Unearthing Insights from India's ESG Disclosures

FROM BRSR for FINANCIAL YEAR 2022-23

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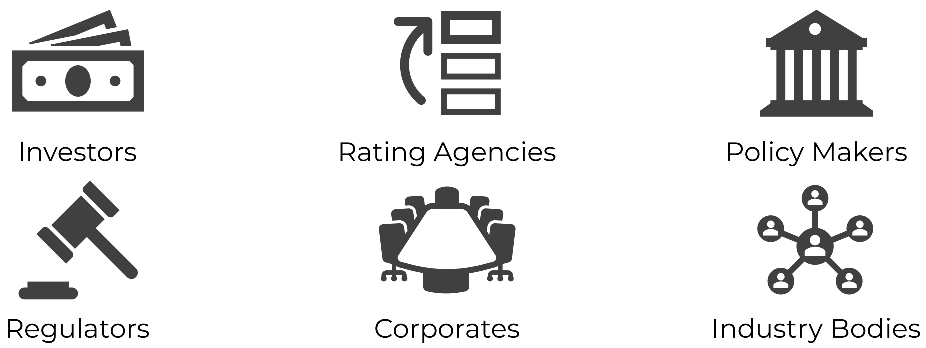
1 Summary

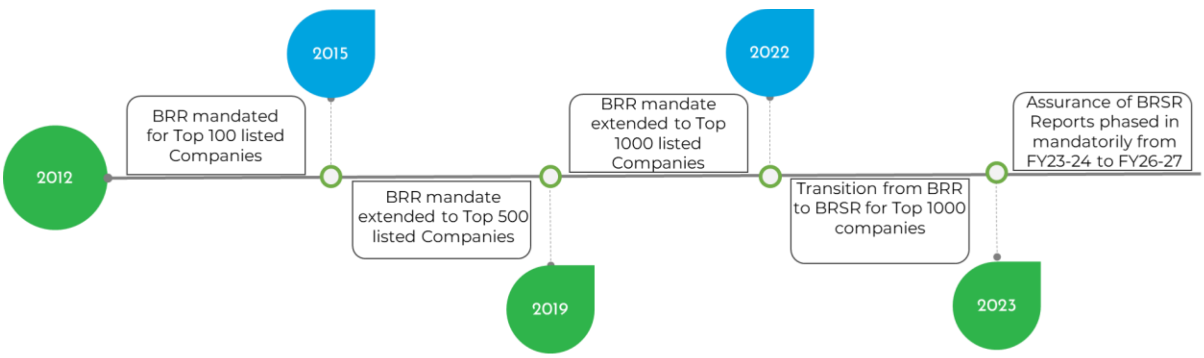
The Securities and Exchange Board of India (SEBI)'s Business Responsibility and Sustainability Reporting (BRSR) regulation mandates disclosure of ESG data by the top 1,000 listed companies in India (by market capitalisation). Alongside a PDF version, companies are required to submit the report in XBRL. This digital-format submission is rich in data and lends itself to analysis using readily available software tools. Since the BRSR is published by companies themselves, the credibility of the data is high. This publicly available content can be used to conduct a range of research, and to derive important insights that can be used in significant decisions by various stakeholders.

This joint paper by At Quest Sustainable Solutions and XBRL International staff is based on an analysis conducted on XBRL data from the 2022-23 financial year, as disclosed by 1,000 companies in India. The paper showcases some of the insights from our analysis and demonstrates how these could be of value for six distinct stakeholders.



2 Introduction – ESG reporting mandate history in India

ESG (or Environmental, Social and Governance) reporting in India is not new. For more than a decade, several large-cap companies have been voluntarily publishing annual Corporate Social Responsibility (CSR) reports and/or ESG reports, employing the Integrated Reporting methodology and the GRI standards. Further, in the year 2012 SEBI introduced a non-financial reporting requirement for the top 100 Indian companies, mandating the Business Responsibility Report (BRR).



The BRR evolved over the years into the BRSR, which was mandated via [SEBI's circular dated 10 May 2021](). The BRSR has been required of the top 1,000 Indian companies since the 2022-23 financial year, and must be submitted in both PDF and XBRL formats. We find that the BRSR is very thorough and requires extensive data gathering from reporting companies.

Starting from the 2023-24 financial year, BRSR disclosures must undergo reasonable assurance of the BRSR Core KPIs such as GHG emissions and water consumption before submission to SEBI. A roadmap has also been defined for collection of BRSR Core KPIs from supply chain partners, with implementation planned over the next few years.

3 Underlying Data

As the BRSR format has evolved over the past several years, the format has gradually seen questions added to it based on the changing needs of stakeholders. The latest BRSR format was introduced by SEBI in its circular dated 12 July 2023, which is applicable from 2023-24 onwards. It includes several new questions specific to India and its needs, such as growth of jobs in small towns and gross wages paid to women. Overall, we find that the BRSR format covers ESG aspects comprehensively, and that it collects ESG data at a granular level.

