

STUDY OF COMPLIANCE LEVEL OF BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORTING REQUIREMENTS OF SELECTED NSE LISTED COMPANIES OF THE FMCG SECTOR

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Abstract:

*Business Responsibility and Sustainability Reporting (BRSR) is expected to be used as a single source disclosing sustainability-related information in India. It would serve as a base document for various stakeholders, especially to investors, to bring about comparability amongst companies. BRSR is voluntary for FY 2021-22 for the top 1000 listed companies (by market capitalization) while disclosure is mandatory from FY 2022-23 therefore there is need to make comparative analysis of voluntary BRSR practices of select NSE listed FMCG sector companies. The objective of this study is to understand the conceptual framework of BRSR and also to examine the BRSR practices of selected companies. For study purpose Hindustan Unilever Ltd. (HUL) and Procter & Gamble Ltd. (P&G) have been selected for the financial year 2022-23. Secondary Data has been collected from the BRSR reports and content analysis technique is used for study purpose. The study reveals that Hindustan Unilever Limited has a BRSR framework that is more complied with by SEBI than Procter & Gamble Hygiene and Health Care Limited. Hindustan Unilever has 128 contents out of 140, which is 91.42% of the BRSR framework. Therefore, it is concluded that Hindustan Unilever Limited's BRSR is more complied with the SEBI framework. **Keywords:** Business Responsibility and Sustainability Reporting, SEBI and FMCG Sector Companies*

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Introduction:

Business Responsibility and Sustainability Reporting (BRSR) is important in many ways for both businessmen and authorities. Better Market Positioning – A recent market analysis report found that companies in India that practice BRSR as a goal and guiding principle are more profitable than their competitors. Some companies have realized or are realizing that investing in environmental and social issues not only improves business performance, but also gives them an advantage over competitors and customers, and opens up new markets.

The BRSR framework is aligned with global ESG reporting standards such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standard Board (SASB). Global investors will be attracted due to BRSR, and Indian companies can disclose their commitment. The Securities and Exchange Board of India (SEBI) has announced an Environmental, Social, and Governance (ESG) reporting framework aimed at promoting sustainable development and corporate sustainability.

During its last board meeting, SEBI released a new ESG report called Core Business Responsibility and Sustainability (BRSR) and also formulated concrete measures for ESG (resource management) investments. By introducing a standardized reporting format, SEBI will ensure that companies operating in India adhere to responsible business practices and transparently disclose non-financial parameters and sustainability goals.

Literature Review:

(Menghnani & Babu,2022) titled “Business Responsibility and Sustainability Reporting (BRSR) – An Exploratory Study”. The past decade has seen significant changes in reporting standards due to global environmental and social concerns. SEBI introduced new sustainability reporting standards called BRSR (Business Responsibility and Sustainability Reporting) for the top 1,000 publicly traded companies. This paper discusses the background, implementation, evolution of sustainability reporting, and improvements introduced by BRSR. Indian companies striving for ethical, social, and environmental responsibility aim to achieve higher levels of information disclosure through BRSR implementation.

(Mishra & Sharma,2023) titled “an analysis of business responsibility and sustainability report of selected Indian companies” Global investors and governments are recognizing the importance of green and sustainable financing, as it encourages investors to consider factors beyond risk and return. The Indian financial sector is gaining attention for sustainable finance, which can positively impact India's international reputation. This will encourage customers to consider factors beyond risk and return when making financial decisions. The study highlights key policy changes and reforms needed to improve the growing financial markets in the long term, highlighting the need for sustainable finance in the Indian financial sector.

(Motwani & Gupta, 2023) “ESG Reporting: Environmental Dimension Disclosures by Large Energy Sector Companies in India” The study examines the Environmental Aspect Disclosures (EDDs) of major Indian energy companies, including oil, gas, coal, and power. It conducts a content analysis of their Business Responsibility and Sustainability Reports (BRSR) with the National Stock Exchange of India. The study provides a detailed analysis of the answers to environmental questions in the BRSRs. However, sector-specific guidance is needed to provide a detailed analysis of reporting on environmental issues like energy and water reductions, greenhouse gas emissions, and waste generation.

(Kakri ,2023) titled “A Study of Financial Sustainability under ESG Approach: An Empirical Analysis of Nifty 100 Index Companies” This paper analyzes the financial sustainability of Nifty 100 index companies from 2014-2015 to 2019-2020, focusing on ESG phenomena. It examines variables such as capital structure, employee number, firm size, liquidity, social responsibility, environment, governance, and return on capital. Six of the eight variables are found to be important, with employee size, company, and governance having positive significance, while size, liquidity and environment have negative impacts.

