of 300 companies) conducted a value chain assessment for environmental impacts.

7. MSME sourcing data: Data on sourcing from Micro, Small & Medium Enterprises (MSMEs) is available for nearly two-third of the companies, with the average sourcing increasing from 19% in FY22 to 22% in FY23. More than half of the companies reported sourcing from within the district and neighboring districts, with the average sourcing from these areas being around 40% in both FY22 and FY23.

Note: These figures are not "independently verified" or "assured", they are only based on "reported" numbers by companies.

Introduction

In accordance with SEBI directives, the fiscal year FY23 marked the inaugural full reporting year for mandatory BRSR by the top 1000 companies in India by market capitalization. The NSE, CFA Institute, and CFA Society India have collaborated to analyze BRSR reports, culminating in this joint research project.

The data indicates that, despite some challenges, corporate India has made notable progress in ESG reporting. Utilising a sample of 300 companies and 15 key sets of BRSR data, this report presents major findings and offers recommendations. The analysis provides valuable insights into the current ESG landscape for Indian corporations and fosters a more informed discussion on sustainability issues in India.

The project aims to:

1) understand the state of ESG in corporate India through this extensive dataset,

2) evaluate disclosure quality and identify issues,

3) facilitate discussions among investors, issuers, and other stakeholders, and

4) provide recommendations to enhance reporting and analysis of BRSR disclosures.

The scope encompasses listed companies representing approximately 70% of India's market capitalization as of March 2023.

The report is organized into five sections. Section 1 reviews the evolution of BRSR in India followed by the research methodology in Section 2. Section 3 presents the key insights from our analysis followed by detailed insights in Section 4. Section 5 outlines recommendations related to the format of BRSR reporting as well as recommendations for public companies to consider when filing their reports.

SECTION 1

Evolution of BRSR in India

The journey towards BRSR began in 1989 when the Ministry of Corporate Affairs (MCA) mandated disclosure in corporate annual reports regarding conservation of energy, technology absorption, and foreign exchange.[1] This mandate was followed by the introduction of the Indian Wildlife (Protection) Act, Water Act, Air Act, and Environment (Protection) Act by the Ministry of Environment and Forests (MoEF) in 1994- further emphasizing on environmental protection and sustainability (Aspire Circle, n.d.).[2]

In 2000, SEBI's Clause 49 of the Listing Agreement incorporated recommendations from its Committee on Corporate Governance as well as public feedback, which contained mandatory guidelines to align with global standards (SEBI, 2003).[3] The Charter on Corporate Responsibility for Environmental Protection (CREP) set targets on conservation of water, energy, and removal of toxic pollutants in an environmentally friendly manner, demonstrating the government's commitment to promote sustainable business practices (MoEF & CPCB, 2003).[4]

The evolution of ESG/Sustainability Reporting in India took a significant step forward in 2011, when the MCA issued National Voluntary Guidelines (NVGs). Later, in 2012, SEBI mandated the top 100 listed companies by market capitalization to include the Business Responsibility Report (BRR) as part of their annual reports (SEBI, 2012).[5] The BRR required companies to disclose their performance on nine principles derived from the National Voluntary Guidelines on Social, Environmental, and Economic Responsibilities of Business. This was later extended to 500 companies in 2015 (SEBI, 2015)[6] and 1000 companies in 2019.[7]

The year 2019 marked a significant milestone in the evolution of responsible business conduct in India. The MCA released the National Guidelines on Responsible Business Conduct (NGRBC), updating and expanding upon the earlier NVGs (Ministry of Corporate Affairs, 2019).[8,9] In 2020, MCA constituted a Committee on Business Responsibility Reporting to review the existing BRR framework and recommend changes to enhance its effectiveness and alignment with global reporting standards (Ministry of Corporate Affairs, 2020).[10]

[1] Companies (Disclosure of Particulars in the Report of Board of Dire0ctors) Rules, 1988 (mca.gov.in)
[2] Aspire Circle. (n.d.). National Voluntary Guidelines- Genesis Document.pdf
[3] SEBI. (2003). Circular. Corporate Governance in listed Companies - Clause 49 of the Listing Agreement. SEBI/MRD/SE/31/2003/26/08
[4] CPCB | Central Pollution Control Board
[5] SEBI. (2012). Circular: Business Responsibility Reports. CIR/CFD/DIL/8/2012.
[6] SEBI. (2015). Circular: Format for Business Responsibility Report. CIR/CFD/CMD/10/2015
[7] https://www.sebi.gov.in/sebi_data/meetingfiles/dec-2019/1576469077048_1.pdf
[8] Ministry of Corporate Affairs. (2011). National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business
[9] Ministry of Corporate Affairs. (2019). National Guidelines on Responsible Business Conduct
[10] Report of the Review Committee on Business Responsibility Reporting (mca.gov.in)

Approximately two years later, in May 2021, SEBI introduced the BRSR as a robust and comprehensive reporting framework, replacing the BRR. The BRSR requires companies to report on their performance against nine principles, like the BRR, but with more granular and quantitative disclosures (SEBI, 2021).[11] In 2023, SEBI further strengthened the BRSR framework by introducing the BRSR Core, a subset of the BRSR consisting of key performance indicators (KPIs) under nine ESG attributes. Additionally, the SEBI has introduced ESG disclosures for the value chain, requiring listed entities to report KPIs in the BRSR Core for their top upstream and downstream partners. This will be applicable to the top 250 listed entities on a comply-or-explain basis from FY25, with limited assurance from FY26 (SEBI, 2023).[12]

Table 1: Evolution of policy frameworks for esg/sustainability reporting in India

Date	Policy	Institution	Details
1989	Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.	Ministry of Corporate Affairs (MCA)	Mandatory disclosure in the annual report on a) conservation of energy, b) technology absorption, and c) foreign exchange
1994/ 2006	EIA (Environmental Impact Assessments)	Ministry of Environ-ment and Forests (MOEF)	Specific disclosure require-ments for developers seeking environment clearance. Disclosure requirements extended to seven additional sectors in 2006
2000	Clause 49 of the Listing Agreement	SEBI	SEBI Clause 49 incorporates recommendations of its Committee on Corporate Governance and public feedback that comprises set of mandatory guidelines which help entities to align with global standards
2003	Charter on Corporate Responsibility for Environmental Protection (CREP)	MOEF, CPCB	Sets targets on conservation of water, energy, and removal of toxic pollutants—to be conducted in an environment-friendly manner

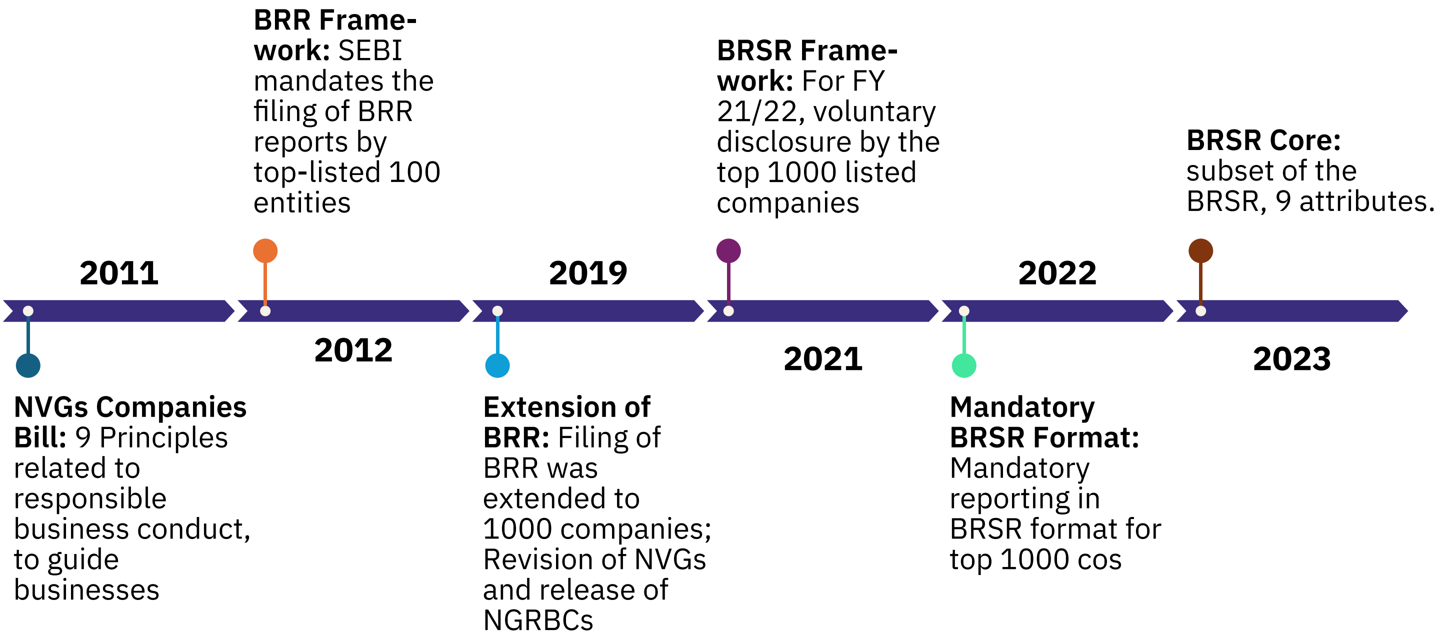
[11] SEBI. (2021). Circular: Business Responsibility and Sustainability Reporting by Listed Entities. SEBI/HO/CFD/CMD-2/P/CIR/2021/562

[12] SEBI. (2023). Circular: Introduction of BRSR Core and ESG Disclosures for Value Chain. SEBI/HO/CFD/PoD2/P/CIR/2023/105.

Date	Policy	Institution	Details
2010	Guidelines on CSR for Central Public Sector Enterprises (CPSEs)	Department of Public Enterprises	Specifies how much CPSEs should invest in their CSR programs
2011	National Voluntary Guidelines	MCA	Nine Principles to guide businesses related to responsibility
2011	Companies Bill, 2011	MCA	Aimed to modernize and consolidate corporate laws in India, enhancing corporate governance, transparency, and investor protection.
2012	Business Responsibility Report (BRR) frame-work released	SEBI	SEBI mandates the filing of BRR reports by top-listed 100 entities
2015	Extension of BRR	SEBI	Extension of BRR to 500 companies
2019	Extension of BRR Revision of NVGs to NGRBCs	SEBI MCA	Further extension of BRR to 1000 companies. Alignment with SDGs and United Nations Guiding Principles on Business and Human Rights (UNGPs)
2021	The BRSR framework released	SEBI	For FY 2021-2022, voluntary disclosure by the top 1,000 listed companies by market capitalization in BRSR format
2022	Mandatory BRSR Format	SEBI	Mandatory reporting in BRSR format for top-listed 1000 companies by market capitalization
2023	BRSR Core- Frame-work for assurance and ESG disclosures for value chain	SEBI	BRSR Core is a sub-set of the BRSR, consisting of a set of KPIs /metrics under nine ESG attributes.

Source: National Voluntary Guidelines: Creating a conducive policy environment for Responsible Business and Responsible Investment (aspirecircle.org)

Figure 1: Timeline of business responsibility and sustainable reporting in India



SECTION 2

Research Methodology

Sample Selection

Our BRSR study employs a sample selection methodology designed to provide a comprehensive representation, encompassing approximately 70% of the total market capitalization of the listed companies in India. This approach ensures that the study includes the most significant companies while also covering the broader market. The aggregate market capitalization of the sample amounts to Rs. 207.1 lakh crore (US$ 2.5 trillion) as of March 2023.

