



# GUIDANCE DOCUMENT ON ESG DISCLOSURES



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# PREFACE

In these congregating and competitive times, sustainability factors have become alarmingly important.

The nuances of formulating effective business strategies for sustainable businesses need flavours of effective stakeholder engagement.

The expanding ambit of sustainability is paving the way for creation of wealth without compromising on superlative innovations and ever evolving customer needs, improved stakeholder awareness and integration of environment, social and governance factors with ultimate vision of the company.

Sustainability reports are being used for benchmarking and assessing sustainability performance with regards to existing frameworks, demonstrating how the organisation influences and is influenced by expectations about sustainable development, and also facilitating peer comparison over time and enabling communication with stakeholders.

BSE is introducing this ESG Guidance to assist listed corporates wishing to incorporate ESG reporting into their existing reporting processes.

There is no regulatory requirement for ESG reporting, and adherence to this ESG Guidance is entirely voluntary. Also, ESG reporting does not set aside, replace or substitute any reporting obligations of listed companies under existing laws and regulations.





# BSE AND SUSTAINABILITY

Indian Economy is growing manifolds with increased development and spending across various sectors. With these massive transitions and transformations the emphasis is more on creating businesses, not just about profit, but about people and the planet.

We are committed to promote sustainable practices in our markets with the belief that businesses will only be successful in the long run if their models respect the triple bottom line of “profit, planet and people”.

Adoption of regulatory framework across all verticals of the organisation enable long term thinking, broader understanding of risks and opportunities and improve connectivity between financial and non-financial drivers.

Catering to voluntary adoption of certain norms is our contribution to the seriousness about respecting interests of various stakeholders.

This ESG Guidance document is a product of joint cooperation of various stakeholders. It intends to capture the best of progressive ESG thinking and will be updated on an ongoing basis.



# IMPORTANCE OF ESG REPORTING

## **Raises Corporate Transparency**

It broadens organisational disclosure beyond traditional financial metrics and raises corporate transparency on environmental and social metrics.

Sustainability reporting allows a balanced and understandable assessment of the company's performance by stakeholders to facilitate corporate accountability, as promulgated by one of the principles under the Code of Corporate Governance.

## **Strengthens Risk Management**

Sustainability reporting allows listed companies to consider emerging risk areas and to identify opportunities presented by risks that are overlooked by other analytical and system driven approaches.

A risk management approach that incorporates sustainability provides management with useful data for identifying emerging issues and developing appropriate responses that help protect corporate reputation and improve shareholder value.

## **Promotes Stakeholder Engagement**

Identification of and engagement with stakeholders are fundamental to sustainability reporting and are cited as critical steps by various international sustainability frameworks. Listed companies need to identify their stakeholders to effectively engage those that are interested in and affected by the company's sustainability performance. Given the varied nature and interests of stakeholders such as shareholders, employees, customers, suppliers and communities, stakeholder engagement enables the company to take into account the Information needs of various stakeholders with regards to the disclosure of sustainability related information.

## **Improves Communications with Stakeholders**

By broadening disclosure beyond financial disclosure to include non-financial disclosure of environmental and social interaction and impact, the company provides a framework for measuring non-financial performance. It also gives guidance on the opportunities and threats faced in managing non-financial risks.

Sustainability reports can be used for benchmarking and assessing sustainability performance with regard to existing frameworks, demonstrating how the organisation influences and is influenced by expectations about sustainable development, and facilitating peer comparison over time and enabling communication with stakeholders.



# ESG KEY PERFORMANCE INDICATORS

Over the past few years sustainability reporting standards have been developed by different non-profit organizations around the world. A list of these organizations and their respective frameworks are attached for reference in Appendix I.

Several of our listed corporates are deploying these standards for their own sustainability reporting purposes.

BSE has always been on a forefront to back various initiatives by regulators that promote sustainability. GRI and BSE entered a formal MoU in mid-2016 to work collaboratively and support listed corporates of BSE to establish sustainability reporting process and prepare sustainability reports. This collaboration therefore led to the creation of a linkage document that is designed to show companies how requirements under the SEBI BRR Framework correspond to the GRI Standards and disclosures.

