



To,
Pradeep Ramakrishnan,
General Manager,
Securities and Exchange Board of India,
Via email to: pradeepr@sebi.gov.in

18th September, 2020

Sub: Discussion paper on Business Responsibility and Sustainability Reporting

At the outset, we, at Indian Association of Investment Professionals (IAIP), a member society of the CFA Institute, appreciate the opportunity to submit our comments to the **DISCUSSION PAPER ON BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORTING.**

IAIP is an association of over 2000 local investment professionals who are CFA charterholders and about 4000+ professionals who have cleared exams, eligible and awaiting charter. The Association consists of valuation professionals, portfolio managers, security analysts, investment advisors, and other financial professionals that promote ethical and professional standards within the investment industry, facilitate the exchange of information and opinions among people within the local investment community and beyond, and work to further the public's understanding of the CFA designation and investment industry.

CFA Institute is a global non-profit association of investment professionals with over 164,000 members in over 165 countries. In India, the community of CFA charterholders is represented by the Indian Association of Investment Professionals (CFA Society India).

Through our global research and outreach efforts, CFA Societies around the world endeavour to provide resources for policy makers, financial services professionals and their customers in order to align their interests. Our members engage with regulators in all major markets.

We would like to acknowledge the significant contribution made by Matt Orsagh. Matt is a Senior Director Capital Market Policy and CFA Institute, Charlottesville (US)

We welcome the SEBI's discussion paper on Business Responsibility and Sustainability Reporting for corporates, if implemented will have far reaching impact in raising corporate's conscience related with society. We support SEBI's endeavour to align guidelines with the Sustainable Development Goals (SDGs)¹, and the United Nations Guiding Principles on Business & Human Rights (UNGPs). Implementation of this paper also help align business in our country with SDG and UNGP guidelines if clear timeframe and pathway is decided. We would like to take opportunity to add some suggestions that should enhance transparency, ethical business conduct, and improving fair and inclusive work culture in the country.

We would be happy to hear and discuss the merits / demerits of suggestions proposed by other practitioners and request to be included in the deliberation process.

A. Details of our Organisation:

1. **Name:** Indian Association of Investment Professionals (CFA Society India)
2. **Contact number:** +91 98196 30042
3. **Email address:** advocacy@iaipirc.org

¹ <https://www.undp.org/content/undp/en/home/sustainable-development-goals.html>



4. **Postal address:** 702, 7th Floor, A Wing, One BKC Tower, Bandra Kurla Complex, Bandra (E),
Mumbai - 400 051

B. Key Contributors:

Anil Ghelani, CFA	Ashwini Damani, CFA	Jolly Balva, CFA	Matt Orsagh, CFA
Mohan Kumar Prabhu, CFA	Nimisha Pandit, CFA	Om Jha, CFA	Rashmi Modi, CFA
Shamit Chokshi, CFA	Shwetabh Sameer, CFA	Sivananth Ramachandran, CFA	Vidhu Shekhar, CFA

C. Suggestions / Comments:

Name of Entity/Person: Indian Association of Investment Professionals (CFA Society India) Contact Number & Email Address: +91 9819630042(Rajendra Kalur, CFA); advocacy@iaipirc.org				
Sr. No.	Recommendation in the Business Responsibility and Sustainability Reporting to which the comment pertains	Suggestion/Comments	Rationale	Revisions to the recommendations, if any
1.	Section A: General Disclosures	We appreciate all suggested disclosures Additionally, SEBI should consider establishing industry specific disclosures SEBI may create a body similar to, or, partner with Sustainability Accounting Standards Board (SASB) ² to establish industry specific disclosures	Industry specific disclosures will provide material information that will help investors and stakeholders evaluate ESG risks facing a company and action towards it. Industry specific metrics will also help company and management align their goals with Environment, Society and Governance	
	Point 20 Participation/ Inclusion/ Representation of women (including differently abled)	We appreciate inclusion; however, the points mention women (including differently abled) at Board and Key Management Personnel level only. We suggest to encourage companies to have broader diversity at all levels and not just senior positions	This will help promote the inclusive culture across hierarchy.	Gender ratio at all levels Similar participation ratios based on other major possible grounds of discrimination

