Business Responsibility and Sustainability Reporting (BRSR)

The evolution of sustainability reporting in India

INDIAN CHAMBER OF COMMERCE

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1

Background

"The ability for a company to sustainably maintain resources and relationships with and manage its dependencies and impacts within its whole business ecosystem over the short, medium and long term." – definition of sustainability as per the International Sustainability Standards Board (ISSB)[3]

Changing ESG reporting landscape in India

The sustainable reporting landscape is rapidly changing at the global level. Considering the ever-increasing global challenges pertaining to environmental, social and governance dimensions, business leaders in India too have also found it to be in their interest to reorient their corporate purpose to extend beyond merely wealth creation into broader themes that its key stakeholders are concerned with.

Business Responsibility and Sustainability Reporting (BRSR) in India owes its origins to the 'Voluntary Guidelines on Corporate Social Responsibility'. These guidelines were formulated in 2009 by the Ministry of Corporate Affairs in India[4], and can be considered the first step towards mainstreaming the concept of business responsibility in India.

Figure 1 Stakeholder concerns amidst increased focus on sustainability

The United Nations Human Rights Council (UNHRC) adopted the United Nations Guiding Principles on Business and Human Rights (UNGPs)[5] in June 2011, which were endorsed by India. These principles were thereafter adopted by the Ministry of Corporate Affairs in India, to introduce the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' (NVGs) in July 2011[6]. The objective of these guidelines at the time of their inception was to drive the process of educating businesses regarding what constitutes responsible business conduct.

3 https://www.ifrs.org/news-and-events/news/2022/12/issb-describes-the-concept-of-sustainability
4 https://www.mca.gov.in/Ministry/pdf/BRR_11082020.pdf Page 12
5 https://www.undp.org
6 https://www.mca.gov.in/Ministry/pdf/BRR_11082020.pdf Page 12

In the present world, sustainability is something that investors are demanding, customers are expecting, shareholders are relying on, and employees are valuing.

Due to a change in consumer behaviour and preferences, the demand for stringent regulations by investors for non-financial disclosures has increased globally.

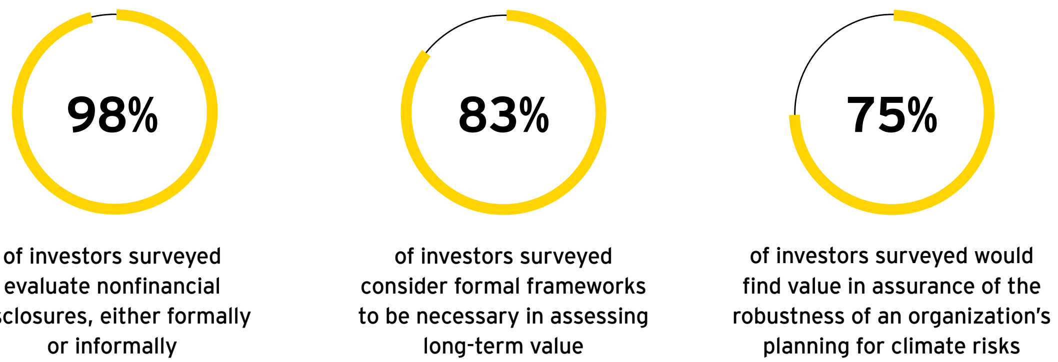

Figure 2 Findings from EY's Global Investor Survey 2021 covering views of 300 institutional investors on ESG performance

Evolution of ESG reporting in India

Non-financial reporting has gained traction across the world as more and more companies have started becoming conscious about the adverse effects of their operations on the environment and climate change. The emphasis on non-financial reporting has prompted a reorientation of business models towards a more sustainable approach. Several institutions such as the Sustainability Accounting Standards Board (SASB)[7], the Global Reporting Initiative (GRI)[8], and the Task Force on Climate-related Financial Disclosures (TCFD)[9] had started working to form standardized reporting formats for non-financial disclosures by companies. In the backdrop of increasing pressure from investors on companies for greater transparency and non-financial reporting, the Securities and Exchange Board of India (SEBI) introduced the requirement of ESG reporting in India in 2012. Their version of ESG reporting was termed the Business Responsibility Report (BRR) and it was mandated by SEBI that the top 100 listed companies in India by market capitalization needed to file a BRR[10]. The purpose behind this disclosure was to enable businesses to engage and reach out to their stakeholders in a more engaging and meaningful manner. The BRR was intended to provide a push to businesses to go above and beyond regulatory financial compliance and incorporate reporting on social and environmental impacts as well.