There are some ESG Key Performance Indicators we believe should be the focal point of ESG reporting.

For each of these ESG Key Performance Indicators we are suggesting a specific measurement as set out in Appendix II.

It should be noted that, depending on the nature of the business, some of the ESG Key Performance Indicators are more critical than others.

Corporates should therefore consider expanding on the disclosures on those ESG Key Performance Indicators that are considered material to the nature of the business, beyond what is suggested in Appendix II.

Environmental	Social	Governance
Environmental Policy	Full time Employees	Gender diversity on Board
Environmental Impacts	Monetary and non - monetary benefits for employees	Board - Independence
Energy Consumption	Attrition Rate	Board - Separation of Powers
Energy Intensity	Training and development Hours	Voting Results
Carbon/GHG Emissions	Health care benefits	Gender Pay Ratio
Primary Energy Source	Human Rights Policy	Incentivized Pay
Renewable Energy Intensity	Human Rights Violations	Business Ethics and Code of Conduct
Water management	Child & Forced Labour	Supplier Code of Conduct
Waste Management	Gender parity ratio at Workforce	Bribery/Anti-Corruption Code
	Community and social Work	Corporate Governance
	Local Procurement	



# USING THIS ESG GUIDANCE DOCUMENT

The ESG Guidance is intended for all listed corporates in BSE for which the application and implementation of the same is voluntary in nature.

It should be noted that the ESG Guidance is a non-binding document which do not set aside, substitute or replace any regulatory provisions in respect of periodical disclosure obligations.

The underlying intent is to develop and exhibit an organisation's health in truest of sense by seamless alignment of various regulatory frameworks with the long term objectives and sustainability goals of a company, which are key requisites for decision making processes of various stakeholders.





# HOW TO REPORT ESG INFORMATION?

There are different ways to disseminate ESG information to Stakeholders. Corporates might want to integrate the ESG Information and the financial statements into a single annual report, or decide to publish separate, stand-alone Sustainability Reports. BSE has a separate tab to disseminate the sustainability / ESG reports submitted by Listed Corporates.

We at BSE are steering our initiatives towards making the information easily accessible, comparable in a timely manner.

It is desired that the Sustainability/ ESG disclosures are separated from the financial disclosures. The crisp representation of information would help the stakeholders correlate financial and non-financial disclosures at the same time.

This will allow investors as well as other stakeholders to consider non-financial information in the context of the long term sustainability strategy of the company.

Secondly, in order for communications to be effective, the ESG information should be easily accessible, preferably online, using hyperlinks that connect all the pieces of information that are available.

The general trend is to have such reporting annually and is considered fairly sufficient. Although incase there is any gap between the reporting span of non-financial disclosures and financial disclosures, then any changes in the same and any material information in the interim period should be reported.





# APPENDIX I

# SUSTAINABILITY

# REPORTING

# FRAMEWORKS

**The Global Reporting Initiative (GRI)** is an international, non-profit organization working in the public interest towards a sustainable global economy where organizations manage their economic, environmental, social, and governance performance and impacts responsibly. Corporate and public sector reporters in over 90 countries use the GRI Guidelines. More than 24,000 reports have been registered in GRI's Sustainability Disclosure Database.

<https://www.globalreporting.org/Pages/default.aspx>

**The International Integrated Reporting Council (IIRC)** is a group of international leaders with a mission to create the "Integrated Reporting Framework". The Framework provides material information about an organization's strategy, governance, performance and prospects in a concise and comparable format, a fundamental shift in corporate reporting.

<http://integratedreporting.org/>

**The Sustainability Accounting Standards Board (SASB)** is a UN non-profit U.S.-based organization on a mission to create and disseminate accounting standards that reporting issuers can use to disclose material sustainability factors in filings with the Securities and Exchange Commission.