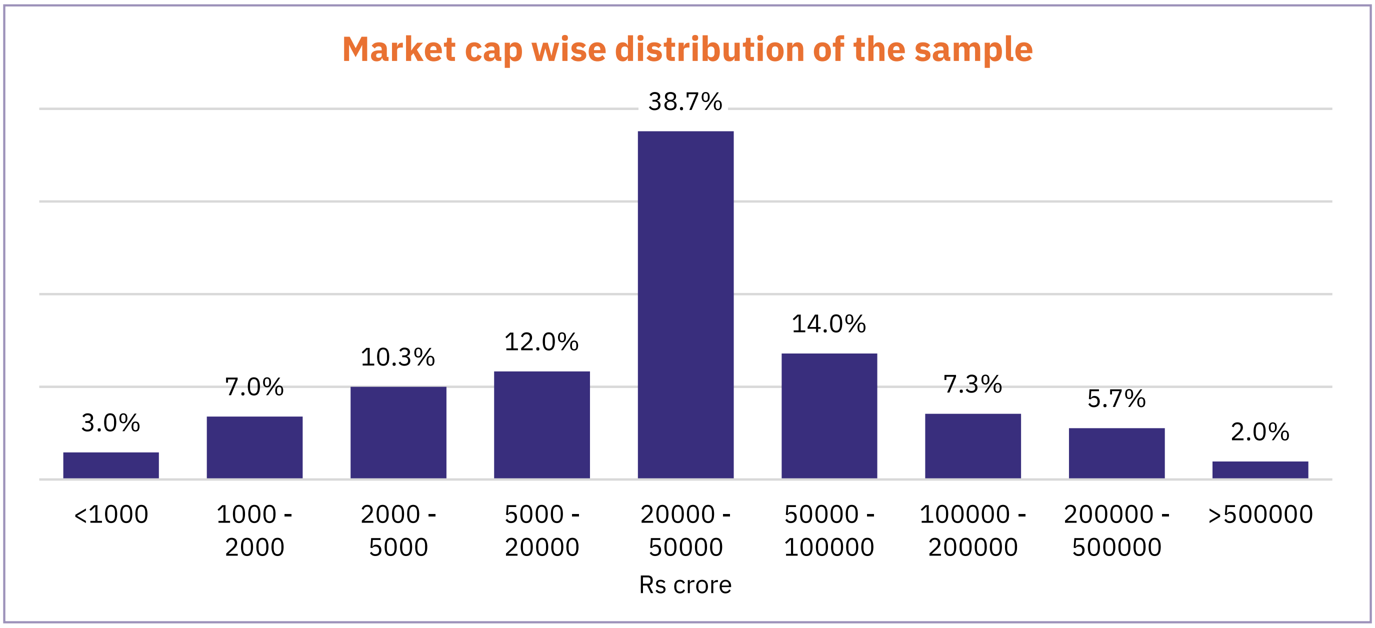
The sample consists of 300 companies, with a primary focus on the top 200, which represent 66.7% (in terms of number) and 97% (in terms of market capitalization) of the sample. The subsequent four tiers of 100 companies (200-300 through 500-600) each include 15 companies, contributing 5% of the sample each. The last four tiers (600-700 through 900-1000) each consist of 10 companies, contribute 3.3% each. This distribution strategy ensures a balance between the inclusion of leading market players and a diverse representation from various market capitalization tiers.

Table 2: Market capitalization of the sample 300 companies

Rank	Number of companies	% share	Market cap (Rs '000 crore)	% share
1-200	200	66.7	20,133.6	97.20
200 - 300	15	5.0	254.2	1.23
300 - 400	15	5.0	130.4	0.63
400 - 500	15	5.0	78.7	0.38
500 - 600	15	5.0	53.4	0.26
600 - 700	10	3.3	24.9	0.12
700 - 800	10	3.3	17.3	0.08
800 - 900	10	3.3	12.9	0.06
900 - 1000	10	3.3	8.6	0.04
Aggregate	300	100.0	20,713.8	100.00

The market capitalization distribution of the sample reflects a well-balanced selection, as illustrated by the bell-shaped curve depicted in the figure below. The sample has a broad representation of companies across various market capitalization categories, ranging from less than Rs 1,000 crore to over Rs 5 lakh crore. This diversity underscores the robustness of the sample and ensures a comprehensive overview of the market.

Figure 2: Market-cap wise distribution of the sample



Sector-wise sample selection

As seen in the figures below, the sector-wise distribution of the sample and the top 1000 companies is broadly similar.

Figure 3: Sector-wise distribution of the sample

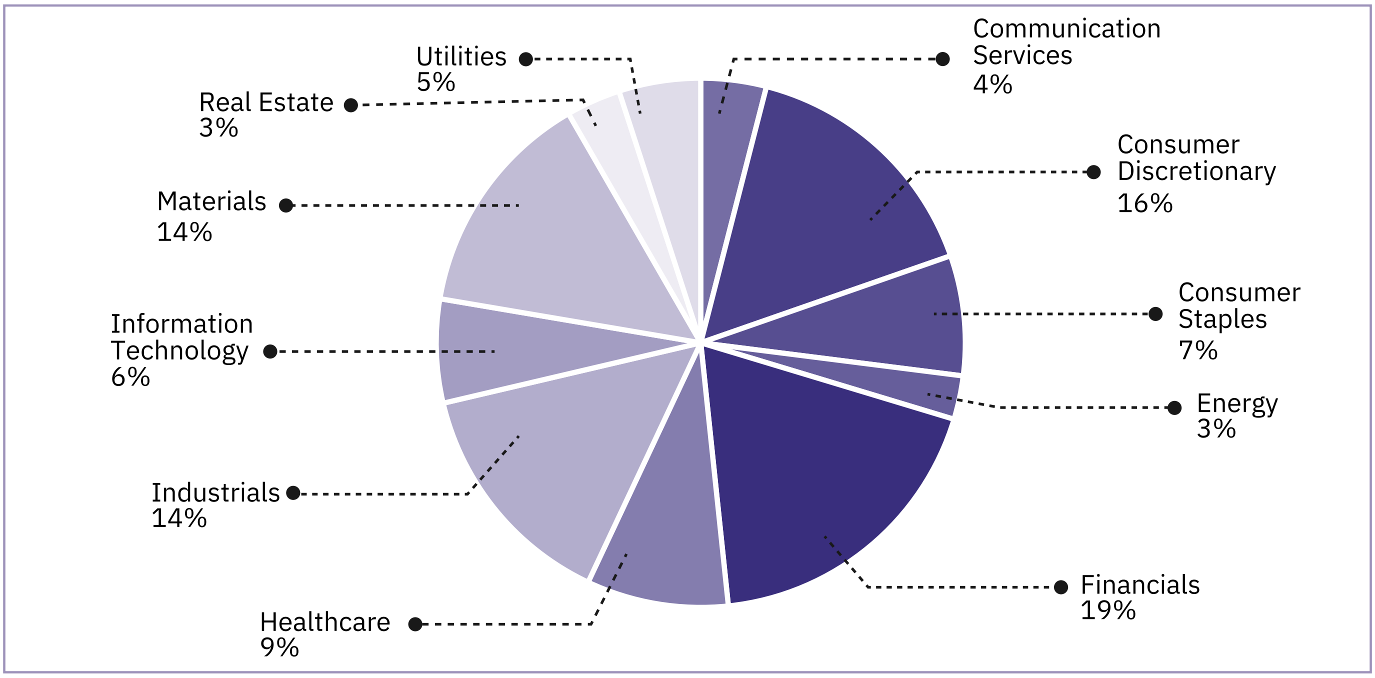
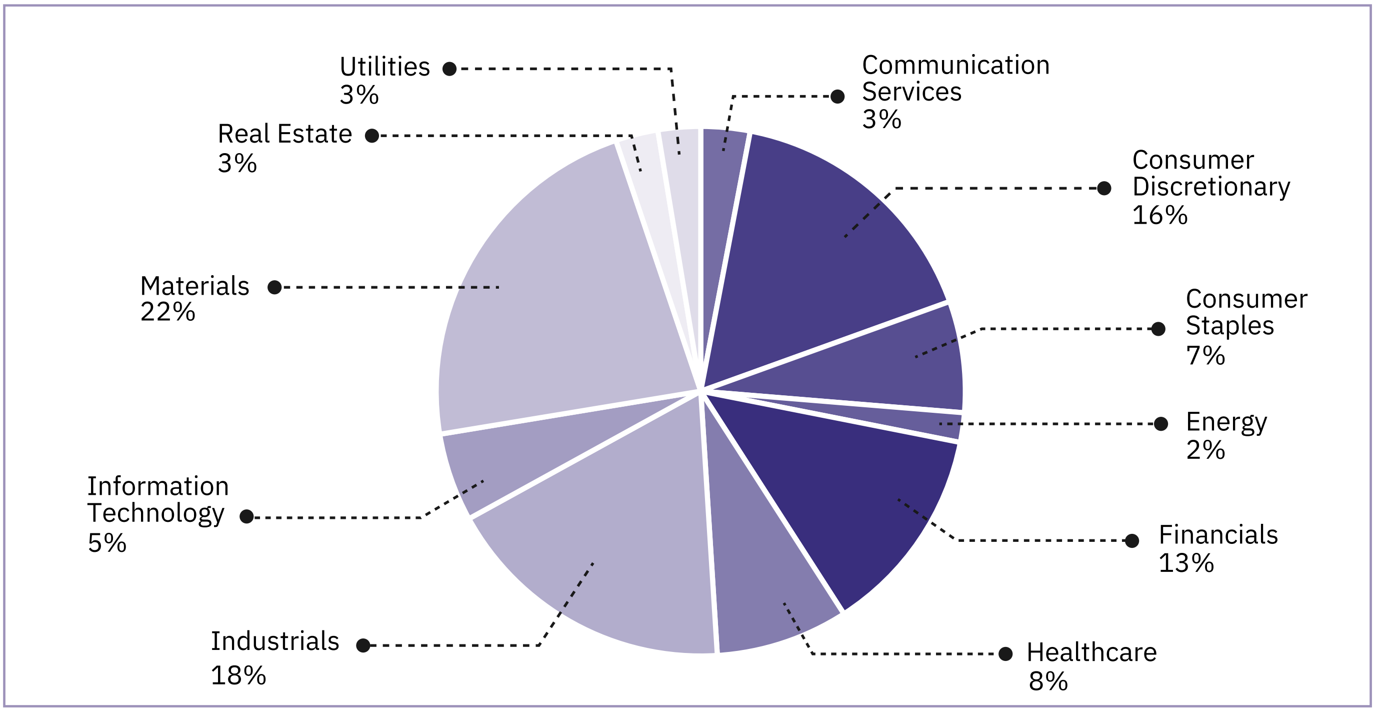


Figure 4: Sector-wise distribution of top 1000 companies



Selection of BRSR Parameters

Due to the manual nature of this exercise, it was not feasible to include all parameters available in the BRSR reporting for the study. Consequently, the selection of parameters for this study was based on the following three primary criteria:

1. Coverage of major areas: We included parameters from all three core areas—Environmental, Social, and Governance—segregating them according to their relevance. It is important to note that overlaps between these categories are possible.

2. Focus on quantitative and binary parameters: While qualitative parameters hold significant importance, they are often difficult to compare across companies. Therefore, our focus was on quantitative parameters and those with binary inputs (Yes/No).

3. Measurability for time series development: To facilitate the creation of a time series for future use, we selected parameters that enable the measurement of progress or deterioration in tangible terms.

The parameters included in our study, categorized under Environmental, Social and Governance, are as follows:

Environmental

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

1. Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.