Section 135 of the Companies Act[11] introduced in 2013, mandates companies to undertake Corporate Social Responsibility (CSR) initiatives with a clear preference for local communities and define rules concerning the governance, budgeting and expenditure of CSR initiatives. At the global level, the UN General Assembly adopted the 2030 Agenda for Sustainable Development in 2015. Through this agenda, it established the seventeen Sustainable Development Goals and review mechanisms for tracking targets using indicators. To align the NVGs with the UN SDGs, the process of revision of the NVGs began in 2015. Due to the increased scrutiny on sustainable reporting at that time and increasing investor awareness, SEBI also increased the number of companies that were required to file for BRR, to the top 500 listed companies in India by market capitalization from FY 2015-2016 onwards.[12] After numerous such revisions of the NVGs amidst rising global concerns about ESG reporting and sustainable development, the National Guidelines on Responsible Business Conduct (NGRBC) were released in 2019 as a revised form of the NVGs. These guidelines were intended to assist businesses to embrace the principle of responsible conduct going beyond the requirements of regulatory compliance. Soon after, SEBI mandated the top 1000 listed companies in the stock exchange by market capitalization to publish BRRs as a part of their annual report[13].

7 https://www.sasb.org/
8 hGRI - Home (globalreporting.org)
9 Task Force on Climate-Related Financial Disclosures | TCFD) (fsb-tcfd.org)
10 https://www.mca.gov.in/Ministry/pdf/BRR_11082020.pdf Page 12
11 https://www.mca.gov.in
12 https://www.mca.gov.in/Ministry/pdf/BRR_110 Page 12
13 https://www.mca.gov.in/Ministry/pdf/BRR_110 Page 12

However, the disclosure mechanism emanating from the NVGs, namely, the Business Responsibility Report (BRR)[14], needed to be modified to align it with NGRBC and encourage companies to take on leadership roles in practices and disclosures. Therefore, in May 2021, SEBI introduced a new ESG reporting structure titled 'Business Responsibility and Sustainability Reporting' to make it mandatory for the top 1000 listed companies in the stock exchange (by market capitalisation), to report their sustainability performance from FY 2022 – 2023 onwards and maintain transparency with their key stakeholders.

Evolution of Regulations for Non-Financial Disclosures in India

2015

SEBI BRR Guidelines

Business Responsibility Report based on National Voluntary Guidelines, by SEBI

- Mandatory Reporting for 100 companies in 2012
- Extended to BSE top-500 in 2015
- Extended to BSE top-1000 in 2019

2017

IRDAI Stewardship Code

Stewardship code for insurance companies ('IRDAI Code') issued by IRDAI

- Mandatory implementation
- Insurance companies

2017

SEBI Integrated Reporting

Adoption of integrated reporting for listed entities

- Voluntary adoption
- Top-500 listed companies

2017

SEBI Green Securities Disclosure

Disclosure of Green Debt Securities

- Mandatory reporting of use of proceeds of green debt securities
- Entities raising green debt/ green bonds

2019

SEBI Stewardship Code

Stewardship Code for all Mutual Funds and all categories of AIFs

- Mandatory implementation
- In relation to their investment in listed equities

2020

MCA Committee of Business Responsibility Reporting

Sustainability Reporting Standards Board

2021-23

Introduced BRSR in 2021

Mandatory BRSR disclosure for top 1000 listed companies based on Market cap. from 2023

Figure 4 Timeline of evolution of non-financial disclosures

14 SEBI | Format for Business Responsibility Report (BRR)

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What is BRSR?

The Securities and Exchange Board of India (SEBI), defined ESG disclosures in a standardized manner for listed companies based on which, the Business Responsibility and Sustainability (BRSR) guidelines were issued.[15]

Some of the key highlights of BRSR are as follows:

- **Thrust to maximizing business impact -** With a primary objective of creating awareness around corporate sustainability, the new disclosure requirements, which are of a mandatory nature, will enable the companies with reporting obligation to redefine their corporate purpose with an enhanced focus on environmental, social and governance dimensions.
- **Linkages with Global Reporting Standards/Annual Report -** The listed companies, while preparing sustainability reports, can now cross-reference such reporting with internationally accepted disclosure parameters as set out under GRI, SASB, TCFD, etc. Furthermore, in case the data sought under BRSR format is already available under the annual report, the Regulatory Authority allows companies to cross reference such disclosure data either in the annual report or the sustainability report to avoid dual reporting.
- **Emphasis on training and awareness -** The new format lays emphasis on the importance of imparting adequate awareness and training sessions on aspects such as employee health and safety measures, anti-corruption issues and upskilling of workforce. Accordingly, the companies are required to disclose details of such training initiatives.
- **Environmental and Social Assessment related disclosures -** With a focus on environmental and social aspects, the new reporting format seeks disclosures with respect to any Environmental or Social Impact Assessments carried out by the listed companies in compliance with relevant laws.
- **'Essential' and 'Leadership' Indicators -** The revised framework promotes the adoption of the Key Performance Indicators (KPIs) model and although voluntary, the Regulatory Authority encourages listed companies to report on 'essential' and 'leadership' indicators as well.

