Business Responsibility and Sustainability Reporting - Disclosure Requirement In Annual Report

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Overview

In our previous article, we delved extensively into the intricate landscape of ESG and BRSR reporting, providing a comprehensive analysis of their significance in the business realm. Where we gave insights upon following:

- Global Footprints for BRSR Reporting
- Need for BRSR Reporting
- Pillars of ESG
- Advantages of Incorporating ESG Standards
- Auditing Standard Issued for BRSR Reporting
- Reporting Format for BRSR Reporting

For a detailed exploration of ESG and BRSR fundamentals, including their broader implications and insights please refer to

https://www.linkedin.com/posts/dipen-d-shah-associates-chartered-accountants_dipen-d-shah-associatesbrsr-article-activity-7143854658007076864-3Mlj?utm_source=share&utm_medium=member_desktop

Building upon those insights, current article focuses on the critical aspect of disclosures within the BRSR Reporting Framework which covers insights on:

- Journey from BRR to BRSR
- Format of Reporting Disclosures under BRSR:

  - Comprehensive format
  - BRSR Lite

CONTINUE

Journey from BRR to BRSR.

With the adaption globally and rapidly changing reporting landscape, SEBI's Business Reporting and Sustainability Reporting ("BRSR") is an upgrade over the Business Responsibility Report ("BRR") and its next step in India signifying an important milestone in propagating sustainability and business responsibility principles among Indian companies through **India-made and India-centric framework.**

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 98 mandatory 42 Leadership
Mostly Qualitative	**Indicators**	Qualitative and Quantitative
Annual Report	**Disclosure**	Disclosure in both Annual Report and MCA21 Portal

The new format of BRSR is more comprehensive and is formulated than BRR after considering international reporting standards/ frameworks. Though the transition has its own challenges, these developments will benefit India Inc.'s business sustainability in the long run.

Format of Reporting Disclosures under BRSR

The principle purpose of reporting is to serve as an internal tool for businesses intending to align themselves with the National Guidelines on Responsible Business Conduct **(NGRBC)**

This is expected to better reflect the intent and scope of the reporting requirement.

SEBI proposes two new formats for disclosures:

1.

A comprehensive format

2.

A Lite version

The information sought in the format is mix of quantitative data and qualitative data.Quantitative data will allow for easy measurements and comparative across sectors, companies and in time. Qualitative data will help to capture the unique ways in which organizations have implemented and embedded responsible business conduct.

A comprehensive format

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, 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 DNRBC 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 Key Performance indicators (KPI) in accordance and alignment with the National Guidelines on Responsible Business Conduct (NGRBC's) nine principles of responsible business conduct. Further, companies are required to report on two parametersfor each principle, which are:

Essential indicators (mandatory)

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Leadership indicators (voluntary)

These indicators are not mandatory to be reported by thecompany yet. However, there is a broader expectation thatcompanies would be compliant with these indicators forimproved transparency and greater accountability. This mightinclude reporting on scope 3 emissions and breakdown ofenergy consumption, health, and safety assessment of valuechain partners. The leadership indicators focus on providinga broader picture of the company's operations in terms ofsustainability.