2. Does the entity have procedures in place for sustainable sourcing?

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

1. Details of total energy consumption (in Joules or multiples) and energy intensity, for the current financial year and previous financial year

    a. Total electricity consumption

    b. Total fuel consumption

    c. Energy consumption through other sources

    d. Total energy consumption

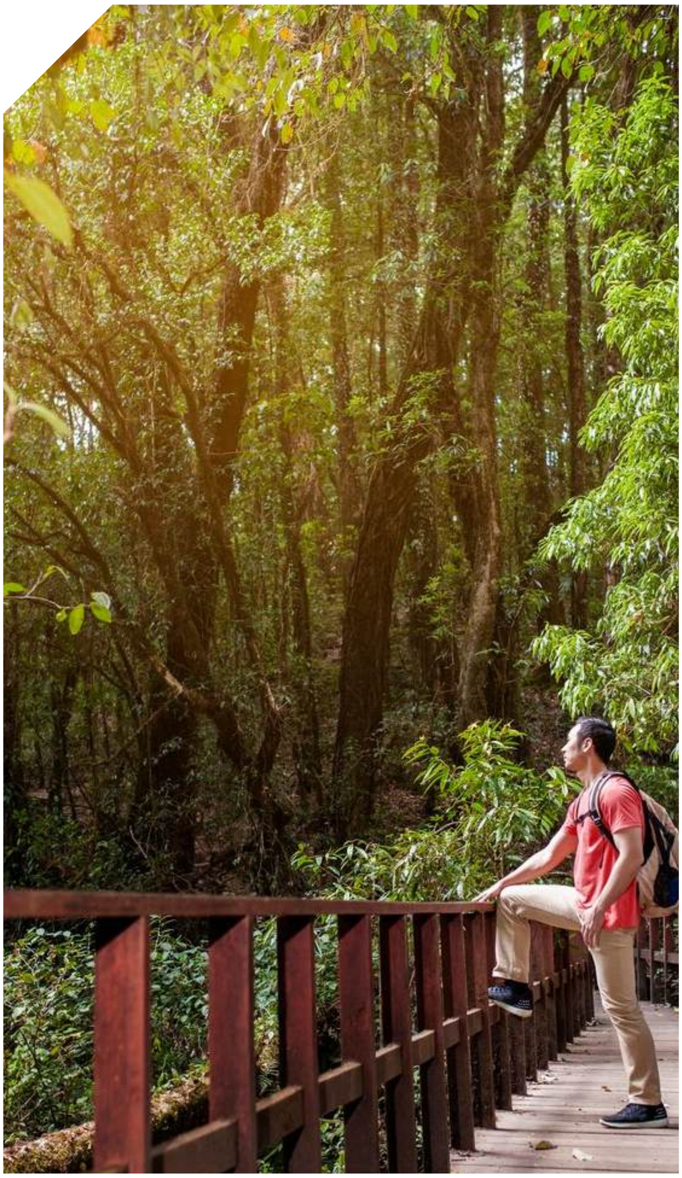
    e. Energy intensity per rupee of turnover (Total energy consumption/ turnover in rupees)

2. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity, for the current financial year and previous financial year

    a. Total Scope 1 emissions in Metric tons of CO_2 equivalent

    b. Total Scope 2 emissions in Metric tons of CO_2 equivalent

    c. Total Scope 1 and Scope 2 emissions per rupee of turnover



3. Provide details of total Scope 3 emissions & its intensity, for the current financial year and previous financial year

   a. Total Scope 3 emissions in Metric tons of CO_2 equivalent

   b. Total Scope 3 emissions per rupee of turnover

4. Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

We included parameters from all three core areas:
Environmental, Social, and Governance

5. Percentage of value chain partners (by value of business done with such partners) that were assessed for environmental impacts.

Social

BRSR General Disclosures

1. Employees' and Workers' Details (Permanent, Other than Permanent, Male, Female, %)
2. Differently abled employees and workers
3. Turnover rate for permanent employees and workers

BRSR PRINCIPLE 8: Businesses should promote inclusive growth and equitable development

1. Percentage of input material (inputs to total inputs by value) sourced from suppliers, for the current financial year and previous financial year

   a. Directly sourced from MSMEs/ small producers

   b. Sourced directly from within the district and neighboring districts

BRSR PRINCIPLE 9: Businesses should engage with and provide value to their consumers in a responsible manner

1. Details of instances of product recalls on account of safety issues: Number and Reasons for recall

   a. Voluntary recalls

   b. Forced recalls

Governance

BRSR PRINCIPLE 9: Businesses should engage with and provide value to their consumers in a responsible manner

1. Provide the following information relating to data breaches:
    a. Number of instances of data breaches along-with impact
    b. Percentage of data breaches involving personally identifiable information of customers

SECTION 3

Key Insights from BRSR Data

The BRSR is organized around nine principles, along with General Disclosures. We have mostly focused on quantitative data for comparison and hence, all the principles are not covered.

General Disclosures – BRSR Reporting and Workforce Details

1. Reporting largely on standalone basis: 77% of companies in our sample reported BRSR data on a standalone basis, while 23% reported on consolidated basis.

More than **three-fourth of our sample companies** report on standalone basis

2. Minimal representation of differently-abled employees and workers: Differently-abled individuals constitute a ~0.5% of the workforce, including employees as well as workers. 2.2% of the total population is 'differently abled' in India.

3. Increase in employee turnover post COVID: Employee turnover has risen from approximately 16% in FY21 to around 22% in FY23, reflecting a steady increase following the COVID-19 pandemic. This turnover rate remains significantly higher than that of workers over the same period.

4. Minimal increase in worker turnover post COVID: Worker turnover has increased marginally from 7-8% in FY21 to 8-9% in FY23, showing a relatively stable trend compared to employee turnover.

Principle 2 – Sustainable and Safe Goods and Services

1. High adoption rate of sustainable sourcing: More than 75% of companies (230 out of 300) report that they have procedures in place for sustainable sourcing.

2. Reporting on capital expenditure for environment and social improvements: 40% of companies (120 out of 300) do not disclose the percentage of capital expenditure in specific technologies for improving environmental and social impacts. On the positive side, the number of companies reporting such information has risen from 169 in FY22 to 180 in FY23. Among those that report, approximately 94%

either allocate 0% (36 companies) or 100% (134 companies) of their capital expenditure to such technologies.

3. Reporting on R&D investments in specific technologies for environmental and social improvements: Over half of the sample companies (152 out of 300) do not report the percentage of R&D investments in specific technologies to improve the environmental and social impacts. However, the number of companies reporting such investments have increased from 141 in FY22 to 148 in FY23. Among those that do report, approximately 55% indicate either 0% (54 companies) or 100% (26 companies) of their R&D investment made towards such technologies in FY23.

Principle 6 – Protect and Restore the Environment

1. One-third of the companies already have energy and emissions data externally assured: While the external assurance was not mandatory in FY23 reporting, 99 out of 300 companies have already opted for external assurance. Around 25% of companies (74 out of 300) have also done value chain assessment for environmental impacts.

2. High reporting of energy consumption and improved intensity: Over 96% of companies (289 out of 300) reported their energy consumption in FY23, a slight increase from FY22. The energy intensity data indicates that companies used 13% less energy for the same unit revenue generation in FY23 compared to FY22.

3. Wide reporting of Scope 1 and Scope 2 emissions: 94% of companies (282 out of 300) reported their Scope 1 and Scope 2 emissions data for FY23, a marginal increase from FY22 (281 companies). As seen in Scope 1 and Scope 2 emission intensity data, the companies are emitting 14% less CO2e for same unit of revenue generation in FY23 compared to FY22.

4. Increased, yet low, reporting of Scope 3 emissions: Notwithstanding widespread reporting of Scope 1 and 2 emissions, reporting of Scope 3 emissions remains relatively low, with less than 40% of companies reporting this information in FY23. That said, this number has risen from 93 in FY22 to 110 in FY23. As seen in Scope 3 emission intensity data, the companies are emitting 25% less CO2e for same unit of revenue generation in FY23 compared to FY22.

Principle 8 - Inclusive Growth and Equitable Development

1. MSME sourcing data reported by over 70% of companies: In FY23, 72% of companies (216 out of 300) reported their sourcing from Micro, Small and Medium Enterprises/small producers in FY23, an increase from 69% in FY22 (206 companies). The average procurement from these sources has increased from 19% in FY22 to 22% in FY23.

2. Geographical sourcing data available for over half of the companies: In FY23, 53% of companies (160 out of 300) reported their sourcing from within the district and neighboring districts in FY23, up from 155 companies in FY22. Further, the average sourcing from these geographies remained consistent at about 40% in both FY22 and FY23.

Principle 9 - Providing Value to Consumers Responsibly

1. Product recall not a concern: In FY23, 56% of the sample companies (168) reported their product recall data, encompassing both voluntary and forced recalls. Among these reporting companies, most did not report any specific instance of voluntary or forced product recall.

2. Robust data security: Nearly three-fourth of the sample companies (225) reported information on data breaches. Almost all of them (99%) reporting this information highlighted zero instances of a data breach.

SECTION 4

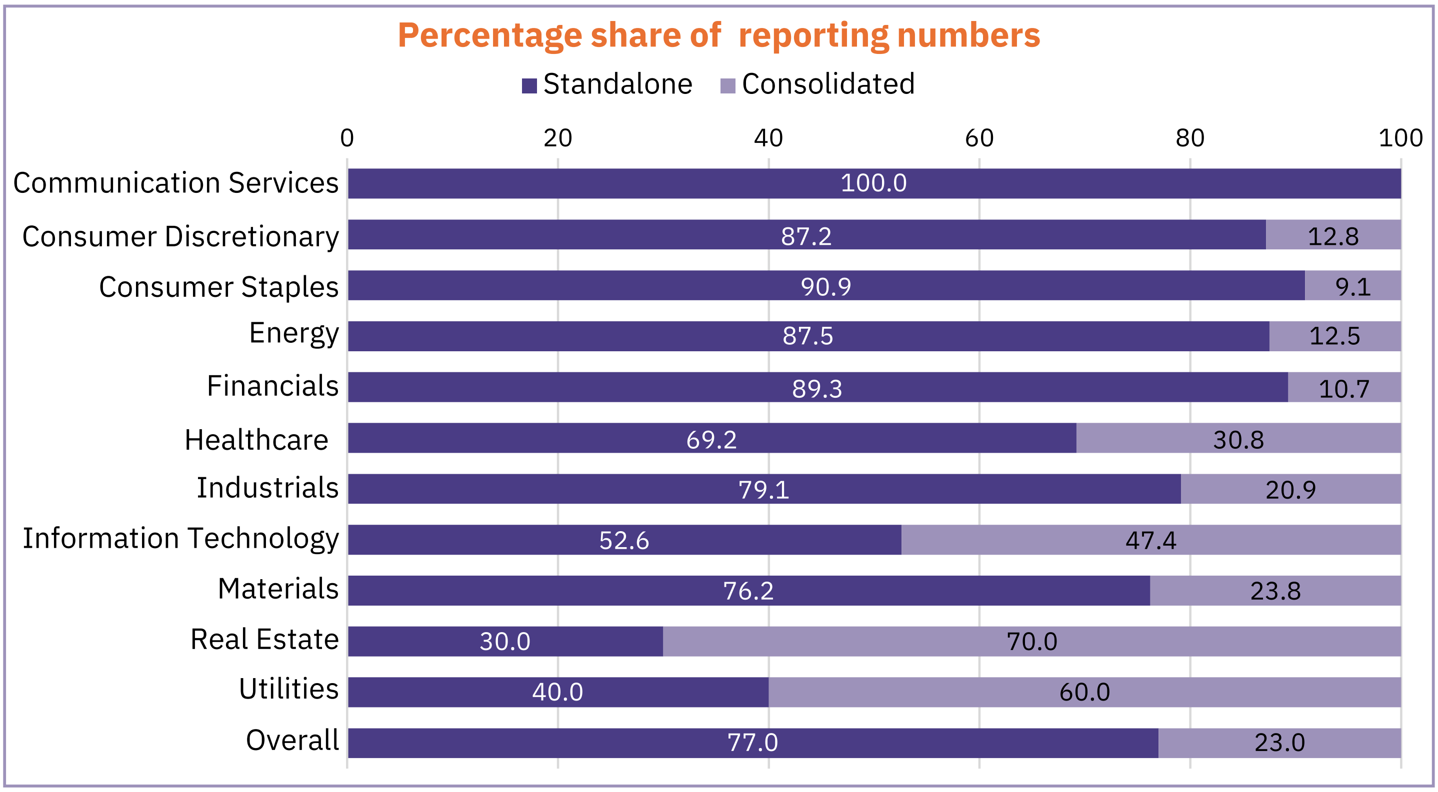
Detailed Insights from BRSR Data

Reporting Boundary

In our analysis of BRSR data across the sample, we found that a significant majority–77% of companies—opted to report their BRSR data on a standalone basis. Conversely, 23% of the companies chose to report on a consolidated basis, aggregating data across their entire group of entities. The preference for standalone reporting is understandable given the relative ease of data collection and reporting.

