

**National Conclave on
ESG for Industry Transformation**
(Focus on Environmental, Social, Governance for Atmanirbhar Bharat)
To be jointly organized by NPC and the Govt of Uttarakhand
3rd Feb 2023, Friday
10: 00 AM to 04:30 PM at Hotel Pacific, 19 Subhas Road, Dehradun

CONCEPT NOTE

1.0 BACKGROUND:

With the ever-changing business environment, the investors and stakeholders seek business to be not only responsible but to be sustainable towards the environment and society. In recent years, adapting to and mitigating climate change impact and transitioning to sustainable development have emerged as major issues globally. Further, Global sustainability challenges such as demographic shifts, flood risk and rising sea levels, privacy and data security, and regulatory pressures, are introducing new risk factors for investors that may not have been seen previously. As companies face rising complexity on a global scale, investors may reevaluate traditional investment approaches. Therefore, the concept of ESG (Environmental, Social and Governance) which comprises the wholistic approach for companies to remain responsible to its investors as well as stakeholders while complying with various environmental, social and governance regulatory risk.

2.0 ESG AT GLOBAL & NATIONAL LEVEL:

International investors with global investment portfolios are increasingly calling for high quality, transparent, reliable and comparable reporting by companies on climate and other environmental, social and governance (ESG) matters. To support and strengthen this, on **3rd November 2021**, the IFRS Foundation Trustees announced the creation of a new standard-setting board—the **International Sustainability Standards Board (ISSB)**—with the objective to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities to help them make informed decisions. The leading economies like UK, European Union (EU), New Zealand, Hongkong, Taiwan, Singapore, have also made provisions with directive for non-financial reporting on a comply-to-explain basis.

To keep pace with the global development, SEBI the market regulator had mandated in 2012 the top 100 listed entities by market capitalisation to file **Business Responsibility Reports (BRR)** as part of their annual report, as per the disclosure requirement emanating from the '**National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business**' (NVGs). The requirement for filing BRRs was progressively extended to the top **500 listed entities** by

Market capitalisation **in 2015** and to the **top 1000 listed entities in 2019**. In order to keep pace with global developments viz. the UN Sustainable Development Goals (SDGs), Paris Agreement on Climate Change and the United Nations Guiding Principles on Business and Human Rights (UNGPs), the NVGs were revised and released as the ***National Guidelines on Responsible Business Conduct (NGRBCs) in March 2019***.

Subsequently, the **Ministry of Corporate Affairs (MCA)** constituted a Committee on Business Responsibility Reporting ('Committee') for finalising BRR formats for listed and unlisted companies, based on the framework of the NGRBCs. Based on the recommendations of the committee Business Responsibility Report may be called the ***Business Responsibility and Sustainability Report ('BRSR')***, to better reflect the scope of the reporting requirements. Overall, higher standards of ESG disclosures and transparency, will help in attracting more capital and investment. SEBI vide its ***circular no. 18/2021, dated 10th May 2021*** have notified that the ***BRSR shall be applicable to the top 1000 listed entities (by market capitalization)***. In order to give time to companies to adapt to the new requirements, the reporting of ***BRSR shall be voluntary for FY 2021 –22 and mandatory from FY 2022 –23***.

3.0 SIGNIFICANCE of ESG FOR ORGANIZATIONS FROM NORTHERN STATES

Companies with better ESG performance have a better track record on issues such as climate change, environmental sustainability, social responsibility, ethics, human rights, and transparency, and hence are more resilient against future risks.

Research increasingly shows that investors, employees, and customers (led by millennials) care deeply about sustainability, and value well-governed companies that positively impact the environment and society, more than organisations that do not account for their environmental and social impacts. Sustainable investment is gaining popularity across the world. Businesses have become mindful of their roles within the communities they operate in and are adopting sustainable ways of doing business. They have been investing in sustainable areas in the form of compliances, in isolation, for long but with ESG, everything has been integrated

Therefore, its important to ensure sustainable growth, keeping in view of the larger socio-economic imperative private sector have for the growth & development of economy of the country.

