Audit Committee update

Quarter ended 30 June 2022

Agenda

- **Sustainability and Climate related disclosures – Global updates**
- **SEBI updates – Key clarifications and amendments**
- **Company Law Committee – Key recommendations**
- **RBI updates**
- **Relaxations by Regulators**

Sustainability and Climate related disclosures - Global updates

IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information

Agenda

1 **Overview - ISSB**

2 **Connectivity of non-financial information vis-a-vis financial information**

3 **Core content and key provisions of IFRS S1**

Overview - ISSB

November 2021: IFRS Foundation announces creation of International Sustainability Standards Board (ISSB)

November 2021: Creation of Technical Readiness Working Group (TRWG)

Two prototypes[1] on sustainability reporting released: General requirements prototype and climate-related disclosures prototype

March 2022: Exposure Draft (ED) of first two standards released:

- IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*
- IFRS S2 *Climate-related Disclosures*

Enterprise Value

Enterprise Value is generally defined as the aggregate, real or total value of an enterprise rather than focusing only its market capitalization – it is the total value of a business. This may change over time.

For example: A beverage company which uses a natural resource 'water' it is likely to be affected by changes in the quality, availability or pricing of water. The scarcity of this resource may also impact the entity adversely in the future.

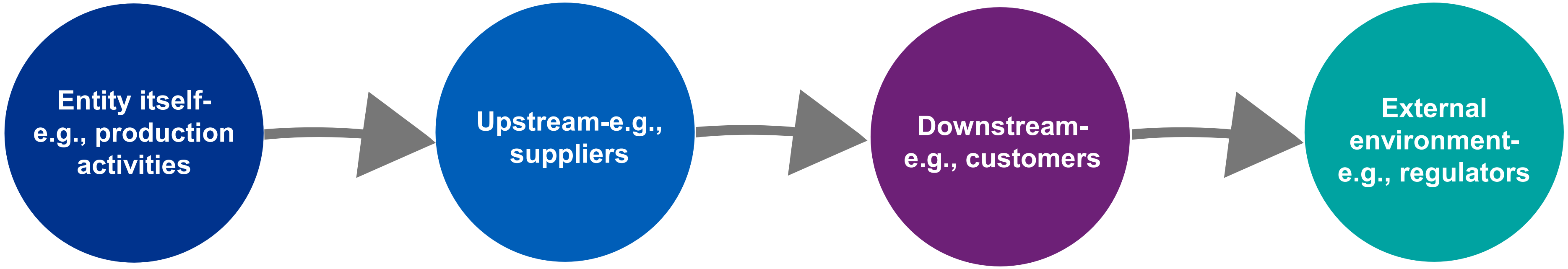
Connectivity of non-financial information vis-a-vis financial information

Reporting at the same time	Reporting would be required at the same time, and for the same period, as the financial statements. For example, if the financial statements are prepared for period ending 31 March 2022, the sustainability related financial disclosures will also cover the same period.
Investor-focused	The definition of materiality would be consistent with IFRS Accounting Standards-i.e., **focused on investors**. Information that affects investors' assessments of the company's enterprise value would be considered material
Connected information	Sustainability reporting would be included as part of a company's general purpose financial reporting. Reporting would need to be connected to the financial statements and demonstrate linkage between different sustainability risks and opportunities. For example, a pharmaceutical company has been exposed to claims of unethical testing and the perception by its customers that its drug prices do not accurately reflect investment in research and development. The company might need to explain how its strategic response has, or has not, led to the recognition of provisions and associated operating costs in its general purpose financial statements.
Forward-looking information	The proposals would require forward-looking information about the impact of significant sustainability-related risks and opportunities on company's strategy, business model and financial statements in short, medium and long term .`

Scope and objectives of the proposals

An entity is required to disclose sustainability-related financial information for the same reporting entity for which it prepares its general purpose financial statements. Under the general requirements proposal, a reporting entity would:

Under the proposals, all significant sustainability-related risks and opportunities to which the reporting entity is exposed are required to be disclosed. Some of these risks and opportunities arise within the reporting entity itself, but many others arise through the value chain as well. This could include activities, resources and relationships within:

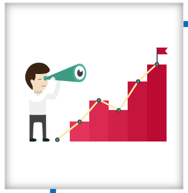


Refer [Appendix I](#) for examples on significant sustainability-related risks and opportunities
Refer [Appendix I](#) for examples on disclosing material information

Core content elements of IFRS S1

The ED proposes disclosure of sustainability-related financial information centered on the following four primary topics, aligned with those in the TCFD recommendations:

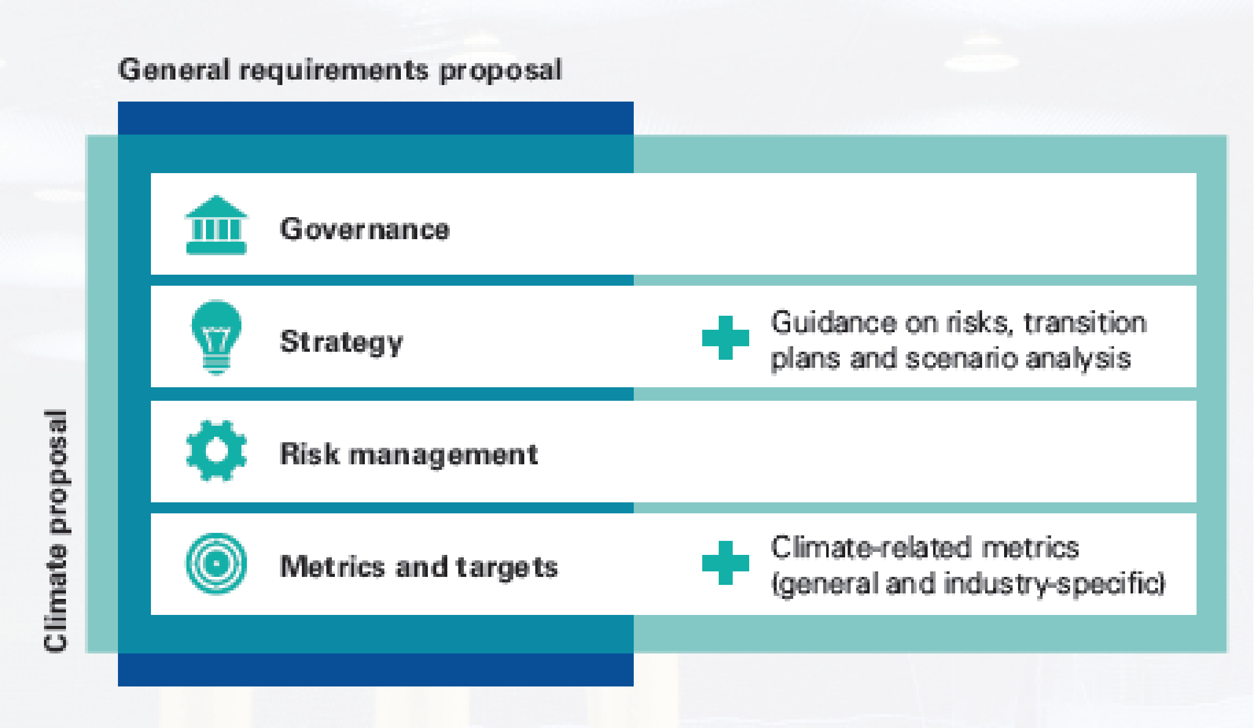
Governance: The governance processes, controls and procedures used to monitor sustainability-related risks and opportunities