Among the top 25 companies, 36% (nine companies) reported on a consolidated basis. Extending the analysis to the top 200 companies, the proportion reduces to 25.5% (51 companies). Additionally, irrespective of whether companies report on a standalone or consolidated basis, some provided supplementary notes detailing the data coverage for their plants and offices. Sector-wise, with the notable exceptions in Real Estate and Utilities, most of the companies across sectors predominantly adopted the standalone reporting boundary.

Figure 5: Sector-wise classification based on reporting boundary



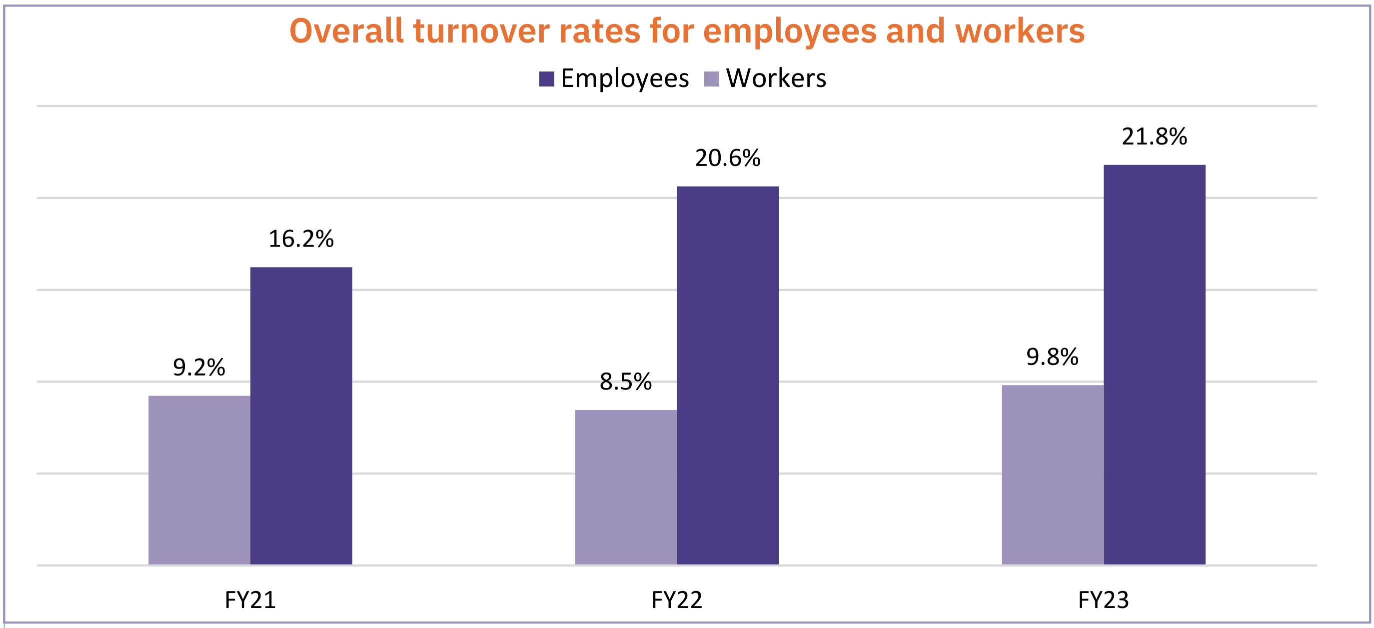
Workforce Turnover

Under this section, the entity discloses the turnover rates for the specified categories – employees and workers. The term ‘Employee’[13] is defined under section 2(I) of the Industrial Relations Code, 2020, while the term ‘Workers’[14] is defined under section 2(zr) of the same code. To put it simply, the difference between the two terms is that the former includes individuals who are employed by an establishment in an administrative, managerial or supervisory capacity drawing wages above a threshold limit. The latter also includes journalists and sales promotion employees.

Turnover rate for employees/workers is calculated as the number of employees/workers who have left the employment of the entity as a proportion of the average number of employees/workers during the year.

The turnover rate for employees has increased at a sustained pace in the aftermath of the COVID-19 pandemic from 16.2% in FY21 to 21.8% in FY23. For workers, it fell in FY22 before inching up to 9.8% in FY23.

Figure 6: Overall turnover rates for employees and workers



[13] The term “Employee” is defined under Sec 2(l) of the Industrial Relations Code, 2020 and means, any person (other than an apprentice engaged under the Apprentices Act, 1961), employed on wages by an establishment to do any skilled, semi-skilled or unskilled, manual, operational, supervisory, managerial, administrative, technical or clerical work for hire or reward, whether the terms of employment be express or implied, and also includes a person declared to be an employee by the appropriate Government, but does not include any member of the Armed Forces of the Union.

[14] The term “Worker” is defined under Sec 2(zr) of the Industrial Relations Code, 2020 and means any person (except an apprentice as defined under clause (aa) of section 2 of the Apprentices Act, 1961) employed in any industry to do any manual, unskilled, skilled, technical, operational, clerical or supervisory work for hire or reward, whether the terms of employment be express or implied, and includes working journalists as defined in clause (f) of section 2 of the Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955 and sales promotion employees as defined in clause (d) of section 2 of the Sales Promotion Employees (Conditions of Service) Act, 1976, and for the purposes of any proceeding under this Code in relation to an industrial dispute, includes any such person who has been dismissed, discharged or retrenched or otherwise terminated in connection with, or as a consequence of, that dispute, or whose dismissal, discharge or retrenchment has led to that dispute, but does not include any such person- (i) who is subject to the Air Force Act, 1950 (45 of 1950), or the Army Act, 1950 (46 of 1950), or the Navy Act, 1957 (62 of 1957); or (ii) who is employed in the police service or as an officer or other employee of a prison; or (iii) who is employed mainly in a managerial or administrative capacity; or (iv) who is employed in a supervisory capacity drawing wages exceeding eighteen thousand rupees per month, or an amount as may be notified by the Central Government from time to time.

Employee turnover rates are highest in sectors with a predominantly younger workforce, such as call center operations, private banks, and healthcare. In contrast, the lowest employee turnover rates are observed in the Energy and Utilities sector. Notably, five out of the 11 sectors reported employee turnover rates below the overall average for FY23. Communication Services, Information Technology and Utilities are the three sectors which have seen a dip in the employee turnover rate between FY22 and FY23.

Conversely, the Consumer Discretionary sector has the highest worker turnover rate, nearly matching the employee turnover rate within the same sector. In all other sectors, worker turnover remains in single digits. Financials and Communication Services have the lowest worker turnover, contrasting with their relatively higher employee turnover rates.

Table 3: Sector-wise employee and worker turnover rates

	Employee			Worker		
Sector	**FY21**	**FY22**	**FY23**	**FY21**	**FY22**	**FY23**
Communication Services	32.6	47.4	44.6	7.4	3.2	3.9
Consumer Staples	13.2	17.9	19.3	9.0	7.7	8.6
Financials	18.3	23.9	25.0	2.1	1.2	2.1
Energy	4.4	6.1	6.1	5.4	7.8	6.5
Consumer Discretionary	20.5	22.2	25.0	20.3	17.0	21.9
Materials	10.8	15.1	17.0	7.0	6.9	8.0
Industrials	13.0	15.7	17.5	5.8	6.0	5.1
Healthcare	24.0	27.2	27.4	10.9	9.2	9.5
Information Technology	15.4	24.1	21.8			4.8
Utilities	3.5	7.2	6.4	3.1	4.4	5.7
Real Estate	18.9	17.1	21.7			
Total	**16.2**	**20.6**	**21.8**	**9.2**	**8.5**	**9.8**

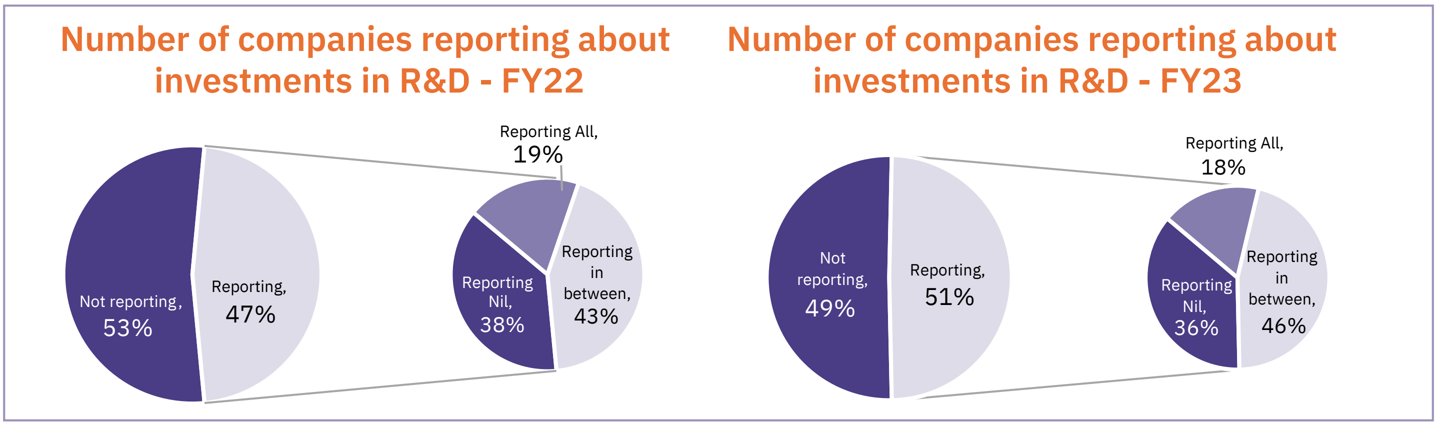
Note: The cells which are blank have no information available for that respective sector in the corresponding year

Investments in R&D and Capex

Under this parameter, companies are required to disclose the percentage of their investments in R&D and capital expenditure directed towards technologies aimed at enhancing environmental and social impacts. While companies may be generally spending on R&D and capex, it is important to note that this specific requirement may not apply to all sectors as the investment may not pertain to the specified objective.

