



Business Responsibility Reporting

**An analysis of top 100 BSE and
NSE listed companies**



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Table of contents

| | |
|---|----|
| Foreword | 01 |
| About the report | 03 |
| Executive summary | 04 |
| Introduction to Business Responsibility Reporting (BRR) | 05 |
| Methodology | 07 |
| Analysis of Business Responsibility Reporting (BRR) disclosures | 08 |
| Factors contributing to effective reporting | 24 |
| KPMG in India's services | 26 |
| Acknowledgements | 27 |



Foreword

Businesses today are affected and dependent on myriad of variables. No longer are they solely governed by numbers pertaining to sales, revenues, and profits. With the rise in importance of non-financial aspects, businesses are now considering various social and environmental performance parameters as a part of their decision-making. It thus becomes very important these days for organisations to recognise and nurture their non-financial parameters to protect themselves from uncertainties and unpleasant situations.

Organisations are showing keen interest in disclosing more and more non-financial information to their stakeholders to display their spirit of responsibility. The regulators in India have taken various steps towards building the competencies of reporting non-financial parameters. It started with the release of National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVEGs) by the Ministry of Corporate Affairs (MCA), followed by the Business Responsibility Report (BRR) framework based on the NVEGs by the Securities and Exchange Board of India (SEBI), and then the CSR rules under Section 135, of the Companies Act 2013. Such regulations, are prompting companies to produce an integrated form of reporting as seen recently in the latest circular from SEBI advising the top 500 listed companies to adopt integrated reporting on a voluntary basis. Integrated reporting aims to provide a concise communication about how the organisation's strategy, governance, performance and prospects create value over time for stakeholders. Such a report is expected

to enhance accountability, stewardship and trust, as well as reinforce the information flow and transparency of business.

¹The SEBI circular dated August 2012 suggested a framework for the top 100 companies to report on their non-financial performance. It was decided to mandate the inclusion of BRR as part of the annual reports for listed entities, considering the larger interest of public disclosure from an environmental, social and governance (ESG) perspective. The BRR prepared on the basis of this framework is aimed at bringing a new sense of accountability to corporate India through reporting on the triple bottom line.

The BRR captures an organisation's non-financial performance across the economic, environmental and social factors and this research analyses the quality of BRR performance as per the framework suggested by SEBI. This research of BRR of the top 100 companies analyses the latest reports that are published and available in the public domain.

With an analysis of both the quantitative and qualitative aspects of BRR of companies from various sectors, this report can serve as a yardstick to companies, with the BRR mandate being expanded to the top 500 listed companies.

1. www.sebi.gov.in/CIRCULAR_CIR/CFD/DIL/8/2012, August 13, 2012



About the report

This publication is a research of the latest BRR of companies that featured among the top 100² in the country as per the market capitalisation in FY 2012-13. With a growing awareness among stakeholders, BRR serves as a useful disclosure to communicate the non-financial performance of the company.

SEBI, in its circular, prescribes a framework to guide organisations in their reporting process. This research has taken into account the responses by companies as per the framework prescribed and evaluated it from a qualitative and quantitative standpoint.

This research also analyses the responses across various industrial sectors. It offers insights regarding the performance of sectors in comparison to others based on the responses to certain questions. Observations based on the responses are provided for each principle of the National Voluntary Guidelines.



2. A total of 104 companies were considered for this research as per their market capitalization in the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) on 31 March 2012. Top 100 refers to those companies who belong to the list published by the stock exchanges in 2012 and have the latest BRR published which is available in public domain.

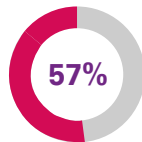
Executive summary

Key highlights:

Disclosure in BRR is both qualitative and quantitative in nature. In its third year of implementation, **96 per cent** of the companies surveyed prepared a report and published the same in the public domain.



Three out of five companies surveyed have policies for all the nine principles. It becomes important for organisations to formally communicate the policies to all relevant internal and external stakeholders, however our research shows that only **57 per cent** of the companies have provided links to view the available policies online.



Nearly eight in every ten companies extend their policies on ethics, bribery, and corruption to their group/supplier/contractors and others and **98 per cent** provide information on the stakeholder complaints received and resolved.



Nearly nine in every ten companies have guidelines and procedures in place for sustainable sourcing. However, less than **20 per cent** of them disclose details on the percentage of products responsibly sourced.



Since most companies have a dedicated CSR team in place following the mandate, the disclosures related to social aspects in the BRR are fairly limited and are generally linked to existing CSR reports. **Three out of four** companies report that they carry out need and post impact assessments.



Four out of five companies have chosen to include BRR as part of the annual report and a few issued standalone reports.



Three out of five companies preferred to prepare their report according to the framework suggested by SEBI.



Three out of five companies review their business responsibility performance on an annual basis with most of them doing so through meetings of the board, CEO or any other senior official of the organisation.



Nine in every ten companies have identified products/services incorporating environmental and social concerns. However, companies fall short when responding to details regarding the quantity of resources saved or used with only **three out of five** companies doing so.

Employee grievance redressal is a top priority for most organisations and while **95 per cent** of them report on the complaints filed and pending as on end of the financial year, few of them go into detailing the processes and systems related to monitoring and redressal.



Nine in every ten companies have reported that they have identified environmental risks and **97 per cent** of them have reported that they have identified various initiatives to address this and combat climate change.



Three in every five companies stated that they transparently disclose more information via their product labels so as to ensure consumers are well aware of the environmental and social impact of their products.



Introduction to Business Responsibility Reporting (BRR)

The BRR, introduced in August 2012, is the reporting requirement of the Securities and Exchange Board of India (SEBI), in line with the National Voluntary Guidelines on Social, Environmental, and Economic Responsibilities of Business (NVGs) notified by the Ministry of Corporate Affairs, Government of India, in July 2011.

With the intention of promoting non-financial reporting within corporate India, the mandate allows flexibility in terms of reporting, by allowing companies to map the requirements of BRR with an existing non-financial/sustainability report based on internationally accepted reporting frameworks.

Evolution of NVGs

1. Ministry of Corporate Affairs (MCA) announces their theme of responsible business in 2008

The Ministry of Corporate Affairs is set to work on draft guidelines for responsible business. This was done in consultation with a Guideline Drafting Committee appointed by the Indian Institute of Corporate Affairs, as well as a multi-stakeholder expert group. This is to become the first set of guidelines.

2. National voluntary CSR guidelines released in 2009

'National Voluntary CSR Guidelines' saw MCA adopt the role of enabler, facilitator and regulator for development and growth of corporate India. These guidelines drew attention to the core elements of a CSR policy which could help organisations in developing their strategy and road map for CSR initiatives.

3. NVGs released in 2011

After consultations with various government bodies, large businesses, MSMEs, and feedback from various national as well as international agencies, the NVGs were released in July 2011. These guidelines contained nine broad principles to be adopted by companies as part of their business practices and included a framework through which specific disclosures were to be furnished.

Following the release of NVGs in 2011, a circular by SEBI (dated: 31 August 2012) introduced the Business Responsibility Report and mandated its inclusion in the annual reports of the top 100 listed companies based on market capitalisation in the National Stock Exchange of India Limited

(NSE) and Bombay Stock Exchange (BSE), as on 31 March 2012. This annual reporting requirement was to come into effect from 31 December 2012. In the same circular, SEBI also suggested a framework for BRR in the form of a template which was divided into sections covering:

- General information of the company
- Financial details
- Business responsibility information; and
- Principle-wise performance of the company.



The nine principles³

The nine guiding principles of the National Voluntary Guidelines are meant to cover all aspects that are significant to a business sustainability. They are designed so as to be applicable to businesses in almost all sectors and of all sizes. Each principle has core elements which define the principle and they are outlined in brief, below:

Principle 1: Businesses should conduct and govern themselves with ethics, transparency, and accountability.

The principle recognises that ethical conduct in all its functions and processes is the cornerstone of responsible business and emphasises that businesses should inform all relevant stakeholders of the operating risks and address and redress the issues raised.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

The principle recognises that all stages of the product life cycle, right from design to final disposal of the goods after use, have an impact on society and the environment. Responsible businesses, therefore, should engineer value in their goods and services by keeping in mind these impacts.

Principle 3: Businesses should promote the well-being of all employees.

The principle encompasses all policies and practices relating to the dignity and well-being of employees engaged within a business or in its value chain.