Principles defined by NGRBC under Section C of BRSR Reporting

P1
Ethical Business Practices

P2
Product Stewardship

P3
Employee Wellbeing and Engagement

P4
Stakeholder Engagement

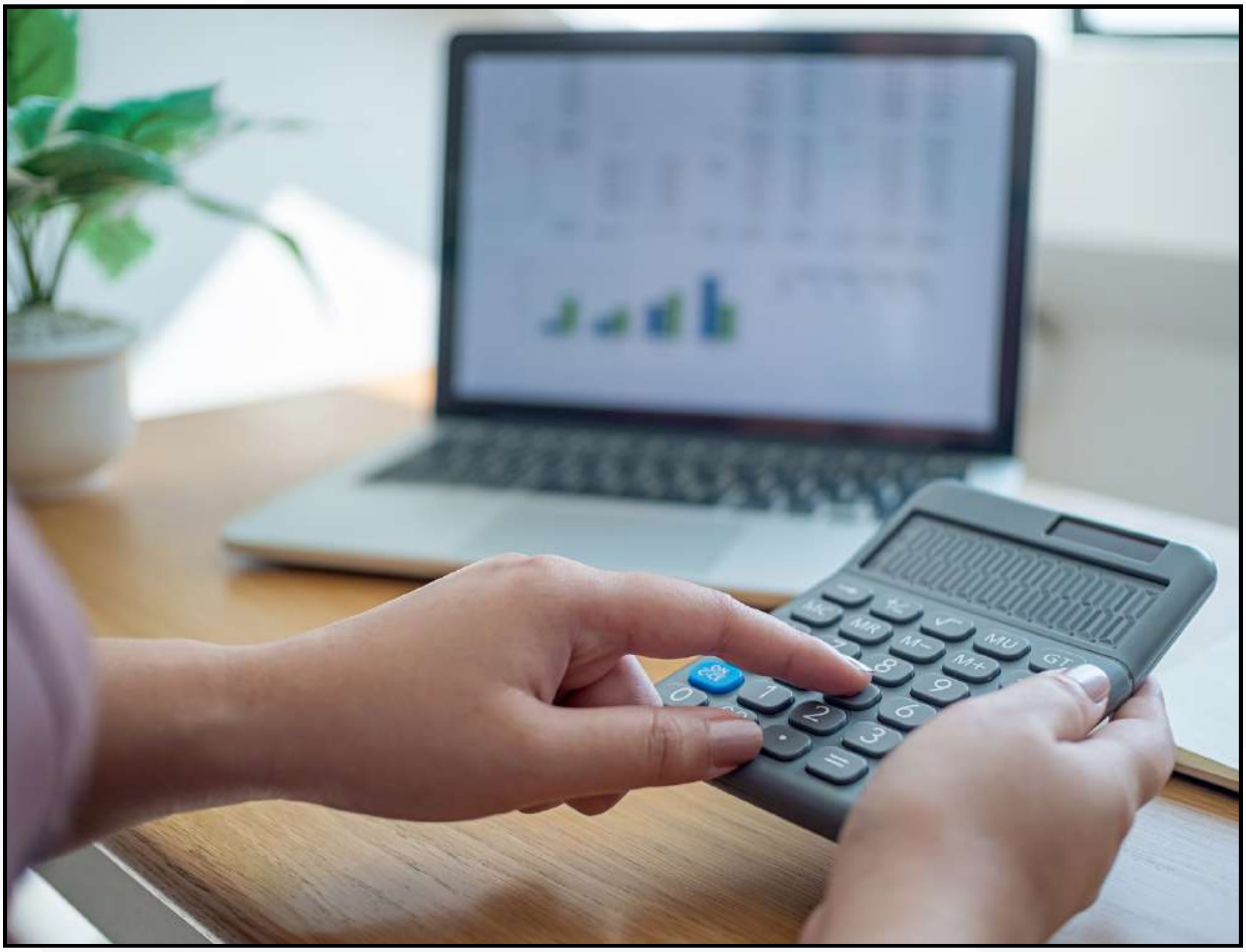
P5
Human Rights

P6
Environmental Stewardship

P7
Public Policy Advocacy

P8
Inclusive and Equitable Growth

P9
Customer Focus



Principle 1:

Businesses should conduct and govern themselves with integrity, and in a manner that is ethical, transparent and accountable.

- detailed disclosure on fines, penalties,punishments, awards, compounding fees, and settlement sums paid in proceedings by the entity or by directors
- Report on conflict of interest and corrective actions at eachreportable level
- Description on the procedures used to manage conflicts ofinterest 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.

- Established framework for product stewardship
- Enhanced mechanisms for ensuring supply chain sustainability
- Guidelines for sustainable sourcing by determining the sources of sustainable inputs and additionally report detail of the products acquired sustainably and otherwise.

Principle 3:

Businesses should respect and promote the well-being of all employees, including those in their value chains.

- Specifications of actions taken and policies framed to promote healthy environment for the health and welfare of employees.
- Details of training imparted to the employees and workers on health and safety measures and on skill up gradation, to maintain a developed workforce.
- Details of life insurance and compensatory package to permanent and contractual employees.
- Human Capital Development throughout Value chain

Principle 4:

Businesses should respect the interests of and be responsive to all their stakeholders.

- Details on identifying key stakeholders based on the totalnumber of stakeholders identified and categorization asgroups to identify priority of engagement.
- Enhanced brand reputation& attractiveness

Principle 5:

Businesses should respect and promote human rights.