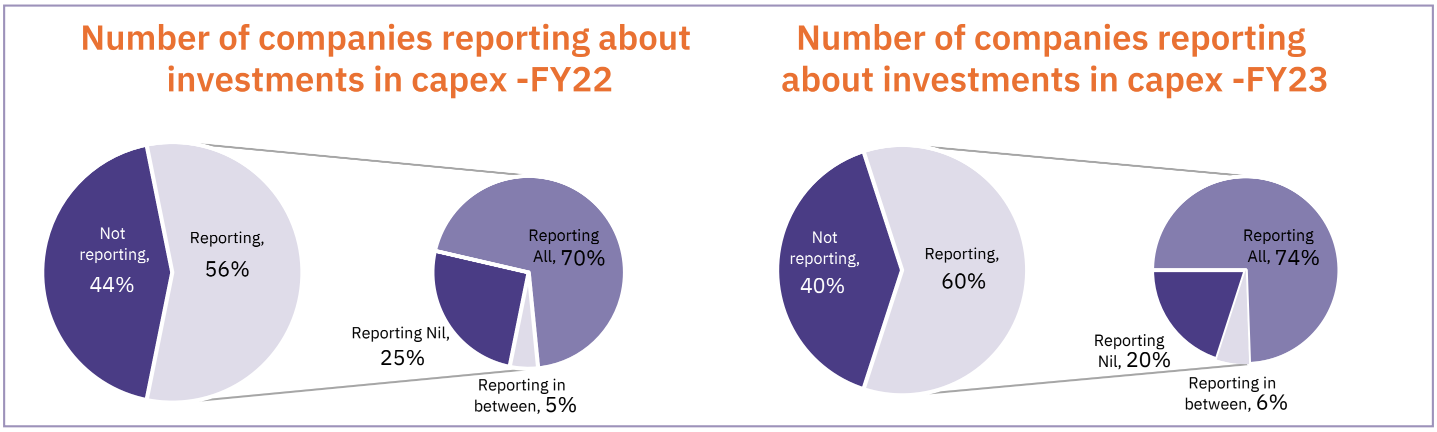
Regarding R&D investments, it is noteworthy that nearly 50% of the sample companies are reporting these figures, with the share increasing between FY22 and FY23. The share of the companies reporting that 100% of their R&D investments are dedicated to the specified objectives has marginally declined from 19.1% in FY22 to 17.6% in FY23.

Figure 7: Companies reporting percentage of R&D investments in specific technologies to improve the environmental and social impacts



Regarding the investments in capex in specific technologies to improve the environmental and social impacts, the proportion of companies reporting this data has increased from 56% in FY22 to 60% in FY23. Among the companies that reported on this parameter, approximately three-fourths indicated that 100% of their capex is directed towards such technologies in FY23, an increase from over 70% in FY22.

Figure 8: Companies reporting percentage of capex in specific technologies to improve the environmental and social impacts



Does the entity have procedures in place for sustainable sourcing?

In the sample, 230 companies—representing 77%—have established procedures for sustainable sourcing.

Energy Consumption

Several companies consume energy across multiple sources including coal, natural gas, electricity and other fossil fuel. While the intensity of consumption varies across sectors, broadly speaking, energy efficiency and management initiatives can help these companies manage energy consumption, resulting in lower operational costs, and greater ability to respond to changes in macro environment.

Figure 9: Energy consumption reporting

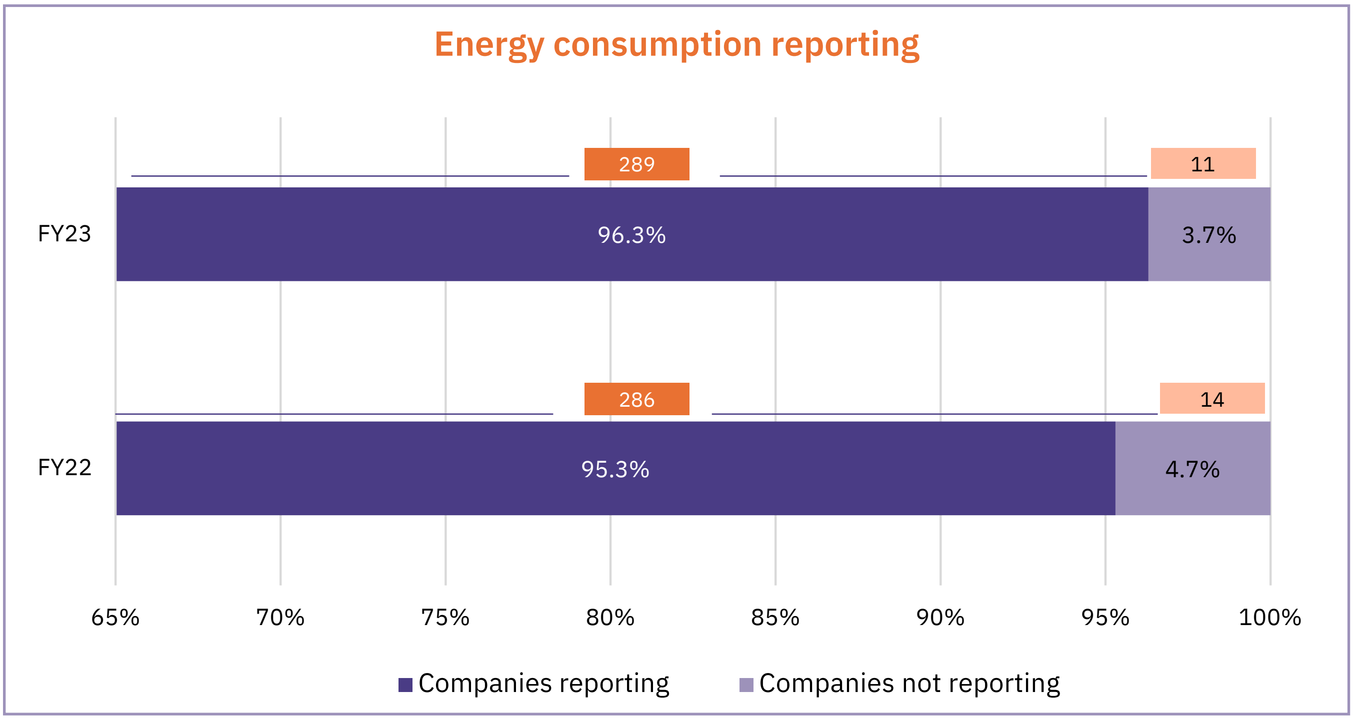
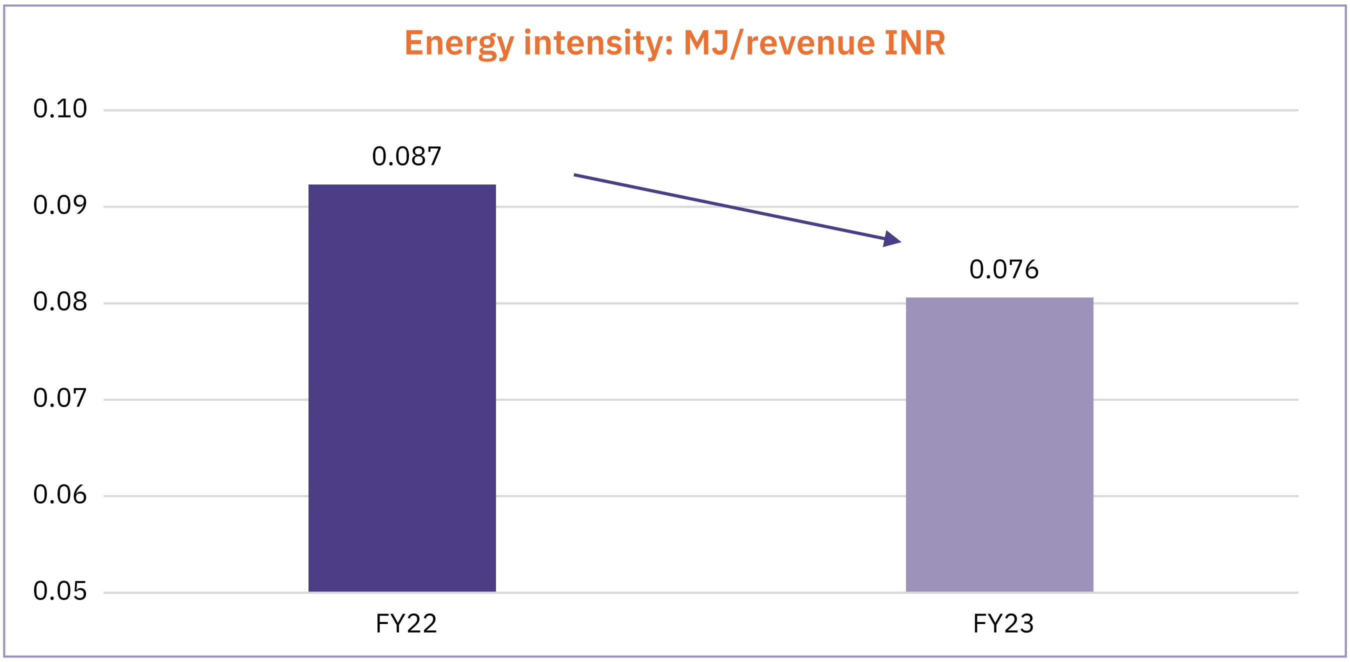


Figure 10: Energy intensity



The number of companies reporting on energy consumption has seen a slight increase, rising from 286 in FY22 to 289 in FY23. Concurrently, energy intensity, which measures total energy consumption (in Joules or equivalent units) relative to total revenue in rupees, has decreased. As anticipated, the Utilities sector exhibits the highest energy intensity, followed by the Materials sector. Conversely, the Information Technology sector demonstrates the lowest energy consumption per unit of revenue.

Table 4: Sector-wise energy intensity

Sector	Average Energy Intensity FY23	Average Energy Intensity FY22	% change YoY (FY23 vs. FY22)
Utilities	**0.4839**	**0.5949**	**-19%**
Materials	0.1682	0.1892	-11%
Healthcare	0.0627	0.0700	-16%
Energy	0.0509	0.0686	-26%
Consumer Staples	0.0365	0.0421	-13%
Industrials	0.0314	0.0390	-19%
Communication Services	0.0162	0.0161	1%
Consumer Discretionary	0.0120	0.0137	-12%
Real Estate	0.0094	0.0093	1%
Information Technology	0.0023	0.0022	3%
Financials	**0.0017**	**0.0018**	**-10%**

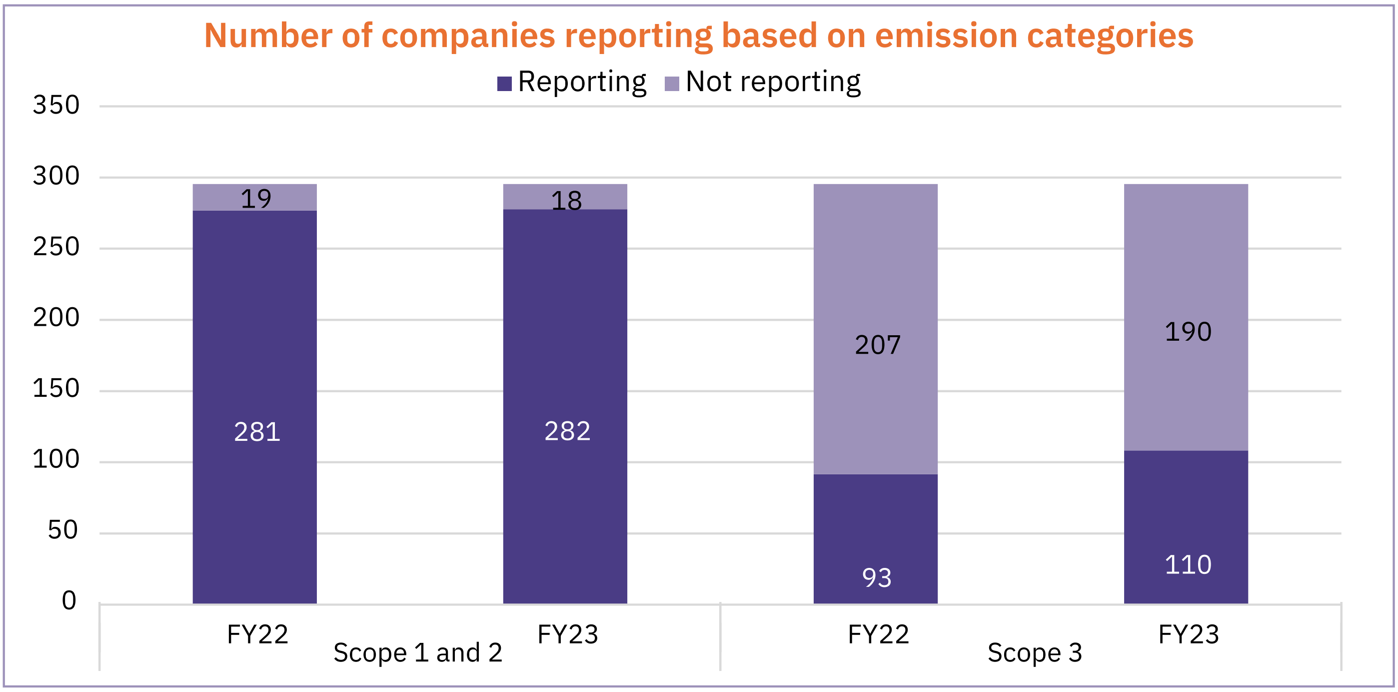
Note: The sectors with highest and lowest energy intensity are highlighted in bold.