² <https://www.sasb.org/>



2.	<p>Section B: Management and Process Disclosures</p>	<p>Management and Process Disclosures (Governance, Leadership and Oversight) should cover CSR disclosures too.</p> <p>Issuers <u>must</u> consider implementing internal and/or external processes to evaluate the controls around ESG disclosure and measurement and to test the accuracy of ESG disclosures before they are released to the public.</p> <p>For companies, who many want to avoid additional audit/ verification costs related to ESG disclosures, issuers <u>must</u> explore putting in place processes around making these disclosures verifiable by stakeholders/ market participants on request basis</p>	<p>Our research³ indicates CSR spending is routed through related parties, and without governance and oversight, there are risks.</p> <p>To help maintain accuracy around ESG disclosures for overstatements, misstatements, or concrete statements capable of becoming misleading or untrue by forces or circumstances outside of the issuers' control.</p> <p>To help various market participants (such as ESG related funds, proxy governance firms, ESG scoring agencies etc.) to consume ESG related metrics data in a more useful way and/or to take better informed sustainable investment decisions based on company's ESG-related risks and opportunities.</p> <p>To provide opportunity to various market participants as well company stakeholders to question the corporate's response to ESG risks through mitigation and adaptation activities to avoid legal as well as reputational risks.</p>	
	<p>Stakeholder Engagement</p>	<p>Companies can be suggested to form ESG committee consisting of independent members and this committee or the company shall conduct stakeholder meeting on an annual basis, and provide the necessary disclosures regarding their adherence to ESG standards</p>	<p>This will help increase the communication between the company and its stakeholders, and a formal process of ESG communication and supervision can be established. This will also help large organizations with high Institutional holding improve their reporting standards.</p>	

³ [Study on Related Parties Transactions in India conducted by CFA Society India](#)



3.	<p>Section C: Principle 1: Businesses should conduct and govern themselves with integrity in a manner that is Ethical, Transparent and Accountable.</p>	<p>We suggest formulation of something similar to corrupt practices act, and statutory requirements of accounting disclosures and audit of expenses related with government agencies We also suggest SEBI to mandate companies to report Effective Tax Rate in annual filings and share reasons of difference from statutory rate</p>	<p>Companies fear losing reputation and thus will be more careful to prevent corrupt practices</p>	
4.	<p>Section C: Principle 3: Businesses should respect and promote the well-being of all employees, including those in their value chains</p>	<p>We appreciate promoting well-being while would suggest focus on health along with safety of employees</p>	<p>This will help investors and consumers understand the efforts taken in improving technology and safety aspects at sites, and coverage of long-term health protection for such exposures post retirement or termination of employment.</p>	<ul style="list-style-type: none"> • Health related metric similar to safety related reporting in point • For manufacturing companies, they could be required to include a director's report addressing long term health aspects in industries such as quarrying, mining, petroleum, construction, asbestos, and radiation exposure
5.	<p>Section C: Principle 4: Businesses should respect the interests of and be responsive to all its stakeholders</p>	<p>Suggested indicator seems to focus on marginalized stakeholder. Companies shall be encouraged to identify all key stakeholder's wants and needs and try to align business and corporate activities around these.</p>	<p>Companies engages with various stakeholders in its day to day activities and must work towards minimizing negative impact on any stakeholder</p>	
6.	<p>Section C: Principle 5: Businesses should respect and promote human rights</p>	<p>Along with Human Rights we suggest focus also on improving work culture for women</p>	<p>World Bank Data⁴ shows historic low of women participation in Indian workforce Companies shall be encouraged to disclose efforts taken to</p>	

