



BUSINESS RESPONSIBILITY SUSTAINABILITY REPORT



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The Sustainability Journey from Business Responsibility Report to BRSR- Sustainability Reporting for all

In the last few years, there is a renewed interest in the investor community about how industries / businesses are managing their stakeholders across the entire value chain, including environment, social and governance aspects. Across the globe, people are questioning the impact of a business entity on sustainability factors.

Internationally, the Global Responsibility Initiative's Sustainability Standards (GRI standards) are the first and the most widely accepted standard for sustainability reporting. The GRI Standards helps the businesses to communicate to its stakeholders, the impact, or the value they create on Environment, Economy, and Governance (also known as People, Profit, Planet).

In India, the Ministry of Corporate Affairs (MCA) had in 2009, issued the 'Voluntary Guidelines on Corporate Social Responsibility' as a step towards mainstreaming the concept of business responsibility. In July 2011, MCA issued the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVG)' for voluntary adoption by all Companies. The NVG Guidelines provide 9 principles which emphasizes that Companies must endeavor to become responsible players in society, so that each of their action leads to sustainable growth and economic development.

Although the NVG was voluntary for adoption by companies, the Securities and Exchange Board of India (SEBI) vide its circular dated August 13, 2012 mandated top 100 listed entities to submit a Business Responsibility Report (BRR) as a part of their Annual Reports. However, in 2015, the SEBI (Listing Obligations and Disclosure Requirements) Regulations mandated (Listing Regulations), the BRR to be a part of the Listing Regulations for top 100 listed entities based on market capitalization. In the later part of 2015, an amendment was issued which made BRR a mandatory requirement for the top 500 listed entities, and again in 2019 the same was extended to top 1000 listed entities based on market capitalization. On 11th August 2020, the Indian Ministry of Corporate Affairs (MCA) released the report of the Committee on Business Responsibility Reporting (BRR). In the report, the Committee recommended a new two-format reporting framework called "Business Responsibility and Sustainability Report (BRSR)".

Necessity of BRSR

The need of a defined set of guidelines arose due to compliance related matters in implementing the BRR by organizations/industry. It was getting more and more noticeable that while the large business houses were complying with the extant BRR requirements, however, there was a lack of parity in this. It was observed that there was an immediate need of standard guidelines, so that multiple interpretations of the same guideline could be avoided. While some Companies were reporting some quantitative data, few were only providing qualitative data. Hence, these issues gave rise to the need for a standardized framework of BRSR. The need of BRSR can be briefly divided into three major steps:

- Completeness of Information
- Accuracy of information
- Clarity of information

Purpose of BRSR

The purpose of BRSR lies in providing all the stakeholders with "one-stop source on non-financial disclosure". The nomenclature has been refashioned to enhance the scope of the report and more accurately convey the thrust on sustainability and business responsibility. The BRSR disclosure will have to be implemented not only by large corporates but also by small unlisted companies. Further, along with this, the disclosure under BRSR shall be utilized by several credit rating agencies, banks, financial institutions, for data analytics and ascertaining the credibility of the company. This information will be then used by Government for procurement purposes and such businesses will be preferred that demonstrate good business conduct.

In contrast with the SEBI prescribed format for BRR to be disclosed in the annual report, the BRSR framework emphasize on the basic and most desired elements of sustainability and responsibility reporting. The BRSR formats have been formulated to serve as a single source of sustainability information reporting for companies across the country. The Scope of BRSR extends to disclose more information about the company, management and process disclosure structures, policies and processes put in place towards adopting the core elements of sustainability reporting based on National Guidelines on Responsible Business Conduct (NGRBC) framework.

The BRSR framework has been introduced in two different formats: A Comprehensive BRSR and BRSR Lite. The first format, namely Comprehensive BRSR, is applicable to top 1000 companies listed in India and may be extended to several unlisted companies that meet specified thresholds of turnover and/or paid-up capital.

The second format, BRSR Lite, has been developed with a view to encourage unlisted companies unfamiliar with the preparation of sustainability reporting. The BRSR Lite format will aid more and more companies to begin sustainability reporting as it is easier for all companies to adopt this format. The adoption of BRSR Lite currently would be voluntary for such companies to begin with.

The MCA would work closely with SEBI to implement the Business Responsibility and Sustainability Report (BRSR) framework in India. Implementation of reporting requirements would also be done in phases.



How India Can Look Forward to BRSR:

As compared to earlier times, when India was still emerging on the sustainability scene, today, our corporate disclosures norms are at par with global standards, and all information is literally at our fingertips. The credit for this achievement unquestionably goes to SEBI's unrelenting agenda to augment disclosure and reporting requirements across the spectrum of business, financials, environment, governance etc. The new way of reporting aims to bring in more transparency through ESG disclosures, which would in turn aid the promoters/investors in assessing risks and opportunities related to sustainability for their investments. The BRSR requirements are voluntary for 2021-22, but come 2022-23, they would become mandatory for top 1000 listed companies.

Discussions across multiple sectors in India revealed that given the varying nature of businesses across industries, a uniform applicability of the reporting requirements may not be meaningful, practical, or effective. A few important considerations which emerged as a result of Industry brainstorming include:

- For pharma industry, disclosure of year-on-year comparison of waste management and use of water is un-appropriate, as pharma is not a continuous process industry and the disposal of waste and uses of water would vary from year on year.
- For the chemical industry, the focus of disclosure should be on the uses of fresh water and not of salt water.
- The textile industry must consider the impact on the local social ecosystem.
- It would be advisable to put only Scope 1 and 2 emission related disclosures at an essential level, which is expected from every business that has adopted these guidelines. The Scope 3 emissions-related disclosures can be restricted to leadership level, which is expected of businesses which aspire to progress to a higher level in their quest to be socially, environmentally and ethically responsible.
- The NOx and SOx disclosures can be at essential level for specific sectors with high emission and for others it could be in the leadership category.
- The auto sector could start with the generic disclosures which could later be integrated into existing standards to ensure ease of compliance.
- Disclosure of PCB emission related show-cause notices should be applicable only in case of violations.
- For financial services, there must be a constitution of an ESG committee at the board level.
- The energy consumption benchmark can be misconstrued as it varies from industry to industry.
- Health & safety condition related risk data is important, and companies should affirm having a policy in that regard.
- The Consumer Durables and IT sectors require a somewhat customized approach.
- Disclosures should be based on the principle of materiality – focus should be on top 3 products based on materiality of carbon emissions, lifecycle assessment and the board's view moving to products contributing 90% of turnover may only generate more paperwork.



Endnote

The step to make applicable the BRSR framework to all types of companies will go a long way in instilling the practice of responsible business with a sustainable behavior. Although this is a first attempt to bring even the small / unlisted companies to the platform of sustainability reporting, the success of the same would be achieved only if companies imbibe the tradition of sustainability in spirit and not just for the matter of compliance. It would also be interesting to note that organizations may continue to prepare only a single report in the future by combining all the elements / indexing with reference to GRI, DJSI, UNSDG and including the SR elements in the BRR with a GRI index and publishing it in the annual reports. The whole scenario would be clear by 2022-2023, as to how the entire reporting framework evolves for the better.

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