Strategy: The approach for addressing sustainability-related risks and opportunities that may affect an entity's business model and strategy over short, medium and long term

Risk management: The processes an entity uses to identify, assess and manage sustainability-related risks

Metrics and Targets: Information to assess, manage and monitor entity's performance w.r.t. sustainability-related risks and opportunities over time



Key provisions of IFRS S1

The ISSB standard specifies certain general features adapted from IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.* Some of these include:

Fair presentation requires an entity ‘to disclose information that is relevant, representationally faithful comparable, verifiable, timely and understandable’, in order to reduce the ‘greenwashing’ of investor-focused reporting and drive effective capital markets

Sources of estimation and outcome uncertainty: Entities must identify the metrics that have significant estimation uncertainty and disclose the sources, nature and factors affecting the uncertainties. Also, in a situation where sustainability-related financial disclosures include financial data and assumptions, they should be consistent with the corresponding financial data and assumptions in the entity’s financial statements. **For example, metrics linked to a financial statement caption such as greenhouse gas emissions per unit of revenue should be consistent with the amount of revenue disclosed in the financials**

Statement of compliance: An entity whose sustainability-related financial disclosures comply with all the relevant requirements of IFRS Sustainability Disclosure Standards, should include an explicit and unqualified statement of compliance to that effect. The statement can still be included if the disclosures were complete except for information that was prohibited by local laws or regulations

Effective date and transition: Though the proposals do not specify an effective date, the ISSB has stated that it aims to issue the final standards before the end of 2022. Companies can apply the standards before the effective date, provided the fact is disclosed. Disclosures would not be required for any period before the date of initial application and thus, comparative information would not be required in the first period of adoption

IFRS S2: Climate-related Disclosures

Global climate-related frameworks

SASB

The Sustainability Accounting Standards Board (SASB) Standards are designed for communication by companies to investors about how sustainability issues impact long-term enterprise value. SASB Standards can be used by companies as a practical tool for implementing the principles-based framework recommended by the Task Force for Climate-related Financial Disclosures (TCFD) SASB has issued 77 industry-specific metrics standards for ESG disclosures.

TCFD

The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve reporting of climate-related financial information. TCFD recommendations are structured around four thematic areas that represent core elements of how organizations operate: governance, strategy, risk management, and metrics and targets

CDP

Carbon Disclosure Project (CDP) is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. CDP's disclosure platform provides the mechanism for reporting in line with the TCFD recommendations

SBTi

Science Based Targets (SBTi) help companies gain a better understanding of their emission reduction along with helping them to increase their profitability, enhance investor relations and strengthen their brand reputation, amongst others

US SEC

The U.S. Securities and Exchange Commission (SEC) in March 2022, proposed rules on climate disclosure requirements. The proposals require a domestic or foreign registrant to include certain climate related information in its registration statements and periodic reports, such as Form 10-K

ISSB

IFRS Foundation, in November 2021 announced the creation of International Sustainability Standards Board (ISSB) with the objective to become the global standard setters for sustainability disclosures for the financial markets. Several leading sustainability disclosure organisations will participate and consolidate in the ISSB in near future

Overview - IFRS S2

Important points

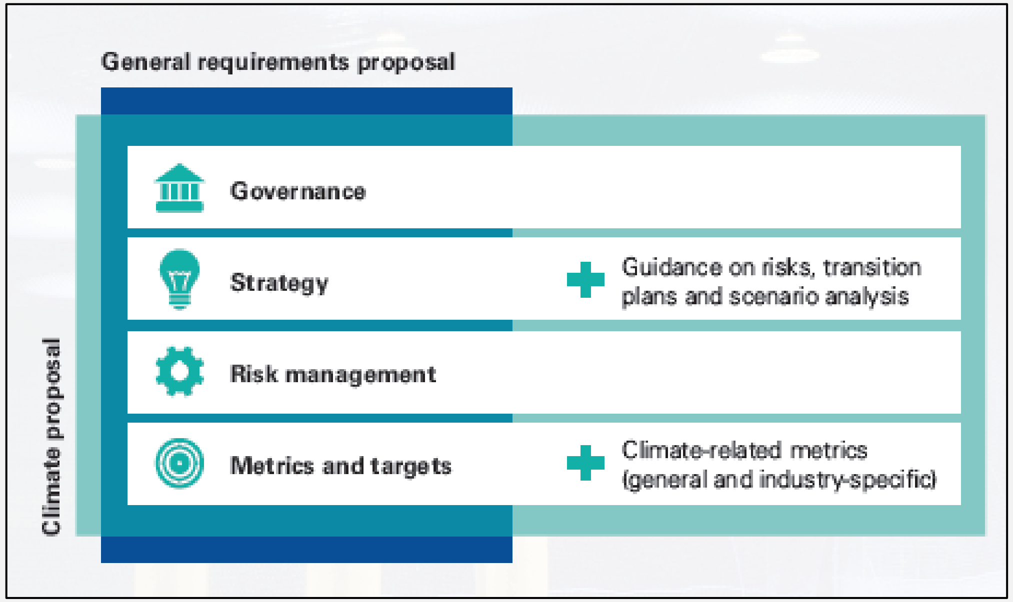
The *Climate* Exposure Draft proposes requiring a company to disclose information that would enable an investor to assess the effect of climate-related risks and opportunities on its enterprise value.

The *Climate* Exposure Draft uses the same approach as the *General Requirements* Exposure Draft, disclosures on the consideration of the

- governance,
- strategy and
- risk management of its business, and
- the metrics and targets it uses to measure, monitor and manage its significant climate-related risks and opportunities.

