

16 September 2020

Securities and Exchange Board of India

SEBI Bhavan Plot no. C4-A, "G' Block Bandra Kurla Complex
Bandra (East), Mumbai – 400 051
India.

Submitted via email to: pradeepr@sebi.gov.in and ishitas@sebi.gov.in

RE: Consultation Paper on the format for Business Responsibility and Sustainability reporting

Dear Sir/Madam,

BlackRock¹ is pleased to have the opportunity to respond to the "Consultation Paper on the format for Business Responsibility and Sustainability reporting" ("Consultation Paper") issued by the Securities and Exchange Board of India (SEBI).

BlackRock supports a regulatory regime that increases transparency, protects investors, and facilitates responsible growth of capital markets while preserving consumer choice and assessing benefits versus implementation costs.

We are highly appreciative of the efforts by the SEBI to provide ever more disclosure, in particular increasing the focus on sustainability-related disclosures. Thus, we welcome the widening scope of the disclosures as indicated by the proposed renaming of the existing Business Responsibility Report to the Business Responsibility and Sustainability Report (BRSR). We would like to take this opportunity to comment on the Consultation Paper and provide some recommendations to make the proposed BRSR an effective and useful component of the Annual Report.

Unless otherwise indicated, the terms used in this letter shall have the same meanings as in the Consultation Paper.

Executive Summary

Just as the SEBI and other regulators in the region are re-assessing reporting guidelines pertaining to Environmental, Social and Governance (ESG) issues, BlackRock as an asset manager has also increased our focus on ESG and sustainability issues. Our Chairman Larry Fink wrote in his 2020 letter to CEOs² that we see sustainability risk as integral to investment risk. BlackRock believes that over time sustainability risk will be reflected by the market in a company's cost of capital. Mr Fink's letter and efforts by BlackRock as well as other investors have focused on encouraging more, and more comparable, sustainability reporting. To be most effective and useful for investors, such reporting should disclose what is material to the business and be presented in a manner that makes it comparable with disclosures of peers not just within a company's market of domicile but internationally.

¹ BlackRock is one of the world's leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers and other financial institutions, as well as individuals around the world.

² <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>

We are broadly supportive of the principles of the proposed BRSR report. We have thus only a few comments to submit on the proposals which we provide in slightly greater detail below. To make the BRSR an effective and meaningful part of the Annual Report for investors, our main recommendations are:

- Require a message at the outset of the BRSR written by the Director responsible for preparing the report to highlight major achievements, challenges, and the company's medium-term targets on sustainability-related issues and other matters contained in the BRSR.
- Require disclosure on allegations and charges of misconduct to include not just those against the company but any allegations and charges against board members and key managerial personnel.
- Require disclosure of medium-term targets wherever relevant and available related to sustainability related impacts.
- Encourage issuers to provide reporting aligned with international frameworks so as to facilitate comparisons with peers not just within the Indian market but internationally.

BlackRock recommends that the companies we invest in on behalf of our clients report in line with the framework developed by the Task Force for Climate related Financial Disclosure (TCFD)³ and the Sustainability Accounting Standards Board (SASB)⁴ standards. In brief, TCFD focuses on governance, strategy, risks and metrics, and targets related to climate issues. SASB has a broader scope covering environmental and social issues; it provides detailed and differentiated reporting metrics for 77 sectors.

Reporting aligned with TCFD and SASB is consistent with Integrated Reporting and the Global Reporting Initiative. Indeed, these reporting frameworks provide granular and relevant metrics for areas that many Indian companies are already providing disclosure. We are aware of efforts underway to move to converge existing sustainability reporting frameworks and standards to develop a comprehensive, globally recognized approach. We provide links to the statement reflecting the convergence of these frameworks⁵ as well as the websites for TCFD and SASB below. They set out actionable guidance for international reporting on sustainability issues, which we believe Indian companies should aim to deliver.

Below we present our comments on the Consultation paper in the template requested. We reiterate our appreciation for SEBI giving investors the opportunity to provide feedback and welcome further discussion on the points raised, or on any other relevant matter. Thank you.

