



Business responsibility and sustainability reporting

– the new dimension of ESG reporting



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Securities and Exchange Board of India (SEBI) through the notification on 5 May 2021 (Listing Obligations and Disclosure Requirements (Second Amendment) Regulations, 2021) brought out the new requirement of Business responsibility and sustainability reporting (BRSR). The circular containing the format of the BRSR was published on 10 May 2021.

BRSR is an important step when Environment, Social and Governance (ESG) took the capital markets by storm in 2020. The growing calls for ‘build back better’ coupled with the data points on the correlation of financial performance with ESG parameters resulted in an increase of fund allocation towards ESG across the globe. The remarkable year also brought about discussions on the reliability and comparability of ESG disclosures. BRSR is a significant move in this direction.

It is important for India to showcase its intent and directionality to ensure that Indian capital markets do not miss the ESG wave. The availability of ESG data and the quality of data has been a challenge, many investors and rating agencies repeatedly emphasise. The BRSR can help improve this situation. The alignment of BRSR with international reporting standards and guidelines also helps in better acceptance with international investors.

The advantages of BRSR for an organisation can be:

- Improved transparency leading to improved trust with stakeholders
- Identification of sustainability risks and opportunities
- Better comparability of ESG data
- Ease of analysis of ESG performance
- Improved access to sustainable finance
- Increased attractiveness to ESG funds.

Decoding BRSR:

The format of BRSR has 3 sections

Section A:

General disclosures

Encompasses basic information about the company.

Section B:

Management and process disclosures

Information on governance including policies and processes relating to the National Guidelines for Responsible Business Conduct (NGRBC) Principles

Section B:

Principle-wise performance disclosures

Under principle wise performance, the company must disclose information aligned to each NGRBC principle. There are two sets of indicators herein; Essential (every company must disclose on these indicators) and Leadership (companies may choose to voluntarily disclose on these indicators)



Some of the significant disclosures now required under BRSR are:

Grievance redressal mechanism for all stakeholders:

The grievances across all nine principles of NGBRC need to be reported across multiple stakeholder categories like community, investors (other than shareholders), shareholders, employees & workers, customers, value chain partners and other stakeholders which an organisation has. The intent is to close the loop around stakeholder engagement and ensure that the organisation has a mechanism to hear the grievances of all stakeholders. A formal mechanism also ensures that the organisation has an appropriate escalation mechanism depending on the nature of the grievance.

Risk management on material issues: The BRSR requires the organisation to identify material issues and evaluate the risk/opportunity around the same. BRSR also requires the company to respond as to how it will mitigate or manage the risk and disclose the financial implication of the risk/opportunity. This is a significant requirement as no other ESG standard or guideline has this level of requirement. Task force on Climate-Related Financial Disclosures (TCFD) requires the organisation to report on financial implications around climate risks, but BRSR requires companies to do this for all ESG risks.

ESG targets and achievements: This is in line with global reporting frameworks which seek the organisation to disclose its targets on material ESG issues and the progress they achieved during the reporting period.

Board oversight: Apart from seeking a report from the director responsible for BRSR, it is also required to disclose whether there is a specified committee of the board/director responsible for making decisions. BRSR also seeks the details of the highest authority responsible for the implementation and oversight of the various policies.

Independent evaluation: While it is not mandated in BRSR, the disclosure requires the company to state whether it has carried out independent assessment/evaluation of its working of the policies by an external agency.

Definitions: There is a guidance note that supports the BRSR which provides detailed definitions for each disclosure along with calculation methodologies.

The process to prepare BRSR

To get the best out of BRSR, it is recommended to approach this as a process. The process can be in the following steps:

Step 1:

Familiarisation and conceptualisation: In this step, the organisation identifies the exact requirements around BRSR and puts together the right inter-disciplinary core group for BRSR. It will also establish the right governance framework that will include the necessary board and executive oversight. This step will also include an assessment of where the organisation is with reference to the requirements of BRSR and also identify the capacity building that will be required within the organisation.

Step 2:

Identification of material issues and risk evaluation: The identification of material issues can be done by engaging with the right stakeholders. Once the material issues are identified, they need to be evaluated for risk and appropriately integrated this into the Enterprise Risk Management (ERM).

Step 3:

Collection of information: Establish the right protocols to collect relevant information at the appropriate frequency. Identify the data owners and reviewers to establish the data collection system.

Step 4:

Audit and review: Integrate the ESG audit as part of the internal audit process of the organisation. Ensure the right competencies are developed. In this step, the frequency of review of ESG performance shall be established at the executive and board levels.



Step 5:

Content development and approvals: As part of the annual report preparation process, integrate the BRR content preparation and approvals.

Step 6:

Communication and feedback: Ensure the ESG information reaches the right stakeholders and seek feedback. Just putting out the ESG information in BRSR format will not ensure that the information reaches the right stakeholders. There has to be a clear communication plan. The feedback from the stakeholders will help improve the BRSR in the future.

The Council feedback to improve BRSR

Defining materiality: In recent times, there have been 2 forms of materiality that are featuring in ESG disclosures: Single and Double materiality. BRSR requires the entity to disclose material issues pertaining to environmental and social matters that present a risk or an opportunity to its business. This is a single materiality definition. While double materiality also includes environmental and social matters that can be substantially impacted by the organisation. In simple terms, single materiality includes impact inward and double materiality is impact outward. Although the NGBRC principles have been conceived with a double materiality lens, the materiality definition as given in general disclosure 24 uses a single materiality definition. Globally there is a consensus to move towards double materiality, it might be good to refine the BRSR materiality also in the same lines.

Assurance on BRSR data: Globally one of the key challenges is the quality of ESG data. While BRSR is a step in the direction of the availability of data, it is not explicit as to how to ensure the accuracy and reliability of data. The ESG data disclosed does not go through the same rigor of the financial data reported. With more investment decisions now made integrating the ESG data, there is more focus required to ensure the quality of data. In April 2021, the European Commission adopted a proposal for The Corporate Sustainability Reporting Directive (CSRD). Under this proposal, there is a requirement of audit (assurance) of reported information. BRSR recommends assurance of the disclosures.

Guiding principles to improve quality: A set of guiding principles that can guide the preparation and presentation of BRSR will be useful to companies starting this journey. Principles such as future orientation, stakeholder inclusiveness, materiality and completeness will be key principles that any

organisation needs to apply while preparing for the disclosure and to ensure the quality of the report, the principles can be accuracy, clarity, comparability, conciseness, timeliness, balance, etc. This guidance will help establish the right systems and process around BRSR reporting for any organisation.

Reason for omission to report: While the BRSR does give an option to explain why an organisation does not have a specific policy formulated against the 9 principles of NGBRC, it is silent on how an organisation can respond in case of omission of any other mandatory disclosure. The reason for omission can be that the disclosure is not applicable, or it is confidential, or it is prohibited by law or even non availability of information. In the first 3 cases, the international reporting standards and guidelines stipulate that the organisation explains, and in case information is not available, then it seeks the organisation to disclose the steps taken to obtain such information and by what time the organisation will start reporting.



We would like to thank our ESG council members for their time in providing us with their valuable insights and perspectives that have contributed to building this PoV document.

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