Companies would disclose information about climate-related physical and transition risks and opportunities.

Core content elements



Governance, Strategy and Resilience

Strategy and decision-making

A company would be required to disclose a description of its plans for responding to climate-related transition risks and opportunities, such as:

- how it plans to achieve any climate-related targets, including how these plans will be resourced and how it will review targets.
- how it expects to adapt or mitigate climate-related risks (for example, through changes in production processes, workforce adjustments, changes in materials used, product specifications or through introduction of efficiency measures).
- how it expects to adapt or mitigate indirect climate-related risks in its value chain (for example, by working with customers and supply chains or use of procurement).
- whether carbon-offsetting is part of its plan. If it is, a company would be required to disclose specific information to enable an investor to assess the offset schemes.

Financial position, financial performance and cash flows

A company would be required to include in its disclosures

- an explanation of how significant climate-related risks and opportunities have affected its most recently reported financial position, financial performance and cash flows. For example, the company might disclose a material asset impairment as a consequence of the company's strategy for managing a transition risk. Equally, it could be the investment in new technologies to take advantage of a climate-related opportunity.
- explain how it expects its financial position to change over time given its strategy to address significant climate-related risks and opportunities. Examples include the financial accounting consequences of increased revenue from, or costs of, products and services aligned with a lower-carbon economy, physical damage to assets from climate events and the costs of climate adaptation or mitigation.

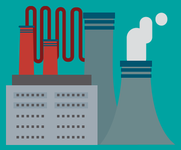
Resilience

- Disclosure of information enabling users of general-purpose financial reporting to understand the resilience of the entity's strategy to climate-related changes, developments or uncertainties

- An entity may use **climate-related scenario analysis** to assess its climate resilience. If an entity is unable to use climate-related scenario analysis, it shall use an alternative method or technique to assess its climate resilience

Risk management

An entity would provide disclosures to understand the process, that it uses to identify, assess and manage **climate-related risks as well as climate-related opportunities**. An entity would need to describe the extent to which and how the climate-related risk identification, assessment and management process are integrated into the entity's overall risk management process



PHYSICAL RISKS

ACUTE RISKS

Risks related to more frequent or severe one-off disruptions to companies from extreme weather events (floods, cyclones etc.)

CHRONIC RISKS

Risks stemming from sustained greenhouse gas emissions leading to gradual changes in climate patters (rise in sea level etc.)

TRANSITION RISKS

LEGAL & REGULATORY

Example-more stringent regulations

REPUTATIONAL

Example-Brand damage due to inadequate climate-action plan

TECHNOLOGICAL

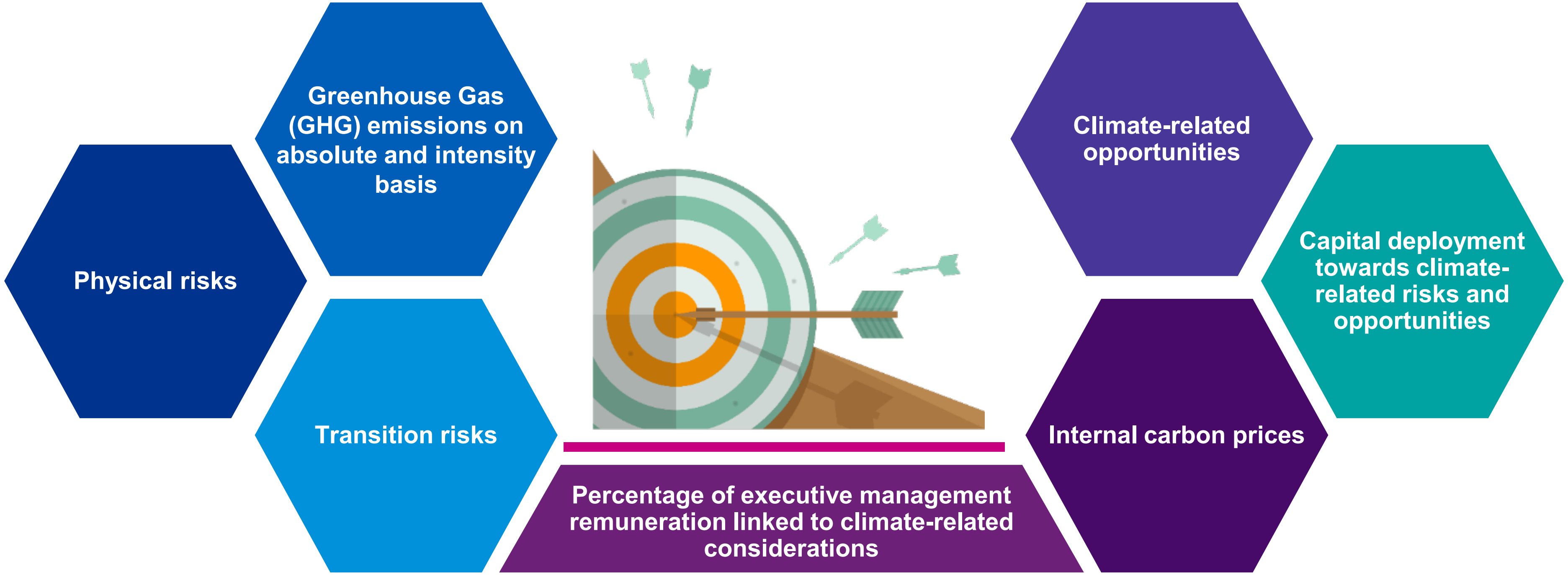
Example-Accelerated obsolescence

MARKET

Example-Supply and demand changes

Metrics and Targets

The ED proposes incorporating the TCFD's concept of **cross-industry metrics** and **metric categories** with the aim of improving the comparability of disclosures across reporting entities, regardless of the industry. The proposals require an entity to disclose these metrics and metric categories irrespective of its particular industry or sector (subject to materiality). Seven cross-industry metric categories proposed by the ED include:



Refer Appendix II for examples on Greenhouse Gas (GHG) emissions on absolute and intensity basis
Refer Appendix II for examples on physical risks
Refer Appendix II for examples on transition risks
Refer Appendix II for examples on climate related opportunities
Refer Appendix II for examples on Internal carbon prices

SEBI updates - Key clarifications and amendments

Related party transactions

SEBI, vide SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021*, had further strengthened the regulations for Related Party Transactions (RPTs)

Amendments effective from 1 April 2022 (with further specified revisions effective from 1 April 2023)

