



## Investing in a Sustainable Future

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### Editor’s Nest

*“Our assets walk out the door each evening. We have to make sure they come back the next morning.” – Narayana Murthy, Infosys co-founder*

The SEBI mandated Business Responsibility and Sustainability Report (BRSR) is the current Indian norm on company wise ESG disclosures. It is based on a total of 9 Principles, and we have already dealt with Principles 1 and 2 in our previous issues that discuss corporate governance and green supply chain respectively. In this edition, we will be analyzing Principle 3 which states that *“Businesses should respect and promote the well-being of employees, including those in their value chains.”*

A business is a living ecosystem. Employees across the value chain, from the manager to the factory worker, are each vital in contributing to the company’s overall health and vibrancy. Therefore, focusing on their well-being increases productivity, enhances performance, reduces turnover, improves brand reputation, attracts investor confidence, and builds positive relationships with all stakeholders including customers and communities. But how does a company ensure this? Let’s understand how ‘employee well-being’ is a holistic concept.



Thus, a company that cares for its entire human resource unlocks sustainable growth, fuels innovation, and stands to embrace overall success.

### Expert Speak

**Current Trends in ESG – Mitanshu Shah, Senior VP, Finance, Alembic Pharmaceuticals Limited.**

ESG will become the most important investment theme of the next decade, and here are the current trends which will impact the ESG theme going ahead –

1. Mandatory disclosures are going to increase, which will help all stakeholders to know about the company’s strategy and execution of important parameters.
2. Greenwashing, which is a term used for misleading ESG disclosures, will come under acute spotlight. At present, many watchdogs are very vigilant on wrong and misleading disclosures and companies are being subjected to penal provisions.
3. The CFO’s office will be more integrated with ESG strategy. ESG imperatives will be on every CFO and CEO’s risk management radar.
4. Investors in a company will be looking for ESG themed investments consistent with their morals and environmental or social objectives. There have been several cases in recent past where ESG compliant entities attracted global funding for developing sustainable products and services. This will become the norm.
5. ESG is the catalyst for reducing operating costs. Making use of renewable energy sources or more energy efficient technologies and tools. As a result, businesses could reap the benefits with lower energy and utility bills and end up saving sizable money.
6. There will be pressure on corporate boards and government agencies to enhance their ESG skills. Since shareholder activism has also increased in this area in last few years, it will be pertinent that board can face voting against lack of credible plan for ESG. viz, organizations will have to disclose any climate risks they are responsible for creating. Lots of goodwill will get created/destroyed on this account.



## A Divided Workforce: Organized and Unorganized India

Imagine factory workers who are helmeted and briefed in regulated workspaces. They have access to social security measures. For example, India's Employees Provident Fund Organization added 15.3 lakh subscribers in October 2023, a slight 1% increase from September 2023. There is also awareness and access to safety officers, personal protective equipment, disaster preparedness, first aid kits, etc. The organized sector is a world of written contracts, job security, and compensation. Now picture street vendors. They are not covered under any social welfare laws and are not provided with any skill training. Dust, fumes, cramped spaces, and unreported dangers – this is their grim reality.

From construction mishaps to respiratory problems, the Unorganized sector workers suffer *disproportionately higher rates* of accidents, injuries, and illnesses. How can companies help? By auditing suppliers, building fair contracts, collaborating with Government agencies and NGOs to provide basic healthcare services, and developing and deploying technology solutions to connect unorganized workers with better safety information, corporate entities can ensure a safe workday for all, and not just the privileged few.

Principle 3 aligns with the following United Nation's Sustainable Development Goals:



Principle 3 also includes the following Integrated Reporting Capitals:






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## Best Practices for Principle 3

The following are the major components covered by the SEBI mandated BRSR format, further supported by best industry practices:

Component	Company	Best Practice
		
Occupational Health and Safety (OHS)	Hindustan Petroleum Corporation Limited	Management System for OHS across all operations, periodic training for all employees and workers on hazard risk identification and usage of personal protective equipment, review through safety audits and surprise inspections, and disaster response mock drills.
Fair Wages and Benefits	Bajaj Finance Limited	100% coverage under insurance schemes, maternity/ paternity, and retirement benefits.
Diversity and Inclusion	Asian Paints	Policy on Equal Opportunity and Non-Discrimination providing for infrastructural facilities like ramps and assistive devices for the disabled at all premises.
Grievance Redressal Mechanism	Reliance Industries Limited	Multiple channels for grievance redressal. Vigil Mechanism and Whistleblower Policy for reporting any violation.

### Did you know?

**BRSR Core** refers to certain Key Performance Indicators for which the top 150 listed companies need to mandatorily provide reasonable assurance by 2023-24. Cost incurred towards well-being measures and details of safety related incidents form part of BRSR Core KPIs under Principle 3.