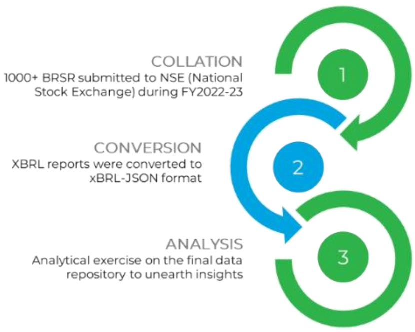
The BRSR framework is based on nine principles, the National Guidelines for Responsible Business Conduct (NGRBCs), and so encompasses a range of sustainability dimensions, including governance, environmental factors, social responsibility, customer relations, employee management, supply chain management, and human rights. Our assessment of the BRSR format reveals that approximately 24% of the questions pertain to the 'Environmental' aspect of ESG, 54% to the 'Social' aspect, and 22% to the 'Governance' aspect. Each BRSR disclosure contains about 1600 data points, directly supplied and verified by companies, making the reports a very valuable data source for many stakeholders. Analysis of this data has the potential to generate insights that can assist key stakeholders to make critical decisions.

Further, the BRSR format aligns significantly with global reporting standards such as GRI, SASB and CDP. Upon comparison with these frameworks, a 60-70% overlap with each of these global sustainability standards was observed.

4 Analysis Approach

The following insights are derived from 1,059 BRSR reports submitted to the National Stock Exchange (NSE) in XBRL format for the financial year 2022-23. These XBRL reports were converted to the xBRL-JSON format for our analysis. xBRL-JSON is simple, easy to consume, and ideal for automated consumption and analysis. Crucially, xBRL-JSON can be analysed using a wide range of off-the-shelf software. For this exercise, Tableau was used to analyse the data.

The insights presented here have been derived "as-is" from the XBRL data reported by companies. Obvious outliers, if any, were removed from graphs for ease of comprehension.



5 Insights

This section explores insights derived from a few selected metrics reported in the BRSR. These metrics were chosen to demonstrate insights that are relevant for the six stakeholder groups identified as key target audiences for the BRSR. For each metric we also indicate level of relevance for each target stakeholder group. This aims to help readers view each insight from the varied viewpoints of the stakeholders.

5.1 Material Issues and Risks

The BRSR requires companies to disclose material risks and opportunities identified. The word cloud in Figure 1 summarises significant areas of both risk and opportunity as reported by Indian companies. It is derived from textual disclosures on "Material Issue Identified."

This representation provides an overview of material issues and gives some insight into companies' risk management and sustainability efforts.

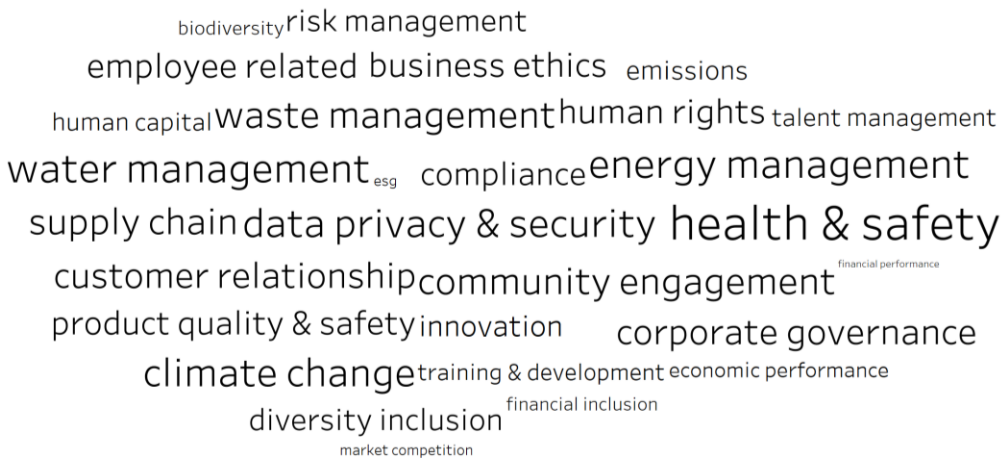


Figure 1: Material Risk and Opportunities

The material topics shown in the representation were uncovered through a text clustering analysis that grouped similar text descriptions together. These groups were then labelled according to their overarching topics.

The size of the words indicates the total frequency of a topic occurring, and hence the relevance it has for companies. Here the topics "health & safety," "climate change," "data privacy & security" and "energy management" are quite large, suggesting that they represent particularly significant risks and/or opportunities for companies.

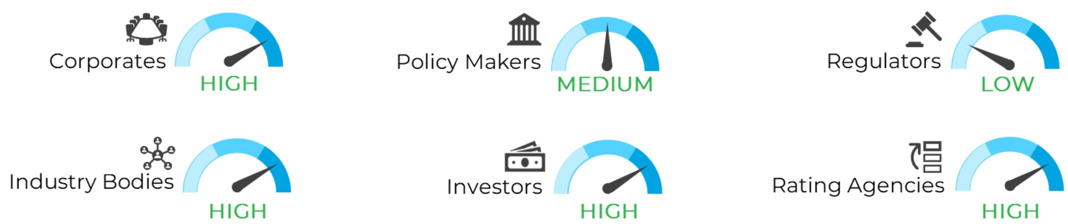
Richer insights can be derived by drilling down into sector-specific risks and opportunities. For example, Figure 2 offers a summary of risks and opportunities reported by companies in the 'Health Care' and 'Extractives & Minerals Processing' sectors. Similar analyses for each of the 11 sectors (as per SASB's SICS classification) can be found here.