**vide notification dated 9 November 2021*

Related Party Transactions: Clarifications (2/3)

01

Approval mechanism

SEBI, *vide circular dated 30 March 2022*,* clarified that:

- No requirement to seek fresh approval from shareholders for RPTs approved by audit committee and shareholders prior to 1 April 2022
- RPT approved by audit committee prior to 1 April 2022 which continues beyond such date and becomes material to be placed before the shareholders in the first general meeting held after 1 April 2022
- RPT for which audit committee has granted omnibus approval to be placed before the shareholders if it is material
- Explanatory statement contained in notice sent to shareholders should provide relevant information to enable shareholders to take a view whether terms and conditions of the proposed RPT are not unfavorable to the listed entity

**effective from 1 April 2022*

02

Approval mechanism

SEBI, vide circular dated 8 April 2022, has provided clarification on the period of validity of the omnibus approval where the RPTs are material and shareholders' approval is also required:

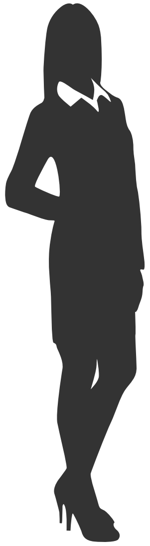
- The shareholders' approval of omnibus RPTs **approved in an AGM** shall be valid up to the date of the **next AGM for a period not exceeding fifteen months**
- In case of omnibus approvals for material RPTs, **obtained** from shareholders in general meetings **other than AGMs**, the validity of such omnibus approvals shall **not exceed one year**

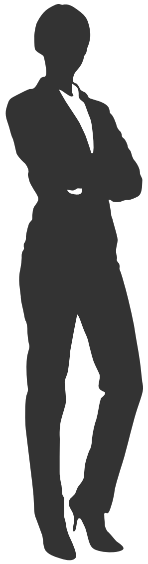
Related Party Transactions: Clarifications awaited? (3/3)

Will Audit Committee continue to approve transaction for each financial year or will it also be valid from AGM to AGM?

Approval for multi year contracts – total contract value v/s annual values?

Transaction where Government Companies are identified as related parties?





Maintenance of security cover

Amendments* to Regulations 54^ and 56^^ of Listing Regulations

- Term ‘asset cover’ substituted with term **‘security cover’**
- Maintenance of security cover restricted to ***secured*** listed non-convertible debt securities (Earlier: Listed non-convertible debt securities).
- Requirement of maintenance of security cover should be sufficient to discharge ***both principal and interest*** (Earlier: only Principal)

** vide SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2022 dated 11 April 2022*

^ Regulation 54 prescribe requirements for Security Cover

^^ Regulation 56 prescribe requirements for submission of documents and intimation to Debenture Trustees

Maintenance of security cover (2/3)

Revised format of security cover certificate, monitoring and revision in timelines^

- **Revised format of security cover certificate:**
  - Revised format provides a holistic picture of all the borrowings and the status of encumbrance on the assets of listed entity
  - Includes detailed guidance for manner of preparation of security cover certificate
  - Listed entity to prepare security cover certificate on a quarterly basis
    - book values of assets included in the certificate to be certified by statutory auditor
    - separate disclosures on standalone basis and at consolidated level in case security cover includes assets of third parties/ subsidiaries/ group/holding company
    - separate certificates to be issued to each debenture trustee
  - Debenture trustees to certify market values on quarterly basis based on due diligence carried out by it or by appointed agencies
  - Debenture trustees to take corrective action where qualifications/ disclaimers in security cover certificates affect the rights of debenture holders
- **Monitoring of covenants:**
  - Listed entities to furnish compliance status with respect to financial covenants certified by their statutory auditor on a quarterly basis to debenture trustees
  - Debenture trustees to monitor breach of covenants by following prescribed procedures and initiate action as appropriate

The provisions with respect to revised format of the security cover and monitoring of covenants are applicable from 1 October 2022

^ vide circular dated 19 May 2022.

Maintenance of security cover (3/3)

Revised format of security cover certificate, monitoring and revision in timelines (contd.)

Revision in timelines for submission of documents:

SEBI has revised the timelines for submission of security cover certificate, valuation report and quarterly compliance report and regulatory compliance by debenture trustees.

Particulars	Old timeline	New timeline	To be submitted to
Security cover certificate and quarterly compliance report	Quarterly basis within 60 days from end of each quarter	▪ Within 75 days from end of each quarter **except** last quarter of financial year (FY) ▪ Within 90 days from the end of FY for last quarter	Stock Exchange(s) and make website disclosures
Valuation report and title search report	Annual basis within 75 days from end of each FY	Once in 3 years within 75 days from the end of the FY	Stock Exchange(s)
Half yearly compliance report	Half-yearly basis within 30 days of the end of each half year	Within 75 days of the end of each half-year	SEBI
Details of other activities carried out by Debenture Trustee(s) including type of activity, description of activity etc.			

Company Law Committee - Key recommendations

Company Law Committee: An overview

Company Law Committee was constituted by MCA on 18 September 2019 to make recommendations that are geared towards promoting greater ease of doing business and further improving the operational efficiency of Companies Act, 2013 and Limited Liability Partnership Act, 2008 (“LLP Act, 2008”). The recommendations primarily focused on:

- Introducing certain new concepts which have proven to be successful globally
- Updating regulatory mechanisms in light of COVID-19 pandemic
- Improving existing procedures to reduce the burden on courts to expedite corporate processes
- Making requisite changes to the LLP Act, 2008 for benefit of producer organisations
- Strengthening governance and compliance requirements

Company Law Committee: Key recommendations (1/2)

Corporate governance – Provisions relating to directors and committees of the board

- **Independent director (ID):**
  - Tenure as an additional director also to be considered while determining the total tenure of an ID
  - Legal or consulting firm to be permitted to continue to render services as per thresholds even after the ID (who was an employee, proprietor or partner in such firm) completed his/her term.
    - Gross turnover threshold to be reduced to 5% from the existing limit of 10%
- **Disqualification and vacation of Director's office**:
  - Vacation of directorship should be limited only to disqualifications under personal incapacity and not on account of defaults made by a company
  - Relax the disqualification trigger from six months to two years for freshly appointed directors of companies that are in default of Section 164(2)(b)
  - Disqualification under Section 164(2) not to apply to the nominee directors appointed by the debenture trustees registered with SEBI
- **Cooling off period for auditors and directors**:
  - Mandatory one-year cooling-off period from the date of cessation of office as auditor for appointment as a director
    - In case of an audit firm - restriction would apply only to the auditing partner
  - Mandatory one year cooling off period before an ID becomes a managerial personnel (i.e. MD, WTD or manager)