How is BRSR different from BRR?

The Securities and Exchange Board of India (SEBI) introduced the requirement of ESG reporting in India in 2012. Their version of ESG reporting was termed the Business Responsibility Report (BRR) and it was mandated by SEBI that the top 100 listed companies in India by market capitalization needed to file a BRR. By 2021, BRR has evolved into BRSR, making it a comprehensive ESG reporting framework. It has also managed to successfully plug the gaps in terms of accuracy and depth of reporting.

The key differences between BRSR and BRR are presented below:

15 NationalGuildeline_15032019.pdf (mca.gov.in)

BRR		BRSR
Five Reporting Sections: ▶ General Information ▶ Financial Details ▶ Other Details ▶ BR Information ▶ Principle wise performance	**Reporting Sections**	Three Reporting Sections: ▶ General Disclosures ▶ Management and processes ▶ Principle wise performance
Universal / Single format	**Format**	Essential indicators Leadership indicators
59 Questions	**Questions**	140 Questions (~ 2.5 times more) - 98 Mandatory, 42 Leadership
Mostly qualitative	**Indicators**	Qualitative and quantitative
Annual Report	**Disclosure**	Annual Report and MCA21 Portal

Figure 5 Key Differences between BRR and BRSR

Advantages of BRSR

Increased value creation

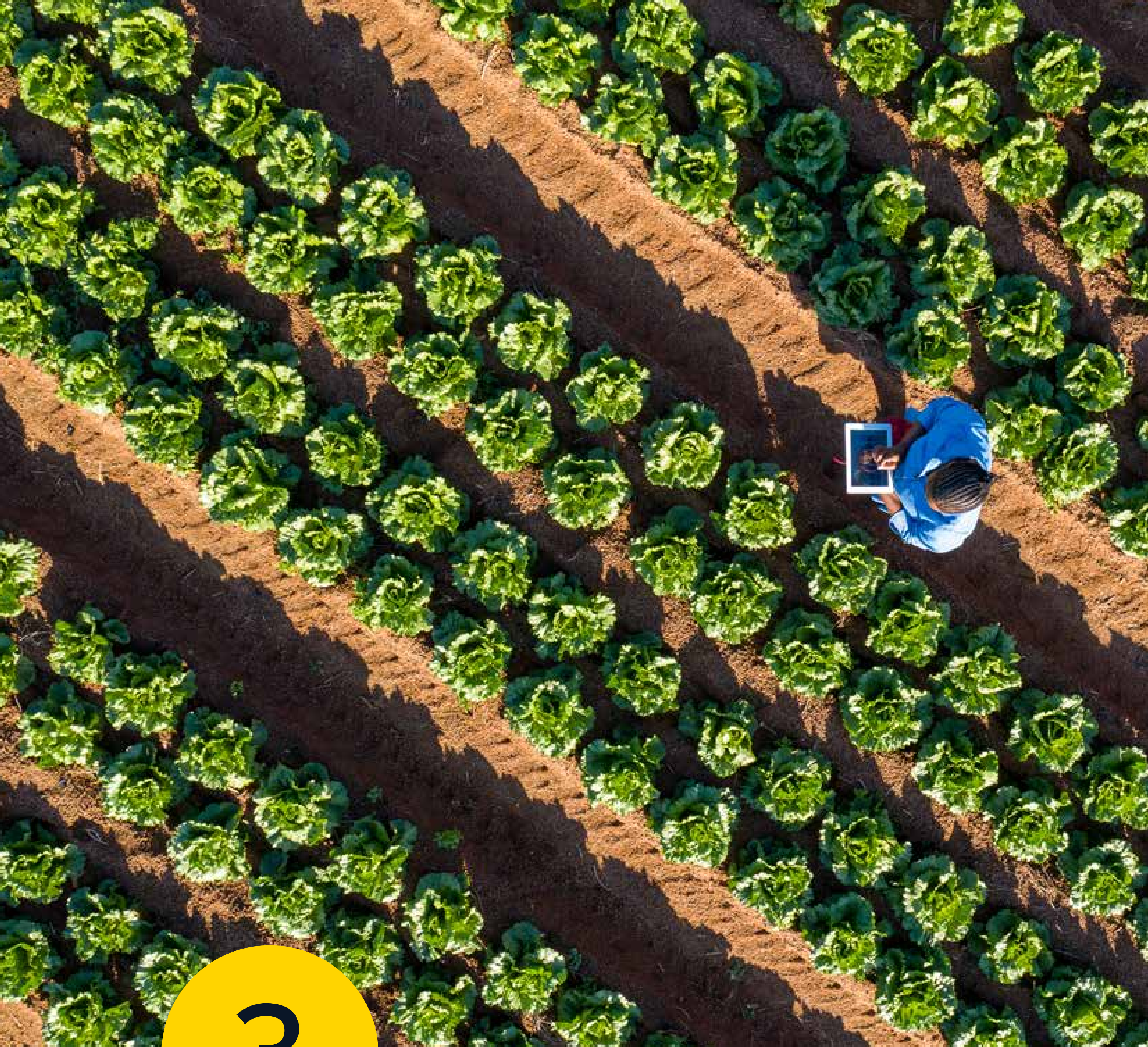
It is a well demonstrated fact that any company that embeds sustainability into its core operations builds a business that lasts longer, outperforms its competitors, and has a higher enterprise value vis-a-vis its peers who are resistant to change. Off-late, there has been significant investor interest in the major global sustainability frameworks like GRI and SASB and investors are increasingly using the ESG performance data of a prospective investee company to take investment decisions.