As highlighted previously under the reporting boundary and revenue figures discussion, there may have been cases where the revenue reported is not exactly for the same entity as consumption is reported for.

Emissions

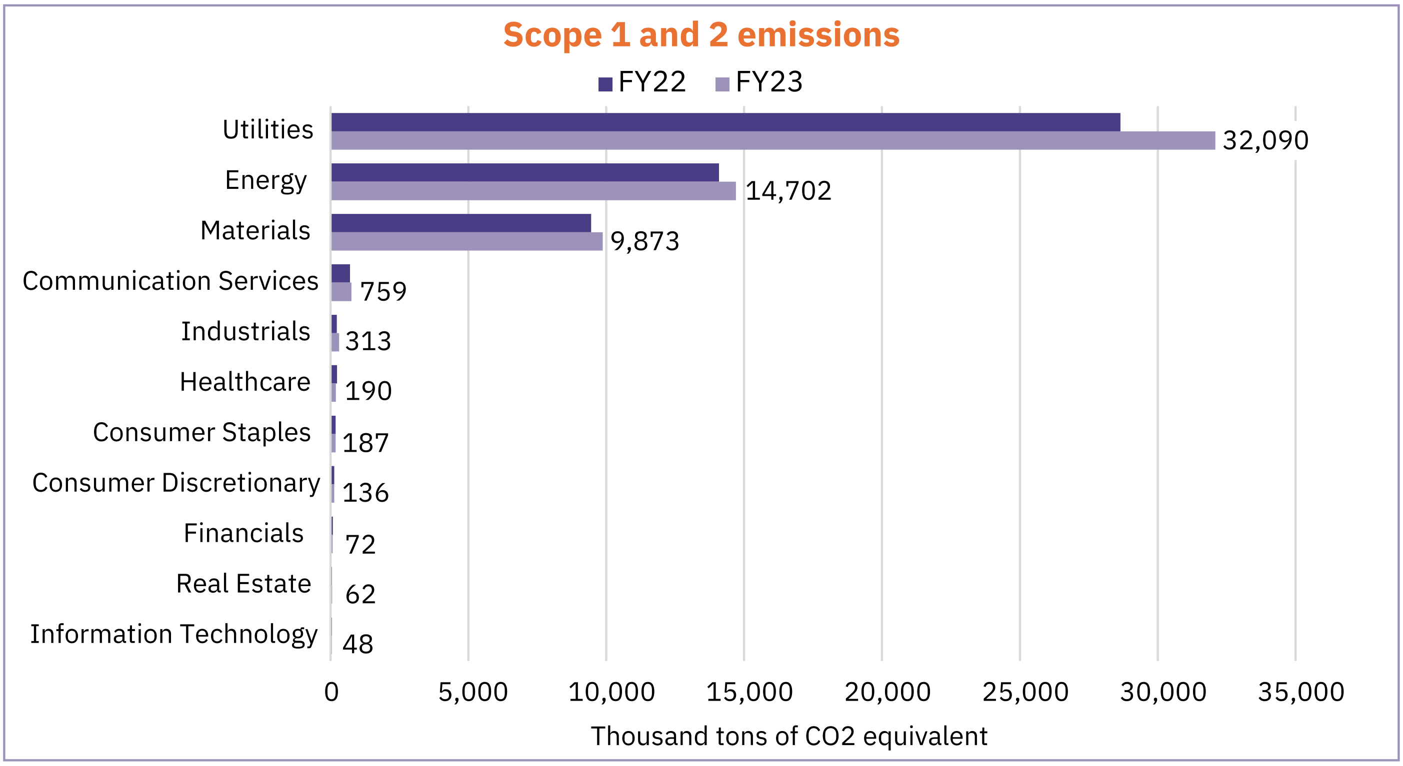
The number of companies that have reported Scope 1 and Scope 2 emissions have remained broadly the same in FY22 and FY23, but the number of companies reporting Scope 3 emissions have increased in FY23 as compared to FY22.

Figure 11: Category-wise emission reporting



Utilities, Energy and Materials are the top three sectors based on total Scope 1 and Scope 2 emissions, cumulatively accounting for almost 97% of the total emissions across sectors in our study. Outside of Financials and Healthcare, total Scope 1 and Scope 2 emissions in all the other sectors have increased in FY23 vis-à-vis FY22.

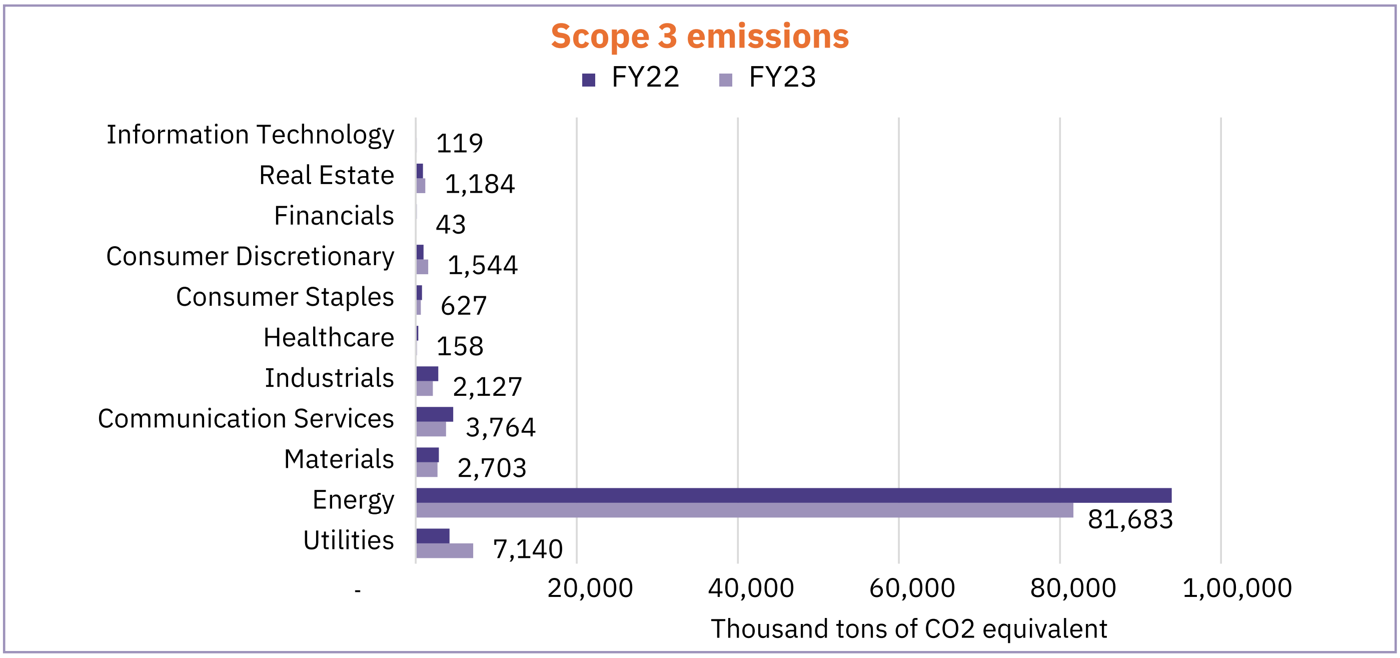
Figure 12: Sector-wise Scope 1 and 2 emissions



Note: The total sector figures may change from one year to the next, because of the change in the number of companies reporting.

The Energy sector reported the highest Scope 3 emissions, accounting for more than 80% of the total Scope 3 emissions of our sample universe. All sectors barring Consumer Discretionary, Real Estate and Information Technology have witnessed a decline in the Scope 3 emissions in FY23.

Figure 13: Sector-wise Scope 3 emissions

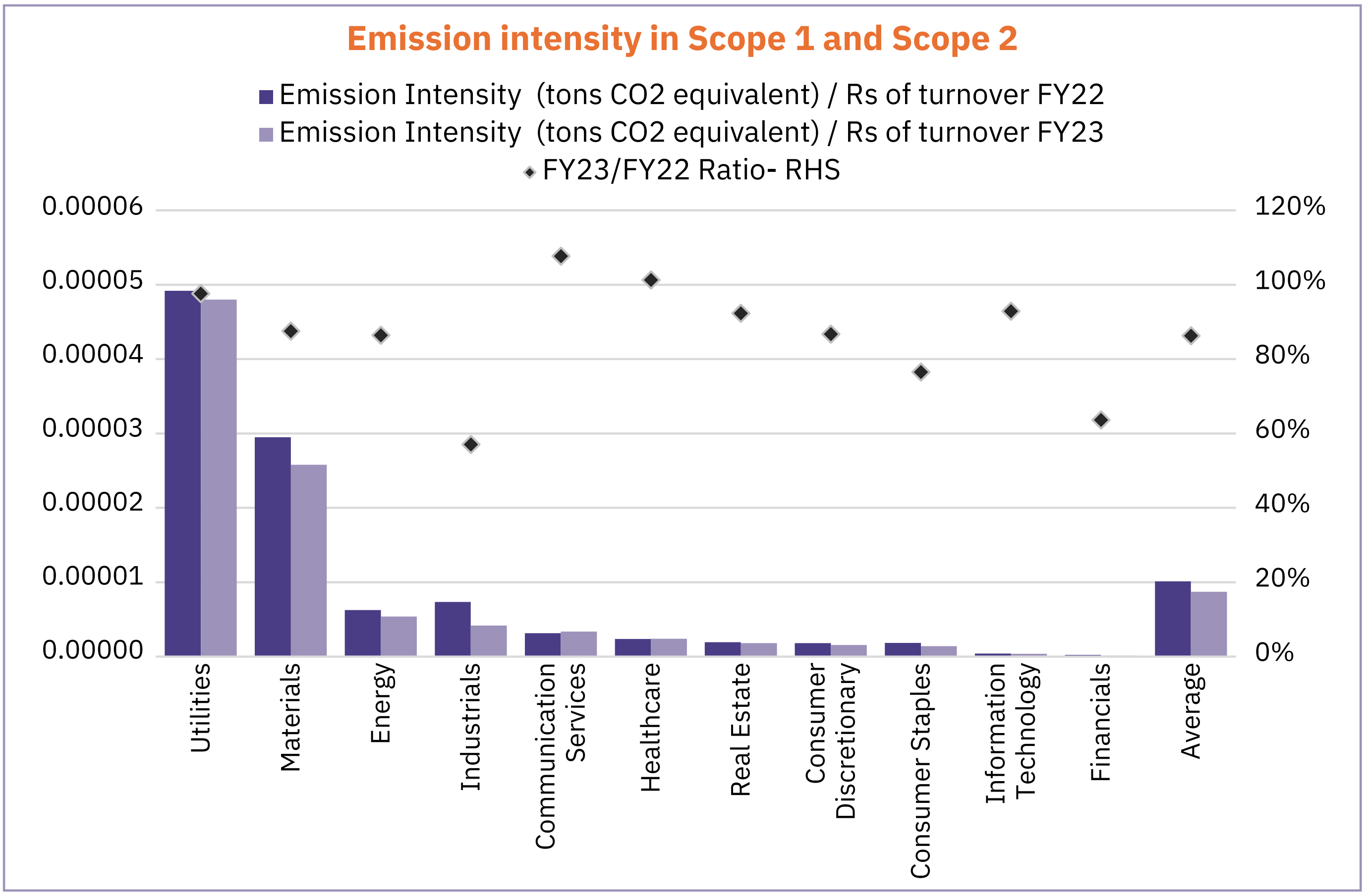


Note: The total sector figures may change from one year to the next, because of the change in the number of companies reporting