Company Law Committee: Key recommendations (2/2)

Empowering NFRA to take appropriate action against auditors and to make certain regulations

Strengthening the audit framework

- Mandating joint audits
- Clarification on prohibited non audit services
- Greater transparency in auditor's resignation

Fast track mergers

- Revised approval mechanism
- Permit fast track mergers between holding company and its subsidiary company or companies (other than WoS)

Other key recommendations

- Introducing provisions for recognition of SPACs, RSU, SARs
- Monitoring of treasury shares

RBI updates

Scale Based Regulation (SBR): A Revised Regulatory Framework for Non-Banking Financial Companies (NBFCs)

Further to the RBI circular on Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs dated 22 Oct 2021, the RBI issued various circulars during Q1FY23 providing detailed guidelines on certain matters as per SBR

Capital requirements

- Requirement for all NBFCs in the upper layer (NBFC-UL) (except Core Investments Companies) to maintain, on an on-going basis, a Common Equity Tier 1 (CET 1) ratio of at least nine per cent as against the existing requirement of 10%
- Introduction of Internal Capital Adequacy Assessment Process (ICAAP) to NBFCs in the middle and upper layers, requiring them to develop a board-approved policy on internal assessment of capital considering the risks in their business

Applicable from 1 October 2022

Large Exposures Framework (LEF)

- LEF aims at addressing credit risk concentration in NBFCs - setting out how to identify large exposures, refine the criteria for grouping of connected counterparties and put in place reporting norms for large exposures
- Requirement for NBFC-ULs to put in place an effective mechanism to bring down existing exposures to below 25% especially in case of group of connected counterparties of non-infrastructure companies.

Applicable from 1 October 2022.

Disclosures in Financial Statements-Notes to Accounts

- Recently through the SBR and follow on circular issued in April 2022, RBI has advocated some additional disclosures in the financial statements for financial periods ending 31 March 2023.
- The new disclosures include breach of covenant, divergence in asset classification, intra group exposures, related party disclosures amongst others.
- The disclosure requirements prescribed in the SBR disclosure guidelines are expected to provide greater transparency on the operations and governance of the NBFC.

Applicable for annual financial statements FY 2023 onwards.

Directors and Key Managerial Personnel

- NBFCs in all layers to ensure that at least one of the directors in its Board has relevant experience of having worked in a bank or NBFC
- The SBR has now advocated the maximum number of directorships that a KMP or independent director in an NBFC in the middle or upper layer can undertake, over and above the Companies Act, 2013 and Listing regulations requirements
- NBFCs (ML and UL) can grant loans and advances (subject to certain conditions) to their directors or their relatives or interested parties.

Applicable from 1 October 2022.

Scale Based Regulation (SBR): A Revised Regulatory Framework for Non-Banking Financial Companies (NBFCs) *(continued)*

Provisioning for standard assets by NBFC – Upper Layer (UL)

RBI, vide notification dated 6 June 2022, has inter alia provided that:

- NBFCs classified as NBFC-UL to maintain provisions in respect of standard assets at specified rates of the funded amount outstanding
- Current credit exposures arising on account of permitted derivative transactions would also attract provisioning requirement as applicable
- For NBFCs required to comply with Ind AS, the above-mentioned provisions would be included in the computation of the prudential floor but should not be reckoned for calculating net Non-Performing Asset (NPA).

Applicable from 1 October 2022.

Compliance Function and Role of Chief Compliance Officer (CCO)

RBI, vide notification dated 11 April 2022, has:

- Focused more on the scope and responsibilities of the Compliance function and role of CCO within NBFCs
- Prescribed certain guidelines around the appointment, removal and tenure of the CCO. The guidelines also state that the CCO is required to have the relevant experience and considered 'Fit and Proper' as per the MD & CEO certification
- These NBFCs are to put in place a Board approved policy latest by 1 April 2023 and a compliance function which includes appointment of a CCO latest by 1 October 2023.

Applicable to NBFC-ML and NBFC-UL only

Guidelines on compensation of Key Managerial Personnel (KMP) and senior management in NBFCs

RBI, vide notification dated 29 April 2022, has provided:

- Detailed guidelines on compensation of KMP and senior management in NBFCs
- NBFCs are required to put in place a Board approved compensation policy and overall governance by a Nomination and Remuneration Committee to achieve effective alignment between compensation and risks.
- The Board approved policy shall also include principles for fixed/ variable pay structures and malus/ clawback provisions

KMP and senior management would mean as defined under section 2(51) and 178 of the Companies Act, 2013 respectively.

Applicable to NBFC-ML and NBFC-UL only (excluding Government owned NBFCs)

Applicable from 1 April 2023.

Miscellaneous RBI updates

New master directions during the quarter

- Reserve Bank of India (Variation Margin) Directions, 2022

Updated master circular during the quarter

- Housing Finance for UCBs

Updated master directions during the quarter

- Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021
- Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021
- Standalone Primary Dealers (Reserve Bank) Directions, 2016
- Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016
- Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016
- Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016
- Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021
- Compounding of Contraventions under FEMA, 1999
- Import of Goods and Services
- Acquisition and Transfer of Immovable Property under Foreign Exchange Management Act, 1999
- Reporting under Foreign Exchange Management Act, 1999
- External Commercial Borrowings, Trade Credits and Structured Obligations

Reporting of reverse repos with RBI on bank's balance sheet

RBI, vide notification dated 19 May 2022, has provided the disclosures to be made in the balance sheet of banks to bring more clarity on the presentation of reverse repo.

Further, RBI (Financial Statements - Presentation and Disclosures) Directions, 2021 has been updated to reflect these changes.

Relaxations by regulators

Relaxations by regulators

Relaxations by MCA

Extension of timelines for conducting EGMs through VC or OAVM or transacting certain items through postal ballot

Companies can conduct their EGMs **through VC or OAVM or transact items through postal ballot** in accordance with the prescribed framework up to 31 December 2022

(Earlier: 30 June 2022)

Clarification on holding of AGM through VC / OAVM

Companies, whose AGMs were due to be held in the year 2022, can conduct their AGMs through **VC/ OAVM** on or before 31 December 2022 subject to prescribed conditions

(Earlier: 30 June 2022)

[The above **should not be construed as conferring any extension of time** for holding of AGMs under the Act.]