Stronger brand positioning

Embracing sustainability as a key pillar of operating practices increases the brand value of a company by positioning it strongly in terms of perception of customers and key stakeholders. Enhanced brand value further helps a company raise financing from investors.

Attraction and retention of talent

Employees are lately showing a high preference for companies that govern their operations in a responsible manner, using industry best practices related. As a result of this, companies have begun to embed sustainability into their core values, to attract and retain top talent.



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Structure and format of BRSR

The principal purpose of this reporting framework is to serve as an internal tool for businesses intending to align themselves with the NGRBC[16]. The reporting structure is divided into three sections:

Section A: General disclosures

The objective of this section is to obtain basic information and details of the listed entity, which includes their products and services, operations, employees, transparency and disclosure requirements and compliances, subsidiary companies, holdings, and joint ventures, etc.

Section B: Management and process disclosures

In this section, the company is required to disclose information on policies and processes relating to the NGRBC principles concerning leadership, governance, and stakeholder engagement. Wherever relevant, companies have been asked to provide links to their websites where these policies are available. The information required in this section mainly involves questions related to oversight, governance, leadership issues and management processes.

Section C: Principle-wise performance disclosures

This section requires companies to demonstrate their intent and commitment to responsible business conduct through actions and outcomes. In that regard, companies need to report upon KPIs in accordance and alignment with the NGRBC's nine principles of responsible business conduct. Further, companies are required to report on two parameters for each principle, which are:

- **Essential indicators (mandatory)**

These are the indicators which the company mandatorily needs to report, which include environmental data such as energy, emissions, water, and waste; trainings conducted; community initiatives undertaken by the company and social impact created by the company.

- **Leadership indicators (voluntary)**

These indicators are not mandatory to be reported by the company yet. However, there is a broader expectation that companies would be compliant with these indicators for improved transparency and greater accountability. This might include reporting on scope 3 emissions and breakdown of energy consumption, health, and safety assessment of value chain partners. The leadership indicators focus on providing a broader picture of the company's operations in terms of sustainability.

16 NationalGuideline_15032019.pdf (mca.gov.in)

4

Governing Principles of NGRBC

The 9 principles defined by NGRBC

P1: Ethical Business Practices · **P2: Product Stewardship** · **P3: Employee Wellbeing and Engagement** · **P4:Stakeholder Engagement**

ESG Implementation Program Management

P1: Ethical Business Practices	P2: Product Stewardship	P3: Employee Wellbeing and Engagement	P4:Stakeholder Engagement
▶ A 100% Compliant Company ▶ Robust Governance ▶ Framework.	▶ Established framework for product stewardship ▶ Enhanced mechanisms for ensuring supply chain sustainability	▶ Healthy Environment ▶ Developed Workforce ▶ Safe Workplace ▶ Human Capital Development throughout Value chain	▶ Greater investor confidence ▶ Enhanced brand reputation & attractiveness

Figure 6 NGRBC Principles

P5: Human Rights · **P6: Environmental Stewardship** · **P7: Public Policy Advocacy** · **P8: Inclusive and Equitable Growth** · **P9: Customer Focus**