Figure 2: Sector specific risks and opportunities

Who benefits from this insight and how much?

In our stakeholder analysis, we consider that the risks and opportunities identified are likely to be very helpful to corporates. This insight could aid companies in understanding prevailing industry perspectives on material issues, and to benchmark themselves against their peers. This is likely to help corporates align their business and sustainability roadmaps, while ensuring they do not miss out on the focus areas within their industries.

We also believe that this analysis also has immense value for investors and rating agencies when analysing a corporate's performance vis-à-vis its industry.



5.2 Environmental Intensity measures

Environmental indicators form a key segment of the BRSR format. This is in alignment with globally recognised ESG reporting practices, whereby emissions, energy, water, biodiversity, and waste parameters are tracked and disclosed.

While the BRSR format seeks aggregate metrics on these various environmental themes, it also expects companies to report intensity figures of these aggregates against their annual revenues. Such intensity figures facilitate comparisons within industry peer groups and between industries.

Our analysis of these intensity figures is represented in the graphs shown in Figure 3 below. Of key interest is the median figure for each industry, represented by the transition from dark grey to light grey in each of the bars. The size of the bar indicates the range of figures reported by different companies within the sector.

As the graphs reveal, the energy intensity for a few sectors appears lower (such as Services, Extractives, and Food and Beverages) while there are others with higher energy intensity figures (such as Resource Transformation and Infrastructure). Low intensity figures may be indicative of two scenarios: energy consumption levels are low in these sectors, and/or their revenue figures are significantly higher relative to their energy consumption.

As might be expected given the nature of their activities, emissions intensities appear lower for service industries (Financials, Services, and Technology & Communications), and on the higher side for manufacturing industries (Extractives, Resource Transformation). Perhaps more unexpectedly, the water intensity figures indicate higher water consumption in Health Care than in all other sectors.

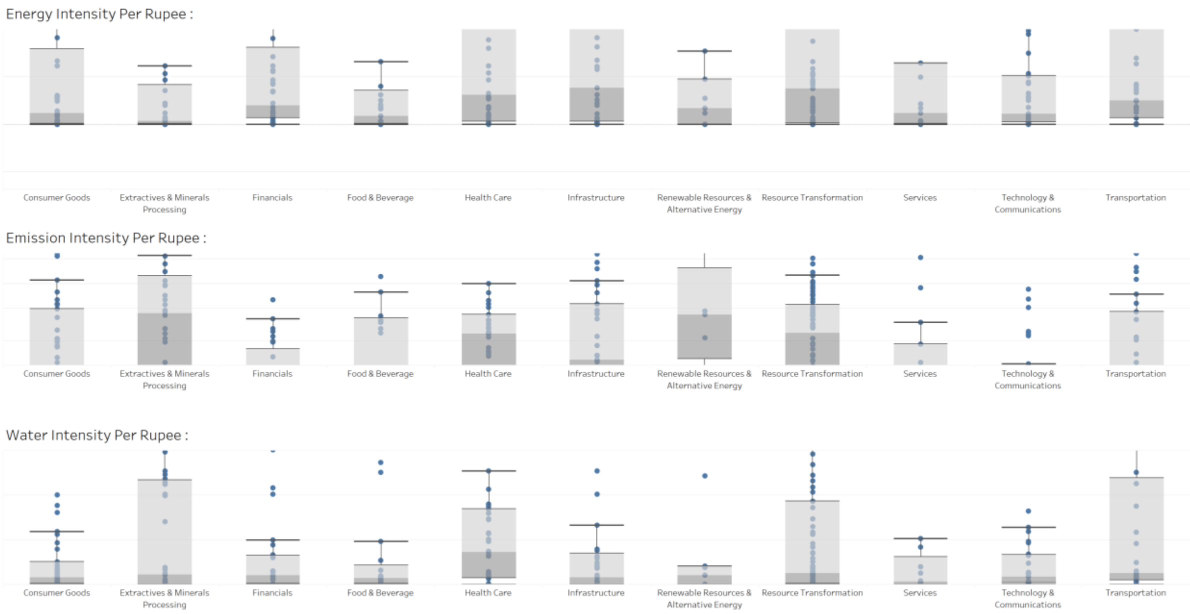
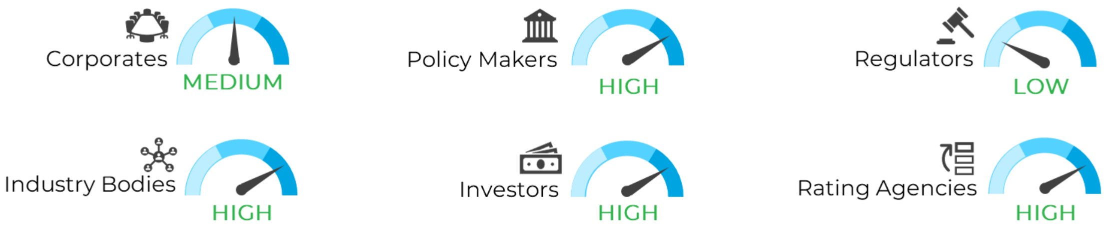


Figure 3: Energy, Emissions and Water Intesities

Who benefits from this insight and how much?