Extension of timeline for filing of form CSR-2

- Form CSR-2 for preceding financial year 2020-21 to be filed before 30 June 2022 (Earlier:31 May 2022)
- Form CSR-2 for financial year 2021-22 to be filed separately on or before 31 March 2023 after filing Form AOC-4 or AOC-4 XBRL or AOC-4 NBFC (Ind AS), as may be applicable

Relaxations by SEBI

Extension of timelines for conducting meeting of unitholders of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) through VC / OAVM

Annual meetings and other meetings of unitholders of REITs and InvITs can be conducted **through VC or OAVM** till 31 December 2022, subject to prescribed conditions

(Earlier: 30 June 2022)

Relaxation in requirements of sending hard copy of annual report and proxy forms

Timelines for following requirements extended up to 31 December 2022:

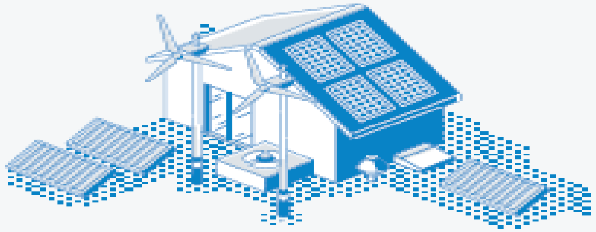
- Sending hard copy of annual report containing salient features of all the documents prescribed in Section 136 of the Companies Act, 2013 to the shareholders who have not registered their email address:
  - Notice of the AGM to contain link to the annual report; and
  - Hard copy to be send to shareholders who request for the same
- Sending proxy forms in case of general meetings held through electronic mode only

Appendix I

Significant sustainability-related risks and opportunities

Climate change risks

Stringent climate laws and regulations for accelerating transition to a low-carbon economy, preventing loss of diversity, technology disruptions and shifting customer preferences to alternative materials may adversely impact profit margins. The pandemic has further accelerated megatrends like climate change and increasing customer preference for sustainable products.



Mitigation strategies

Tata Steel has adopted the Task Force on Climate-related Financial Disclosures (TCFD) framework and strengthened the internal governance, disclosures and policy advocacy for transitioning to lower carbon regime of operations. Adoption of best available technologies for Waste Heat Recovery (WHR) such as Top Recovery Turbine (TRT), Coke Dry Quenching (CDQ), use of by-product gases in power generation and other energy efficiency initiatives have resulted in improving resource efficiency, as well as reducing carbon footprint. Over the last five years, there has been significant reduction in coke rates and dust emissions, along with 100% slag utilisation ('Tata Aggreto' and 'Tata Nirman' products developed for construction purpose), increase in scrap usage, focus on scrap recycling and zero water discharge.

Tata Steel has pioneered the steel recycling business in India, and a 0.5 MnTPA plant has been set up for processing scrap.

A Centre of Excellence has been constituted to identify and implement projects for CO_2 reduction (e.g., Carbon Capture and Use, maximising scrap usage etc.). Tata Steel has signed a strategic memorandum of understanding (MoU) with the Council of Scientific & Industrial Research (CSIR) to work towards accelerating development and deployment of CCU&S technologies in the steel industry. To reduce GHG emissions through increased use of renewable energy, Tata Steel had engaged with The Energy and Resources Institute (TERI) and is working on implementation of solar power plants across locations.

Biodiversity is an important pillar in our sustainability journey and several initiatives have been taken in FY 2020-21. Over 2.98 lakh saplings of native species have been planted across locations. Sir Dorabji Tata Biodiversity Park and Ecological Importance Park have been developed at West Bokaro and Jamshedpur, respectively. Rejuvenation of water bodies have been undertaken for biodiversity conservation and water conservation.

To promote consumer behaviour of buying cleaner and greener product, Life Cycle Assessment study has been undertaken for our products. Our offerings Tata Pravesh, GGBS and Tata Structura have received GreenPro certification.

As an outcome of our efforts, Tata Steel has been recognised as a 'Sustainability Champion' by Worldsteel for four consecutive years and received the Climate Action Programme (CAP) 2.0-degree Award in the Energy, Mining and Heavy Manufacturing Sector by CII Centre of Sustainable Development. It is now part of ResponsibleSteel™, the industry's first global multi-stakeholder standard and certification initiative that helps its members improve sustainability within the steel supply chain. Tata Steel Group has been rated 'A-' in the 'Leadership Band' on Climate Disclosure in CDP's 2020 assessment. It has also been presented with several awards such as the CII-ITC Sustainability Award, IIM National Sustainability Award and CII 3R Awards 2020 for demonstrating Reduce, Reuse, Recycle principles in by-products management.

Source: Tata Steel Annual report FY 2020-21

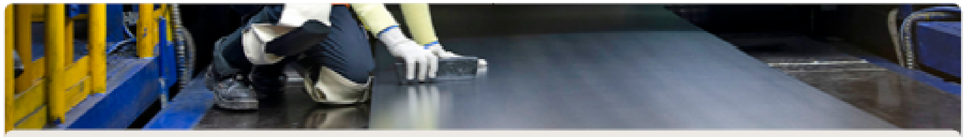
Disclose material information

MATERIALITY

Defining our priorities through materiality

Materiality enables us to identify, prioritise, track and report the most important sustainability issues. To identify the top 20 environmental, social and governance (ESG) issues, we conducted an extensive stakeholder engagement exercise in FY 2018-19. These issues were rated as 'high priority' by stakeholders, in addition to being key to business success in the short, medium and long term. The material economic issues were revisited through various stakeholder engagement processes and business reviews by the senior leadership.

Tata Steel's strategy and planning process incorporates the material issues by mapping them to its long-term Strategic Objectives (SOs). These issues are reviewed periodically by the respective owners and by the senior management.