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable, and marginalised.

Businesses have a responsibility to think and act beyond the interest of shareholders and include all their stakeholders. Identification of vulnerable stakeholders and the impact on them becomes crucial for a business to be able to develop long-term strategies and create shared value. This principle encourages businesses to proactively identify, engage and respond to those stakeholders that are disadvantaged, vulnerable and marginalised.

Principle 5: Businesses should respect and promote human rights.

The principle recognises that human rights are the codification and agreement of what it means to treat others with dignity and respect. This principle enshrines the achievements of human rights for all employees and is in agreement with the Universal Declaration of Human Rights.

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

The principle emphasises that environmental issues are interconnected at the local, regional and global levels which makes it imperative for businesses to address issues such as global warming, biodiversity conservation and climate change in a thorough and systematic manner. The principle encourages businesses to understand and be accountable for direct and indirect environmental impacts of their operations, products and services and to strive to make them more environment friendly.

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

This principle recognises the right of businesses to engage with the Government for redressal of a grievance or for influencing public policy and public opinion. The principle emphasises that policy advocacy must expand public good rather than diminish it or make it available to a select few.

Principle 8: Businesses should support inclusive growth and equitable development.

The principle recognises the challenges of social and economic development faced by India and builds upon the development agenda that has been articulated in the government policies and priorities. The principle recognises the value of the energy and enterprise of businesses and encourages them to innovate and contribute to the overall development of the country, especially to that of the disadvantaged, vulnerable and marginalised sections of society.

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

This principle is based on the idea that the basic aim of a business entity is to provide goods and services to its customers in a manner that creates value for both. The principle recognises that customers have the freedom of choice in the selection and usage of goods and services, and that the enterprises will strive to make available goods that are safe, competitively priced, easy to use and safe to dispose of, for the benefit of their customers.

3. http://www.mca.gov.in/Ministry/latestnews/National_Voluntary_Guidelines_2011_12jul2011.pdf

Methodology

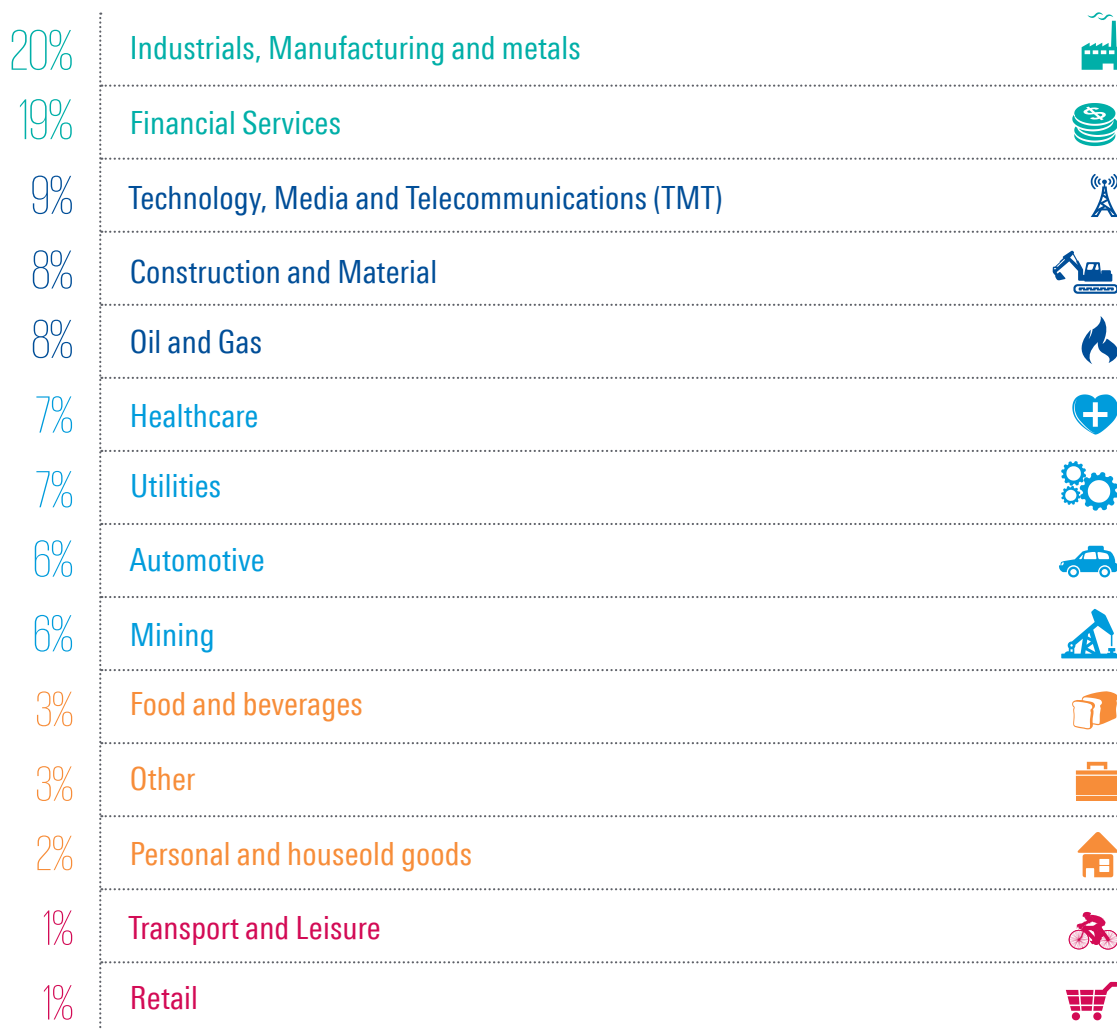
The companies analysed in this report were the top 100 companies listed on the (BSE) and (NSE) based on their market capitalisation as of 31 March 2012 for whom the initial mandate was issued. The BRR was obtained either from the annual reports of the companies or as standalone reports available on the website.

The SEBI document published on 13 August 2012 provides a framework for companies to prepare their BRR and the responses according to this framework was considered for this research.

The companies that featured in the top 100 had a representation from 13 sectors. The companies coming from other sectors included textiles, lubricating oils, and port infrastructure.

The classification of industries was done based on KPMG's Corporate Responsibility Reporting categorisation.

Classification of industries



Source: KPMG in India's analysis, 2017

Analysis of BRR disclosures

Of the total 104 companies that were shortlisted as per the 2012 mandate, 100 companies or 96 per cent of them continue to publish and have their BRR in the public domain primarily as part of their annual reports or as standalone reports. Four companies

that do not have a BRR were those that have merged or have been bought out by other organisations.

For the purpose of this research, further observations are based on the past published reports of those 100 companies.