⁴ <https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS?locations=IN>



			<p>promote women employment. We provide some specific suggestions tying with some points of this section below</p>	
	<p>Point 2: Details of remuneration/ salary/wages</p>	<p>Gender wage gap should be reported in terms of one or more metrics.</p>	<p>As per the Equal remuneration act, 1976, it is the duty of employer to pay equal remuneration to men and women workers for same work or work of similar nature. However, various surveys indicate that huge gender pay gaps exist. Reporting of the metric will thus help in promoting inclusion of women and equal pay, as mandated by law.</p>	<p>Suggested metrics includes</p> <ul style="list-style-type: none"> • Difference between mean/median hourly rate of full pay/bonus of relevant male and female employees • Proportion of male and female relevant employees in the lower, lower middle, upper middle and upper quartile pay band
	<p>Point 4: Describe the internal mechanisms in place to redress grievances related to human rights issues & Point 6: Details of Human Rights related grievances</p>	<p>Companies can be encouraged to have sort of Ombudsman policy, where such grievances are handled by someone responsible and different from usual line of hierarchy or HR. Policy shall also define</p> <ul style="list-style-type: none"> • Basis of discrimination shall be well defined • How complaints shall be heard, who is responsible and how can it be ascertained it has been resolved 	<p>Independent and unbiased grievance redressal will help employees feel comfortable in reporting and resolving their discrimination related issues.</p>	
7.	<p>Section C: Principle 6: Businesses should respect and make efforts to protect and restore the environment</p>	<p>The disclosures related to Scope 3 emissions should be increased, as most emissions come from Scope 3 emissions.</p> <p>We could add a column on the quantum of investments and expenses being incurred towards addressing the objectives to protect and restore the environment.</p>	<p>The increase in disclosure regarding the Scope 3 emissions, will increase the responsibility on CSR.</p> <p>Purpose is to differentiate symbolic efforts of small amounts from credible shifts in corporate policy towards sustainable environment, which require long term capex commitments. It also helps evaluate the financial aspects of</p>	



			ESG better, to help government policy making in the future for any incentives etc.	
8.	Section C: Principle 7: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent	Nature and quantum of any contribution to and from political parties and media should be disclosed. Companies shall have zero tolerance on corrupt practices. Implementing a policy framework similar to the Foreign Corrupt Practices Act (US) ⁵ , would ensure prevent practices like bribery, directly or indirectly, within or outside the country. Necessary disclosures shall be made annually	This shall help further SEBI's endeavor of enhancing transparency. The creation of a policy like the FCPA (US), will help in elimination of unethical practices related to bribery and other corrupt practices like Vendor registration, etc. and provide investors with a more transparent view of the business activities.	
9.	Section C: Principle 8: Businesses should promote inclusive growth and equitable development	Social impact assessment by external agency, guidelines shall be provided on what will it cover and what is the public domain where it is suggested to be posted	This shall help further SEBI's endeavor of enhancing transparency	The public domain shall be a prominent place in the company's website
	Point 6: List of adverse orders and case details of intellectual property rights disputes	Along with intellectual property disputes, list of adverse orders related with environmental and social disputes shall all be disclosed	Disputes related with environmental and social matters relate to ESG and knowledge and disclosure will help stakeholders evaluate companies' ESG risks and implications	
10	Suggestions on BRSR	There needs to be harmonization of BRSR with international standards over time.	Corporate sustainability reporting standards have proliferated over the last decade, but there is an increased focus on harmonization of some of the standards.	

⁵ Foreign Corrupt Practices Act (US): <https://rb.gy/hlmuia>



			<p>For example, please see the recent <i>Statement of Intent to Work Together Towards Comprehensive Corporate Reporting</i> by the five leading ESG standard setters GRI, IIRC, CDP, CDSB, and SASB.</p> <p>Regulators need to keep abreast of international developments, and find areas to harmonize BRSR with international standards.</p> <p>SEBI has mentioned aligning with SDG goals in its preamble, we suggest there shall be a timeframe defined and pathway laid down for getting the alignment as complete as possible</p>	
11	Guidance note BRSR format	Given the disclosures are non-financial, and qualitative in most cases, the information needs to be captured systematically by modifying the XBRL taxonomy.	This would help not only in analysis and cross-company comparisons, but also enforcement and oversight by regulators.	

Citation:

European Union: Suggestive Efforts towards SDG Alignment

https://ec.europa.eu/info/sites/info/files/political-guidelines-next-commission_en_0.pdf

Thank you again for the opportunity to comment on this important regulatory framework. If you or your staff have questions or seek further clarification, please do not hesitate to contact Mr. Rajendra Kalur, CFA at +91 98196 30042 or at advocacy@iaipirc.org.

Sincerely yours,

Rajendra Kalur, CFA

Director - Research and Advocacy Committee

Indian Association of Investment Professionals, Member Society of CFA Institute