Objectives of Study: The main objective of this study is to know the conceptual framework of Business Responsibility and Sustainability Reporting and to scrutinize the conceptual framework of Business Responsibility and Sustainability Reporting for selected listed companies involving Hindustan Unilever Ltd. (HUL) and Procter & Gamble Ltd. (P&G) which deal with Fast-moving consumer goods. (FMCG)

- To Study Business Responsibility and Sustainability Reporting framework
- To what extend do selected FMCG companies report Business Responsibility and Sustainability Reporting against its framework
- To know about which company out of these two selected companies is following more the Business Responsibility and Sustainability Reporting framework.

Research Methodology:

1. Sample Selection

The current study focuses on understanding conceptual framework of Business Responsibility and Sustainability Reporting and to scrutinize it for selected NSE listed companies in the FMCG sector.

For the purpose of this study, data is collected from secondary sources including the official website of Securities Exchange Board of India (SEBI), National Stock Exchange (NSE), Money Control, and websites of selected companies. As per the order of SEBI, companies in the top 100 market capitalization companies of NSE and Bombay Stock Exchange (BSE) shall report titled 'Business Responsibility Report' as part of their annual report or as an annexure. SEBI has prescribed nine criteria in its BRSR format. The nine principles are used as variables in the study.

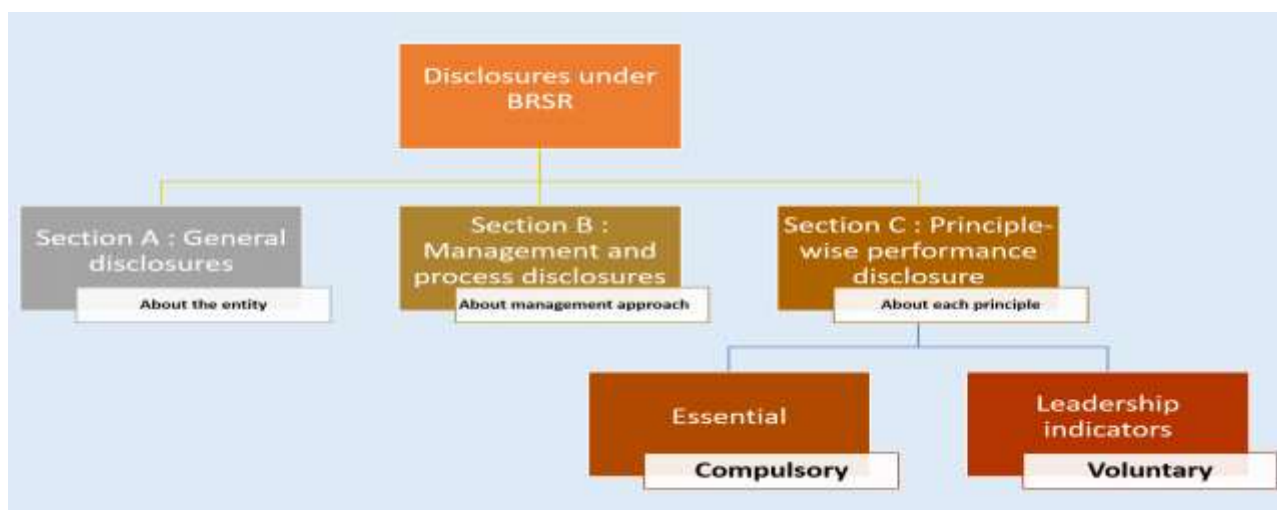
2. **Data Collection:** The guidelines and framework of Business Responsibility and Sustainability Reporting is collected from SEBI's Website and BRSR Reports for the financial year 2022-23 of selected NSE listed companies are collected from NSE website.
3. **Research Method:** Content analysis and statistical tool. For this purpose average and percentage are used for the analysis of data.
4. **Period of the Study:** Data is taken of one financial year i.e. 2022-23 for study purpose.

Development of Business Responsibility and Sustainability Reporting (BRSR)



*Source: A new era for ESG in Asia Pacific, Goldman Sachs Equity Research

Structure of BRSR



Source: <https://vinodkothari.com/2021/06/brsr-reporting-actions-and-disclosures-required-for-business-sustainability/>

Overview of the 9 principles of BRSR



Source : <https://indiacr.in/what-is-brsr-and-what-are-the-9-principles-of-brsr/>

Analysis and Findings: For the purpose of analysis, all BRSR Disclosure are segregated into 21 sub heads and each sub heads having different contents as per SEBI's BRSR format. Total 140 contents are given under BRSR format. In the following table bifurcation is done as per the BRSR of both companies.