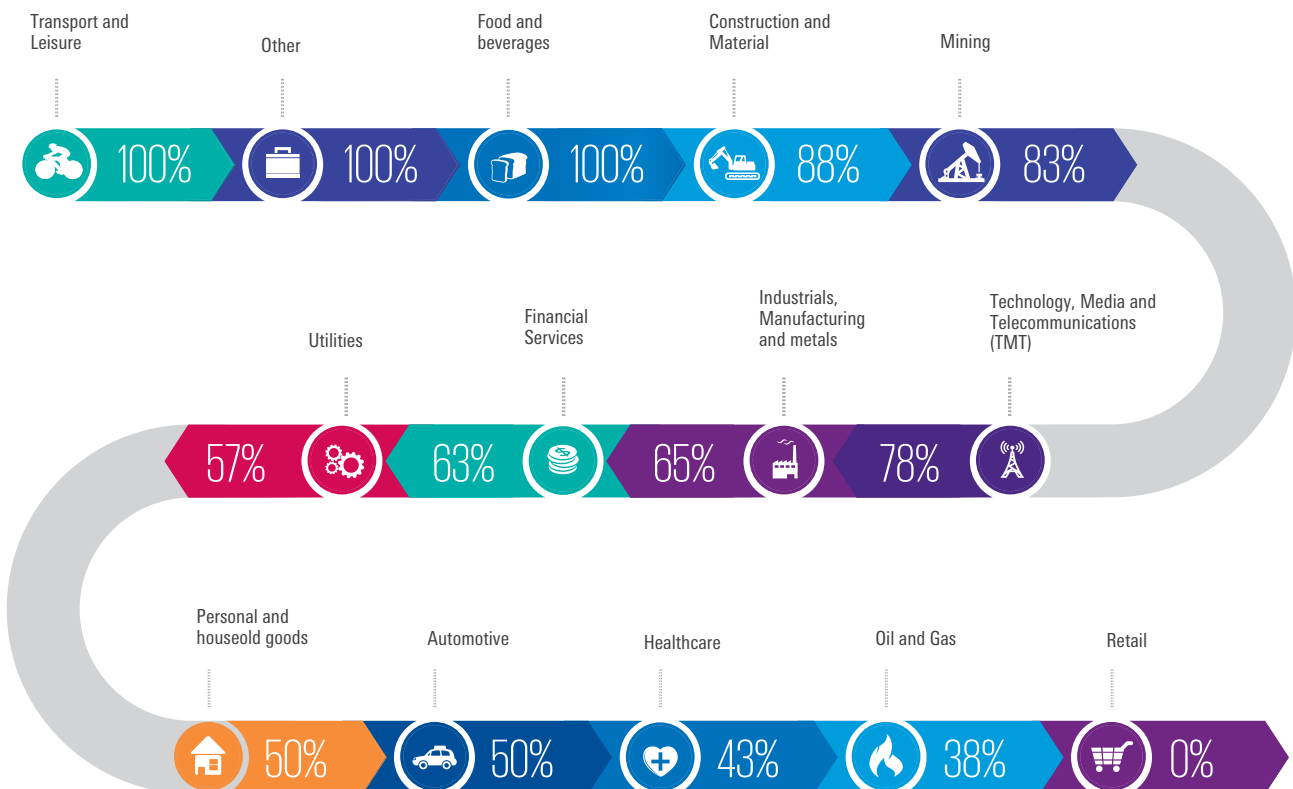
Governance

Organisations are expected to set high standards for ethics and accountability, both within and outside their boundaries. The management’s approach and philosophy to the way it conducts business sets the tone for the entire organisation and this philosophy trickles down across the value chain. The presence of a dedicated committee or a director committed to the cause of nurturing strong ethical practices may not only help guide an organisation along the right path but also safeguard it from any unforeseen risks.

An effective way of cultivating good governance within the organisation is through policies designed at the top and then disseminated for execution. Having relevant and meaningful policies is a good way of communicating to the employees as well as the external stakeholders about how the organisation perceives various aspects. This also serves as a guide for them to conduct themselves in a precise manner.

Policies on NVGs

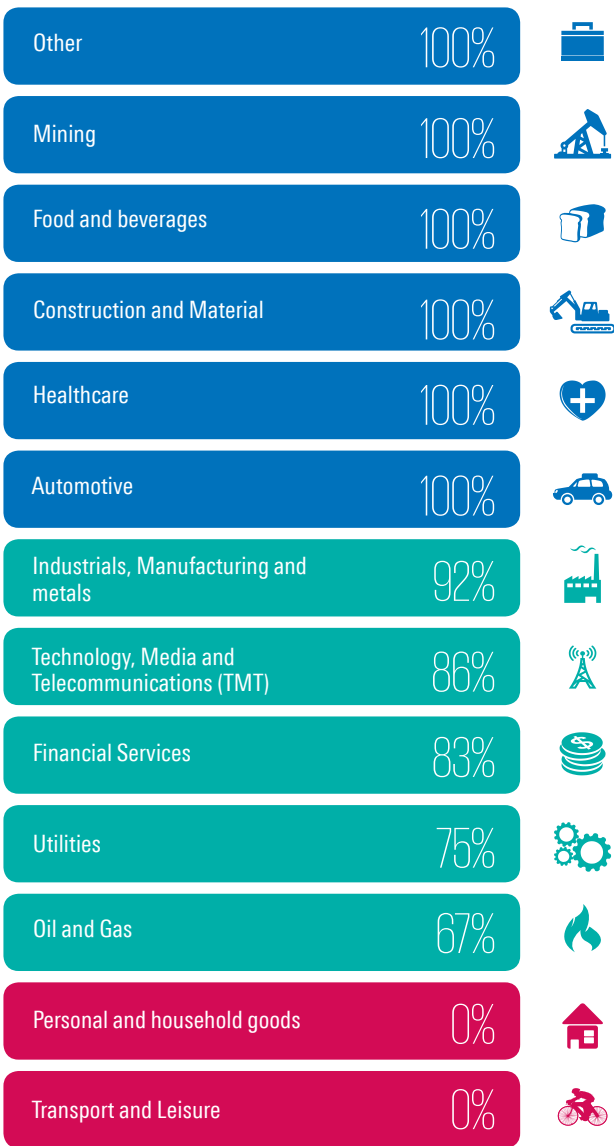
Companies having policies for all principles



Source: KPMG in India’s analysis, 2017 based on 100 companies who have published the BRR

The BRR framework seeks the link for the policy to be viewed online. Having these policies available online on the company website is an easier way of communicating the policies to relevant stakeholders. 65 per cent of the companies have policies for all the principles, and 57 per cent of the companies have provided weblinks to view them online.

Companies providing weblinks for all policies



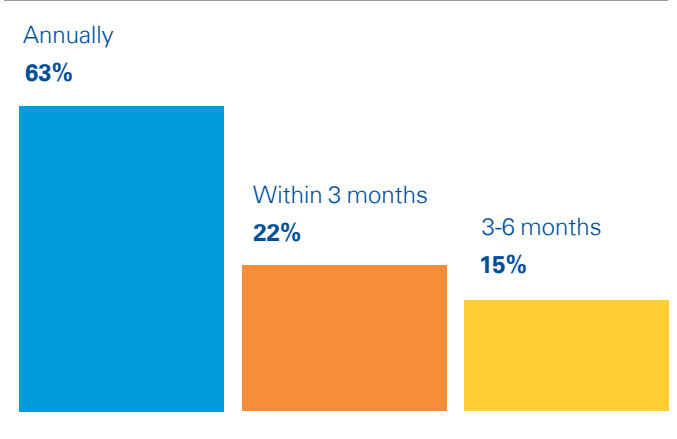
Source: KPMG in India's analysis, 2017 based on 100 companies who have policies

Companies from the food and beverage sector do well here as they not only have policies for all nine principles but have also provided a link for viewing them. The transport and leisure sector however, while having the policies, does not provide any link to view them.

Frequency of BRR review

The frequency of meetings either by the BRR committee or meetings of the board where performance across the nine principles is discussed showcases the commitment of the management towards business responsibility. From our research, it seems to be the normal course for companies to include the review of BRR performance along with regular meetings of the board. The more frequently these meetings take place with review of governance systems, the more course-correction happens, which eventually benefits the organisation. It is observed that a majority (63 per cent) review the BRR performance on an annual basis and there are many who do so more frequently.

Frequency of meetings to discuss BRR



Source: KPMG analysis 100 companies who have published the BRR

Committees to review BRR performance

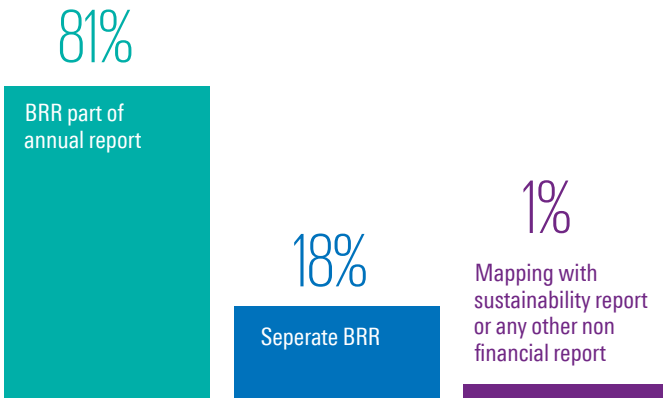


Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

While there is a mandatory requirement to have a business responsibility head, it is observed that 66 per cent of the companies have also appointed the board of directors, committee of the board, or CEO to assess business responsibility performance, with only 5 per cent having a separate BRR committee.