4.0 ABOUT THE CONCLAVE:

With emergence of an array of various national/international reporting framework, guidelines, and standards in the area of sustainability, the organizations/companies in the country are trying to adopt these systems and report their sustainability related initiatives, practices, and actions voluntarily and / or as mandated by the governments, statutory and regulatory bodies as part of their

business requirement. Moreover, the international investors are also looking at long term value creation by aligning business strategy with sustainability, climate change and GHG emission mitigation associated agenda. This provides an excellent opportunity for organizations/companies to focus and prioritise actions related to achieving sustainable development goals and its sustainability reporting as per applicable national / global guidelines/framework. Private sector organizations are no exception in this process; as they have their own carbon footprint extending to other countries and are also supporting global supply chain networks in terms of material, machine, technologies, investment, management etc. In view of this, it is important to adopt sustainable and resilient business practices and to report the same as per the applicable formats/structure and guidelines such as BRSR.

Amongst various development made for corporate sustainability and under non-financial reporting disclosure, SEBI, the market regulators have mandated the sustainability disclosure vide its ***circular no. 18/2021, dated 10th May 2021***. Under this, the **Business Responsibility and Sustainable Reporting (BRSR) shall be applicable to the top 1000 listed entities (by market capitalization)** from FY 2022-23. Therefore, to get familiar with the BRSR framework; adopt best practices about sustainable measures being adopted by industry leaders; to discuss about challenges/ issues, a conclave is proposed to be organised for Indian private sector organizations. An early adoption to such standards would not only provide the industries/organizations an impetus to the existing sustainable measures being adopted but also would provide a framework to systematise and monitor such initiatives in future.

5.0 OBJECTIVE AND KEY TAKEAWAYS FROM THE CONCLAVE:

The conclave is targeted to benefit the corporate/industries to make them competitive, resilient and sustainable in terms of:

- Sensitizing about various dimensions of sustainability
- Discussion about reporting & compliance under BRSR framework of SEBI
- Best practices adopted in terms of resource efficiency, socio-economic measures, community development, corporate governance practices etc
- Discussion of challenges/ issues faced by industries
- Way forward for Indian corporate and industries for industrial transformation and emerge as global leader in terms of sustainability
- Integrating ESG agenda into business strategy and source of competitive advantage

6.0 TARGET PARTICIPANTS:




The participants would include policy makers, administrators, professionals, implementors, practitioners, senior / middle level management of organizations / companies/ industries, chambers of commerce etc. who are associated in the areas of ESG, BRSR and sustainability.

From the State Governments, the Administrative Secretaries and Field level Heads of Environment/Forest, Industries, MSME, Water Resources, Urban Development, Pollution Control, Irrigation & Flood Control etc and senior officers from other departments and organizations in Northern States are expected to attend.

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7.0 ESG FRAMEWORK EXPLAINED:

ESG which is an acronym for Environmental Social and Governance is about increasing the scope through which we view the performance of a company, a sector or a region. It provides a framework to assess what we accomplish as a business and the way we go about meeting our objectives.

ENVIRONMENTAL FACTOR	SOCIAL FACTOR	GOVERNANCE FACTOR
 <p>It's the company's impact on the environment. They are based on the premise that business activities have the potential to create environmental risks for ecosystems, water, air and human health.</p> <ul style="list-style-type: none"> • Using energy/ resource efficiently; • Using renewable energies that emit fewer GHG, are less polluting, and contribute less to climate change; • Managing waste responsibly (like adopting circular economy principles); • Having responsible practices across the value chain such as no deforestation policies or even animal welfare; • Resource Efficiency, clean technology • EPR and 3R policies 	 <p>It's the way businesses treat and value people. In other words, it is about the impact that companies can have on the internal and external stakeholders and the stakeholders across the entire value chain.</p> <ul style="list-style-type: none"> • Diversity and inclusion policies to ensure no type of discrimination; • Safe and healthy working conditions for employees; • Labor standards across supply chains that guarantee fair wages and human rights protection; • Good relations with local communities for socio-economic development of community through various CSR programmes • Human Rights, Work force harmony, inclusion 	 <p>It focusses on corporate policies the corporate governance practices. It is about making the responsibilities, rights, and expectations of stakeholders clear so that interests are met and a consensus on a company's long-term strategy is achieved.</p> <ul style="list-style-type: none"> • Tax strategy; • Corporate risk management; • Executive compensation; • Corruption and bribery; • Board structure, composition and brand independence; • Protecting shareholder interests& rights; • Whistle-blower schemes/ policies • Anti-corruption policies, Audit Committee, • CSR strategy, compliances