Emission Intensity

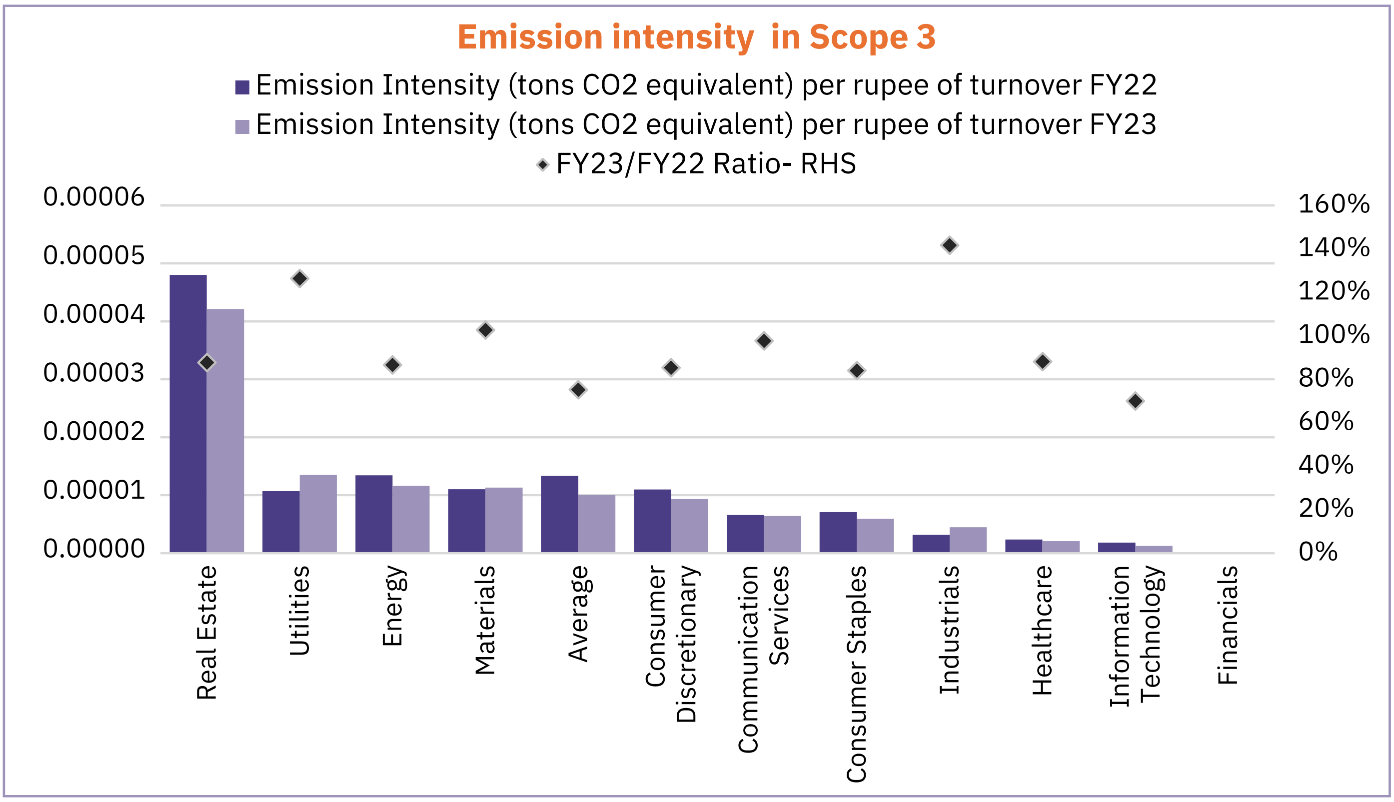
The Emission Intensity for Scope 1 and Scope 2 emissions (Total Scope 1 and Scope 2 emissions in tons CO_2 equivalent per rupee of turnover) is the highest in Utilities, Materials and Energy sectors. Communication Services and Healthcare are the only two sectors that saw an increase in emission intensity in FY23.

Figure 14: Sector-wise Scope 1 and 2 emission intensity



The emission intensity for Scope 3 emissions (Scope 3 emissions in tons CO2 equivalent per rupee of turnover) is the highest in the Real Estate, Utilities, Energy and Materials sectors.

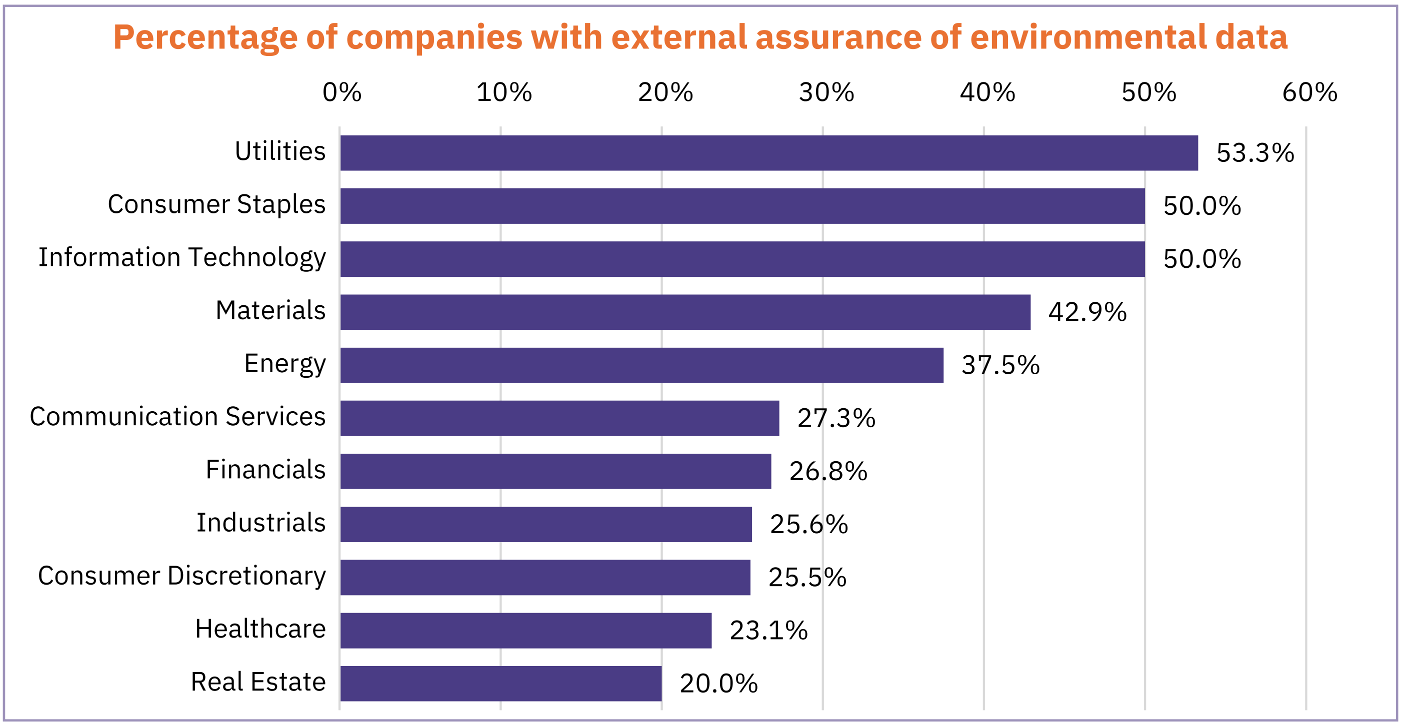
Figure 15: Sector-wise Scope 3 emission intensity



External Assurance for Environmental Data

Around one-third of the sample we examined have complied with the external assurance for the environmental data. Utilities, Consumer Staples and Information Technology are the sectors with the highest percentage of companies having completed external assurance of environmental data.

Figure 16: Sector-wise external assurance of environmental data

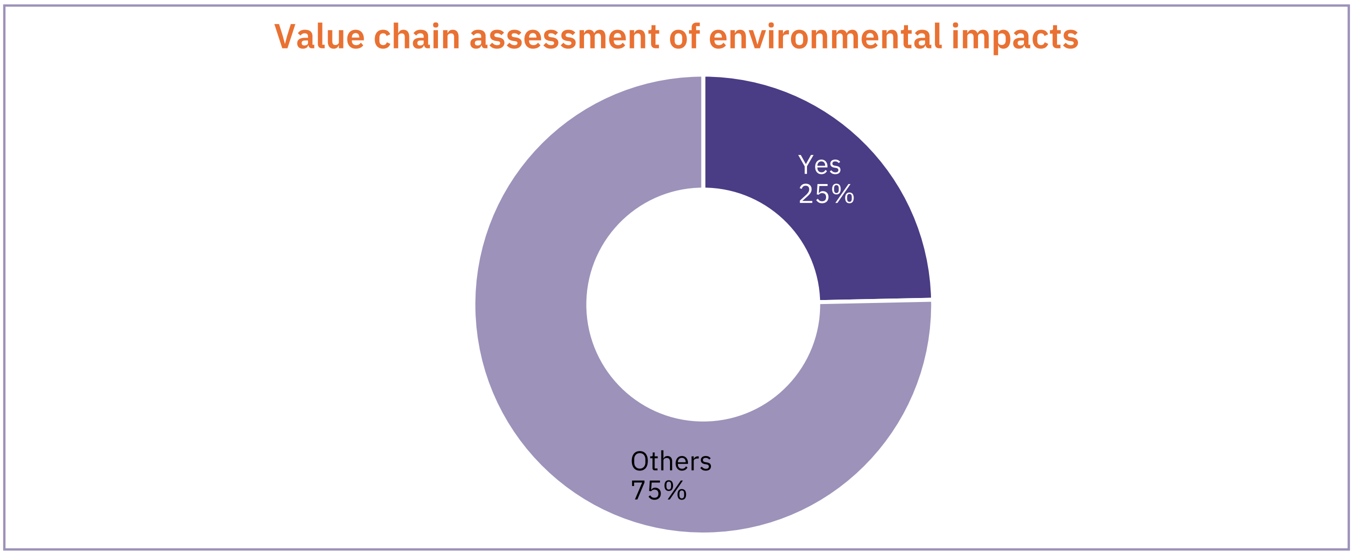


Value Chain/ MSME Sourcing

Value Chain Assessment for environmental impacts

Approximately 25% (74 out of 300 companies) conducted a value chain assessment for environmental impacts.

Figure 17: Reporting of value chain assessment of environmental impacts



Directly sourced from Micro, Small and Medium Enterprises/small producers (%)

The relevance of direct sourcing data from MSMEs varies across different sectors. Nonetheless, slightly over two-thirds of the sample companies report this data. The proportion of companies reporting on sourcing from MSMEs increased from 68.7% in FY22 to 72% in FY23. Also, the proportion of companies reporting on sourcing from within the district and neighboring districts rose from 51.7% to 53.3% during the same period. For the companies reporting this information, the average percentage of procurement directly from MSMEs has seen a marginal increase, while the proportion of sourcing from within the district and neighboring districts has remained relatively stable between FY22 and FY23.