S.No.	Content elements of BRSR	Total Score	Hindustan Unilever Limited	Procter & Gamble Hygiene and Health Care Limited
1	Details of the listed entity	13	13	13
2	General Disclosures	11	11	11
3	Policy and Management Processes	12	11	9
4	Business Ethics-Essential indicators	7	7	7
5	Business Ethics-Leadership indicators	2	2	1
6	Product life cycle and sustainability-Essential indicators	4	4	4
7	Product life cycle and sustainability-Leadership indicators	5	5	2
8	Employee well-being-Essential indicators	15	15	14
9	Employee well-being-Leadership indicators	6	6	3
10	Stakeholder engagement-Essential indicators	2	2	2
11	Stakeholders engagement-Leadership indicators	3	3	1
12	Human right-Essential indicators	10	10	10
13	Human right-Leadership indicators	5	3	3
14	Environment-Essential indicators	12	12	10
15	Environment-Leadership indicators	9	9	2
16	Public advocacy-Essential indicators	2	2	2
17	Public advocacy-Leadership indicators	1	0	0
18	Inclusive growth-Essential indicators	4	1	1
19	Inclusive growth-Leadership indicators	6	2	1
20	Customer relationship-Essential indicators	6	5	5
21	Customer relationship-Leadership indicators	5	5	3
Total		140	128	104

(Source : Author compilation based on BRSR report)

Hindustan Unilever Limited has completed 128 out of 140 contents, meeting 91.42% of the BRSR framework. The company has conducted 6 awareness programs for Board of Directors, Key managerial personnel, and employees other than BOD and KMP, as well as one for workers. Procter & Gamble Hygiene and Health Care Limited has completed 104 out of 140, meeting 74.28% of the BRSR framework. Both companies have demonstrated essential indicators under Principle 1.

Under Principle 2, Hindustan Unilever Limited has allocated 8.1% R&D and 13% capital expenditure to enhance the environmental and social impacts of its products and processes, while Procter & Gamble Hygiene and Health Care Limited has not incurred any R&D or capital expenditure on specific technologies to improve these impacts.

Hindustan Unilever Limited offers 100% health insurance coverage for non-permanent workers in all locations where Employees' State Insurance (ESI) is applicable, according to Principle 3. However, 9 out of 29 factories under reporting have no ESI coverage, while Procter & Gamble Hygiene and Health Care Limited do not have such provisions.

Hindustan Unilever Limited has implemented a robust process for identifying stakeholders and plans to spend Rs.2000 crores annually with diverse suppliers by 2025, focusing on marginalized groups like women and differently abled people. The company has already conducted initiatives like Project Shakti and Water Conversation Programmes. Procter & Gamble Hygiene and Health Care Limited has identified key stakeholders including employees, investors, consumers, customers, suppliers, government bodies, and the community, and conducts CSR activities with NGO partners.

Under Principle 5, Hindustan Unilever Limited has trained 89.5% of employees and 96.1% of workers on human rights issues and policies, identifying eight key areas: discrimination, fair wages, forced labor, freedom of association, harassment, health and safety, land rights, and working hours. Procter & Gamble Hygiene and Health Care Limited has provided 100% training on human rights issues and policies to employees and workers, focusing on rights at work, eliminating forced labor, and discrimination, and ensuring a safe and healthy working environment.

Hindustan Unilever Limited has committed to improving the planet's health with five targets, including protecting nature, ensuring a waste-free world, and achieving zero emissions in operations by 2030 and net zero emissions for all products by 2039. Meanwhile, Procter & Gamble Hygiene and Health Care Limited is working on water efficiency, achieving 10328 kilolitres of circular water in FY 2022-23 through condensate recovery and internal effluent treatment plant recycling. Both companies aim to reduce greenhouse gas emissions across their operations.

Under Principle 7, Hindustan Unilever Limited is affiliated with 12 state and national trade and industry chambers, while Procter & Gamble Hygiene and Health Care Limited is affiliated with 10 national trade and industry chambers.

Hindustan Unilever Limited has not conducted a social impact assessment under Principle 8, but has sourced 16.8% of its input material from MSME's and small producers, and 44.2% from district and neighboring districts. The company has spent Rs.22,78,69,811 on CSR projects over the years. Procter & Gamble Hygiene and Health Care Limited has not done social impact assessment but has sourced 7.82% from MSME's and 15.78% from district and neighboring districts.

Under principle 9, Hindustan Unilever Limited focuses on faster, better innovations using next-generation media tools to reach consumers effectively. The company is building engagement platforms for end-to-end consumer experiences. Procter & Gamble Hygiene and Health Care Limited provides superior quality, value-added branded goods to improve consumer lives for generations to come.

Conclusions and Implications: The study reveals that Hindustan Unilever Limited BRSR framework has complied more than Procter & Gamble Hygiene and Health Care Limited. Hindustan Unilever has 128 contents

out of 140, which is 91.42% of the BRSR framework. However, it has not complied with four essential indicators under principle 8 and 9 and has not compiled seven leadership indicators under principle 5, 7, and 8. Therefore, it is concluded that Hindustan Unilever Limited's BRSR is more complied with the SEBI framework.

Limitations and Future Research:

The study examines two FMCG financial companies in 2022-23, but could have expanded the sample size and used more years of data for a longitudinal study. Future research could include more companies from the same sector, compare BRSR practices in different sectors, and compare companies in the same sector in two countries. This would provide more comprehensive insights into the acceptance of BRSR frameworks in SEBI.

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