This analysis is a valuable one for policy makers, providing insights on where to focus their attention in facilitating the transition of high-emissions industries towards more environmentally efficient operations. Industry bodies could also take these insights into consideration while defining their peer-group agenda on sustainability. Finally, we believe investors and rating agencies will watch these numbers with increasing interest to be enable easy comparisons of individual companies with their industry benchmarks.



5.3 Social aspects at the workplace

The BRSR disclosure collects a variety of employment-related metrics in areas including gender diversity, median salary, retirement benefits coverage, employment welfare schemes, employee training, and information pertaining to employee salary vs. existing minimum wages. These offer valuable perspectives on the comprehensive employment conditions and policies of different companies across industry sectors.

Stakeholders may, for example, seek to understand the implications of gender diversity for organisational growth, employee performance, and other such metrics. Conventionally, studies have relied on sample surveys of companies or publicly available data on board diversity. With BRSR disclosures, digital data on organisation-wide gender diversity is publicly available for over 1,000 companies, thereby providing a strong impetus to such research. The data is also more reliable, as it originates from companies' mandatory disclosures.

Figure 4 provides a snapshot of gender diversity in companies reporting BRSR data. The overall representation of women in the workplace is at 18%, but this differs across industries and employee roles. Industries rely heavily on manual labour such as 'Infrastructure' have lower representation and service industries such as 'Technology & Communications' have better representation of women in their workforce.

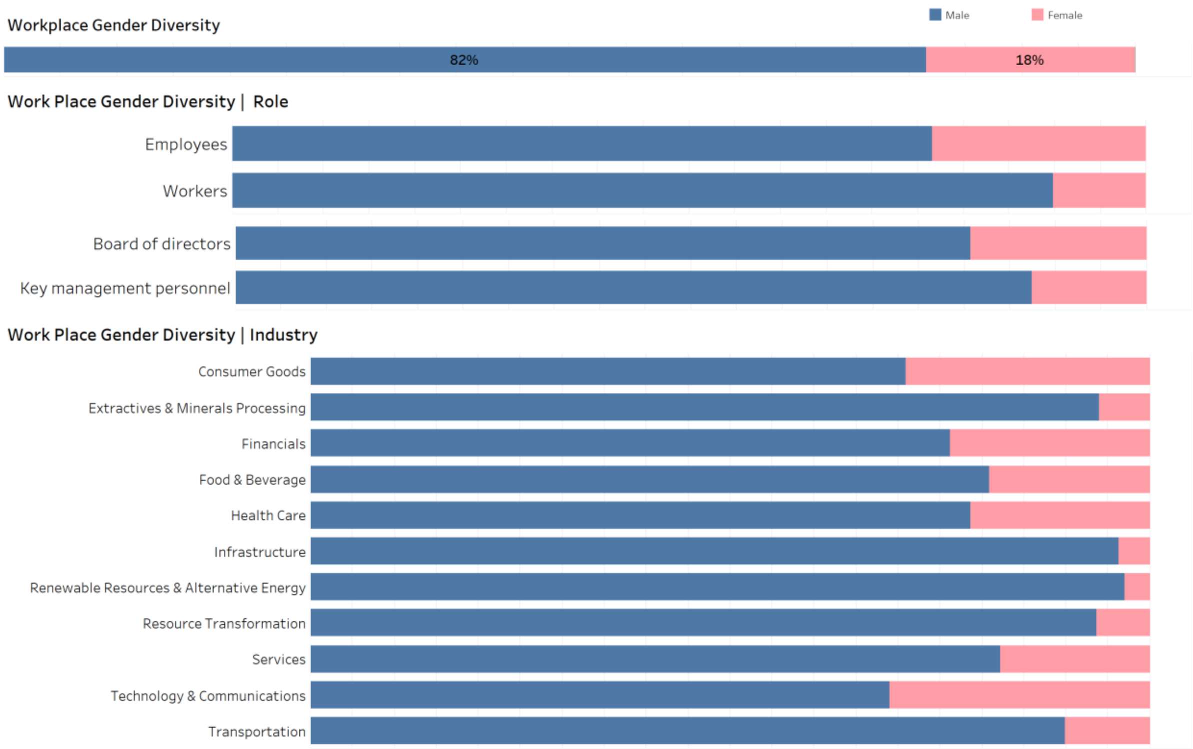


Figure 4: Gender Diversity across roles and industries

Figure 5 illustrates salary distributions across gender and roles. The box plots represent the spread of salaries and the division points indicate median salary for each category. This representation can be derived for specific [sectors or industries here](), and compared to arrive at further insights. Considering that the underlying data comes directly from companies, we believe this analysis offers authentic and useful information in the discussions around gender pay gap.

