# Introduction to Business Responsibility and Sustainability Reporting (BRSR)

Dipen D Shah & Associates
CHARTERED ACCOUNTANTS

# Table of Content


| | | |
|---|---|---|
| A | BACKGROUND | 4 |
| B | GLOBAL FOOTPRINTS FOR BRSR REPORTING | 6 |
| C | NEED FOR BRSR REPORTING | 7 |
| D | PILLARS OF ESG | 8 |
| E | ADVANTAGES OF INCORPORATING ESG STANDARDS | 9 |
| F | AUDITING STANDARDS ISSUED FOR BRSR REPORTING | 11 |
| G | REPORTING FORMAT FOR BRSR REPORTING | 12 |

# Introduction to Business (BRSR)

Since the evolution of the era of industrialization, humans are at the forefront in exploiting the nature. The consequences of the actions of the past can easily be felt in the present and have led people to think and take action on saving the already degraded environment from future exploitation. Living up to one's commitments to sustainability and combating climate change is an urgent necessity for businesses and individuals alike.

# Background

Globally, disclosure regulations have advanced, holding businesses accountable for recognizing their environmental, social, and governance (ESG) obligations. In response to these international changes, the Securities and Exchange Board of India (SEBI) has announced guidelines for top 1000 listed entities (by market capitalization) to disclose their sustainability performance data and information from FY 2023-24 in Business Responsibility and Sustainability Report (BRSR) as part of its efforts to integrate sustainability considerations while making business decisions and sharing the same with their stakeholders.

The precursor to the BRSR was the Business Responsibility Report (BRR), which was built on business responsibility and sustainability indicators from the National Voluntary Guidelines (NVGs) on corporate social responsibility.

**The ESG reporting started as early as 2009 in the country with the Ministry of Corporate Affairs (MCA) issuing the 'Voluntary Guidelines on Corporate Social Responsibility'. In 2012, SEBI mandated the BRR for the top 100 companies by market capitalization.**

**The mandate was then extended to 500 companies in 2015 and later to 1000 companies in 2019. In the same year The National Guideline on Responsible Business Conduct (NGRBC) was released. Recently, in May 2021, SEBI came out with a circular ('SEBI circular1') introducing BRSR for the top 1000 listed companies by market capitalization with a new prescribed format of sustainability reporting on the ESG parameters.**

**On May 10, 2021, SEBI issued a circular introducing the Business Responsibility and Sustainability Report (BRSR), which will replace the Business Responsibility Reporting (BRR). The new reporting format outlines mandatory ESG policies and requirements for the top 1000 listed companies by market capitalization. The format is based on the nine principles stipulated in the "National Guidelines on Responsible Business Conduct" (RBC Guidelines).**


The newly introduced environment, social, and governance (ESG) reporting requirements for the top 1,000 listed companies in the country by market capitalization. The Securities and Exchange Board of India (SEBI) stipulates that the disclosure must be made through a new format, namely the Business Responsibility and Sustainability Report (BRSR). BRSR reporting has been made voluntary *from FY 2022-23 **but will be mandatory from FY 2023-24.**

* As per market capitalization as on 31 st March of previous year.

# Global footprints of BRSR Reporting

ESG reporting landscape is rapidly changing at the global level. Considering the ever-increasing global challenges pertaining to ESG environmental, social, and governance dimensions. Business leaders in India also see a merit to reorient their corporate purpose and extend beyond wealth creation into broader themes that its key stakeholders are concerned with.

The International Sustainability Board has published first two standards, **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures,** in June 2023.

ESG has traditionally been associated with investing, it is now crucial consideration for a wider range of stakeholders, including customers, suppliers, and employees.

# Need of BRSR Reporting

The adoption of mandatory ESG disclosure legislation is driven by the need to create a standardized approach to ESG reporting, enhance transparency and accountability, and reduce potential for green washing. Mandatory ESG disclosure legislation helps ensure that all firms disclose their ESG data, leading to a level playing field for investors to compare and make informed decisions across different companies and industries.

An ESG report provides a snapshot of the sustainability and social responsibility of a company's operations and practices.

# Pillars of ESG

01

**Enivornmental**

- Air and water Quality
- Biodiversity and deforestation
- Energy efficiency and carboon footprint
- Natural Resource Utilization
- Waste generation and disposal
- Noise pollution
- Adverse effects of climate change.

02

**Social**

- Community relations
- Customer Satisfaction
- Data protection and privacy
- Diversity, equity and inclusion (DEI)
- Human rights
- Health and safety
- Hunger and nutrition
- Poverty reduction
- Elimination of social disparities
- Corporate Social Responsibility

03

**Governance**

- Company leadership
- Board Composition and diversity
- Corruption and bribery
- Political donation and lobbying
- Tax stratergy and regulatory compliance
- Whistle-blower programs
- Statutory compliance
- Internal Audit
- Zero tolerance policy for fraud

# Advantages of Incorporating ESG Standards

- Attract new customers, lenders and investors
- Mitigate risk and build resilience
- Improved corporate image and higher brand value
- Cost reduction and increased profits
- Employee Retention and motivation
- Investment and asset optimization

**ESG reports include qualitative and quantitative data about its three key topics:**

01

### Environmental

What actions does your business take to help the environment?

02

### Social

What is your company doing to improve lives?

03

### Governance

What is your organization doing to stay ahead of corruption and ensure its investments remain sustainable in the future?

