STRENGTHENING ENVIRONMENTAL REPORTING UNDER BRSR

Business Responsibility and Sustainability Reporting (BRSR): A CSE Guidance Brief
Introduction

- In 2021, SEBI introduced BRSR & new guidelines for non-financial disclosures.

- A reporting structure to match international ESG disclosure frameworks.

- BRSR includes 3 sections- General disclosures, Management and Process Disclosures & Principle-wise Performance Disclosures.

- BRSR framework collects information from businesses on 9 principles based on SDGs including Environmental Stewardship.

- BRSR reporting is divided into Essential indicators (mandatory) and leadership indicators (voluntary)
Objectives & Methodology

• First attempt any regulatory authority in India mandating the sharing of such detailed environmental data in the public domain.

• Analyze how to **strengthened BRSR** to get quality data.

• Can **help policymakers and investors** for more informed decision-making.

• Reviewed 28 reports from 14 different companies, and prepared an overall assessment. (for last 2 FYs 2021-22 and 2022-23)

• **Reviewed information** provided by companies only under **Principle 6 (Environmental Stewardship)**

• Assessed data related to energy efficiency, total water usage, air emissions, liquid discharge disclosures, greenhouse gas emissions, waste generation etc.
<table>
<thead>
<tr>
<th>Name of company</th>
<th>Sector</th>
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<tbody>
<tr>
<td>1. Bharat Forge Limited</td>
<td>Metal and metal products</td>
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<tr>
<td>2. Cipla Limited</td>
<td>Pharmaceuticals, chemicals and wholesale trading</td>
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<td>3. Dalmia Bharat Limited</td>
<td>Cement</td>
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<td>4. Dr Reddy’s Laboratories Limited</td>
<td>Pharmaceuticals</td>
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<td>5. Glaxosmithkline</td>
<td>Pharmaceuticals</td>
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<td>6. Indian Oil Corporation Limited (IOCL)</td>
<td>Coke and refined petroleum products</td>
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<td>7. ITC Ltd</td>
<td>FMCG, agri-commodities, paper and paperboards, hotels</td>
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<tr>
<td>8. JSW Energy Limited</td>
<td>Power</td>
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<td>9. L&amp;T Limited</td>
<td>Engineering, infrastructure, power and hydrocarbons</td>
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<td>10. Lupin Limited</td>
<td>Pharmaceuticals</td>
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<td>11. Orient Cement Limited</td>
<td>Cement</td>
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<td>12. Sun Pharmaceuticals Industries Limited</td>
<td>Pharmaceuticals, medicinal and chemical products</td>
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<tr>
<td>13. TATA Chemicals Limited</td>
<td>Basic chemicals and specialty products</td>
</tr>
<tr>
<td>14. The Tata Power Company Limited</td>
<td>Power generation, transmission and distribution</td>
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Analysis- Energy consumption

• Only four industries—Indian Oil, Dr Reddy’s Laboratories, Lupin and Sun Pharmaceuticals—have indicated a reduction in energy consumption during 2020-23.
• Energy consumption of Glaxosmithkline (GSK) has shot up from 56,512 GigaJoule (GJ) in 2020-21 to 1,08,441 GJ in 2022-23—a 92 per cent jump.
• Nine companies have emerged with an increasing trend on sourcing from renewable energy sources.
• ITC Limited and Sun Pharmaceuticals have reported renewable energy sourcing of 43 and 40 percent respectively of total energy consumption (2022-23).
• Cipla Limited (15 to 27 percent) and Bharat Forge Limited (9 to 15 percent) have shown good growth in meeting energy needs from renewable sources.
• JSW Energy, Tata Chemicals and Indian oil have reported a very low share of energy from renewable sources—less than 1 per cent of their total consumption.
• Tata Power has not provided any information for sourcing of its energy from renewable sources.
• Energy Intensity parameter- lack of clarity-data from same sectors are not comparable (reporting in different units) GJ/Million Rs, GJ/lakh Rs., TJ/crores. Reason for low or high intensity not clear.
Analysis- PAT scheme

- Question seeks information on units identified as designated consumers (DCs) under PAT. Disclose whether targets have been achieved, remedial action taken if not met.

- Not naming units clearly: Dalmia Bharat used abbreviations such as DPM, KPD, MGH etc. Claims all units complying without sharing data.

- Incomplete data: ITC- three units of its paper business and 11 of its hotels are covered under PAT- all reported to achieve PAT targets, no data and names of unit to substantiate.

- IOCL named all refineries covered under PAT; 4 have achieved targets; 3 couldn’t meet, data not shared.

- The best case: Tata Power Company Limited - Provided unit wise data in a tabular format. Out of 5 units 3 have achieved target. Mentioned remedial action for units unable to achieve the target.