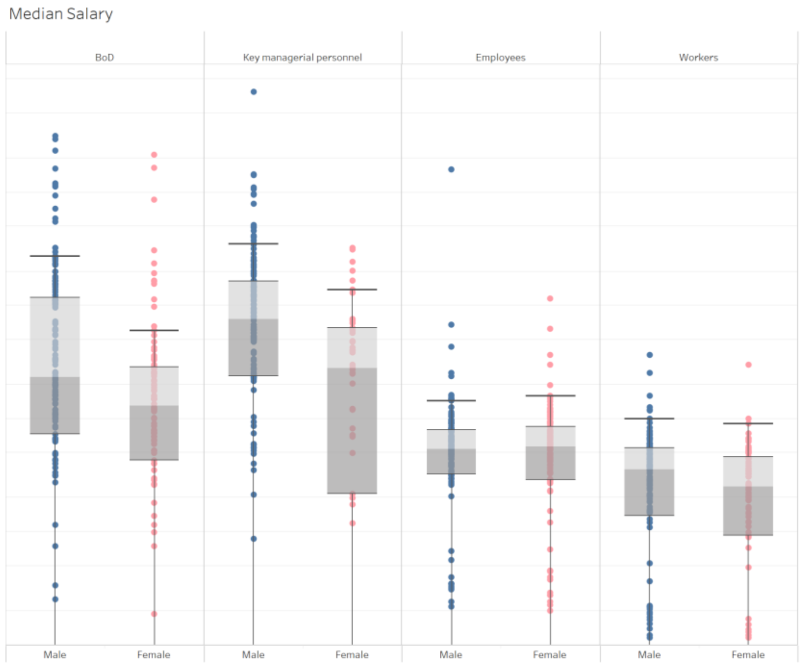


Figure 5: Median Salary Across Roles and Gender

Figure 6 provides a visualisation of metrics on workplace complaints, employee training, employee wellbeing schemes and retirement benefits coverage. While some of these benefits are mandated by statutory requirements, many others are voluntary for companies. This information is a valuable source of data for stakeholders who want to link employee benefit details with company performance or other aspects of employee welfare. Similar to the previous charts, sector-specific analyses can be derived and [compared here](#).

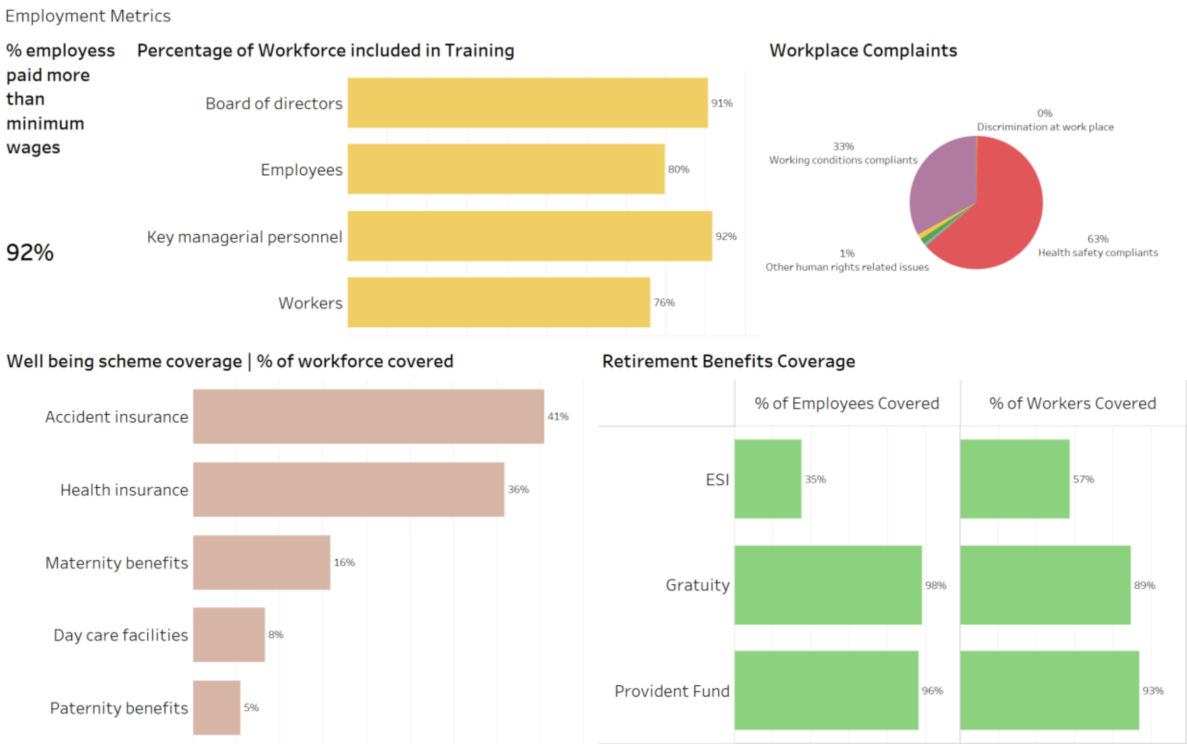
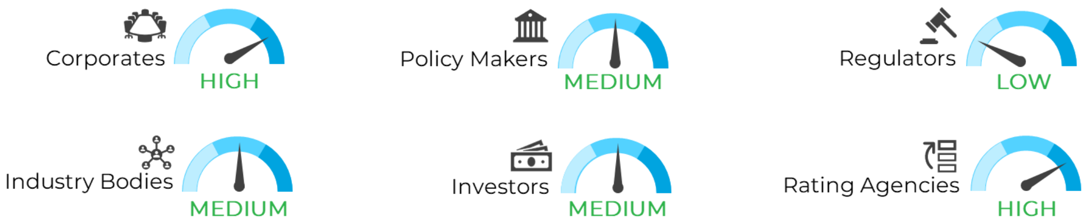