Economic

SO1 SO2 SO3

Material issues	Measures	Linked key performance indicators (KPI)
Business growth	» Focus on organic and inorganic growth » Scaling of adjacent businesses » Entering into new market segments	» Crude steel production capacity » Revenue from the New Material Business, Service & Solutions, Commercial Mining Business » Revenue from High End and Downstream products and solutions
Long-term profitability	» Attain and retain leadership in chosen segments » Raw material security » Enhance operational efficiency » Shikhar25 cost management initiatives	» Market share in chosen segments » Captive coal (%) and captive iron ore (%) » EBITDA » Savings through Shikhar25 initiatives
Product and service quality	» Product and process innovation » Value engineering and customer service teams » Innovative routes to market	» Number of new products and services » Customer satisfaction index » Quality complaints » Revenue from sales on digital platforms

Environmental

SO2 SO4 SE

Material issues	Measures	Linked KPIs
CO_2 emission	» 5 Tonne Per Day (TPD) carbon capture pilot plant commissioned at TSJ – captured CO_2 being utilised for water treatment at a steelmaking unit » Collaboration with SHELL and Council for Scientific and Industrial Research (CSIR) to explore decarbonisation technologies	» GHG emission intensity » Total GHG emissions for steel making sites
Air pollution	» Upgradation of existing air pollution control equipment and installation of state-of-the-art dust control technology	» Dust emission intensity
Water consumption and effluent discharge	» Minimising freshwater consumption by upgradation of existing water treatment and cooling tower systems to increase efficiency » Reusing treated waste water from sewage and effluents for industrial purpose	» Specific freshwater consumption » Effluent discharge intensity
Energy efficiency	» Process optimisation initiatives such as waste heat recovery systems, top recovery turbine by-product gas utilisation	» Energy intensity
Renewable and clean energy	» Feasibility analysis for solar projects completed and projects initiated	» Renewable purchase obligation » Power generated through renewable sources
Waste management	» Enhance steel scrap usage in steelmaking » 100% solid waste utilisation » Enhance value from by-products	» Steel scrap supplies to LD shops » LD slag utilisation » Solid waste utilisation » Revenue from by-products
Supply chain sustainability	» Identification of critical supply chain partners and engagement with them on Tata Steel Responsible Supply Chain Policy	» Number of partners made aware on Tata Steel Responsible Supply Chain Policy » Number of partners assessed on Tata Steel Responsible Supply Chain Policy
Biodiversity	» Biodiversity Management Plans (BMPs) for Jamshedpur and Kalinganagar developed (BMPs developed for 11 locations cumulatively till FY 2020-21) » Over 2.98 lakh saplings of native species planted across locations	» Total sites covered under BMPs

Source: Tata Steel Annual report FY 2020-21

Appendix II

Greenhouse Gas (GHG) emissions on absolute and intensity basis

TOTAL ABSOLUTE GHG EMISSIONS

The COVID-19 crisis has brought into sharp focus the need for businesses to "build back in a way that protects us from growing systemic risks, future pandemics, or from other risks such as air pollution and climate change. We can choose to reboot the economy in a way that leads us towards a point of no return – unchecked climate change – or we can choose a pathway that leads us to a thriving, healthy economy.

Mahindra has chosen the later. We continuously measure, control and mitigate emissions to reduce our carbon footprint and reduce all the risks associated with it. Through 'Alternativism' we are setting an ambitious target to contribute our part in the global fight against climate change.

tCO_2

	2017-18	2018-19	2019-20	2020-21	Target 2020-21
Scope 1 (Direct Emissions)	41,777	45,768	40,654	38,114	43,721
Scope 2 (Indirect Emissions)	226,950	234,351	199,767	175,862	2,23,870

In line with our SBT emission reduction roadmap, we have decided an emission intensity reduction target of 4.1% year-on-year for the next 15 years. This was used to derive the Scope 1 & 2 absolute emission reduction target for F21.

M&M Ltd. reduced its emission by 11% in F21 compared to F20.

TOTAL SPECIFIC EMISSIONS (SCOPE 1 + 2)

tCO_2 e/ unit of measure

Sector	2017-18	2018-19	2019-20	2020-21	% Change in 2020-21 over previous year
MSSSPL	1.01	1.047	1.140	1.160	2%
MIL	0.016	0.014	0.018	0.016	-11%
MVML	0.30	0.251	0.232	0.269	16%
MEML	0.28	0.161	0.111	0.143	28%
MEIL	0.56	0.518	0.546	0.576	6%
Susten	0.0067	0.006	0.0053	0.0046	-13%
MWC	3.28	0.863	0.855	0.790	-8%
MLDL	0.0020	0.0006	0.0003	0.0001	-58%
MLL	0.321	0.256	0.314	0.468	49%
MHRIL	0.042	0.040	0.039	0.034	-14%
FSS	1.33	1.861	0.679	0.514	-24%
Tech M	1.74	1.404	1.349	0.746	-45%
MHEL	0.38	0.330	0.250	0.225	-10%

NIS – Not in Scope, DNA – Data Not Available, NA – Not Applicable

Note: Increase in specific emissions of MLL is due to 7% reduction in employees and increase in energy consumption in F21

(Source: Mahindra & Mahindra Ltd. Sustainability Report 2020-21)

Physical risks

Physical Security and Natural Calamity Risks

Risk Description

Due to the geographical presence of sites and nature of its business operations, Reliance is susceptible to hostile acts such as terrorism, vandalism, shoplifting or piracy which could harm the Company's people, property and disrupt its operations. Some of Reliance's sites are subject to natural calamities such as floods, cyclones, lightning and earthquakes.

Some of the network locations, offices, employees and other ecosystems are subject to various forms of intentional or natural disruptions, thereby impacting network availability, customer experience, restoration cost and efforts.

Failure to respond quickly or to be perceived as not responding fast enough in an appropriate manner to either an external or internal crisis, could disrupt the Company's business and operations severely and also damage reputation. The impact of such disruption can severely impact business and operations if the Company is unable to restore or replace critical capacity to the required level within the necessary timeframe.

Risk Response

Global Corporate Security (GCS) a dedicated and distinct function of RIL, de-risks, safeguards and secures the Company. It maintains best-in-class detailed disaster recovery, crisis and business continuity management plans to respond to natural calamities, and any disruption or incident.

The businesses are provided assurance on an ongoing basis by GCS with respect to the management of security risks affecting its people, assets and operations. It actively monitors the threat landscape to prevent/mitigate risks using cutting-edge technology solutions, seamlessly deployed as a digital-physical managed service on a platform-based approach. Real-time situational awareness has been enhanced and speedy response mechanisms are put in place at critical locations. Regular mock drills/ exercises are conducted, with all the stakeholders for checking the efficacy of the same.

Additionally, risks pertaining to digital services are uniquely mitigated through integrated response that is facilitated by various teams such as security, customer services, corporate services, network maintenance and the local geographical offices to keep the networks functional, thereby safeguarding Company assets, people security while maintaining customer experience.

Security & Loss Prevention (SLP) proactively supports in reducing pilferage, theft and losses to enable higher business profitability and mitigating risks at Reliance Retail. It is enhanced with a prudent mix of physical security, remote surveillance and data-based audit interventions to foster a safe and secure environment and to protect assets 24X7.