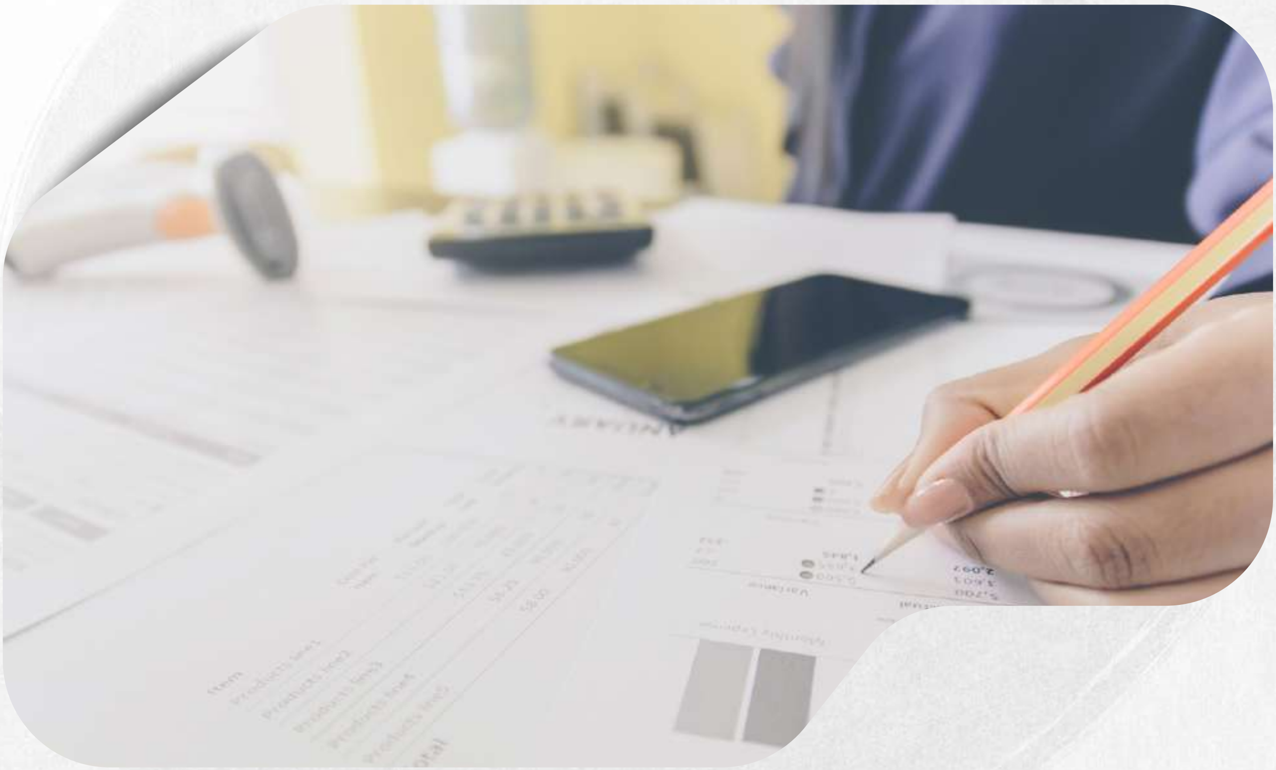

Organizations use two components of ESG reporting — frameworks and standards — to help guide sustainability efforts and the reporting process.

There are several different aspects of social and environmental performance that you can measure, such as your company's carbon footprint, water usage, and number of new hires across diverse demographics.

# Auditing Standards issued for BRSR Reporting

The Institute of Chartered Accountants of India (ICAI) has been entrusted with the responsibility of being self-regulatory organization (SRO) for regulating the profession of Social Auditors. **The Sustainability Reporting Standard Board (SRSB) of ICAI has issued Social Audit Standards (SAS) from SAS 100 to SAS 1600.**

**The Social Audit Standards issued by Institute of Company Secretaries of India (ICSI) are from ICSI SAS-01 to ICSI SAS-16.**



# Reporting Format for BRSR Reporting

Various disclosures required to be made in annual report by the top 1000 listed companies were notified **videNotification no. SEBI/LAD-NRO/GN/2023/131** dated 14th June 2023, amended by **Circular No.SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122** dated 14th July 2023.

The new format is more comprehensive and is formulated after considering various international reporting standards/ frameworks. Though the transition from BRR to BRSR has its short-term challenges, these developments will benefit India Inc.'s business sustainability in the long run. As a next step to reporting, assurance of nonfinancial information is being widely adopted globally for ensuring the credibility of information, however, there are some challenges associated with it.

**The disclosures under BRSR (updated format as well) are made under the following sections:**

**Section A:** General disclosures about the listed entity

**Section B:** Management and process disclosures

**Section C:** Principle-wise performance disclosure

As a professional accountant, incorporating ESG standards into an organization's practice requires a deep understanding of the relevant sustainability factors, the impact they have on organization, and the best way to report and communicate that information to stakeholders.

# Thank you


Dipen D Shah & Associates
CHARTERED ACCOUNTANTS

## CONTACT INFO

Personal Phone: +91-9825139661
Office Landline: +91-79-40039647
Email:cadipen@gmail.com
cadipen09@outlook.com
Skype: Cadipen
Linkedin: https://www.linkedin.com/in/ca-dipen-d-shah

## ADDRESS

813, Shree Balaji Heights C. G. Road, Ahmedabad,
Gujarat India-380009


Competence Credibility Commitment