- Information on the set SEC target, the actual SEC achieved and any remedial actions for the non-compliant units to be reported.
Analysis- Water consumption

- Observed increase in water consumption by eight companies, six companies have reported a reduction.

- Water intensity indicator (m3/Rs. turnover) - clarity required. Water consumption at Cipla Limited, ITC Limited, Tata Chemicals Limited and Tata Power has increased but companies’ water intensity has dropped.

- Intensity should be in m3/unit basis: JSW Energy Limited, provided water intensity (optional) data in m3/MWh, apart from information on water consumption per rupee of turnover.

- Tata Power Company Limited instead of providing water consumption data, it has introduced a new parameter: total freshwater consumption.

- Companies need to be given the scope to clarify the data that they are providing.
Analysis - Water discharge

- CSE’s analysis indicates Bharat Forge Limited, Dalmia Bharat Limited and Orient Cement Limited are not discharging wastewater.

- Bharat Forge reported it is recycling the treated effluent.

- Glaxosmithkline, L&T Limited and Tata Power are three companies that have not provided data in their first report on water discharge by destination and level of treatment.

- L&T mentioned that the company has started partial recording of this data across businesses in the second reporting.

- Incomplete information: In 2021-22, ITC Limited reports having consumed 11.7 million kl of water, but discharged 22 million kl. CSE reviewed Sustainability report of ITC and observed it has created over 46 million kl of RWH potential.

- Incomplete information: JSW Energy Limited – the company reported a consumption of 23.7 million kl in 2020-21 and a discharge of 57 million kl. CSE analyzed JSW Energy uses seawater, which it considers in its withdrawal but not as consumption.
Eleven companies have provided data pertaining to water withdrawal, consumption and discharge in water-stressed areas.

Tata Power Company Limited provided only names of plants, no supporting quantitative data.

GSK, Sun Pharmaceuticals, Cipla Limited, Dr Reddy’s Laboratories and ITC have more than one plant each located in water stressed areas.

The best case: JSW has provided the data on water withdrawal, consumption and discharge unit wise. All its units are located in water stressed areas.

ITC increased its water withdrawal from surface water in water-stressed areas. Water withdrawal went up from 25 million kl in 2020-21 to 27 million kl in 2022-23.

For units in water stressed areas, 37 per cent of Cipla’s water requirement met through groundwater during 2020-21 and 2021-22. GW sourcing reduced to 13 percent in second reporting.

DRAWBACK: SEBI seeking plant-wise reporting, but companies have chosen to provide consolidated information.
Analysis- GHG emissions

- CSE analysed, Dr Reddy’s Laboratories, Lupin Limited, Sun Pharmaceuticals Industries, IOCL, GSK and Tata Power have reduced GHG emissions.
  - No proper reasons provided by most of them for reduced emissions.
  - Only IOCL provided reason for reduction in Scope 2 emissions as an updation in the grid emission factor.

  - Tata Chemicals – no reasons provided for the doubling Scope 1 emissions in 2021-22.
  - Cipla accounted for only fuel-based emissions in Scope 1; included refrigerant-based emissions in second reporting.
  - Among the companies surveyed, only ITC Limited has provided reason of increased GHG emissions: during 2021-22, there was an 8 per cent rise in emissions against 24 per cent increase in production.

- ITC Limited provided detailed explanation on increase in Scope 3 emissions in 2021-22 in comparison to 2020-21.

- Of the 14 companies, only six provided information on their long-term strategies and goals to reduce GHG emissions by a certain period.
Analysis- Air emissions

- BRSR format has asked for information on NOX, SOX, PM, POP, VOC, hazardous air pollutants etc – not specified units in which data to be reported.
- Bharat Forge Limited and Cipla Limited have reported data in mg/Nm3, most other companies have done in tonne per annum.
- When companies report their air emissions data in one single value in mg/Nm3, difficult to understand the unit wise status of compliance.
- No company has provided any details about how the data has been compiled.
- Dalmia Bharat Ltd- the company comments “please refer to GCCA indicators table in the report”. No link to the report or the relevant page number has been provided.
- Reporting in mg/Nm3 & unit wise is a better option as industrial emission standards are available.
Analysis- Reporting on environmental compliance

- **Appreciable addition** in the BRSR format is section on environmental compliance of companies.
- Initiative towards encouraging transparency.
- The BRSR format has three questions on environmental compliance
  - Question on projects or offices around **ecologically sensitive areas**.
  - Question on the **EIA undertaken** for a project.
  - Question on **complaints received or fines/penalties imposed** under various environmental acts.
Analysis- Reporting of environmental compliance

Reporting on units in ecologically sensitive zone.