Figure 6: Employment Metrics

Who benefits from this insight and how much?

Insights around social aspects at the workplace will be increasingly relevant in informing the methodologies adopted by rating agencies to evaluate companies. Given the heightened importance of social aspects in the Indian context, we see such analyses being leveraged by Indian ERPs (ESG Rating Providers), especially since in 2023 they were directed by SEBI to evolve India-relevant methodologies. For corporates, such ratings provide a compelling reason to also take these social insights seriously.

In addition, a factor that is emerging fast is the increased pressure on Indian supplier companies from their large B2B importers in the EU to focus on social aspects of their operations. Such EU businesses need to align with Europe's CSDDD (Corporate Sustainability Due Diligence Directive), and hence will be keen for data on how their Indian suppliers are performing on these social aspects.



5.4 BRSR Assurance

Assurance of ESG reporting data is an area of interest to all data users, since it improves the trustworthiness and reliability of the data. Starting from the 2023-24 financial year, [mandatory assurance for BRSR](#) is being implemented in a phased approach for listed companies.

The new BRSR core assurance mandate covers a set of metrics indicating Key Performance Indicators (KPIs). With a focus on the emerging market – and specifically Indian – context, additional KPIs have been identified for assurance, such as job creation in small towns, business openness, and gross wages paid to women. To facilitate better global comparability, intensity ratios based on revenue adjusted for purchasing power parity (PPP) have been incorporated.

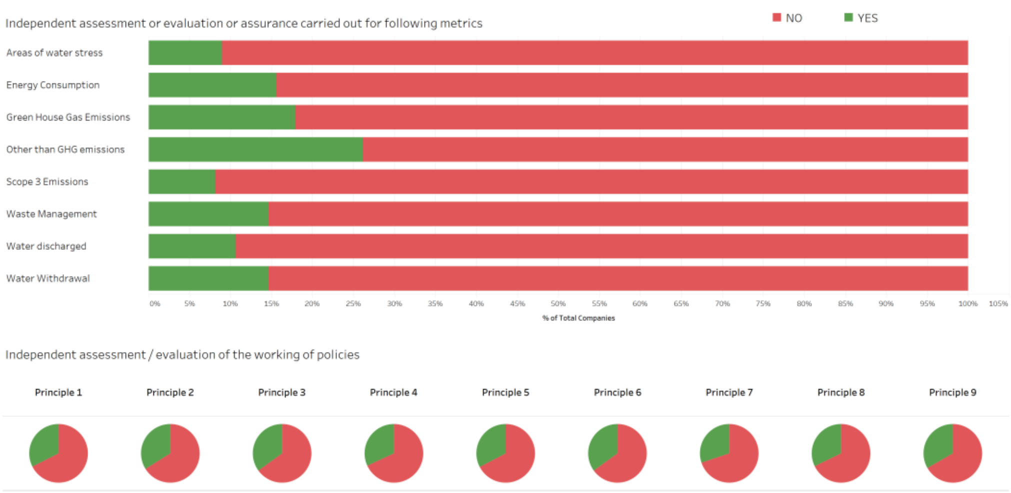


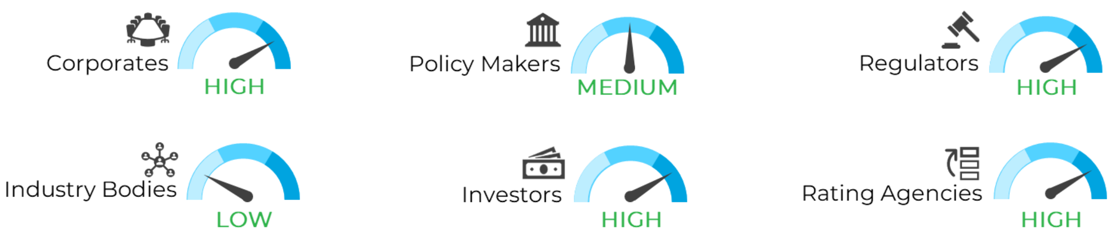
Figure7: External Assurance conducted for BRSR reporting

While the BRSR reports for the 2022-23 financial year were not required to go through mandatory assurance, there were prompts within the format to gauge if and how companies have taken up assurance of data. The 2022-23 data therefore provides insights on the extent of independent assessment, evaluation and assurance carried out voluntarily for different metrics like Policies, Energy, Water, Emissions and Waste.