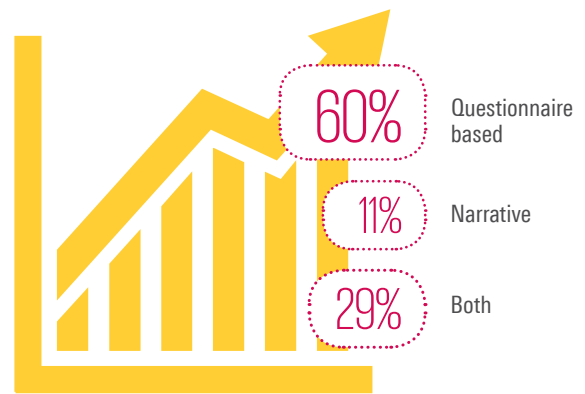
Type of BR reports

Status of reporting



Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

Type of BRR



Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

81 per cent of the companies have published their BRR as part of their Annual Report. When SEBI released the mandate for BRR, the intention was to create a practice of non-financial reporting rather than a new form of reporting altogether. Keeping this in mind, companies were given the liberty to have a BRR by linking the principles of the NVG to their existing sustainability reports in order to avoid multiple non-financial reports being generated. For those companies who have not yet ventured into sustainability reporting, SEBI had suggested a framework for preparing BRR which would be included in the Annual Report. Since there is no set time frame for publishing a sustainability report, there were some companies who have prepared a separate BRR, outside of their sustainability report, to ensure compliance on a timely basis.

60 per cent of the companies publish BRR as part of their Annual Report, following the framework suggested by SEBI which primarily included responses to the questionnaire. We have also defined a category termed 'narrative report' for those companies who have gone beyond the requirements of the regulation (11 per cent) and reported thoroughly on various non-financial disclosures related to the nine principles laid down by NVGs. Organisations have included detailed information on the aspects given by SEBI for better transparency and understanding by its stakeholders. The technology, media and telecom sectors have been active in preparing such narrative reports. 29 per cent of the companies have prepared a BRR in the manner of the suggested framework, but also with some additional information.



Businesses should conduct and govern themselves with ethics, transparency and accountability

A code of conduct is one of the foremost policies in an organisation. This code sets the minimum standard for behaviour among the management, employees, and external stakeholders. Such a code provides guidance for the regular activities of the organisation to promote moral behaviour, ethical decision-making, prevent negative legal effects and encourage positive relationships. This helps in highlighting the values and principles which members of the organisation must uphold.

SEBI in its suggested framework asks companies whether the code relating to ethics, bribery, and corruption is applicable only to the company or whether it extends to the group/joint ventures/suppliers/contractors/NGO/others. 77 per cent of the companies have reported that it extends to external stakeholders.

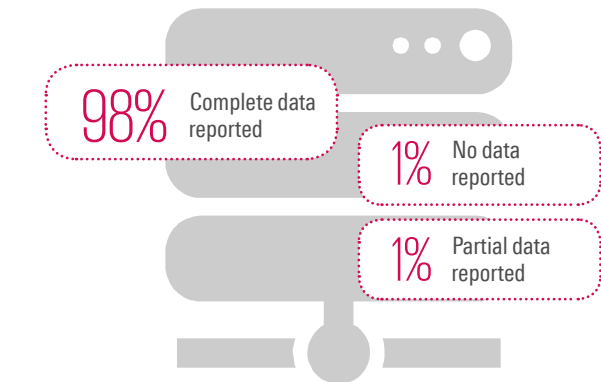
Policies relating to ethics, bribery, and corruption



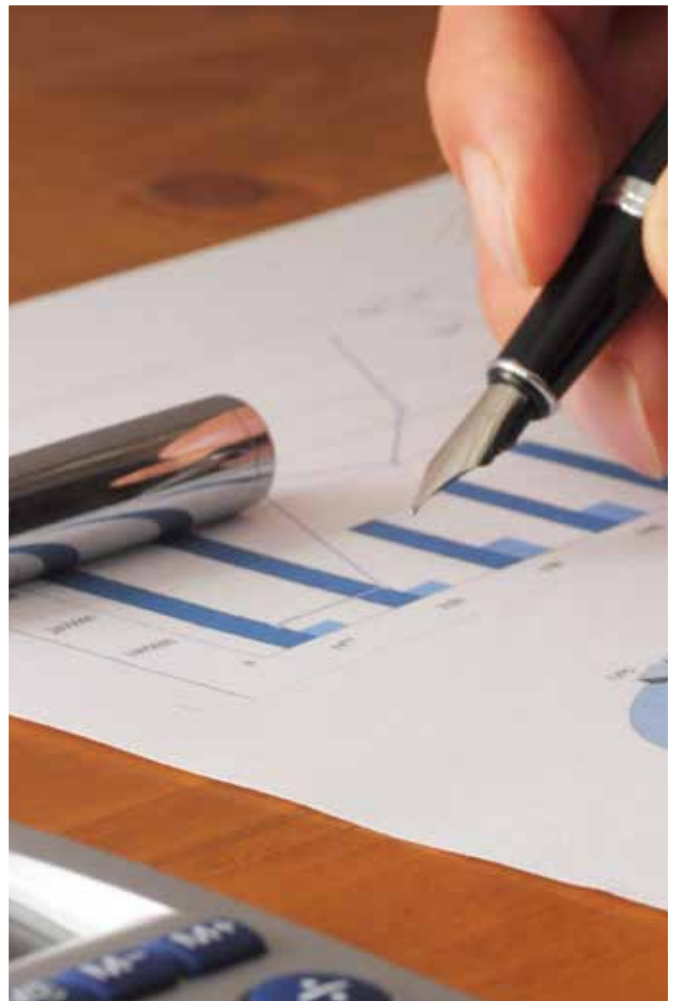
Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

While the organisations extend their code of conduct to its employees and business partners, it is necessary to recognise if the stakeholders have any feedback or grievances regarding ethical business conduct. 98 per cent of the companies have provided information regarding the number of stakeholder complaints received and the percentage resolved. However, there is ambiguity in the type of stakeholders considered as the numbers are consolidated figures. This may lead to incomplete responses as some organisations may not consider all the key stakeholder complaints.

Stakeholder complaints received and resolved



Source: KPMG in India's analysis



Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

As a responsible business, an organisation commits itself to developing the triple bottom-line by taking into account the social and environmental impacts of its products or services right from design to disposal stage.

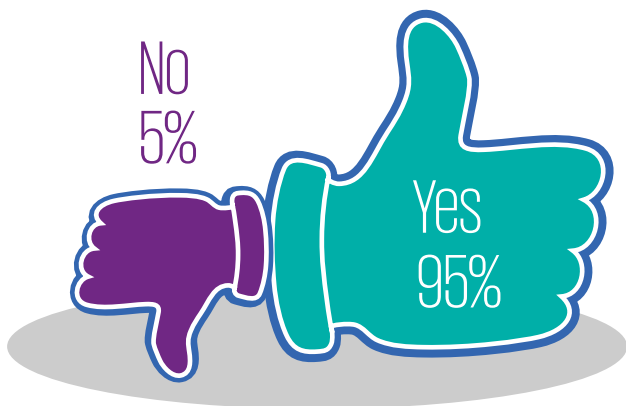
There is a discernible shift in the way companies around the world address environmental concerns from merely adopting environmentally friendly initiatives, to now building strategies around climate change risks and opportunities.

The suggested framework requests companies to disclose information regarding products and services whose design has incorporated environmental or social concerns, risks and/or opportunities. SEBI encourages companies to be aware of optimal resource use over the life cycle of the product and ensure that everyone connected with it i.e. designers, producers, value chain members, customers and recyclers are aware of their responsibilities. It asks for information regarding manufacturing processes, material usage and resource reduction to get an idea of the environmental and social performance of the organisation.

Identification of risks and opportunities

95 per cent companies surveyed have identified products or services whose design have taken into account social or environmental concerns, risks and/or opportunities. However, many were not able to substantiate the reductions in resources in sourcing/production/distribution achieved across its value chain and through usage by customers. This indicates that companies either do not have the mechanisms to monitor the data or they could not interpret the questions correctly.

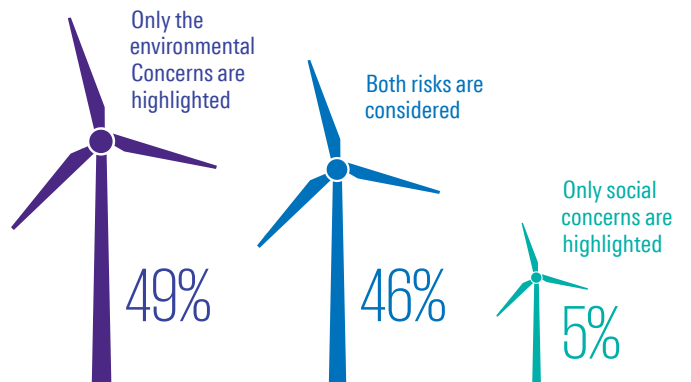
Companies having products/services addressing environmental and social concerns, risks and/or opportunities



Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

It is important that both environmental as well as social concerns be addressed in the life cycle of products and services. While 46 per cent of the companies report on both concerns, 49 per cent report on only the environmental issues and this could probably be due to the inclination of companies to associate sustainability with the environment while overlooking social concerns. The companies that have not identified environmental concerns in their products/services belong to the financial services and technology, media and telecom sectors.