- Out of 14 companies, seven have reported that they have facilities in ecologically sensitive areas; six say they don’t.
- **Bharat Forge Limited and ITC Limited** claim that **all units in ecologically sensitive areas are complying** with applicable laws and regulations. Number of units not provided.
- Companies have not followed the reporting format.
- **Interesting to know:** None of the companies reported any cases of non-compliance in units in ecologically sensitive areas.

Reporting on EIAs undertaken

- Cipla Limited has shared the EC report in the public domain by providing a link.
- IOCL Limited undertaken 2 EIAs – but no information put in public domain.
- **Glaxosmithkline Pharmaceuticals Limited** has stated that pharma units are not notified as an industry, and hence do not require EIAs.
- Companies need to ensure that they provide the information in the way it has been asked for.
Analysis- Reporting of environmental compliance

Reporting on non-compliance and fines/penalties imposed

- **Only four companies** shared details on **non-compliance**. These are **Indian Oil, L&T, Dalmia Bharat and Sun Pharmaceuticals**.

- Bharat Forge, Dr Reddy’s Laboratories, JSW Energy, Orient Cement and Tata Chemicals have stated they are **complying with all relevant laws and regulations**.

- Cipla and Lupin Limited have simply said ‘Yes’

- **How data should be reported?** L&T Limited and IOCL has put up details under compliance, fines and penalties parameter with details of non-compliance, fines imposed in a table.

- **Non compliance is non compliance**: Glaxosmithkline has reported no major non-compliances.
Analysis- Waste

- Cipla Limited, Dr Reddy’s, ITC and Orient Cement claim less than 0.5 per cent of the total waste generated is unaccounted for.

- **Need to clarify on what to be submitted**: Dalmia Bharat Limited and Tata Power Company provided same data under all the three headings, total waste recovered through recycling, reuse as well as total waste disposed.

- **Data on recycling, reuse and disposal** not asked waste wise but in totality unlike the data on waste generation

- **No detailing** on how different hazardous and non-hazardous wastes are handled by the companies.

- **SEBI under Principle 2** asks for material-wise recycled and reused waste, and the amount disposed of each type- this is missing under Principle 6.
Findings & Recommendations
Findings

- "Consolidated Company data is not always useful": An average value which takes into account both good and bad units do not represent the sustainability of a company.

- "Data without reasoning does not say much": With current BRSR format it is difficult to rationalize the reasons behind increase or decrease in value of any parameter.

- "Companies tweaking with the questionnaire": Companies have often provided data as per their understanding, and added or deleted rows as per their convenience.

- "Some important indicators categorized as ‘voluntary’, not ‘mandatory’": Key indicators such as water withdrawal, consumption and discharge placed under ‘Leadership Indicators’, where sharing information is voluntary.
Recommendations

• Opt for a sector-specific approach in the BRSR framework — similar to international frameworks — more useful for analysis and comparison while reporting. Help investors with an easy, holistic and comprehensive understanding. CSE recommends use of any domestically approved and accepted classification (such as NIC).

• Mandate specific energy/water consumption data — optional at present. This data will clearly reflect the overall energy and water efficiency of the manufacturing process.

• BRSR report format should rework table formats to enable data capture — CSE has worked out the table formats for disclosure of PAT targets, water sourcing and management, treated effluent utilization etc.

• Ensure that companies report on the type of fuel used as well as their utilization of renewable energy — it is important to collect information about the types of fuels used by a company and the break up of energy usage from different sources.
Recommendations

• SEBI may ask for quantitative details about GHG emission reduction—quantitative details pertaining to projects undertaken by the company for reducing companies GHG emissions should be asked for.

• Non-hazardous and hazardous wastes should be accounted for properly—Seeking waste wise information on generation, recycling, reuse and disposal. Data should be categorized under hazardous and non-hazardous waste.

• Moving important parameters from Leadership Indicators to Essential Indicators—Water withdrawal, consumption and discharge in an area of water stress (Question 3), details on initiatives taken for resource efficiency, reduced emission/effluent and waste (Question 6) should be included under Essential Indicators.

• Proper clarification on “others” category and space to explain the data is must—There is no space given to companies in the format to explain what “others” include and reason for the increase or decrease in the reported data.
Recommendations

• **Include important environmental parameters in BRSR core format:**
  – Sourcing and withdrawal of water should be included (Question 1).
  – Water consumption figures should be based only on metering (Question 2).
  – It is also recommended to include reporting on fuels consumed and the related energy (Question 3).
  – There is a need to categorize different types of waste as hazardous and non-hazardous (Question 4).

• **Update the guidance document** - certain parameters where sufficient clarification is not given on the information to be provided. Guidance document has not been updated alongside BRSR format.

• **Provide complete details of units whose data is being reported** - companies should report names of the plants/units in details with location should be included while unit wise reporting by companies.

• SEBI should ask unit-wise data under PAT disclosure, air emissions (other than GHG) and water withdrawal, consumption and discharge.
Thanks