Yours faithfully,

Amar Gill
APAC Head of Investment Stewardship

Winnie Pun
APAC Head of Public Policy

³ <https://www.fsb-tcdf.org/>

⁴ <https://www.sasb.org/>

⁵ <https://integratedreporting.org/news/joint-statement-working-together-towards-comprehensive-corporate-reporting/>

Name of the person/entity proposing comments: BlackRock Limited				
Sr. No.	Recommendation in the business responsibility and sustainability reporting format to which the comment pertains	Comment	Rationale for the comment	Revisions to the recommendations, if any
Section B/ 5	Details of the Director responsible for implementation of the Business Responsibility policy(ies)	The BRSR provides much information but in a manner that is compliance reporting oriented without much effort to highlight what are the most relevant issues for stakeholders covered in the report.	The BRSR would be more useful for stakeholders if it included an Introduction by the Director responsible for implementing BRSR policies, which highlights the main issues facing the company covered by the report, including relevant targets. Without setting and specifying targets, the report only provides information for compliance sake and does not make explicit to stakeholders which areas are most relevant to the company. The board needs to explain that it has decided the company should aim at certain outcomes that shareholders can use to benchmark the non-financial performance of the company over the following years.	To include as the last item under "Governance, leadership and oversight" a separate item after Item 6, to state explicitly that the Director responsible for implementation of the Business Responsibility policy(ies) provide an Introduction to the BRSR, highlighting key issues including progress and achievements as well as main challenges for the company with regard to BRSR issues. The Director's Introduction should include the most relevant medium-term (3 – 5 year) targets of the company's relevant BRSR policies.
Section C/ Principle 1/ 5	Number of complaints / cases of bribery, corruption registered with law enforcement agencies against the company or lodged with the Company internally	Disclosure on complaints and cases of bribery and corruption registered with law enforcement agencies does not include cases against board members or key managerial personnel (KMP), which it should.	Shareholders should be aware if there have been serious allegations or charges against board directors or KMP.	Amend Item 5 to read: Number of complaints / cases of bribery, corruption registered with law enforcement agencies against the company or its board members or KMP or lodged with the Company internally.

Name of the person/entity proposing comments: BlackRock Limited (cont'd)				
Sr. No.	Recommendation in the business responsibility and sustainability reporting format to which the comment pertains	Comment	Rationale for the comment	Revisions to the recommendations, if any
Section C/ Principle 2/ Leadership Indicators / 1	Describe the improvements in environmental and social impacts of product and processes due to R&D and Capex Investments in specific technologies	The disclosure requirement does not include any targets relevant to the business and its operations.	Targets are crucial to highlight to shareholders what the board and management consider relevant, meaningful and achievable under BRSR topics; for management to give appropriate focus to achieve these targets; and shareholders to have a benchmark to determine performance of management on these non-financial targets.	To add, at the end of Item 1 of this Leadership Indicator: Medium-term (3 – 5 year) environmental and social impact targets
Section C/ Principle 6/ Essential Indicators	Summary of some essential indicators	The disclosure requirement does not include any endorsement of international best practice frameworks on disclosure regarding climate and sustainability issues that will provide relevant comparisons with international peers that might provide similar information.	For information to be useful for stakeholders, in particular for investors, the information should be comparable with that provided by other companies in the same sector in other markets. This is facilitated by reporting according to certain international best practice frameworks and standards including TCFD and SASB.	Add as Item 9 under Leadership Disclosures that SEBI encourages companies to provide information that is comparable with similar disclosures provided by international peers of the issuers and that reporting aligned with TCFD and SASB would facilitate such meaningful comparisons.
Section C/ Principle 6/ Essential Indicators / 2	Does the company have any project related to Low Carbon Economy? If Yes, provide details.	The disclosure does not call for any targets to be disclosed.	If a company has some projects related to the Low Carbon Economy transition, it should provide targets that are relevant, meaningful and achievable. This would help to focus attention of management to achieve these targets and allow shareholders to have a benchmark to determine how successful the company has been in achieving its initial targets.	To add after Item 2 of the Essential Indicators: to disclose relevant medium term (3 – 5 year) targets for the company to achieve as part of its efforts towards operating in a Low Carbon manner.