8.0 CHALLENGES & SITUATION ANALYSIS OF BRSR COMPLIANCE:

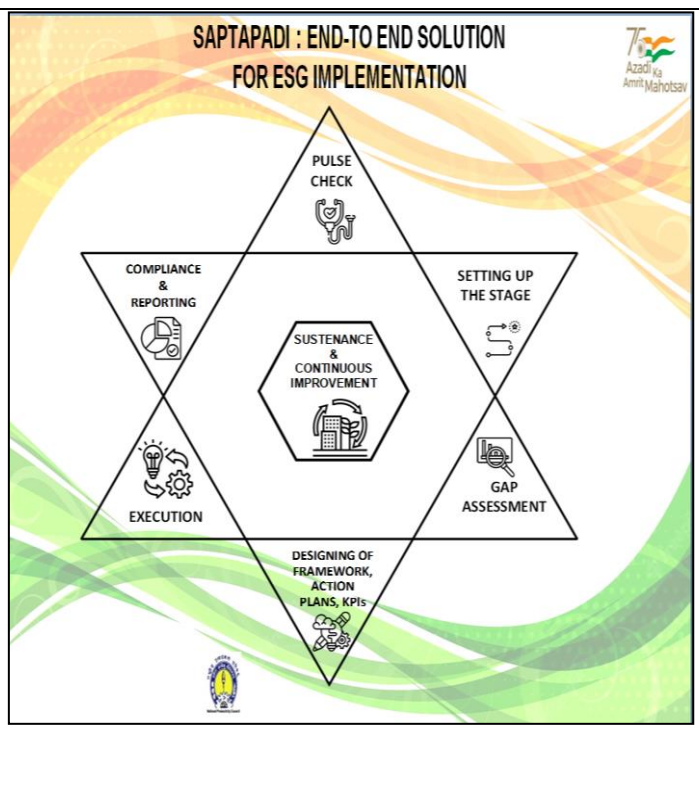
- **Over-reliance on regulatory mandate rather than innate business culture:**
 - It's important that various initiatives which are being taken by corporates in the area of sustainability need to be inculcated into actionable/ measurable plans which required to be adopted across various functional verticals.
- **Awareness, clarity amongst stakeholders about compliance and various reporting frameworks:**
 - Presently, the reporting under BRSR has gained momentum across corporates due to the mandatory disclosure notice by SEBI; however, awareness of various components of BRSR and its significance across the value chain remains more challenging.
- **Challenges in implementation and localization of ESG measures:**
 - The ESG and sustainability framework being the non-financial disclosures are therefore diverse in nature comprising of various facets. Further, the sustainability measures across sectors including the manufacturing & service are also unique to the business. This demands for support not only in designing sector specific actionable, measurable plans but also to support in implementation, monitoring & reporting.
- **External Assurance:**
 - External assurance of sustainability reporting as per various standards is a process whereby an independent practitioner performs procedure, obtain evidence and after obtaining reasonable/ limited assurance about the information, express a conclusion designed to enhance the degree of confidence of decision makers. Presently, such external assurance on sustainability is not prevalent which would have provided the implementing corporates an opportunity for continuous improvement.
- **Multiple reporting framework adopted across globally and alignment of BRSR:**
 - Presently the corporates are adopting various sustainability/ non-financial reporting framework to meet the international requirement and with the mandate of SEBI, BRSR also required compliance. Therefore, necessary alignment of sustainability measures is required so that the same can be reported across various platforms/frameworks.

9.0 NPC AS END-TO-END SOLUTION PROVIDER ON ESG:

National Productivity Council is an autonomous organization under Ministry of Commerce & Industry, Govt. of India was established in the year 1958 with the objective of dissemination of productivity culture across all areas of economy by providing consultancy, training & research. With its vast diversified experience in the areas resource efficiency through Energy Management and Environment & Climate Action Group; enhancing productivity of manufacturing & service sector through Industrial Engineering Group; development of Human Resources through HRM Group; improving productivity of the farm sector through Agri Business Group and supporting the policy makers in reviewing of schemes/ policies through Economic Service Group. Through its Pan India presence with 12 nos. of offices across the country and with strength of more than 100 nos. of professional consultants, NPC can provide end-to-end solution in the area of ESG, sustainability and BRSR compliance to corporates.