ESG Implementation Program Management

P5: Human Rights	P6: Environmental Stewardship	P7: Public Policy Advocacy	P8: Inclusive and Equitable Growth	P9: Customer Focus
▶ Enhanced Human Rights and Ethics policies and processes. ▶ Association with Global coalition (UNGC 10, IFC Performance Standards, etc.)	▶ Environmentally compliant company ▶ Carbon and water neutrality ▶ Established processes for waste & biodiversity management	▶ Robust public advocacy on global matters.	▶ Enhanced engagement with local communities ▶ Enhanced brand reputation & attractiveness	▶ Enhanced customer engagement and product information disclosure. ▶ SOPs/ policies for cyber security & ▶ data privacy for customers ▶ Sustainable product labelling

Figure 7 NGRBC Principles

The data shared in the disclosure can be either qualitative or quantitative.

The 9 principles defined by NGRBC are given below:[17]

Principle 1: Businesses should conduct and govern themselves with integrity and in a manner that is ethical, transparent, and accountable.[18]

The principle aims to adopt, implement, and make disclosures about company performance in a fair manner. The principle emphasizes the use of ethical business practices across the value chain of the company and is put into practice using the company governance structure by defining economic, social, and environmental responsibilities.

Key components of Principle 1

- Under this indicator, detailed disclosure on fines, penalties, punishments, awards, compounding fees, and settlement sums paid in proceedings by the entity or by directors or KMPs to the regulator during the fiscal year is to be reported.
- Disclosure on steps taken to establish or review internal controls and for handling corruption and bribery complaints like reports of an anti-corruption training sessions is provided.
- Report on conflict of interest and corrective actions at each reportable level; providing information on the number of complaints received regarding conflicts of interest involving the directors or KMPs.
- Description on the procedures used to manage conflicts of interest involving board members can be disclosed under this indicator.

Principle 2: Businesses should provide goods and services in a manner that is sustainable and safe.[19]

The principle emphasises that companies should put safety and resource efficiency first when designing and producing their goods. The goods must be produced in such a way that, from the time of their conception until their final disposal, they minimize and mitigate their negative effects on the environment and society while also adding value. This principle pushes organizations to comprehend all material sustainability challenges throughout the life cycle and value chain of their products.

Key components of Principle 2 are:

- Included in this indicator are - details of resource allocation by capital investments and the R&D budget to enhance the effects that a company's products have on society and the environment.
- Specification of strategy for calculating and reducing the company's products, if any unfavourable effects on the environment and society at large.
- Guidelines for sustainable sourcing by determining the sources of sustainable inputs and additionally report details of the products acquired sustainably and otherwise.
- Details of EPR applicable and waste collection that is submitted to the Pollution Control Board.
- Details of choosing the product line and level, up to which LCA will be undertaken is step one in the LCA process.
- Disclosure of the proportion of recycled input materials used in manufacturing including the quantity of reclaimed products and their packaging material used in the process as an input.

Principle 3: Businesses should respect and promote the well-being of all employees, including those in their value chains.[20]

The principle encompasses all practices and policies that promote equity, dignity, and well-being for all workers who are involved in a company's value chain or within its own organzsation, without discrimination and in a way that respects diversity, as well as the provision of decent work for all of them. A worker's welfare and the welfare of his or her family are both mentioned in the principle.

Key components of Principle 3 are:

- Included in this indicator are specifications of actions taken and policies framed to promote the health and welfare of workers and employees.
- Details of retirement benefits, for the present and prior fiscal year that are given to workers and/or employees for the current and the prior fiscal year.
- Disclosure of details to assure regarding the action taken by businesses for their offices and premises to make it accessible to workers and employees with disabilities.

17 https://www.mca.gov.in/Ministry/pdf/NationalGuildeline_15032019.pdf Page 13
18 https://www.mca.gov.in/Ministry/pdf/NationalGuildeline_15032019.pdf Page 14
19 https://www.mca.gov.in/Ministry/pdf/NationalGuildeline_15032019.pdf Page 16
20 https://www.mca.gov.in/Ministry/pdf/NationalGuildeline_15032019.pdf Page 18

- Information on the percentages of permanent employees who returned to the workplace and those who took parental leave.
- Details of training imparted to the employees and workers on health and safety measures and on skill upgradation
- Reporting on performance and career development reviews of employees and worker by establishing a process to receive and address grievances from permanent employees and other workers.
- Details of life insurance and compensatory package to permanent and contractual employees.
- Providing details of the number of employees/workers having suffered high-consequence work-related injury/ ill-health / fatalities, who have been rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment.
- Report on transition assistance program and its frequencies to facilitate continued employability by formulation of the program based on the requirements of the reporting entity.