Type of concerns highlighted



Source: KPMG in India's analysis, 2017 based on 95 companies who have identified environmental/social concerns

It is observed that companies often fail to take into account the entire gamut of product influence from cradle to the grave and only focus on what they think is appropriate for their business.

A look at the value chain can provide some understanding on the social concerns among suppliers, working conditions of the contractors, and scope of improvement in the livelihood of local communities.

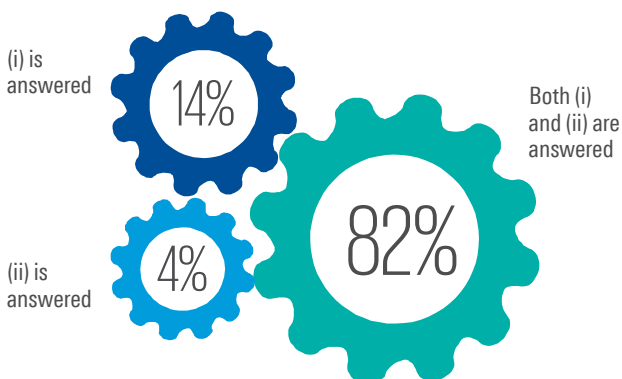
Resource reduction in the value chain

While developing products or services, keeping a track of resource consumption in the manufacturing process allows an organisation to chart its consumption pattern. By understanding where over-consumption or reduction is taking place, companies are in a better position to improve their strategies and implement successful ones in the design of newer products. SEBI in its framework, asks companies to provide the following details with respect to resources used (energy, water, raw material, etc.):

- i. Whether reduction during sourcing/production/distribution is achieved since the previous year through the value chain.
- ii. Whether any reduction during usage by consumers (energy, water) has been achieved since the previous year.

72 companies have responded to the above questions and out of these, 82 per cent of them have provided answers to both questions.

Responses to (i) and (ii)

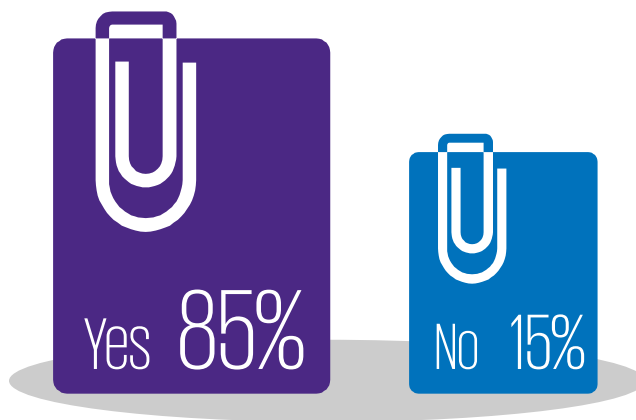


Source: KPMG in India's analysis, 2017 based on 72 companies who have provided answers

Supplier and vendor development

When it comes to supply chain, companies are aware of the importance of sourcing in a sustainable manner. 85 percent of the companies report having sustainable sourcing procedures in place which lay down guidelines for procurement and purchasing.

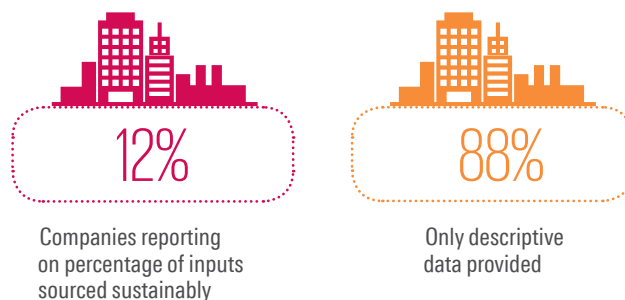
Sustainable sourcing



Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

About 40 per cent of the companies in the financial services sector have not mentioned about any procedures being in place for sustainable sourcing and this may be due to the nature of their business. But the other sectors have fared fairly well in this regard.

Details on sustainable sourcing



Source: KPMG in India's analysis, 2017 based on 85 companies who have provided details on sustainable sourcing

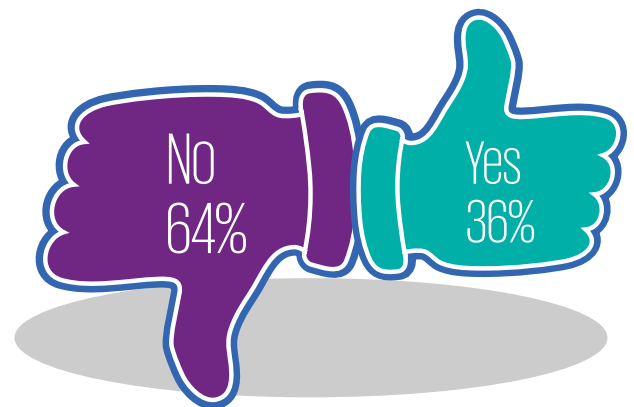
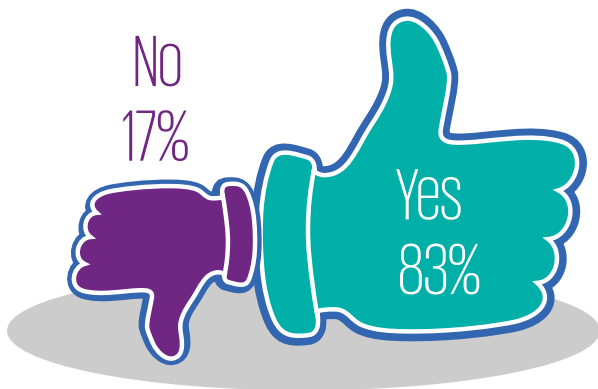
Nine in every ten companies in the construction sector have chosen to provide descriptive data over quantitative data for simplicity purposes. However, more information on percentage of materials sourced sustainably can be beneficial to stakeholders

88 per cent of the companies only describe actions taken with respect to sustainable sourcing. The mandate specifically asks for data pertaining to percentage of inputs that are sourced sustainably and only 12 per cent could fulfil the same. The remaining companies have only provided descriptive information regarding various systems available for sustainable sourcing but could not substantiate the same which could possibly be due to lack of data management systems in place.

Recognising vendor development as an important part of their supply chain, 83 per cent of the companies that were reviewed have identified and taken steps to develop vendors surrounding their place of work. As a result, companies benefit from a healthy relationship, one that results in timely availability and greater quality of service. The local community on the other hand benefits from a means of livelihood and better quality of life.

Procurement through local vendors

Provided initiatives on vendor development



Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

Source: KPMG in India's analysis, 2017 based on 83 companies who procure from local vendors

Automotive, food and beverage, industrials and manufacturing, utilities and TMT (Technology, Media, Telecom) sectors perform well in terms of local vendor development.

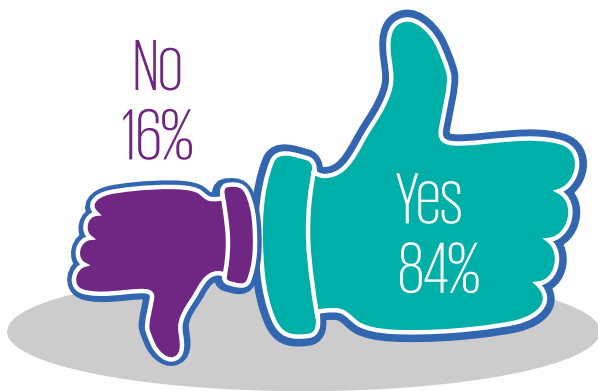
While most of the companies stated that they carry out development of local vendors, few of them i.e. 36 per cent have outlined various initiatives undertaken for contributing to development of vendors and these comprise of providing technical and safety training, providing safety equipment among others. More efforts have to be taken in this regard to reaffirm their commitment towards vendor development.