The pie charts indicate the proportion of companies that are engaging independent evaluators to ascertain the relevance of their policies (as captured in Section B of the reports). The green portion of the bars represents the proportion of total companies that have carried out some form of assurance for different ESG metrics (as captured in Section C, Principle 6 of the reports). The overall extent of independent assessment was low, which is not unexpected given that assurance was voluntary. With the mandatory assurance regime, starting from this financial year 2023-24, the charts will start to transform, with the proportion of companies carrying out some form of assurance intended to eventually reach 100%. As assurance of BRSR Core KPIs becomes a reality, company policies are expected to also undergo greater scrutiny. Hence the pie charts' distribution may also correspondingly change over the next few years.

Who benefits from this insight and how much?

Among the key stakeholders, we believe that this insight is of particular relevance to investors and rating agencies since it drives credibility of reported data. This insight also provides important information for regulators (SEBI) and policy makers in helping them determine their future courses of action based on the current efforts by corporates. Globally, assurance of ESG reports is gaining significant traction to avoid greenwashing or greenhushing scenarios by corporates.



5.5 Intellectual properties based on traditional knowledge

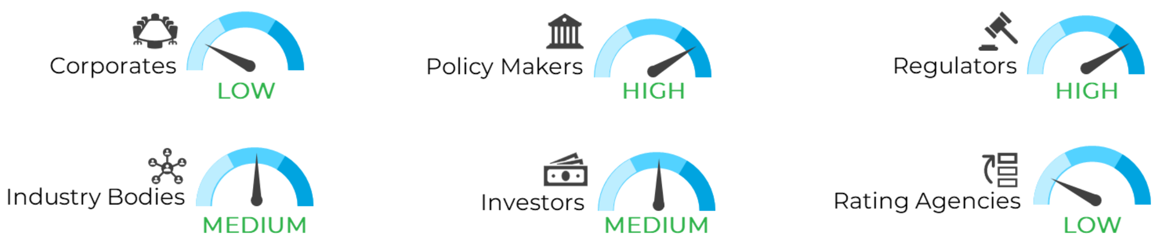
One of the BRSR questions specific to the Indian context is that on intellectual properties (IPs) based on traditional knowledge owned or acquired by corporates. SEBI's guidance document for the BRSR spells out the types of traditional knowledge to be considered, and requests details of benefits shared with the community where gains are derived from such IPs.

IP based on traditional knowledge – number of companies reporting	
Resource Transformation	1
Transportation	0
Infrastructure	0
Extractives & Minerals Processing	0
Technology & Communications	0
Services	0
Health Care	1
Financials	0
Consumer Goods	0
Food & Beverage	1

Figure 8: Number of companies reporting an answer to the BRSR question on intellectual properties acquired based on traditional knowledge

Who benefits from this insight and how much?

The nature of this question is such that it will not be applicable across all sectors or companies. We also acknowledge that this was not a mandatory question. However, it nonetheless appears notable that there less than 0.5% of BRSR issuers could provide relevant details of IPs based on traditional knowledge. With only 3 out of over 1,000 companies furnishing answers to this question, we find much to ponder in the reasons behind this low response rate.



5.6 CapEx and R&D spends

The BRSR includes questions seeking data about the percentage of Capital Expenditures (CapEx) and R&D investments in specific technologies to improve the environmental and social impacts of products and processes, against the total CapEx and R&D investments made by the entity.

An analysis of company responses indicates that while the large-caps have started to consider environmental and social impact-based spends, this tapers down as we move to mid-caps and small-caps. This indicates that environmental and social KPIs are not necessarily a table stake agenda for relatively smaller companies. We also observe that companies in the services sector (Financials, Health Care, Services, Technology & Communications) have demonstrated no spends against these parameters, while their manufacturing-sector counterparts are seemingly more aligned.

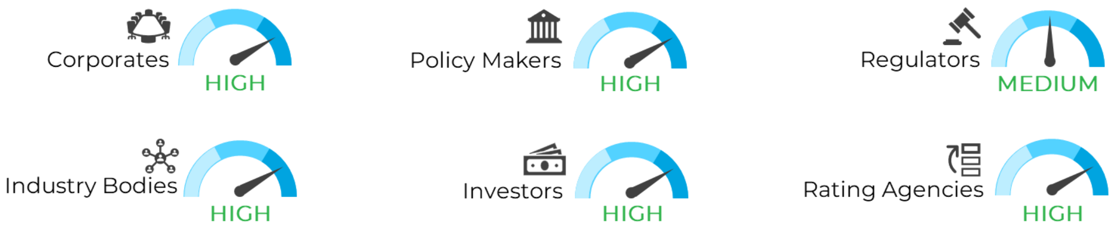
	Large cap		Mid cap		Small cap	
	% of CAPEX	% of R&D	% of CAPEX	% of R&D	% of CAPEX	% of R&D
Consumer Goods	4%	1%	3%	1%	0%	0%
Extractives & Minerals Processi..	17%	18%	3%	0%	0%	0%
Financials	0%	0%	0%	0%	0%	0%
Food & Beverage	10%	5%	1%	0%	3%	0%
Health Care	2%	0%	2%	0%	4%	0%
Infrastructure	16%	0%	1%	0%	0%	0%
Renewable Resources & Alterna..	5%	0%	9%	61%	0%	0%
Resource Transformation	7%	2%	11%	8%	1%	0%
Services	0%	0%	0%	0%	0%	0%
Technology & Communications	0%	0%	0%	0%	0%	0%
Transportation	19%	36%	1%	0%	1%	0%

Note: Large-caps have market cap above INR 20000 Crores, Mid-caps have a market cap ranging between INR 5000-2000 Crores and Small-caps have a market cap less than INR 5000 Crores.