- Details of training on human rights issues and policies to the employees and stakeholders in current and previous fiscal year for Enhanced Human Rights and Ethics policies and processes.
- Details of minimum wage paid to employees and workers under the terms of the lab our code.
- Details of grievance mechanism for HR issues that is established internally to address complaints about human rights violations.

Principle 6:

Businesses should respect and make efforts to protect and restore the environment.

- 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. Obtaining environmental approval or permissions
- Carbon and water neutrality
- Established processes for waste and biodiversity management

Principle 7:

Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.

- Robust public advocacy on global matters.
- 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 anticompetitive behavior.

Principle 8:

Businesses should promote inclusive growth and equitable development.

- Report on community grievance mechanism for resolution of local community complaints.
- Enhanced brand reputation & attractiveness
- 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.

- Enhanced customer engagement and product information disclosure.
- Report of attention on the cyber-related threat to data privacy by the employees and stakeholders.
- Disclosure about method and extent of product information on a product is required by local laws to consumers in case of discontinuation of product.

A Lite version: BRSR Lite

Other than top companies, other companies may be unfamiliar with any form of sustainability reporting and the proposed BRSR would perhaps be their first effort at developing sustainability reporting.

BRSR Lite, has been developed for unlisted Companies unfamiliar with the preparation of sustainability reporting. BRSR Lite is a pared down version of BRSR Comprehensive, i.e., with fewer disclosures. The underlying principle behind the Lite version is that the implementation of reporting requirements should be done in phased manner, such that smaller companies get ample of time to adapt and learn from larger ones.

The BRSR Lite format will encourage more companies to begin sustainability reporting as it is easier for all companies to adopt this format. The adoption of BRSR Lite would be voluntary for such companies. This again has the Essential and Leadership category of questions, but fewer in number, and seeks information which such companies should be able to provide.
Leadership indicator (under Section C) are not mandatory under lite version of BRSR.

Further, BRSR Lite does not mandate detailed disclosures on ESG-related corporate governance policies (unlike BRSR Comprehensive) – requiring a disclosure on general stakeholder engagement instead. The Reporting using BRSR-Lite is also cost effective as compared to the regular BRSR, given that the reporting requirement is not as comprehensive and detailed as the Regular BRSR

As outlined in the main body of this article, additional details, specified format, and relevant information can be found in Annexure 2A and Annexure 3A of the below-mentioned link:

https://www.mca.gov.in/Ministry/pdf/BRR_11082020.pdf

Companies Embracing BRSR Reporting

As we navigate the terrain of sustainable business practices, it's inspiring to witness numerous companies at the forefront of change be actively adopting and implementing BRSR Reporting. The list below showcases industry pioneers who have embraced these reporting standards, serving as beacons of commitment to environmental, social and governance (ESG) excellence.

- Tata Power Limited
- Housing Development Finance Corporation (HDFC) Limited
- Tata Steel Limited
- Infosys Limited
- Mahindra & Mahindra Limited
- L&T Finance Holdings Limited
- Larsen & Toubro Infotech Limited
- L&T Technology Services Limited
- Mindtree Limited

Things to do to comply with BSBR reporting

- Organizations are required to systematically integrate sustainability considerations into internal financial controls to not only comply with reporting standards but also strengthen their overall governance framework, promoting transparency, accountability and long-term value creation.

- Organizations are required to enhance their ability to extract, manage, and report non-financial data by identifying data sources, data mapping, establishing data collection protocols, integration with financial statements, periodic review, etc.

- Revamping ERP Systems is also need of hour, as to incorporate and disclose BSBR is a strategic move that aligns with growing emphasis on sustainable practices. Modifying or integrating modules within ERP system not only meet regulatory requirements but also gain a competitive edge.

conclusion

Adopting international sustainability reporting standards through BSBR demonstrates India's commitment to aligning with global best practices.

Thus, with this BSBR helps to build transparency and trust among stakeholders, including investors, customers and wider public. It also provides a standardized way for companies to communicate their ESG performance. It contributes significantly to India's growth and attract more Foreign Direct Investment (FDI) and Foreign Institutional Investment (FII). Thus, in turn, has the potential to foster economic growth, infrastructure development, and increased foreign investment.

Thank you

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