Principle 4: Businesses should respect the interests of and be responsive to all their stakeholders.[21]

This principle acknowledges that businesses operate in an eco-system that includes some stakeholders, such as shareholders and investors, and that their activities have an impact on natural resources, habitats, communities, and the environment. The principle emphasizes that businesses have a responsibility to maximize the positive effects while minimizing and mitigating the negative effects of their products, operations, and practices on their stakeholders.

Key components of Principle 4 are:

- Details on identifying key stakeholders based on the total number of stakeholders identified and categorization as groups to identify priority of engagement.
- Report on understanding the level and scope of engagement required with each type of stakeholder and whether they to a vulnerable/marginalized group.
- Report on formulation of processes for consultation between stakeholders and the Board on economic, environmental, and social topics- and subsequent feedback that are received during the activity.
- Details of concerns of vulnerable/ marginalized group of stakeholders addressed by establishing the framework for utilizing the inputs collected during policy formulation and determine the arrangements required to address the worries of marginalized or vulnerable stakeholders.

Principle 5: Businesses should respect and promote human rights.[22]

The principle acknowledges that businesses operate in an ecosystem that includes some stakeholders, including shareholders and investors, and that these operations have an impact on the environment, natural resources, ecosystems, and communities. It emphasizes that businesses must maximize the positive effects of their operations, behaviours, and products on their stakeholders minimize and manage the negative effects. These rights are viewed as being inherent, unalienable, interconnected, and indivisible.

Key components of Principle 5 are:

- Details of training on human rights issues and policies to the employees and stakeholders in current and previous fiscal year.
- Details of minimum wage paid to employees and workers under the terms of the labour code. The information on the salaries, remuneration, and wages paid to directors, KMPs, employees, and workers. Calculation of the median salary, remuneration, and salary paid for reporting are also reported.
- Details of grievance mechanism for HR issues that is established internally to address complaints about human rights violations.
- Information on the percentage of the company's offices and factories that were evaluated for: sexual harassment, employment discrimination, forced or involuntary labour, child labour, wages, and other issues are reported as well.
- Disclosure of the corrective measures that have been taken or are being considered to address major risks or concerns identified by the assessments
- Details of Business Process Modification to address human rights grievances/ complaints including any alteration in business procedure as a remedial action.
- Details of human rights due diligence by defining the extent and use of such due diligence.
- Reports on evaluations of VCPs on the following topics: sexual harassment, workplace discrimination, child labour, forced labour/involuntary labour, wages, and other topics.

21 https://www.mca.gov.in/Ministry/pdf/NationalGuildeline_15032019.pdf Page 20
22 https://www.mca.gov.in/Ministry/pdf/NationalGuildeline_15032019.pdf Page 22

Principle 6: Businesses should respect and make efforts to protect and restore the environment.[23]

According to this principle, efforts should be made to address problems like pollution, biodiversity conservation, sustainable resource use, and climate change in a thorough and methodical manner. It also gives preference to environmental issues that are interconnected at the local, regional, and global levels. The guiding principle pushes businesses to implement environmental procedures and practices that reduce or eliminate the negative consequences of their activities across the value chain. Additionally, it persuades companies to act in accordance with the precautionary principle at all times.

Key components of Principle 6

- Details of energy consumption, GHG emission, water, air, waste, etc by calculating the company's total energy consumption and total energy intensity for the current fiscal year and the prior fiscal year.
- Details of obtaining environmental approvals or permissions if the business has operations or offices in or close to environmentally sensitive areas.
- Report on environmental impact assessments of projects, the company is working on based on the laws that are in effect during the current fiscal year.
- Details of energy consumed from Renewable Energy and non-renewable energy consume for the current fiscal year and the prior fiscal year.
- Details related to water discharged including, information on the use, leakage, and treatment of water/other liquids.
- Details of water withdrawal, consumption, and discharge in areas of water stress (in kilolitres).
- Source-wise scope 3 emissions details in the format specified in guidelines given by BRSR.
- Details of evaluation of the company's value chain to identify the materials that can cause environmental harm.
- Disclosure on development of a framework to implement strategies to prevent or reduce the adverse effects in case of any disaster.

Principle 7: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.[24]

This principle acknowledges that business functions are under national and international regulatory and policy frameworks that direct their growth and give distinct limits and bounds. The idea acknowledges that corporations can legitimately interact with governments to have their complaints heard or to have their opinions heard in the formulation of public policy. Additionally, public policy advocacy must advance the common good according to the law.

Key components of Principle 7

- Details of the chambers and associations with which to affiliate based on the industry in which the entity conducts business.
- Report on corrective actions taken in case of anti-competitive behaviour.
- Details of public policy positions advocated by the entity by identifying the areas of improvement based on existing laws and guidelines.