NPC has developed its own unique seven step approach (SAPTAPADI) for adoption of ESG as an integral part of business / operations making organizations sustainable, competitive, and resilient while being ESG/ BRSR compliant. The SAPTAPADI seven steps includes:

- Step 1: Pulse Check (Materiality assessment and establishing baseline)
- Step 2: Setting up the stage (ESG team, sensitization and assigning roles, ESG policy and strategy, setting up goals and objectives)
- Step 3: Gap assessment (identification of opportunities, potential and priority area for necessary intervention)
- Step 4: Designing ESG framework, Key Performance Indicators, and action plan
- Step 5: Execution
- Step 6: Compliance, documentation, and reporting
- Step 7: Improvement, sustenance, and roadmap for future ready enterprises



The potential areas of support are mentioned as below:

- Training, Capacity building & sensitization of organizations on ESG, sustainability & BRSR compliance, and its significance.
- NPC can carry out Gap Analysis and need assessment of existing process/ system for checking the readiness/ preparedness of organizations for compliance to BRSR/ ESG.
- NPC can design framework, sector specific measures, tool kit and action plan for implementation of BRSR/ ESG related compliance
- NPC can design dashboard/ monitoring framework for periodic measuring/ monitoring of all sustainability measures being taken by various business functions/ verticals/ units/ entire value chain of organizations.
- NPC can assist organizations in preparing the BRSR compliance by compiling, consolidating all sustainability measures for submission to SEBI.
- NPC can provide external assurance to organizations thereby providing third party assessment of the measures/ initiatives taken by corporates in the areas of BRSR compliance/ sustainability reporting.

10.0 COMPETENCY AREAS OF NPC ALIGNED WITH ESG DRIVERS:

NPC COMPETENCY AREAS SYNCHRONIZED WITH ESG DRIVERS			
	ESG DRIVERS	KNOWLEDGE VERTICAL	NPC COMPETENCY AREAS
ENVIRONMENTAL			<p>Energy Audit, Water Audit, Energy Efficiency Studies, baseline and evaluation of PAT scheme, Resource optimization, Capacity building & certification of Energy Managers & Energy Auditors etc.</p> <p>Industrial Pollution prevention & control, waste minimization, Comprehensive environment audit, performance evaluation of waste management infrastructure, adequacy & efficacy studies, post EC compliance monitoring, environment research & policy assignments</p> <p>Impact Evaluation and Assessment of various schemes related to Agriculture and allied sector of Central/ State/ Research Institutes.</p>
SOCIAL			<p>Economic studies policies and programmes of State/ central Government and International organizations. Publishing various index for IMDB, Asian Productivity Organization on various parameters</p> <p>Third Party Audits of FBOs for Dairy sector, Food Storage/ Cold Storage & Food Transportation as per FSSAI standard; Inspections of Warehouses as per WDRA Rules, 2017. Capacity building subjects related to Food Safety regulations of the country</p> <p>Organizational restructuring, Manpower Planning, HR Policy, Incentive, remuneration planning, Performance Measurement System, Non-Executive Manpower Norms as per ILO standards, Compensation Management,</p>
GOVERNANCE			<p>Lean Management; Production planning & resource optimization; Manpower Planning and optimization; Process Management; Workforce planning; Supply Chain Management</p> <p>Monitoring, Evaluation and Impact Assessment of various schemes, policies and programmes of State/ central Government. Socio-Economic Studies, CSR programme (Baseline and Impact Assessment)</p>



11.0 WAY FORWARD:

To empower the organizations through sensitization about various aspects of sustainability and its significance to business and future investment. Capacity building of professionals, practitioners, future leaders on design, implementation, monitoring and reporting framework of sustainability concerning to specific industry sector. To prepare the organizations for all voluntary regulatory, statutory compliance required for sustainability and sustenance of business. To provide a holistic and futuristic approach and framework for the organizations to make them future ready, derive competitive advantage and become a leader in the area of sustainability.