Figure 18: Reporting status of direct sourcing from MSMEs and same/neighboring districts

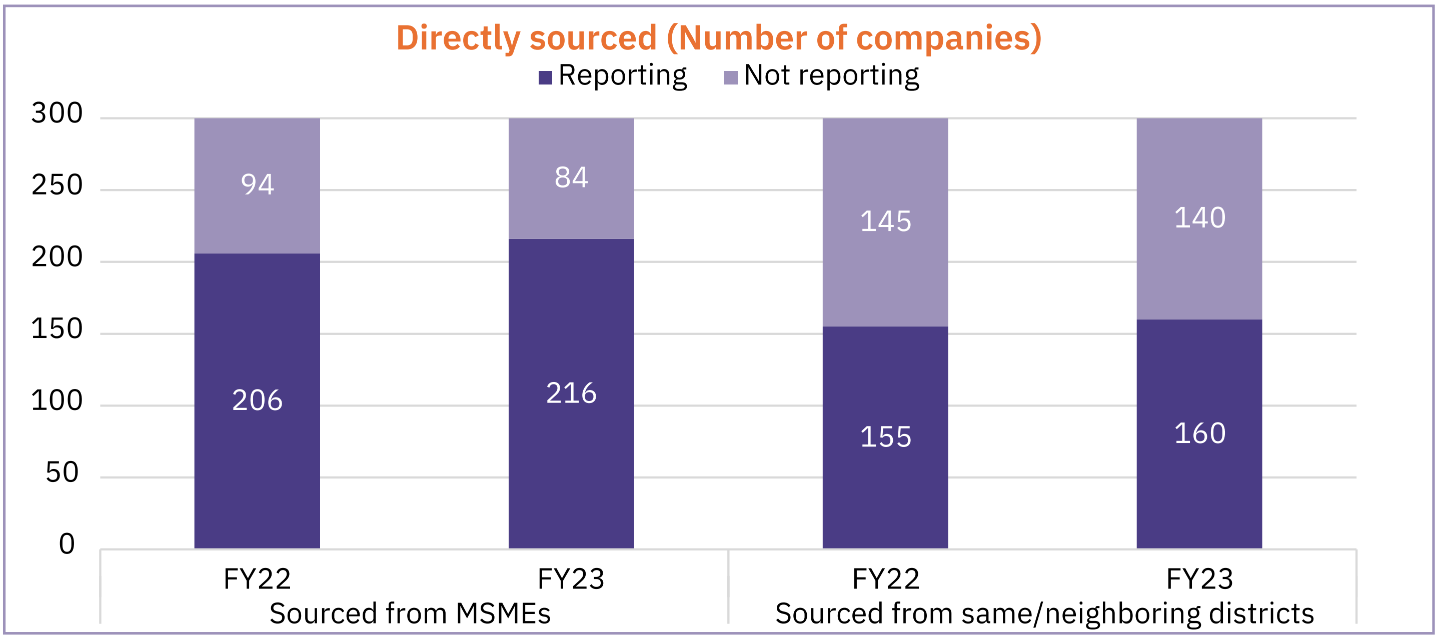
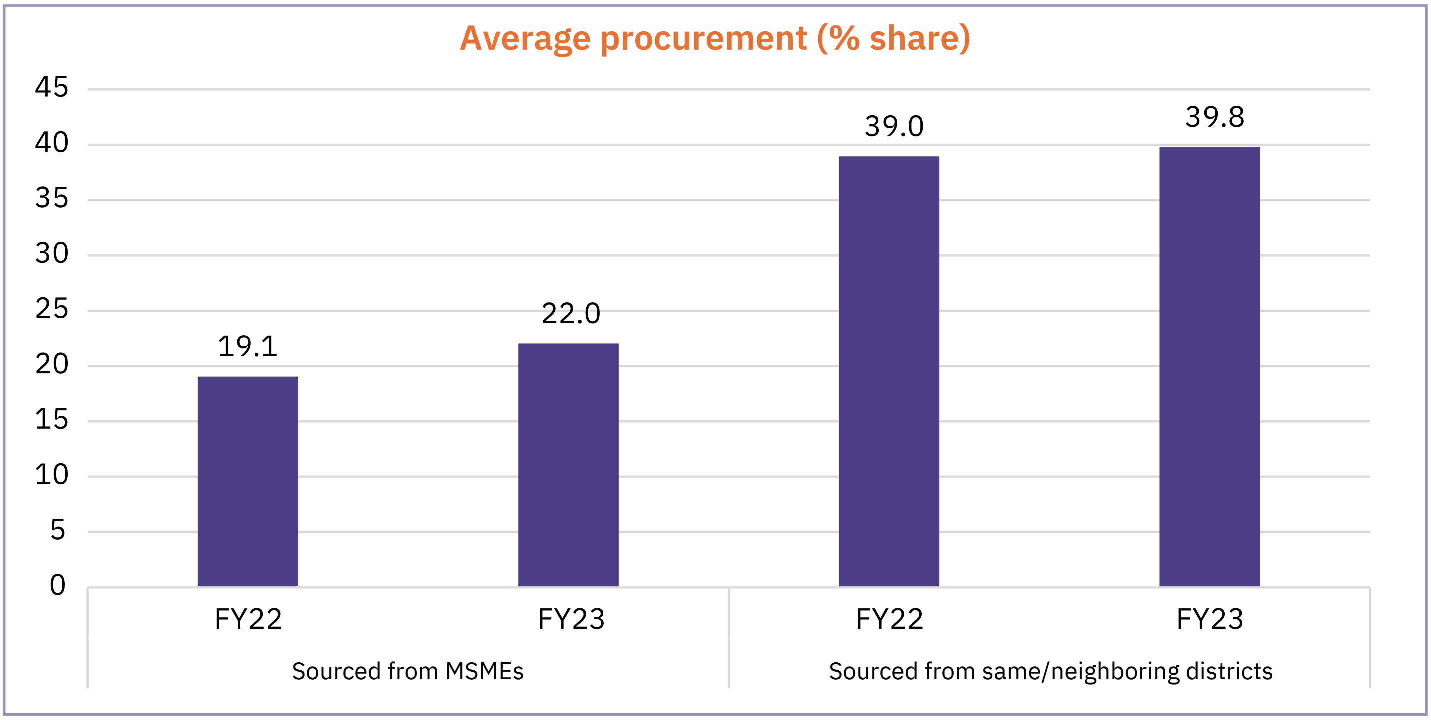


Figure 19: Average procurement from MSMEs and same/neighboring districts



Note: These percentage sourcing figures are only for the companies reporting this information.

Product Recall

Voluntary Recall

There are 168 companies (56%) which have provided information in their BRSR report on recalls. As for voluntary recall, 14 companies have reported specific instances, most of which are from the Healthcare sector.

Table 5: Sector-wise instances of voluntary recall

Sector	Number of Companies with Instances of Voluntary Recall	Percentage among companies which reported Instances of Voluntary Recall (%)
Communication Services	0	0.0%
Consumer Staples	0	0.0%
Financials	0	0.0%
Energy	0	0.0%
Consumer Discretionary	1	7.1%
Materials	1	7.1%
Industrials	0	0.0%
Healthcare	12	85.7%
Information Technology	0	0.0%
Utilities	0	0.0%
Real Estate	0	0.0%

Forced Recall

There are 168 companies (56%) which have provided information in their BRSR report on recalls. As for forced recall, 5 companies have reported specific instances, 3 of which are from the Healthcare sector.

Table 6: Sector-wise instances of forced recall

Sector	Number of Companies with Instances of Forced Recall	Percentage among companies which reported Instances of Forced Recall (%)
Communication Services	0	0.0%
Consumer Staples	0	0.0%
Financials	0	0.0%
Energy	0	0.0%
Consumer Discretionary	1	20.0%
Materials	1	20.0%
Industrials	0	0.0%
Healthcare	3	60.0%
Information Technology	0	0.0%
Utilities	0	0.0%
Real Estate	0	0.0%

Number of instances of data breaches

Three fourths of the sample companies have reported information on data-breaches in FY23, of which almost 99% of the companies have reported zero instances.

SECTION 5

Recommendations

For BRSR Format

1. Consistency in reporting units across all companies: To facilitate comprehensive data analysis, it is imperative that reporting units be standardized for BRSR reporting. Once standardized, companies must adhere strictly to these units. For instance, energy consumption should be reported in megajoules (MJ) or gigajoules (GJ), rather than the varied units currently used such as joules, kilojoules, megajoules, gigajoules, terajoules, petajoules, kilowatt-hours, or megawatt-hours. Similarly, emissions should consistently be reported in metric tons of CO2 equivalent, in accordance with BRSR standards, rather than in grams, kilograms, tons, or thousand tons. Adopting MJ for energy consumption and metric tons for CO2 emissions will enhance standardization and comparability.

2. Clear disclosure of underlying data in derived information: The intensity per unit of revenue calculations (for energy and emissions) should be unambiguously presented. Currently, inconsistencies exist where some companies use 'revenue from operations' while others use 'total revenues' for these calculations. Additionally, standalone revenue figures are reported, even when the reporting boundary is consolidated and vice versa. This inconsistency can lead to confusion and potentially lead to misinterpretation of the reported data. To address this challenge, we recommend differentiating these figures appropriately in both cases. It is important to note that the turnover figures reported under Corporate Social Responsibility (CSR) are not the same as those used in intensity calculations by some companies. While this discrepancy may not pose a significant issue in isolation, it necessitates explicit clarification regarding which revenue figures are being employed for intensity calculations. This transparency is essential to ensure stakeholders accurately interpret the data presented in sustainability reports.

3. Sector and industry dependent materiality of BRSR parameters: Certain parameters within BRSR are not applicable to all sectors. For example, a) Percentage of R&D investments in specific technologies to improve the environmental and social impacts, b) Percentage of Capex in specific technologies to improve the environmental and social impacts FY2022- 23, c) Data of Product Recall, d) Sourcing from MSMEs, e) Sourcing from the same or neighboring districts, require sector and industry-specific classifications. There should be an option to mark parameters as "not applicable" and substantiate it with a justification. Recognizing that BRSR reporting is in its infancy, these classifications and changes may be integrated into the format over time.

4. Simplicity in BRSR data without oversimplification: The BRSR data should be simplified but not to the extent that it leads to incorrect inferences. For instance, separate reporting for executive, non-executive, and independent directors will ensure more meaningful comparisons. This approach will facilitate a like-for-like basis comparison, thereby enhancing the clarity and utility of the data provided.

For Companies

1. Enhancing data granularity without compromising required information: While it is beneficial to provide detailed data beyond the requirements of the BRSR format, it is imperative not to omit the essential consolidated data that is required. For instance, if a company reports employee turnover figures for junior, mid-tier, and senior employees separately, it must also include consolidated figures to ensure compliance with the BRSR requirements.

2. Consistency and adherence to reporting formats: Many companies inaccurately report employee turnover by simply aggregating turnover rates among male and female employees, resulting in total percentages that do not logically align with total turnover figures. It is crucial that companies adhere to accurate reporting methodologies to ensure data integrity.

3. Clarity in reporting of measurement units: When reporting on energy consumption, several companies fail to specify the measurement units clearly. This lack of clarity can lead to ambiguity, particularly when it is not feasible to deduce the units from other sections of the BRSR or Annual Reports. Companies should explicitly state all units used in their reports to avoid any potential confusion.

4. Annual reporting of data versus monthly data: Some companies report monthly figures for remuneration without indicating that these are not annual figures. This practice can mislead stakeholders regarding the annual financial commitments of the company. Companies must either report figures on an annual basis or explicitly clarify when figures are presented on monthly basis.

5. Complete and unified reporting in accordance with BRSR guidelines: Some companies scatter BRSR-related data across various pages of their annual reports, which complicates the data retrieval process. Additionally, variations in the data reporting format can hinder analysis. Companies are required to consolidate BRSR information in a standardized format as prescribed, ensuring that all data is readily accessible and uniformly presented.

Acknowledgements

The authors would like to thank the individuals who have shared their expert knowledge, offered their views on the subject, and provided feedback on advanced drafts of this report. We appreciate their time and the insights we gained during the process.

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