<http://www.sasb.org/>

**CDP (formerly the Carbon Disclosure Project)** is a global non-profit organization, founded in 2000 with headquarters in London. CDP requests standardized climate change, water and forest information from some of the world's largest listed companies through annual questionnaires sent on behalf of institutional investors that endorse them as 'CDP signatories'.

<https://www.cdp.net/en>

**The United Nations Global Compact (UNGC)** is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. It comprises more than 13,000 organizations in 80 local networks worldwide. Business participants are expected to publicly report on their progress in an annual Communication on Progress.

<https://www.unglobalcompact.org/>



# APPENDIX II

## CATEGORY: ENVIRONMENT

ESG Key Performance Indicators	Measurement annual, unless indicated otherwise
Environmental Policy	Does the company publish and follow an environmental policy? Yes/No
Environmental Impacts	Any legal or regulatory responsibility for an environmental impact? Yes/No If yes, explain
Energy Consumption	Total amount of energy usage
Energy Intensity	Amount of energy used
Carbon/GHG Emissions	Total amount of Carbon and Green House Gas emissions in metric tons
Primary Energy Source	Specify the primary source of energy used by the company
Renewable Energy Intensity	Specify the percentage of energy used that is generated from renewable sources
Water management	Total amount of water consumption, and details in respect of recycling if any
Waste Management	Total amount of waste generated, recycled or reclaimed, by type and weight

## CATEGORY: SOCIAL

ESG Key Performance Indicators	Measurement annual, unless indicated otherwise
Full time employees	Number of full time employees
Monetary and non- monetary benefits for employees	Total amount of employee wages and benefits
Attrition Rate	Percentage of employee turnover
Training and development hours	Total number of hours of training for employees divided by the number of employees
Health care benefits	Does the company publish and follow a policy for occupational and global health issues? Yes/No
Human Rights Policy	Disclosure and adherence to a Human Rights Policy
Human Rights Violations	Number of grievances about human rights issues filed, addressed and resolved



Child & Forced Labour	Does the company prohibit the use of child or forced labour throughout the Supply chain? Yes/No
Gender parity ratio at workforce	Percentage of women in the workforce
Community and social work	Number of hours spent, and/or other community investments made as a percentage of pretax profit
Local Procurement	Percentage of total procurement from local suppliers

## CATEGORY: GOVERNANCE

ESG Key Performance Indicators	Measurement annual, unless indicated otherwise
Gender diversity on Board	Percentage of Board seats taken by women
Board - Independence	Percentage of Board seats taken by independent directors
Board - Separation of Powers	Specify whether the CEO is allowed to sit on the Board, act as the Chairman, or lead committees
Voting Results	Disclosure of the voting results of the latest AGM
Gender Pay Ratio	Ratio of median male salary to median female salary
Incentivized Pay	Specify the links between (executive) remuneration and performance targets
Business Ethics and Code of Conduct	Does the company publish and follow an Ethics Code of Conduct? Yes/No
Supplier Code of Conduct	Does the company publish and follow a Supplier Code of Conduct? Yes/No
Bribery/Anti-Corruption Code	Does the company publish and follow a Bribery/Anti-Corruption Code? Yes/No
Corporate Governance	Percentage of Board seats taken by women

## CATEGORY: ESG REPORTING GENERALLY

ESG Key Performance Indicators	Measurement annual, unless indicated otherwise
Sustainable Reporting Frameworks	Does the company publish a GRI, CDP, SASB, IIRC or UNGC report? Yes/No
External Assurance	Are the company's ESG disclosures assured by an independent third party? Yes/No
BRR as per SEBI framework	Yes/No. Voluntary / Mandatory



# FURTHER ASSISTANCE

We would highly appreciate voluntary feedback and welcome suggestions on ESG reporting for this ESG Guidance.

We are committed to the cause of sustainable development and being sustainably sensitive in best interest of the society in the present and for the future generation.

For further information please contact our listing team at [listing.sales@bseindia.com](mailto:listing.sales@bseindia.com)