Principle 8: Businesses should promote inclusive growth and equitable development.[25]

The principle highlights the national and development agenda in accordance with the goals and priorities of the government, while identifying the country's social and economic development difficulties. This is important in areas where social unrest and low human development are prevalent. In this development agenda, the principle underlined the importance of commercial, governmental, and civil society collaboration. This idea affirms the interdependence between economic success, inclusive growth, and equitable development.

Key components of Principle 8

- Details of SIA undertaken during land acquisition that includes disclosure of frequency of assessments and resulting corrective measures that were taken by the businesses, if they were needed.
- Details on projects for which rehabilitation and resettlement are ongoing projects of the entity in an eco-sensitive area.
- Report on community grievance mechanism for resolution of local community complaints.

23 https://www.mca.gov.in/Ministry/pdf/NationalGuildeline_15032019.pdf Page 24
24 https://www.mca.gov.in/Ministry/pdf/NationalGuildeline_15032019.pdf Page 26
25 https://www.mca.gov.in/Ministry/pdf/NationalGuildeline_15032019.pdf Page 28

- Details of percentage and types the materials that should be purchased from MSMEs and small enterprises.
- Disclosure on identification of Beneficiaries of CSR Projects and the actions taken to mitigate negative social impacts to them.
- Details on ongoing CSR projects in aspirational districts and procurement from marginalized/vulnerable groups.
- Details of benefit and corrective action taken from intellectual properties owned based on conventional knowledge by entity.

Principle 9: Businesses should engage with and provide value to their consumers in a responsible manner.[26]

The underlying tenet of the principle is that a company's main goal is to provide safe products and services to its customers, thereby generating value for both parties. In recognition of the fact that consumers have a wide range of options for the products and services they use, businesses work hard to offer their customers products that are secure, reasonably priced, simple to use, and safe to discard. Businesses, together with other important stakeholders, play a key role in reducing the negative impacts of excessive consumption of their products on the society's general well-being.

Key components of Principle 9

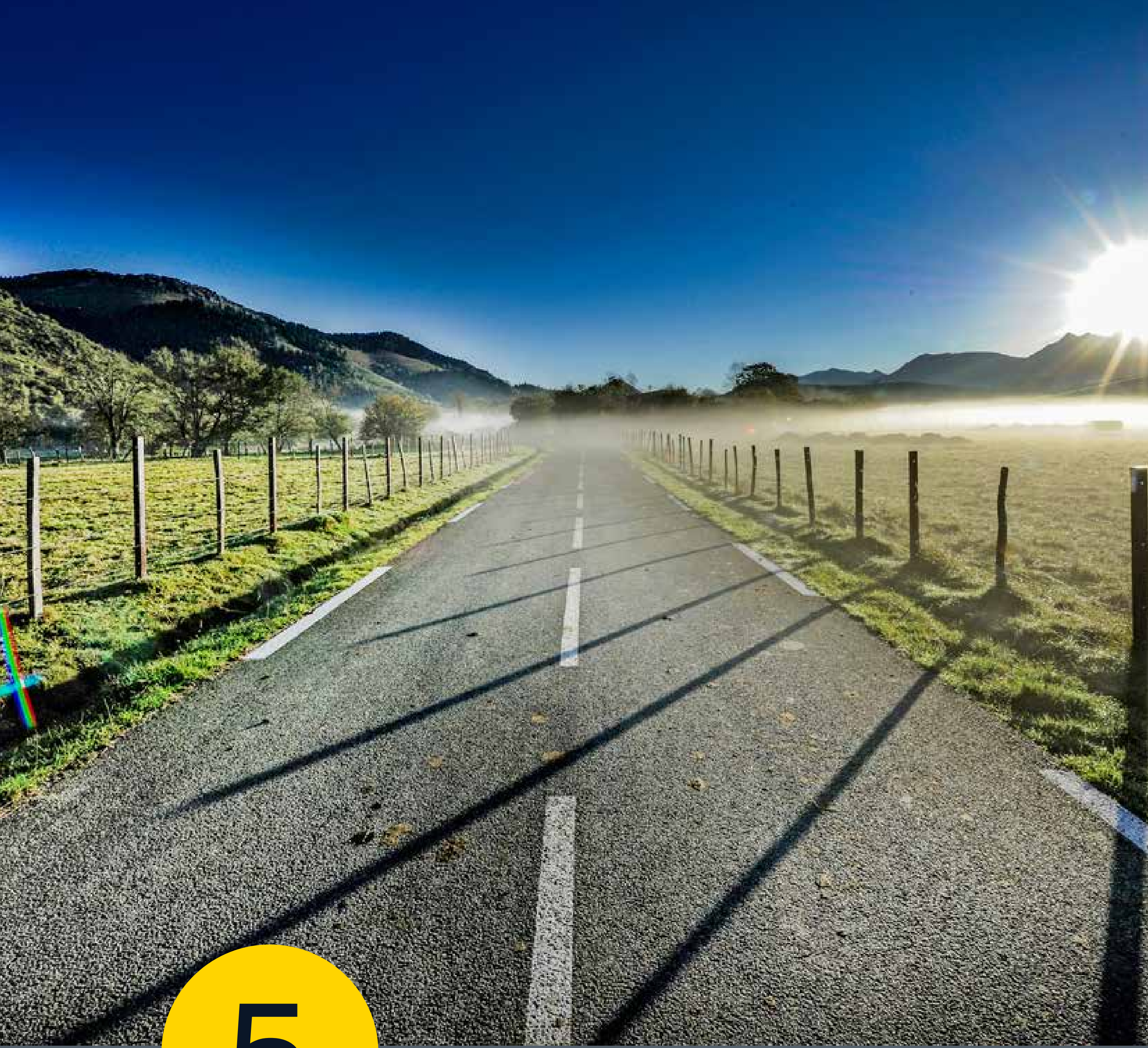
- Details of the procedures for receiving and handling customer complaints and feedback.
- Details of instances of product recalls which were voluntary or compulsory.
- Report of attention on the cyber-related threat to data privacy by the employees and stakeholders.
- Details of number of consumer complaints received in current fiscal year and previous fiscal year on advertising, data privacy, cyber security, provision of basic services, restrictive trade practices, unfair trade practices, and others.
- Disclosure about method and extent of product information on a product is required by local laws to consumers in case of discontinuation of product.
- Information of number and percentages of data breaches of customer information in identifiable categories.