Waste management

Along with judicious consumption of resources, proper waste and disposal mechanisms are crucial in maintaining environmental balance around the work area as well as avoiding any legal or compliance related issues. With stringent laws and fines being enforced by regulatory bodies, many companies (84 per cent) are taking proactive measures to ensure adequate mechanisms are in place to effectively manage and dispose off waste. Recycling of material is also given a lot of importance with 45 per cent of the companies mentioning both the type and the quantity of material recycled. A majority of the companies only describe qualitatively the different methods they employ to efficiently recycle their waste.

Existence of mechanisms for waste-handling

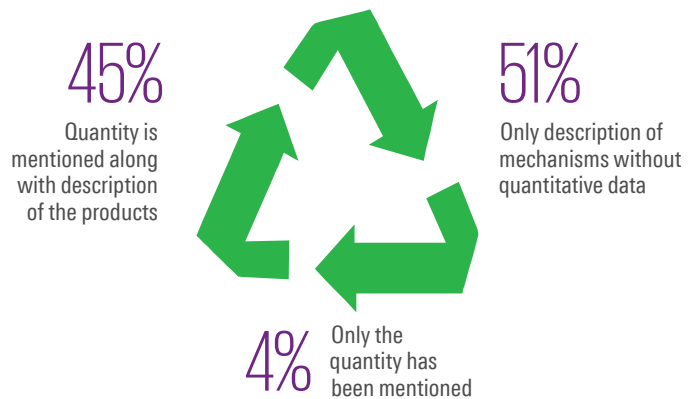


Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

It is seen that companies from the financial services sector have not clearly described their waste-handling mechanisms.

Some of the best performers come from the automotive, construction, food and beverage, transport and leisure and the TMT sectors where 100 per cent of the companies have waste-handling mechanisms.

Details of waste recycling provided



Source: KPMG in India's analysis, 2017 based on 84 companies who have mechanisms for waste-handling

The automotive as well as the food and beverage industry lead the group here with 67 per cent companies from each sector providing both descriptive as well as the quantitative data in terms of material recycled.

With adequate monitoring systems, companies can be in a better position to report on quantity of material recycled in an effort towards more transparent disclosure.

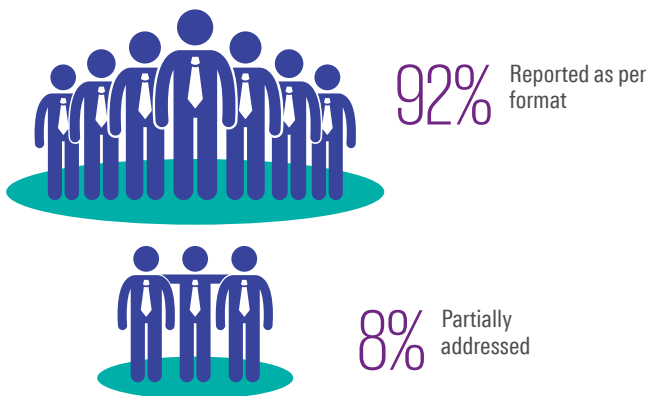


Businesses should promote the well-being of all employees

Employees are critical internal stakeholders in any organisation and their well-being translates into increase in productivity resulting in the overall performance of the company. Equal opportunity and professional development for employees through trainings and personal development programmes are essential elements for any organisation. Systems have to be in place to protect employee rights through channels that encourage freedom of association.

92 per cent of the companies have disclosed data on employee numbers as per the framework suggested by SEBI. The data related to complaints regarding sexual harassment, child labour and discriminatory employment was also provided by 95 per cent of the companies. As most of the companies have mentioned 'nil' complaints recorded, it raises doubt over the mechanisms established to capture such complaints.

How companies have reported employee numbers



Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

Reporting on employee complaints



Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

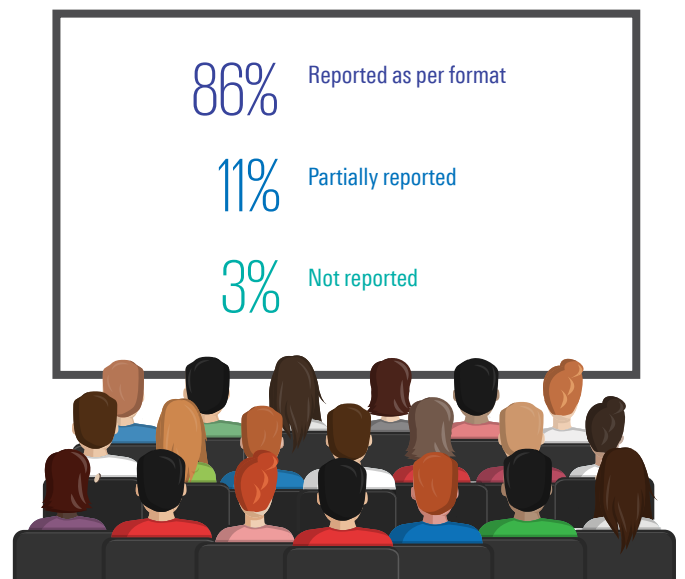
How the complaints have been reported



Source: KPMG in India's analysis, 2017 based on 95 companies who have reported

Employees' professional development is one of the critical factors that translates into long-term value for the organisation. Training of employees on safety and skill-upgradation helps both the organisation and the individual. 86 per cent of the companies provide data and break-up as suggested in the framework.

Training data provided by companies



Source: KPMG in India's analysis, 2017 based on 95 companies who have reported

Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.

Stakeholder engagement is a systematic process of involving people who may be affected by the decisions or can influence the decisions of the organisation.

Identifying internal and external stakeholders and engaging with them helps the organisation to understand their concerns and work towards achieving mutually beneficial objectives.

Identification of stakeholders



Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

Identification of vulnerable and marginalised stakeholders



Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

Most of the companies (96 per cent) have identified their stakeholders. The format also requires companies to confirm whether disadvantaged and marginalised groups are identified as one of the stakeholders. Only 48 per cent of the companies have confirmed that they have identified them as stakeholders. 49 per cent of the companies have responded to this disclosure requirement by explaining their CSR initiatives, where the beneficiaries are the disadvantaged and marginalised groups.

Of the companies who have identified the vulnerable and marginalised stakeholders, 94 per cent have mentioned special initiatives in place to engage with them.



Businesses should respect and promote human rights

Protection of human rights and prevention of violations goes a long way in cementing a company's reputation. Employees tend to feel secure and be more productive when they are confident that their rights are being protected. A good grievance handling system thus becomes essential in providing employees with an opportunity to come forward with their complaints and issues.

Complaints reported



Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

Description of complaints reported



Source: KPMG in India's analysis, 2017 based on 95 companies who have provided details on the complaints

While 95 per cent of the companies have responded by stating the number of stakeholder complaints related to human rights, majority of these responses are stated as 'nil complaints'. Lack of explanation on the process of recording such complaints reduces the credibility of this disclosure.



Businesses should respect, protect, and make efforts to restore the environment

Environmental stewardship is about responsible use of resources and protection of the natural environment through conservation and sustainable practices. Any organisation through its operation, products, and services, has an impact on the environment. It is important to identify these impacts and have mechanisms in place to mitigate negative effects.

The environmental regulations have evolved by taking into consideration the impacts created by industrialisation, taking into account the carrying capacity of a region and best available technologies.

The compliance to environmental regulation should be seen as the minimum commitment shown by the organisation towards environmental protection.

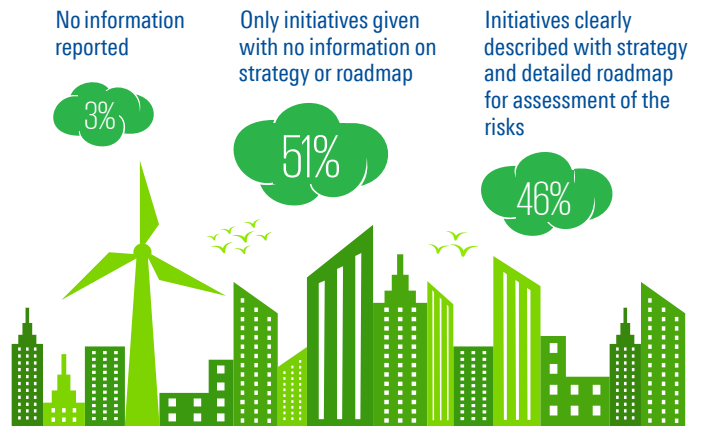
96 per cent have stated that they have identified the environmental risks. Only 46 per cent have disclosed or commented about strategies to address global environmental issues such as climate change, global warming, etc. Lack of comprehension of how global environmental issues like climate change will impact the business can be the reason for a lower response. As per the Paris Agreement within the United Nations Framework Convention on Climate Change (UNFCCC), the goal was to cap the increase in global average temperatures to below two degrees Celsius, above pre-industrial levels. India being a signatory to this agreement, has a significant role to play to curb global emissions and it becomes important for organisations to recognise this and work towards the same.