Figure 9: Median % of spending to improve environmental and social impacts

Who benefits from this insight and how much?

We consider that most key stakeholders are likely to benefit significantly from these insights. Policy makers can use such statistics in deciding on support mechanisms to boost spends aligned with environmental and social impacts, while industry bodies can explore avenues to make a stronger case for sustainability-centric spends within their industries. Investors and rating agencies will also be highly interested in these insights since these numbers provide a telling insight into a company's (or even industry's) commitment to ESG.



6 Data Quality and Improvements

When a new mandate is rolled out, there is inevitably a learning curve. With the adoption of XBRL in other systems around the world, it is often seen that early filings have quality issues that need to be addressed to ensure the usability of the XBRL data.

During our analysis, we came across exceptions to the prescribed reporting format. We also observed human errors and mismatches between the PDF and XBRL reports, and have made an attempt on a best-effort basis to remove such outliers from our data repository.

We observed a few recurring quality gaps and issues in the BRSR XBRL implementation which need attention.

- A few companies have reported numeric values such as median salaries as scaled values (INR crore/lakh); unscaled values are required. Here the digital data is useful in spotting outliers and data gaps.
- Some companies have resorted to reporting zero values for essential (mandatory) metrics such as "Scope 2 emissions" and "water withdrawal."
- Intensity values for water, emissions and energy are expected to be reported as "intensity per rupee"; however, the denominator is often scaled to avoid insignificant intensity numbers. In these cases, only the PDF report explains the scaled value. Inconsistent denominators result in considerable variations in intensity numbers even within the same industry, undermining the comparability and utility of the data.
- The units of measurement for emissions are captured as a free text field, making it challenging to compare. Examples of variation of units include "Metric tonnes of CO2 equivalent," "Metric tonnes of CO2 eq." and "CO2 in MT." XBRL has a standard feature whereby the unit of every numeric fact should be captured in consistent format as accompanying metadata, using a single list which can be found in the unit registry.
- The BRSR disclosure templates have a range of validation rules, used to detect data errors and inconsistencies. These could be available in the taxonomy, making the rules machine-readable and enabling the data to be validated by any XBRL software.

7 Conclusions

Insights could easily be drawn from the BRSR data because it was reported in XBRL format. XBRL significantly simplifies the analysis process, as compared to reports conventionally reported in PDF, which require a considerable transformation.

Digital data, with its inherent machine readability, revolutionizes how we handle information, offering a remarkable edge in efficiency and accuracy. By bypassing the error-prone and labour-intensive nature of manual data capture, digital data ensures not only a significant reduction in human errors but also a dramatic increase in the capacity to manage and derive insights from data. This transformative capability is pivotal in an era where data-driven decision-making is key to success.

Digital reporting has a crucial role to play in the rapidly evolving ESG sphere. As corporations and organizations worldwide strive to meet the growing demands for transparency and accountability in their ESG initiatives, digital reporting offers an efficient, accurate, and accessible means of disclosing relevant data and practices. Furthermore, advanced analytics and AI enhance the ability to identify trends, benchmark against peers, and make data-driven decisions to improve ESG outcomes. Digital data therefore enables stakeholders, including investors, rating agencies and regulatory bodies, to assess and respond to a company's ESG performance effectively.

Data-quality issues in the reports largely related to wrong scales, inconsistent units, or incomplete reporting. Such data-quality challenges are not uncommon in initial reporting cycles. Digital data also aids in highlighting data-quality gaps and identifying outliers, facilitating the resolution of these issues in subsequent reporting cycles.

The insights in this paper represent selected metrics reported in the BRSR. Data in a range of other areas is available for analysis, such as emissions, water management, and governance policies, and we have no doubt that many further insights are possible.

Here is the link to dashboard to explore the analytics discussed in this paper.

This analysis is provided based on our best efforts. The authors are not responsible for its accuracy, completeness, or reliability, and the information is provided 'as is' without warranty of any kind. Users should verify its applicability to their needs and seek professional advice where necessary.

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ABOUT XBRL INTERNATIONAL

XBRL International is the global not-for-profit standards development organisation that has developed, maintained, and continues to enhance the XBRL specifications. Our public-interest purpose is to enhance transparency and accountability in business performance by providing global data exchange standards for business reporting. We are a global not-for-profit that works in the public interest, supported by more than 500 organisational members worldwide. Our specifications are freely available and are an important part of the fabric of reporting in more than 70 countries around the world, in use by well over 100 regulators, and used by more than 10 million private and public companies globally.

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