BRSR Alignment towards UN SDG

BRSR incorporates several KPIs of the international frameworks to bring it on par with global ESG reporting trends including UN Sustainable development goals. The table depicts alignment of BRSR principles with UN SDGs.[27]

26 https://www.mca.gov.in/Ministry/pdf/NationalGuildeline_15032019.pdf Page 30
27 https://www.mca.gov.in/Ministry/pdf/BRR_11082020.pdf - Annexure 4 - Page 181

Figure 8 NGRBC principles alignment with UN SDGs



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Way Forward

An important aspect of sustainability reporting for companies in India has been the challenge of selecting the correct reporting framework. BRSR simplifies that problem with a unified, transparent reporting format which all companies will need to adopt going forward. The main purpose of the BRSR is to help companies align their businesses with the NGRBC. This directly helps put emphasis on transparency and accountability of a company's operations.

There are still challenges in adopting BRSR going forward, such as the lack of suitable skills to meet the reporting requirements. Businesses must seek to bridge this gap by increasing their level of preparedness to understand the criteria and develop their reports as per the requirement of SEBI. Overall, the corporate sector must work towards meeting the obligations under this new mandate and taking it in its stride.

Some of the key observation regarding the challenges are mentioned below:

1 **Sudden Change in Reporting Requirements**

The sudden rise in number of questions from 59 to 140, and detailed demand for Quantitative KPIs, may require updating processes and policies for implementing BRSR Requirements.

2 **Increase in cross departmental inputs for BRSR**

BRSR covers a holistic view of companies' financial and non-financial disclosures. This will require different departments such as HR, EHS, IT, R&D, Purchase, Operations, etc. to manage and consolidate data more effectively.

3 **Increase in performance expectations from stakeholders**

BRSR is pushing companies to move from 'doing no harm' to 'contributing proactively for a change'. This will result in increased expectations from stakeholders for enhanced ESG performance.

Figure 9 Key challenges in BRSR adoption

These challenges should not be viewed as a hindrance, but rather a very small obstacle that companies should openly welcome and overcome, to embrace the greater overall benefit brought about by BRSR.

The key objective for evaluation by SEBI with respect to the BRSR is to provide a platform for companies embarking on their sustainability journey, to understand whether their sustainability ambitions are in line with their pace of growth. The BRSR is divided into 2 sections; the 'Essential' and 'Leadership' indicators to help companies understand their position and to help them identify their gaps with respect to the industry best practices related to sustainability being followed by leaders in their respective sector.

BRSR will act as an effective mode of communicating a company's non-financial disclosures and should be seen as the next step in ESG reporting going forward. Publishing a BRSR report should be seen as a mandatory compliance exercise as per SEBI's vision as to what it intends BRSR's purpose to be.