Identification of environmental risk



Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

Strategies to address global environmental issues

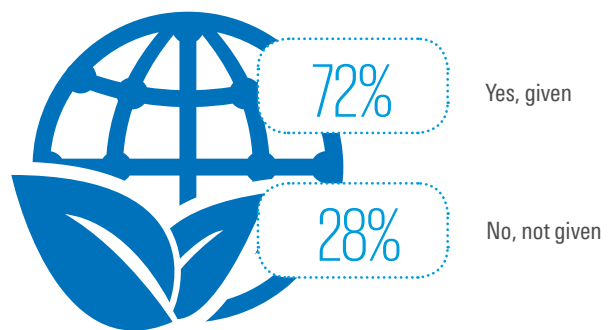


Source: KPMG in India's analysis, 2017 based on 92 companies who have identified strategies to address global issues

The personal and household goods industry performs well with 100 per cent of the companies in this sector describing in detail the initiatives for tackling global environmental issues.

96 per cent of the companies have stated that they have identified environmental risks and have undertaken initiatives on clean technology, energy efficiency, renewable energy, etc., out of which only 72 per cent have provided access to more detailed information through weblinks.

Links to environmental risk



Source: KPMG in India's analysis, 2017 based on 96 companies who have identified environmental risks

From our research, we have seen that Clean Development Mechanism (CDM) projects are not that common amongst companies, with only a little over half of them having any projects related to it. From the 58 companies who do, nearly all of them provide details regarding the scale of the projects and their key features. There is limited relevance of CDM post the first commitment period, which ended in 2012.

Existence of CDM projects



Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

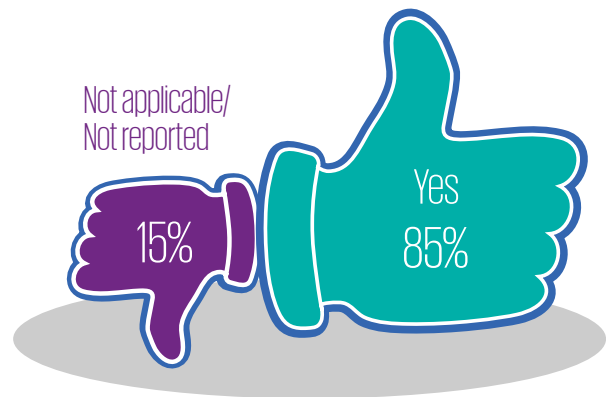
Details of CDM projects



Source: KPMG in India's analysis, 2017 based on 58 companies who have CDM projects

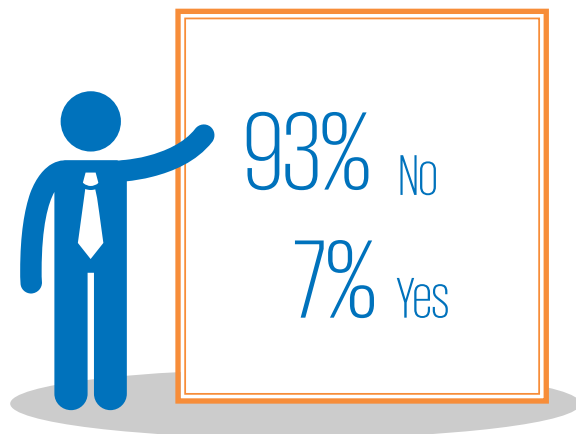
Of the companies surveyed, majority of them have their emissions within those set by the Central and State Pollution Control Boards. 93 per cent of the companies have stated that they have no pending show cause notices against them.

Companies reporting on emissions below CPCB/SPCB limits



Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

Companies served with show cause notice



Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

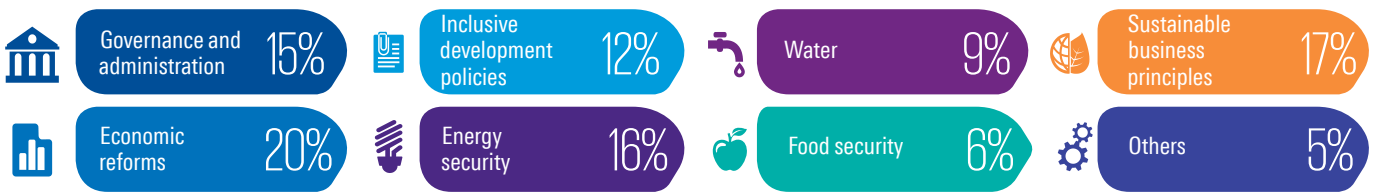
Public policy advocacy involves activities such as litigation, lobbying, and public education that are intended to influence sections of legislation or industrial policies. Through public policy advocacy, companies should strive to drive a positive change in the industry.

84 per cent of the companies participate in policy advocacy through various associations, to influence regulations

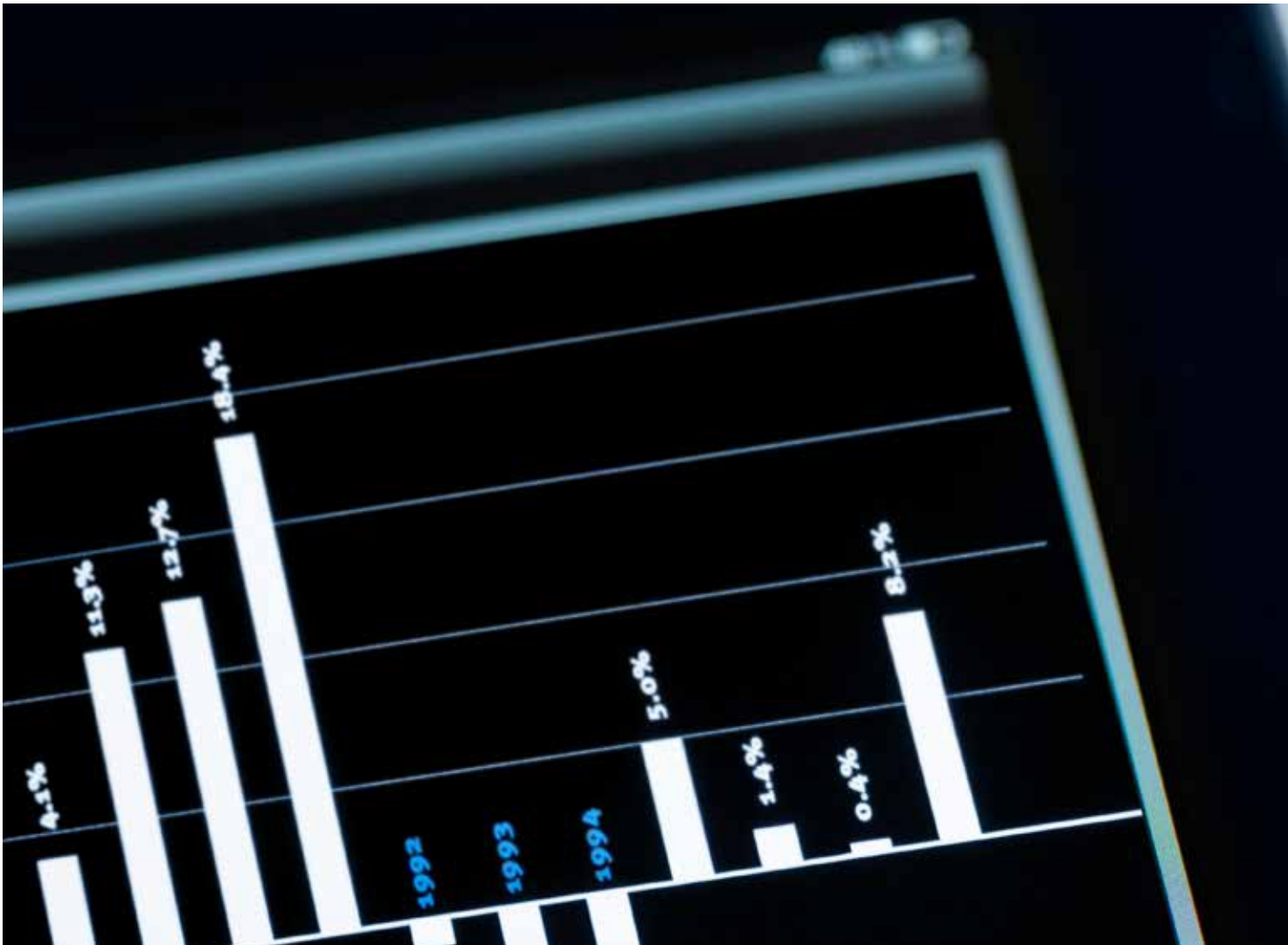
and policies on topics like governance and administration, economic reforms, inclusive development, energy security, and sustainable business practices.