RIL is rolling out an integrated security platform with wide area high-end sensors, seamless electronic communication and AI-based analytics across the enterprise.

(Source: Reliance Integrated Annual Report 2020-21)

Transition risks

Commodity Prices and Markets

Risk Description

The risk arising out of COVID-19 – from social distancing, national lockdown, uncertainty in environment, demand contraction, government intervention (ranging from encouraging certain businesses to indirect stoppage of goods and services) – has overshadowed the entire year.

External market conditions, in particular; prices of crude oil, natural gas and downstream products have a direct impact on RIL's financial performance. These prices are affected by supply and demand, both globally and regionally. Factors that influence fluctuations in crude prices, crude availability and that can have an impact on margins include operational issues, natural disasters, political instability, including geopolitical risks, economic conditions and aggressive pricing by competitors. Stringent recycling norms and government regulations can reduce plastic consumption.

Government restrictions on account of the COVID-19 pandemic could affect smooth operation of business activities, store operation, and expansion. Reliance's inability to build infrastructure at a pace and scale needed by the rapidly growing Retail business could hinder operational efficiency and demand fulfilment.

Risk Response

Since RIL operates an integrated O2C business, some of these risks in one part of the business are offset by gains in other parts of the Group's integrated O2C business.

RIL exports its products to diverse geographical locations so that the risk of non-evacuation is mitigated with minimal adverse effect. The Company increased the usage of multimodal logistics (including coastal) to fulfil its contractual commitment to customers. The Company operated at near full throughput even during the lockdown period.

The risk of non-availability of crude and feedstock is actively managed by sourcing crude from multiple geographies using short-term and long-term purchase contracts. As OPEC and other producer

of heavy crude oil. Reliance has a robust Commodity Risk Management Policy and Framework that enables hedging the exposures arising from commodity price fluctuations, such that the risks remain within acceptable levels.

In its downstream business, RIL explored new opportunities for manufacturing surgical gowns, PPE, masks, testing-swabs for medical application. RIL is advocating in favour of the environment on the basis of life cycle studies of plastics vs alternatives, and is focusing on plastic waste collection and disposal, increasing recycling footprint in the country.

Reliance Retail undertakes regular assessment of emerging risks and opportunities and has implemented

its operating models by activating digital commerce platforms and strengthening omni-channel capabilities.

The business made steady progress in bringing New Commerce to life by extending partnerships with merchants and becoming their trusted partner.

Proactive steps were taken to engage with customers through initiatives such as distance selling, store on wheels, pop up stores among others to ensure customers are served well in the most difficult times.

With operating curbs lifted progressively, thrust on expansion continued as the business opened new stores across geographies and maintained its pace and scale of growth.

(Source: Reliance Integrated Annual Report 2020-21)

Regulatory Compliance Risks

Risk Description

Increased regulatory scrutiny has raised the bar on regulatory compliance. This requires alignment of corporate performance objectives, with regulatory compliance requirements. COVID-19 has led the government to announce a range of notifications which companies need to adopt swiftly and effectively.

Risk Response

Reliance has adopted a digitally-enabled comprehensive compliance management framework. It is updated at regular intervals, and is integrated with business processes, risks and controls. Changes in regulations including COVID-19 induced changes are also tracked and integrated within the

Reliance Compliance Management System. The responsibility matrix is cascaded down to a single point of responsibility. Apart from assurance through Three lines of defense, compliances are also periodically monitored at the Group Compliance Committee level.

The Company's code of conduct, training as well as focus on ensuring 100 % compliance and continuous monitoring have enabled a mature, digitally-enabled compliance framework.

Data Privacy Risk

Risk Description

Due to COVID-19, the companies are collecting personal information about the medical condition of employees, vendors and other visitors to their premises. Reliance is required to comply with statutory, regulatory and contractual restrictions with respect to the collection of data, its storage, its security and dissemination to manage data privacy risk.

The Government introduced the Personal Data Protection Bill, 2019 (PDP 2019) in Parliament, which would create the first cross-sectoral legal framework for data protection in India. Currently, the data privacy requirements are governed by the Information Technology Act 2000, amendment 2008.

Citizens and governments across the globe continue to face data breaches and scandals. This has transformed the way citizens, governments and organisations think about data privacy globally. Data privacy laws and societal expectation are increasing the imperatives to protect personal information of individuals.

Risk Response

Reliance continues to ensure that privacy principles are enshrined in the organisation and its services. Since Reliance is also involved in providing health support during the pandemic to both employees and society at large, the data privacy requirements as per the law are tightly integrated

into business processes and utmost care is taken to validate these regularly. Enhanced practices are in place to ensure protection of personal data while sharing it with third parties. Identified applications that store personal data are adequately secured. Besides, data privacy

awareness campaigns are conducted on an ongoing basis. Reliance is fully compliant with the existing Indian privacy laws and is gearing up to adopt requirements of the anticipated Indian PDP Bill, 2019.

Climate-related opportunities

Climate change driving new business models

While climate change is a key risk for a 'hard to abate' sector such as steel, it also provides an opportunity to take a leadership role in the steel industry by reducing our environmental footprint.

As the world recovers from the COVID-19 pandemic, the focus on sustainability is at the forefront with a significant amount of the global stimulus directed towards green technology. To position itself as a leader in sustainability, Tata Steel has already identified technology leadership areas in Hydrogen technology leadership areas in hydrogen technology, carbon capture and use, and reduction in specific water consumption. Tata Steel Jamshedpur is a national benchmark in CO_2 emission. Specific plans are in place to improve sustainability performance in other locations. We have ventured into the steel recycling business, leveraging the expected increase in scrap availability in India.

(Source: TCS Integrated Annual Report 2020-21)

Internal carbon prices

Science Based Targets

We are also committed for Science Based Target (SBT) to de-carbonise our growth and thus contribute to keep global temperature rise below 2 degrees Celsius as per Paris Accord 2015. We continue to invest in various energy efficiency programs abiding by the commitment towards internal carbon price of USD 10 per ton of carbon emitted. M&M Ltd. has committed to reduce scope 1 and scope 2 GHG emissions 47% per equivalent product unit by 2033 from a 2018 base year and to reduce scope 3 GHG emissions 30% per sold product unit by 2033 from a 2018 base year.

(Source: Mahindra & Mahindra Ltd. Sustainability Report 2020-21)

Thank you

BSR & Co LLP-14 Floor, Central B Wing & North C Wing, Nesco IT Park 4, Nesco Center, Western Express Highway, Mumbai-400063