The companies who have lobbied have done so over most of the topics and also some others like healthcare, infrastructure development, and safety and skill development.

Topics of lobbying



Source: KPMG in India's analysis, 2017 based on 84 companies who have advocated/lobbied through their associations



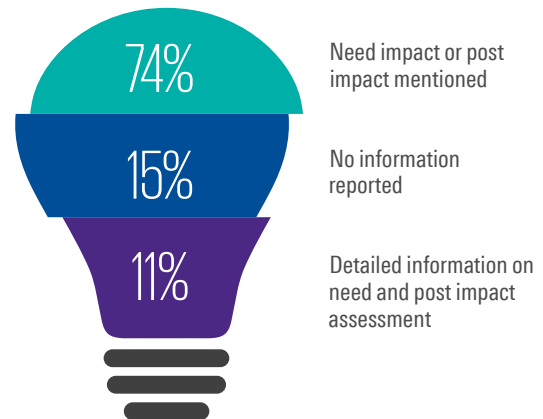
Businesses should support inclusive growth and equitable development

Companies must view themselves as an institution in the society that can create positive change and be instrumental towards the inclusive progress of the community.

The mandatory spin on CSR as per the Companies Act 2013, has changed the dynamics through greater emphasis on governance and stricter monitoring and reporting obligations.

All the companies have carried out CSR activities. The impact assessment of the projects must also be carried out to ensure the projects meet the desired objectives. Majority of the companies from the food and beverage and the personal and household goods sector have not disclosed any impact assessment done for their CSR activities.

Impact assessment



Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

Execution of CSR projects



Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

It is seen that companies use multiple modes for executing their CSR activities. A majority of them prefer to work with external NGOs and through government bodies. Some organisations may not have ample resources or a CSR Foundation within their organisation and hence engaging with an NGO seems like an effective method for carrying out activities towards development of the community.

15 companies have reported that they use external organisations, but as per the CSR rules under Section 135 of the Companies Act 2013, implementation of CSR activities is to be done either through one's own non-profit foundation, through an independently registered non-profit organisation having relevant experience of at least three years, or by collaborating/pooling resources with other companies.



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

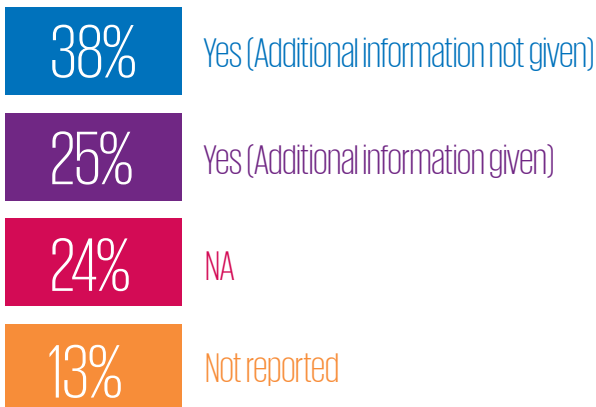
Any responsible organisation through its products and services aims to create a positive value for its customers. Transparent product related information, fair trade practices, responsible advertising, and fair competition are key ingredients of a responsible business.

The BRR requires disclosures on customer complaints/ consumer cases, product labelling, complaints pertaining to unfair trade practices/irresponsible advertising/anti-competitive behavior, and customer satisfaction surveys.

All the companies have reported on the number of complaints received and resolved between the years of 2015 and 2016.

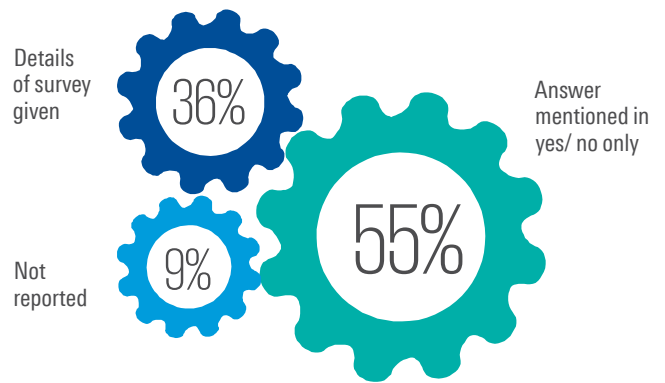
Although 63 per cent of the companies state that they display product information on the product label, over and above what is mandated as per local law, only 25 per cent of them have provided additional details.

Information on product labelling



Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

Whether customer surveys are carried out



Source: KPMG in India's analysis, 2017 based on 100 companies who have published the BRR

All companies recognise that customer satisfaction is important and have institutionalised customer surveys to assess it. 91 per cent of the companies carry out customer satisfaction surveys with 36 per cent of them providing details on the surveys conducted.



Factors contributing to effective reporting

Complete

While preparing a BRR, companies must endeavour to provide all details pertaining to the nine NVGs, as indicated in the framework suggested by SEBI. Wherein there exist no policies or existing policies fall short of the requirements, a dedicated committee must be appointed to fill in the gaps so as to meet all the necessary clauses to achieve completion. When preparing a BRR that is linked to an existing sustainability or non-financial report, adequate care must be taken to see that all the principles have been sufficiently linked and all questions have been answered. Inclusion of a table indicating the linkages can be beneficial to all stakeholders and regulatory bodies wishing to examine the report.

Accurate

A document to be furnished to the leading regulatory body in the country and published in the public domain must be accurate to the maximum extent possible. While it may be difficult to ensure accuracy of certain non-financial data like percentage of inputs sourced sustainably, acceptable national/international standards and practices may be used to record and substantiate whatever data has been reported. For data pertaining to energy reduction per product, or Clean Development Mechanisms, the company should be certain of the data being published in the BRR.

Comprehensive

A comprehensive report is one that systematically provides all information on the topic in question. When providing any qualitative or quantitative data, the same must be provided in a manner that leaves no doubt to anyone perusing it. Companies that are reporting for the first time are suggested to follow the framework suggested by SEBI, while more experienced companies can choose to prepare a more detailed BRR on similar lines of a Sustainability Report. A report of this nature will not only meet the requirements of the mandate but is also expected to appeal to the stakeholders who will view it as a proactive measure for providing information in a transparent and interactive manner.





KPMG in India's services

KPMG's global network of Sustainability and CSR Advisory practices employs over 700 professionals in more than 50 countries worldwide. In India, KPMG's Sustainability and CSR Advisory practice has over 50 professionals focussing on building assurance and advisory tools for sustainability reporting, strategy, risk assessment and benchmarking.

KPMG member firms were associated with Global Reporting Initiative (GRI) in developing the GRI G4 guidelines on sustainability reporting. Additionally, we are also involved with World Business Council on Sustainable Development (WBCSD), Accountability and International Integrated Reporting Committee (IIRC).

KPMG in India has a multidisciplinary Sustainability and CSR Advisory team with experience in energy, carbon, water, CSR, biodiversity, pollution prevention, waste disposal, stakeholder engagement, experts in health, safety and environment, ethical supply chain and communication.

We have been working with more than 60 Indian companies on developing or assuring their extra financial disclosures across sectors like apparels, automobiles, cement, chemicals, composites, construction and real estate, energy, fertilizers, finance, FMCG, heavy engineering, hospitality, IT, logistics, metals and mining, oil and gas, petrochemicals, retail and telecommunication.

We have abundant experience in developing both standalone BRRs across various sectors in the country as well as Sustainability Reports based on international standards.



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